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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**  
**CAPITAL INCREASE AGREEMENT REGARDING GUORUI MEDICINE**

The Board hereby announces that on 13 October 2015, the Company entered into the Capital Increase Agreement with CNPGC and Sinopharm (CNCM LTD), pursuant to which, (i) the Company has agreed to make the capital contribution to Guorui Medicine in the amount of RMB330 million, among which, RMB140,462,900 will be recognized as the registered capital, while the remaining RMB189,537,100 will be recognized as the capital reserves; and (ii) CNPGC has agreed to make the capital contribution to Guorui Medicine in the amount of RMB100 million, among which, RMB42,553,800 will be recognized as the registered capital, while the remaining RMB57,446,200 will be recognized as the capital reserves. Upon completion of the transactions under the Capital Increase Agreement, the registered capital of Guorui Medicine will be RMB483,016,700 and owned as to 31.13%, 61.06% and 8.81% by the Company, Sinopharm (CNCM LTD) and CNPGC, respectively. Therefore, Guorui Medicine will continue to be a subsidiary of the Company.

Given that the Capital Increase would result in a dilution of the Company's direct or indirect equity interest in Guorui Medicine from 100% to 91.19%, therefore such transaction gives rise to a deemed disposal of equity interest in Guorui Medicine by the Company according to Rule 14A.24(1) of the Hong Kong Listing Rules.

CNPGC is the ultimate controlling shareholder of the Company and therefore is a connected person of the Company as defined under the Hong Kong Listing Rules. Accordingly, the Capital Increase of RMB100 million by CNPGC to Guorui Medicine (and the deemed disposal of equity interest in Guorui Medicine by the Company) constitutes a connected transaction of the Company pursuant to the Hong Kong Listing Rules.

\* *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."*

As one or more of the applicable percentage ratios (as defined under Rule 14A.77 of the Hong Kong Listing Rules) calculated exceed 0.1% but are all less than 5%, the Capital Increase (and the deemed disposal) 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 13 October 2015, the Company entered into the Capital Increase Agreement with CNPGC and Sinopharm (CNCM LTD), pursuant to which, (i) the Company has agreed to make the capital contribution to Guorui Medicine in the amount of RMB330 million, among which, RMB140,462,900 will be recognized as the registered capital, while the remaining RMB189,537,100 will be recognized as the capital reserves; and (ii) CNPGC has agreed to make the capital contribution to Guorui Medicine in the amount of RMB100 million, among which, RMB42,553,800 will be recognized as the registered capital, while the remaining RMB57,446,200 will be recognized as the capital reserves. Upon completion of the transactions under the Capital Increase Agreement, the registered capital of Guorui Medicine will be RMB483,016,700 and owned as to 31.13%, 61.06% and 8.81% by the Company, Sinopharm (CNCM LTD) and CNPGC, respectively. Therefore, Guorui Medicine will continue to be a subsidiary of the Company.

## **II. CAPITAL INCREASE AGREEMENT**

**Date:** 13 October 2015

**Parties:**

- (i) the Company;
- (ii) CNPGC; and
- (iii) Sinopharm (CNCM LTD);

**Effective Date:** The Capital Increase Agreement shall take effect on the date of being signed and chopped by the authorized representatives of the parties.

**Consideration:**

Pursuant to the Capital Increase Agreement, (i) the Company will pay the consideration of RMB330 million, among which, RMB140,462,900 as contribution to the registered capital of Guorui Medicine and RMB189,537,100 as contribution to the capital reserves of Guorui Medicine; and (ii) CNPGC will pay the consideration of RMB100 million, among which, RMB42,553,800 as contribution to the registered capital of Guorui Medicine and RMB57,446,200 as contribution to the capital reserves of Guorui Medicine.

The amount regarding the capital contribution made by the Company and CNPGC to Guorui Medicine was determined with after arm's length negotiation among the parties with reference to the appraised value of entire equity interest in Guorui Medicine as at the valuation date (31 December 2014), being RMB705,000,000, as stated in the valuation report issued by Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司). The Valuation was conducted through the income approach.

