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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)**

#### **INSIDE INFORMATION**

#### **ENTERING INTO THE LAND ACQUISITION AND RESERVE AGREEMENT**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

#### **INTRODUCTION**

The Board is pleased to announce that, on 15 May 2020, Chiatai Qingchunbao (as the vendor), a non-wholly-owned subsidiary of the Company, and West Stream Valley Construction Headquarter (as the purchaser) entered into the Land Acquisition and Reserve Agreement, pursuant to which, West Stream Valley Construction Headquarter has agreed to pay RMB2,009,109,668 to Chiatai Qingchunbao for compensating, among other things, losses of the land and premises of Chiatai Qingchunbao as a result of the acquisition and reserve of the Target Properties.

#### **Land Acquisition and Reserve Agreement**

**Date:** 15 May 2020

**Parties:** Chiatai Qingchunbao (as the vendor)

West Stream Valley Construction Headquarter (as the purchaser)

The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, West Stream Valley Construction Headquarter and its ultimate beneficial owners are independent third parties of the Company and its connected persons.

**Subject Matter:** The Target Properties includes (i) the land located at No. 551, West Stream Road, Hangzhou, Zhejiang Province, the PRC, with an area of 112,008 square meters, i.e. the total area of 113,353 square meters of the land deducting the expropriated land of 1,345 square meters; and (ii) the premises, constructions in progress and other constructions located at No. 551, West Stream Road, Hangzhou, Zhejiang Province, the PRC, with a total area of 112,845.98 square meters.

**Compensation of Acquisition and Reserve:** Pursuant to the Land Acquisition and Reserve Agreement, West Stream Valley Construction Headquarter has agreed to pay the Compensation of Acquisition and Reserve of RMB2,009,109,668 to Chiatai Qingchunbao, which covers the compensation for land, premises and decoration, and attachments; compensation for relocation and scrap of machinery and equipment; compensation for losses of production and business suspension (including personnel resettlement fee); relocation fee; temporary resettlement fee; incentive fee of temporary resettlement; signing incentive fee; and relocation incentive fee.

The Compensation of Acquisition and Reserve was determined after arm's length negotiations between Chiatai Qingchunbao and West Stream Valley Construction Headquarter with reference to, among other things, applicable laws, regulations and procedures, and the valuation report in respect of the Target Properties issued by an independent third-party valuer.

**Payment Arrangements of the Compensation of Acquisition and Reserve:** West Stream Valley Construction Headquarter shall pay Chiatai Qingchunbao the Compensation of Acquisition and Reserve in the following manners:

- 1) in August 2019, West Stream Valley Construction Headquarter shall prepay the compensation of RMB400,000,000 to Chiatai Qingchunbao;
- 2) in 2019, West Stream Valley Construction Headquarter shall pay RMB470,000,000 to Chiatai Qingchunbao as the relocation preparation fee. Chiatai Qingchunbao shall complete the preliminary work of the acquisition and the project and design of the land for the new production base and headquarters;
- 3) on the premise that Chiatai Qingchunbao fulfills the obligation under item (2), West Stream Valley Construction Headquarter shall pay 45% of the Compensation of Acquisition and Reserve to Chiatai Qingchunbao by 20 May 2020, i.e. RMB904,099,351. The actual amount of payment shall be RMB504,099,351 after deducting the compensation of RMB400,000,000 prepaid to

Chiatai Qingchunbao in August 2019. Chiatai Qingchunbao shall complete the fundamental construction of the new plant base, and the purchase of equipment and facilities for the new base as scheduled;

4) on the premise that Chiatai Qingchunbao fulfills the obligation under item (3) and within 2 months after the signing of the Land Acquisition and Reserve Agreement, West Stream Valley Construction Headquarter shall pay 10% of the Compensation of Acquisition and Reserve to Chiatai Qingchunbao, i.e. RMB200,910,967. Chiatai Qingchunbao shall deliver all the original copies of house ownership certificates associated with the Target Properties to West Stream Valley Construction Headquarter within 10 business days after receiving such portion of compensation, i.e. RMB200,910,967;

5) on the premise that Chiatai Qingchunbao fulfills its obligation under item (4), West Stream Valley Construction Headquarter shall pay 10% of the Compensation of Acquisition and Reserve to Chiatai Qingchunbao by 10 October 2020, i.e. RMB200,910,967. Chiatai Qingchunbao shall conduct the main body construction of industrial plants and management houses in the new base as soon as possible;

6) on the premise that Chiatai Qingchunbao fulfills its obligation under item (5), West Stream Valley Construction Headquarter shall pay 5% of the Compensation of Acquisition and Reserve to Chiatai Qingchunbao by 31 March 2021, i.e. RMB100,455,483; Chiatai Qingchunbao shall complete the construction of the industrial plants and the management houses in the new base, start the installation and commissioning of equipment and facilities as soon as possible, and actively initiate the drug administration verification and filing number transfer of the new base. Chiatai Qingchunbao shall deliver all the original copies of the land's certificates of right of use associated with the Target Properties to West Stream Valley Construction Headquarter within 10 business days after receiving such compensation (i.e. RMB100,455,483); and

7) after Chiatai Qingchunbao completes the dismissal and reallocation of its employees, on the premise of fulfilling the obligations under items (3) to (6) and after the certificates of water, electricity, gas, land and houses in the Target Properties are cancelled and the property rights thereunder become clear, West Stream Valley Construction Headquarter shall pay the remaining Compensation of Acquisition and Reserve to Chiatai Qingchunbao

within 10 business days, i.e. RMB 132,732,900.

West Stream Valley Construction Headquarter has paid and Chiatai Qingchunbao has received RMB870,000,000 as at the date of this announcement.

