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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)

**CONNECTED TRANSACTION
ENTERING INTO THE PARTNERSHIP AGREEMENT
IN RESPECT OF THE ESTABLISHMENT OF THE INVESTMENT FUND**

PARTNERSHIP AGREEMENT

The Board is pleased to announce that, on 29 October 2020, the Company entered into the Partnership Agreement in respect of the establishment of the Investment Fund with a fund size expected to be RMB9 billion, and of RMB7 billion when the first phase of subscription closes, pursuant to which, the Company (as a limited partner), Shanghai Shangshi (as a limited partner), Guotai Junan Fund (as a limited partner), Lingang Investment (as a limited partner), International Group (as a limited partner), Changning Investment (as a limited partner), Shanghai Shangtou (as a limited partner) and Shanghai Biomedical Industrial Fund (as the general partner) have agreed to subscribe for RMB1.5 billion, RMB2.0 billion, RMB1.4 billion, RMB1 billion, RMB0.5 billion, RMB0.5 billion, RMB50 million and RMB50 million of the capital commitment of the Investment Fund, respectively.

IMPLICATIONS UNDER THE LISTING RULES

As Shanghai Shangshi is a controlling shareholder 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 proposed establishment of the Investment Fund will constitute a connected transaction of the Company.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the transaction contemplated under the Partnership Agreement is more than 0.1% but less than 5%, such transaction is subject to the reporting, annual review and announcement requirements but exempt from circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PRINCIPAL TERMS OF THE PARTNERSHIP AGREEMENT

Name: Shanghai Biomedical Industrial Equity Investment Fund Partnership
(Limited Partnership) (上海生物醫藥產業股權投資基金合夥企業(有限

合夥)) (tentative)

Size of Capital Commitment: RMB7 billion when the first phase of subscription closes and an expected total fund size of RMB9 billion

General Partner: Shanghai Biomedical Industrial Fund

Fund Manager: Shangshi Capital

Limited Partners: (1) the Company, (2) Shanghai Shangshi, (3) Guotai Junan Fund, (4) Lingang Investment, (5) International Group, (6) Changning Investment and (7) Shanghai Shangtou

To the best of the Directors' knowledge, information and belief and after making all reasonable enquiries, as of the date of this announcement, save for Shanghai Shangshi and Shanghai Shangtou, all other limited partners of the Investment Fund, namely Guotai Junan Fund, Lingang Investment, International Group and Changning Investment are Independent Third Parties of the Company and its connected persons.

Term: eight years, including an investment period of four years and an exit period of four years, which can be extended by one year, respectively, upon the approval of all partners of the Investment Fund

Investment Objectives: emerging industries in the fields of healthcare, such as biomedicine, innovative chemical drugs, medical devices, research and development outsourcing and projects with industrial synergy effects with the limited partners

PROPOSED CAPITAL COMMITMENT

Details of the proposed capital commitment by each partner of the Investment Fund as at the close of the first phase of subscription are set out below:

No.	Name of Partner	Type of Partner	Capital Commitment (RMB billion)	Percentage* (%)
1.	Shanghai Shangshi	Limited partner	2.0	28.57
2.	Company	Limited partner	1.5	21.43
3.	Guotai Junan Fund	Limited partner	1.4	20.00
4.	Lingang Investment	Limited partner	1.0	14.29
5.	International Group	Limited partner	0.5	7.14
6.	Changning Investment	Limited partner	0.5	7.14
7.	Shanghai Shangtou	Limited partner	0.05	0.71
8.	Shanghai Biomedical Industrial Fund	General partner	0.05	0.71
		Total:	7	100.00

**Note: Numbers may not add up to 100 per cent due to rounding issue.*

The proposed capital commitment set out above was determined after arm's length negotiation among all parties to the Partnership Agreement with reference to their respective interests as well as the investment

objectives of the Investment Fund.

OTHER MATERIAL ARRANGEMENTS WITH RESPECT TO THE INVESTMENT FUND

A. Management and Decision-making

(1) The Investment Decision-making Committee

The Investment Fund will establish an investment decision-making committee (“**Investment Decision-making Committee**”), which is composed of four standing committee members and one external expert, responsible for considering and deciding on investment in and exiting from investment projects of the Investment Fund. In addition, the Investment Decision-making Committee could make decisions on some major operational issues according to the proposals of Shanghai Biomedical Industrial Fund, the general partner, such as liability for breach of the Partnership Agreement, change of name or registered address of the Investment Fund and litigation issues. When the Investment Decision-making Committee considers relevant matters, each member of the Investment Decision-making Committee shall have one vote, and the matters under consideration must be approved by four or more members of the Investment Decision-making Committee.

The rules of procedure of the Investment Decision-making Committee shall be formulated by Shanghai Biomedical Industrial Fund, the general partner.

