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If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Shanghai Pioneer Holding Ltd, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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SHANGHAI PIONEER HOLDING LTD

上海先鋒控股有限公司

(Formerly known as China Pioneer Pharma Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

**PROVISION OF CONTINUING GUARANTEE TO
A CONNECTED SUBSIDIARY**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and the
Independent Shareholders**



A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee is set out on pages 17 to 18 of this circular, which contains its opinion to the Independent Shareholders in respect of the Guarantee Framework Agreement and the Guarantee (including the annual caps of the Guarantee) contemplated thereunder. A letter from the Independent Financial Adviser, Maxa Capital, to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 36 of this circular, which contains its opinion to the Independent Board Committee and the Independent Shareholders in respect of the Guarantee Framework Agreement and the Guarantee (including the annual caps of the Guarantee) contemplated thereunder.

A notice convening the EGM of the Company to be held at Conference Hall, 4/F, No. 15, Lane 88, Wuwei Road, Putuo District, Shanghai, China on Thursday, 22 December 2022 at 10:00 a.m. is set out on pages 42 to 43 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 10:00 a.m. on Tuesday, 20 December 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish.

2 December 2022

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Shanghai Pioneer Holding Ltd (上海先鋒控股有限公司), an exempted company incorporated on 5 February 2013 with limited liability under the laws of the Cayman Islands, with its Shares listed on the Main Board of the Stock Exchange (Stock Code: 01345)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Counter Guarantee”	the provision of a counter guarantee for any amounts payable by the Company under the Guarantee by Mr. Li, the controlling Shareholder, pursuant to the Guarantee Framework Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the second extraordinary general meeting in 2022 to be held by the Company on 22 December 2022 to consider matters relating to the Guarantee Framework Agreement and the Guarantee contemplated thereunder (including the annual caps for the Guarantee)
“Group”	the Company together with its subsidiaries
“Guarantee”	the provision of a guarantee not exceeding RMB500 million in total to the member companies of Hunan Tiantong Group for their loans applied from the banks within three years by the member companies of the Group from the date when the Guarantee Framework Agreement is approved at the EGM and takes effect pursuant to the Guarantee Framework Agreement

DEFINITIONS

“Guarantee Framework Agreement”	the guarantee framework agreement entered into among the Company, Hunan Tiantong and Mr. Li on 28 October 2022, pursuant to which the member companies of the Group agreed to provide the Guarantee to the member companies of Hunan Tiantong Group, and Mr. Li, the controlling Shareholder, will provide the Counter Guarantee
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Tiantong”	Hunan Tiantong Environmental Protection Co., Ltd., a company incorporated with limited liability under the laws of the PRC on 10 June 2019, and a connected subsidiary of the Company
“Hunan Tiantong Group”	Hunan Tiantong together with its subsidiaries
“Independent Board Committee”	the independent board committee of the Company, comprising of all the independent non-executive Directors
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under Securities and Futures Ordinance, which has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Guarantee Framework Agreement and the Guarantee (including the annual caps of the Guarantee) contemplated thereunder
“Independent Shareholders”	the Shareholders of the Company, except those who have a material interest in the Guarantee
“Latest Practicable Date”	29 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

DEFINITIONS

“Mr. Li”	Mr. LI Xinzhou, the Chairman, executive Director and controlling Shareholder of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.01 each share(s)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Tiandao Medical”	Tiandao Medical Co., Ltd. (仙桃市天道醫療服務有限公司), a company jointly and wholly owned by the father-in-law and the mother-in-law of Mr. Li, the Chairman, the executive Director and controlling Shareholder of the Company
“%”	percentage

In case of any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.



SHANGHAI PIONEER HOLDING LTD

上海先鋒控股有限公司

(Formerly known as China Pioneer Pharma Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

Executive Directors:

Mr. Li Xinzhou (*Chairman*)

Mr. Yang Yuewen

Mr. Xiao Guoguang

Non-executive Director:

Ms. Hu Mingfei

Independent Non-executive Directors:

Mr. Zhang Hong

Mr. Wong Chi Hung, Stanley

Mr. Lai Chanshu

Registered Office:

190 Elgin Avenue

George Town

Grand Cayman KY1-9005

Cayman Islands

Principal Place of Business in

Hong Kong:

31/F, Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

Hong Kong, China

2 December 2022

To the Shareholders

Dear Sir or Madam,

**PROVISION OF CONTINUING GUARANTEE TO
A CONNECTED SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Reference is made to the announcement of the Company dated 28 October 2022 in relation to the provision of continuing guarantee by the Group to a connected subsidiary. The purpose of this circular is to give you (i) the details of the Guarantee Framework Agreement; (ii) recommendations made by the Independent Board Committee in respect of the Guarantee Framework Agreement; (iii) opinions of Maxa Capital to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM so that you can make informed decisions when you vote at the EGM on the resolutions proposed in connection with the Guarantee Framework Agreement and the Guarantee (including the annual caps of the Guarantee) contemplated thereunder.

LETTER FROM THE BOARD

I. PROVISION OF CONTINUING GUARANTEE TO A CONNECTED SUBSIDIARY

Introduction

On 28 October 2022, the Company, Hunan Tiantong and Mr. Li entered into the Guarantee Framework Agreement, pursuant to which the member companies of the Group agreed to provide the Guarantee of an aggregate amount of not more than RMB500 million to the member companies of Hunan Tiantong Group in respect of their application for loans from the banks, whereas Mr. Li, a controlling Shareholder, will provide the Counter Guarantee for the Guarantee.

The Guarantee Framework Agreement is valid for a term of three years and will be effective from the date on which the approval from Independent Shareholders is obtained at the EGM, among which, the Counter Guarantee will take effect on the same date as the Guarantee until the termination of the Company's obligations under the Guarantee.

Principal Terms of the Guarantee Framework Agreement

Date: 28 October 2022

Parties:

- a) The Company, as guarantor;
- b) Hunan Tiantong, as obligor; and
- c) Mr. Li, as counter guarantor

Guarantee principles: The parties agreed that the provision of the Guarantee shall be based on reasonable and arm's length negotiations among the parties, on a normal commercial basis, and in the interests of the Shareholders as a whole. The Company has the sole discretion to decide whether or not to approve the implementation and determination of a particular guarantee.

In the event that Hunan Tiantong Group fails to repay its debts when due, the Company has no obligation to enter into any agreements or arrangements for granting any new guarantee or extending any existing guarantee.

LETTER FROM THE BOARD

- The Guarantee: During the validity period of the Guarantee Framework Agreement, the cap of the guarantees to be provided by the member companies of the Group, at the requests made by the member companies of Hunan Tiantong Group, shall not exceed RMB500 million in aggregate. Such cap of the guarantee can be rolled over within the term of the Guarantee Framework Agreement, provided that the guarantee to be re-granted shall not exceed the available guarantee balance. In the event that the aforesaid cap is exceeded, the amounts and terms of the guarantee to be granted shall be determined by each party in accordance with the terms of the Guarantee Framework Agreement, and to be approved by the guarantor in accordance with its articles of association and complied with the applicable requirements under the Listing Rules.
- Counter Guarantee: Mr. Li shall provide joint liability guarantee for any amounts payable by the Company under the Guarantee, including (i) the actual amounts repaid by the Company to the financial institutions with respect to the indebtedness defaulted by Hunan Tiantong to the financial institutions; (ii) all costs incurred by the Company in exercising its rights under the Counter Guarantee; and (iii) any other costs which shall be borne by the counter guarantor.
- The Counter Guarantee shall take effect on the same date as the Guarantee until the termination of the Company's obligations under the Guarantee.
- Guarantee fee: Hunan Tiantong Group shall pay certain guarantee fees to the Company during the validity period of the Guarantee Framework Agreement. The guarantee fees are to be calculated at an annualized rate of 0.1% in respect of the actual loan amounts being drawn under the loan facilities contract and based on the drawdown period (including the first and last days) until the release or termination of the guarantees granted under the Guarantee Framework Agreement. The guarantee fees shall be settled on 31 December of each year and paid before the end of January of the next year.

LETTER FROM THE BOARD

The guarantee fee rate was determined on an arm's length basis among all parties after taking into account the following factors: (i) the general market practices in respect of the provision of corporate guarantees to connected persons in the Hong Kong capital market; (ii) the rate of guarantee fees paid to their controlling shareholders recently published by Hong Kong listed companies; and (iii) the liability risk borne by the guarantor in providing the Guarantee for the obligor shall be reasonably controllable.

