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中國醫藥集團總公司
China National Pharmaceutical
Group Corporation

*(A state-owned enterprise established
in the People's Republic of China)*

國藥集團香港有限公司
Sinopharm Group
Hongkong Co., Limited

*(Incorporated in Hong Kong
with limited liability)*



盈天醫藥集團有限公司
WINTEAM PHARMACEUTICAL GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock code: 570)

JOINT ANNOUNCEMENT

- (1) Possible pre-conditional voluntary conditional cash offer by
Citigroup Global Markets Asia Limited
for and on behalf of
Sinopharm Group Hongkong Co., Limited
for all the issued shares in Winteam Pharmaceutical Group Limited
(other than the Lock-up Shares and those Shares already owned by or
agreed to be acquired by
Sinopharm Group Hongkong Co., Limited and parties acting in concert with it);
and**
- (2) Resumption of trading in the shares of
Winteam Pharmaceutical Group Limited**

Sole Financial Adviser to Sinopharm Group Hongkong Co., Limited



THE S&P AGREEMENT

On 31 August 2012, the Offeror entered into the S&P Agreement with the Vendors and the Guarantors, pursuant to which the Offeror has conditionally agreed to purchase and the Vendors have conditionally agreed to sell or procure the sale of the Sale Shares for a minimum consideration of an aggregate of HK\$496,858,250 (equivalent to HK\$1.40 per Sale Share) and a maximum consideration of an aggregate of HK\$603,327,875 (equivalent to HK\$1.70 per Sale Share). The Sale Shares represent approximately 19.90% of the entire issued share capital of the Company as at the date of this announcement.

The maximum consideration of HK\$1.70 per Sale Share is subject to the targeted Adjusted Net Profit being achieved by the Group in FY 2012 and shall be settled in cash in the following manner:

- (i) a total sum of HK\$496,858,250 shall be payable to Sureplan on the Completion Date (representing HK\$1.40 per Sale Share).
- (ii) if the Adjusted Net Profit for FY 2012 is HK\$190 million or more, then a sum equivalent to the product of HK\$0.30 x 354,898,750 Sale Shares (being HK\$106,469,625) shall be payable to Sureplan within seven Business Days after the release of the 2012 annual results announcement of the Company. For the avoidance of doubt, if the Adjusted Net Profit for FY 2012 is less than HK\$190 million, no Second Payment Amount shall be payable by the Offeror to the Vendors.

Completion of the S&P Agreement is conditional upon the fulfillment or waiver (where applicable) of certain conditions as described in the section headed "Completion" under the section headed "The S&P Agreement" in this announcement. The Completion Date shall be (i) the 10th Business Day after the later of the Conditions Satisfaction Date and the Interim Dividend Record Date and in any event no later than 15 February 2013, or (ii) such other earlier date as may be agreed in writing between the Vendors and the Offeror.

The Company has declared an interim dividend of HK\$0.025 per Share on 30 August 2012. The 2012 Interim Dividends will be payable on 15 October 2012 to the Shareholders whose names appear on the register of members of the Company on the Interim Dividend Record Date. If the Acquisition Conditions have been satisfied or waived (if applicable) by the Interim Dividend Record Date, Completion shall take place on the 10th Business Day after the Interim Dividend Record Date or such other earlier date as may be agreed in writing between the Vendors and the Offeror.

POSSIBLE PRE-CONDITIONAL VOLUNTARY CONDITIONAL CASH OFFER

Subject to the satisfaction of the Pre-condition, Citigroup will, for and on behalf of the Offeror, make a voluntary conditional cash offer to acquire all of the issued Shares (other than the Lock-up Shares and those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

For each Offer Share a minimum of HK\$1.40 and a maximum of HK\$1.70, in cash

The Offer Price is the same as the price per Sale Share payable by the Offeror under the S&P Agreement.

The principal terms of the Offer are set out in the section headed “Possible pre-conditional voluntary conditional cash offer” in this announcement. The making of the Offer is subject to the satisfaction of the Pre-condition. If the Pre-condition is not satisfied or waived by 15 February 2013, the Offer will not be made (unless the Offeror postpones the date for satisfaction of the Pre-condition). As at the date of this announcement and save for the Warrants issued under the NWP Agreement, there are no outstanding options, warrants, derivatives or securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

The seller’s ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Shareholders at a rate of 0.1% of: (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror on behalf of the relevant Shareholders accepting the Offer. In the present case, ad valorem stamp duty will be levied and paid upfront by each Shareholder who accepts the Offer on the basis of the maximum consideration of HK\$1.70 per Offer Share, irrespective of whether the Adjusted Net Profit FY 2012 is achieved and whether the additional amount of HK\$0.30 per Offer Share is payable. The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and will pay the buyer’s ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). **There will be no refund of the stamp duty paid upfront on the HK\$0.30 per Offer Share if the Adjusted Net Profit for FY 2012 is not achieved or met.**

Shareholders and/or potential investors of the Company should note that the making of the Offer is subject to the satisfaction of the Pre-condition and the Offer may or may not be made. In addition, completion of the Offer is subject to the conditions being fulfilled or waived, as applicable, and the Offer may or may not become unconditional and be completed. Accordingly, the issue of this announcement does not imply that the Offer will become unconditional and Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

IRREVOCABLE UNDERTAKINGS

On 31 August 2012, each of Mr. Yang, Mr. Xu, Sureplan, Profit Channel, Extra Benefit and Profit United executed the Irrevocable Undertakings in favour of the Offeror, pursuant to which each of the Committed Shareholders has undertaken, *inter alia*, to accept, or procure the acceptance of, the Offer in respect of an aggregate of 562,498,963 Shares (representing approximately 31.54% of the issued share capital of the Company as at the date of this announcement), not later than three Business Days after the despatch of the Composite Document.

The Irrevocable Undertakings also provide that, before the Offer closes, lapses or is withdrawn, each of the Committed Shareholders shall not, among other things, directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any direct or indirect interest in its/his Shares, nor will any of them accept any other offer in respect of any of its/his Shares, nor will any of them enter into any agreement or any arrangement to do any of the above acts.

Assuming the Pre-condition is satisfied and the Offer proceeds, the Offeror shall acquire from the Committed Shareholders a total of 562,498,963 Shares pursuant to the Irrevocable Undertakings in consideration for a minimum of approximately HK\$787,498,548 (equivalent to HK\$1.40 per Offer Share) and a maximum of approximately HK\$956,248,237 (equivalent to HK\$1.70 per Offer Share) in cash. After Completion and after the Offer has become or been declared unconditional in all respects, the Offeror shall have acquired from the Vendors and the Committed Shareholders a total of 917,397,713 Shares, representing approximately 51.44% of the issued share capital of the Company as at the date of this announcement, before taking into account other Shares to be tendered for acceptance by the Independent Shareholders (other than the Committed Shareholders) under the Offer.

LOCK-UP SHARES

Upon Completion and close of the Offer (taking into account the Irrevocable Undertakings), Mr. Yang will, through Profit Channel, continue to hold 267,511,621 Shares, representing approximately 15% of the issued share capital of the Company as at the date of this announcement. Mr. Yang and Profit Channel have undertaken, *inter alia*, in the S&P Agreement and the Irrevocable Undertakings that unless with the prior written consent of the Offeror, he/it will not dispose of any part of the Lock-up Shares or enter into any agreement or arrangement which has the same or similar effect during the First 12 Months and will not dispose of 50% or more of the Lock-up Shares or enter into any agreement or arrangement which has the same or similar effect during the Second 12 Months. Mr. Yang has agreed and undertaken that, the above restriction shall also apply to the disposal of any part of the shares held by him in Profit Channel or the entry into of any agreement or arrangement by him in respect of the shares in Profit Channel which has the same or similar effect. For the avoidance of doubt, the Offeror will not give its prior written consent to such disposal of any part of the Lock-up Shares or the entry into of any agreement or arrangement which has the same or similar effect during the period from the execution of the S&P Agreement until the Offer has completed, expired or been withdrawn. As a result of the restrictions above, Profit Channel will not be able to tender the Lock-up Shares in acceptance of the Offer.

