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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)

SUPPLEMENT ANNOUNCEMENT TO THE 2019 SHARE OPTION INCENTIVE SCHEME OF THE COMPANY

We refer to the 2019 annual report disclosed on 21 April 2020 (the “**Annual Report**”) of Shanghai Pharmaceuticals Holding Co., Ltd. (the “**Company**”), in relation to, among others, the initial grant of 25.68 million share options (the “**Initial Granted Options**”) to 211 participants (the “**Initial Participants**”) on 19 December 2019 and the reserved 2.7409 million share options (the “**Reserved Options**”) under the Company’s 2019 share option incentive scheme (the “**Option Incentive Scheme**”), which was approved by the shareholders of the Company and adopted on 18 December 2019. Due to the resignation of employee and after being approved at the meeting of the board of directors of the Company on 10 February 2020, the number of the Initial Participants was decreased from 211 to 210 and the number of Initial Granted Options was adjusted from 25.68 million to 25.60 million accordingly with no adjustments to the Reserved Options.

Further to the information in relation to the Option Incentive Scheme which has already been disclosed in the Annual Report, the Company would like to provide additional information related to the Option Incentive Scheme according to the Rules 17.07 and 17.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As stated in the Annual Report, there were 211 participants under the Option Incentive Scheme, comprising the senior management, mid-level management and key technical and business staff of the Company, among which, three of them were directors of the Company (the “**Category One Grantees**”) and the rest 208 participants were employees working under employment contracts with the Company that are regarded as “continuous contracts” for the purposes of the Employment Ordinance (Chapter 57 of Hong Kong laws) (the “**Category Two Grantees**”).

Considering (a) the 25,600,000 share options granted will be vested in three batches according to the Option Incentive Scheme, and (b) based on the Black-Scholes model (B-S model), the fair values per share as at 19 December 2019 (the grant date) of the first, second and third batch of vested share options are RMB3.21 per A Share, RMB3.53 per A Share, and RMB5.04 per A Share, respectively, (the “**Valuation of Options**”), therefore, the value of the first, second and third batches of the vested options granted to the Category One Grantees and the Category Two Grantees during the year ended 31 December 2019 are set out below.

| Category | Number of first batch share options | Value of first batch share options (RMB) | Number of second batch share options | Value of second batch share options (RMB) | Number of third batch share options | Value of third batch share options (RMB) |
|------------------------------|--|---|---|--|--|---|
| Category One Grantees | 415,800 | 1,334,718.00 | 415,800 | 1,467,774.00 | 428,400 | 2,159,136.00 |
| Category Two Grantees | 8,032,200 | 25,783,362.00 | 8,032,200 | 28,353,666.00 | 8,275,600 | 41,709,024.00 |
| TOTAL | 8,448,000 | 27,118,080.00 | 8,448,000 | 29,821,440.00 | 8,704,000 | 43,868,160.00 |

As the Valuation of Options are subject to a number of assumptions and with regard to the limitation of the B-S model, the Company would like to remind all the shareholders and potential investors of the Company that the estimation of such value is subjective and uncertain.

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

Shanghai, the PRC, 22 August 2020

As at the date of this announcement, the executive Directors 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*