In arriving at the guarantee fee rate, the Company has specifically taken into account recent transactions of similar nature based on the following selection criteria: (i) the guarantor is a company listed on the Main Board of the Stock Exchange or its wholly-owned subsidiary; (ii) the guarantee is provided for the purpose of loan borrowings of a connected subsidiary of the listed company; (iii) the guarantee period is no shorter than 1 year; and (iv) the guarantee was announced during the period from 28 October 2019 to 28 October 2022, being three years prior to the date of the Guarantee Framework Agreement. The Company has identified an exhaustive list of 6 comparable transactions (the "**Comparable Guarantees**") based on the above selection criteria. The details of the Comparable Guarantees are set out in the letter from the Independent Financial Adviser on page 32 of this circular. In respect of the guarantee fee, the guarantee fee rate of the Comparable Guarantees ranged from nil to 0.1% per annum and 5 out of 6 transactions have nil guarantee fee arrangement. The guarantee fee rate at 0.1% per annum entitled by the Company is at the high-end of the fee range of the Comparable Guarantees.

In view of the above, the Board is of the view that the guarantee fee rate at 0.1% per annum is on arm's length and fair and reasonable for the Company and its Shareholders as a whole. In addition, considering: (i) Hunan Tiantong has made effective development into marketization of its ECD acid-free cleaning technology in 2022; and (ii) the Counter Guarantee provided by Mr. Li, the Board is of the view that the liability risk borne by the Company is low.

LETTER FROM THE BOARD

Validity period: The Guarantee Framework Agreement will be effective from the date of approval by the Independent Shareholders at the EGM with a validity period of three years.

In principle, subject to the compliance with the Listing Rules, each guarantee granted under the Guarantee Framework Agreement during the validity period shall remain valid until the termination date under the individual guarantee contract to be entered into. If the time limit of any individual guarantee contract to be entered into by the Company during the validity period exceeds the validity period (if any), the Company will comply with the relevant requirements under the applicable Listing Rules from time to time by making an announcement or seeking prior approval of the Independent Shareholders.

The Proposed Annual Caps of the Guarantee and their Basis

The cap of the Guarantee is RMB500 million, which was determined on an arm's length basis by the parties after taking into account the following factors:

1. The expected loan amount required by Hunan Tiantong Group in respect of its construction of project production lines and commencement of operation: Hunan Tiantong Group plans to build several large-scale project production lines in the next three years, such as the ship, steel plate and other special-shaped parts cleaning/cold galvanizing project in Dalian, the carbon steel acid-free cleaning project in Taicang, Suzhou, and the stainless steel special-shaped parts acid-free cleaning project in Longwan, Wenzhou. The annual capacity of each project is expected to be 200,000 tons to 3 million tons. Based on the total investment of such projects and their development plans, the estimated maximum daily balance of loans borrowed by Hunan Tiantong Group from the banks will be approximately RMB450 million.
2. It is expected that Hunan Tiantong Group will continue to improve its operation management and the market share in the next three years. With the future internal resources of Hunan Tiantong Group and combined with relevant measures such as the expansion of financing channels and the optimization of debt structure, its demand for the Guarantee of the Company will remain consistent with the expected loan amount.

LETTER FROM THE BOARD

3. The financial position of the Group: with good operations and sufficient capital, as of 30 June 2022, the Group had total assets of approximately RMB1.311 billion, monetary funds of approximately RMB193 million, financial assets, such as structured deposits, which can be converted into monetary funds within one to three months, of approximately RMB214 million, net assets of RMB951 million, with a gearing ratio of 27.45% and a current ratio of 3.15.
4. A buffer of 10% on top of the estimated total amount required for item 1 above to cover any unforeseen increase in project construction and production costs of Hunan Tiantong Group and other risks.

Counter Guarantee

For the purpose of safeguarding the Shareholders' interests, especially the minority Shareholders, Mr. Li will provide Counter Guarantee for the Guarantee.

Upon the effectiveness of the Guarantee and Counter Guarantee, the member companies of Hunan Tiantong Group (as obligor) and the member companies of the Group (as guarantor) will enter into specific loan and guarantee agreements with the financial institutions. The Company will claim against Mr. Li for the actual amounts repaid to the financial institution (if any) due to the default of the obligor on any specific loan amount pursuant to the Guarantee Framework Agreement.

Having taken into account the liabilities position of Mr. Li, the Board is of the view that Mr. Li has sufficient financial capacity to fulfill his obligations under the Counter Guarantee through the following procedures and such procedures are sufficient to safeguard the Company's interests.

1. The Counter Guarantee represents a direct claim on Mr. Li. It is unconditional and irrevocable and remains continuously effective until the outstanding amount under the Guarantee is fully repaid or settled.
2. Mr. Li is in a sound financial position by being interested in the Shares of the Company with a total market value of approximately RMB1.47 billion, which is calculated based on the average closing prices of the Shares as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Latest Practicable Date and 869,509,000 Shares which Mr. Li was interested in, with the People's Bank of China exchange rate on November 29 of 1 HKD = 0.92115 CNY. Mr. Li's equity interest in the Shares is free from any mortgage, pledge or encumbrance as checked by the finance department of the Company through public information.

LETTER FROM THE BOARD

3. Mr. Li has signed a lock-up undertaking in relation to the Counter Guarantee, undertaking to the Company not to dispose the controlling shareholding in the Company within three years since the Guarantee takes effect except for the fulfillment of his obligations under the Counter Guarantee.
4. Mr. Li has made a written confirmation on his liability position confirming that (i) his equity interest in the Shares is not subject to any pledge arrangement; (ii) he has no loan or other debt arrangement, in aggregate, exceeding RMB5 million; and (iii) except for the Counter Guarantee, he is not subject to any other guarantee arrangements domestically or overseas.
5. The finance department of the Company has reviewed the credit record of Mr. Li retrieved from the People's Bank of China which evidenced that Mr. Li has no loans or any other liabilities in the PRC.

For the avoidance of doubt, the Company did not request Mr. Li to provide the joint liability guarantee to the financial institutions directly due to the reason that Hunan Tiantong Group will apply loan facilities from the financial institutions in the PRC which will require the guarantor having sufficient domestic assets to cover the loan amount. However, Mr. Li, as a Hong Kong passport holder, did not hold PRC mainland citizenship and thus was deemed as not having sufficient domestic assets to cover the guarantee obligations. The Company has been in touch with three commercial banks in respect of the proposed loan facilities to Hunan Tiantong Group from June 2022 to August 2022. Such banks indicated that as the condition to grant loan facilities to Hunan Tiantong Group, the Company or its onshore subsidiaries with sufficient domestic guarantee capabilities, needs to provide the Guarantee, without requesting Mr. Li to join the Guarantee. Moreover, solely for the purpose of safeguarding the Shareholders' interests, especially the minority Shareholders, Mr. Li agreed to provide the Counter Guarantee pursuant to the Guarantee Framework Agreement.

Reasons for and Benefits of the Provision of the Guarantee

As at the Latest Practicable Date, Hunan Tiantong is indirectly held as to 55% by the Company and is a connected subsidiary of the Company. The Company, as the controlling shareholder of Hunan Tiantong, is of the view that the provision of the Guarantee pursuant to the Guarantee Framework Agreement for a three-year period effective from the date on which the approval from Independent Shareholders is obtained at the EGM can better facilitate the rapid and foreseeable business development of Hunan Tiantong Group in the near future. The Company, as the ultimate controlling shareholder of Hunan Tiantong, will take into account of its own financial condition and provide the Guarantee to Hunan Tiantong, subject to its compliance with the requirements under the Guarantee Framework Agreement. The Guarantee does not have any significant effect on the profit, asset and liability of the Group.

LETTER FROM THE BOARD

Considering that Hunan Tiantong Group is still in the critical stage of its development where it has made effective development into the downstream in recent years and entered into four business agreements with four different business partners in respect of building production lines to provide steel dephosphorization, rust removal, passivation and galvanization services with a total investment of approximately RMB500 million in October, 2022, the provision of the Guarantee enables it to secure sufficient investment capital and reduce financial expenses, to better seize the opportunity of building production lines and expand the production capacity quickly for expanding into the environmental protection industry. The Guarantee is conducive to Hunan Tiantong Group's rapid expansion of market share and the improvement of its profitability. It supports to lay a solid foundation for its financial resources, which will provide higher profit return for the Company in the future. It will further improve the enterprise value of Hunan Tiantong Group, which is in alignment with the Company's strategic development. The Company will benefit from the provision of the Guarantee which will facilitate the daily operation and business of Hunan Tiantong Group to be supported by the loan facility, thus alleviating the Company's capital contribution requirement into Hunan Tiantong and optimizing the fund allocation of the Company to other business segments, therefore promoting the overall business development and strengthening the financial position of the Group.