GENERAL

The Independent Board Committee comprising the non-executive Director and all of the independent non-executive Directors (other than Mr. Zhang Jianhui who is also a director of CNPGC) has been established to advise the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to its acceptance. The Independent Financial Adviser will be appointed by the Company upon approval by the Independent Board Committee to advise the Independent Board Committee in connection with the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance. An announcement will be made immediately upon the appointment of the Independent Financial Adviser by the Company.

It is the intention of the Offeror and the Company to combine the Offer Document with the Response Document from the Company in the Composite Document. In accordance with Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things: (i) details of the Offer (including the expected timetable); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, together with the relevant form of acceptance and transfer, is required to be despatched to the Independent Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code and other applicable regulations.

As Completion is conditional on obtaining all the necessary consents and approvals required to be issued by the Relevant Authorities for the transactions under the S&P Agreement and the Offer which is expected to take approximately six months, the Pre-condition is unlikely to be fulfilled within 21 days of the date of this announcement. The Offeror will apply to the Executive for its consent pursuant to Note 2 to Rule 8.2 of the Takeovers Code for an extension of the time for despatching the Composite Document to any time within seven days after the Pre-condition is satisfied (or such later date to which the Executive, at the request of the Offeror, may consent).

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 31 August 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 September 2012.

I. THE S&P AGREEMENT

On 31 August 2012, the Offeror entered into the S&P Agreement with the Vendors and the Guarantors, pursuant to which the Offeror has conditionally agreed to purchase and the Vendors have conditionally agreed to sell or procure the sale of the Sale Shares for a minimum consideration of an aggregate of HK\$496,858,250 (equivalent to HK\$1.40 per Sale Share) and a maximum consideration of an aggregate of HK\$603,327,875 (equivalent to HK\$1.70 per Sale Share). The Sale Shares represent approximately 19.90% of the entire issued share capital of the Company as at the date of this announcement.

Date

31 August 2012

Parties

Purchaser: the Offeror, an indirect wholly-owned subsidiary of CNPGC

Vendors: (i) Mr. Yang, (ii) Mr. Xu, (iii) Sureplan, (iv) Extra Benefit and (v) Profit Channel

Guarantors: Mr. Yang and Mr. Xu

Sale Shares to be acquired by the Offeror from the Vendors

Subject to and in accordance with the terms and conditions of the S&P Agreement, the Offeror has conditionally agreed to buy and the Vendors have conditionally agreed to sell or procure the sale of the Sale Shares, being 354,898,750 Shares directly held by Sureplan (representing approximately 19.90% of the issued share capital of the Company as at the date of this announcement), free from any Encumbrance and together with all rights which are at the date of the S&P Agreement or may at any time thereafter become attaching to them, other than the 2012 Interim Dividends as stated in the section headed “2012 Interim Dividends” in this announcement.

Please refer to the section headed “Shareholding structure of the Company” for each of the Vendors’ shareholding in the Company as at the date of this announcement and immediately upon Completion.

Consideration for the Sale Shares

The purchase price for the Sale Shares shall be a minimum of HK\$1.40 per Sale Share and a maximum of HK\$1.70 per Sale Share. The consideration for the Sale Shares payable in the minimum aggregate amount of HK\$496,858,250 (equivalent to HK\$1.40 per Sale Share) and in the maximum aggregate amount of HK\$603,327,875 (equivalent to HK\$1.70 per Sale Share) was determined following arm's length negotiations between the Offeror and the Vendors with reference to (i) the prevailing market price of the Shares; (ii) the audited total equity of the Company, which amounted to approximately HK\$964 million as at 31 December 2011; and (iii) the average forward price-to-earnings multiples of listed TCM companies and pharmaceutical manufacturers in similar industries as the Company.

The maximum consideration of HK\$1.70 per Sale Share is subject to the targeted Adjusted Net Profit (details for determination of which are set out below) being achieved by the Group in FY 2012 and shall be settled in cash in the following manner:

- (i) a total sum of HK\$496,858,250 (the "**First Payment Amount**") shall be payable to Sureplan on the Completion Date (representing HK\$1.40 per Sale Share).
- (ii) if the Adjusted Net Profit for FY 2012 is HK\$190 million or more, then a sum equivalent to the product of HK\$0.30 x 354,898,750 Sale Shares (being HK\$106,469,625, the "**Second Payment Amount**") shall be payable to Sureplan within seven Business Days after the release of the 2012 annual results announcement of the Company. For the avoidance of doubt, if the Adjusted Net Profit for FY 2012 is less than HK\$190 million, no Second Payment Amount shall be payable by the Offeror to the Vendors.

The "**Adjusted Net Profit**" referred to above shall mean the Audited Net Profit after deduction of the profits and gains arising from the Adjusted Items (or addition of any losses arising from the Adjusted Items) of the Company in the consolidated financial statements of the Group prepared in accordance with the Hong Kong Financial Reporting Standards. "**Adjusted Items**" means any profits or losses that arise from events or transactions that are clearly distinct from the ordinary operating activities of the Company or albeit the ordinary operating activities of the Company but are unusual and infrequent in nature and therefore are not expected to recur frequently or regularly, and the inclusion of which would cause users of the financial statements to draw misleading conclusions from an analysis on the net profit. The events or transactions which shall be treated as the Adjusted Items are set out below:

- non-operating profits and losses;
- government subsidy or refund (including tax exemption and deduction enjoyed by any member of the Group);
- disposal gains or losses of long-term assets such as long-term equity investment, fixed assets, construction-in-progress and intangible assets;
- reversal of impairment provision made in the previous years;
- gains or losses of short-term investment;
- debt restructuring gains;

- gains arising from transactions traded at non-arm's length basis;
- retrospective adjustment to the net profit during the previous period as a result of changes in the accounting policy and estimate changes;
- gains arising from the fact that the cost incurred by the Company in acquiring the investment in subsidiaries, associated enterprises and joint venture enterprises is less than its entitlement to the fair value of identifiable net assets of the investee(s) when acquiring the investment;
- gains or losses from barter transactions;
- gains or losses arising from contingent matters unrelated to the normal operating activities of the Company;
- gains or losses from changes in the fair value arising from ownership of financial assets and financial liabilities held for trading purposes other than valid hedging operations related to the normal operating activities of the Company; and
- investment income arising from the disposal of the financial assets and financial liabilities held for trading purpose and financial assets available for sale.

Any gains or losses arising from a transaction or event falling within the list of Adjusted Items will be deducted or added (as the case may be) from the accounts of the Group in determining its Adjusted Net Profit. The Adjusted Net Profit will be calculated by the independent auditors of the Company on the basis of the definition set out above. The Adjusted Net Profit will be set out in the 2012 annual results announcement of the Company so that the Shareholders (including Shareholders who have tendered acceptances under the Offer) will be notified as to whether the Adjusted Net Profit will have been met and an announcement will also be published.

Completion

Completion is conditional upon the satisfaction of the following Acquisition Conditions:

1. the Offeror being reasonably satisfied with its due diligence investigation into the Group which includes, but not limited to, an inspection and investigation into the business operation, financial position, tax and legal position of the Company and other members of the Group;
2. the representations and warranties of the Vendors contained in the S&P Agreement remaining true and accurate and not misleading from the time of execution of the S&P Agreement to Completion, and being valid as if such representations and warranties had been made and given on the Completion Date;
3. the Vendors having fulfilled or complied with all of the undertakings and obligations to be fulfilled by them before the Completion Date as required by the S&P Agreement;
4. there not having occurred or arisen any event with a Material Adverse Effect, and no event having occurred or arisen which can be reasonably expected to have a Material Adverse Effect;

