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If you have sold or transferred all your shares in Winteam Pharmaceutical Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 570)

**CONTINUING CONNECTED TRANSACTIONS;
RE-ELECTION OF A NON-EXECUTIVE DIRECTOR;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to Winteam Pharmaceutical Group Limited



Optima Capital Limited

**Independent Financial Adviser to the Independent Director
and the Independent Shareholders**



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

A notice convening the extraordinary general meeting of Winteam Pharmaceutical Group Limited to be held at Conference Room, 8th Floor, No. 2 Rong Gui Qiao Xi Road, Shunde District, Foshan City, Guangdong Province, the People's Republic of China on Saturday, 23 March 2013 at 3:00 p.m. is set out on pages 33 and 34 of this circular. Whether or not you intend to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the registered office of Winteam Pharmaceutical Group Limited at Rooms 2801-2805, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment of it, if you so wish.

7 March 2013

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DEFINITIONS

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

“Agreements”	together, the Master Purchase Agreement and Master Supply Agreement
“Annual Cap(s)”	the respective annual cap(s) of the value of the Purchases and the Sales contemplated under the Agreements proposed for the financial year ending 31 December 2013
“Board”	the board of Directors
“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 Sinopharm Hong Kong
“CNPGC Group”	CNPGC and its subsidiaries
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Agreements and the Annual Caps and the re-election of Mr. Dong Zenghe as a non-executive Director
“Group”	the Company and its subsidiaries
“Guotai Junan”	Guotai Junan Limited, a licensed corporation under the SFO registered to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO, and the independent financial adviser appointed by the Independent Director to advise the Independent Director and the Independent Shareholders on the Agreements and the Annual Caps
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Director”	Mr. FANG Shuting, an independent non-executive Director who is giving a recommendation to the Independent Shareholders on the Agreements and the Annual Caps
“Independent Shareholders”	the Shareholders other than CNPGC and its associates (including Sinopharm Hong Kong)
“Latest Practicable Date”	6 March 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Master Purchase Agreement”	the master agreement dated 5 February 2013 entered into between the Company and CNPGC in respect of the Purchases
“Master Supply Agreement”	the master agreement dated 5 February 2013 entered into between the Company and CNPGC in respect of the Sales
“Materials”	the TCM materials to be purchased by the Group from the CNPGC Group under the Master Purchase Agreement
“PRC”	The People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Products”	various pharmaceutical products to be supplied by the Group to the CNPGC Group pursuant to the Master Supply Agreement
“Purchases”	the sale and purchase of the Materials contemplated under the Master Purchase Agreement
“Sales”	the sale and purchase of the Products contemplated under the Master Supply Agreement
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)

DEFINITIONS

“Sinopharm Hong Kong”	Sinopharm Group Hongkong Co., Limited, a company incorporated in Hong Kong and the controlling Shareholder as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCM”	traditional Chinese medicine
“Transactions”	together, the Purchases and the Sales
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For illustration purpose in this circular, amounts in RMB have been translated into HK\$ at the rate of RMB1 = HK\$1.24.

LETTER FROM THE BOARD



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

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

Executive Directors:

Mr. WU Xian (*Chairman*)

Mr. YANG Bin (*Managing Director*)

Non-Executive Directors:

Mr. SHE Lulin

Mr. LIU Cunzhou

Mr. DONG Zenghe

Mr. ZHAO Dongji

Registered Office:

Rooms 2801-2805

China Insurance Group Building

141 Des Voeux Road Central

Hong Kong

Independent Non-Executive Directors:

Mr. ZHOU Bajun

Mr. XIE Rong

Mr. FANG Shuting

7 March 2013

To the Shareholders

Dear Sir,

**CONTINUING CONNECTED TRANSACTIONS;
RE-ELECTION OF A NON-EXECUTIVE DIRECTOR;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

On 5 February 2013, the Company entered into the Master Purchase Agreement with CNPGC, pursuant to which the Group conditionally agreed to purchase and the CNPGC Group conditionally agreed to sell the Materials during the period from the effective date of the Master Purchase Agreement to 31 December 2013.

On 5 February 2013, the Company also entered into the Master Supply Agreement with CNPGC, pursuant to which the Group conditionally agreed to supply and the CNPGC Group conditionally agreed to purchase the Products during the period from the effective date of the Master Supply Agreement to 31 December 2013.

Pursuant to the Master Purchase Agreement and Master Supply Agreement, the value of the Purchases and the Sales shall not exceed the Annual Caps of RMB50.0 million and RMB300.0 million respectively for the financial year ending 31 December 2013.

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As at the Latest Practicable Date and as set out in the joint announcement released by the Company, CNPGC and Sinopharm Hong Kong on 28 February 2013, Sinopharm Hong Kong and parties acting in concert with it were interested in an aggregate of 1,016,023,044 Shares, representing approximately 56.97% of the total issued share capital of the Company. Sinopharm Hong Kong is the controlling Shareholder and a connected person of the Company under the Listing Rules. CNPGC, the ultimate holding company of Sinopharm Hong Kong, is therefore an associate of a connected person of the Company as defined in the Listing Rules. As such, the Transactions constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) for the Annual Caps exceed 5% and the Annual Caps exceed HK\$10,000,000, the Agreements and the Annual Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules. The EGM will be convened and held for the Independent Shareholders to consider and approve the Agreements and the Annual Caps.

Reference is also made to the announcement of the Company dated 6 March 2013 in relation to, inter alia, the appointment of Mr. Dong Zenghe ("Mr. Dong") as a non-executive Director.

The purpose of this circular is to provide you with (i) details of the Agreements, the Transactions and the Annual Caps; (ii) information about the proposed re-election of Mr. Dong as a non-executive Director; (iii) the letter of recommendation from the Independent Director to the Independent Shareholders in respect of the Agreements, the Transactions and the Annual Caps; (iv) the letter of advice from Guotai Junan to the Independent Director and the Independent Shareholders in respect of the Agreements, the Transactions and the Annual Caps; and (v) a notice of the EGM.

THE MASTER PURCHASE AGREEMENT

Date: 5 February 2013

Parties: (i) the Company; and
(ii) CNPGC.

Terms:

Pursuant to the Master Purchase Agreement, the Group conditionally agreed to purchase the Materials supplied by the CNPGC Group during the period from the effective date of the Master Purchase Agreement to 31 December 2013. The terms of the Purchases will be determined with reference to prevailing market terms and on terms no less favourable to the Group than those made available by the CNPGC Group to independent third parties for similar Materials. In particular, (i) the prices will be determined based on the market prices of the relevant Materials prevailing at the time of the Purchases. In this regard, the Group will make reference to prices of the relevant Materials quoted by independent suppliers in the market which are in the approved suppliers list of the Group and with which the Group has a stable business relationship; (ii) the discounts, if any, will be granted depending on the volume of Materials purchased and the payment terms. Higher

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discounts are normally granted for bulk purchases or for cash payment on delivery; (iii) the credit period and payment terms will be determined taking into account the credit history and financial position of the Group which normally range from 3 to 6 months; and (iv) the delivery terms will be determined with reference to prevailing market practices and the costs of delivery are normally borne by the CNPGC Group.

The Materials:

The Materials to be supplied by the CNPGC Group to the Group are major TCM materials used to manufacture pharmaceutical products of the Group, including but not limited to calculus bovis (牛黃), musk (麝香), jiangbanxia (姜半夏) and cangerzi (蒼耳子).