In addition, it is a common commercial practice for financial institutions in the PRC to require the controlling shareholder of a borrower to use its domestic assets or property to provide guarantee for loan facilities. Given that Hunan Tiantong Group will pay guarantee fees to the Company and that Mr. Li will undertake to provide the Counter Guarantee for all amounts repaid by the Company as guarantor to the financial institutions if Hunan Tiantong Group defaults on the loan facilities, the Directors consider that the risk exposure in respect of the Guarantee to the Company is reasonable and controllable and such arrangement is fair and reasonable from the perspective of the Company.

Internal Control Measures

In respect of the Guarantee, to safeguard the interests of the Company and its Shareholders as a whole, particularly the minority Shareholders, the Company has adopted internal approval and monitoring procedures relating to the Guarantee, which include the followings:

1. Each loan facility to be conducted in respect of the Guarantee shall comply with the relevant financial management policies of the Company;
2. After obtaining the loan approval from any financial institutions, member companies of Hunan Tiantong Group shall submit it to the financial manager and the general manager of Hunan Tiantong, as well as the secretary to the Board and the chief financial officer of the Company for endorsement within the cap of the Guarantee approved by the Shareholders. Only upon such endorsement, member companies of Hunan Tiantong Group and member companies of the Group can enter into the loan agreement and guarantee agreement, respectively, with financial institutions.

LETTER FROM THE BOARD

3. The Company will conduct regular review and assess whether the loan facilities in respect of the Guarantee have been conducted in accordance with the terms of the relevant agreements, and monitor the actual transaction amount of the Guarantee. The finance department of the Company will prepare the monthly review report on continuing connected transactions and convene the review meeting on half-year basis. In addition, the finance department and the secretary to the Board shall submit and report the interim review results of the continuing connected transactions to the Board.
4. In the event that the amount of the Guarantee is expected to exceed the approved annual caps, the chief financial officer of the Company shall report to the management of the Company in a timely manner for its determination as to whether revision to the annual caps is required to ensure compliance of the requirements under the Listing Rules.
5. The auditor of the Company will conduct an annual review of the transactions in respect of the Guarantee.
6. As a controlling shareholder of Hunan Tiantong, the Company shall strengthen the supervision and management of its financial risks through the directors of Hunan Tiantong appointed by the Company, so as to prevent Hunan Tiantong from defaulting its repayment of loans in its best efforts.

In respect of the Counter Guarantee, the Company has also adopted the following internal control procedures to ensure that the Counter Guarantee is able to safeguard the Company's interests over the entire period of the Guarantee:

1. The Board will maintain active communication with Mr. Li and monitor the changes in liabilities position of Mr. Li periodically. The finance department of the Company shall (i) conduct quarterly investigation and assessment of Mr. Li's financial position by way of checking the equity interest information of the Shares held by Mr. Li, including the mortgage or pledge status, shareholding and market price on the websites of the Stock Exchange and requiring written confirmation from Mr. Li on his financial position; (ii) retrieve the credit records of Mr. Li from the People's Bank of China semi-annually; and (iii) require Mr. Li to notify the Company immediately if he incurs any significant liabilities to ensure that he has sufficient financial capacity to fulfill his obligations under the Counter Guarantee.
2. In the event that Mr. Li fails to fulfill his obligations under the Counter Guarantee, the Company is entitled to file a lawsuit in the court and apply to freeze Mr. Li's assets, and has priority to receive relevant compensation.

LETTER FROM THE BOARD

Having considered the internal control measures mentioned above, the Directors consider that such internal control measures are sufficient to ensure that the Guarantee will be entered into on normal commercial terms, and will not impair the interests of the Company and its Shareholders as a whole.

Listing Rules Implications

Hunan Tiantong is a non-wholly owned subsidiary of the Company in which 39% of equity interest is owned by Tiandao Medical, an associate of Mr. Li. Therefore, Hunan Tiantong is a connected subsidiary of the Company and the provision of the Guarantee to Hunan Tiantong by the Company constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (excluding profits ratio) (as defined in Rule 14.07 of the Listing Rules) in respect of the annual caps of the Guarantee under the Guarantee Framework Agreement exceeds 25%, the Guarantee contemplated under the Guarantee Framework Agreement shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As Hunan Tiantong is a subsidiary of the Company, the Guarantee does not constitute a notifiable transaction of the Company under Rule 14.04 of the Listing Rules.

As the Counter Guarantee is on normal or better commercial terms to the Group and will not be secured by the assets of any member company of the Group, the Counter Guarantee is fully exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Opinion of the Board

The Board considers that, although the Guarantee Framework Agreement was not entered into in the ordinary course of business of the Group, the terms of the Guarantee Framework Agreement are on normal commercial terms, which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Board is also of the view that Mr. Li has sufficient financial capacity to fulfill his obligations under the Counter Guarantee and the risk of his default is within the controllable range and is relatively low.

As (i) the associates of Mr. Li, the executive Director and Chairman of the Company, hold 39% of the equity interest of Hunan Tiantong; (ii) Mr. Xiao Guoguang, the executive Director of the Company, holds 6% of the equity interest of Hunan Tiantong, both Directors have abstained from voting on the resolution of the Board approving the provision of the Guarantee and the proposed annual caps. Save for Mr. Li and Mr. Xiao Guoguang, none of the Directors has material interests in the aforesaid matters and was therefore required to abstain from voting on the relevant resolution of the Board.

LETTER FROM THE BOARD

Information on the Parties

Hunan Tiantong

Hunan Tiantong is a company with limited liability established in the PRC, which is a comprehensive conglomerate specializing in research and development of environmental protection technology, production of complete set of environmental protection equipment, steel dephosphorization and rust prevention and environmental protection operation. Its key projects are the research and application of complete set of technical equipment for acid-free cleaning of ECD electrocatalytic steel strips.

The latest financial information of Hunan Tiantong is as follows:

	Unit: RMB	
	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Total assets	43,404,287.56	27,704,165.55
Net assets	35,372,055.80	10,292,789.78
	For the six months ended 30 June 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Revenue	0	662,342.56
Net profit before taxation	-3,120,733.98	-4,663,858.68

The Company

The Company is an investment holding company and its subsidiaries are primarily engaged in the business of providing comprehensive marketing, promotion and channel management services in relation to imported pharmaceutical products and medical devices and the environmental protection industry in China.

Mr. Li

Mr. Li Xinzhou is the controlling Shareholder, the executive Director and the Chairman of the Company and the founder of the Group. He is responsible for managing the operations and planning and formulating the Group's strategies.

LETTER FROM THE BOARD

II. FORMATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising of all independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Guarantee Framework Agreement and the Guarantee (including the annual caps of the Guarantee) contemplated thereunder. Your attention is drawn to the letter from the Independent Board Committee containing its advice set out on pages 17 to 18 of this circular. Maxa Capital was engaged as the Independent Financial Adviser for providing opinions to the Independent Board Committee and the Independent Shareholders in respect of the Guarantee Framework Agreement and the Guarantee (including the annual caps of the Guarantee) contemplated thereunder. The text of the letter of advice from Maxa Capital is set out on pages 19 to 36 of this circular.

III. CONVENING OF EGM

A notice convening the EGM of the Company to be held at Conference Hall, 4/F, No. 15, Lane 88, Wuwei Road, Putuo District, Shanghai, China on Thursday, 22 December 2022 at 10:00 a.m. is set out on pages 42 to 43 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the Guarantee (with or without modifications). A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk.

As at the Latest Practicable Date, Mr. Li and his associates, namely Ms. Wu Qian (吳茜), Tian Tian Limited and Pioneer Pharma (BVI) Co., Ltd., held 869,509,000 Shares of the Company in total, representing approximately 69% of the issued share capital of the Company. In accordance with the Listing Rules (Rule 14A.36 of the Listing Rules stipulates that any connected person and any shareholders and their associates who has significant interests in the continuing connected transactions shall abstain from voting on the relevant resolutions at the EGM), Mr. Li and his associates shall abstain from voting on the resolutions approving the Guarantee Framework Agreement and the Guarantee (including the annual caps of the Guarantee) contemplated thereunder at the EGM. As at the Latest Practicable Date, to the best knowledge, information and belief of the Company, save for Mr. Li and his associates required to abstain from voting on relevant resolutions, none of the Shareholders shall abstain from voting on the relevant resolutions at the EGM.

The register of members of the Company will be closed from Monday, 19 December 2022 to Thursday, 22 December 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the EGM. All transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 16 December 2022 for registration.

