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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 17.5% EQUITY INTEREST IN SICHUAN MEDICINE FROM SICHUAN SANXIN CO.

The Board hereby announces that on 25 June 2014, the Company entered into the Equity Transfer Agreement with Sichuan Sanxin Co. in respect of the acquisition of 17.5% equity interest in Sichuan Medicine through the open tender process at the Southwest United Equity Exchange at a consideration of RMB253.113 million.

CNPGC, the ultimate controlling shareholder and a controller of the Company, is also a substantial shareholder of Sichuan Medicine. Accordingly, the acquisition of 17.5% equity interest in Sichuan Medicine by the Company under the Equity Transfer Agreement constitutes a connected transaction of the Company pursuant to Rule 14A.13(1)(b)(i) of 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 25 June 2014, the Company entered into the Equity Transfer Agreement with Sichuan Sanxin Co. in respect of the acquisition of 17.5% equity interest in Sichuan Medicine through the open tender process at the Southwest United Equity Exchange at a consideration of RMB253.113 million.

II. EQUITY TRANSFER AGREEMENT

- Date:** 25 June 2014
- Parties:** Sichuan Sanxin Co., as the Transferor
the Company, as the Transferee
- Effective Date:** The Equity Transfer Agreement shall take effect from the date of being signed by, or chopped with the official chops of, both parties, unless otherwise required by the laws and administrative regulations to be approved by the relevant authorities.
- Target Asset:** 35 million shares, accounting for 17.5% of the total shares, of the Target Company (Sichuan Medicine), which is owned by Sichuan Sanxin Co.
- Consideration:** RMB253.113 million, which was determined according to the appraised value of the Target Asset as at the valuation date (30 June 2013), being RMB227.9398 million, as stated in the valuation report issued by Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd..
The valuation of the Target Asset was conducted through the income approach.
- Other Major Terms:**
- Both parties shall cooperate to assist the Target Company to deal with the registration procedures in respect of the change of equity within 30 business days after obtaining the certificate for the equity transaction issued by the Southwest United Equity Exchange.
 - The profit and loss of the Target Asset during the period from the valuation date, i.e., 30 June 2013, to the completion of the transfer of the Target Asset (the “transition period”) shall be borne by the Company. Sichuan Sanxin Co. shall perform the obligations of due care of the Target Asset, the shareholder’s equity and the assets of the Target Company under the Equity Transfer Agreement.
- Payment Arrangements:**
- The cash deposit at an amount of RMB60 million, which has prepaid by the Company to the Southwest United Equity Exchange, will be transferred to the designated bank account as part of the payment under the Equity Transfer Agreement after deducting relevant expenses upon the coming into effect of such agreement.
 - The rest of the payment under the Equity Transfer Agreement at the amount of RMB193.113 million shall be paid by the Company to the bank account designated by the Southwest United Equity Exchange in a lump sum within 10 business days upon the coming into effect of such agreement.

III. INFORMATION OF SICHUAN MEDICINE

Sichuan Medicine, formerly known as Sichuan Medicine Company (四川省醫藥公司), was established in April 2004 as a subsidiary of Sichuan Medicine Group and with a total registered capital of RMB12 million, among which RMB5.4 million was contributed by Sichuan Medicine Group and RMB6.6 million was contributed by other individual shareholders.

As at the date of this announcement, the total registered capital of Sichuan Medicine is RMB200 million, among which 51%, 17.5% and 31.5% is contributed by Sichuan Medicine Group, Sichuan Sanxin Co. and other shareholders, respectively. CNPGC, the ultimate controlling shareholder of the Company, directly holds 66% equity interest in Sichuan Medicine Group and therefore is the ultimate controlling shareholder of Sichuan Medicine.

The business scope of Sichuan Medicine includes the certified business items covering wholesale of narcotic drugs, the first class psychoactive drugs, the second class psychoactive drugs, biochemical drugs, biological products (excluding preventive biological products), chemical raw materials, Chinese patent medicine, chemical medicine preparation, antibiotic preparation, biological products (the first class vaccines and the second class vaccine), health food, medical equipment, acquisition and operation of medical toxic drugs as well as general business items covering sales of cosmetics and hygiene products, disinfection products, drug packaging materials and containers and sales of hardware and electrical equipment, daily necessities and laboratory analytical instruments.