Annual Cap:

Pursuant to the Master Purchase Agreement, the value of the Purchases for the year ending 31 December 2013 shall not exceed the Annual Cap of RMB50.0 million (equivalent to approximately HK\$62.0 million).

The Company estimates that the percentage ratios (other than the profits ratio) for the Purchases for the period from 29 January 2013 to the effective date of the Master Purchase Agreement will be less than 25% and the total value of the Purchases will be less than HK\$10.0 million.

For each of the two years ended 31 December 2011 and 2012, the purchase of the Materials by the Group from the CNPGC Group amounted to approximately RMB24.1 million (equivalent to approximately HK\$29.9 million) and RMB14.7 million (equivalent to approximately HK\$18.2 million) respectively. The decrease in the purchases of the Materials in 2012 was mainly due to the decrease in the purchase volume for one of the Materials, musk, which is used to produce Da Huo Luo pills (大活絡丸). The Group suspended the production of this product until September 2012 in order to clear up the existing stock and thus less musk was purchased from the CNPGC Group in 2012. In addition, there was an overall decline in the market prices of TCM materials including the Materials in 2012.

The Annual Cap for the Purchases is determined after taking into account (i) the historical quantity of the Materials purchased from the CNPGC Group; (ii) the expected increase in the use of the Materials to cater for the production needs of the Group after the commencement of operation of the Group's TCM extraction and processing centre at Gao Ming District, Foshan City, the PRC and the production of TCM decoction pieces. The Group started to manufacture TCM decoction pieces in June 2012. For the purpose of determining the Annual Cap for the Purchases, an amount of RMB20 million has been provided for purchases of Materials from the CNPGC Group based on the historical usage of TCM materials of approximately RMB18 million in the production of TCM decoction pieces in 2012; (iii) and the expected increase in sales of TCM driven by the medical reform proposal in the PRC. According to the 《中醫藥事務發展「十二五」規則》 (the “Twelfth Five-Year Plan for Chinese Medicine Industry Development”) published by the State Administration of Traditional Chinese Medicine of the PRC, the gross industry value of TCM is expected to grow at a compound annual growth rate of approximately 12% from 2010 to 2015 and reach RMB559.0 billion in 2015. The Group is expected to benefit from

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the government policy in supporting the TCM industry and the expected increase in sales in turn creates increased demand for the Materials from the Group. Potential growth in the business of the Group is also expected to be brought about by the CNPGC Group after Sinopharm Hong Kong acquired a controlling stake in the Company. As disclosed in the composite offer and response document issued by CNPGC, Sinopharm Hong Kong and the Company dated 5 February 2013, CNPGC is the largest state-owned pharmaceutical and healthcare group in the PRC. It hopes to expand its presence in the manufacturing and selling of TCM products through the acquisition of a controlling stake in the Company. It also hopes to increase the Company's sales through its expertise in financial management, operation management, strategy and human resources and information management. The Company expects that its business relationship with the CNPGC Group will be reinforced after it becomes a member of the CNPGC Group and intends to purchase more Materials from the CNPGC Group in future. For the purpose of determining the Annual Cap for the Purchases, a 30% growth over the purchase of the Materials in 2011 has been used due to the aforesaid temporary suspension of production of Da Huo Luo pills (大活絡丸) and the overall decline in the market prices of the Materials in 2012. The 30% growth rate was used taking into account the compound annual growth of the Group's sales of approximately 30% during 2007 to 2011; and (iv) the fluctuation in the market prices of the Materials in recent years and the expected rebound in the market prices of the Materials from a decline in 2012 to a level similar to that in 2011.

Conditions precedent:

The Master Purchase Agreement will become effective upon the fulfilment of the following conditions:–

- (i) the passing of the resolutions by the Independent Shareholders at the EGM for approving the Master Purchase Agreement and the transactions contemplated thereunder and the Annual Cap for the Purchases as required under the Listing Rules;
- (ii) the board of directors and/or shareholders of CNPGC having approved the Master Purchase Agreement in accordance with its articles of association (if applicable); and
- (iii) other regulatory approval (if any) applicable to the Company and CNPGC having been obtained.

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THE MASTER SUPPLY AGREEMENT

Date: 5 February 2013

Parties: (i) the Company; and
(ii) CNPGC.

Terms:

Pursuant to the Master Supply Agreement, the Group conditionally agreed to sell the Products to the CNPGC Group during the period from the effective date of the Master Supply Agreement to 31 December 2013. The terms of the Sales will be determined with reference to prevailing market terms and on terms no less favourable to the Group than those made available to independent third parties for similar Products. In particular, (i) the prices will be determined based on the standard price range of the relevant Products set by the Group in accordance with its pricing policy. In general, the standard price range is set by the Group at the beginning of the year taking into account the maximum retail prices of the Products, if any, set by the relevant government body in the PRC, the historical sale prices of the Products and the expected demand for the Products for the year. Such price range is applicable in general to the customers of the Group; (ii) the discounts, if any, will be granted depending on the volume of the Sales and payment terms. Higher discounts are normally granted for bulk purchases or for cash payment on delivery; (iii) the credit period and payment terms will be determined taking into account the credit history and financial position of the CNPGC Group which normally range from 3 to 6 months; and (iv) the delivery terms will be determined with reference to prevailing market practices and the costs of delivery are normally borne by the Group.

The Products:

The Products to be supplied by the Group to the CNPGC Group are major products manufactured by the Group, including but not limited to Nifedipine Sustained-release tablet (Sheng Tong Ping) (硝苯地平舒緩釋片(聖通平)), Yu Ping Feng Granule (玉屏風顆粒), Qiye Shenan Tablet (七葉神安片), Bi Yan Kang Tablet (鼻炎康片), VC Yingqiao Tablet (維C銀翹片), Cefodizime Sodium for injection (Gaode) (注射用頭孢地嗪鈉(高德)) and Group A Streptococcus for injection (Sha Pei Lin) (注射用A群鏈球菌(沙培林)).

Annual Cap:

Pursuant to the Master Supply Agreement, the value of the Sales for the year ending 31 December 2013 shall not exceed the Annual Cap of RMB300.0 million (equivalent to approximately HK\$372.0 million).

The Company estimates that the percentage ratios (other than the profits ratio) for the Sales for the period from 29 January 2013 to the effective date of the Master Supply Agreement will be less than 25% and the total value of the Sales will be less than HK\$10.0 million.

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For each of the two years ended 31 December 2011 and 2012, the sales of the Products by the Group to the CNPGC Group amounted to approximately RMB67.5 million (equivalent to approximately HK\$83.7 million) and RMB81.3 million (equivalent to approximately HK\$100.8 million) respectively.

