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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)

CONTINUING CONNECTED TRANSACTIONS – LEASING OF PROPERTIES AND PRODUCTION EQUIPMENT

On 26 March 2015, the board of directors (the “**Board**”) of Shanghai Pharmaceuticals Holding Co., Ltd. (the “**Company**”, collectively with its subsidiaries, the “**Group**”) considered and passed a resolution in relation to the continuing connected transactions between the Company and Shanghai Pharmaceutical (Group) Co., Ltd. (“**Shanghai Pharmaceutical (Group)**”), one of the controlling shareholders of the Company, and its subsidiaries in 2015.

Among the continuing connected transactions between the Group and Shanghai Pharmaceutical (Group) and its subsidiaries in 2015, the relevant percentage ratios as defined under Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) other than profits ratio of the continuing connected transactions in relation to the leasing of properties and production equipment are expected to be more than 0.1% but less than 5%. Therefore, such continuing connected transactions on the leasing of properties and production equipment are exempt from the independent shareholders’ approval requirements but are subject to the relevant reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules. This announcement is made in accordance with the requirements of Chapter 14A of the Hong Kong Listing Rules.

Save as disclosed in this announcement, all other continuing connected transactions between the Group and Shanghai Pharmaceutical (Group) and its subsidiaries in 2015 are exempt from the relevant reporting, annual review, announcement and independent shareholders’ approval requirements under the Hong Kong Listing Rules.

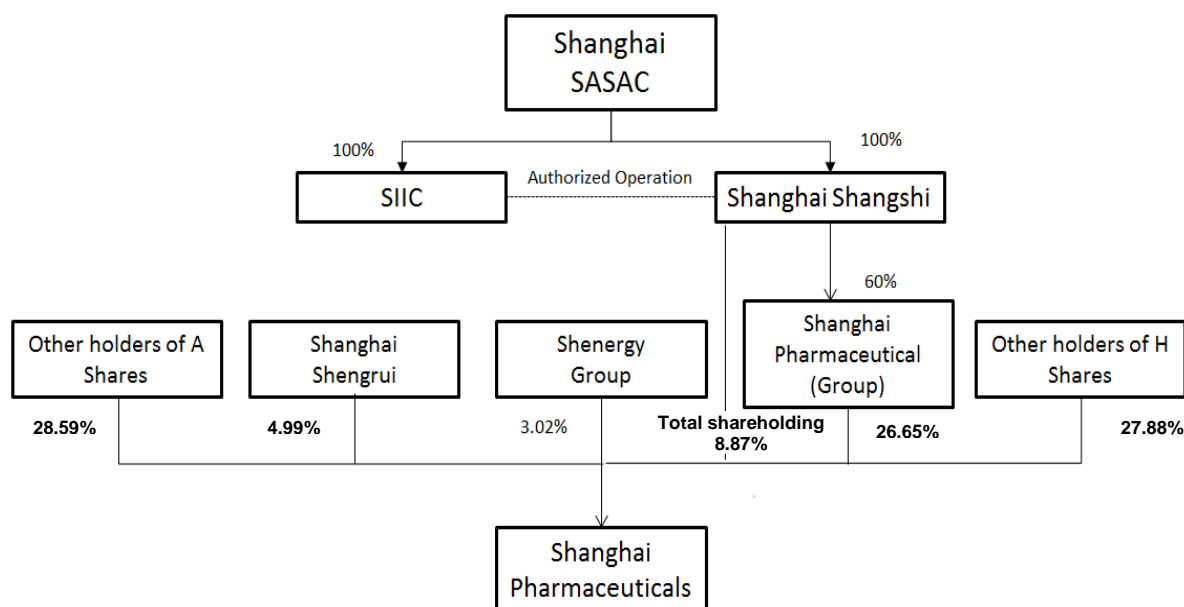
INTRODUCTION OF THE CONNECTED RELATIONSHIP AND THE MAJOR CONNECTED PERSONS

The meanings of connected relationship and connected persons in this announcement are defined in Chapter 10 of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and Chapter 14A of the Hong Kong Listing Rules. Details of the major connected persons in relation to this announcement are as follows:

Shanghai Pharmaceutical (Group) is one of the controlling shareholders of the Company

In 2009, Shanghai Industrial Investment (Holdings) Co., Ltd. and Shanghai Pharmaceutical (Group) carried out a substantial asset reorganisation of their pharmaceutical businesses, pursuant to which Shanghai Pharmaceutical Co., Ltd. (the predecessor of the Company) merged with Shanghai Industrial Pharmaceutical Investment Co., Ltd. and Shanghai Zhongxi Pharmaceutical Co., Ltd. by way of share swap, acquired pharmaceutical assets by issuing shares to Shanghai Pharmaceutical (Group), issued shares to Shanghai Shangshi (Group) Co., Ltd. to raise capital and used the proceeds therefrom to acquire pharmaceutical assets from Shanghai Industrial Holdings Limited. The substantial asset reorganisation was completed in early 2010, whereby Shanghai Pharmaceutical (Group) became a controlling shareholder of the Company. Therefore, Shanghai Pharmaceutical (Group) constitutes a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules.