Based on the arrangements under the Land Acquisition and Reserve Agreement, Chiatai Qingchunbao has confirmed that it will deliver the Target Properties by 31 August 2022 to West Stream Valley Construction Headquarter and assist West Stream Valley Construction Headquarter in completing the verification and acceptance of the Target Properties.

### **FINANCIAL IMPACT OF ENTERING INTO THE LAND ACQUISITION AND RESERVE AGREEMENT AND USE OF THE COMPENSATION OF ACQUISITION AND RESERVE**

Entering into the Land Acquisition and Reserve Agreement will not affect the daily operation of the Group.

Based on the preliminary assessment of the Compensation of Acquisition and Reserve and the management accounts of Chiatai Qingchunbao, the Group expects to record a one-off gain of approximately RMB1.537 billion (before taxation) in the year of the delivery of the Target Properties as a result of the transaction contemplated under the Land Acquisition and Reserve Agreement. The actual gain to be recorded by the Group as a result of the transaction contemplated under the Land Acquisition and Reserve Agreement is subject to the final audit to be performed by the Company's auditors.

The proceeds from such land acquisition and reserve will be used to the relocation and construction of the new base and the business development of Chiatai Qingchunbao.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE LAND ACQUISITION AND RESERVE AGREEMENT**

Entering into the Land Acquisition and Purchase Agreement will enable the Group to seize the opportunities arising from urban development and renovation and enable Chiatai Qingchunbao to realize the commercial value and improve the asset efficiency of the Target Properties and improve the shareholder's return of the Company.

### **GENERAL INFORMATION**

#### **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.

#### **Chiatai Qingchunbao**

Chiatai Qingnianbao is a company incorporated under the laws of PRC with limited liability. As at the date of this announcement, Chiatai Qingchunbao is a non-wholly-owned subsidiary of the Company, with 75% of interest held by the Company. Chiatai Qingchunbao is principally engaged in the production and sales of medicine.

### **West Stream Valley Construction Headquarter**

The West Stream Valley Construction Headquarter is a public institution affiliated to the people's government of Xihu District, Hangzhou City, Zhejiang Province, which is responsible for coordinating the implementation of the project and planning of West Stream Valley, striving for capital balance policies, arrangement and application of the special development plans, implementation and promotion of the land acquisition and demolishing, functional positioning of the industry orientation, introduction of investment, arrangement of the timing of the land transfer, management service of the special development plans, and coordination of work from top to bottom.

The transaction contemplated under the Land Acquisition and Reserve Agreement does not constitute a notifiable transaction of the Company under Chapter 14 or a connected transaction under Chapter 14A of the Listing Rules.

### **DEFINITIONS**

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

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| <b>“Board”</b>                                       | the board of Directors  |
| <b>“Chiatai Qingchunbao”</b>                         | Chiatai Qingnianbao Pharmaceutical Co., Ltd. (正大青春寶藥業有限公司) is a non-wholly-owned subsidiary of the Company incorporated under the laws of PRC with limited liability, and as at the date of this announcement, its 75% of interest was held by the Company  |
| <b>“Company”</b>                                     | 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 (A shares of which are listed on the Shanghai Stock Exchange with stock code 601607; and H shares of which are listed on the Main Board of the Hong Kong Stock Exchange with stock code 02607) |
| <b>“Compensation of the Acquisition and Reserve”</b> | The total compensation payable to Chiatai Qingchunbao by West Stream Valley Construction Headquarter pursuant to the Land Acquisition and Reserve Agreement, i.e. RMB2,009,109,668  |
| <b>“Directors”</b>                                   | directors of the Company  |
| <b>“Group”</b>                                       | the Company and its subsidiaries  |

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| <b>“Hong Kong”</b>                                   | the Hong Kong Special Administrative Region of the People’s Republic of China   |
| <b>“Hong Kong Stock Exchange”</b>                    | The Stock Exchange of Hong Kong Limited   |
| <b>“Listing Rules”</b>                               | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited  |
| <b>“Land Acquisition and Reserve Agreement”</b>      | the state-owned land acquisition, reserve and relocation compensation agreement entered into between Chiatai Qingchunbao and West Stream Valley Construction Headquarter on 15 May 2020 in respect of the acquisition and reserve of the Target Properties  |
| <b>“PRC”</b>   | the People’s Republic of China, excluding, for the purposes of this announcement only, Hong Kong, Macau Special Administrative Region and Taiwan  |
| <b>“RMB”</b>   | Renminbi, the lawful currency of the PRC  |
| <b>“Target Properties”</b>                           | (i) the land located at No. 551, West Stream Road, Hangzhou, Zhejiang Province, the PRC, with an area of 112,008 square meters, i.e. the total area of 113,353 square meters of the land deducting the expropriated land of 1,345 square meters; and (ii) the premises, constructions in progress and other constructions located at No. 551, West Stream Road, Hangzhou, Zhejiang Province, the PRC, with a total area of 112,845.98 square meters |
| <b>“West Stream Valley Construction Headquarter”</b> | Hangzhou West Stream Valley Construction Headquarter is a public institution affiliated to the people’s government of Xihu District, Hangzhou   |

*In this announcement, the terms “connected person(s)” and “subsidiary” shall have the meanings ascribed to them under the Listing Rules.*

By order of the Board  
**Shanghai Pharmaceuticals Holding Co., Ltd. \***  
**ZHOU JUN**  
*Chairman*

Shanghai, the PRC, 16 May 2020

*As at 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, Mr. GE Dawei and Ms. LI An; and the independent non-executive directors are Mr. CAI Jiangnan, Mr. HONG Liang, Mr. GU Zhaoyang and Mr. Manson FOK.*

*\* For identification purpose only*