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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)

ANNOUNCEMENT

ESTABLISHMENT OF A JOINT VENTURE COMPANY

The Board is pleased to announce that the Company has entered into the Joint Venture Contract with Excelsior Medical for the establishment of Sinopharm Excelsior in Shanghai, the PRC.

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A. THE JOINT VENTURE CONTRACT

The major terms of the Joint Venture Contract are summarised as follows:

1. **Parties:**
 - (a) the Company; and
 - (b) Excelsior Medical
2. **Scope of Business of Sinopharm Excelsior:** Sinopharm Excelsior will be engaged in the acquisition of medical institutions, management of hospitals, medical advisory service (excluding medical diagnosis, therapy and psychological therapy and consultation) and trading of Class I medical devices and provision of related technical services.
3. **Total Investment Amount:** The total investment amount of Sinopharm Excelsior will be RMB1,000,000,000 (equivalent to HK\$1,149,425,287.35).

- 4. Registered Capital and Capital Contribution:** The total registered capital of Sinopharm Excelsior is proposed to be RMB500,000,000 (equivalent to approximately HK\$574,712,643.68), out of which 51% shall be contributed by the Company (i.e. RMB255,000,000) (equivalent to approximately HK\$293,103,448.28) and 49% shall be contributed by Excelsior Medical (i.e. RMB245,000,000) (equivalent to approximately HK\$281,609,195.40). Subject to the satisfaction of the condition precedents set out under the heading “Condition Precedents of Making Capital Contribution” below, 40% of the total capital contribution shall be made in cash by the Company and Excelsior Medical in accordance with the above percentages within 3 months after issuing of the business license of Sinopharm Excelsior and the balance of the total capital contribution shall be made in cash by the Company and Excelsior Medical in accordance with the above percentages within 2 years after issuing of the business license of Sinopharm Excelsior.
- The equity interests in Sinopharm Excelsior will be owned by the Company and Excelsior Medical proportionally according to their respective capital contributions mentioned above.
- 5. Condition Precedents of Making Capital Contribution:** The Company and Excelsior Medical are only obliged to make their respective capital contributions after (i) obtaining the approvals by the relevant PRC government authorities in relation to the Joint Venture Contract and the articles of association of Sinopharm Excelsior; and (ii) issuing of the business license of Sinopharm Excelsior by the State Administration of Industry and Commerce or other relevant departments of the PRC government.
- 6. Term of the Joint Venture:** The term of Sinopharm Excelsior shall be 20 years from the date when the State Administration of Industry and Commerce issues the business license of Sinopharm Excelsior.
- 7. Effectiveness of the Joint Venture Contract:** The Joint Venture Contract shall become effective after approval by the relevant administrative department of the PRC government.

B. PURPOSE FOR ENTERING INTO THE JOINT VENTURE CONTRACT

It is intended that Sinopharm Excelsior will become a leading and top-ranking healthcare management and operation company in the greater China region through acquisition of controlling interests in or provision of advisory service relating to development or reposition of, chain hospitals, which specialize in ophthalmology, otorhinolaryngology and hemodialysis. Therefore, the establishment of Sinopharm Excelsior will help the Company to expand and extend its industrial chain, open up business channels and increase its value. It will also help the Company to better understand the service requirements of hospitals, improve the standard of the value-added services provided by the Company to hospitals and increase the synergy effect on the Company's distribution business.

C. DEFINITIONS

“Board”	the board of directors of the Company
“Company”	Sinopharm Group Co. Ltd. (國藥控股股份有限公司), a joint stock limited company established in the PRC, 690,284,125 H shares of which are listed on The Stock Exchange of Hong Kong Limited
“Excelsior Medical”	Excelsior Medical (H.K.) Co., Ltd. (佳醫健康事業(香港)股份有限公司), a limited liability company incorporated in Hong Kong and a wholly owned subsidiary of Excelsior Medical Co., Ltd. (佳醫健康事業股份有限公司), a company whose shares are listed on the Taiwan Stock Exchange. To the best knowledge, information and belief of the directors of the Company, each of these companies and their respective ultimate beneficial owner is not a connected person and is independent of any director, supervisor, chief executive or substantial shareholder of the Company or its subsidiaries or any of their respective associates
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
“Joint Venture Contract”	a joint venture contract dated 27 August 2010 (as amended by a supplemental agreement dated 31 August 2010) entered into between the Company and Excelsior Medical regarding the establishment of Sinopharm Excelsior
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Sinopharm Excelsior”

Sinopharm Excelsior Healthcare Management Consulting Company (國藥佳醫醫療管理諮詢有限公司), a limited liability company to be established by the Company and Excelsior Medical in the PRC pursuant to the Joint Venture Contract

By order of the Board of
Sinopharm Group Co. Ltd.
She Lulin
Chairman

Shanghai, the PRC
31 August 2010

As at the date of this announcement, the executive directors of the Company are Ms. Fu Mingzhong and Mr. Wei Yulin; the Non-executive directors of the Company are Mr. She Lulin, Mr. Wang Qunbin, Mr. Deng Jindong, Mr. Fan Banghan, Mr. Liu Hailiang, Mr. Lian Wanyong and Mr. Chen Qiyu; and the independent Non-executive directors of the Company are Mr. Wang Fanghua, Mr. Tao Wuping, Mr. Xie Rong and Mr. Zhou Bajun.

The exchange rate adopted in this announcement for illustration purposes only is HK\$1.00 = RMB0.87.

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name “Sinopharm Group Co. Ltd.”*