As at the date of this announcement, the issued share capital of the Company's H shares comprises 765,893,920 H shares. The current shareholding structure of the Company is illustrated as below:



Note: SIIC and Shanghai Shangshi directly or through their subsidiaries hold equity interests in the Company respectively

In the chart above:

“Shanghai SASAC”	represents the Shanghai Municipal State-owned Assets Supervision and Administration Commission;
“Shanghai Shengrui”	represents Shanghai Shengrui Investment Co., Ltd.;
“Shenergy Group”	represents Shenergy (Group) Co., Ltd.;
“SIIC”	represents Shanghai Industrial Investment (Holdings) Co., Ltd.;
“Shanghai Shangshi”	represents Shanghai Shangshi (Group) Co., Ltd.;
“Shanghai Pharmaceutical (Group)”	represents Shanghai Pharmaceutical (Group) Co., Ltd.

Information on Shanghai Pharmaceutical (Group)

Location: No. 92 Zhangjiang Road, Shanghai

Correspondence address: No. 200 Taicang Road, Shanghai

Registered capital: RMB3.159 billion

Business scope: Research of pharmaceutical products, medical devices and related products; manufacture, sales, installation and maintenance of pharmaceutical equipment; investment in industries; government-approved import and export businesses.

Information on 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.

AMOUNT OF CONTINUING CONNECTED TRANSACTIONS

Connected transactions with Shanghai Pharmaceutical (Group) and its subsidiaries

Among the continuing connected transactions between the Group and Shanghai Pharmaceutical (Group) and its subsidiaries from January 2015 to December 2015, the estimated amount of continuing connected transactions in relation to the leasing of properties and production equipment shall not exceed RMB100 million, and the relevant percentage ratios other than profits ratio are expected to be more than 0.1% but less than 5%.

Save as disclosed above, each of the relevant percentage ratios other than profits ratio of all other continuing connected transactions between the Group and Shanghai Pharmaceutical (Group) and its subsidiaries in 2015 is expected to be less than 0.1%.

PRICING BASIS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions in relation to the leasing of properties and production equipment between the Group and Shanghai Pharmaceutical (Group) and its subsidiaries in 2015 are exempt from the independent shareholders' approval requirement but are subject to the relevant reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

The Group has entered into the following lease agreements on properties and production equipment with Shanghai Pharmaceutical (Group) and its subsidiaries in the ordinary course of business:

1. the lease agreement on the Company's headquarters building (level 5 to level 8, half of level 11 and level 15) leased by the Company from Shanghai Pharmaceutical (Group) and Shanghai Indu-Land Real Estate Management Co., Ltd., a subsidiary of Shanghai Pharmaceutical (Group), for a term of 1 year and 11 months from 1 February 2015 to 31 December 2016, with annual rental of RMB547,474 and the relevant annual property management fee paid to Shanghai Indu-Land Real Estate Management Co., Ltd. of RMB1,433,386;
2. the lease agreement on the Company's headquarters building (half of level 19) leased by the Company from Shanghai Pharmaceutical (Group) from 16 March 2015 to 31 December 2016, with annual rental of RMB48,309 and the relevant annual property management fee of RMB10,540;