The Annual Cap for the Sales is determined after taking into account (i) the historical sales of the Products to the CNPGC Group; (ii) the expected growth in the sales volume of the Products driven by the medical reform proposal in the PRC. As set out above, the Twelfth Five-Year Plan for Chinese Medicine Industry Development is expected to continue to boost demand for TCM and the Group is expected to benefit from the government policy in supporting the TCM industry and further expand its sales. The CNPGC Group has an extensive pharmaceutical distribution network in the PRC covering over 170 cities in the PRC and reaching nearly 10,000 hospitals in the PRC. The Company hopes to tap into the strong sales network of the CNPGC Group after Sinopharm Hong Kong becomes the controlling Shareholder to expand its clientele and increase its sales. For the purpose of determining the Annual Cap for the Sales, an annual growth of approximately 85% has been used taking into account historical growth in the Group's sales of four major types of the Products to the CNPGC Group, namely Nifedipine Sustained-release tablet (Sheng Tong Ping) (硝苯地平舒緩釋片(聖通平)), Yu Ping Feng Granule (玉屏風顆粒), Bi Yan Kang Tablet (鼻炎康片) and Cefodizime Sodium for injection (Gaode) (注射用頭孢地嗪鈉(高德)), by approximately 86% in 2012. The Group intends to promote the sales of these 4 Products which are expected to generate a higher gross margin through the network of the CNPGC Group in the coming year; (iii) the expected completion of the acquisition by the Group of a 51% interest in 貴州中泰生物科技有限公司 (Guizhou Zhongtai Biological Technology Company Limited*) ("Guizhou Zhongtai") in the first quarter of 2013. This company is principally engaged in research and development, production and sales of plasma-based biopharmaceutical products in the PRC and commenced its production and sales in April 2012. The Group expects that the products of this company will be distributed to hospitals in the PRC through the CNPGC Group. For the purpose of determining the Annual Cap for the Sales, the Company targeted to achieve sales of these products to the CNPGC Group of approximately RMB100 million which is estimated based on the sales of these products of approximately RMB68.3 million since the commencement of Guizhou Zhongtai's operations in April 2012; and (iv) the potential growth in the business of the Group which is expected to be brought about by the CNPGC Group after Sinopharm Hong Kong acquired a controlling stake in the Company. The Company intends to increase its sales to the CNPGC Group in light of the strong business position of the CNPGC Group. As disclosed in the composite offer and response document dated 5 February 2013 jointly issued by CNPGC, Sinopharm Hong Kong and the Company, Sinopharm Hong Kong intends to formulate a business strategy to further develop and expand the business of the Group. In this regard, Sinopharm Hong Kong has conducted an internal review of the business opportunities available to the CNPGC Group and considers some of these opportunities to be synergistic with that of the Group. For the purpose of determining the Annual Cap for the Sales, an amount of RMB50 million has been provided to cater for the possible expansion in the Group's sales through the CNPGC Group should any of these business opportunities materialise. Although no specific acquisition has been materialised as at the Latest Practicable Date, the Company considers it prudent to include a buffer in the Annual Cap

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for the Sales for this purpose which is determined having regard to factors such as the historical sales to the CNPGC Group, the size of the Group, the size of acquisitions completed by the Group in recent years and the size of possible acquisitions.

Conditions precedent:

The Master Supply Agreement will become effective upon the fulfilment of the following conditions:-

- (i) the passing of the resolutions by the Independent Shareholders at the EGM for approving the Master Supply Agreement and the transactions contemplated thereunder and the Annual Cap for the Sales as required under the Listing Rules;
- (ii) the board of directors and/or shareholders of CNPGC having approved the Master Supply Agreement in accordance with its articles of association (if applicable); and
- (iii) other regulatory approval (if any) applicable to the Company and CNPGC having been obtained.

REASONS FOR THE AGREEMENTS

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are the manufacture and sale of Chinese medicine and pharmaceutical products in the PRC.

Prior to the completion of the acquisition by Sinopharm Hong Kong of 354,898,750 Shares on 29 January 2013, Sinopharm Hong Kong was a third party independent of the Company and its connected persons. Upon completion of the aforesaid Share acquisition, Sinopharm Hong Kong became a substantial Shareholder. CNPGC, being the ultimate holding company of Sinopharm Hong Kong, is therefore an associate of a connected person and hence a connected person of the Company. 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. Its core businesses are pharmaceutical distribution, pharmaceutical scientific research and manufacture of medical and biotech products. Members of the CNPGC Group have been the suppliers of the Materials and customers of the Products of the Group since 1998.

As mentioned in the composite offer and response document dated 5 February 2013 jointly issued by CNPGC, Sinopharm Hong Kong and the Company in relation to the conditional voluntary general offer made by Sinopharm Hong Kong for the Shares, 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. CNPGC hopes to expand its presence in the manufacturing and selling of TCM products through the acquisition of Shares by Sinopharm Hong Kong and increase the Company's sales through its expertise in financial management, operation management, strategy and human resources and information management. The Agreements were entered

LETTER FROM THE BOARD

into for the purpose of enabling the Group to continue the business relationship with the CNPGC Group in compliance with the Listing Rules as well as to capture the opportunities that may be brought about by the CNPGC Group to the Group.

Based on the above, the Directors (including the Independent Director who has considered the advice of Guotai Junan) are of the view that the Agreements were entered into in the ordinary course of the Company's business and on normal commercial terms which are fair and reasonable, and the Annual Caps are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Sinopharm Hong Kong was a controlling Shareholder holding 1,016,023,044 Shares (representing approximately 56.97% of the total issued share capital of the Company) and is therefore a connected person of the Company as defined in the Listing Rules. CNPGC, being the ultimate holding company of Sinopharm Hong Kong, is an associate of a connected person and hence a connected person of the Company. As such, the Transactions constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) for the Annual Caps exceed 5% and the Annual Caps exceed HK\$10,000,000, the Agreements and the Transactions (including the Annual Caps) are subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules. The EGM will be convened by the Company at which resolutions will be proposed to seek approval from the Independent Shareholders for the Agreements and the Annual Caps by way of poll. CNPGC and its associates (including Sinopharm Hong Kong) will abstain from voting on the relevant resolutions at the EGM.

To the best knowledge of the Directors, save as disclosed above, no other Shareholder has a material interest in the Agreements and the Transactions. Accordingly, no other Shareholder will be required to abstain from voting at the EGM in respect of the ordinary resolutions relating to the Agreements and the Transactions (including the Annual Caps). The votes at the EGM will be taken by poll.

The following Directors also hold the following positions in the CNPGC Group or its associates:

- (i) Mr. Wu Xian is the director, general manager and deputy secretary of the Party Committee of 中國藥材公司 ("China National Corp. of Traditional & Herbal Medicine"*);
- (ii) Mr. She Lulin is currently a non-executive director and the chairman of Sinopharm Group Co. Ltd., the vice chairman, general manager and deputy secretary of the Party Committee of CNPGC, and the chairman and legal representative of Sinopharm Industrial Investment Co. Ltd.;
- (iii) Mr. Liu Cunzhou is currently the chief expert of CNPGC;

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- (iv) Mr. Dong is currently the deputy general manager of CNPGC and the chairman of the board of 中國藥材公司 (“China National Corp. of Traditional & Herbal Medicine”*);
- (v) Mr. Zhao Dongji is currently the chief investment officer and manager of Investment Management Department of China National Corp. of Traditional & Herbal Medicine;
- (vi) Mr. Zhou Bajun is currently an independent non-executive director of Sinopharm Group Co. Ltd.; and
- (vii) Mr. Xie Rong is currently an independent non-executive director of Sinopharm Group Co. Ltd.