5. the Offeror having received the following legal opinions in form and substance reasonably satisfactory to it:
 - (i) a legal opinion issued by Hong Kong registered lawyers on the Completion Date in respect of the incorporation and valid existence of those members of the Group incorporated in Hong Kong; and
 - (ii) a legal opinion issued by PRC registered lawyers on the Completion Date in respect of the establishment and valid existence of those members of the Group incorporated in the PRC, and that each of them has obtained all the consents, approvals, licenses and permits necessary for their respective business and operation and that the condition set out in item 6 below has been satisfied;
6. all the necessary consents and approvals required to be issued by the Relevant Authorities for the transactions under the S&P Agreement and the Offer having been obtained, and no laws, rules, regulations or decisions having been proposed, promulgated or adopted by any Relevant Authorities prohibiting or restricting the transactions contemplated under the S&P Agreement and the Offer. The said consents and approvals of the Relevant Authorities include but not limited to:
 - (i) approval of the matters in connection with the Acquisition and the Offer (including but not limited to, offshore investment, increase in the share capital of the Offeror as well as the transfer of the entire issued share capital of the Offeror to CNPGC) by the National Development and Reform Commission of China or the local branch authorized by it;
 - (ii) approval of the matters in connection with the Acquisition and the Offer (including but not limited to, offshore investment, increase in the share capital of the Offeror as well as the transfer of the entire issued share capital of the Offeror to CNPGC) by the Ministry of Commerce of China (including the Anti-Monopoly Bureau) or the local branch authorized by it;
 - (iii) approval or filing of the matters in connection with the Acquisition and the Offer by the State-owned Assets Supervision and Administration Commission of the State Council or the local branch authorized by it; and
 - (iv) approval and registration in respect of the foreign exchange settlement in connection with the Acquisition and the Offer (including but not limited to the foreign exchange settlement in relation to the increase in the share capital of the Offeror to effect the Acquisition) by the State Administration of Foreign Exchange of China or the local branch authorized by it.
7. (i) one of the independent non-executive Directors and the Directors nominated by the Vendors to the Board having tendered their resignations at the request of the Offeror, each such resignation of such Directors shall become effective after the first Closing Date of the Offer in accordance with the Takeovers Code and having delivered their written confirmation to the Company that they do not have any claim against the Company, and the Offeror having received true and complete copies of such resignation letters and confirmation; (ii) the director candidates of the Company to be nominated by the Offeror after the Completion Date having been elected as Directors in accordance with the applicable laws and the articles of association of the Company, the appointment

of such Directors having become effective after the date of despatch of the Composite Document in accordance with the Takeovers Code, and the Offeror having received true and complete copies of such appointment letters;

8. the necessary third party consents and approvals required for the execution and performance of the S&P Agreement, the Irrevocable Undertakings, the Offer and the transactions contemplated thereunder having been obtained, and if applicable, approvals and authorizations required to be obtained in accordance with the respective constitutional documents of each member of the Group having been obtained;
9. permits, approvals and registrations required to be held or maintained by members of the Group and their employees in relation to the continued operation of the Group not having been revoked, terminated or suspended, and no member of the Group having been informed or becoming aware of such revocation, termination or suspension or any matter which may give rise to such revocation, termination or suspension;
10. (i) the listing of the Shares not having been revoked and trading in the Shares on the Stock Exchange not having been suspended (except for any suspension of trading pending publication of announcement(s) in relation to the execution of the S&P Agreement or the transactions contemplated thereunder); (ii) no notification having been received from the Stock Exchange or the SFC that it may revoke or oppose the listing of the Shares for any reasons other than insufficient public float of the Shares upon completion of the S&P Agreement and the Offer; and (iii) there not having occurred other events which may have an adverse effect on the listing of the Company on the Stock Exchange;
11. the Total Champ Amount having been repaid by the Vendors to Total Champ and all the Notes having been redeemed by the Vendors; and
12. all the Warrants have been duly cancelled and discharged in cash.

Based on advice received from PRC lawyers, the consents and approvals of the Relevant Authorities referred to in item (6) above are currently the regulatory consents and approvals required for the Acquisition and the Offer.

Based on the information provided by the Vendors and the Guarantors thus far and based on information publicly available, the Offeror is not aware of any such third party consents or approvals. The due diligence investigation into the Group is continuing.

The Offeror may give written notice to the Vendors to waive any of the Acquisition Conditions above (except for items (1) and (6) above). As at the date of this announcement, no Acquisition Condition has been satisfied or waived. The agreement with Total Champ for cancellation and discharge of all the Warrants is expected to finalise shortly after this announcement. Further announcement will be made immediately upon satisfaction of the Acquisition Conditions (including details of the agreement with Total Champ).

If any of the Acquisition Conditions set out above has not been satisfied or waived (as the case may be) on or before the Long Stop Date, the S&P Agreement will terminate automatically with immediate effect and neither the Vendors nor the Offeror shall be obliged to complete the Acquisition.

Completion will take place on the Completion Date, which shall be (i) the 10th Business Day after the later of the Conditions Satisfaction Date and the Interim Dividend Record Date and in any event no later than 15 February 2013, or (ii) such other earlier date as may be agreed in writing between the Vendors and the Offeror.

2012 Interim Dividends

The Company has declared an interim dividend of HK\$0.025 per Share on 30 August 2012. The 2012 Interim Dividends will be payable on 15 October 2012 to the Shareholders whose names appear on the register of members of the Company on the Interim Dividend Record Date. If the Acquisition Conditions have been satisfied or waived (if applicable) by the Interim Dividend Record Date, Completion shall take place on the 10th Business Day after the Interim Dividend Record Date or such other earlier date after the Interim Dividend Record Date as may be agreed in writing between the Vendors and the Offeror.

Guarantors

Each of the Guarantors irrevocably and unconditionally guarantees, on a joint and several basis, to the Offeror the due and punctual performance of the Vendors' obligations under the S&P Agreement. The Guarantors shall pay to the Offeror from time to time on demand a sum of money which the Vendors may at any time be liable to pay to the Offeror under the S&P Agreement and which has not been paid at the time the demand is made. The Guarantors' obligations shall be joint and several with the obligations of the Vendors under the S&P Agreement.

Offeror's right to request the Vendors to buy back the Sale Shares

Upon the occurrence of the following facts or circumstance after the Completion but before closing of the Offer, the Offeror may require the Vendors to buy back the Sale Shares at the same Consideration: if the Offer lapses as a result of the conditions of the Offer set out in the section headed "Conditions of the Offer" not being satisfied and such non-satisfaction is otherwise than due to the fault of the Offeror, the Vendors shall buy back the Sale Shares from the Offeror within 60 Business Days from the lapse of the Offer.

II. REASONS FOR AND BENEFITS OF ENTERING INTO THE S&P AGREEMENT AND THE OFFER

The commercial reasons for the Offeror entering into the contemplated transactions are as follows:

1. Bolsters long-term strategic plan, optimizes integration opportunities

CNPGC is the largest state-owned pharmaceutical and healthcare group administered directly by the State-owned Assets Supervision and Administration Commission of the State Council. CNPGC will continue to grow and play a significant role in the development of the overall healthcare industry in the PRC. CNPGC is looking to strengthen its position by expanding and integrating the healthcare value chain including, but not limited to, the manufacturing and selling of pharmaceutical and healthcare products. The proposed transaction is consistent with its long-term corporate development and strategic plans.

CNPGC hopes to expand its presence in the manufacturing and selling of TCM products through the Acquisition and the Offer. CNPGC also hopes to increase the Company's sales through its expertise in financial management, operation management, strategy and human resources and information management.

2. TCM is an attractive market, enhances shareholder value

The transaction gives the Offeror an opportunity to further develop the TCM market, which is a large and fast-growing segment of China's healthcare industry. The Company is one of the leading players with a strong business profile and an attractive product portfolio in the TCM industry. The Offeror believes that the Company will continue to generate strong growth and improve the risk-reward profile of this investment, thereby increasing shareholder value. The Offeror's belief is based on the Company's historical revenue growth driven by well-known TCM brand names (e.g. De Zhong and Feng Liao Xing), capacity expansion, new product development, vertically-integrated infrastructure as well as commitment to quality.

III. POSSIBLE PRE-CONDITIONAL VOLUNTARY CONDITIONAL CASH OFFER

Subject to the satisfaction of the Pre-condition, Citigroup will, for and on behalf of the Offeror, make a voluntary conditional cash offer to acquire all of the issued Shares (other than the Lock-up Shares and those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) on the following terms:

For each Offer Share a minimum of HK\$1.40 and a maximum of HK\$1.70, in cash

The Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code (other than Mr. Yang in relation to the Lock-up Shares and the Offeror and any parties acting in concert with it). The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date excepting however the 2012 Interim Dividends.

