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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)**

### **DISCLOSEABLE TRANSACTION CAPITAL INCREASE IN SINOPHARM ACCORD**

The Board hereby announces that on 19 July 2013, the Company entered into the Share Subscription Agreement with Sinopharm Accord, a non wholly-owned subsidiary of the Company, pursuant to which, Sinopharm Accord agreed to issue to the Company (as the sole target subscriber), and the Company agreed to irrevocably subscribe for 74,482,543 New A Shares to be issued by Sinopharm Accord at a consideration of RMB1,941,759,896.01. The proceeds raised by Sinopharm Accord from such issuance will be used to repay its debts and replenish its liquidity.

Pursuant to the laws of the PRC, the issue of the New A Shares and the Share Subscription Agreement are still subject to the approval by relevant state-owned assets supervision and administration authority and the general meeting of Sinopharm Accord, as well as the approval of the CSRC. If all the conditions precedent to the Share Subscription Agreement are fulfilled and upon completion of the transaction under the Share Subscription Agreement, the Company's shareholding in Sinopharm Accord will be increased from 38.33% to 51%.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) calculated exceed 5% but are all less than 25%, the transaction under the Share Subscription Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

## I BACKGROUND

On 19 July 2013, the Company entered into the Share Subscription Agreement with Sinopharm Accord, a non wholly-owned subsidiary of the Company, pursuant to which, Sinopharm Accord agreed to issue to the Company (as the sole target subscriber), and the Company agreed to irrevocably subscribe for 74,482,543 New A Shares to be issued by Sinopharm Accord at a consideration of RMB1,941,759,896.01. The proceeds raised by Sinopharm Accord from such issuance will be used to repay its debts and replenish its liquidity.

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## II SHARE SUBSCRIPTION AGREEMENT

**Date:** 19 July 2013

**Parties:** the Company, as the Subscriber

Sinopharm Accord, as the Issuer

**Effective Date and Conditions Precedent:** The Agreement shall be formed after signed by the authorized representatives of both parties and chopped with the official chops of both parties, and shall take effect upon the fulfillment of all the following conditions:

- the issue of the New A Shares having been approved by the board of directors and the general meeting of Sinopharm Accord;
- a waiver from the obligation of making a general offer to the shareholders of Sinopharm Accord by the Company having been granted by the general meeting of Sinopharm Accord;
- the issue of the New A Shares having been approved by relevant state-owned assets supervision and administration authority; and
- the issue of the New A Shares having been approved by the CSRC.

<b>Subscription Price and Pricing Principle:</b>	<p>RMB26.07 per New A Share, being 90% of the average trading price of the A shares of Sinopharm Accord for the 20 trading days preceding the Price Determination Date (the average trading price of the A shares of Sinopharm Accord for the 20 trading days preceding the Price Determination Date = the total value of A shares of Sinopharm Accord traded for the 20 trading days preceding the Price Determination Date/ the total volume of A shares of Sinopharm Accord traded for the 20 trading days preceding the Price Determination Date)</p> <p>The issue/subscription price will be adjusted correspondingly in case of any ex-entitlement event such as declaration of dividend, bonus issue or capitalization issue during the period from the Price Determination Date to the date of issue of the New A Shares.</p>
<b>Number of New A Shares to be Subscribed For:</b>	<p>74,482,543 New A Shares, which will be adjusted correspondingly in case of any ex-entitlement event such as declaration of dividend, bonus issue or capitalization issue during the period from the Price Determination Date to the date of issue of the New A Shares</p>
<b>Consideration:</b>	<p>RMB1,941,759,896.01, calculated by the subscription price multiply by the number of the New A Shares to be subscribed for by the Company under the Agreement</p>
<b>Payment Arrangements:</b>	<p>After the issue of the New A Shares being approved by the CSRC, the Company shall make full payment of the consideration in cash and transfer the total subscription amount to the designated bank account opened by the sponsor of Sinopharm Accord in relation to the issue of the New A Shares within 3 business days from the date of receiving the written payment notice issued by Sinopharm Accord and its sponsor in relation to the issue of the New A Shares.</p>
<b>Lock-up Arrangement:</b>	<p>The parties agreed and confirmed that, in accordance with the relevant requirements of applicable PRC laws and regulations, the New A Shares subscribed for by the Company under the Agreement shall not be transferred within 36 months from the date of completion of the issue of the New A Shares.</p>