The above Directors are regarded as having a material interest in the Agreements by virtue of their position held in the CNPGC Group or its associates. The Board meeting (the “Relevant Board Meeting”) for approving the Agreements and the Annual Caps was held on 4 February 2013. Since the appointment of Mr. Wu Xian, Mr. She Lulin, Mr. Liu Cunzhou, Mr. Zhao Dongji, Mr. Zhou Bajun, Mr. Xie Rong and Mr. Fang Shuting as Directors took effect on 5 February 2013 and the subsequent appointment of Mr. Dong as non-executive Director on 6 March 2013, they did not attend the Relevant Board Meeting. Mr. Zhang Jianhui, who resigned as an independent non-executive Director on 28 February 2013, attended the Relevant Board Meeting but abstained from voting on the Board resolutions in respect of the Agreements and the Annual Caps by reason of his directorship in CNPGC.

After the signing of the Agreements, Mr. Lo Wing Yat, Mr. Pang Fu Keung, Mr. Wang Bo and Mr. Zhang Jianhui resigned as independent non-executive Directors following the close of the general offer made by Sinopharm Hong Kong for all the Shares on 28 February 2013. The Independent Director will advise the Independent Shareholders on the Agreements and the Annual Caps. Guotai Junan has been appointed by the Company to advise the Independent Director and the Independent Shareholders in this regard.

PROPOSED RE-ELECTION OF NON-EXECUTIVE DIRECTOR

On 6 March 2013, the Board resolved to appoint Mr. Dong as a non-executive Director to fill the casual vacancy to the Board. Under Article 92 of the Articles of Association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. Accordingly, Mr. Dong shall retire and being eligible, offer himself for re-election at the EGM.

The biographical details of Mr. Dong are set out below:

Mr. Dong, aged 47, graduated from East China Institute of Chemical Technology (華東化工學院) (currently known as East China University of Science and Technology (華東理工大學)) with a bachelor’s degree in engineering in 1989 and obtained a master’s degree of business administration in 2011 from the School of Economics and Management of Tsinghua University, majoring in Senior Business Administration. Mr. Dong is also a senior engineer. Mr. Dong has about 24 years of experience in the pharmaceutical production and management industry. Mr. Dong had been the chief of Northeast General Pharmaceutical

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Factory (東北製藥總廠), the chairman of the board of Northeast Pharmaceutical Group Co., Ltd. (東北製藥集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000597), as well as the chairman of the board and general manager of 東北製藥有限責任公司 (“Northeast Pharmaceutical Group Co., Ltd.”*) from February 2005 to January 2007. Mr. Dong had also been the deputy general engineer of CNPGC from January 2007 to September 2007 and has been the deputy general manager of CNPGC since September 2007 as well as the chairman of the board of 中國藥材公司 (“China National Corp. of Traditional & Herbal Medicine”*) since June 2012.

Mr. Dong did not hold any directorship or take any major appointment in any listed public company in the past three years preceding the Latest Practicable Date.

Mr. Dong has entered into an appointment letter with the Company in relation to his appointment for an initial term of two years. He will hold office until the EGM and will then be eligible for re-election, and thereafter he will be subject to retirement by rotation and re-election in accordance with the articles of association of the Company. The remuneration of Mr. Dong will be determined by the Board with reference to his duties and responsibilities with the Company, the Company’s performance and the prevailing market condition.

As at the Latest Practicable Date, Mr. Dong did not have any interest in the Shares, underlying shares or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the SFO) and he does not have any relationship with any other Directors, senior management or substantial or controlling Shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, there are no other matters relating to the re-election of Mr. Dong as a non-executive Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

EGM

A notice convening the EGM to be held at Conference Room, 8th Floor, No. 2 Rong Gui Qiao Xi Road, Shunde District, Foshan City, Guangdong Province, the PRC on Saturday, 23 March 2013 at 3:00 p.m. is set out on pages 33 and 34 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at Rooms 2801-2805, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the proposed re-election of Mr. Dong as a non-executive Director is in the best interest of the Company and the Shareholders as a whole and accordingly, recommend the Shareholders to vote in favour of the resolution in this regard to be proposed at the EGM set out in the notice of the EGM.

Your attention is also drawn to the letter from the Independent Director set out on page 15 of this circular which contains his recommendation to the Independent Shareholders and the letter of advice from Guotai Junan set out on pages 16 to 28 of this circular containing its advice to the Independent Director and the Independent Shareholders on the terms of the Agreements and the Annual Caps.

The Independent Director, having taken into account the advice of Guotai Junan, considers that (i) the terms of the Agreements (including the Annual Caps) are on normal and commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Director recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Agreements and the Annual Caps.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

By order of the Board
Winteam Pharmaceutical Group Limited
Yang Bin
Executive Director

* For identification purpose only

LETTER FROM THE INDEPENDENT DIRECTOR



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

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

7 March 2013

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

I have been appointed as the Independent Director to advise the Independent Shareholders in respect of the ordinary resolutions to approve the Agreements and the Annual Caps, the details of which are set out in the letter from the Board contained in the circular of the Company (the “Circular”) dated 7 March 2013. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

I wish to draw your attention to the letter from the Board, the letter from Guotai Junan containing its advice on whether the terms of the Agreements and the Transactions (including the Annual Caps) are on normal and commercial terms and are fair and reasonable, and whether it is in the ordinary and usual course of the Group’s business and in the interests of the Company and the Shareholders as a whole to enter into the Agreements, as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by Guotai Junan in relation to the Agreements and the Annual Caps as stated in its letter, I consider that the terms of the Agreements and the Transactions (including the Annual Caps) are on normal and commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, I recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Agreements and the Annual Caps.

Yours faithfully,
Mr. FANG Shuting
Independent non-executive Director

LETTER FROM GUOTAI JUNAN

Set out below is the text of a letter received from Guotai Junan to the Independent Director and the Independent Shareholders regarding the Agreements and the Annual Caps for the purpose of inclusion in this circular.



Guotai Junan Capital Limited

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong
7 March 2013

To the Independent Director and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Director and the Independent Shareholders in relation to the terms of the Agreements and the Annual Caps. Details of the Agreements are set out in the letter from the Board (the "Letter from the Board") as contained in the circular of the Company dated 7 March 2013 (the "Circular"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the Letter from the Board, as at the Latest Practicable Date and based on the joint announcement released by the Company, CNPGC and Sinopharm Hong Kong on 28 February 2013, Sinopharm Hong Kong and parties acting in concert with it were interested in an aggregate of 1,016,023,044 Shares, representing approximately 56.97% of the total issued share capital of the Company. Sinopharm Hong Kong is the controlling Shareholder and a connected person of the Company under the Listing Rules. CNPGC is the ultimate holding company of Sinopharm Hong Kong and is thus an associate of a connected person of the Company.

Accordingly, the transactions contemplated under the Agreements will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) in respect of the Annual Caps exceed 5% and the Annual Caps exceed HK\$10,000,000, the Agreements and the Annual Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules.

CNPGC, its associates and any connected persons of the Company who are materially interested in the Agreements are required to abstain from voting at the EGM on the ordinary resolutions to approve the Agreements and the Annual Caps.