**Payment Arrangements:**

The capital contribution made by the Company and CNPGC to Guorui Medicine will be paid by the Company and CNPGC in full within the period from the date of entering into the Capital Increase Agreement to 31 December 2015.

**Corporate Governance:**

Upon completion of the Capital Increase Agreement, (i) the board of directors of Guorui Medicine shall comprise five directors, among which, the Company is entitled to recommend two directors and Sinopharm (CNCM LTD) is entitled to recommend three directors. The chairman of the board of directors of Guorui Medicine shall be recommended by Sinopharm (CNCM LTD) and elected by the board of directors of Guorui Medicine; (ii) a supervisor of Guorui Medicine shall be delegated by Sinopharm (CNCM LTD); and (iii) the general manager of Guorui Medicine shall be appointed and dismissed by the board of directors of Guorui Medicine, and the chief financial officer of Guorui Medicine shall be delegated by Sinopharm (CNCM LTD).

All parties agree that the appointments of the senior management of Guorui Medicine shall comply with the Company Law of the PRC and the articles of association of Guorui Medicine.

**Profit Distribution:**

The after-tax profit of Guorui Medicine after the covering of losses and extraction of legal accumulation funds shall be allocated in accordance with its articles of association. All parties agree that in principle Guorui Medicine shall distribute 30% to 50% of its profits (after deducting the legal accumulation funds and covering the losses of the previous years) to its shareholders each year. However, if the gearing ratio of Guorui Medicine reaches or exceeds 80% in one year, all parties agree that dividends should not be distributed by Guorui Medicine in that year.

**Other Major Terms:**

- All parties agree that in the subsequent operations of Guorui Medicine, financial support may be provided in an appropriate manner in accordance with the proportion of the respective equity interest of each party within the budget jointly approved by all parties.
- If the gearing ratio of Guorui Medicine exceeds 80% and either party or all parties is/are unable to provide the aforesaid financial support, all parties shall, through friendly negotiations, provide financial support to Guorui Medicine in the following manners:
  - (i) Each party is entitled to send written offer to other parties in relation to the provision of financial support to Guorui Medicine, the other parties shall reply in written within one month upon receiving such offer. If agree with such offer, then the parties shall provide financial support to Guorui Medicine on a proportional basis, in appropriate ways, and within the budget of Guorui Medicine determined the parties;
  - (ii) Where either party is unable to provide the aforesaid financial support, other parties shall provide support to Guorui Medicine in an appropriate and compensated manner. In this case, the party not providing the aforesaid financial support shall pledge its equity interest in Guorui Medicine to the party(ies) providing such support as collateral; and

(iii) Where all parties are unable to provide financial support according to the aforesaid provisions, all parties shall provide support to Guorui Medicine in accordance with their respective equity ratios through other ways of fund raising. In the case that external pledge guarantee with the equity interest in Guorui Medicine is required, such guarantee shall in accordance with relevant laws and regulations of the PRC and the articles of association of Guorui Medicine.

- All parties shall pass the resolution of the shareholders' meeting in relation to the Capital Increase Agreement and complete all reporting procedures to industrial and commercial administrative department within 15 business days upon entering into the Capital Increase Agreement.

### **III. VALUATION**

Given that the Valuation has adopted the income approach, which involves the calculation of discounted cash flow method and thus constitutes a profit forecast under Rule 14.61 of the Hong Kong Listing Rules.

The Valuation contained in the valuation report issued by Shanghai Orient Appraisal Co., Ltd. has been prepared on the following principal bases and assumptions:

#### **Basic Assumptions**

1. Assumption of open market;
2. Assumption of continuous utilization; and
3. Assumption of going concern.

#### **General Assumptions**

1. unless specified otherwise, any abnormal factors which affect the appraised value will not be taken into account, including existing or potential pledges, guarantees, special transaction modes;

2. there are no material changes to the relevant prevailing laws and policies, industrial policies or macro-economic situations in the country as well as the political, economic and social environment of regions where Guorui Medicine operates, and there are no material adverse impacts arising from other force majeure or unforeseeable factors;
3. there are no material changes to the taxation policies including tax bases and tax rates applicable to Guorui Medicine, and the credit policies, interest rates and exchange rates are basically stable; and
4. according to the purpose of the Valuation, the value type of the Valuation is defined as market value. All pricing standards adopted in the Valuation are subject to price standards and value system effective as at the valuation date.