(2) The Advisory Committee

The Investment Fund will establish an advisory committee (“**Advisory Committee**”), which is initially composed of seven members designated by each limited partner. The Advisory Committee is responsible for considering and reviewing the matters concerning conflict of interests, related or connected transactions, and specific project exceeding the investment amount limit and external loans. The meetings of the Advisory Committee, to be effective, shall be attended by half or more of the members of the Advisory Committee with voting power, and all resolutions of the Advisory Committee shall be approved by half or more members of the Advisory Committee with voting power.

B. Management Fees and Partnership Execution Fees

The Investment Fund shall pay Shangshi Capital, the fund manager, a management fee equivalent to 1% per annum of the paid capital commitment of all limited partners and shall also pay Shanghai Biomedical Industrial Fund, the general partner, an execution fee equivalent to 1% per annum of the paid capital commitment of all limited partners.

C. Profit Allocation

The distributable cash dividends of the Investment Fund derived from investment projects shall be preliminarily allocated among the partners on a *pro-rata* basis according to their respective contributions to such projects, and other distributable cash dividends of the Investment Fund shall be preliminarily allocated among the partners on a *pro-rata* basis according to their paid capital commitment in the Investment Fund.

The dividends preliminarily attributable to Shanghai Biomedical Industrial Fund, the general partner, shall be allocated to it directly. The dividends preliminarily attributable to each limited partner shall be allocated in the following manner and order:

(i) allocated to such limited partner until all of its cumulative paid capital commitment at the time of dividends allocation has been covered;

(ii) allocated to such limited partner until its allocated dividends reach the agreed threshold income (i.e., annualized simple interest of 8%);

(iii) allocated to Shanghai Biomedical Industrial Fund, the general partner, until its cumulative allocated dividends equal to 25% of the threshold income of such limited partner; and

(iv) if there is still surplus, allocated between Shanghai Biomedical Industrial Fund, the general partner, and such limited partner in proportion of 20:80.

LISTING RULES IMPLICATIONS

As Shanghai Shangshi is a controlling shareholder of the Company and Shanghai Shangtou is a wholly-owned subsidiary of Shanghai Shangshi, both of them are connected persons of the Company under Rule 14A.07 of the Listing Rules. As such, according to Chapter 14A of the Listing Rules, the proposed establishment of the Investment Fund contemplated under the Partnership Agreement constitutes a connected transaction of the Company.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the transaction contemplated under the Partnership Agreement is more than 0.1% but less than 5%, such transaction is subject to the reporting, annual review and announcement requirements but exempt from circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Based on the current situation, the Investment Fund is not a connected person of the Company under Chapter 14A of the Listing Rules after its establishment.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PARTNERSHIP AGREEMENT

By entering into the Partnership Agreement for the establishment of the Investment Fund, the Company would not only be able to obtain reasonable investment income, but also be able to carry out a variety of strategic cooperation and synergy with the Investment Fund and optimize the Company's strategic layout by participating in the incubation and cultivation of innovative companies in the medical industry chain. The establishment of the Investment Fund is also conducive to expand the Company's influence and brand effect on the private equity industry, and to attract more high-quality project resources.

The Board (including all independent non-executive Directors) considers that the terms of the transaction mentioned above is fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Pursuant to the requirements of relevant laws, regulations, the Listing Rules and the articles of association of the Company, due to the facts that (i) Mr. CHO Man was expected to be appointed as a director in Shanghai Biomedical Industrial Fund, the general partner of the Investment Fund, and (ii) Mr. ZHOU Jun and Mr. GE Dawei held interests or positions in Shanghai Shangshi, Mr. CHO Man, Mr. ZHOU Jun and Mr. GE Dawei abstained from voting when the Board reviewed the resolution in respect of the Partnership Agreement. Save for the above, to the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, no other Director had a material interest in the Partnership Agreement or shall abstain from voting on board resolutions approving the Partnership Agreement and the transaction contemplated thereunder.

GENERAL INFORMATION

Shanghai Shangshi

Shanghai Shangshi, a limited partner of the Investment Fund, is a limited liability company incorporated in the PRC and is primarily engaged in industrial investment, domestic trade (except for special regulations), and authorized operation and management of state-owned assets. The ultimate beneficial owner of Shanghai Shangshi is the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.

Guotai Junan Fund

Guotai Junan Fund, a limited partner of the Investment Fund, is a private equity investment fund established in the PRC and is primarily engaged in equity investment, venture capital investment, equity investment management, investment management and investment consultancy. The registered capital of Guotai Junan Fund is RMB8,008 million. The general partners of Guotai Junan Fund are Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司) and Guotai Junan Capital Management Co., Ltd. (國泰君安資本管理有限公司), holding approximately 19.98% and 14.99% interests in Guotai Junan Fund, respectively, both of which are Independent Third Parties of the Company as at the date of this announcement. The single largest limited partner of Guotai Junan Fund is International Group, holding approximately 18.73% interests in Guotai Junan Fund and in addition, Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司), a controlling shareholder of the Company, also holds approximately 6.24% limited partnership interest in Guotai Junan Fund.