The Independent Director, Mr. Fang Shuting, will consider the terms of the Agreements (including the Annual Caps) and make recommendations to the Independent Shareholders as regards voting at the EGM. We, Guotai Junan Capital Limited, have been appointed as the

LETTER FROM GUOTAI JUNAN

independent financial adviser to advise the Independent Director and the Independent Shareholders as to (i) whether the terms (including the Annual Caps) of the Agreements are on normal commercial terms, in the ordinary and usual course of business of the Company, and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the entering into of the Agreements is in the interests of the Company and the Shareholders as a whole.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations expressed to us by the executive Directors and the management of the Company. We have assumed that all such statements, information, opinions and representations expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the Latest Practicable Date. We have also assumed that all the opinions and representations have been reasonably made by the executive Directors and the management of the Company after due and careful enquiry. We have also sought and obtained confirmation from the executive Directors and the management that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truthfulness or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Agreements and the Annual Caps are fair and reasonable in so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background to, reasons for and benefit of entering into the Master Purchase Agreement and Master Supply Agreement

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

Sinopharm Hong Kong is an investment holding company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of CNPGC. CNPGC is a state-owned enterprise established in the PRC. It is the largest pharmaceutical and healthcare group administrated 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.

LETTER FROM GUOTAI JUNAN

As (i) Sinopharm Hong Kong has become a controlling Shareholder; and (ii) CNPGC is the ultimate holding company of Sinopharm Hong Kong, CNPGC is an associate of a connected person of the Company under the Listing Rules.

Members of the CNPGC Group have been the suppliers of the Materials and customers of the Products of the Group since 1998. As discussed with the executive Directors, CNPGC Group is a reliable business partner which has a strong supply capacity as well as a well-established distribution background. Therefore, it is intended that the Sales and the Purchases would continue after CNPGC becomes a connected person of the Company. Accordingly, the Agreements were entered into for the purpose of enabling the Group to continue the business relationship with Sinopharm Hong Kong in compliance with the Listing Rules as well as to capture the opportunities that may be brought about by the CNPGC Group to the Group.

In light of the above, we concur with the view of the executive Directors that the entering into of the Agreements is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole.

2. Major terms of the Agreements

2.1 The Master Purchase Agreement

Pursuant to the Master Purchase Agreement, the Group shall purchase the Materials supplied by CNPGC Group during the period from the effective date of the Master Purchase Agreement to 31 December 2013 and the commencement of the Master Purchase Agreement will be conditional upon, among other things, the approval of the Independent Shareholders at the EGM. The purchase prices of the Materials, the discounts granted by the CNPGC Group to the Group, the credit period and payments terms will be determined with reference to prevailing market terms no less favourable to the Group than those made available by the CNPGC Group to independent third parties for similar Materials. As stated in the Letter from the Board, in particular, (i) the prices will be determined based on the market prices of the relevant Materials prevailing at the time of the Purchases. In this regard, the Group will make reference to prices of the relevant Materials quoted by independent suppliers in the market which are in the approved suppliers list of the Group and with which the Group has a stable business relationship; (ii) the discounts, if any, will be granted depending on the volume of Materials purchased; (iii) the credit period and payment terms will be determined taking into account the credit history and financial position of the Group; and (iv) delivery terms will be determined with reference to prevailing market practices.

Pursuant to the Master Purchase Agreement, the Materials to be supplied by the CNPGC Group to the Group are major TCM materials used to manufacture pharmaceutical products of the Group, including but not limited to calculus bovis (牛黄), musk (麝香), jiangbanxia (姜半夏) and cangerzi (苍耳子) as raw materials for the production of its pharmaceutical products from the CNPGC Group.

LETTER FROM GUOTAI JUNAN

In connection with the purchase of Materials from the CNPGC Group, we have been provided with and have reviewed six samples of invoices issued by the CNPGC Group and eight samples of invoices issued by other independent suppliers to the Group in respect of purchases of the Materials in 2012. We note that the purchase prices of the Materials supplied by the CNPGC Group were comparable to the market prices charged by independent third parties for the same type of Materials. No price discount is noted in the samples obtained. It is also noted that the credit term of purchases from the CNPGC Group is within the range of the credit term of purchases from the various independent suppliers as shown in the samples obtained.

2.2 The Master Supply Agreement

Pursuant to the Master Supply Agreement, the Group shall supply the Products to the CNPGC Group during the period from the effective date of the Master Supply Agreement to 31 December 2013 and the commencement of the Master Supply Agreement will be conditional upon, among other things, the approval of the Independent Shareholders at the EGM. The sales prices of the Products, the discounts granted by the Group to the CNPGC Group, the credit period and payments terms will be determined with reference to prevailing market terms no less favourable to the Group than those made available to independent third parties for similar Products. As stated in the Letter from the Board, in particular, (i) the prices will be determined based on the standard price range of the relevant Products set by the Group in accordance with its pricing policy. In general, the standard price range is set by the Group at the beginning of the year taking into account the maximum retail prices of the Products, if any, set by the relevant government body in the PRC, the historical sale prices of the Products and the expected demand for the Products for the year. Such price range is applicable in general to customers of the Group; (ii) the discounts, if any, will be granted depending on the volume of the Sales; (iii) the credit period and payment terms will be determined taking into account the credit history and financial position of the CNPGC Group; and (iv) the delivery terms will be determined with reference to prevailing market practices.

Pursuant to the Master Supply Agreement, the Products to be supplied by the Group to the CNPGC Group are major products manufactured by the Group, including but not limited to Nifedipine Sustained-release tablet (Sheng Tong Ping) (硝苯地平緩釋片(聖通平)), Yu Ping Feng Granule (玉屏風顆粒), Qiye Shenan Tablet (七葉神安片), Bi Yan Kang Tablet (鼻炎康片), VC Yingqiao Tablet (維C銀翹片), Cefodizime Sodium for injection (Gaode) (注射用頭孢地嗪鈉(高德)) and Group A Streptococcus for injection (Sha Pei Lin) (注射用A群鏈球菌(沙培林)).

In connection with the supply of Products to CNPGC Group, we have been provided with and have reviewed one sample of invoice issued by the Company to the CNPGC Group and 16 samples of invoices issued by the Company to other independent customers in respect of sales of the Products in 2012. The sample of invoice issued by the Company to the CNPGC Group includes the sales of a variety of Products and the transaction value is relatively material as compared to

LETTER FROM GUOTAI JUNAN

the transaction value as evidenced by the individual invoices of sales to independent customers. We note that the sales prices of the Products sold to the CNPGC Group were comparable to the market prices charged to independent third parties for the same type of Products. It is also noted that the price discount and the credit term of sales to the CNPGC Group are within the range of the price discount and credit term of sales to the various independent customers as shown in the samples obtained.

Given that the pricing policy of the Sales and the Purchases was and will continue to be determined with reference to the prevailing market terms and on terms no less favourable to the Group than those made available by CNPGC Group to independent third parties, we are of the view that the terms of the Master Purchase Agreement and the Master Supply Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

3. Basis of the Annual Caps

3.1 Annual Cap in respect of the Purchases

As stated in the Letter from the Board, the historical transaction amount of Purchases for each of the two years ended 31 December 2012 and the Annual Cap of the Purchases under the Master Purchase Agreement for the year ending 31 December 2013 are as follow:

	<i>RMB' million</i>	<i>Equivalent to approximately HK\$' million</i>
Historical transaction amounts		
Year ended 31 December 2011	24.1	29.9
Year ended 31 December 2012	14.7	18.2
Annual cap		
Year ending 31 December 2013	50.0	62.0

As set out in the Letter from the Board, the executive Directors have determined the Annual Cap of Purchases taking into account (i) the historical purchases of the Materials from the CNPGC Group; (ii) the expected increase in the use of the Materials to cater for the production needs of the Group in anticipation of the gradual increase in the sales driven by the medical reform proposal; (iii) the potential growth in business of the Group which is expected to be brought about by the CNPGC Group after the Sinopharm Hong Kong acquired a controlling stake in the Company; and (iv) fluctuation in the market prices of the Materials in recent years.