LETTER FROM THE BOARD

IV. FORM OF PROXY

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the EGM (i.e. before 10:00 a.m. on Tuesday, 20 December 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

V. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote at an EGM (save for certain procedural or administrative matters) must be taken by poll. The chairman of the EGM shall therefore demand voting on resolutions set out in the notice of the EGM be taken by way of poll pursuant to article 81 of the articles of association of the Company.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative shall have one vote for every fully paid Share of which he is the holder. A Shareholder entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

The Company will announce the results of the poll after the conclusion of the EGM in accordance with Rule 13.39(5) of the Listing Rules.

VI. RECOMMENDATION

The Board (including independent non-executive Directors) considers that the terms of the Guarantee Framework Agreement and the Guarantee (including the annual caps of the Guarantee) contemplated thereunder are fair and reasonable, entered into after arm's length negotiations by the Company, Hunan Tiantong and Mr. Li, determined on normal or better commercial terms, and are in the interests of the Company and its Shareholders as a whole. Therefore, Independent Shareholders are recommended to vote in favour of the relevant resolutions to be proposed at the EGM.

Yours faithfully,
By Order of the Board
Shanghai Pioneer Holding Ltd
LI Xinzhou
Chairman



SHANGHAI PIONEER HOLDING LTD

上海先鋒控股有限公司

(Formerly known as China Pioneer Pharma Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

2 December 2022

To the Independent Shareholders

Dear Sir or Madam,

**PROVISION OF CONTINUING GUARANTEE TO
A CONNECTED SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 2 December 2022 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee by the Board to advise the Independent Shareholders as to the Guarantee Framework Agreement and the Guarantee contemplated thereunder (including the annual caps of the Guarantee). Maxa Capital has been appointed as the Independent Financial Adviser and has advised the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention the letter from the Board as set out on pages 4 to 16 of this Circular and the letter from Independent Financial Adviser as set out on pages 19 to 36 of this Circular.

Having considered the terms of the Guarantee Framework Agreement and the opinion from the Independent Financial Adviser in respect of the Guarantee Framework Agreement and the Guarantee contemplated thereunder (including the annual caps of the Guarantee), we are of the opinion that although the Guarantee Framework Agreement was not entered into in the ordinary course of business of the Group, the terms of the Guarantee Framework Agreement are fair and reasonable, entered into after arm’s length negotiations by the Company, Hunan Tiantong and Mr. Li, determined on normal or better commercial terms and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Therefore, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in relation to the Guarantee Framework Agreement and the Guarantee contemplated thereunder (including the annual caps of the Guarantee).

Yours faithfully,

The Independent Board Committee of

Shanghai Pioneer Holding Ltd

ZHANG Hong

WONG Chi Hung

LAI Chanshu

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Maxa Capital, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

2 December 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTION PROVISION OF CONTINUING GUARANTEE TO A CONNECTED SUBSIDIARY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Guarantee Framework Agreement and the Guarantee (including the annual caps of the Guarantee (the “**Proposed Annual Caps**”)) contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 2 December 2022 issued by the Company (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 28 October 2022 in respect of the entering of the Guarantee Framework Agreement, pursuant to which the member companies of the Group agreed to provide the Guarantee of an aggregate amount of not more than RMB500 million to the member companies of Hunan Tiantong Group in respect of their application for loans from the banks, whereas Mr. Li, a controlling Shareholder, will provide the Counter Guarantee for the Guarantee. The Guarantee Framework Agreement is valid for a term of three years and will be effective from the date on which the approval from Independent Shareholders is obtained at the EGM, among which, the Counter Guarantee will take effect on the same date as the Guarantee until the termination of the Company’s obligations under the Guarantee.

As at the Latest Practicable Date, Hunan Tiantong is a non-wholly owned subsidiary of the Company in which 39% of equity interest is owned by Tiandao Medical, an associate of Mr. Li. Therefore, Hunan Tiantong is a connected subsidiary of the Company and the provision of the Guarantee to Hunan Tiantong by the Company constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (excluding profits ratio) (as defined in Rule 14.07 of the Listing Rules) in respect of the annual caps of the Guarantee under the Guarantee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Framework Agreement exceeds 25%, the Guarantee contemplated under the Guarantee Framework Agreement shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising of all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Guarantee Framework Agreement and the Guarantee (including the Proposed Annual Caps) contemplated thereunder. We, Maxa Capital, have been engaged as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from the Company in accordance with Rule 13.84 of the Listing Rules and, accordingly, are considered eligible to give independent advice on the Guarantee Framework Agreement and the Guarantee (including the Proposed Annual Caps) contemplated thereunder. Save for this appointment as the Independent Financial Adviser, there was no other engagement between the Company and us in last two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our advice and recommendations, we have reviewed, among others, (i) the Guarantee Framework Agreement; (ii) the annual reports of the Company for the two years ended 31 December 2020 (the "2020 AR") and 31 December 2021 (the "2021 AR") and the interim report of the Company for the six months ended 30 June 2022 (the "2022 IR"); (iii) the basis of calculation of the Proposed Annual Caps; and (iv) the Company's internal control procedures in relation to continuing connected transactions. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Group (the "Management"), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date of this letter. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. Our opinion is based on the Directors' representation and confirmation that no material facts have been omitted from the information provided and referred to in the Circular.

The Company confirmed that they have, at our request, provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

opinion. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in the Circular nor do doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company, the Directors and the Management which have been provided to us. We have not, however, conducted any independent verification on the information provided to us by the Directors and the Management, nor have we conducted any form of independent in-depth investigation into the business and affairs of the Company, Hunan Tiantong and each of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Guarantee Framework Agreement and the Guarantee (including the Proposed Annual Caps) contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background of the Guarantee Framework Agreement

1.1 Information of the Group

The Company is an investment holding company and its subsidiaries are primarily engaged in the business of providing comprehensive marketing, promotion and channel management services in relation to imported pharmaceutical products and medical devices and the environmental protection industry in China. Set out below are the financial highlights of the Group for the three years ended 31 December 2021 and the six months ended 30 June 2021 and 2022.

	For the year ended 31 December			For the six months ended	
				30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	1,315,978	1,332,037	1,434,820	685,833	659,410
Profit attributable to owners of the Company	104,627	52,448	142,633	68,888	122,218

As illustrated in the table above, for the six months ended 30 June 2022 (“1H2022”), the Group recorded a revenue of approximately RMB659.4 million, representing a decrease of 3.9% as compared to that for the six months ended 30 June 2021 (“1H2021”). The Group’s profit attributable to the owners of the Company for 1H2022 amounted to approximately RMB122.2 million, representing an increase of approximately 77.4% in comparison with that for 1H2021, which was mainly attributable to the gain on disposal of an associate of approximately RMB37.8 million and the decrease in distribution and selling expenses of approximately RMB26.8 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2021 (“FY2021”), the Group recorded a revenue of approximately RMB1,434.8 million, representing an increase of approximately 7.7% as compared to that for the year ended 31 December 2020 (“FY2020”). The Group’s profit attributable to the owners of the Company for FY2021 amounted to approximately RMB142.6 million, representing an increase of approximately 172.0% in comparison with that for FY2020, which was mainly attributable to the increase of revenue of approximately RMB102.8 million.

For FY2020, the Group recorded a revenue of approximately RMB1,332.0 million, representing an increase of approximately 1.2% as compared to that for the year ended 31 December 2019 (“FY2019”). The Group’s profit attributable to the owners of the Company for FY2020 amounted to approximately RMB52.4 million, representing a decrease of approximately 49.9% in comparison with that for FY2019, which was mainly attributable to the higher sales proportion of some products with lower gross profit margins.

	As at 31 December		As at 30 June	
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)	(unaudited)
Total assets	1,550,586	1,428,442	1,328,477	1,310,617
Bank balances and cash	270,284	115,009	224,851	193,054
Total liabilities	406,599	516,727	417,491	359,786
Total bank borrowings	48,843	15,097	13,866	70,815
Total equity	1,143,987	911,715	910,986	950,831

The Group’s total assets and total equity as at 30 June 2022 decreased by approximately 1.3% and increased by approximately 4.4%, respectively, as compared to that as at 31 December 2021. The Group’s bank balance and cash as at 30 June 2022 decreased by approximately 14.1% as compared to that as at 31 December 2021. The Group’s total bank borrowings as at 30 June 2022 increased by approximately 410.7% as compared to that as at 31 December 2021, which is mainly attributable to new bank loans of approximately RMB57.0 million obtained by the Group to finance its business operation.