### **Assumptions under the Income Approach**

1. all evidences provided by Guorui Medicine, including business contracts, corporate business license, articles of association, executed agreements, audit reports and financial information, are truthful and valid;
2. the existing and future management team of Guorui Medicine has exercised and will exercise due diligence, will not involve any material non-compliance that might impact the development and revenue generation of Guorui Medicine, and will maintain the existing operation and management mode to continue the business as a going concern;
3. the contracts executed by Guorui Medicine in previous years and the current year are valid and effective and can be fulfilled;
4. the future forecast in the Valuation is a reasonable forward-looking projection based on the existing market conditions, without regard to any material changes or fluctuations in future market such as political turmoil, economic crisis or malignant inflation that are unforeseeable at present;
5. the revenues, relevant prices and costs as the basis of the Valuation are of the professional judgments by the valuer based on its due diligence investigation on the historical figures provided by Guorui Medicine;
6. the second-phase construction of Guorui Medicine assumes to be completed and put into operation on schedule; and
7. Guorui Medicine has obtained The Certificate for High-tech Enterprise on 29 June 2012, the identification term of which was three years and which can be re-identified upon the due of the term of high-tech enterprise certification. As a result, the Valuation assumes that Guorui Medicine will still be identified as a high-tech enterprise upon the due of the term of high-tech enterprise certification and enjoys the relevant preferential tax policies.

PricewaterhouseCoopers, the auditor of the Company, has reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions as set out on pages 5 to 6 of this announcement, which does not involve the adoption of the accounting policy.

The Directors confirm that the profit forecast of Guorui Medicine has been made after due and careful enquiries.

Report from PricewaterhouseCoopers and letter from the Board in relation to the profit forecast of Guorui Medicine are set out as Appendix I and Appendix II to this announcement.

**IV. EXPERT AND CONSENT**

The qualification of the expert who has given its opinion and advice included in this announcement is set out below:

<b>Name</b>	<b>Qualification</b>
PricewaterhouseCoopers	Certified Public Accountants

As at the date of this announcement, PricewaterhouseCoopers does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities in any member of the Group.

PricewaterhouseCoopers has given and has not withdrawn its consent to the publication of this announcement with inclusion of its letter or report and all references to its name in the form and context in which it is included.

**V. INFORMATION ON GUORUI MEDICINE**

Guorui Medicine was established by the Company and Sinopharm (CNCM LTD) on 5 August 1998 with a registered capital of RMB300 million. As at the date of this announcement, each of the Company and Sinopharm (CNCM LTD), a non-wholly owned subsidiary of the Company, held 1.69% and 98.31% equity interest in Guorui Medicine, respectively. Guorui Medicine is therefore a subsidiary of the Company.

The following table is a summary of the changes of registered capital of Guorui Medicine prior to and immediately after the completion of the transactions under the Capital Increase Agreement:

Shareholders	Capital contribution prior to the completion of the transactions under the Capital Increase Agreement (Registered capital)		Capital contribution immediately after the completion of the transactions under the Capital Increase Agreement (Registered capital)	
	RMB	(%)	RMB	(%)
	Sinopharm (CNCM LTD) the Company	294,930,000	98.31	294,930,000
CNPGC	5,070,000	1.69	145,532,900	30.13
	—	—	42,553,800	8.81
Total:	<u>300,000,000</u>	<u>100</u>	<u>483,016,700</u>	<u>100</u>

The audited total assets and net assets of Guorui Medicine as at 31 December 2014 were RMB814,668,329.50 and RMB496,063,810.07, respectively. The net profits (both before and after taxation) attributable to Guorui Medicine for the two financial years ended 31 December 2014 were as follows:

	For the year ended 31 December 2013 (RMB)	For the year ended 31 December 2014 (RMB)
Net profit (before taxation) attributable to Guorui Medicine	46,099,464.12	55,186,276.65
Net profit (after taxation) attributable to Guorui Medicine	39,698,479.18	46,994,768.06

## VI. FINANCIAL IMPACT ON THE GROUP

As at the date of this announcement, the Company directly and indirectly holds 100% equity interest of Guorui Medicine. Upon completion of the Capital Increase, the equity interest of Guorui Medicine directly and indirectly held by the Company will be diluted to 91.19%, and Guorui Medicine will still be a subsidiary of the Company. Therefore, the operation results and financial condition of Guorui Medicine will continue to be included in the Group's consolidated financial statements. Due to that the impact of Capital Increase will not result in the Group's loss over Guorui Medicine, the deemed disposal caused by the Capital Increase will be recognized as equity transaction, and will not lead to any gain or loss. Upon completion of the Capital Increase, the net cash inflow of the Group will be approximately RMB100 million.



## **VII. APPLICATION OF CAPITAL**

The consideration under the Capital Increase, being RMB100 million, to be received by Guorui Medicine will be applied to support the project of “development and industrialization of new pharmaceuticals in relation to the raw materials and injection of anhydrous ethanol” of Guorui Medicine.

## **VIII. REASONS FOR AND BENEFIT OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT**

The Directors consider that the Capital Increase could provide support for the expansion and transformation of Guorui Medicine and the development of the above-mentioned anhydrous ethanol project, and therefore expand the development space of Guorui Medicine.

As such, the Directors (including the independent non-executive Directors) are of the view that the Capital Increase Agreement was entered into on normal commercial terms, and although the transaction thereunder is not in the ordinary and usual course of business of the Company, 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.

## **IX. HONG KONG LISTING RULES IMPLICATIONS**

Given that the Capital Increase would result in a dilution of the Company’s direct or indirect equity interest in Guorui Medicine from 100% to 91.19%, therefore such transaction gives rise to a deemed disposal of equity interest in Guorui Medicine by the Company according to Rule 14A.24(1) of the Hong Kong Listing Rules.

CNPGC is the ultimate controlling shareholder of the Company and therefore is a connected person of the Company as defined under the Hong Kong Listing Rules. Accordingly, the Capital Increase of RMB100 million by CNPGC to Guorui Medicine (and the deemed disposal of equity interest in Guorui Medicine by the Company) constitutes a connected transaction of the Company pursuant to the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.77 of the Hong Kong Listing Rules) calculated exceed 0.1% but are all less than 5%, the Capital Increase (and the deemed disposal) 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, there is no other connected transaction entered into between any member of the Group and CNPGC or its subsidiaries or associates or otherwise related, which would be, together with the Capital Increase, aggregated under Rule 14A.81 of the Hong Kong Listing Rules.

The following Directors, Mr. She Lulin, Mr. Li Yuhua, Mr. Zhou Bin and Mr. Deng Jindong, are also directors or senior management of CNPGC. Therefore, they are deemed to have material interest in the Capital Increase, and thus 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.

## **X. GENERAL INFORMATION ON THE PARTIES**

### **The Group**

The Group is principally engaged in the distribution and retail of pharmaceutical and healthcare products.

### **CNPGC**

CNPGC is a wholly state-owned enterprise established in the PRC and the ultimate controlling shareholder of the Company, which is principally engaged in the distribution, retail, research and development and manufacturing of prevention and treatment, diagnosis and nursing and other health related products.

### **Sinopharm (CNCM LTD)**

Sinopharm (CNCM LTD) is principally engaged in the distribution of narcotic and psychotropic related drugs and high-end prescription drugs.

### **Guorui Medicine**

Guorui Medicine is principally engaged in C22- drug production, freeze-dried powder injections, powder injections (including Cephalosporins), small volume injections, tablets, hard capsules and active pharmaceutical ingredients.

