

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



上海醫藥集團股份有限公司

Shanghai Pharmaceuticals Holding Co., Ltd. *

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02607)

**CONNECTED TRANSACTION -
ESTABLISHMENT OF THE HEALTHCARE INDUSTRY INVESTMENT FUND AND
INVESTMENT FUND MANAGEMENT COMPANY**

On 26 August 2015, the board of directors (the “**Board**”) of Shanghai Pharmaceuticals Holding Co., Ltd.* (the “**Company**”, and together with its subsidiaries, the “**Group**”) considered and passed a resolution approving the entering into of the Shanghai Healthcare Industry Investment Fund Cooperation Framework Agreement (the “**Agreement**”) by the Company with Shanghai Real Power Capital Co., Ltd. (“**Shanghai Real Power**”). Pursuant to the Agreement:

- (1) the Company or its designated entity and Shanghai Real Power Innovation Equity Investment Fund Partnership (Limited Partnership) (the “**Real Power Innovation Fund**”) managed by Shanghai Real Power jointly initiate the establishment of the Shanghai Healthcare Industry Investment Fund (Partnership) (tentative name) (the “**Healthcare Fund**”), in which the Company or its designated entity expects to subscribe and invest RMB250 million; and
- (2) the Company, Shanghai Real Power, Healthcare Fund Management Team Company (to be established) (“**Team Company**”) and other strategic investors of the Healthcare Fund (“**Other Strategic Investors**”) will jointly invest in the establishment of Shanghai Real Health Capital Management Company Limited (tentative name) (“**Real Health Capital**”). Real Health Capital will act as manager of the Healthcare Fund, and the Company expects to subscribe and contribute RMB12.5 million to the capital of Real Health Capital.

Shanghai Industrial Investment (Holdings) Co., Ltd. (“**SIIC**”) and Shanghai Shangshi (Group) Co., Ltd. (“**Shanghai Shangshi**”) are controlling shareholders of the Company. SIIC and Shanghai Shangshi indirectly hold in aggregate 32.91% of equity interest in Shanghai Real Power. The Real Power Innovation Fund is managed by Shanghai Real Power, and Shanghai Shangshi holds a share of 44.44% in phase-one of the Real Power Innovation Fund. Therefore, Shanghai Real Power and the Real Power Innovation Fund are each an associate of SIIC and Shanghai Shangshi. According to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), Shanghai Real Power and the Real Power Innovation Fund are connected persons of the Company and the transaction under the Agreement constitutes a connected transaction as defined in the Hong Kong Listing Rules. According to the Hong Kong Listing Rules, as one or more of the applicable percentage ratios (as defined under Rule

14.07 of the Hong Kong Listing Rules) of the transaction under the Agreement (based on the aggregate capital contribution for the establishment of the Healthcare Fund and Real Health Capital) are more than 0.1% but less than 5%, the transaction is therefore exempt from the requirement of independent shareholders' approval but subject to the reporting and announcement requirements under the Hong Kong Listing Rules. The transaction under the Agreement does not constitute a material asset restructuring under the Measures for the Administration of Material Asset Restructuring of Listed Companies (as amended in 2014), nor does it constitute a notifiable transaction under Chapter 14 of the Hong Kong Listing Rules.

This announcement is made in accordance with the requirements of Chapter 14A of the Hong Kong Listing Rules.

SHANGHAI HEALTHCARE INDUSTRY INVESTMENT FUND COOPERATION FRAMEWORK AGREEMENT

On 26 August 2015, the Board of the Company considered and approved the "Proposal on the establishment of the Healthcare Industry Investment Fund and Investment Fund Management Company by Shanghai Pharmaceuticals Holding Co., Ltd." and the entering into of the Agreement by the Company with Shanghai Real Power. Pursuant to the Agreement:

- (1) the Company or its designated entity and the Real Power Innovation Fund managed by Shanghai Real Power will jointly initiate the establishment of the Healthcare Fund, in which the Company or its designated entity expects to subscribe and invest RMB250 million; and
- (2) the Company, Shanghai Real Power, Team Company and the Other Strategic Investors will jointly invest in the establishment of Real Health Capital. Real Health Capital will manage the Healthcare Fund, and the Company expects to subscribe and contribute RMB12.5 million to the capital of Real Health Capital.