The Group’s total assets and total equity as at 31 December 2021 decreased by approximately 7.0% and approximately 0.1%, respectively, as compared to that as at 31 December 2020. The Group’s bank balance and cash as at 31 December 2021 increased by approximately 95.5% as compared to that as at 31 December 2020, which is mainly attributable to the significant increase of net cash generated from operating activities as a result of the increase of sales of the Company. The Group’s total bank borrowings as at 31 December 2021 decreased by approximately 8.2% as compared to that as at 31 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's total assets and total equity as at 31 December 2020 decreased by approximately 7.9% and approximately 20.3%, respectively, as compared to that as at 31 December 2019. The Group's bank balance and cash as at 31 December 2020 decreased by approximately 57.4% as compared to that as at 31 December 2019, which is mainly attributable to (i) the significant decrease of net cash generated from operating activities as a result of the increase in the inventory purchases and income tax; and (ii) the significant increase of net cash used in financing activities as a result of the payment of dividends and repayments of bank borrowings. The Group's total bank borrowings as at 31 December 2020 decreased by approximately 69.1% as compared to that as at 31 December 2019.

1.2 Information of Hunan Tiantong

Hunan Tiantong is a company with limited liability established in the PRC, which is a comprehensive conglomerate specializing in research and development of environmental protection technology, production of complete set of environmental protection equipment, steel dephosphorization and rust prevention and environmental protection operation. Its key projects are the research and application of complete set of technical equipment for acid-free cleaning of ECD electrocatalytic steel strips.

On 23 February 2022, the Company entered into a capital increase agreement through its wholly-owned subsidiary Xiantao Pioneer Pharma Co., Ltd., (仙桃先鋒醫療服務有限公司, "Xiantao Pharma") with Tiandao Medical and Mr. Xiao Guoguang, pursuant to which, Xiantao Pharma increased the capital of Hunan Tiantong by RMB27.5 million and hold 55% of its equity interests. Upon completion of such transaction on 17 June 2022, Hunan Tiantong became an indirect subsidiary of the Company. As at the Latest Practicable Date, the Company indirectly held 55% of the equity interest of Hunan Tiantong; Tiandao Medical, an associate of Mr. Li, held 39% of the equity interest of Hunan Tiantong; Mr. Xiao Guoguang, an executive Director of the Company, held 6% of the equity interest of Hunan Tiantong.

Set out below are the financial highlights of Hunan Tiantong for FY2020, FY2021, 1H2021 and 1H2022 (the "Review Period").

	For the year ended		For the six months ended	
	31 December 2020	2021	30 June 2021	2022
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	113	662	-	-
Net Profit/(Loss)	(3,843)	(4,664)	(2,069)	(3,121)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December		As at 30 June
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Total assets	15,961	27,704	43,404
Bank balances and cash	402	637	973
Total liabilities	1,004	17,411	8,032
Total bank borrowings	–	–	–
Total equity	14,957	10,293	35,372

As illustrated above, for FY2021, Hunan Tiantong recorded a revenue of approximately RMB0.662 million, representing an increase of approximately 485.8% as compared to that for FY2020. For 1H2022, Hunan Tiantong did not record any revenue. Throughout the Review Period, Hunan Tiantong presented an increasing trend on its net loss. The bank balance and cash of Hunan Tiantong has demonstrated a steady uptrend throughout the Review Period, with an increase of approximately 52.7% as at 30 June 2022 and approximately 58.5% as at 31 December 2021 as compared to that as at 31 December 2021 and 31 December 2020, respectively. During the Review Period, Hunan Tiantong has not made any bank borrowings.

1.3 *Information of Mr. Li*

Mr. Li is the controlling Shareholder, the executive Director and the Chairman of the Company and the founder of the Group. He is responsible for managing the operations and planning and formulating the Group's strategies. As at the Latest Practicable Date, he was interested in 869,509,000 Shares, representing approximately 69% of the total issued Shares.

We have obtained and reviewed the written confirmation provided by Mr. Li to the Company in which he confirmed that (i) his equity interest in the Company was not subject to any pledge arrangement; (ii) he has no loan or other debt arrangement, in aggregate, exceeding RMB5 million; and (iii) except for the Counter Guarantee, he is not subject to any other guarantee arrangements domestically or overseas. We have also obtained and reviewed Mr. Li's lock-up undertaking in relation to the Counter Guarantee, undertaking to the Company not to dispose the controlling shareholding in the Company within three years since the Guarantee takes effect except for the fulfillment of his obligations under the Counter Guarantee. Further, we have obtained and reviewed the credit record of Mr. Li as retrieved from the People's Bank of China and noted Mr. Li has no loans or any other liabilities in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As part of our due diligence work, we have (i) reviewed the 2022 IR; (ii) checked the disclosure of interest form published on www.hkexnews.hk, and noted that Mr. Li is interested in 869,509,000 Shares of the Company without short position or pledge of shares for his shareholdings. Further, we have reviewed the daily closing prices of the Shares for the period from 28 October 2021, being one year prior to the date of the Guarantee Framework Agreement and up to the Latest Practicable Date. We noted that during such period, the average closing price of the Shares is approximately HK\$2.12, with the highest and lowest closing prices of the Shares being HK\$2.84 and HK\$1.15, respectively. Even based on the lowest closing price of the Shares and Mr. Li's shareholdings in the Company, the market value of Mr. Li's equity interest in the Company would be approximately HK\$1 billion.

2. Reasons for and benefits of the provision of the Guarantee

As stated in the Letter from the Board, the Company, as the controlling shareholder of Hunan Tiantong, is of the view that the provision of the Guarantee pursuant to the Guarantee Framework Agreement for a three-year period effective from the date on which the approval from Independent Shareholders is obtained at the EGM can better facilitate the rapid and foreseeable business development of Hunan Tiantong Group in the near future. The Company, as the ultimate controlling shareholder of Hunan Tiantong, will take into account of its own financial condition and provide the Guarantee to Hunan Tiantong, subject to its compliance with the requirements under the Guarantee Framework Agreement. The Guarantee will not have any significant effect on the profit, asset and liability of the Group.

Considering that Hunan Tiantong Group is still in the critical stage of its development where it has made effective development into the downstream in recent years and entered into four business agreements with four different business partners in respect of building production lines to provide steel dephosphorization, rust removal, passivation and galvanization services with a total investment of approximately RMB500 million in October, 2022, the provision of the Guarantee enables it to secure sufficient investment capital and reduce financial expenses, to better seize the opportunity of building production lines and expand the production capacity quickly for expanding into the environmental protection industry. The Guarantee is conducive to Hunan Tiantong Group's rapid expansion of market share and the improvement of its profitability. It supports to lay a solid foundation for its financial resources, which will provide higher profit return for the Company in the future. It will further improve the enterprise value of Hunan Tiantong Group, which is in alignment with the Company's strategic development. The Company will benefit from the provision of the Guarantee which will facilitate the daily operation and business of Hunan Tiantong Group to be supported by the loan facility, thus alleviating the Company's capital contribution requirement into Hunan Tiantong and optimizing the fund allocation of the Company to other business segments, therefore promoting the overall business development and strengthening the financial position of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted from the announcement of the Company dated 24 May 2022 that Hunan Tiantong has signed a strategic cooperation agreement with Dalian Xinhongli Marine Engineering Co., Ltd. (“**Xinhongli**”), a famous local coating enterprise, with the intention to establish a company in Dalian for ECD acid-free cleaning and cold zinc coating business, and cooperate with Xinhongli and other ship enterprises to solve the technical problems of scale removal and corrosion prevention. We also noted from the announcement of the Company dated 28 June 2022 that the Company, on behalf of Hunan Tiantong, has entered into a contract with Dalian Xinxindingnuo Trading Co., Ltd. (“**Xinxindingnuo**”), to invest in a set of production lines which are capable of processing phosphorus and rust removal and passivation for 600,000 tons of steel special-shaped parts per year and will provide ECD acid-free cleaning service for Xinxindingnuo and Xinhongli and acid-free cleaning and cold zinc coating services for other ship enterprises, with an expected maximum output value of RMB1.0 billion. We further noted from the announcement of the Company dated 31 October 2022 that Hunan Tiantong entered into four contracts (the “**Business Agreements**”) with four different business partners in respect of the investment in production lines. According to the Business Agreements, Hunan Tiantong will set up four new projects in Handan, Cangzhou and Huanghua of Hebei Province and Shengyang of Liaoning Province to provide steel dephosphorization, rust removal, passivation and galvanization services by adopting ECD acid-free cleaning technology developed by Tiantong Environmental Protection, with a total investment of approximately RMB500 million.

