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国药集团
SINOPHARM

國藥控股股份有限公司

SINOPHARM GROUP CO. LTD.*

(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)

CONTINUING CONNECTED TRANSACTION ENTERING INTO THE FACTORING SERVICES FRAMEWORK AGREEMENT

The Board hereby announces that on 23 March 2018, the Company entered into the Factoring Services Framework Agreement with the Factoring Company, pursuant to which the Factoring Company has agreed to provide Commercial Factoring Services to the Group.

The CNPGC is the ultimate controlling shareholder of the Company, therefore, the Factoring Company, as a subsidiary of the CNPGC, is a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Factoring Services Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

According to Rule 14A.81 of the Hong Kong Listing Rules, the Factoring Services Framework Agreement shall be aggregated with the Previous Transaction. As one or more of the applicable percentage ratios (as defined under Rule 14A.77 of the Hong Kong Listing Rules) exceed 0.1% but less than 5%, the transactions contemplated under the Factoring Services Framework Agreement shall be subject to the reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

I. INTRODUCTION

On 23 March 2018, the Company entered into the Factoring Services Framework Agreement with the Factoring Company, pursuant to which the Factoring Company has agreed to provide Commercial Factoring Services to the Group.

II. THE FACTORING SERVICES FRAMEWORK AGREEMENT

Details of the Factoring Services Framework Agreement are as follows:

Date: 23 March 2018

Parties:	(i) the Company; and (ii) the Factoring Company
Scope of services:	recourse and non-recourse factoring and other commercial factoring services (including sales sub-account management services, accounts receivable collection services and other permitted business of the Factoring Company)
Term of the Agreement	The Factoring Services Framework Agreement shall be effective from 23 March 2018 to 31 December 2020.
Principle of the Provision of Services:	Under the Factoring Services Framework Agreement, the Factoring Company has undertaken to the Company that whenever it provides Commercial Factoring Services to the Company and/or its subsidiaries, the conditions thereof shall neither be less favorable than those available to the Company and/or its subsidiaries from independent third parties for comparable Commercial Factoring Services. The Company and/or its subsidiaries will utilize the Commercial Factoring Services of the Factoring Company on a voluntary and non-compulsory basis and is not obliged to engage the Factoring Company for any Commercial Factoring Services. The Factoring Company may, from time to time, enter into separate individual agreement with the Company and/or its subsidiaries for the provision of specific services, provided that the principles as agreed in the Factoring Services Framework Agreement must be followed.
Pricing Policy:	The comprehensive pricing (including interest and fees) of the Commercial Factoring Services charged by the Factoring Company shall be fair and reasonable and shall not be higher than the comprehensive pricing of the same Commercial Factoring Services provided by independent third parties to the Group during the same period.

III. PROPOSED ANNUAL CAPS

The Factoring Company has not provided commercial factoring services to the Group historically.

The Directors expect the annual caps for the continuing connected transactions under the Factoring Services Framework Agreement for the nine months ending on 31 December 2018 and the two years ending 31 December 2020 are as follows:

Transactions	Nine months ending 31 December 2018 (RMB)	Year ending 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)
Interests/fees paid by the Group for Commercial Factoring Services provided by the Factoring Company	75,000,000	100,000,000	100,000,000

Basis of determination of the annual caps

The above estimated annual caps for the continuing connected transactions contemplated under the Factoring Services Framework Agreement are determined with reference to: (i) the business capacity of the Factoring Company; (ii) the financing needs of the Group in terms of obtaining commercial factoring services from the Factoring Company, that is, an estimated annual factoring amount of no more than RMB2,000,000,000 for each of the three years ending 31 December 2020; and (iii) the prevailing market conditions of the interests/fees charged for commercial factoring services.

IV. REASONS FOR AND BENEFIT OF ENTERING INTO THE FACTORING SERVICES FRAMEWORK AGREEMENT

The Group accepts factoring services from various commercial banks as well as Sinopharm Group Finance, a subsidiary of CNPGC. The execution of the Factoring Services Framework Agreement would enable the Group to expand the financing channels and optimize its financial structure. The efficiency of capital usage of the Group would also be improved.

As far as the Directors are aware, the Factoring Company has established stringent internal control measures to ensure effective risk management and compliance with relevant laws and regulations of the PRC. Meanwhile, the Group will also adopt reasonable internal control procedures and corporate governance measures in relation to its utilization of the Commercial Factoring Services provided by the Factoring Company.

