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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)**

## **ACQUISITION OF INTANGIBLE ASSETS OF SHANGHAI ASIA PIONEER PHARMACEUTICAL CO., LTD.**

On 26 April 2012, the board of directors (the “**Board**”) of Shanghai Pharmaceuticals Holding Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) resolved to acquire, through Shanghai New Asiatic Pharmaceutical Co., Ltd. (“**Shanghai New Asiatic**”), a subsidiary of the Company, the intangible assets including patents, know-how and trademarks of Shanghai Asia Pioneer Pharmaceutical Co., Ltd. (“**Shanghai Asia Pioneer**”), a subsidiary of Shanghai Pharmaceutical (Group) Co., Ltd. (“**Shanghai Pharmaceutical (Group)**”, one of the controlling shareholders of the Company), at a cash consideration of RMB23,146,900, subject to the valuation filed with the state-owned assets administrative authorities (the “**Transaction**”).

Upon completion of the Transaction, Shanghai Asia Pioneer will cease to engage in pharmaceutical production and operation, and all its pharmaceutical approvals, varieties (or projects) in research and manufacturing permits will be transferred to Shanghai New Asiatic. Therefore, Shanghai Pharmaceutical (Group) and its subsidiaries will cease to compete with the Group in the antibiotic business.

Shanghai Asia Pioneer is a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and therefore the Transaction constitutes a connected transaction of the Company. However, as each of the percentage ratios (as defined in Rule 14.07 of the Listing Rules) other than profits ratio of the Transaction is less than 0.1%, the Transaction is exempt from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. In addition, the Transaction does not constitute a notifiable transaction as defined in Chapter 14 of the Listing Rules. This announcement is published pursuant to Rule 13.09(1) of the Listing Rules.

## **BACKGROUND**

As disclosed in the prospectus for the global offering of H shares of the Company (the “**Prospectus**”) dated 6 May 2011, Shanghai Asia Pioneer was not injected into the Group at the time of the global offering and listing of the Company’s H shares on The Stock Exchange of Hong Kong Limited (the “**H Shares Listing**”) for the reason that certain material pending litigations involving Shanghai Asia Pioneer and the consequent contingent liabilities arising therefrom might have an adverse impact on the Company’s financial position should Shanghai Asia Pioneer be included in the Group.

As disclosed in the Prospectus, pursuant to the entrustment agreement (“**Entrustment Agreement**”) entered into between Shanghai New Asiatic and Shanghai Pharmaceutical (Group) in December 2010, all the equity interest held by Shanghai Pharmaceutical (Group) in Shanghai Asia Pioneer as well as all the assets and business of Shanghai Asia Pioneer for the manufacturing of antibiotics (collectively, the “**Target Assets**”) were entrusted to the management of Shanghai New Asiatic, which enabled Shanghai New Asiatic to manage the manufacturing and sales of Shanghai Asia Pioneer’s products so as to prevent Shanghai Asia Pioneer from competing with the business of the Group. The Company expected to improve the operations of Shanghai Asia Pioneer through the management thereof pursuant to the Entrustment Agreement, and to have Shanghai Asia Pioneer injected into the Group when it would meet the relevant regulatory requirements. If Shanghai Asia Pioneer failed to properly solve its pending litigations and satisfy other requirements before 31 December 2011, Shanghai Pharmaceutical (Group) intended to sell Shanghai Asia Pioneer to an independent third party or to cease the business of Shanghai Asia Pioneer so as to prevent it from competing with the business of the Group.

Due to certain objective reasons including the great impact brought by the introduction of the policy of stratified and categorised management of antibacterial drugs on the industry in 2011, uncertainties in the policy regarding antibiotics in the future, and the various pending material litigations and the consequent contingent liabilities of Shanghai Asia Pioneer which were not settled before 31 December 2011, Shanghai Pharmaceutical (Group) was unable to dispose of Shanghai Asia Pioneer as scheduled. As the Entrustment Agreement expired on 31 December 2011, in order to prevent the potential competition from Shanghai Asia Pioneer against the Group’s business before Shanghai Pharmaceutical (Group) disposed of all its antibiotic business that had not been included into the Group, Shanghai New Asiatic entered into a management service agreement with Shanghai Asia Pioneer on 31 December 2011 for a term of one year, pursuant to which Shanghai New Asiatic will provide Shanghai Asia Pioneer with management consultancy service on daily operation and asset disposal and exclusive sales and management services, at a consideration of RMB1,000,000 per annum, payable by Shanghai Asia Pioneer to Shanghai New Asiatic on a quarterly basis.