In respect of the risk exposure of the Company under the Guarantee, we noted that Mr. Li, the controlling Shareholder, will provide a joint liability guarantee for any amounts payable by the Company under the Guarantee. As advised by the Management, the Company has been in touch with three commercial banks in respect of the loan facilities to Hunan Tiantong Group from June 2022 to August 2022. Such banks indicated that as the condition to grant loan facilities to Hunan Tiantong Group, the Company or its onshore subsidiaries with sufficient guarantee capabilities, needs to provide the Guarantee, without requesting Mr. Li to join the Guarantee. Mr. Li, as a Hong Kong passport holder, was deemed as not having sufficient domestic assets to cover the guarantee obligations. Moreover, solely for the purpose of safeguarding the Shareholders’ interests, especially the minority Shareholders, Mr. Li agreed to provide the Counter Guarantee pursuant to the Guarantee Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To assess the financial position of Mr. Li, we have performed our due diligence work and analysis as set out under the section headed “1.3 Information of Mr. Li”, based on which it is understood that Mr. Li has equity interest in the Company with market value of not less than HK\$1 billion and he has no material liabilities with an aggregated value of over RMB5 million. Given such procedures cover the written confirmation and lock-up undertaking from Mr. Li as well as the credit report retrieved from the People’s Bank of China, we consider sufficient procedures have been conducted to assess the overall financial position (particular the liabilities position) of Mr. Li in meeting his obligations under the Counter Guarantee and we concur with the Company that Mr. Li has sufficient financial capacity to fulfill his obligation under the Counter Guarantee.

Having considered (i) that the provision of Guarantee would improve the enterprise value of Hunan Tiantong Group, which is in line with the strategy of the Company and help the Group to expand its business into the environmental protection industry; (ii) that it is a common commercial practice for financial institutions in the PRC to require the controlling shareholder of a borrower to use its domestic assets or property to provide guarantee for loan facilities; (iii) that the risk exposure in respect of the Guarantee to the Company is reasonable and controllable given Hunan Tiantong Group will pay guarantee fees to the Company and that Mr. Li will undertake to provide the Counter Guarantee for all amount repaid by the Company as guarantor to the financial institutions if Hunan Tiantong Group defaults on the loan facilities; (iv) that Mr. Li has sufficient financial capacity to fulfill his obligation under the Counter Guarantee; and (v) the recent business development of Hunan Tiantong and the related financing demand, we are of the view that although the provision of Guarantee is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Guarantee Framework Agreement

Date: 28 October 2022

Parties: a) The Company, as guarantor;
b) Hunan Tiantong, as obligor; and
c) Mr. Li, as counter guarantor

Guarantee principles: The parties agreed that the provision of the Guarantee shall be based on reasonable and arm’s length negotiations among the parties, on a normal commercial basis, and in the interests of the Shareholders as a whole. The Company has the sole discretion to decide whether or not to approve the implementation and determination of a particular guarantee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that Hunan Tiantong Group fails to repay its debts when due, the Company has no obligation to enter into any agreements or arrangements for granting any new guarantee or extending any existing guarantee.

The Guarantee:

During the validity period of the Guarantee Framework Agreement, the cap of the guarantees to be provided by the member companies of the Group, at the requests made by the member companies of Hunan Tiantong Group, shall not exceed RMB500 million in aggregate. Such cap of the guarantee can be rolled over within the term of the Guarantee Framework Agreement, provided that the guarantee to be re-granted shall not exceed the available guarantee balance. In the event that the aforesaid cap is exceeded, the amounts and terms of the guarantee to be granted shall be determined by each party in accordance with the terms of the Guarantee Framework Agreement, and to be approved by the guarantor in accordance with its articles of association and complied with the applicable requirements under the Listing Rules.

Counter Guarantee:

Mr. Li shall provide joint liability guarantee for any amounts payable by the Company under the Guarantee, including (i) the actual amounts repaid by the Company to the financial institutions with respect to the indebtedness defaulted by Hunan Tiantong to the financial institutions; (ii) all costs incurred by the Company in exercising its rights under the Counter Guarantee; and (iii) any other costs which shall be borne by the counter guarantor.

The Counter Guarantee shall take effect on the same date as the Guarantee until the termination of the Company's obligations under the Guarantee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon the effectiveness of the Guarantee and Counter Guarantee, the member companies of Hunan Tiantong Group (as obligor) and the member companies of the Group (as guarantor) will enter into specific loan and guarantee agreements with the financial institutions. The Company will claim against Mr. Li for the actual amounts repaid to the financial institution (if any) due to the default of the obligor on any specific loan amount pursuant to the Guarantee Framework Agreement.

Guarantee fee:

Hunan Tiantong Group shall pay certain guarantee fees to the Company during the validity period of the Guarantee Framework Agreement. The guarantee fees are to be calculated at an annualized rate of 0.1% in respect of the actual loan amounts being drawn under the loan facilities contract and based on the drawdown period (including the first and last days) until the release or termination of the guarantees granted under the Guarantee Framework Agreement. The guarantee fees shall be settled on 31 December of each year and paid before the end of January of the next year.

The guarantee fee rate was determined on an arm's length basis among all parties after taking into account the following factors: (i) the general market practices in respect of the provision of corporate guarantees to connected persons in the Hong Kong capital market; (ii) the rate of guarantee fees paid to its controlling shareholders recently published by Hong Kong listed companies; and (iii) the liability risk borne by the guarantor in providing the Guarantee for the obligor shall be reasonably controllable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In arriving at the guarantee fee rate, the Company has specifically taken into account recent transactions of similar nature based on the following selection criteria: (i) the guarantor is a company listed on the Main Board of the Stock Exchange or its wholly-owned subsidiary; (ii) the guarantee is provided for the purpose of loan borrowings of a connected subsidiary of the listed company; (iii) the guarantee period is no shorter than 1 year; and (iv) the guarantee was announced during the period from 28 October 2019 to 28 October 2022, being three years prior to the date of the Guarantee Framework Agreement. The Company has identified an exhaustive list of 6 comparable transactions (the “**Comparable Guarantees**”) based on the above selection criteria. The details of the Comparable Guarantees are set out in the letter from the Independent Financial Adviser on page 32 of the Circular. In respect of the guarantee fee, the guarantee fee rate of the Comparable Guarantees ranged from nil to 0.1% per annum and 5 out of 6 transactions have nil guarantee fee arrangement. The guarantee fee rate at 0.1% per annum entitled by the Company is at the high-end of the fee range of the Comparable Guarantees.

In view of the above, the Board is of the view that the guarantee fee rate at 0.1% per annum is on arm’s length and fair and reasonable for the Company and its Shareholders as a whole. In addition, considering: (i) Hunan Tiantong has made effective development into marketization of its ECD acid-free cleaning technology in 2022; and (ii) the Counter Guarantee provided by Mr. Li, the Board is of the view that the liability risk borne by the Company is low.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Validity period: The Guarantee Framework Agreement will be effective from the date of approval by the Independent Shareholders at the EGM with a validity period of three years.

In principle, subject to the compliance with the Listing Rules, each guarantee granted under the Guarantee Framework Agreement during the validity period shall remain valid until the termination date under the individual guarantee contract to be entered into. If the time limit of any individual guarantee contract to be entered into by the Company during the validity period exceeds the validity period (if any), the Company will comply with the relevant requirements under the applicable Listing Rules from time to time by making an announcement or seeking prior approval of the Independent Shareholders.

As advised by the Management, the Guarantee Framework Agreement is the first agreement entered by the Group with its non-wholly owned subsidiaries in respect of the provision of guarantee, and therefore there is no historical transaction document entered into between the Company and its non-wholly owned subsidiaries in respect of the provision of similar guarantee.

Given the Guarantee will be provided by the Company to its connected subsidiary for the purpose of loan borrowings and has a cap of RMB500 million during the validity period of the Guarantee Framework Agreement of three years, we have reviewed the transactions of similar nature based on the following selection criteria: (i) the guarantor is a company listed on the Main Board of the Stock Exchange or its wholly-owned subsidiary; (ii) the guarantee is provided for the purpose of loan borrowings of a connected subsidiary of the listed company; (iii) the guarantee period is no shorter than 1 year; and (iv) the guarantee was announced during the period from 28 October 2019 to 28 October 2022, being three years prior to the date of the Guarantee Framework Agreement. We have identified an exhaustive list of 6 comparable transactions based on the above selection criteria.

