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国药集团
SINOPHARM

國藥控股股份有限公司 SINOPHARM GROUP CO. LTD.*

(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)

CONNECTED TRANSACTION FORMATION OF A JOINT VENTURE COMPANY

INTRODUCTION

On 6 July 2020, the Company entered into the JV Agreement with CNBG, Guangdong Medi-World, Shyndec Pharmaceutical and CSIPI in relation to the formation of the Joint Venture Company. Pursuant to the JV Agreement, the Company has agreed to contribute RMB60 million in cash, representing 60% of the total capital contributions of the Joint Venture Company, each of CNBG, Guangdong Medi-World, Shyndec Pharmaceutical and CSIPI has agreed to contribute RMB10 million in cash, representing 10% of the total capital contributions of the Joint Venture Company, respectively.

JV AGREEMENT

Date

6 July 2020

Parties

1. The Company;
2. CNBG;
3. Guangdong Medi-World;
4. Shyndec Pharmaceutical; and
5. CSIPI

Registered Capital and Capital Contributions of the Joint Venture Company

Shareholder	Capital contribution (RMB'million)	Shareholding percentage
The Company	60	60%
CNBG	10	10%
Guangdong Medi-World	10	10%
Shyndec Pharmaceutical	10	10%
CSIPI	10	10%
Total	100	100%

The registered capital of the Joint Venture Company is RMB100 million, all of which shall be paid before 31 December 2020.

The capital contributions under the JV Agreement was determined after arm's length negotiation among the parties taking into account various factors, including the nature of business of the Joint Venture Company, the need for working capital and future development plans.

Composition of the Board

The board of directors of the Joint Venture Company shall consist of seven directors. The Company has the right to appoint three directors, and each of CNBG, Guangdong Medi-World, Shyndec Pharmaceutical and CSIPI has the right to appoint one director.

Coming Into Effect of the JV Agreement

The JV Agreement shall come into effect after being signed by the authorized representatives of all parties and affixed with the Company's official seal with the approval of CNPGC.

Following formation of the Joint Venture Company, the Joint Venture Company will be held as to 60% by the Company and will be an associate of the Company, and its financial results will not be consolidated into the Group's financial statements.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE COMPANY

After the formation of the Joint Venture Company, it will invest in the establishment of an internet platform company under the national medical and pharmaceutical emergency protection system. With the resources in the medical and pharmaceutical materials distribution as well as the resources in the upstream and downstream of the industry of the Company and other subsidiaries of CNPGC, the Joint Venture Company will create an internet platform for whole-process supervision on medical and pharmaceutical materials circulation, which will realize online demand docking, online deployment and online tracking of delivery status at all levels of the country, provinces, cities, counties, townships, villages, etc., so as to effectively improve the national medical and pharmaceutical emergency materials support capability.

After the formation of the Joint Venture Company, the Company and other partners will make full use of the existing upstream and downstream resources of the industry to undertake the establishment of the internet platform under the national medical and

pharmaceutical emergency protection system, provide professional and high-quality services for the government and society, and acquire corresponding profit, forming a good business model.

The Directors (including independent non-executive Directors) believe that the terms of the JV Agreement are fair and reasonable and are normal commercial terms. The formation of the Joint Venture Company in accordance with the JV Agreement, which although is not conducted during the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION ON THE PARTIES

The Company

The Company is principally engaged in the distribution of medicines, healthcare products and medical devices, operation of retail pharmacies, production and sale of chemical reagents. The ultimate controlling shareholder of the Company is CNPGC, a state wholly-owned enterprise established in China. CNPGC is principally engaged in the research and development of pharmaceutical products, manufacturing, logistics and distribution, retail chains, medical health, engineering technology, professional exhibition, international operation business, financial investment and other businesses.

CNBG

CNBG is a joint stock company incorporated in the PRC with limited liability, and is principally engaged in the wholesale of biological products, technical development of biological products, technical consulting, technology transfer, technical services, import and export business. CNPGC is the ultimate controlling shareholder of CNBG.

Guangdong Medi-World

Guangdong Medi-World is a company incorporated in the PRC with limited liability, and is principally engaged in the production and sales of tablets, capsules, granules and other medicines of dosage forms, and its products cover TCM finished drugs and chemical medicine preparations. CNPGC is the ultimate controlling shareholder of Guangdong Medi-World.

