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四环医药
SihuanPharm

SIHUAN PHARMACEUTICAL HOLDINGS GROUP LTD.

四環醫藥控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 0460)

**CONNECTED TRANSACTION
CAPITAL INJECTION INTO
RENFANG MEDICAL HOLDINGS LTD.**

On 5 February 2016, Sun Moral, a wholly-owned subsidiary of the Company agreed with NHPEA IV Health and Euromax to inject capital into the JV Company. The JV Company is owned as to 23.71% by Euromax, 38.14% by NHPEA IV Health and 38.14% by Sun Moral, respectively. The total amount of capital to be injected into the JV Company will be USD26.6 million (equivalent to RMB172.4 million) (the “**Capital Injection**”). The Capital Injection was contributed by the JV Partners with respect to their shareholdings in the JV Company proportionally (i.e. USD6.3 million (equivalent to RMB40.9 million) by Euromax, USD10.1 million (equivalent to RMB65.8 million) by NHPEA IV Health and USD10.1 million (equivalent to RMB65.8 million) by Sun Moral).

The Capital Injection will be used by the JV Company to fund the land acquisition for the expansion of a subsidiary hospital and its working capital needs.

LISTING RULES IMPLICATIONS

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

As the applicable percentage ratio in relation to the Capital Injection exceeds 0.1% but is less 5%, the Capital Injection is subject to the reporting and announcement requirement but exempted from the independent Shareholders' approval requirement.

CAPITAL INJECTION

On 5 February 2016, Sun Moral, a wholly-owned subsidiary of the Company agreed with NHPEA IV Health and Euromax to inject capital into the JV Company.

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

Capital Contribution

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

	Amount of contribution (USD)	Percentage (%)
Euromax	6,308,838.39	23.71
NHPEA IV Health	10,149,001.00	38.14
Sun Moral	<u>10,149,001.00</u>	<u>38.14</u>
Total	<u><u>26,606,840.39</u></u>	<u><u>100</u></u>

As at the date of the announcement, the capital contribution shall be funded by internal resources.

The Capital Injection will be used by the JV Company to fund the land acquisition for the expansion of a subsidiary hospital and its working capital needs.

Connected Parties

As at the date of this announcement, Euromax is wholly-owned by Dr. Che, the chairman, an executive Director and a Substantial Shareholder of the Company and therefore a connected person of the Company.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the ultimate beneficial owner of NHPEA IV Health, Morgan Stanley, is indirectly interested as to 2.70% in the Company's Shares through its subsidiaries. Save and except as disclosed above, NHPEA IV Health is an Independent Third Party.

INFORMATION ON THE GROUP AND JV PARTNERS

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

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

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

NHPEA IV Health is a special purpose vehicle set up by North Haven Private Equity Asia for the joint venture.

INFORMATION ON THE JV COMPANY

The JV Company is incorporated in the BVI. As at the date of this announcement, the total equity investment by the JV Partners in the JV Company is US\$160,847,551.31, of which US\$61,354,180.49, US\$61,354,180.49 and US\$38,139,190.32 was made by Sun Moral, NHPEA IV Health and Euromax, respectively.

The principal business of the JV Company is making direct or indirect controlling investments in, or acquisitions of, hospitals, clinics and other healthcare service assets jointly agreed to by the JV Partners that are located in the PRC or such other business or activities as may be approved by the JV Partners from time to time.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Capital Injection will be used by the JV Company to fund the land acquisition for the expansion of a subsidiary hospital and its working capital needs.

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

LISTING RULES IMPLICATIONS

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

As the applicable percentage ratio in relation to the Capital Injection exceeds 0.1% but is less 5%, the Capital Injection is subject to the reporting and announcement requirement but exempted from the independent Shareholders' approval requirement.

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

DEFINITIONS

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

“Board”	the board of Directors
“BVI”	British Virgin Islands

“Company”	Sihuan Pharmaceutical Holdings Group Ltd., a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Che”	Dr. Che Fengsheng, the chairman, an executive Director and a Substantial Shareholder of the Company
“Euromax”	Euromax Holdings Limited, a limited liability company incorporated in the BVI which is wholly-owned by Dr. Che
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	Individual(s) or company(ies) who or which is (are) independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or Substantial Shareholders, of the Company, its subsidiaries or any of their respective associate(s)
“JV Company”	Renfang Medical Holdings Ltd., a limited liability company incorporated in the BVI
“JV Partner(s)”	Sun Moral, NHPEA IV Health and Euromax, each a JV partner
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“NHPEA IV Health”	NHPEA IV Health Holding B.V. (formerly known as MSPEA Health Holding B.V.), a JV Partner and save as disclosed in the paragraph headed “Capital Injection — Connected Parties”, an Independent Third Party

“PRC”	the People’s Republic of China, which for the purpose of interpretation of this announcement only, except where the context requires otherwise, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the issued and paid-up capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Sun Moral”	Sun Moral International (HK) Limited (耀忠國際(香港)有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“USD”	United States Dollar, the lawful currency of the United States of America
“%”	per cent

In this announcement, USD has been translated into RMB using the exchange rate USD1 = RMB6.48 for reference purpose only.

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

Hong Kong, 5 February 2016

As at the date of this announcement, the executive directors of the Company are Dr. Che Fengsheng (Chairman), Dr. Guo Weicheng (Deputy Chairman and Chief Executive Officer) and Mr. Meng Xianhui; the non-executive directors of the Company are Dr. Zhang Jionglong and Mr. Homer Sun; and the independent non-executive directors of the Company are Mr. Patrick Sun, Mr. Tsang Wah Kwong and Mr. Zhu Xun.