Set out below are the details of the Comparable Guarantees. We noted that (i) the Comparable Guarantees relate to three listed companies only; (ii) the size of 5 out of 6 of the Comparable Guarantees on a standalone basis are smaller than the maximum amount of the Guarantee; and (iii) the average length of the Comparable Guarantees is shorter than the Guarantee Framework Agreement. Based on our further research, we noted that the three cases announced by China Molybdenum Co., Ltd. are all conducted under an authorisation regarding the provision of financing guarantee within the amount of RMB1 billion to its connected subsidiary, which is similar with the Guarantee Framework Agreement in terms of transaction nature and size. Considering the rarity of relevant precedent cases available on the Stock Exchange, we consider that (i) the above selection criteria would allow us to capture sufficient cases for a meaningful analysis on the market practice in respect

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of such transactions; and (ii) the Comparable Guarantees are fair, representative and comparable samples for our assessment of the principal terms of the Guarantee Framework Agreement.

Date	Stock code	Company	Guarantee period	Guarantee amount	Guarantee fee	Counter Guarantee Arrangement (Y/N)
28/12/2021	3396	Legend Holdings Corporation	1 year	RMB300 million	0.1% per annum in respect of the actual loan amounts being drawn	N
8/12/2021	3993	China Molybdenum Co., Ltd.	14 months	RMB383 million	Nil	Y
3/12/2021	3993	China Molybdenum Co., Ltd.	From the date when the bank releases the loan to 18 June 2023	RMB376 million	Nil	Y
30/11/2021	3993	China Molybdenum Co., Ltd.	3 years	RMB185 million	Nil	Y
30/6/2021	2107	First Service Holding Limited	3 years	RMB20 million	Nil	Y
3/4/2020	3396	Legend Holdings Corporation	From 12 June 2020 to 30 June 2021	RMB3,800 million	Nil	N
		The Company	3 years	RMB500 million	0.1%	Y

Source: www.hkexnews.hk

In respect of the guarantee fee, we noted from the above table that the guarantee fees of the Comparable Guarantees ranged from nil to 0.1% per annum and 5 out of 6 transactions have nil guarantee fee arrangement. The guarantee fee of 0.1% per annum entitled by the Company is within the fee range of the Comparable Guarantees. Having considered the guarantee fee charged by the Company is at the high-end of the fee range of the Comparable Guarantees. Therefore, we are of the view that the guarantee fee under the Guarantee Framework Agreement is fair and reasonable.

In respect of the counter guarantee arrangement, we noted from the above table that 4 out of 6 of the Comparable Guarantees had similar counter guarantee arrangement. Further, we noted from the announcements of the Comparable Guarantees that it is common for listed companies to solely provide guarantee for

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their connected subsidiaries and the provision of counter guarantee is not required but rather as an addition protection measure to lower the risk exposure of the guarantor. Having considered that (i) it is a common commercial practice for financial institutions in the PRC to require the controlling shareholder of a borrower to use its domestic assets or property to provide guarantee for loan facilities; (ii) the majority of the Comparable Guarantees also had counter guarantee arrangement; (iii) it is common for the listed companies to provide sole guarantee for its connected subsidiaries; and (iv) the commercial rationale behind the arrangement of counter guarantee is to lower the risk exposure of guarantor, we consider the provision of Counter Guarantee under the Guarantee Framework Agreement is fair and reasonable and in the interest of the Company and its shareholders.

In light of the above, we consider the terms of the Guarantee Framework Agreement are on normal commercial terms and are fair and reasonable.

4. Proposed Annual Caps

We understood from the Company that there is no historical transaction amount in relation to guarantees provided by the Company to Hunan Tiantong Group prior to the date of the Guarantee Framework Agreement.

The cap of the Guarantee is RMB500 million, which was determined on an arm's length basis by the parties after taking into account the following factors:

1. The expected loan amount required by Hunan Tiantong Group in respect of its construction of project production line and commencement of operation: Hunan Tiantong Group plans to build several large-scale project production lines in the next three years, such as the ship, steel plate and other special-shaped parts cleaning/cold galvanizing project in Dalian, the carbon steel acid-free cleaning project in Taicang, Suzhou, and the stainless steel special-shaped parts acid-free cleaning project in Longwan, Wenzhou. The annual capacity of each project is expected to be 200,000 tons to 3 million tons. Based on the total investment of such projects and their development plans, the estimated maximum daily balance of loans borrowed by Hunan Tiantong Group from the banks will be approximately RMB450 million.
2. It is expected that Hunan Tiantong Group will continue to improve its operation management and the market share in the next three years. With the future internal resources of Hunan Tiantong Group and combined with relevant measures such as the expansion of financing channels and the optimization of debt structure, its demand for the Guarantee of the Company will remain consistent with the expected loan amount.

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3. The financial position of the Group: with good operations and sufficient capital, as of 30 June 2022, the Group had total assets of approximately RMB1.311 billion, monetary funds of approximately RMB193 million, financial assets, such as structured deposits, which can be converted into monetary funds within one to three months, of approximately RMB214 million, net assets of RMB951 million, with a gearing ratio of 27.45% and a current ratio of 3.15.
4. A buffer of 10% on top of the estimated total amount required for item 1 above to cover any unforeseen increase in project construction and production costs of Hunan Tiantong Group and other risks.

In assessing the fairness and reasonableness of the Proposed Annual Caps, we have reviewed the calculation of the Proposed Annual Caps and discussed with the Company about the basis and underlying assumptions of such calculation. We noted from the calculation that the Proposed Annual Caps are based on the aggregation of the estimated borrowing amounts for investment projects of Hunan Tiantong in each of the coming three years, which will be mainly used to building up production lines for its environmental protection business. We have reviewed the development plan of the environmental protection business of the Group and the budget for certain projects of Hunan Tiantong, and noted that the assumptions used in the calculation of the Proposed Annual Caps are in line with that in the development plan and the budget of existing projects.

Based on the above, we consider that the Proposed Annual Caps are fair and reasonable.

5. Internal Control Measures

The Company has adopted internal approval and monitoring procedures relating to the Guarantee, details of which are included in the sections headed "Internal Control Measures" in the Letter from the Board. We have obtained and reviewed the Company's administrative measures on continuing connected transactions and noted internal control measures set out in the Letter from the Board are in line with such administrative measures.

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In respect of the Counter Guarantee, we noted from the Letter from the Board that the Counter Guarantee represents a direct claim on Mr. Li. It is unconditional and irrevocable and remains continuously effective until the outstanding amount under the Guarantee is fully repaid or settled. In addition, the Company has adopted the following procedures to ensure that the Counter Guarantee is able to safeguard the Company's interests over the entire period of the Guarantee:

1. The Board will maintain active communication with Mr. Li and monitor the changes in liabilities position of Mr. Li periodically. The finance department of the Company shall (i) conduct quarterly investigation and assessment of Mr. Li's financial position by way of checking the equity interest information of the Shares held by Mr. Li, including the mortgage or pledge status, shareholding and market price on the websites of the Stock Exchange and requiring written confirmation from Mr. Li on his financial position; (ii) retrieve the credit records of Mr. Li from the People's Bank of China semi-annually; and (iii) require Mr. Li to notify the Company immediately if he incurs any significant liabilities to ensure that he has sufficient financial capacity to fulfill his obligations under the Counter Guarantee.
2. In the event that Mr. Li fails to fulfill his obligations under the Counter Guarantee, the Company is entitled to file a lawsuit in the court and apply to freeze Mr. Li's assets, and has priority to receive relevant compensation.

Since the above procedures cover the written confirmation and notification from Mr. Li, the public records on the websites of the Stock Exchange as well as the credit reports retrieved from the People's Bank of China, we consider there are sufficient procedures for the Board to monitor the overall financial position (particular the liabilities position) of Mr. Li in meeting his obligations under the Counter Guarantee. Given that (i) as at the Latest Practicable Date, Mr. Li has a financial capacity sufficient to cover the maximum obligation under the Counter Guarantee (for our detailed work and analysis performed in this regard, please refer to under the sections headed "1.3 Information of Mr. Li" and "2. Reasons for and benefits of the provision of the Guarantee"); (ii) the Company has adopted the above procedures to monitor and assess Mr. Li's financial position on a regular basis; and (iii) the Company is entitled to take legal action to protect its interest in extreme case, we consider such internal control measures are sufficient and effective in safeguarding the Company's assets.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and issue confirmations regarding the continuing connected transactions of the Company each year. As confirmed with the Company, the Company will comply with the relevant annual review requirement under the Listing Rules on an on-going basis and therefore the transactions contemplated under the Guarantee Framework Agreement will be reviewed annually by the independent non-executive directors and the auditor of the Company.