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As noted from the Letter from the Board, for each of the two years ended 31 December 2011 and 2012, the purchase of the Materials by the Group from the CNPGC Group amounted to approximately RMB24.1 million and RMB14.7 million respectively. The amount of Purchases in 2012 decreased by 39.0% as compared to the amount of Purchases in 2011. As discussed with the management of the Group, the decrease was mainly because of the decrease in purchases of musk (麝香) in 2012. Musk (麝香) is one of the major types of Materials that is used to be purchased from the CNPGC Group and is mainly used in the production of the product “Da Huo Luo pills (大活絡丸)”. In 2012, due to the keen market competition in price, there had been only a few sales of Da Huo Luo pills (大活絡丸) in the first half of 2012. The Group had therefore stopped the production of Da Huo Luo pills (大活絡丸) so that the products produced earlier would be sold to the market first. The Group resumed production of Da Huo Luo pills (大活絡丸) only in September 2012. As a result, the total amount of Purchases in 2012 decreased substantially. The management of the Group believes that such a decrease was occasional in 2012 only and that the Group would increase its purchases of Materials from the CNPGC Group in the future along with the business development of the Group. As such, the historical transaction amount of Purchases in 2012 of RMB14.7 million is not a good reference in estimating future amount.

It is noted that the Annual Cap of the Purchases of RMB50.0 million represented an increase of about RMB25.9 million as compared to the historical transaction amount in 2011 of RMB24.1 million. As noted from the Letter from the Board, such increase in Annual Cap as compared to the historical transaction amount can be attributable to (a) the assumed annual growth rate of business of 30% (i.e. 30% of the purchase of the Materials in 2011 of RMB24.1 million which equals to about RMB7.2 million), which has been determined with reference to the compound annual growth rate of the Group’s sales of approximately 30% from 2007 to 2011; and (b) the assumed increase in Purchases of about RMB20 million from the CNPGC Group as a result of the Group shifting part of its purchases of raw materials to the CNPGC Group following Sinopharm Hong Kong becoming the controlling Shareholder, as well as the commencement of operation and production of TCM decoction pieces in mid-2012. Such assumed increment of RMB20 million has also been determined with reference to the historical usage of TCM materials of approximately RMB18 million in the production of TCM decoction pieces in 2012.

We have further discussed with the management of the Company the basis and assumptions underlying the determination of the Annual Cap of the Purchases and have assessed the fairness and reasonableness of the Annual Cap of the Purchases based on the following factors:

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i. Supply capacity of the CNPGC Group

The management of the Company is advised by the CNPGC Group that, 中國藥材公司 (“China National Corp. of Traditional & Herbal Medicine”*) is a member of the CNPGC Group and is one of the major suppliers of TCM materials in the PRC. It is principally engaged in the production, operation, research and development of TCM. It has about 28 production sites and partners. It also engages in the farming of a wide range of herbal plants involving about 80 species in accordance with (中藥材生產質量管理規範) (the national TCM production quality standard). Given the strong production capacity and standardised product quality, the management believes that the CNPGC Group is able to provide a stable supply of Materials and to meet the Group’s increasing demand for Materials. Furthermore, in the event that there is a shortage of supply of a particular kind of Materials in the market, the Group would be able to seek further sourcing from the CNPGC Group.

ii. The Group may shift to purchase more Materials from the CNPGC Group following Sinopharm Hong Kong becoming a controlling Shareholder

As set out in the Letter from the Board, Sinopharm Hong Kong has become the controlling Shareholder in February 2013. It is also expected that Sinopharm Hong Kong’s shareholding in the Company will further increase upon the close of the general offer for all the Shares made by Sinopharm Hong Kong. Following Sinopharm Hong Kong’s acquisition of a controlling stake in the Company, the management of the Company considers that there would be a strategic advantage to purchase Materials from the CNPGC Group. The management of the Company advised us that the Group intends to shift to purchase more Materials from the CNPGC Group rather than from other independent suppliers. This is because, as discussed in the paragraph headed “i. Supply capacity of the CNPGC Group” above, given the strong capacity of the CNPGC Group, the management of the Company considers that purchasing Materials from the CNPGC Group would help the Group to secure a stable supply of Materials with stable quality. As the Group increases Purchases in bulk from the CNPGC Group, the Group may be in a better position to negotiate on the price and terms of the Purchases, and to better grasp the market information as regards price trend and supply of the Materials in the market. Furthermore, as mentioned in the composite offer and response document (the “Composite Document”) dated 5 February 2013 issued by CNPGC, Sinopharm Hong Kong and the Company, 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. In light of this, the TCM manufacturing business of the Group, coupled with the strong TCM materials supply capacity of the CNPGC Group, may create synergy effect in terms of value chain management. Based on the above, the management of the Company expects that the amount of Purchases would increase substantially

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in 2013 as compared to that in 2012. In this connection, having considered the supply capacity of the CNPGC Group as discussed in paragraph (i) above and the fact that Sinopharm Hong Kong has become the controlling Shareholder, we find the management's aforesaid assumption of an increase of Purchases of about RMB20.0 million reasonable.

iii. Business growth of the Group

The Group's demand for the Materials largely depends on the business scale and business growth of the Group. According to the 2011 annual report of the Company, the cost of inventories of the Group in 2011 and 2010 amounted to HK\$468.9 million and HK\$416.7 million respectively. As advised by the management of the Group, cost of purchases of TCM materials of the Group in 2011 and 2010 amounted to approximately RMB180 million and RMB150 million respectively (equivalent to approximately HK\$223.2 million and HK\$186 million respectively), representing about 47.6% and 44.6% of the cost of inventories of the Group in the respective years. Furthermore, the Group's new TCM extraction and processing centre, which is located at Gao Ming District, Foshan City, the PRC, has commenced operation and the production of TCM decoction pieces in June 2012. As the Group continues to grow in business scale in the future, the Group would demand for more Materials.

Apart from organic growth of business, it is possible that the Group would also aim to achieve growth by potential merger and acquisitions. As disclosed in the Composite Document, Sinopharm Hong Kong considers some of the business opportunities available to the CNPGC Group to be synergistic with that of the Group. Following the review of the overall business of the Group, Sinopharm Hong Kong may consider recommending to the Board any of such opportunities, as well as any other opportunities that may arise in the market from time to time that it considers to be value-enhancing to Shareholders and/or otherwise in the best interests of the Group. As at the Latest Practicable Date, no merger and acquisition target has been identified by or recommended to the Group. Nevertheless, in view of the aforesaid intention of Sinopharm Hong Kong as stated in the Composite Document, the Company is of the view that the Group may carry out certain merger and acquisitions in the future that would increase the Group's demand for purchase of the Materials.

iv. The opportunities brought about by the growth in the TCM industry as a whole

According to <中醫藥事業發展“十二五”規劃> (“The Twelfth-five Years Plan for Chinese Medicine Industry Development”) published by the State Administration of Traditional Chinese Medicine of the PRC, during the last five years plan regime, the gross industry value of TCM increased from RMB119.2 billion in 2005 to RMB317.2 billion in 2010, representing a compound annual growth rate of approximately 22%. The authority expects

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the gross industry value of TCM would continue to grow and reach RMB559.0 billion in 2015 representing a compound annual growth rate of approximately 12%. In “The Twelfth-five Years Plan for Chinese Medicine Industry Development”, the PRC government sets the directions of policies for the years 2011 to 2015, which include, among others, increasing TCM services coverage within the country, further technological innovation of TCM, and enhancing the quality and standard of TCM and professional TCM personnel. Based on the above, it seems to us that the TCM industry as a whole would benefit from the government policy and the market demand for TCM products and services would be stimulated. In light of this, the management of the Group also expects a continuous growth in business and thus demand for the Materials in the coming year. Based on the discussion in paragraphs (iii) and (iv) above, we find the management’s aforesaid assumption of an increase of Purchases of about 30% (or about RMB7.2 million) reasonable.