The Offer Price is the same as the price per Sale Share payable by the Offeror under the S&P Agreement with the payment schedule as follows:

- (i) HK\$1.40 per Offer Share payable in cash in respect of acceptances of the Offer will be made as soon as possible, but in any event within seven Business Days of the date of receipt of a duly completed and valid acceptance of the Offer, or of the date on which the Offer becomes or is declared unconditional in all respects, whichever is the later;
- (ii) if the Adjusted Net Profit for FY 2012 is HK\$190 million or more, an additional amount of HK\$0.30 per Offer Share shall be payable to all the accepting Shareholders within seven Business Days after the release of the 2012 annual results announcement of the Company. For the avoidance of doubt, if the Adjusted Net Profit for FY 2012 is less than HK\$190 million, no further payment shall be made by the Offeror for the Offer Shares.

The basis for determining the Adjusted Net Profit is set out above under the section headed "Consideration for the Sale Shares".

Comparisons of value

The minimum Offer Price of HK\$1.40 per Offer Share represents:

- (i) a discount of approximately 3.4% to the closing price of HK\$1.45 per Share as quoted on the Stock Exchange on 30 August 2012, being the Last Trading Day;
- (ii) a discount of approximately 2.9% to the average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive full Trading Days up to and including the Last Trading Day, being approximately HK\$1.44 per Share;
- (iii) a discount of approximately 1.3% to the average closing price of the Shares as quoted on the Stock Exchange for the last 30 consecutive full Trading Days up to and including the Last Trading Day, being approximately HK\$1.42 per Share;
- (iv) a premium of approximately 167.8% over the unaudited consolidated equity per Share attributable to the Shareholders of approximately HK\$0.52 per Share as at 30 June 2012; and
- (v) a premium of approximately 163.2% over the audited consolidated equity per Share attributable to the Shareholders of approximately HK\$0.53 per Share as at 31 December 2011.

The maximum Offer Price of HK\$1.70 per Offer Share represents:

- (i) a premium of approximately 17.2% over the closing price of HK\$1.45 per Share as quoted on the Stock Exchange on 30 August 2012, being the Last Trading Day;
- (ii) a premium of approximately 17.9% over the average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive full Trading Days up to and including the Last Trading Day, being approximately HK\$1.44 per Share;
- (iii) a premium of approximately 19.8% over the average closing price of the Shares as quoted on the Stock Exchange for the last 30 consecutive full Trading Days up to and including the Last Trading Day, being approximately HK\$1.42 per Share;
- (iv) a premium of approximately 225.2% over the unaudited consolidated equity per Share attributable to the Shareholders of approximately HK\$0.52 per Share as at 30 June 2012; and
- (v) a premium of approximately 219.6% over the audited consolidated equity per Share attributable to the Shareholders of approximately HK\$0.53 per Share as at 31 December 2011.

As at the date of this announcement, the Offeror and parties acting in concert with it do not hold any Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Upon Completion, the Offeror and parties acting in concert with it will own 354,898,750 Shares, representing approximately 19.90% of the entire issued share capital of the Company as at the date of this announcement.

Total consideration

Based on the maximum Offer Price of HK\$1.70 per Offer Share and 1,783,410,807 Shares in issue as at the date of this announcement, the entire issued share capital of the Company is valued at approximately HK\$3,031,798,372. In the event that the Offer is accepted in full, the maximum amount payable by the Offeror under the Offer will be approximately HK\$1,973,700,741 for an aggregate of 1,161,000,436 Offer Shares (based on the maximum offer price of HK\$1.70 per Offer Share), of which (i) approximately HK\$956,248,237

would be paid by the Offeror for 562,498,963 Offer Shares (to be tendered pursuant to the Irrevocable Undertakings) and (ii) approximately HK\$1,017,452,504 would be paid by the Offeror for 598,501,473 Offer Shares (to be tendered pursuant to the Offer other than the Irrevocable Undertakings).

A comparison of the Offer Price to the closing prices of the Shares is set out above under the section headed “Comparisons of value”.

No fractions of a cent will be payable and the amount of cash consideration payable to the Shareholder who accepts the Offer will be rounded down to the nearest cent.

Confirmation of Financial Resources

The consideration payable under the S&P Agreement and in respect of acceptances under the Offer by the Offeror will be financed (i) by a term loan facility in the amount of HK\$2,576 million pursuant to a facility agreement between Bank of China Limited Macau Branch (as lender) and the Offeror (as borrower); (ii) by an intercompany loan in the amount of HK\$1,100,000 by CNPGC through its wholly-owned subsidiary; and (iii) from available financial resources of CNPGC and its wholly-owned subsidiary. The amounts set out above will cover the maximum consideration of HK\$2,577,028,616 (equivalent to HK\$1.70 per Sale Share and Offer Share, as the case may be) payable by the Offeror under the Acquisition and the Offer.

Citigroup, as the sole financial adviser to the Offeror, is satisfied that sufficient resources are available to the Offeror to satisfy payment of the consideration in respect of full acceptance of the Offer.

Pre-condition to the Offer

The making of the Offer is subject to the Completion.

If the Pre-condition is not satisfied or waived by 15 February 2013, the Offer will not be made (unless the Offeror postpones the date for satisfaction or waive of the Pre-condition).

Conditions of the Offer

The Offer will be conditional on the satisfaction of the following conditions:

- (i) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which, together with Shares acquired or agreed to be acquired before or during the Offer, would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company in accordance with the Takeovers Code (“**Acceptance Condition**”);
- (ii) the Shares remaining listed and traded on the Stock Exchange up to the Closing Date save for any suspension(s) of trading in the Shares of less than 14 days as a result of the Offer and no indication being received on or before the Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;

- (iii) the representations and warranties of the Vendors contained in the Irrevocable Undertakings remaining true and accurate and not misleading from the time of execution of the Irrevocable Undertakings to the date the Acceptance Condition is fulfilled, and being valid as if such representations and warranties had been made and given on such dates;
- (iv) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Offer remaining in full force and effect without material variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no material and adverse requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Offer or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Offer becomes or is declared to be unconditional in all respects;
- (v) all necessary consents which may be required for the implementation of the Offer under any existing contractual obligations of the Company and any member of the Group being obtained or waived by the relevant party(ies) and such consents remaining in full force and effect without material variation;
- (vi) no Relevant Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Offer or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Offer or its implementation in accordance with its terms);
- (vii) since the date of this announcement, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general operations, management, financial position, business, prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, shareholders' equity or results of operations of the Group taken as a whole, whether or not arising in the ordinary course of business; and
- (viii) there having been no frustrating action taken by the Company or any member of the Group since the date of this announcement, unless with the consent of the Offeror.

The Offeror reserves the right to waive any of the above conditions (save for item (i)) either in whole or in part, either generally or in respect of any particular matter. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the conditions (other than item (i)) as a basis for not proceeding with the Offer if the circumstances which give rise to the right to invoke any such condition are of material significance to the Offeror in the context of the Offer. The Company has no right to waive any of the conditions.

The Offer is made on the basis that acceptance of the Offer by any person will constitute a warranty by such person or persons to the Offeror that the Shares shall be fully paid and shall be acquired free from all Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date excepting however the 2012 Interim Dividends.

WARNING: Shareholders and/or potential investors of the Company should note that the making of the Offer is subject to the satisfaction of the Pre-condition and the Offer may or may not be made. In addition, completion of the Offer is subject to the conditions being fulfilled and therefore the Offer may or may not become unconditional and be completed. Accordingly, the issue of this announcement does not imply that the Offer will become unconditional and Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

Extension of the Offer Period

If the Offer has not been declared or has not become unconditional as to acceptances on or before the 60th day after the posting of the Composite Document, and/or the Offer has not been declared or has not become unconditional in all respects on or before the 81st day after the posting of the Composite Document, the Offer will lapse unless the Offer is extended with the consent of the Executive in accordance with the Takeovers Code.

If the Pre-condition or the conditions of the Offer are satisfied (or if permissible, waived), Shareholders will be notified by an announcement in accordance with the Takeovers Code and the Listing Rules.