The audited net assets value of Sichuan Medicine as at 31 December 2013 was RMB421,988,723.50. The net profits (both before and after taxation) attributable to the Target Asset for the two financial years ended 31 December 2013 were as follows:

	For the year ended 31 December 2012 (RMB)	For the year ended 31 December 2013 (RMB)
Net profit (before taxation) attributable to the Target Asset	17,727,180.08	20,267,694.42
Net profit (after taxation) attributable to the Target Asset	14,889,178.47	17,178,802.29

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

In accordance with the development strategy of the Group, the Company intends to integrate and enhance the Group's pharmaceutical distribution network in Sichuan Province through the acquisition of relevant equity interest in Sichuan Medicine, and to build up a new highlight of the development of the Group. In addition, the Group will further expand its pharmaceutical distribution business by focusing on Sichuan Province while covering the whole southwest area, so as to reverse the weakness in its pharmaceutical distribution business in the southwest area.

In order to assist the Company to gradually complete the acquisition of Sichuan Medicine and achieve the development strategy in Sichuan Province and the southwest area, CNPGC, the ultimate controlling shareholder of the Company, has completed the acquisition of 66% equity interest in Sichuan Medicine Group, which is the controlling shareholder of Sichuan Medicine, in May 2014 and therefore become the ultimate controlling shareholder of Sichuan Medicine. Pursuant to the relevant provisions of the Non-competition Agreement entered into between CNPGC and the Company, CNPGC will (i) enter into an entrustment contract with the Company for the purpose of entrusting the Company to operate and manage the business of Sichuan Medicine (which is controlled by it) so as to minimize any competition between the two parties; and (ii) transfer the aforesaid equity interest in Sichuan Medicine Group held by it to the Company within a practicable period.

As such, 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 line with the overall development strategy of the Group as well as in the interests of the Company and its shareholders as a whole.

V. HONG KONG LISTING RULES IMPLICATIONS

CNPGC, the ultimate controlling shareholder and a controller of the Company, is also a substantial shareholder of Sichuan Medicine. Accordingly, the acquisition of 17.5% equity interest in Sichuan Medicine by the Company under the Equity Transfer Agreement constitutes a connected transaction of the Company pursuant to Rule 14A.13(1)(b)(i) of 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.

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

Mr. She Lulin, Mr. Wang Fucheng, Mr. Zhou Bin and Mr. Deng Jindong, also directors or senior management of CNPGC, 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.

Sichuan Sanxin Co.

Sichuan Sanxin Co. is a company incorporated in the PRC with limited liability and is principally engaged in venture capital investment; agents of venture capital business of organization including other venture capital companies or individuals; venture investment advisory business; venture management services to venture companies; involvement in the establishment of venture capital companies and venture capital management consultant organizations; project investment and asset management (excluding securities, finance and futures).

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
“controller”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	means the director(s) of the Company
“Equity Transfer Agreement”	means the equity transfer agreement entered into on 25 June 2014 between the Company and Sichuan Sanxin Co. in respect of the acquisition of 17.5% equity interest in Sichuan Medicine
“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
“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

“Sichuan Medicine” or “Target Company”	means Sichuan Medicine Co., Ltd. (四川省醫藥股份有限公司), a joint stock limited company incorporated under the laws of PRC, whose controlling shareholder is Sichuan Medicine Group, which is owned as to 66% by CNPGC, the ultimate controlling shareholder of the Company
“Sichuan Medicine Group”	means Sichuan Medicine Group Co., Ltd. (四川省醫藥集團有限責任公司), a company incorporated under the laws of PRC with limited liability and the controlling shareholder of Sichuan Medicine
“Sichuan Sanxin Co.” or “Transferor”	means Sichuan Sanxin Venture Investment Co., Ltd. (四川三新創業投資有限責任公司), a company incorporated under the laws of PRC with limited liability
“substantial shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Target Asset”	means 35 million shares, accounting for 17.5% of the total shares, of Sichuan Medicine owned by Sichuan Sanxin Co. and the subject of the transaction under the Equity Transfer Agreement

By order of the Board
Sinopharm Group Co. Ltd.
Wei Yulin
Chairman

Shanghai, the PRC
25 June 2014

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

* *The Company is registered as a non-Hong Kong company under the Hong Kong Companies Ordinance under its Chinese name and the English name “Sinopharm Group Co. Ltd.”*