

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)

**CONTINUING CONNECTED TRANSACTIONS
ENTERING INTO PROPERTY LEASING FRAMEWORK AGREEMENT**

PROPERTY LEASING FRAMEWORK AGREEMENT

On 30 October 2017, the Company (as the lessee) and Shanghai Pharmaceuticals (Group) (as the lessor) entered into the Property Leasing Framework Agreement for a term of three years commencing from 1 January 2018 and ending on 31 December 2020.

IMPLICATIONS UNDER THE LISTING RULES

As Shanghai Pharmaceutical (Group) is one of the controlling shareholders of the Company, it is a connected person of the Company under Rule 14A.07 of the Listing Rules. As such, according to Chapter 14A of the Listing Rules, the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company.

As the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the highest proposed annual caps under the Property Leasing Framework Agreement is more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board announces that, on 30 October 2017, the Company and Shanghai Pharmaceuticals (Group) negotiated and entered into the Property Leasing Framework Agreement, pursuant to which Shanghai Pharmaceuticals (Group) will provide property leasing services to the Company .

PRINCIPLE TERMS OF THE PROPERTY LEASING FRAMEWORK AGREEMENT

Date 30 October 2017

Parties (a) Shanghai Pharmaceuticals (Group) (as lessor)

(Group); (ii) the estimated increase in rent in the coming three years as compared with the rent of previous years with reference to the increase of rent in similar areas of Shanghai in recent years; and (iii) the Company's demand in entering into new property leases due to the development of business.

REASONS FOR AND BENEFITS OF THE PROPERTY LEASING FRAMEWORK AGREEMENT

The Company is of the view that, entering into the above Property Leasing Framework Agreement is able to ensure the stability of the Company's leased properties and to satisfy future demand of the Company's business from time to time, which is in the interests of the Company as a whole; Shanghai Pharmaceuticals (Group) is familiar with the business demand of the Company, which is in favor of the Company in reducing its administrative cost.

The properties leased or to be leased from Shanghai Pharmaceutical (Group) by the Company are used as the premises for its daily operations. Therefore, the above continuing connected transactions are necessary and of continuing nature and will not affect the Company's independence.

The Board (including the independent non-executive Directors) is of the view that the continuing connected transactions under the Property Leasing Framework Agreement are in line with the normal commercial principles of mutual benefit and equal value and are entered into in the ordinary and usual course of business of the Company as well as on normal commercial terms; the considerations of such continuing connected transactions are based on market price and are fair and reasonable; such 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.

Pursuant to the relevant laws and regulations, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the requirements of the articles of association of the Company, when the Board passed the resolution in respect of the Property Leasing Framework Agreement, Mr. ZHOU Jun, as the connected director, abstained from voting.

INTERNAL CONTROL MEASURES

In order to effectively implement the Property Leasing Framework Agreement, the Company will adopt the following internal control measures:

(a) the financial department and other relevant departments of the Company will inspect continuously and collect and evaluate regularly the pricing principles, transaction terms and actual transaction amounts under the Property Leasing Framework Agreement to ensure that the transactions thereunder are conducted on normal commercial terms or on terms no less favorable than those available from independent third parties and that the transaction amounts will not exceed the proposed annual caps before the relevant approval procedures; and

(b) the Company's auditor and the independent non-executive Directors will conduct annual review on the pricing principles, transaction terms and the proposed annual caps under the Property Leasing Framework Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As Shanghai Pharmaceutical (Group) is one of the controlling shareholders of the Company, it is a connected person of the Company under Rule 14A.07 of the Listing Rules. As such, according to Chapter 14A of the Listing Rules, the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company.

As the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the highest proposed annual caps under the Property Leasing Framework Agreement is more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

Shanghai Pharmaceuticals (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 about the Company

Headquartered in Shanghai, the Company is the only national integrated pharmaceutical company in the PRC that has leading positions in both pharmaceutical production and distribution markets. The Company's business mainly covers three segments, namely, pharmaceutical industry, pharmaceutical distribution and pharmaceutical retail. The A shares and H shares of the Company are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively.

DEFINITIONS

Unless the context otherwise requires, the following expressions in this announcement shall have the following meanings:

“Board”	the board of directors of the Company;
“Company”	Shanghai Pharmaceuticals Holding Co., Ltd.* (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability (listed on the Shanghai Stock Exchange with stock code 601607 and on the Main Board of the Hong Kong Stock Exchange with stock code 02607, and if the context requires, including its subsidiaries from time to time;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company;
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“Property Leasing Framework Agreement” or “Agreement”	the property leasing framework agreement entered into between the Company and Shanghai Pharmaceutical (Group) dated [●] October 2017, in relation to the leasing of certain properties from Shanghai Pharmaceutical (Group) to members of the Company;
“individual agreement(s)”	individual property leasing agreement(s) entered into between the Company and Shanghai Pharmaceutical (Group) in according with the principles set out in the Property Leasing Framework Agreement
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“Shanghai Pharmaceutical (Group)”	Shanghai Pharmaceutical (Group) Co., Ltd.* (上海醫藥(集團)有限公司), a controlling shareholder of the Company, and if the context requires, including its subsidiaries (except the Company) from time to time ;
“%”	per cent.

By order of the Board
Shanghai Pharmaceuticals Holding Co., Ltd.
ZHOU Jun
Chairman

Shanghai, the PRC, 31 October 2017

As of the date of this announcement, the executive directors of the Company are Mr. Cho Man, Mr. LI Yongzhong and Mr. SHEN Bo; the non-executive directors are Mr. ZHOU Jun and Ms. LI An; and the independent non-executive directors are Mr. WAN Kam To, Mr. TSE Cho Che, Edward, Mr. CAI Jiangnan and Mr. HONG Liang.

** For identification purpose only*