Irrevocable Undertakings

On 31 August 2012, each of Mr. Yang, Mr. Xu, Sureplan, Profit Channel, Extra Benefit and Profit United executed the Irrevocable Undertakings in favour of the Offeror, pursuant to which each of the Committed Shareholders has undertaken, *inter alia*, to accept, or procure the acceptance of, the Offer in respect of an aggregate of 562,498,963 Shares (representing approximately 31.54% of the issued share capital of the Company as at the date of this announcement), not later than three Business Days after the despatch of the Composite Document. The table below sets out the composition of the Shares that the Committed Shareholders have agreed to sell under the Irrevocable Undertakings:

Name	Number of Shares	Approximate percentage of the issued share capital of the Company as at the date of this announcement
Sureplan	68,178,172	3.822%
Profit Channel	112,633,822	6.3156%
Extra Benefit	380,145,443	21.3156%
Mr. Xu	1,470,000	0.0824%
Profit United	71,526	0.004%
Total	562,498,963	31.54%

The Irrevocable Undertakings also provide that, before the Offer closes, lapses or is withdrawn, each of the Committed Shareholders shall not, among other things, directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any direct or indirect interest in its/his Shares, nor will any of them accept any other offer in respect of any of its/his Shares, nor will any of them enter into any agreement or any arrangement to do any of the above acts.

Assuming the Pre-condition is satisfied and the Offer proceeds, the Offeror shall acquire from the Committed Shareholders a total of 562,498,963 Shares pursuant to the Irrevocable Undertakings in consideration for a minimum of approximately HK\$787,498,548 (based on the minimum Offer Price of HK\$1.40 per Offer Share) and a maximum of approximately HK\$956,248,237 (based on the maximum Offer Price of HK\$1.70 per Offer Share) in cash.

The Irrevocable Undertakings and the obligations of the Committed Shareholders thereunder shall lapse and terminate on the date on which the Offer lapses or is withdrawn.

The Irrevocable Undertakings will, however, remain binding even if a higher offer is made for the Shares by or on behalf of a party or parties other than the Offeror.

Highest and lowest Share prices

The highest and the lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing six months preceding the commencement of the Offer period, i.e. the date of this announcement were HK\$1.49 per Share (on 29 August 2012) and HK\$1.17 per Share (on 29 March 2012), respectively.

Other arrangements

At the date of this announcement,

- (a) neither CNPGC, the Offeror nor any parties acting in concert with any of them owns or controls any Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (b) neither CNPGC, the Offeror nor parties acting in concert with any of them has acquired any voting rights in or has otherwise dealt for value in the Shares and rights over the Shares during the 6-month period immediately prior to the date of this announcement;
- (c) neither CNPGC, the Offeror nor parties acting in concert with any of them has borrowed or lent any Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (d) there are no outstanding derivatives in respect of securities in the Company entered into by CNPGC, the Offeror nor parties acting in concert with any of them;
- (e) save for the Irrevocable Undertakings, neither CNPGC, the Offeror nor any parties acting in concert with any of them has received any further irrevocable commitment to accept or reject the Offer;

- (f) save for the Warrants issued under the NWP Agreement the cancellation of which shall be a condition to completion of the S&P Agreement, there is no outstanding options, warrants, derivatives or securities which may confer any rights to the holder(s) thereof to subscribe for, convert, or exchange into Shares;
- (g) save for item 12 set out in the section headed “Completion” above, there is no arrangement (whether by way of option, indemnity or otherwise) as referred to in Note 8 to Rule 22, in relation to the Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror which might be material to the Offer; and
- (h) there is no agreement or arrangement to which CNPGC or the Offeror is a party, which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

Stamp duty

In Hong Kong, seller’s ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Shareholders at a rate of 0.1% of: (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror on behalf of the relevant Shareholders accepting the Offer. In the present case, ad valorem stamp duty will be levied and paid upfront by each Shareholder who accepts the Offer on the basis of the maximum consideration of HK\$1.70 per Offer Share, irrespective of whether the Adjusted Net Profit FY 2012 is achieved and whether the additional amount of HK\$0.30 per Offer Share is payable. The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and will pay the buyer’s ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). **There will be no refund of the stamp duty paid upfront on the HK\$0.30 per Offer Share if the Adjusted Net Profit for FY 2012 is not achieved or met.**

Settlement of Consideration

Provided that the Offer has become, or has been declared, unconditional in all respects, settlement of the consideration at the price of HK\$1.40 per Offer Share payable in respect of acceptances of the Offer will be made as soon as possible but in any event within seven Business Days of the later of the date on which the Offer becomes, or is declared, unconditional in all respects and the date of receipt of a duly completed and valid acceptance.

Further, as provided under the heading “Consideration of the Sale Shares”, if the Adjusted Net Profit for FY 2012 achieves HK\$190 million or more, then a total sum of HK\$0.30 per Offer Share shall be payable within seven Business Days after the release of the 2012 annual results announcement of the Company. Such information will be contained in detail in the Composite Document.

Overseas Shareholders

The Offer will be in respect of securities of a company incorporated in Hong Kong and will be subject to the procedural and disclosure requirements of Hong Kong.

The making and the implementation of the Offer to Shareholders who are not residents in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Shareholders are located. Such Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. Shareholders who have registered addresses outside Hong Kong and wish to accept the Offer should satisfy themselves as to the full observance of the applicable laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes payable by such accepting Shareholders in respect of such jurisdiction).

In the event that the receipt of the Composite Document by overseas Shareholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, subject to the Executive's consent, the Composite Document will not be despatched to such overseas Shareholders. The Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror that the local laws and requirements have been complied with. Shareholders who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

IV. LOCK-UP SHARES

Upon Completion and close of the Offer (taking into account the Irrevocable Undertakings), Mr. Yang will, through Profit Channel, continue to hold 267,511,621 Shares, representing approximately 15% of the issued share capital of the Company as at the date of this announcement.

Mr. Yang and Profit Channel have undertaken, *inter alia*, in the S&P Agreement and the Irrevocable Undertakings that unless with the prior written consent of the Offeror, he/it will not dispose of any part of the Lock-up Shares or enter into any agreement or arrangement which has the same or similar effect during the First 12 Months and will not dispose of 50% or more of the Lock-up Shares or enter into any agreement or arrangement which has the same or similar effect during the Second 12 Months. Mr. Yang has agreed and undertaken that, the above restriction shall also apply to the disposal of any part of the shares held by him in Profit Channel or the entry into of any agreement or arrangement by him in respect of the shares in Profit Channel which has the same or similar effect. For the avoidance of doubt, the Offeror will not give its prior written consent to such disposal of any part of the Lock-up Shares or the entry into of any agreement or arrangement which has the same or similar effect during the period from the execution of the S&P Agreement until the Offer has completed, expired or been withdrawn. As a result of the restrictions above, Profit Channel will not be able to tender the Lock-up Shares in acceptance of the Offer.

The lock-up arrangement is a commercial agreement between the Offeror and Mr. Yang which has been reached after arm's length negotiation. As the parties consider that it would be in the best interest of the Company and its Shareholders to have the continuing service and contributions of Mr. Yang after completion of the Offer, the lock-up arrangement will ensure Mr. Yang will retain minority but meaningful stake in the Company, which will facilitate a smooth transition after the completion of the Offer and the stable and continuous development of the business and operations of the Group.

V. SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement, (ii) upon Completion but before the Offer (assuming that there is no change in the issued share capital of the Company) and (iii) after the Offer (assuming that only the Committed Shareholders tendered acceptance of the Offer under the Irrevocable Undertakings) are as follows:

	As at the date of this announcement		Upon Completion but before the Offer		Immediately after the close of the Offer (assuming that only the Committed Shareholders tendered (or procured) acceptance of the Offer pursuant to the Irrevocable Undertakings)	
	Number of Shares	Approximate Shareholding %	Number of Shares	Approximate Shareholding %	Number of Shares	Approximate Shareholding %
The Committed Shareholders (Note 1)	1,184,909,334	66.44	830,010,584	46.54 (Note 2)	267,511,621	15.00 (Note 4)
The Offeror and parties acting in concert with it (Note 3)	–	–	354,898,750	19.90	917,397,713	51.44
Public Shareholders	598,501,473	33.56	598,501,473	33.56	598,501,473	33.56
Total	1,783,410,807	100.00	1,783,410,807	100.00	1,783,410,807	100.00

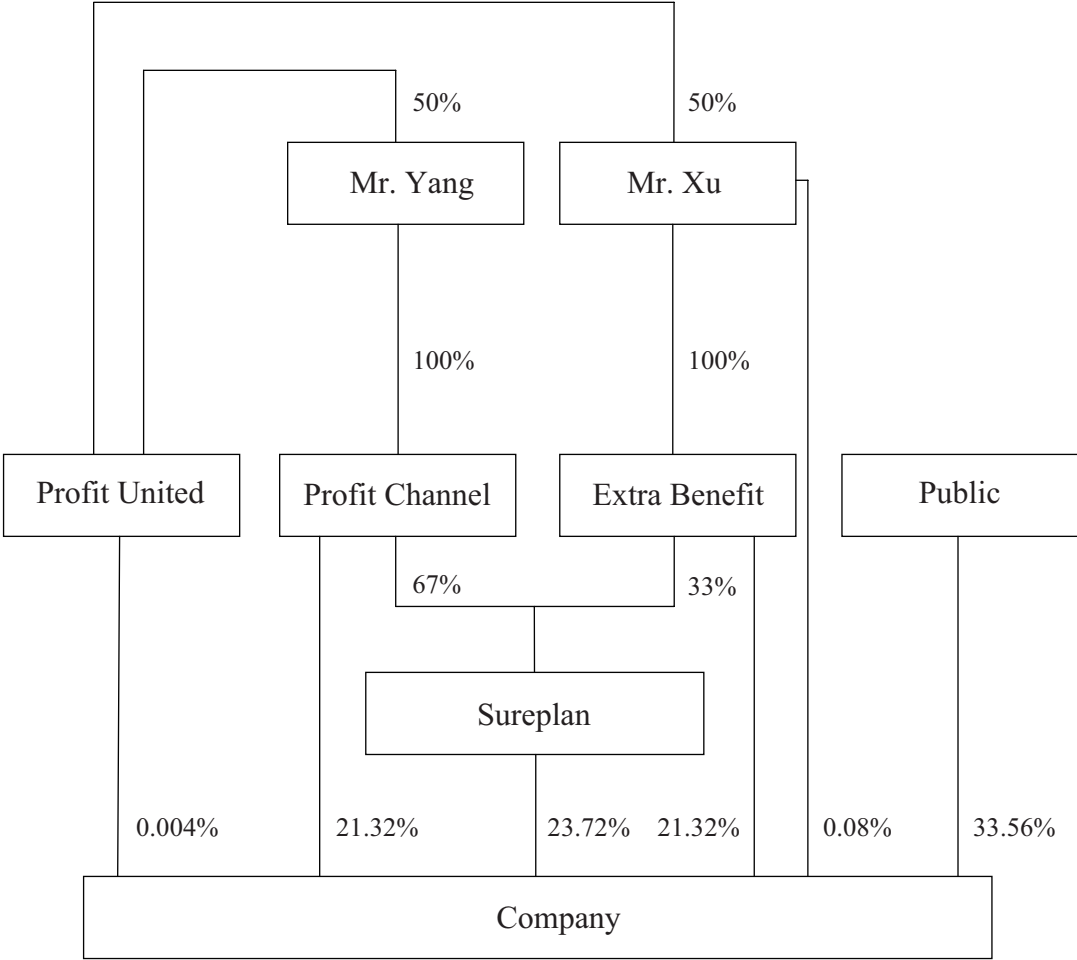
Notes:

1. As at the date of this announcement, 1,184,909,334 Shares are directly owned as to:
 - (i) 423,076,922 Shares by Sureplan (representing approximately 23.72% of the issued share capital of the Company as at the date of this announcement);
 - (ii) 380,145,443 Shares by Profit Channel (representing approximately 21.32% of the issued share capital of the Company as at the date of this announcement);
 - (iii) 380,145,443 Shares by Extra Benefit (representing approximately 21.32% of the issued share capital of the Company as at the date of this announcement);
 - (iv) 71,526 Shares by Profit United (representing approximately 0.004% of the issued share capital of the Company as at the date of this announcement); and
 - (v) 1,470,000 Shares by Mr. Xu (representing approximately 0.08% of the issued share capital of the Company as at the date of this announcement).

Sureplan is owned as to 67% by Profit Channel and 33% by Extra Benefit, each of which is in turn wholly owned by Mr. Yang and Mr. Xu, respectively. Profit United is owned as to 50% by Mr. Yang and 50% by Mr. Xu.

- 2. Upon Completion, the shareholding of Profit Channel, Extra Benefit, Profit United and Mr. Xu will remain unchanged and the shareholding of Sureplan will decrease to 68,178,172 Shares (representing approximately 3.82% of the issued share capital of the Company as at the date of this announcement). The 830,010,584 Shares (representing approximately 46.54% of the issued share capital of the Company as at the date of this announcement) include the Lock-up Shares of 267,511,621 Shares, being approximately 15% of the issued Shares of the Company as at the date of this announcement.
- 3. Neither the Offeror nor any parties acting in concert with it owns or controls any Shares as at the date of this announcement.
- 4. Upon Completion and close of the Offer (taking into account the Irrevocable Undertakings), Mr. Yang will, through Profit Channel, continue to hold 267,511,621 Shares, representing approximately 15% of the issued share capital of the Company as at the date of this announcement.

The shareholding chart of the Company as at the date of this announcement is set out below:



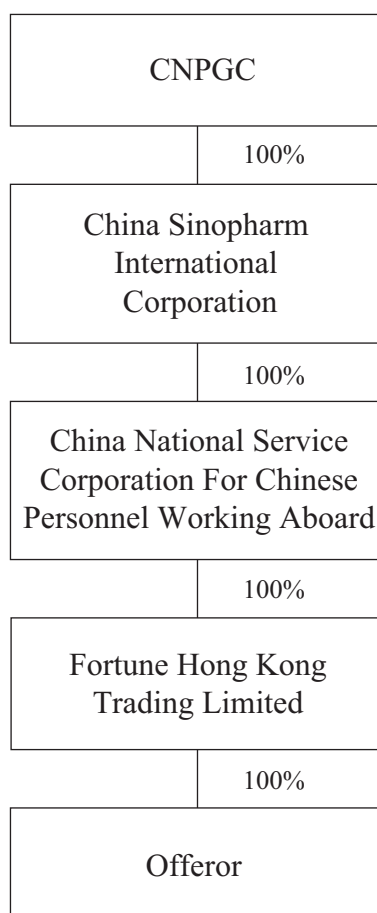
VI. INFORMATION ON THE PARTIES TO THE S&P AGREEMENT

The Offeror

The Offeror is an investment holding company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of CNPGC. The Offeror is set up to hold the Shares and has not conducted any business since its incorporation. As at the date of this announcement, the Offeror does not own any Shares.

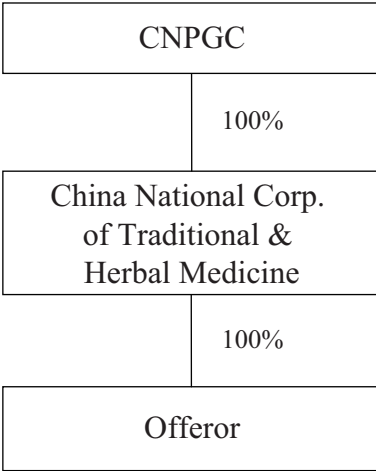
CNPGC is a state-owned enterprise established in the PRC. It is the largest pharmaceutical and healthcare group administered directly by the State-owned Assets Supervision and Administration Commission of the State Council. Its core businesses are pharmaceutical distribution, pharmaceutical scientific research and manufacture of medical and biotech products.

