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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)

**CONNECTED TRANSACTION
INJECTION OF ADDITIONAL CAPITAL
INTO RENFANG MEDICAL HOLDINGS LTD.
FOR THE ACQUISITION OF JB HOSPITAL**

On 28 December 2014, Sun Moral, a wholly-owned subsidiary of the Company agreed with two investors, namely, MSPEA Health and Euromax, to inject additional capital into the JV Company. The JV Company is owned as to 23.71% by Euromax, 38.14% by MSPEA Health and 38.14% by Sun Moral. The total amount of additional capital to be injected into the JV Company will be RMB409.3 million (equivalent to approximately HK\$519.1 million) (“**Additional Capital Injection**”). The Additional Capital Injection will be contributed by the JV Partners with respect to their shareholdings in the JV Company proportionally (i.e. RMB97.1 million (equivalent to approximately HK\$123.1 million) by Euromax, RMB156.1 million (equivalent to approximately HK\$198.0 million) by MSPEA Health and RMB156.1 million (equivalent to approximately HK\$198.0 million) by Sun Moral).

The Additional Capital Injection will be used by the JV Company through its subsidiaries to acquire interests in JB Hospital in the PRC. After the acquisition, the JV Company is expected to hold approximately 69.21% interest in JB Hospital.

LISTING RULES IMPLICATIONS

Sun Moral is a wholly-owned subsidiary of the Company. Euromax is wholly-owned by Dr. Che, an executive Director and a Substantial Shareholder of the Company and thus a connected person under Chapter 14A of the Listing Rules. Therefore, the Additional Capital Injection constitutes a connected transaction of the Company under the Listing Rules.

As the applicable percentage ratio in relation to the Additional Capital Injection exceeds 0.1% but is less than 5%, the Additional Capital Injection constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting and announcement requirements but exempt from independent Shareholders' approval requirement.

ADDITIONAL CAPITAL INJECTION

On 28 December 2014, Sun Moral, a wholly-owned subsidiary of the Company agreed with two investors, namely, MSPEA Health and Euromax, to inject additional capital into the JV Company.

The Additional Capital Injection will be contributed by the JV Partners with respect to their shareholdings in the JV Company proportionally.

Capital Contribution

The capital contribution to the JV Company by the respective JV Partner pursuant to the Additional Capital Injection will be as follows:

	Amount of contribution	
	<i>(RMB)</i>	<i>(%)</i>
Euromax	97,050,178.796	23.71%
MSPEA Health	156,123,684.602	38.14%
Sun Moral	<u>156,123,684.602</u>	<u>38.14%</u>
Total	<u>409,297,548.000</u>	<u>100%</u>

The contribution will be made by Sun Moral immediately after the local regulatory approval being obtained, which is expected to be in the first quarter of 2015, and will be funded by internal resources. The contribution by each of Sun Moral, MSPEA Health and Euromax is determined based on its respective shareholding in the JV Company.

The Additional Capital Injection will be used by the JV Company through its subsidiaries to acquire interests in JB Hospital in the PRC. After the acquisition of secondary shares from the seller, the JV Company is expected to hold approximate 69.21% interest in JB Hospital. The JV Company can also potentially use the Additional Capital Injection to further increase ownership to approximately 82% by acquiring secondary shares from employees.

JV AGREEMENT

Euromax, MSPEA Health, Sun Moral and Dr. Che have entered into a JV Agreement in relation to their investment in the JV Company. For the principal terms of the JV Agreement, please refer to the announcement of the Company dated 22 December 2014.

INFORMATION ON THE JB HOSPITAL

Located at Jiangbei Liuhe District of Nanjing City, Jiangsu Province, the JB Hospital is a Level III Grade B hospital, which covers an area of 62,000 square meters with registered bed count of 506 and actual bed count of about 750 to 800, as well as expandable bed count of 200. At present, the hospital has 18 wards, 34 clinical and medical departments. Departments of neurology, gastroenterology, neonatology, rehabilitation, infectious diseases, radiology, clinical laboratory, obstetrics and gynecology, neurosurgery, and otolaryngology are ten key clinical specialties in Nanjing City, and the successful rate of treatment of severe acute pancreatitis complicated with ARDS has reached the advanced level in the province. The emergency treatment for sudden chemical poisoning, the prevention and treatment of occupational diseases, and the emergency rescue and treatment of on-the-job injuries and major traffic accident is one of the main features and strengths of the hospital, the JB Hospital is also qualified and served as the Jiangsu Chemical Occupational Diseases Preventing & Curing Institute, the Research Institute of Neonatal Diseases affiliated to Southeast University (Jiangbei), the Jiangsu Emergency Medical Center for Acute Poisoning of Petrochemical System and one of the first formally established emergency medical centers in Nanjing. There are 10 medical experts in the hospital who concurrently hold member positions in various kinds of academic committees at national level, more than 20 at provincial level and over 50 at municipal level; the hospital is also the main organizer of two national journals,

namely, “Chinese Clinical Research” and “Transitional Medicine Journal”. As the only level III hospital in Liuhe District, the hospital is also the top major hospital in terms of the floor area, equipment and devices level and technical strength. The hospital revenue was RMB331 million in 2013.

The hospital is a designated hospital for various medical insurances, including urban employee basic medical insurance, the new rural cooperative medical insurance, urban residents basic medical insurance, employment injury insurance and maternity insurance, it is also designated as the 120 emergency medical center, providing medical reimbursement for patients’ consultation.

The hospital is located in the Jiangbei Liuhe District of Nanjing, where together with Pukou District formed Nanjing Jiangbei New Town. The district currently has a population of 920,000, which will be expanded to 1.5 million in the next five years according to the development plan of Nanjing municipal government, which is expected to increase the local demand for quality healthcare services significantly.