Based on the above, we also consider that the Annual Cap in respect of the Purchases to be fair and reasonable. In particular, the Annual Cap of Purchases is about RMB25.9 million larger than the transaction amount in 2011. In comparison to the business scale of the Group which recorded cost of sales of HK\$467.5 million (equivalent to approximately RMB377.0 million) in the year ended 31 December 2011, we consider that the estimated increment of Annual Cap of Purchases to be reasonable.

3.2 Annual Cap in respect of the Sales

As stated in the Letter from the Board, the historical transaction amount of Sales for each of the two years ended 31 December 2012 and the Annual Cap of the Sales under the Master Supply Agreement for the year ending 31 December 2013 are as follow:

	<i>RMB’ million</i>	<i>Equivalent to approximately HK\$’ million</i>
Historical transaction amounts		
Year ended 31 December 2011	67.5	83.7
Year ended 31 December 2012	81.3	100.8
Annual cap		
Year ending 31 December 2013	300.0	372.0

As set out in the Letter from the Board, the executive Directors have determined the Annual Cap of Sales taking into account (i) the historical sales of the Products to the CNPGC Group; (ii) the anticipated gradual increase in the sales volume of the Products driven by the medical reform proposal; and (iii) the expected completion of the acquisition by the Group of a 51% interest in 貴州中泰生物科技有限公司 (Guizhou Zhongtai Biological Technology Company Limited)

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(“Guizhou Zhongtai”) in the first quarter of 2013; and (iv) the potential growth in the business of the Group which is expected to be brought about by the CNPGC Group after Sinopharm Hong Kong acquired the stake in the Company.

The Annual Cap for the Sales of RMB300.0 million represented an increase of about RMB218.7 million as compared to the historical transaction amount RMB81.3 million in 2012. As noted from the Letter from the Board, such increment can be attributable to (a) the assumed annual growth rate of 85% of the sales of the Group’s Products to the CNPGC Group (i.e. 85% of RMB81.3 million, which is equal to about RMB69.1 million); (b) the assumed increase in sales of about RMB100 million brought about by the completion of acquisition by the Group of a 51% interest in Guizhou Zhongtai; and (c) the assumed increase in sales of about RMB50 million brought about by the potential growth in business with the CNPGC Group after Sinopharm Hong Kong acquired a controlling stake in the Company.

We have further discussed with the management of the Company the basis and assumptions underlying the determination of the Annual Cap of the Sales and have assessed the fairness and reasonableness of the Annual Cap of the Sales based on the following factors:

i. Sales network of the CNPGC Group

The management of the Group is advised by CNPGC that Sinopharm Group Co. Ltd., a company listed on the Stock Exchange (stock code: 1099) is controlled by CNPGC and is the largest pharmaceutical distribution network in the PRC. As at 30 June 2012, Sinopharm Group Co. Ltd. had about 50 pharmaceutical distribution centres and the network covers about 178 cities in the PRC. Its direct customers included 9,993 hospitals (including 1,312 class-three hospitals which are the largest and most highly-ranked hospitals in the PRC) or approximately 72.32% of all hospitals in the PRC (and 91.82% of all the class-three hospitals in the PRC). As Sinopharm Hong Kong has become a controlling Shareholder, the management of the Company expects that the Group may be able to tap into the strong sales network of the CNPGC Group (including Sinopharm Group Co. Ltd. which is controlled by CNPGC) to approach a much wider clientele. As mentioned in the Composite Document, CNPGC is looking to expand its presence in the manufacturing and selling of TCM products through the acquisition of Shares by Sinopharm Hong Kong and increase the Company’s sales through its expertise in financial management, operation management, strategy and human resources and information management. In light of this, the management of the Company believes that there would be increased business opportunities brought about by the CNPGC Group, leading to a substantial increase in sales to the CNPGC Group in 2013.

In addition, given the strong business position of the CNPGC Group, the CNPGC Group is of a better credit worthiness than any other independent pharmaceutical distributors in general. Accordingly, the

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management of the Company advised us that the Group intends to shift to more of its sales to the CNPGC Group rather than to the other independent pharmaceutical distributors or wholesalers. Based on the above, the total amount of Sales the CNPGC Group in 2013 is expected to increase substantially as compared to the total amount of sales in 2012. Furthermore, according to the information provided by the Company, during the year ended 31 December 2012, four major types of Products, namely, Nifedipine Sustained-release tablet (Sheng Tong Ping) (硝苯地平舒緩釋片(聖通平)), Yu Ping Feng Granule (玉屏風顆粒), Bi Yan Kang Tablet (鼻炎康片) and Cefodizime Sodium for injection (Gaode) (注射用頭孢地嗪鈉(高德)), recorded significant increase in sales of 86% to the CNPGC Group. The Group intends to continue to promote the sales of these four major Products through the sales network of the CNPGC Group in 2013. In this connection, we consider that the aforesaid assumption of RMB69.1 million (representing about 8.4% of the total revenue of the Group for the year ended 31 December 2011 of HK\$1,015.9 million (equivalent to approximately RMB819.3 million)) increase in sales brought about by this factor to be reasonable.

ii. Growth drivers of the business of the Group

As discussed in the paragraph headed “iii. Business growth of the Group” under the section headed “3.1 Annual Cap in respect of the Purchases” above, the growth drivers of the Group include organic growth of business, possible merger and acquisitions in the future, growth of the TCM industry as a whole, and increase in population in the PRC. Along with the business growth, the Group will increase its production and sales, which may result in the increase in the Sales to the CNPGC Group. In particular, as stated in the Letter from the Board, the management of the Company assumed that the amount of Sales may increase by about RMB50 million because of potential mergers and acquisitions. In this regard, given the intension of merger and acquisition as stated in the Composite Document, we concur with the management of the Company that it is reasonable to allow a RMB50 million in the Annual Cap of Sales buffer to provide flexibility in operation.

iii. Commencement of operation of Guizhou Zhongtai

In respect of the potential growth brought about by Guizhou Zhongtai, we understand that the acquisition of 51% equity interest in Guizhou Zhongtai is expected to be completed in the first quarter of 2013. Guizhou Zhongtai is principally engaged in the research and development, production and sales of plasma-based biopharmaceutical products in the PRC. As noted from the announcement of the Company dated 23 December 2011, Guizhou Zhongtai is one of the 33 licensed plasma-based biopharmaceutical products companies in the PRC, holding a number of operating licenses including medicine production certificate and medicine GMP certificates for engaging in plasma-based biopharmaceutical products business in the PRC. The

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products of Guizhou Zhongtai are mainly supplied to hospitals and inoculation centres in the PRC. We are further advised by the Directors that, Guizhou Zhongtai has commenced production in April 2012, and has obtained approval for registration and production of two types of plasma-based biopharmaceutical products as at the Latest Practicable Date. As the plasma-based biopharmaceutical products are mainly used in hospitals under professional medical guidance, rather than being sold to general retail customers, it is important for Guizhou Zhongtai to build up a sales network of hospitals. As stated in the Letter from the Board, sales of the plasma-based biopharmaceutical products amounted to about RMB68.3 million since the commencement of Guizhou Zhongtai's operations in April 2012. Relying on the sales network of the CNPGC Group as discussed in paragraph (i) above, if Guizhou Zhongtai can increase its sales by supplying its products to hospitals through selling to the CNPGC Group, it can better utilise its production capacity to increase its sales. In this connection, we consider that the management's assumption of an increase in sales by about RMB100 million as a result of the commencement of operation of Guizhou Zhongtai to be reasonable.