Overview of the Healthcare Fund

The Healthcare Fund will be established as a limited partnership, with an expected target fund size of RMB3 billion and an expected initial fund size of RMB1 billion, of which:

- (1) as a limited partner of the fund, the Company or its designated entity expects to subscribe and invest RMB250 million;
- (2) as a limited partner of the fund, Shanghai Real Power through the Real Power Innovation Fund which it manages expects to subscribe and invest RMB250 million; and
- (3) the management team of the Healthcare Fund will be responsible for securing Other Strategic Investors and raising the remaining funds.

The actual amount to be invested by each party will be adjusted proportionally based on the total capital required by the project(s) to be invested by the Healthcare Fund.

The focus of the Healthcare Fund's investment will be medical e-commerce, research and development of new drugs, medical equipment and other investment opportunities surrounding the healthcare ecosystem and various areas. The term of the Healthcare Fund will include two years of

investment period and three years of management withdrawal period. The investment and management withdrawal periods may each be extended for one year with the approval of each partner of the fund by way of a meeting resolution.

Overview of Real Health Capital

The Company, Shanghai Real Power, Team Company and Other Strategic Investors will jointly contribute capital in the establishment of Real Health Capital, which will act as the manager of the Healthcare Fund. The registered capital of the new Real Health Capital is proposed to be RMB50 million, of which:

- (1) the Company expects to subscribe and contribute RMB12.5 million;
- (2) Shanghai Real Power expects to subscribe and contribute RMB17.5 million;
- (3) Team Company expects to subscribe and contribute RMB10 million; and
- (4) Other Strategic Investors are expected to subscribe and contribute in aggregate RMB10 million.

The final capital contribution ratio of each party is subject to change based on registration with the relevant industry and commerce administrative authorities.

None of Team Company and Other Strategic Investors are connected to the Company.

The Board has authorised the management team of the Company to implement matters in relation to the establishment of the Healthcare Fund and Real Health Capital, including the execution of the relevant agreements and making adjustments to the actual subscribed capital and contribution amounts and ratios of the Company (insofar as they are within the amounts set out above).

INFORMATION OF THE COMPANY, SHANGHAI REAL POWER AND THE REAL POWER INNOVATION FUND

Basic information of the Company

Headquartered in Shanghai, the Company is the only national integrated pharmaceutical group in the People's Republic of China that has leading positions in both pharmaceutical production and distribution. The Company's business covers three major segments, namely pharmaceutical production, pharmaceutical services and pharmaceutical retail. The Company's H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange, respectively.

Basic information of Shanghai Real Power

Company type:	Company with limited liability (Sino-foreign joint venture)
Registered location:	Room 2001, Shanghai International Group Mansion, No. 511 Weihai Road, Jing'an District, Shanghai
Principal office address:	Block A, Baoland Plaza, No. 588 Dalian road, Shanghai

Legal representative:	Cheng Feng
Registered capital:	RMB118.50 million
Principal business:	Shanghai Real Power is an institution specialising in equity investment and management, and it was jointly established by Shanghai Shangshi Group, Shanghai United Media Group, Shanghai International Group and certain privately-owned enterprises and the core management teams. The company is entrusted to manage funds including the Real Power Emerging Industry Investment Fund, the Real Power Innovation Fund and the Real Power Blazing Sun Fund. Shanghai Real Power has a long-standing focus in managing healthcare investments with assets under management of over RMB5.0 billion.