Lingang Investment

Lingang Investment, a limited partner of the Investment Fund, is a limited liability company incorporated in the PRC and is primarily engaged in industrial investment, investment management, investment consultancy (except brokerage) and venture capital investment. The ultimate beneficial owner of Lingang Investment is China (Shanghai) Pilot Free Trade Zone Lingang New Area Management Committee Financial Settlement and State-owned Assets Affairs Center (中國(上海)自由貿易試驗區臨港新片區管理委員會財務結算和國有資產事務中心).

International Group

International Group, a limited partner of the Investment Fund, is a limited liability company incorporated in the PRC and is primarily engaged in financial-oriented investment, capital operation and asset management, financial research and social economic consulting. The ultimate beneficial owner of International Group is the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.

Changning Investment

Changning Investment, a limited partner of the Investment Fund, is a limited liability company incorporated in the PRC and is primarily engaged in state-owned assets operation and management, capital operation, industrial investment, etc. The ultimate beneficial owner of Changning Investment is the State-owned Assets Supervision and Administration Commission of Shanghai Changning District.

Shanghai Shangtou

Shanghai Shangtou, a limited partner of the Investment Fund, is a limited liability company incorporated in

the PRC and is primarily engaged in investment, investment management, industrial investment, etc.. As at the date of this announcement, Shanghai Shangtou is a wholly-owned subsidiary of Shanghai Shangshi. The ultimate beneficial owner of Shanghai Shangtou is the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.

Shanghai Biomedical Industrial Fund

Shanghai Biomedical Industrial Fund, the general partner of the Investment Fund, is a limited liability company incorporated in the PRC and is primarily engaged in equity investment management, investment management and investment consultancy. The single largest shareholder of Shanghai Biomedical Industrial Fund is Shanghai Lubuka Corporation Management and Advisory Partnership (Limited Partnership) (上海鷺布卡企業管理諮詢合夥企業(有限合夥)), an Independent Third Party of the Company, holding 25.2% equity interest in Shanghai Biomedical Industrial Fund; Shangshi Capital, the Company, Lingang Investment and Changning Investment holds 25.0%, 24.8%, 15.0% and 10.0% equity interest in Shanghai Biomedical Industrial Fund, respectively.

Shangshi Capital

Shangshi Capital, the fund manager of the Investment Fund, is a limited liability company incorporated in the PRC and is primarily engaged in equity investment management, assets management, investment management and investment consultancy. As at the date of this announcement, Shangshi Capital is a wholly-owned subsidiary of Shanghai Shangshi. The ultimate beneficial owner of Shangshi Capital is the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.

the Company

Headquartered in Shanghai, the Company is a national integrated pharmaceutical company in the PRC that has leading positions in both pharmaceutical production and distribution markets. The Company's business mainly covers two segments, namely, pharmaceutical industry and pharmaceutical business. The A shares and H shares of the Company are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively. The controlling shareholders of the Company are Shanghai Industrial Investment (Holdings) Co., Ltd. (上海實業(集團)有限公司), Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司) and Shanghai Shangshi.

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
“Changning Investment”	Shanghai Changning State-owned Assets Management Investment Co., Ltd. (上海長寧國有資產經營投資有限公司)
“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)
“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
“Guotai Junan Fund”	Shanghai Guotai Junan Creative Equity Investment Fund of Funds Center L.P. (上海國泰君安創新股權投資母基金中心 (有限合夥))
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Party(ies)”	to the best of the Directors’ knowledge and after making all reasonable enquiries, party(ies) that is/are not connected persons of the Company
“Investment Fund”	Shanghai Biomedical Industrial Equity Investment Fund Partnership (Limited Partnership) (上海生物醫藥產業股權投資基金合夥企業(有限合夥))
“International Group”	Shanghai International Group Co., Ltd. (上海國際集團有限公司)
“Lingang Investment”	Shanghai Lingang Guanwei Investment Development Co., Ltd. (上海臨港管偉投資發展有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Partnership Agreement”	the limited partnership agreement entered into among the Company, Shanghai Shangshi, Shanghai Biomedical Industrial Fund, Guotai Junan Fund, Lingang Investment, International Group, Changning Investment and Shanghai Shangtou on 29 October 2020, in respect of the establishment of the Investment Fund
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Biomedical Industrial Fund”	Shanghai Biomedical Industrial Equity Investment Fund Management Co., Ltd. (上海生物醫藥產業基金管理有限公司)
“Shanghai Shangshi”	Shanghai Shangshi (Group) Co., Ltd. (上海上實 (集團) 有限公司), a controlling shareholder of the Company
“Shanghai Shangtou”	Shanghai Shangtou Asset Operation Co., Ltd. (上海上投資產經營有限公司), a wholly-owned subsidiary of Shanghai Shangshi as at the date of this announcement
“Shangshi Capital”	Shanghai Shangshi Capital Management Co., Ltd. (上海上實資本管理有限

公司), a wholly-owned subsidiary of Shanghai Shangshi as at the date of this announcement

“%”

per cent

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

Shanghai, the PRC, 30 October 2020

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, 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*