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Based on the above and given that the Company, as the controlling shareholder of Hunan Tiantong, can supervise the operation of Hunan Tiantong through the directors appointed by the Company, we are of the view that there are appropriate measures in place to monitor the transactions contemplated under the Guarantee Framework Agreement and the Proposed Annual Caps and hence the interest of the Shareholders would be safeguarded.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the entering into of the Guarantee Framework Agreement, though not in the ordinary and usual course of business of the Group, is in the interest of the Company and its Shareholders as a whole; and (ii) the terms of the Guarantee Framework Agreement and the Proposed Annual Caps are fair and reasonable and on normal commercial terms. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Guarantee Framework Agreement and the Guarantee (including the Proposed Annual Caps) contemplated thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Dian Deng
Managing Director

Ms. Dian Deng is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 14 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars with regard to the Company given in compliance with the Listing Rules. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Disclosure of the interests of the Directors and chief executives of the Company

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO;) or (ii) pursuant to section 352 of the SFO to be entered into the register maintained by the Company referred to therein; or (iii) be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the Shares/underlying Shares of the Company

Name of Director	Capacity	Number of Shares/underlying Shares interested (Long position)	Percentage of the Company's total issued Shares
Li Xinzhou	Interest of spouse ⁽¹⁾	859,795,000(L)	68.38%
	Beneficial owner	9,714,000(L)	0.77%

Remark:

The letter "L" denotes the long position in the Shares.

Note:

- (1) Ms. Wu Qian holds 95% of the shares of Tian Tian Limited, which in turn holds 100% of the shares of Pioneer Pharma (BVI) Co. Ltd., therefore, Ms. Wu Qian is deemed to be interested in 858,392,000 Shares held by Pioneer Pharma (BVI) Co., Ltd., and Ms. Wu Qian holds 1,403,000 Shares of the Company. As Ms. Wu Qian is the spouse of Mr. Li Xinzhou, Mr. Li Xinzhou is deemed to be interested in the 859,795,000 Shares.

Interests in the Company's associated corporations

Name of Director	Name of associated corporation	Number of issued share capital interest	Approximate percentage of shareholding
Li Xinzhou	Tian Tian Limited ⁽¹⁾	100	100%

Notes:

- (1) Mr. Li and Ms. Wu Qian, the spouse of Mr. Li, together hold 100% of the shares of Tian Tian Limited, which in turn holds 100% of the shares of Pioneer Pharma (BVI) Co., Ltd.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors and chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations, which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO to be entered into the register maintained by the Company referred to therein; or (iii) be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Disclosure of the interests of substantial Shareholders and other persons of the Company

As of the Latest Practicable Date, to the best knowledge of the Directors, the following persons and bodies (not being a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be recorded in the register of substantial Shareholders:

Name of substantial Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Wu Qian	Interest of controlled corporation ⁽¹⁾	858,392,000(L)	68.26%
	Interest of spouse ⁽²⁾	9,714,000(L)	0.77%
	Beneficial owner	1,403,000(L)	0.11%
Tian Tian Limited ⁽⁴⁾	Interest of controlled corporation	858,392,000(L)	68.26%
Pioneer Pharma (BVI) Co., Ltd. ⁽⁴⁾	Beneficial owner	858,392,000(L)	68.26%
Bank of Communications Trustee Limited	Trustee	70,851,000(L)	5.63%

Remark:

The letter "L" denotes the long position in the Shares.

Notes:

- (1) Ms. Wu Qian holds 95% of the shares of Tian Tian Limited, which in turn holds 100% of the shares of Pioneer Pharma (BVI) Co., Ltd. Therefore, Ms. Wu Qian is deemed to be interested in the 858,392,000 Shares held by Pioneer Pharma (BVI) Co., Ltd.
- (2) 9,714,000 Shares are held by Mr. Li Xinzhou, the spouse of Ms. Wu Qian. Therefore, Ms. Wu Qian is deemed to be interested in the 9,714,000 Shares.
- (3) Tian Tian Limited, through its controlled corporation, Pioneer Pharma (BVI) Co., Ltd., is deemed to be interested in 858,392,000 Shares held by Pioneer Pharma (BVI) Co., Ltd.
- (4) Mr. Li Xinzhou is a director of each of Pioneer Pharma (BVI) Co., Ltd. and Tian Tian Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (not being the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

3. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors confirm that there has been no any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up.

4. DIRECTORS' SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group (excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT AND COMPETING BUSINESS

As of the Latest Practicable Date, save for the interest of Mr. Li and Mr. Xiao Guoguang, the executive Directors of the Company in the Guarantee contemplated under the Guarantee Framework Agreement as disclosed in this circular:

- (1) none of the Directors had any interest in any contract or arrangement entered into by any member of the Group which is significant in relation to the business of the Group, apart from their service contracts;
- (2) none of the Directors or the proposed Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group;
- (3) none of the Directors, the proposed Directors and (to the best of their knowledge) their respective close associates (as defined in the Listing Rules) had interest in the business (other than the business of the Group) which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualification of the Independent Financial Adviser who has given its opinions contained to in this circular:

Name	Qualifications
Maxa Capital	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Maxa Capital has been appointed as the Independent Financial Adviser to give its written consent to the issue of this circular and has not withdrawn its consent to date and has incorporated the circular and the relevant documents referring to its name and contents as an annex thereto.

As at the Latest Practicable Date, Maxa Capital had no shareholding in any member of the Group and nor held the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Maxa Capital had no interest, direct or indirect, in any assets which had been, since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

7. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.pioneer-pharma.com) for 14 days from the date of this circular:

- (1) Guarantee Framework Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



SHANGHAI PIONEER HOLDING LTD 上海先鋒控股有限公司

(Formerly known as China Pioneer Pharma Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01345)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the second extraordinary general meeting in 2022 (“EGM”) of Shanghai Pioneer Holding Ltd (the “Company”) will be held at Conference Hall, 4/F, No. 15, Lane 88, Wuwei Road, Putuo District, Shanghai, China on Thursday, 22 December 2022 at 10:00 a.m. for considering and, if thought fit, passing the following resolution. Unless otherwise specified, capitalised terms used in the notice shall have the same meanings as those defined in the circular of the EGM of the Company dated 2 December 2022.

ORDINARY RESOLUTION

1. “THAT
 - (a) the Guarantee Framework Agreement dated 28 October 2022 entered into by the Company as guarantor, Hunan Tiantong Environmental Protection Co., Ltd. as obligor and Mr. Li Xinzhou as counter guarantor in respect of the application for loans from the banks by the member companies of Hunan Tiantong Group, including the Guarantee and the annual caps contemplated thereunder be and are hereby approved, ratified and confirmed; and
 - (b) any Director of the Company be and is hereby authorised to sign, agree, ratify, perfect, execute or deliver (including under seal where applicable) such documents and to do or authorise doing all such acts and things incidental to the Guarantee Framework Agreement and the transactions contemplated thereunder as he may in his absolute discretion consider necessary, desirable or expedient and in the best interest of the Company in connection with the implementation of, giving effect to or completion of the Guarantee Framework Agreement and the transactions contemplated thereunder.”

By order of the Board
Shanghai Pioneer Holding Ltd
LI Xinzhou
Chairman

Hong Kong, 2 December 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:
190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

Principal place of business in Hong Kong:
31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Notes:

- (1) A Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a Shareholder of the Company. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. On a poll, votes may be given either personally or by proxy.
- (2) In the case of joint holders, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
- (3) In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above EGM (i.e. before 10:00 a.m. on Tuesday, 20 December 2022) or any adjournment thereof. The completion and return of the form of proxy shall not preclude Shareholders of the Company from attending and voting in person at the above EGM (or any adjourned meeting thereof) if they so wish.
- (4) The register of members of the Company will be closed from Monday, 19 December 2022 to Thursday, 22 December 2022, both days inclusive, to determine the entitlement of the Shareholders to attend the EGM, during which period no Share transfers can be registered. In order to qualify for attending the EGM, all transfers accompanied by the relevant Share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 16 December 2022.
- (5) Shareholders registered to attend the EGM may submit questions related to the resolution submitted at the EGM or raise questions during the EGM. The questions raised by Shareholders at the EGM and those submitted beforehand will be addressed by the Company as far as possible.
- (6) In order to facilitate the prevention and control requirements of COVID-19, the Company recommends that the Shareholder and their authorised person appointing the chairman of the EGM as proxy to attend and vote at the EGM. Shareholders or his/her proxy who need to attend the on-site meeting shall take effective protective measures and comply with the requirements of the venue to accept body temperature detection and other related prevention work.

As at the date of this notice, Mr. LI Xinzhou, Mr. XIAO Guoguang and Mr. YANG Yuewen are executive Directors, Ms. HU Mingfei is a non-executive Director and Mr. ZHANG Hong, Mr. WONG Chi Hung, Stanley and Mr. LAI Chanshu are independent non-executive Directors.