Basic information of the Real Power Innovation Fund

Company type:	Limited partnership
Registered location:	Room 3404, No. 755 Weihai Road, Jing'an District, Shanghai
Principal business:	Equity investment, industrial investment, asset management, investment management, investment consultancy and corporate management consultancy

REASONS FOR AND BENEFITS OF CONDUCTING THE TRANSACTION

- (1) *Participating in fund establishment is a significant move for the Group to achieve innovation in investment and research and development*

Through participating in fund establishment, the Group may nurture projects which have promising prospects but are still in early stages of development and with certain levels of risk. Participation in fund establishment can reduce the risk that the Group is exposed to and serve as a key complementary approach for, and represent a significant move of, the Group to achieve innovation in investment and research and development.

- (2) *Following the development trend of capital markets and leveraging public capital in large investment projects*

The present joint-establishment of a fund by the Group and an external professional institution follows the development trend of the capital markets. As a partner in the establishment of the fund, the Group may leverage public capital to identify, invest in and nurture large-scale projects.

- (3) *Adopting a market-based approach to enhance investment efficiency*

The investment is an opportunity for the Group to leverage the synergy derived from the co-operation of industry and finance. The Group may seize development opportunities in the healthcare industry with the support of capital market professionals, thereby sharing each party's resources and complementing each other with their own competitive advantages.

(4) *Maximizing the return on financial investments*

Through the investment, the Group may maximize the return on its financial investments through various means such as initial public offerings of, or transfers of equity interests in, the invested projects.

HONG KONG LISTING RULES IMPLICATIONS

SIIC and Shanghai Shangshi are controlling shareholders of the Company. SIIC and Shanghai Shangshi indirectly hold in aggregate 32.91% equity interest in Shanghai Real Power. The Real Power Innovation Fund is managed by Shanghai Real Power, and Shanghai Shangshi holds a share of 44.44% in phase-one of the Real Power Innovation Fund. Therefore, Shanghai Real Power and the Real Power Innovation Fund are each an associate of SIIC and Shanghai Shangshi. According to Chapter 14A of the Hong Kong Listing Rules, Shanghai Real Power and the Real Power Innovation Fund are connected persons of the Company, and the transaction under the Agreement constitutes a connected transaction as defined in the Hong Kong Listing Rules. According to the Hong Kong Listing Rules, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the transaction under the Agreement (based on the aggregate capital contribution for the establishment of the Healthcare Fund and Real Health Capital) are more than 0.1% but less than 5%, the transaction is therefore exempt from the requirement of independent shareholders' approval but subject to the reporting and announcement requirements under the Hong Kong Listing Rules. The transaction under the Agreement does not constitute a material asset restructuring under the Measures for the Administration of Material Asset Restructuring of Listed Companies (as amended in 2014), nor does it constitute a notifiable transaction under Chapter 14 of the Hong Kong Listing Rules.

This announcement is made in accordance with the requirements of Chapter 14A of the Hong Kong Listing Rules.

APPROVAL PROCEDURES OF THE TRANSACTION

The connected transaction under the Agreement was considered and approved at the meeting of the Board of the Company held on 26 August 2015. All nine directors of the Company attended the meeting, which comply with the quorum requirement for board meetings under the Company Law of the People's Republic of China and the articles of association of the Company. In passing the resolution on the transaction under the Agreement, four connected directors, namely Mr. Lou Dingbo, Mr. Cho Man, Mr. Hu Fengxiang and Mr. Zhou Jie voluntarily abstained from voting, and all five non-connected directors voted in favour of the resolution.

The directors of the Company, including the independent non-executive directors, are unanimously of the view that the transaction under the Agreement was entered into on normal commercial terms and in the ordinary and usual course of business, and that the terms of the transaction are fair and reasonable and in the interests of the Company and all shareholders as a whole.

By Order of the Board
Shanghai Pharmaceuticals Holding Co., Ltd.*

LOU Dingbo
Chairman

Shanghai, the PRC, 27 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. LOU Dingbo, Mr. CHO Man and Mr. HU Fengxiang; the non-executive directors are Mr. ZHOU Jie and Mr. JIANG Ming; and the independent non-executive directors are Mr. CHEN Naiwei, Mr. WAN Kam To, Mr. TSE Cho Che, Edward and Mr. LI Zhenfu.

** For identification purposes only*