The Directors (including the independent non-executive Directors) are of the view that the Factoring Services Framework Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, the terms and conditions therein as well as the annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

V. MEASURES OF INTERNAL CONTROL

To ensure the Company's conformity with the above pricing policy in relation to the continuing connected transactions contemplated under the Factoring Services Framework Agreement, the Company has adopted and would continue to take the following review procedures and approval process against the following assessment criteria when obtaining Commercial Factoring Services from the Factoring Company:

- (i) Where a need for the Commercial Factoring Services arises, the designated staff of the Group would obtain the rates and terms offered by the Factoring Company and not less than three major and independent PRC commercial banks or commercial factoring companies;
- (ii) If after comparison, the designated staff confirmed that the rates and terms provided by the Factoring Company are no less favourable than those offered by other major and independent PRC commercial banks or commercial factoring companies, they would submit the application to the Treasury Manager for review; and
- (iii) After review by the Treasury Manager, the application, if assessed to be in compliance with the terms set out in the Factoring Services Framework Agreement, would be further submitted to the Group's head of treasury department and Chief Financial Officer for final approval.

The Directors consider that the above methods and procedures can ensure the continuing connected transactions contemplated under the Factoring Services Framework Agreement will be conducted on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the Factoring Services Framework Agreement.

VI. HONG KONG LISTING RULES IMPLICATIONS

The CNPGC is the ultimate controlling shareholder of the Company, therefore, the Factoring Company, as a subsidiary of the CNPGC, is a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Factoring Services Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

According to Rule 14A.81 of the Hong Kong Listing Rules, the Factoring Services Framework Agreement shall be aggregated with the Previous Transaction. As one or more of the applicable percentage ratios (as defined under Rule 14A.77 of the Hong Kong Listing Rules) exceed 0.1% but less than 5%, the transactions contemplated under the Factoring Services Framework Agreement shall be subject to the reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The following Directors, being Mr. She Lulin, Mr. Deng Jindong and Mr. Ma Ping, are also directors or senior management of CNPGC. Therefore, they are deemed to have material interest in the transactions under the Factoring Services Framework Agreement, 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 transactions and is required to abstain from voting on the relevant resolution at the Board meeting.

VII. GENERAL INFORMATION OF THE PARTIES

The Company

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

The Factoring Company

The Factoring Company is a company incorporated under the laws of the PRC with limited liability and is a wholly-owned subsidiary of CNPGC. The Factoring Company is principally engaged in factoring services.

DEFINITIONS

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

"associates"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Board"	the board of directors of the Company
"CNPGC"	China National Pharmaceutical Group Co., Ltd. (中國醫藥集團有限公司), a state wholly-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
"Commercial Factoring Services"	recourse and non-recourse factoring and other commercial factoring services (including sales sub-account management services, accounts receivable collection services and other permitted business of the Factoring Company)

"Company"	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)"	the director(s) of the Company
"Factoring Company"	Sinopharm Puxin Commercial Factoring Company Limited (國藥樸信商業保理有限公司), a company incorporated under the laws of the PRC with limited liability
"Factoring Services Framework Agreement"	the factoring services framework agreement entered into between the Company and the Factoring Company on 23 March 2018 in relation to the provision of Commercial Factoring Services by the Factoring Company to the Group
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China, which for the purpose of this announcement only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Previous Transaction"	the other financial services provided by Sinopharm Group Finance under the financial services framework agreement entered into between the Company and Sinopharm Group Finance on 8 June 2012 and renewed by the parties on 7 November 2014 and 27 October 2017, the details of which are set out in the announcement of the Company dated 27 October 2017
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	the shareholder(s) of the Company
"Sinopharm Group Finance"	Sinopharm Group Finance Co., Ltd. (國藥集團財務有限公司), a company incorporated under the laws of the PRC with limited liability, which is a non-bank financial institution

By order of the Board of
Sinopharm Group Co. Ltd.
Li Zhiming
Chairman

Shanghai, the PRC
23 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. Li Zhiming and Mr. Liu Yong; the non-executive directors of the Company are Mr. Chen Qiyu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Ma Ping, Mr. Deng Jindong, Mr. Wen Deyong, Ms. Rong Yan and Mr. Wu Yijian; and the independent non-executive directors of the Company are Ms. Li Ling, Mr. Yu Tze Shan Hailson, Mr. Tan Wee Seng, Mr. Liu Zhengdong and Mr. Zhuo Fumin.

** 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."*