

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

This announcement is not, and does not form any part of, an offer or invitation for the sale of securities in the United States or to, or for the account or benefit of any "U.S. persons" (as defined in Regulation S under the Securities Act). The securities have not been and will not be registered under the Securities Act, and may not be offered, sold or otherwise transferred within the "United States" or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless the securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available.



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)

PLACING OF H SHARES

Placing Agents



Morgan Stanley



On 28 March 2013, the Company entered into the Placing Agreement with the Placing Agents in relation to the Placing, on a best efforts basis, of a maximum of 165,668,190 H Shares at the Placing Price of HK\$24.60 per H Share.

The maximum of 165,668,190 Placing Shares represent 20% and 6.90%, respectively, of the existing total issued H Shares and the total issued share capital of the Company as at the date of this announcement and 16.67% and 6.45%, respectively, of the total issued H Shares and the total issued share capital of the Company as enlarged by the issue of the Placing Shares.

The Placing Shares will be sold to not less than 6 but no more than 10 Placees on a best efforts basis, subject to termination in certain events, as set out below under the heading "Conditions of the Placing".

The maximum amount of net proceeds of the Placing will be approximately HK\$4,001 million. The Company intends to use the net proceeds from the Placing for the expansion of pharmaceutical distribution and retail network and replenishment of liquidity after the expansion.

The Placing Shares will be issued under the General Mandate.

Since completion of the Placing is subject to certain conditions precedent, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.

THE PLACING AGREEMENT

Date: 28 March 2013

Parties: (i) The Company
(ii) The Placing Agents

PLACING

Pursuant to the Placing Agreement, the Placing Agents have severally (but not jointly nor jointly and severally) agreed to act as the agents of the Company to procure, on a best efforts basis, professional, institutional and/or other investors to subscribe for a maximum of 165,668,190 Placing Shares.

INDEPENDENCE OF THE PLACING AGENTS

Each of the Placing Agents is not a connected person of the Company and is independent of and not connected with any connected person of the Company.

PLACEES

The Placing Agents will place the Placing Shares to not less than 6 but no more than 10 Placees, who will be professional, institutional or other investors. The Placing Agents shall use its reasonable endeavours, based on information available to the Placing Agents, information provided by the Company and confirmations from the Placees, to ensure that each Placee is not a connected person of the Company. It is expected that none of the individual Placees will become a Substantial Shareholder of the Company immediately after the completion of the Placing.

NUMBER OF PLACING SHARES

The Placing Shares comprise a maximum of 165,668,190 H Shares to be issued and allotted by the Company.

The maximum of 165,668,190 Placing Shares represent 20% and 6.90%, respectively, of the existing total issued H Shares and the total issued share capital of the Company as at the date of this announcement and 16.67% and 6.45%, respectively, of the total issued H Shares and the total issued share capital of the Company as enlarged by the issue of the Placing Shares.

The aggregate nominal value of the Placing Shares will be RMB165,668,190 (equivalent to approximately HK\$204,931,551, at the exchange rate of RMB1=HK\$1.23700).

PLACING PRICE

The Placing Price of HK\$24.60 per H Share represents:

- (i) a discount of approximately 5.57% to the closing price of HK\$26.05 per H Share as quoted on the Stock Exchange on 26 March 2013, being the day before the last trading day prior to the entering into of the Placing Agreement;
- (ii) a discount of approximately 8.89% to the closing price of HK\$27.00 per H Share as quoted on the Stock Exchange on 27 March 2013, being the last trading day prior to the entering into of the Placing Agreement;
- (iii) a discount of approximately 7.59% to the average closing price of HK\$26.62 per H Share as quoted on the Stock Exchange for the last 5 trading days up to and including 27 March 2013; and
- (iv) a discount of approximately 6.82% to the average closing price of HK\$26.40 per H Share as quoted on the Stock Exchange for the last 10 trading days up to and including 27 March 2013.

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agents which has taken into account recent market price of the H Shares and the current market conditions.

CONDITIONS OF THE PLACING

Completion of the Placing is conditional upon, inter alia, the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares.

If any of such conditions shall not have been fulfilled or waived by the Placing Agents at or prior to 8:00 a.m. (Hong Kong time) on the Closing Date, the Company and the Placing Agents shall have no obligations and liabilities to each other under the Placing and neither the Company nor the Placing Agents shall have any claim against the other for costs, damages, compensation or otherwise arising under the Placing Agreement save for antecedent breaches.

TERMINATION

The Placing Agreement may be terminated by the Placing Agents, after consultation with the Company and by giving written notice to the Company at any time prior to 8:00 a.m. on the Closing Date, in accordance with the terms thereof, such as on the grounds of material breach of any of the representations, warranties and undertakings by the Company as set out in the Placing Agreement or the occurrence of certain force majeure events.

COMPLETION OF THE PLACING

The Placing is expected to be completed on the Closing Date.

Since completion of the Placing is subject to certain conditions precedent, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as at the date of the Placing Agreement and immediately after completion of the Placing on the Closing Date:

Name	Class of share	As at the date of the Placing Agreement		On the Closing Date	
		No. of shares	Approximate percentage of issued share capital (%)	No. of shares (maximum)	Approximate percentage of issued share capital (%)
CNPGC (<i>Note</i>)	Domestic Shares	2,728,396	0.11	2,728,396	0.11
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)	Domestic Shares	1,571,555,953	65.41	1,571,555,953	61.19
Public Shareholders	H Shares	828,340,950	34.48	994,009,140	38.70
Total		<u>2,402,625,299</u>	<u>100.00</u>	<u>2,568,293,489</u>	<u>100.00</u>

Note: CNPGC holds 51% equity interest in Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司), therefore it is deemed to be interested in 1,574,284,349 shares of the Company pursuant to Securities and Futures Ordinance.