## **XI. DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings ascribed to them below:

“Board”	means the board of directors of the Company
“Capital Increase”	means the investment made to Guorui Medicine by CNPGC in the amount of RMB100 million as contemplated under the Capital Increase Agreement

“Capital Increase Agreement”	means the capital increase agreement entered into on 13 October 2015 between the Company, CNPGC, Sinopharm (CNCM LTD) and Guorui Medicine, pursuant to which, the Company and CNPGC has agreed to make the capital contribution to Guorui Medicine in the amount of RMB330 million and RMB100 million, respectively
“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
“Guorui Medicine”	means Sinopharm Group Guorui Medicine Co., Ltd. (國藥集團國瑞藥業有限公司), a joint stock company incorporated under the laws of the PRC with limited liability
“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

“Sinopharm (CNCM LTD)” means China National Medicines Corporation Ltd., a joint stock company incorporated under the laws of the PRC with limited liability and whose A shares are listed and traded on the Shanghai Stock Exchange, and a non-wholly owned subsidiary of the Company

“Valuation” the valuation of entire equity interest in Guorui Medicine as at the valuation date (31 December 2014) as stated in the valuation report issued by Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司), through the income approach and on such basis and assumptions as agreed by the parties

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

Shanghai, the PRC  
13 October 2015

*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 Qi Yu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Li Yuhua, Mr. Zhou Bin, Mr. Deng Jindong, Mr. Li Dongjiu and Mr. Liu Hailiang; and the independent non-executive directors of the Company are Ms. Li Ling, Mr. Yu Tze Shan Hailson, Mr. Lyu Changjiang, Mr. Tan Wee Seng and Mr. Liu Zhengdong.*

## **APPENDIX I – REPORT FROM PRICEWATERHOUSECOOPERS IN RELATION TO THE PROFIT FORECAST ON GUORUI MEDICINE**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.*

### **REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF SINOPHARM GROUP GUORUI MEDICINE CO., LTD.**

To the Board of Directors of Sinopharm Group Co. Ltd.,

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “**Valuation**”) dated 18 April 2015 prepared by Shanghai Orient Appraisal Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in Sinopharm Group Guorui Medicine Co., Ltd. (the “**Target Company**”) is based. The Valuation is in connection with the capital increase in the Target Company by Sinopharm Group Co., Ltd. (the “**Company**”) and China National Pharmaceutical Group Corporation (the “**CNPGC**”). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### **Directors’ Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions approved by the directors of the Company and as set on pages 5 to 6 of the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

#### **Reporting Accountant’s Responsibility**

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and

assumptions as set out on pages 5 to 6 of the Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

### **Opinion**

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out on pages 5 to 6 of the Announcement.

**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong, 13 October 2015

**APPENDIX II – LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST ON GUORUI MEDICINE**



**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)**

13 October 2015

The Stock Exchange of Hong Kong Limited  
11/F., One International Finance Centre,  
1 Harbour View Street,  
Central,  
Hong Kong

Dear Sirs or Madams,

**CONNECTED TRANSACTION OF SINOPHARM GROUP CO. LTD.  
CAPITAL INCREASE AGREEMENT REGARDING GUORUI MEDICINE**

We refer to the announcement of the Company dated 13 October 2015 (the “**Announcement**”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings in this letter when used herein.

We have reviewed the bases and assumptions based upon which the valuation of Guorui Medicine has been prepared by Shanghai Orient Appraisal Co., Ltd. for which Shanghai Orient Appraisal Co., Ltd. is responsible. We have also considered the report from the auditor of the Company, PricewaterhouseCoopers, regarding whether the discounted future estimated cash flow of the Guorui Medicine, so far as the calculations are concerned, have been properly complied, in all material respects, in accordance with their respective bases and assumptions.

\* *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.”*

On the basis of the foregoing, in accordance with the requirements under Rule 14.62(3) of the Hong Kong Listing Rules, we confirm that the profit forecast of Guorui Medicine has been made after due and careful enquiry by us.

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