Based on the above, we also consider that the Annual Cap for the Sales to be fair and reasonable. In particular, the Annual Cap of Sales is about RMB218.7 million larger than the transaction amount in 2012. In comparison to the business scale of the Group which recorded revenue of HK\$1,015.9 million (equivalent to approximately RMB819.3 million) in the year ended 31 December 2011, coupled with the factors discussed above, we consider that the increment of Annual Cap of Sales to be reasonable.

4. Internal control and measures to safeguard interests of the Independent Shareholders

As discussed with the management of the Company, the Company will adopt internal control procedures to monitor the Sales and the Purchases. The accounting team of the Company will gather and file the relevant documents, including price quotations, information on market price, sales orders and invoices for internal and external audit purpose. The accounting personnel will also report the monthly transaction amount to the management so as to ensure that the Annual Caps would not be exceeded. By the end of 2013, the accounting personnel would summarise details of the Sales and Purchases, including the transaction amounts, credit period and other material terms as compared to transactions with independent third parties, and report to the independent non-executive Directors and the auditors of the Company for their review. According to Chapter 14A of the Listing Rules, information of the transactions contemplated under the Master Purchase Agreement and the Master Supply Agreement would be disclosed in the 2013 annual report of the Company to be published in April 2014. The transactions are also subject to annual review by the independent non-executive Directors. As the term of the Agreements lasts for one year only and that the Annual Caps govern the transactions to be carried in the year ending 31 December 2013 only, if the Group intends to continue the Sales and the Purchases after 2013, the Group will have to comply with the requirement of the Listing Rules and enter into

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relevant agreements, make announcement, and, if required, seek Independent Shareholders' approval again. In addition, according to Chapter 14A of the Listing Rules, the independent non-executive Directors and the auditors of the Company would also review the transactions contemplated under the Master Purchase Agreement and the Master Supply Agreement each year. Based on the above, we are of the opinion that the interests of the Independent Shareholders are sufficiently safeguarded.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider (i) the terms of the Agreements (including the Annual Caps) are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Shareholders to vote in favour, and the Independent Director to recommend the Independent Shareholders to vote in favour, of the ordinary resolutions to be proposed at the EGM to approve the Agreements (including the Annual Caps).

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Wilson Lo
Executive director

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS**Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Capacity	Number of Shares	Approximate percentage of total interests to issued Shares
Mr. Yang Bin ("Mr. Yang")	Interest in controlled corporation	267,511,621 (Note)	15.00%

Note: The 267,511,621 Shares are held by Profit Channel Development Limited which is wholly owned by Mr. Yang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Interests of substantial Shareholders

Name	Capacity	Number of Shares	Approximate percentage of total interests to issued Shares
Sinopharm Hong Kong	Beneficial owner	1,016,023,044	56.97%
Profit Channel Development Limited	Beneficial owner	267,511,621 (Note)	15.00%

Note: Profit Channel Development Limited is wholly owned by Mr. Yang.

So far as is known to the Directors, as at the Latest Practicable Date, no other persons (other than the Directors, the chief executive and substantial Shareholders disclosed above) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained or referred to in this circular:

Guotai Junan	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
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Guotai Junan has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Guotai Junan was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, Guotai Junan did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2011 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

MATERIAL ADVERSE CHANGE

Up to the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011 (the date to which the latest published audited consolidated financial statements of the Company were made up).

DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

Up to the Latest Practicable Date, none of the Directors had any direct or indirect material interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2011 (the date to which the latest published audited consolidated financial statements of the Company were made up).

DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

MISCELLANEOUS

The English version of this circular shall prevail over the Chinese text for the purpose of interpretation.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the registered office of the Company in Hong Kong up to and including the date of the EGM:

- (a) the memorandum of association of the Company;
- (b) the Master Purchase Agreement;
- (c) the Master Supply Agreement;
- (d) the letter addressed to the Independent Shareholders from the Independent Director, the text of which is set out on page 15 of this circular;
- (e) the letter of advice from Guotai Junan to the Independent Director and the Independent Shareholders, the text of which is set out on pages 16 to 28 of this circular; and
- (f) the letter of consent from Guotai Junan referred to in the section headed “Expert and Consent” of this appendix.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 570)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Winteam Pharmaceutical Group Limited (the “**Company**”) will be held at Conference Room, 8th Floor, No. 2 Rong Gui Qiao Xi Road, Shunde District, Foshan City, Guangdong Province, the People’s Republic of China on Saturday, 23 March 2013 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “THAT:

- (a) the Master Purchase Agreement (as defined in the circular (the “Circular”) to the shareholders of the Company dated 7 March 2013) and the transactions contemplated thereunder be and are hereby approved;
- (b) the annual cap in relation to the transactions contemplated under the Master Purchase Agreement for the financial year ending 31 December 2013 be and is hereby approved; and
- (c) any one director of the Company be and is hereby authorised to do all such acts or things, as he may in his absolute discretion consider necessary or desirable, to give effect to the Master Purchase Agreement and the transactions contemplated thereunder.”

2. “THAT:

- (a) the Master Supply Agreement (as defined in the Circular) and the transactions contemplated thereunder be and are hereby approved;
- (b) the annual cap in relation to the transactions contemplated under the Master Supply Agreement for the financial year ending 31 December 2013 be and is hereby approved; and

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (c) any one director of the Company be and is hereby authorised to do all such acts or things, as he may in his absolute discretion consider necessary or desirable, to give effect to the Master Supply Agreement and the transactions contemplated thereunder.”
3. “**THAT** Mr. Dong Zenghe (董增賀先生) be re-elected as a non-executive director of the Company and to authorize the board of directors of the Company to fix his remuneration.”

By order of the Board
Winteam Pharmaceutical Group Limited
Yang Bin
Executive Director

7 March 2013

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company.
2. A form of proxy for the meeting is enclosed. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, shall be deposited at the Company's registered office at Rooms 2801-2805, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting.

As at the date of this notice, the Board comprises nine Directors, of which Mr. WU Xian and Mr. YANG Bin are executive Directors; Mr. SHE Lulin, Mr. LIU Cunzhou, Mr. DONG Zenghe and Mr. ZHAO Dongji are non-executive Directors; and Mr. ZHOU Bajun, Mr. XIE Rong and Mr. FANG Shuting are independent non-executive Directors.