To protect the interests of the Company and its shareholders as a whole and seek to complete the entire consolidation of the antibiotic assets at the most economical costs, the Board resolved on 26 April 2012 to acquire, through Shanghai New Asiatic, the intangible assets including patents, know-how and trademarks of Shanghai Asia Pioneer at a cash consideration of RMB23,146,900, subject to the valuation filed with the state-owned assets administrative authorities. In accordance with the agreement for the Transaction, all litigations and liabilities of Shanghai Asia Pioneer will continue to be assumed by Shanghai Asia Pioneer, without any impact on Shanghai New Asiatic and the Group.

## **BASIS OF THE CONSIDERATION OF THE TRANSACTION**

According to the Assets Valuation Report (Hu Dong Zhou Zi Ping Bao Zi [2012] No. 0087190) prepared by Shanghai Orient Certified Appraisal Co., Ltd., the appraised value of the target assets of the Transaction as at 31 December 2011 was RMB23,146,900, subject to confirmation upon the filing with the state-owned assets administrative authorities. Based upon such appraised value and the negotiations between the parties, the total consideration for the acquisition of the intangible assets of Shanghai Asia Pioneer by Shanghai New Asiatic was determined at RMB23,146,900, subject to the valuation filed with the state-owned assets administrative authorities.

## **SIGNIFICANCE OF THE TRANSACTION**

Upon completion of the Transaction, Shanghai Asia Pioneer will cease to engage in pharmaceutical production and operation, and all its pharmaceutical approvals, varieties (or projects) in research and manufacturing permits will be transferred to Shanghai New Asiatic. Therefore, the competition from Shanghai Pharmaceutical (Group) and its subsidiaries against the Group's antibiotic business will be eliminated.

Upon completion of the Transaction, the Group's existing antibiotic product lines will be further expanded and improved, together with the enlarged production scale and uplifted brand value.

Given the impacts brought down by the industrial policies, the pharmaceutical market of anti-infection products is under fluctuation and it is expected that the room for its overall growth is limited in the future. Upon completion of the Transaction, Shanghai New Asiatic will become one of the antibiotic manufacturers with the most extensive production varieties and complete categories in the PRC, with product lines covering all popular varieties from the first to the fourth generation of Cephalosporins as well as the specialty penicillin compound preparations widely used for clinical purpose. The competitiveness in biddings and sales and the risk resistance capacity of the products of Shanghai New Asiatic will be strengthened.

Upon completion of the Transaction, the Group will consolidate the existing product resources of Shanghai New Asiatic and Shanghai Asia Pioneer to build up its overall strength. The antibiotic varieties and dosage forms will be streamlined appropriately, and the production layout will be rationally adjusted by consolidating the existing three production bases into two for production and quality upgrades under the new Good Manufacturing Practice ("GMP"), where advanced equipment will be introduced to expand production capacity, meet the requirements of the new GMP, improve management efficiency and cut down operating costs.

## **ABSTAINING FROM VOTING BY DIRECTORS**

When the Board passed the resolution in relation to the Transaction, Mr. Zhang Jialin, Mr. Xu Guoxiong and Mr. Lu Shen, each being a director of the Company and concurrently assuming directorship position in the relevant connected person entities, abstained from voting.

## COMPLIANCE WITH THE LISTING RULES

Shanghai Asia Pioneer is a subsidiary of Shanghai Pharmaceutical (Group), one of the controlling shareholders of the Company, and therefore is a connected person of the Company according to Chapter 14A of the Listing Rules. The Transaction between Shanghai Asia Pioneer and Shanghai New Asiatic, a subsidiary of the Company, constitutes a connected transaction of the Company. However, as each of the percentage ratios (as defined in Rule 14.07 of the Listing Rules) other than profits ratio of the Transaction is less than 0.1%, the Transaction is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Transaction does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. This announcement is published pursuant to Rule 13.09(1) of the Listing Rules.

Upon completion of the Transaction, the Group may purchase the remaining inventories of Shanghai Asia Pioneer and lease the fixed assets including land, plant, equipment, etc. held under the name of Shanghai Asia Pioneer, both on a needed basis. Such proposed transactions of inventory purchase and leasing of fixed assets will constitute continuing connected transactions under Chapter 14A of the Listing Rules. A separate announcement has been made by the Company according to the annual caps of the Group's continuing connected transactions in compliance with the provisions of Chapter 14A of the Listing Rules.

By order of the Board  
**Shanghai Pharmaceuticals Holding Co., Ltd.**  
**Han Min**  
*Joint Company Secretary*

Shanghai, the PRC, 27 April 2012

*As at the date of this announcement, the directors of the Company are Mr. LU Mingfang, Mr. ZHANG Jialin, Mr. XU Guoxiong, Mr. LU Shen, Mr. JIANG Ming, Mr. BAI Huiliang, Mr. CHEN Naiwei and Ms. Tommei TONG.*

\* *For identification purpose only*