The shareholding chart of the Offeror as at the date of this announcement is set out below:



CNPGC intends to acquire all the shares in the Offeror (through China National Corp. of Traditional & Herbal Medicine, a direct wholly-owned subsidiary of CNPGC) from Fortune Hong Kong Trading Limited such that the Offeror will become an indirect wholly-owned subsidiary of CNPGC. China National Corp. of Traditional & Herbal Medicine primarily engages in manufacture and sale of TCM materials and TCM drinking pills, and research, manufacture and marketing of TCM. The share transfer reflects the business and strategic plans of CNPGC to expand and strengthen its presence in the manufacturing and selling of TCM products and to further facilitate the Company's business and development with the expertise and platform provided by China National Corp. of Traditional & Herbal Medicine.

The shareholding chart of the Offeror after the above transfer is set out below:



The Vendors

Mr. Yang was appointed to the Board on 6 February 2009 and has been the Managing Director of the Company since 11 February 2009. As at the date of this announcement, Profit Channel is wholly owned by Mr. Yang. Profit Channel directly holds 380,145,443 Shares (representing approximately 21.32% of the issued share capital of the Company) and a 67% interest in Sureplan, which in turn directly owns 423,076,922 Shares (representing approximately 23.72% of the issued share capital of the Company) as at the date of this announcement.

Mr. Xu was appointed to the Board on 10 June 2009 and has been the Chairman of the Company since 28 March 2012. Mr. Xu has been the Executive Deputy Chairman of the Company from 30 July 2009 to 27 March 2012. As at the date of this announcement, Extra Benefit is wholly owned by Mr. Xu, who also directly holds 1,470,000 Shares (representing approximately 0.08% of the issued share capital of the Company). Extra Benefit directly holds 380,145,443 Shares (representing approximately 21.32% of the issued share capital of the Company) and a 33% interest in Sureplan, which in turn directly owns 423,076,922 Shares (representing approximately 23.72% of the issued share capital of the Company).

Further details regarding the shareholdings of the Vendors in the Company are set out in the section headed “Shareholding structure of the Company” in this announcement.

VII. INFORMATION ON THE GROUP

The Company is an investment holding company incorporated in Hong Kong with limited liability and, through its subsidiaries, is principally engaged in research and development, production and sale of pharmaceutical products in the PRC.

The audited consolidated net profits before taxation of the Company for the financial year ended 31 December 2010 and for the financial year ended 31 December 2011 amounted to approximately HK\$115 million and approximately HK\$94 million, respectively. The audited consolidated net profits after taxation of the Company for the financial year ended 31 December 2010 and for the financial year ended 31 December 2011 amounted to approximately HK\$86 million and approximately HK\$74 million, respectively. The audited equity attributable to Shareholders of the Company as at 31 December 2011 was approximately HK\$949 million.

Upon Completion and the Offer having become or been declared unconditional in all respects, the Company will become a subsidiary of CNPGC and the financial results and financial position of the Group will be consolidated in the financial statements of CNPGC.

VIII. OFFEROR'S INTENTION ON THE GROUP

The Offeror will conduct a review on the overall business of the Group and will keep Shareholders and investors informed by making further announcement(s) as and when appropriate in accordance with the requirements of the Takeovers Code.

The Offeror intends to invite one of the independent non-executive Directors and some other Directors to resign from their office. If they agree to do so, the Directors may resign from their office after the first Closing Date of the Offer in accordance with the Takeovers Code. The Offeror intends to nominate directors after the Completion Date and such appointment will not take effect until the date of despatch of the Composite Document as required by the Takeovers Code.

The Offeror has undertaken to the Vendors in the S&P Agreement that it will, to the extent permitted under applicable laws and memorandum and articles of association of the Company, vote in favour of the continuing appointment of Mr. Yang as a Director of the Company for a period of three years from the Completion Date provided that Mr. Yang holds not less than 10% of the total issue Shares of the Company. Mr. Yang's continuing services with the Company will be on terms similar to the current terms of employment offered to him as an executive Director of the Company.

The Offeror is in the process of identifying other suitable candidates for the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcements will be made as and when appropriate.

IX. MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer and will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float is maintained for the Shares.

The Stock Exchange has stated that if, upon the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.

X. GENERAL

The Independent Board Committee and the Independent Financial Adviser

Rule 2.8 of the Takeovers Code requires the Company to establish an independent committee of the Board to give a recommendation to the Independent Shareholders on the Offer and that such independent committee should comprise all the non-executive Directors who have no direct or indirect interest in the Offer other than as a Shareholder. The Independent Board Committee comprising the non-executive Director and all of the independent non-executive Directors (other than Mr. Zhang Jianhui, who is also a director of CNPGC) has been established to advise the Independent Shareholders in respect of the Offer, in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance.

The Independent Financial Adviser will be appointed by the Company after approval by the Independent Board Committee to advise the Independent Board Committee in respect of the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance. An announcement will be made immediately upon the appointment of the Independent Financial Adviser by the Company.

Despatch of the Composite Document

It is the intention of the Offeror and the Company to combine the Offer Document with the Response Document in the Composite Document. In accordance with Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things: (i) details of the Offer (including the expected timetable); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, together with the relevant form of acceptance and transfer, is required to be despatched to the Independent Shareholders as soon as practicable within 21 days of the date of this announcement or such later date as the Executive may approve.

As Completion is conditional on obtaining all the necessary consents and approvals required to be issued by the Relevant Authorities for the transactions under the S&P Agreement and the Offer which is expected to take approximately six months, the Pre-condition is unlikely to be fulfilled within 21 days of the date of the announcement in accordance with the Takeovers Code. The Offeror will apply to the Executive for its consent pursuant to Note 2 to Rule 8.2 of the Takeovers Code for an extension of time for despatching the Composite Document to any time within seven days after the Pre-condition is satisfied or waived (or such later date to which the Executive, at the request of the Offeror, may consent).

Dealings disclosure

In accordance with Rule 3.8 of the Takeovers Code, associates (as defined under the Takeovers Code) of the Company and the Offeror (including persons who own or control 5% or more of any class of relevant securities issued by the Company or the Offeror) are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

XI. SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 31 August 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 September 2012.

XII. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acceptance Condition”	has the meaning as described under the section headed “Conditions of the Offer” in this announcement
“Acquisition”	the sale and purchase of the Sale Shares contemplated under the S&P Agreement
“Acquisition Conditions”	being the conditions precedent to Completion as set out in the section headed “Completion” in this announcement
“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Adjusted Net Profit”	shall have the meaning as described under the section headed “Consideration of the Sale Shares” in this announcement
“Audited Net Profit”	net profit after tax attributable to the equity holders of the Company as shown in the annual audited consolidated financial statements of the Group
“Board”	the board of Directors
“Business Day”	a day (other than Saturday or Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are opened for general banking business in Hong Kong. For the purpose of “Completion Date” only, Business Day shall not include public holidays in the PRC
“BVI”	British Virgin Islands
“CCBIAM”	CCB International Asset Management Limited
“Citigroup”	Citigroup Global Markets Asia Limited, a registered institution under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Closing Date”	the date to be stated in the Composite Document as the first closing date of the Offer or any subsequent closing date as may be announced by the Offeror and approved by the Executive

“CNPGC”	China National Pharmaceutical Group Corporation (中國醫藥集團總公司), a state-owned enterprise established in the PRC and the ultimate holding company of the Offeror
“Committed Shareholders”	collectively, Mr. Yang, Mr. Xu, Sureplan, Profit Channel, Extra Benefit and Profit United
“Company”	Winteam Pharmaceutical Group Limited (盈天醫藥集團有限公司), a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the S&P Agreement
“Completion Date”	the date on which Completion takes place in accordance with the S&P Agreement, being (i) the 10th Business Day after the later of the Conditions Satisfaction Date and the Interim Dividend Record Date and in any event no later than 15 February 2013, or (ii) such other earlier date as may be agreed in writing between the Vendors and the Offeror
“Composite Document”	the Offer Document and the Response Document to be issued jointly by the Offeror and the Company in connection with the Offer
“Conditions Satisfaction Date”	the date on which the last of the Acquisition Conditions having been satisfied or waived (as the case may be) and such date not being later than the Long Stop Date
“Consideration”	the consideration paid and payable by the Offeror to the Vendors for the Sale Shares, being the minimum aggregate amount of HK\$496,858,250 (equivalent to HK\$1.40 per Sale Share) and the maximum aggregate amount of HK\$603,327,875 (equivalent to HK\$1.70 per Sale Share)
“Directors”	directors of the Company
“Encumbrances”	mortgage, charge, pledge, lien, option, restriction, purchase right, right of first refusal, right of pre-emption, voting trust or agreement, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including a title transfer or retention arrangement) having similar effect
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any of his delegates
“Extra Benefit”	Extra Benefit Corp., a company incorporated in the BVI with limited liability and is ultimately and beneficially owned as to 100% by Mr. Xu