LOCK-UP UNDERTAKING

The Company has undertaken to the Placing Agents that for a period from the date of the Placing Agreement up to 90 days after the Closing Date, neither the Company nor any person acting on its behalf will (i) sell, transfer, dispose, allot or issue or offer to sell, transfer, dispose, allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of the Placing Agents.

GENERAL MANDATE TO ISSUE THE PLACING SHARES

The Placing Shares will be issued and allotted by the Company pursuant to the General Mandate. Pursuant to the General Mandate, the Directors are authorized to allot and issue up to 314,856,869 Domestic Shares and 165,668,190 H Shares. As at the date of this announcement, the Company has not issued any Domestic Shares or H Shares pursuant to the General Mandate. The issue of the Placing Shares was approved by the SASAC and CSRC in December 2012 and February 2013, respectively.

REGULATORY AND CORPORATE APPROVALS

The Company has obtained all necessary PRC regulatory approvals in respect of the Placing, being the approvals from the CSRC and SASAC, as well as the necessary corporate approvals, being the General Mandate and the relevant Board approval.

The Placing is not subject to the approval of the Shareholders.

RANKING OF THE PLACING SHARES

The Placing Shares will rank pari passu in all respects with the existing H Shares in issue as at the Closing Date including the right to receive all dividends and distributions declared or made after the Closing Date, except for the final dividend of the Company for the year ended 31 December 2012, if any.

REASONS FOR THE PLACING

The Directors consider that the placing of the Placing Shares represents an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company.

The Directors are of the view that the terms of the Placing Agreement (including the placing fee and the Placing Price) are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The maximum amount of net proceeds (after deducting all applicable costs and expenses, including commission, legal fees and levies) of approximately HK\$4,001 million from the Placing of the Placing Shares is intended to be used for the expansion of pharmaceutical distribution and retail network and replenishment of liquidity after the expansion. The net price (after deducting all applicable costs and expenses, including commission, legal fees and levies) raised per H Share upon completion of the Placing will be approximately HK\$24.15.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

There has not been any equity fund raising activity or any issue of equity securities of the Company in the 12 months preceding the date of this announcement.

APPLICATION FOR LISTING

Application has been made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

TERMS AND DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday and public holidays in Hong Kong) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is generally open for trading of securities in Hong Kong
“CICC”	China International Capital Corporation Hong Kong Securities Limited

“Closing Date”	the Business Day after the date on which the conditions to completion of the Placing as set out in the Placing Agreement are fulfilled but in any event no later than 10 April 2013, or such other date as the Company and the Placing Agents may agree in writing
“CNPGC”	China National Pharmaceutical Group Corporation (中國醫藥集團總公司), a state wholly-owned enterprise established in the PRC and the ultimate controlling Shareholder
“Company”	Sinopharm Group Co. Ltd. (國藥控股股份有限公司), a joint stock limited company established in the PRC, and whose H Shares are listed and traded on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	the directors of the Company
“Domestic Share(s)”	the domestic ordinary share(s) with a nominal value of RMB1.00 each in the registered share capital of the Company, which are subscribed for in RMB
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the last annual general meeting of the Company held on 5 June 2012 to allot, issue, and/or deal with additional Domestic Shares and/or H Shares not exceeding 20% of each of its Domestic Shares and H Shares in issue as at 5 June 2012
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	the overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.00 each in the registered share capital of the Company, which are subscribed for and traded on the Stock Exchange in HK\$
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Morgan Stanley”	Morgan Stanley & Co. International plc (and in so far as Morgan Stanley, in performing its functions under the Placing Agreement, will be “dealing in securities” as defined in Part 2 of Schedule 5 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (“SFO”), it shall only do so through its agent, Morgan Stanley Asia Limited, and only in circumstances such that none of the sub-provisos (I), (II),(III), (IV) and (V) in sub-paragraph (iv) to the definition of “dealing in securities” in Part 2 of Schedule 5 of the SFO is applicable)

“Placee(s)”	any professional, institutional or other investor(s) procured by the Placing Agents to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	placement of Placing Shares pursuant to the Placing Agreement
“Placing Agents”	CICC, Morgan Stanley and UBS
“Placing Agreement”	the placing agreement entered into on 28 March 2013 between the Company and the Placing Agents in respect of the Placing
“Placing Price”	the price payable for the Placing Shares at HK\$24.60 per H Share
“Placing Shares”	a maximum of 165,668,190 H Shares
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會)
“Securities Act”	the United States Securities Act of 1933, as amended
“Shareholders”	the shareholders of the Company
“Shares”	Domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“UBS”	UBS AG, Hong Kong Branch

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

Shanghai, the PRC

28 March 2013

As at the date of this announcement, the executive director of the Company is Mr. Wei Yulin; the non-executive directors of the Company are Mr. She Lulin, Mr. Wang Qunbin, Mr. Zhou Bin, Mr. Chen Qiyu, Mr. Deng Jindong, Mr. Fan Banghan and Mr. Liu Hailiang; and the independent non-executive directors of the Company are Mr. Wang Fanghua, Mr. Tao Wuping, Mr. Xie Rong, Mr. Zhou Bajun and Ms. Li Ling.

* *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.”*