Shyndec Pharmaceutical

Shyndec Pharmaceutical is a joint stock company incorporated in the PRC with limited liability, and is principally engaged in the research and development, production and sales of pharmaceutical products. CNPGC is the ultimate controlling shareholder of Shyndec Pharmaceutical.

CSIPI

CSIPI is a whole people-owned enterprise (全民所有制企業) incorporated in the PRC, and is principally engaged in the research and development of innovative drugs and medicines, pharmaceutical technique research, postgraduate training in pharmacy as well as manufacturing and sales of pharmaceuticals. CNPGC is the ultimate controlling shareholder of CSIPI.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CNPGC is the ultimate controlling shareholder of the Company. CNBG, Guangdong Medi-World, Shyndec Pharmaceutical and CSIPI are the subsidiaries of CNPGC and therefore are connected persons of the Company. Accordingly, the entering into the JV Agreement constitutes a connected transaction of the Company.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the transactions contemplated under the JV Agreement is more than 0.1% but less than 5%, the entering into the JV Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempted from the independent shareholders' approval requirements.

Since Mr. Ma Ping, Mr. Hu Jianwei and Mr. Deng Jindong are also the directors or management of CNPGC, they are deemed to have a significant interest in the transactions contemplated under the JV Agreement. Therefore, they have abstained from voting on the relevant resolution at the Board meeting. Save as mentioned above, no other Directors have a significant interest in these transactions and shall abstain from voting on relevant resolution at the Board meeting.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“CNBG”	China National Biotech Group Company Limited (中國生物技術股份有限公司), a joint stock company incorporated in the PRC with limited liability
“CNPGC”	China National Pharmaceutical Group Co., Ltd. (中國醫藥集團有限公司), a state wholly-owned enterprise incorporated in the PRC and the ultimate controlling Shareholder of the Company
“Company”	Sinopharm Group Co. Ltd. (國藥控股股份有限公司), a joint stock company incorporated in the PRC with limited liability, and whose H Shares are listed and traded on the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSIPI”	China State Institute of Pharmaceutical Industry (中國醫藥工業研究總院), a whole people-owned enterprise (全民所有制企業) established in the PRC
“Director(s)”	the director(s) of the Company

“Domestic Share(s)”	the ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and fully paid up in Renminbi by PRC nationals and/or PRC incorporated entities
“Group”	the Company and its subsidiaries
“Guangdong Medi-World”	Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd. (國藥集團廣東環球製藥有限公司), a company established in the PRC with limited liability
“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 is/are listed and traded on the Stock Exchange
“Joint Venture Company”	a joint venture company to be established pursuant to the JV Agreement, the proposed name of which is 國藥智能科技（上海）有限公司 (Sinopharm Smart Technology (Shanghai) Co., Ltd.**), a company to be incorporated in the PRC with limited liability
“JV Agreement”	the joint venture agreement dated 6 July 2020 and entered into among the Company and CNBG, Guangdong Medi-World, Shyndec Pharmaceutical and CSUPI in relation to the formation of the Joint Venture Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the share(s) of the Company with a nominal value of RMB1.00 per share, including Domestic Share(s) and H Share(s)
“Shareholders”	the shareholders of the Company
“Shyndec Pharmaceutical”	Shanghai Shyndec Pharmaceutical Co.,Ltd. (上海現代製藥股份有限公司), a joint stock company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Sinopharm Group Co. Ltd.
Li Zhiming
Chairman

Shanghai, the PRC
6 July 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Li Zhiming, Mr. Yu Qingming and Mr. Liu Yong; the non-executive Directors of the Company are Mr. Chen Qiyu, Mr. Ma Ping, Mr. Hu Jianwei, Mr. Deng Jindong, Mr. Wen Deyong, Ms. Guan Xiaohui and Ms. Feng Rongli; and the independent non-executive Directors of the Company are Mr. Yu Tze Shan Hailson, Mr. Tan Wee Seng, Mr. Liu Zhengdong, Mr. Zhuo Fumin and Mr. Chen Fangruo.

** The Company is registered as a non-Hong Kong company under the Hong Kong Companies Ordinance under its Chinese name and the English name “Sinopharm Group Co. Ltd.”.*

***For identification purpose only*