3. the property management service agreement between the Company and Shanghai Indu-Land Real Estate Management Co., Ltd., pursuant to which Shanghai Indu-Land Real Estate Management Co., Ltd. provides property management service to the Company in respect of the property on Halei Road from 1 January 2015 to 31 December 2015, with annual property management fee of RMB1,043,184;
4. the lease agreement on 15 properties leased by the Company and its various subsidiaries from Shanghai Pharmaceutical (Group) for a term of 20 years from 10 February 2011 or up to the date on which such properties are expropriated by the government (whichever is earlier), with annual rental totalling approximately RMB10,150,000;
5. the lease agreement, as amended, on 5 properties leased by the Company's subsidiary Shanghai Medical Instruments Co., Ltd. ("**Shanghai Medical Instruments**") from Shanghai Pharmaceutical (Group) from 7 September 2001 to 31 December 2017, with annual rental totalling approximately RMB2,812,900;
6. the lease agreements on 5 properties leased by the Company's subsidiary Shanghai Zhonghua Pharmaceutical Co., Ltd. from Shanghai Pharmaceutical (Group) for a term of 5 years from 1 January 2011 to 31 December 2015, with annual rental totalling approximately RMB2,287,152 and the relevant annual property management fee paid to Shanghai Indu-Land Real Estate Management Co., Ltd. of approximately RMB120,376;
7. the lease agreement on properties and production equipment leased by the Company's subsidiary, Shanghai New Asiatic Pharmaceutical Co., Ltd., from Shanghai Asia Pioneer Pharmaceutical Co., Ltd., a subsidiary of Shanghai Pharmaceutical (Group), for a term from 1 January 2015 to 31 December 2015, with annual rental for land and properties totalling approximately RMB10,864,505.26 and annual rental for production equipment totaling approximately RMB 5,482,848.53; and
8. the least agreement on properties leased by the Company's subsidiary, Shanghai Fahrenheit PharmacyDistribution Co., Ltd, from Shanghai Pharmaceutical (Group), from 1 January 2014 to 31 December 2016, with annual rental totaling RMB4,019,672.

In addition to the above lease agreements that have been entered into, the Group intends to enter into certain further agreements on the leasing of properties and production equipment with Shanghai Pharmaceutical (Group) and its subsidiaries in the near term to the end of 2015. According to the lease agreements entered or to be entered into between the Group and Shanghai Pharmaceutical (Group) and its subsidiaries, the estimated annual transaction amount for 2015 in relation to the leasing of properties and production equipment by the Group from Shanghai Pharmaceutical (Group) and its subsidiaries shall not exceed RMB100 million.

The agreements on continuing connected transactions entered or to be entered into between the Group and Shanghai Pharmaceutical (Group) and its subsidiaries strictly follow the fair market principles. Among such agreements, each lease agreement on properties and production equipment stipulates a fixed annual rental and property management fee, pursuant to which properties and production equipment are leased at fair and reasonable market prices. In addition, the Board and the senior management of the Company will

ensure that the connected transactions between the Group and other connected persons will also follow fair and reasonable pricing and transaction principles.

REASONS FOR CONDUCTING THE CONTINUING CONNECTED TRANSACTIONS AND THEIR IMPACT ON THE COMPANY

The Group is leasing properties and production equipment from Shanghai Pharmaceutical (Group) as the premises and equipment for its daily operation. Therefore, the above continuing connected transactions are necessary and of continuing nature and will not affect the Company's independence.

The Board of the Company, including the independent non-executive directors, is of the view that the above continuing connected transactions comply with the normal commercial principles of mutual benefit and equal value, and the considerations are based on market price and are fair and reasonable. The above continuing connected transactions do not harm the interests of the Company or its shareholders, especially those of the minority shareholders, and are in the interests of the Company and its shareholders as a whole.

DIRECTORS' INTEREST IN THE CONTINUING CONNECTED TRANSACTIONS

Pursuant to the relevant laws and regulations, listing rules and the requirements of Articles of Association of the Company, when the Board passed the resolution in relation to the continuing connected transactions of the Company in 2015, Mr. Lou Dingbo, Mr. Cho Man, Mr. Hu Fengxiang and Mr. Zhou Jie as connected directors abstained from voting.

COMPLIANCE WITH THE HONG KONG LISTING RULES

Among the continuing connected transactions between the Group and Shanghai Pharmaceutical (Group) and its subsidiaries in 2015, the relevant percentage ratios other than profits ratio of the continuing connected transactions in relation to the leasing of properties and production equipment are expected to be more than 0.1% but less than 5%. Therefore, such continuing connected transactions in relation to the leasing of properties and production equipment are exempt from the independent shareholders' approval requirement but are subject to the relevant reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules. This announcement is made in accordance with the requirements of Chapter 14A of the Hong Kong Listing Rules.

Save as disclosed in this announcement, all other continuing connected transactions between the Group and Shanghai Pharmaceutical (Group) and its subsidiaries in 2015 are exempt from the relevant reporting, annual review, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

By order of the Board
Shanghai Pharmaceuticals Holding Co., Ltd.
Lou Dingbo
Chairman

Shanghai, the PRC, 27 March 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 purpose only*