### III INFORMATION OF SINOPHARM ACCORD

Sinopharm Accord (formerly known as Shenzhen Accord Pharmaceutical Co., Ltd.), whose predecessor was Shenzhen Health Mineral Water Co., Ltd., was a joint stock limited company established in the PRC in February 1993 through stock restructure, whose A shares and B shares are listed and traded on the Shenzhen Stock Exchange since August 1993.

As at the date of this announcement, the registered capital of Sinopharm Accord is RMB288.1494 million and the number of its total issued shares is 288,149,400 shares, of which 233,263,800 shares are A shares with a nominal value of RMB1.00 each, and 54,885,600 shares are B shares with a nominal value of RMB1.00 each. As at the date of this announcement, the Company holds 38.33% equity interest in Sinopharm Accord and is its parent company.

The business scope of Sinopharm Accord mainly includes the wholesale of pharmaceutical products, the trade of healthcare products and medical equipment, the research, development and consultation services of pharmaceutical packaging materials and pharmaceutical industry products, and the logistics of pharmaceutical products.

The audited net assets value of Sinopharm Accord as at 31 December 2012 was RMB1,839,051,212.20. The net profits (both before and after taxation) of Sinopharm Accord for the two financial years ended 31 December 2012 were as follows:

	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
	<i>RMB</i>	<i>RMB</i>
	(Post-adjustment)	
Audited net profit (before taxation)	407,291,665.56	603,316,791.02
Audited net profit (after taxation)	325,825,367.54	483,681,835.52

### IV REASONS FOR AND BENEFIT OF ENTERING INTO THE SHARE SUBSCRIPTION AGREEMENT

The Company is of the view that the Share Subscription Agreement was entered into based on the sound consideration of the development strategy and future development plan of the Group. It will increase the shareholding of the Company in Sinopharm Accord which is a significant subsidiary of the Company, and therefore is benefit for the expansion of the operation scale and the enhancement of the profitability, sustainable development and competitiveness of the Group, as well as the promotion of the sales network of the Group, so as to improve the operation efficiency of the Group.

The Directors are of the view that the Share Subscription Agreement was entered into after arm's length negotiation and 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.

## V HONG KONG LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) calculated exceed 5% but are all less than 25%, the transaction under the Share Subscription Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

## 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 Accord

The business scope of Sinopharm Accord mainly includes the wholesale of pharmaceutical products, the trade of healthcare products and medical equipment, the research, development and consultation services of pharmaceutical packaging materials and pharmaceutical industry products, and the logistics of pharmaceutical products.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Sinopharm Accord and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

## VII DEFINITIONS

“Board”	means the board of directors 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
“CSRC”	means China Securities Regulatory Commission
“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

“New A Share(s)”	means the new A share(s) (ordinary share(s) with a nominal value of RMB1.00 each) to be issued by Sinopharm Accord to the Company under the Share Subscription Agreement, which will be listed and traded on the Shenzhen Stock Exchange
“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
“Price Determination Date”	means 22 July 2013, being the date of publication of the resolutions passed at the nineteenth meeting of the sixth session of the board of directors of Sinopharm Accord and the date on which the subscription price of the New A Share was fixed
“RMB”	means Renminbi, the lawful currency of the PRC
“Sinopharm Accord”	means China National Accord Medicines Corporation Ltd., a joint stock company incorporated under the laws of the PRC with limited liability and whose A shares and B shares are listed and traded on the Shenzhen Stock Exchange, and a non wholly-owned subsidiary of the Company
“Share Subscription Agreement” or “Agreement”	means the Share Subscription Agreement entered into between the Company and Sinopharm Accord in respect of the subscription of 74,482,543 New A Shares to be issued by Sinopharm Accord at a consideration of RMB1,941,759,896.01

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

Shanghai, the PRC  
22 July 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.”*