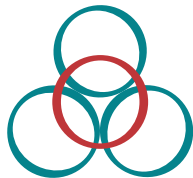


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四环医药  
*SihuanPharm*

**Sihuan Pharmaceutical Holdings Group Ltd.**

四環醫藥控股集團有限公司

*(incorporated in Bermuda with limited liability)*

**(Stock code: 0460)**

**Voluntary Announcement**

**Collaboration Agreement**

**with Chongqing Peg-Bio Biotechnology Co., Ltd**

**for Development of Insulin Products**

The board of directors (the “**Board**”) of Sihuan Pharmaceutical Holdings Group Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) announced that on 12 August 2014, Jilin Sihuan Pharmaceutical Co. Ltd. (“**Jilin Sihuan**”), a wholly-owned subsidiary of the Company, entered into a collaborative development agreement (the “**Collaboration Agreement**”) with Chongqing Peg-Bio BioTechnology Co., Ltd (“**Chongqing Biotech**”), pursuant to which Chongqing Biotech agreed to collaborate with the Group for five insulin products that are currently under development (Finished Pharmaceutical Product (FPP) and Active Pharmaceutical Ingredient (API) of recombinant insulin Degludec, recombinant insulin Aspart and recombinant regular Insulin; combo FPP of recombinant insulin Degludec with Aspart; combo FPP of recombinant regular insulin with Aspart) (together, the “**Products**”). Per the terms of the Collaboration Agreement, the Group will make milestone payments, up to a total of RMB66 million, to Chongqing Biotech for the ownership and franchise of the five products. Chongqing Biotech will also receive royalty payments from sales of the products about 2%-3% royalty for 8 to 12 years after their successful launch.

Insulin is the most effective medicine for treatment of diabetes. It is the only effective treatment for type I diabetes. About 30% to 40% of type II diabetic patients rely on insulin as the treatment of last resort. Among the aforementioned five products, insulin is the classic essential medicine for treating diabetes; Aspart is a classic rapid-acting form of insulin, while Degludec is a new-generation of insulin analog that is not yet approved in China. The Insulin and the Aspart are not only first-line anti-diabetes drugs in China, but also the core ingredients of different insulin formulations. Degludec, which is not yet approved for the China market, is an ultra-long-acting insulin analog. The clinical studies have shown that it has an ultra-long-lasting effect on lowering blood glucose levels and stable pharmacokinetic characteristics that it can sustainably and stably lower the blood glucose levels and reduce the risk of hypoglycemia, especially for nocturnal hypoglycemia. In addition, it has a flexible dosing regimen and can be injected at any time without compromising its efficacy and safety. We believe that, after Degludec is successfully launched on the market, it will quickly win the favor of doctors and patients as the superior formulation of insulin and thus have tremendous market potential. The combo formulation of Degludec with Aspart (long-acting and rapid-acting), and regular Insulin with Aspart (regular-acting and rapid-acting) will combine the advantages of different insulin ingredients and provide patients with more treatment choices.

According to data from IMS Health Incorporated, China's diabetes drug market reached RMB15.6 billion (excluding medical devices) in 2013. Insulin and its analogs, accounted for a total of 48% of the market, are the mainstays in the treatments of diabetes.

It was widely known that the global prevalence of diabetes mellitus has been increasing at alarming rates in recent years. In China the prevalence of diabetes is also growing rapidly, with 92 million patients diagnosed with diabetes and nearly 150 million potential diabetes patients, making it the country with the largest number of diabetes patients in the world. As the incidence of diabetes continues to grow on the back of an aging population and rapid urbanization, the diabetes market in China is projected to reach RMB 40 billion soon. Thus, this implies a tremendous market potential for diabetes treatment.

After achieving its leadership position as the largest cardio-cerebral vascular franchise in China, Sihuan Pharmaceutical is gradually entering into other major therapeutic areas, with diabetes being one of the Group's main focuses. The cooperation with Chongqing Biotech on the five insulin products is one of the many initiatives in the field of research and development which, together with the Group's own innovative drugs that are under development such as Imigliptin Hydrochloride and Janagliflozin etc., will form a strong pipeline of diabetes drugs. The rich and diversified product portfolio includes an organic combination of generic drugs and innovative patented new drugs and will make the Group poised to expand into diabetes drug market.

The aforementioned insulin products are of cutting-edge and advanced technologies, which are expected to possess comparable quality as imported products but also enjoy a significant price advantage. Leveraging the Group's strong sales and marketing capabilities, we believe that the products will gain wide acceptance among patients and physicians and achieve excellent market performance after launch. The collaboration marks a milestone of the Group's expansion into China's diabetes market and is set to drive its long-term sustainable growth.

This announcement is made by the Company as a voluntary announcement to allow the investing public to understand the latest business development of the Group, and does not constitute, and is not intended to be, an advertisement regarding the use of any medicine, surgical appliance, treatment or orally consumed product.

By order of the Board  
**Sihuan Pharmaceutical Holdings Group Ltd.**  
**Che Fengsheng**  
*Chairman*

Hong Kong, 13 August 2014

*As at the date of this announcement, the executive directors of the Company are Dr. Che Fengsheng (Chairman and Chief Executive Officer), Dr. Guo Weicheng and Mr. Meng Xianhui; the non-executive directors of the Company are Dr. Zhang Jionglong and Mr. Homer Sun; and the independent non-executive directors of the Company are Mr. Patrick Sun, Mr. Tsang Wah Kwong and Mr. Zhu Xun.*