“First 12 Months”	the period commencing from the execution of the S&P Agreement to the end of the 12th month from the Completion Date
“FY 2012”	the financial year of the Company ending 31 December 2012
“Group”	the Company and its subsidiaries
“Guarantors”	collectively, Mr. Yang and Mr. Xu
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board comprising the non-executive Director and all of the independent non-executive Directors (other than Mr. Zhang Jianhui who is also a director of CNPGC), established to give recommendation to the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to acceptance
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company for the purpose of advising the Independent Board Committee in connection with the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to acceptance
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Interim Dividend Record Date”	24 September 2012, the date for ascertaining those Shareholders who would be entitled to receive the 2012 Interim Dividends
“Irrevocable Undertakings”	the irrevocable undertakings given by the Committed Shareholders in favor of the Offeror to accept the Offer in respect of an aggregate of 562,498,963 Shares
“Last Trading Day”	30 August 2012, being the last Business Day immediately preceding the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lock-up Shares”	267,511,621 Shares held indirectly by Mr. Yang, representing approximately 15% of the issued share capital of the Company as at the date of this announcement, which are subject to the lock-up undertaking given by Mr. Yang and Profit Channel under the S&P Agreement and the Irrevocable Undertakings

“Long Stop Date”	31 January 2013 or such other date as the Vendors and the Offeror may at any time and from time to time agree in writing
“Material Adverse Effect”	any change or incident which will have or is reasonably expected to have a material adverse impact on the business, operation, prospects, assets, results of operations or financial performance of the Group taken as a whole or the ability of any party to the S&P Agreement to perform its obligations thereunder
“Mr. Xu”	徐 鉄 峰 先 生 (Mr. Xu Tiefeng), an executive Director, the Executive Deputy Chairman of the Company and a substantial Shareholder (as defined in the Takeovers Code and the Listing Rules)
“Mr. Yang”	楊 斌 先 生 (Mr. Yang Bin), an executive Director, the Managing Director of the Company and a substantial Shareholder (as defined in the Takeovers Code and the Listing Rules)
“Notes”	the notes in the aggregate principal amount of HK\$300 million issued by Profit Channel and Extra Benefit respectively to Total Champ pursuant to the NWP Agreement
“NWP Agreement”	the note and warrant purchase agreement dated 14 October 2011 entered into among Total Champ, Profit Channel, Extra Benefit, Mr. Yang and Mr. Xu pursuant to which Profit Channel and Extra Benefit issued the Notes and the Warrants to Total Champ
“Offer”	the possible pre-conditional voluntary conditional cash offer to be made by Citigroup for and on behalf of the Offeror for all the issued Shares (other than the Lock-up Shares and those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code
“Offer Document”	the document required to be issued by, or on behalf of, the Offeror to all the Independent Shareholders in accordance with the Takeovers Code, containing, <i>inter alia</i> , details of the Offer and the terms and conditions of the Offer and forming part of the Composite Document
“Offer Price”	the price at which the Offer will be made, being a minimum of HK\$1.40 and a maximum of HK\$1.70 per Offer Share
“Offer Share(s)”	issued Share(s) other than the Lock-up Shares and those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it

“Offeror”	Sinopharm Group Hongkong Co., Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of CNPGC
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-condition”	pre-condition to the making of the Offer as described in the section headed “Pre-condition to the Offer” in this announcement
“Profit Channel”	Profit Channel Development Limited, a company incorporated in the BVI with limited liability and is ultimately and beneficially owned as to 100% by Mr. Yang
“Profit United”	Profit United Investments Limited, a company incorporated in the BVI with limited liability and is owned as to 50% by Mr. Yang and as to 50% by Mr. Xu
“Relevant Authorities”	any government, governmental, quasi-governmental, statutory or regulatory authority, body, agency, tribunal, court or institution in the PRC or other jurisdiction that has the authority to grant permit, license or approval or accept registration or filing in connection with the Acquisition and the Offer
“Response Document”	the document required to be issued by the Company to all the Independent Shareholders in accordance with the Takeovers Code containing, <i>inter alia</i> , the Board circular of the Company and forming part of the Composite Document
“S&P Agreement”	the conditional sale and purchase agreement entered into among the Offeror, Mr. Yang, Mr. Xu, Sureplan, Extra Benefit and Profit Channel, on 31 August 2012 in relation to the Acquisition
“Sale Shares”	the legal and beneficial interests in 354,898,750 issued Shares, representing approximately 19.90% of the total issued share capital of the Company directly held by Sureplan and beneficially owned by the Vendors immediately prior to Completion
“Second 12 Months”	the 12 months immediately following the expiry date of the First 12 Months
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sureplan”	Sureplan Limited, a company incorporated in the BVI with limited liability and is owned as to 67% by Profit Channel and 33% by Extra Benefit
“Takeovers Code”	the Code on Takeovers and Mergers
“TCM”	traditional Chinese medicine
“Total Champ”	Total Champ Investments Limited, a company incorporated in the BVI with limited liability and the purchaser under the NWP Agreement, which is a wholly-owned subsidiary of CCBIAM
“Total Champ Amount”	the outstanding principal amount on the Notes plus the accrued and unpaid interest payable by Profit Channel and Extra Benefit at Completion in connection with the redemption of all the Notes. As at the date of this announcement, the Total Champ Amount is approximately HK\$316 million
“Trading Day”	means a day on which the Stock Exchange is open for business
“Vendors”	collectively, Mr. Yang, Mr. Xu, Extra Benefit, Profit Channel and Sureplan
“Warrants”	the warrants issued by Profit Channel and Extra Benefit, respectively, to Total Champ in the aggregate nominal value of HK\$90 million with a term of two years, which confer on the holders the right to exchange for a maximum number of 72,727,272 existing Shares held by Mr. Yang and Mr. Xu
“2012 Interim Dividends”	the interim dividend of HK\$0.025 per Share in respect of the Company’s results for the six months ended 30 June 2012 which has been declared by the Company on 30 August 2012
“%”	per cent.

By order of the board of directors of
**China National Pharmaceutical
Group Corporation**
She Lulin
Director

By order of the board of directors of
**Sinopharm Group
Hongkong Co., Limited**
Yang Shanhua
Director

By order of the board of directors of
Winteam Pharmaceutical Group Limited
Xu Tiefeng
Chairman

Hong Kong, 31 August 2012

As at the date of this announcement, the Board comprises eight Directors, of which Mr. Xu Tiefeng, Mr. Yang Bin and Mr. Situ Min are executive Directors; Mr. Du Richeng is a non-executive Director; and Mr. Lo Wing Yat, Mr. Pang Fu Keung, Mr. Wang Bo and Mr. Zhang Jianhui are independent non-executive Directors.

As at the date of this announcement, the sole director of the Offeror is Mr. Yang Shanhua.

As at the date of this announcement, the board of directors of CNPGC comprises nine directors, of which Mr. Song Zhiping is the Chairman, Mr. She Lulin is the Vice Chairman and General Manager and Ms. Wang Lifeng is the Vice Chairman; Mr. Wen Keqin, Mr. Chen Wenhao, Mr. Fan Xiaofu, Mr. Liu Zhi, Mr. Zhang Jianhui and Ms. Xu Linli are directors.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than the information relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement contained in this announcement misleading.

The sole director of the Offeror and the directors of CNPGC jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than the information relating to the Group, the Vendors and parties acting in concert with any of them), and confirm having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Group, the Vendors and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any such statement contained in this announcement misleading.