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# **SINOPHARM GROUP CO. LTD.\***

## **國藥控股股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability and carrying on business in Hong Kong as 國控股份有限公司)*  
**(Stock Code: 01099)**

### **CONNECTED TRANSACTION ACQUISITION OF 80% EQUITY INTEREST IN CNPGC SHANXI CO. FROM SINOPHARM INVESTMENT**

The Board hereby announces that on 28 June 2013, the Company entered into the Equity Transfer Agreement with Sinopharm Investment, the intermediate controlling shareholder of the Company, in respect of the acquisition of 80% equity interest in CNPGC Shanxi Co. at a consideration of RMB819.6 million. Upon completion of the transaction under the Equity Transfer Agreement, CNPGC Shanxi Co. will become a subsidiary of the Company.

Sinopharm Investment is the intermediate controlling shareholder of the Company which holds 61.19% equity interest in the Company, and therefore is a connected person of the Company as defined in the Hong Kong Listing Rules. Accordingly, the transaction under the Equity Transfer Agreement constitutes a connected transaction of the Company under the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) calculated exceed 0.1% but are all less than 5%, the transaction under the Equity Transfer Agreement is only subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

## **I BACKGROUND**

On 28 June 2013, the Company entered into the Equity Transfer Agreement with Sinopharm Investment, the intermediate controlling shareholder of the Company, in respect of the acquisition of 80% equity interest in CNPGC Shanxi Co. at a consideration of RMB819.6 million.

Upon completion of the transaction under the Equity Transfer Agreement, CNPGC Shanxi Co. will become a subsidiary of the Company.

## II EQUITY TRANSFER AGREEMENT

**Date:** 28 June 2013

**Parties:** Sinopharm Investment, as the Transferor  
the Company, as the Transferee

**Effective Conditions and Effective Date:** The Equity Transfer Agreement shall be formed after signed by the authorized representatives of both parties or chopped with the official chops of both parties, and shall take effect from the date of being approved by the CNPGC.

**Target Asset:** the 80% equity interest in the Target Company (CNPGC Shanxi Co.) owned by Sinopharm Investment

**Consideration:**

- The parties agreed that the value of the Target Asset would be determined based on the ownership of Sinopharm Investment to the registered capital of the Target Company according to its shareholding, which was RMB800 million, and among which, RMB200 million had been fully paid up by Sinopharm Investment, while RMB600 million had not yet been paid up.
- As such, the consideration to be paid by the Company under the Equity Transfer Agreement shall be as follows:
  - (1) RMB219.6 million shall be paid by the Company in consideration of the RMB200 million registered capital that had been fully paid up by Sinopharm Investment, which was calculated by the original capital contribution plus RMB19.6 million of interest cost; and
  - (2) RMB600 million unpaid registered capital owed by Sinopharm Investment to the Target Company shall be paid by the Company to the Target Company, other than which the Company need not pay any additional consideration to Sinopharm Investment under the Equity Transfer Agreement.

- Other Major Terms:**
- Sinopharm Investment shall transfer the Target Asset to the Company within 10 business days from the effective date of the Equity Transfer Agreement.
  - Completion of the transaction under the Equity Transfer Agreement shall take place on the date of completion of the business registration in respect of the transfer of the Target Asset by the parties.
  - The profit and loss of the Target Company during the period from the valuation date of the Target Company, i.e., 31 December 2012, to the completion of the transaction under the Equity Transfer Agreement (the “transition period”) shall be borne by the Company and Shanxi Pharmaceutical Group.
- Payment Arrangements:**
- RMB219.6 million shall be paid by the Company to Sinopharm Investment by cash within 10 business days from the date of completion of the business registration in respect of the transfer of the Target Asset by the parties; and
  - RMB600 million shall be paid by the Company to the Target Company by cash within the time limit as required by the relevant laws.

### **III INFORMATION OF CNPGC SHANXI CO.**

CNPGC Shanxi Co. was established on 14 April 2011 by Sinopharm Investment and Shanxi Pharmaceutical Group with a total registered capital of RMB1 billion, among which as to 80% shall be contributed by Sinopharm Investment by cash and as to 20% shall be contributed by Shanxi Pharmaceutical Group by injection of its assets. As at the date of the Equity Transfer Agreement, the paid-up registered capital of CNPGC Shanxi Co. was RMB200 million paid by Sinopharm Investment. In accordance with the relevant laws of the PRC, the unpaid registered capital shall be paid by Sinopharm Investment and Shanxi Pharmaceutical Group, respectively before 30 June 2013.

The business scope of CNPGC Shanxi Co. includes the sale of pharmaceutical and healthcare products, the sale and maintenance of medical equipment, and the planting and development of Chinese traditional medicinal materials, etc..