In addition, the hospital has completed a full privatization process, and all employees are contract-based.

INFORMATION ON THE GROUP AND JV PARTNERS

The Company is an investment holding company entity, and the Group is a leading pharmaceutical company with the largest cardio-cerebral vascular drug franchise in China’s prescription drug market by market share. The Group has a differentiated and proven sales and marketing model, supported by an extensive nationwide distribution network covering around 10,000 hospitals through over 3,000 distributors in all 31 provinces, autonomous regions and cities throughout the PRC.

Euromax is wholly-owned by Dr. Che, an executive Director and a Substantial Shareholder of the Company. The principal activity of Euromax is investment holding.

Morgan Stanley Private Equity Asia is one of the leading private equity investors in Asia Pacific, having invested in the region for over 20 years. Morgan Stanley Private Equity Asia invests primarily in highly structured minority investments and control buyouts in growth-oriented companies at attractive valuations. The experienced investment team is led by senior professionals with extensive industry relationships, in-depth market knowledge and the ability to apply international investment principles within each local context. Morgan Stanley Private Equity Asia has offices in Hong Kong, Beijing, Shanghai, Seoul, Tokyo, Mumbai and New York, and leverages the brand and unparalleled global network of Morgan Stanley to source investment intelligence and opportunities. Morgan Stanley Private Equity Asia is part of Morgan Stanley Merchant Banking & Real Estate Investing.

MSPEA Health is a special purpose vehicle set up by Morgan Stanley Private Equity Asia for the joint venture.

REASONS FOR AND BENEFITS OF THE ADDITIONAL CAPITAL INJECTION

Please refer to the Company's announcement dated 22 December 2014 for a discussion on the outlook of the Chinese healthcare service market and the establishment of the JV Company.

As a leading pharmaceutical company in China's hospital market, the Group has gained extensive experience and in-depth knowledge in the pharmaceutical industry, while Morgan Stanley Private Equity Asia, a world-renowned private equity investment fund, offers strong capabilities and a wealth of experience in investment management. With the inclusion of the established professional medical management team, the JV Company enjoys comprehensive advantages and strength. In addition, the JV Company partners with international and local advisors in the healthcare industry to broaden its industry resources and strengthen its medical expertise.

The successful investment to the JB Hospital once again showcases the professional investment strength of the JV Company. Meanwhile, the Group, apart from obtaining long-term investment returns, will also see strong significance and prospects from the integration of its abundant medical resources and invested healthcare institutions.

In light of above, the Directors (including the independent non-executive Directors) are of the view that the Additional Capital Injection has been negotiated on an arm's length basis, agreed on normal commercial terms, and is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Sun Moral is a wholly-owned subsidiary of the Company. Euromax is wholly-owned by Dr. Che, an executive Director and a Substantial Shareholder of the Company and thus a connected person under Chapter 14A of the Listing Rules. Therefore, the Additional Capital Injection constitutes a connected transaction of the Company under the Listing Rules.

As disclosed in the Company's announcement dated 22 December 2014, Sun Moral agreed with MSPEA Health and Euromax to inject a total amount of RMB830.70 million to the JV Company, which will be contributed by the JV Partners with respect to their shareholdings in the JV Company proportionally (the "**Previous Capital Injection**"). According to Rules 14.22, 14.23 and 14A.81 of the Listing Rules, the Previous Capital Injection and the Additional Capital Injection are aggregated for the purpose of classifying the Additional Capital Injection.

As the applicable percentage ratio in relation to the Additional Capital Injection exceeds 0.1% but is less than 5%, the Additional Capital Injection constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting and announcement requirements but exempt from independent Shareholders' approval requirement.

As Dr. Che is a connected person of the Company having a material interest in the JV Company, Dr. Che abstained from voting on the Board resolution of the Company to approve the Additional Capital Injection. Apart from Dr. Che, no other Director is required to abstain from voting on the Board resolution of the Company to approve the Additional Capital Injection.

DEFINITION

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	Sihuan Pharmaceutical Holdings Group Ltd. (四環醫藥控股集團有限公司), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules “Director(s)” the director(s) of the Company
“Dr. Che”	Dr. Che Fengsheng, the executive Director and chairman of the Company
“Euromax”	Euromax Holdings Limited, a limited liability company incorporated in the BVI which is wholly-owned by Dr. Che
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong “Hong Kong” the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is (are) independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or Substantial Shareholders, of the Company, its subsidiaries or any of their respective associate(s)
“JB Hospital”	Nanjing Jiangbei People’s Hospital* (南京江北人民醫院), a company established in the PRC
“JV Agreement”	the shareholders’ agreement (as amended) among MSPEA Health, Sun Moral, Dr. Che and Euromax
“JV Company”	Renfang Medical Holdings Ltd., a limited liability company incorporated in the BVI pursuant to the JV Agreement
“JV Partner(s)”	the party(ies) to the JV Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MSPEA Health”	MSPEA Health Holding B.V., an Independent Third Party
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the issued and paid-up capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Sun Moral”	Sun Moral International (HK) Ltd. (耀忠國際(香港)有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

“%” per cent

** for identification purpose only*

By order of the Board
Sihuan Pharmaceutical Holdings Group Ltd.
Che Fengsheng
Chairman and Executive Director

Hong Kong, 29 December 2014

As at the date of this announcement, the executive directors of the Company are Dr. Che Fengsheng (Chairman), Dr. Guo Weicheng (Deputy Chairman and Chief Executive Officer) 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.