The audited net assets value of CNPGC Shanxi Co. as at 31 December 2012 was RMB205,453,764.93. The net profits (losses) (both before and after taxation) attributable to the Target Asset for the period from 14 April 2011 (being the date of incorporation of CNPGC Shanxi Co.) to 31 December 2011 and for the financial year ended 31 December 2012 were as follows:

	<b>For the period from 14 April 2011 to 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
	<i>RMB</i>	<i>RMB</i>
Net profit (loss) (before taxation) attributable to the Target Asset	(83,658.85)	6,350,101.94
Net profit (loss) (after taxation) attributable to the Target Asset	(83,658.85)	4,446,670.79

#### **IV REASONS FOR AND BENEFIT OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT**

The Company is of the view that signing of the Equity Transfer Agreement is consistent with the development strategy of the Group, and is benefit for the integration of the pharmaceutical market in Shanxi Province and reduction of connected transactions of the Company, as well as the optimization of the sales network of the Group, so as to improve the operation efficiency of the Group.

#### **V HONG KONG LISTING RULES IMPLICATIONS**

Sinopharm Investment is the intermediate controlling shareholder of the Company which holds 61.19% equity interest in the Company, and therefore is a connected person of the Company as defined in the Hong Kong Listing Rules. Accordingly, the transaction under the Equity Transfer Agreement constitutes a connected transaction of the Company under the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) calculated exceed 0.1% but are all less than 5%, the transaction under the Equity Transfer Agreement is only subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, there is no other connected transaction entered into between any member of the Group and Sinopharm Investment or its subsidiaries or associates or otherwise related, which would be, together with the transaction under the Equity Transfer Agreement, aggregated under Rule 14A.25 of the Hong Kong Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the Equity Transfer Agreement was entered into on normal commercial terms, and the terms and conditions therein are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. She Lulin, Mr. Deng Jindong, Mr. Wei Yulin, Mr. Wang Qunbin, Mr. Chen Qiyu, Mr. Fan Banghan, also directors or senior management of Sinopharm Investment or its controlling shareholder, are deemed to have material interest in the Equity Transfer Agreement, and have abstained from voting on the relevant resolution at the Board meeting. Save as mentioned above, none of the other Directors has a material interest in such transaction.

## **VI GENERAL INFORMATION ON THE PARTIES**

### **The Group**

The Group is principally engaged in the distribution of pharmaceutical and healthcare products, operation of retail pharmacies and chemical reagents manufacturing.

### **Sinopharm Investment**

Sinopharm Investment is principally engaged in the industrial investment, trusteeship management of pharmaceutical enterprises, assets restructuring and investment consultation (excluding brokerage services).

## **VII DEFINITIONS**

“Board”	means the board of directors of the Company
“CNPGC”	means China National Pharmaceutical Group Corporation (中國醫藥集團總公司), a state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“Company”	means Sinopharm Group Co. Ltd. (國藥控股股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability and whose H shares are listed and traded on the Hong Kong Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	means the director(s) of the Company
“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited

“Equity Transfer Agreement”	means the equity transfer agreement entered into on 28 June 2013 between the Company and Sinopharm Investment in respect of the acquisition of 80% equity interest in CNPGC Shanxi Co. from Sinopharm Investment
“PRC”	means the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	means Renminbi, the lawful currency of the PRC
“CNPGC Shanxi Co.” or “Target Company”	means China National Pharmaceutical Group Shanxi Co., Ltd. (國藥集團山西有限公司), a company incorporated under the laws of PRC with limited liability
“Shanxi Pharmaceutical Group”	means Shanxi Pharmaceutical Group Co., Ltd. (山西省醫藥集團有限責任公司), a state-owned enterprise incorporated in the PRC
“Sinopharm Investment”	means Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司), a company incorporated under the laws of PRC with limited liability and the intermediate controlling shareholder of the Company
“Target Asset”	means the 80% equity interest in CNPGC Shanxi Co. owned by Sinopharm Investment and the subject of the transaction under the Equity Transfer Agreement

By order of the Board  
**Sinopharm Group Co. Ltd.**  
**She Lulin**  
*Chairman*

Shanghai, the PRC  
28 June 2013

*As at the date of this announcement, the executive director of the Company is Mr. Wei Yulin; the non-executive directors of the Company are Mr. She Lulin, Mr. Wang Qunbin, Mr. Zhou Bin, Mr. Chen Qiyu, Mr. Deng Jindong, Mr. Fan Banghan and Mr. Liu Hailiang; and the independent non-executive directors of the Company are Mr. Wang Fanghua, Mr. Tao Wuping, Mr. Xie Rong, Mr. Zhou Bajun and Ms. Li Ling.*

\* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name “Sinopharm Group Co. Ltd.”*