

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)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTION – THE RENEWAL OF COMMERCIAL FACTORING SERVICES FRAMEWORK AGREEMENT

Commercial Factoring Services Framework Agreement

We refer to the announcements (the “**Announcements**”) of Shanghai Pharmaceuticals Holding Co., Ltd. (the “**Company**”, and together with the subsidiaries of the Company, the “**Group**”) dated 16 June 2017 and 24 March 2018 in relation to (i) its entering into a commercial factoring services framework agreement with Shangshi Commercial Factoring Co., Ltd. (“**Shangshi Factoring**”) for a term from the effective date of such agreement to the date on which the Company holds its annual general meeting for the year of 2017, and (ii) the renewal of such commercial factoring services framework agreement with Shangshi Factoring for a term from the date on which the Company holds its annual general meeting for the year of 2017 to 31 December 2020.

On 15 December 2020, the Company renewed the commercial factoring services framework agreement with Shangshi Factoring (the “**Commercial Factoring Services Framework Agreement**”). Pursuant to the Commercial Factoring Services Framework Agreement, Shangshi Factoring agrees to provide a series of commercial factoring services to the Group in accordance with the terms and conditions of the Commercial Factoring Services Framework Agreement. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as ascribed to them in the Announcements.

Implications under the Hong Kong Listing Rules

As at the date of this announcement, as the Company holds 27.5% of the equity interest in Shangshi Factoring, and the shareholding in Shangshi Factoring by the controlling shareholders of the Company through Shanghai Financial Leasing Co., Ltd. (“**Shangshi Leasing**”) is more than 10%, Shangshi Factoring is a commonly held entity as defined under Chapter 14A of the Hong Kong Listing Rules. As the commercial

factoring services to be provided by Shangshi Factoring in accordance with the terms and conditions of the Commercial Factoring Services Framework Agreement involve financial assistance, pursuant to Rule 14A.26 of the Hong Kong Listing Rules, the transactions contemplated under the Commercial Factoring Services Framework Agreement will constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio for the transactions contemplated under the Commercial Factoring Services Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Commercial Factoring Services Framework Agreement shall be subject to the announcement and reporting requirements, and exempted from the independent shareholders' approval requirement, under Chapter 14A of the Hong Kong Listing Rules.

Commercial Factoring Services Framework Agreement

The principal terms of the Commercial Factoring Services Framework Agreement are set out as below:

Date: 15 December 2020

Parties to the Commercial Factoring Services Framework Agreement: 1. The Company; and
2. Shangshi Factoring.

Term: From 1 January 2021 to 31 December 2022

Commercial Factoring Services: Shangshi Factoring agrees to provide a series of commercial factoring services to the Group in accordance with the terms and conditions of the Commercial Factoring Services Framework Agreement, including accounts receivable financing services and other commercial factoring services. Other commercial factoring services include sales sub-account management services, accounts receivable collection services and other permitted business of Shangshi Factoring.

For the specific terms (including types of services, interest rates, service fees, payment terms and schedule, rights and obligations of the parties, etc.) with respect to each specific commercial factoring business under the Commercial Factoring Services Framework Agreement, Shangshi Factoring and the Group will later enter into separate agreements on normal commercial terms and in accordance with the principles determined and terms provided under the Commercial Factoring Services Framework Agreement. The terms of the separate agreements will be no more than two years.

With respect to accounts receivable financing services, during the effective period of the Commercial Factoring Services Framework Agreement, the total amount of comprehensive credit to be obtained by the Group from Shangshi Factoring in respect of the accounts receivable financing services shall not exceed RMB800 million each year.

With respect to other commercial factoring services, during the effective period of the Commercial Factoring Services Framework Agreement, the transaction amount between the Group and Shangshi Factoring shall not exceed RMB100 million each year.

Historical Transaction For the two years ended 31 December 2018 and 31 December 2019 and

Amounts: nine months ended 30 September 2020, the historical amount in relation to the commercial factoring services between the Group and Shangshi Factoring was RMB20.0 million, RMB270.0 million and RMB82.6 million, respectively.

Annual Caps: With respect to accounts receivable financing services, during the effective period of the Commercial Factoring Services Framework Agreement, the annual cap for the transactions (representing the total amount of comprehensive credit to be obtained by the Group from Shangshi Factoring for the year) between the Group and Shangshi Factoring in 2021 and 2022 shall be RMB800 million and RMB800 million, respectively.

With respect to other commercial factoring services, during the effective period of the Commercial Factoring Services Framework Agreement, the annual cap for the transactions between the Group and Shangshi Factoring in 2021 and 2022 shall be RMB100 million and RMB100 million, respectively.

The above annual caps are determined considering (i) the historical amount in relation to the commercial factoring services between the Group and Shangshi Factoring 9; (ii) the expected sales volume of the Group estimated with reference to the expected business volume and estimated growth rate of various businesses in the following years; and (iii) the special asset-backed plan to be conducted by way of commercial factoring between the Company and Shangshi Factoring.

Pricing Principles: Shangshi Factoring undertakes that the comprehensive interest rate for the accounts receivable financing to be granted to the Group will be based on fair and reasonable market price and normal commercial terms; specifically, it shall not be higher than the interest rate offered by independent third parties to the Group for accounts receivable financing of the same type for the same period or the interest rate offered by Shangshi Factoring for accounts receivable financing of the same type to third parties of the same credit rating.

Shangshi Factoring undertakes that the fees to be charged to the Group for other commercial factoring services shall be based on fair and reasonable market price and normal commercial terms; specifically, it shall not be higher than the standard fees (if any) prescribed by relevant governmental authorities at the relevant time for services of the same type or the fees charged by Shangshi Factoring to third parties of the same credit rating for services of the same type.

The Company has adopted effective internal control policies to monitor the Group's continuing connected transactions. Prior to entering into the relevant agreement, the authorised department of the Group will review and evaluate the specific terms and conditions of the transaction and refer to the market conditions and the quotes and terms from independent third parties who provide substantially the same type of factoring services at the relevant time and in the ordinary course of business. The finance department of the Company conducts monthly tracking, monitoring and verification of the progress of the Company's transactions. The audit committee of the board of directors of the Company continues to conduct a rigorous review of continuing connected transactions to ensure the completeness and effectiveness of the internal control measures relating to continuing connected transactions.

Reasons for and Benefits of Entering into the Commercial Factoring Services Framework Agreement

The transactions contemplated under the Commercial Factoring Services Framework Agreement can help the Company to optimise its asset structure, accelerate the efficiency of asset turnover, save costs, improve the efficiency of capital utilisation, broaden its financing channels and reduce its financing costs. The transactions are in line with the Company's overall development strategy and in the interests of the Company and its shareholders as a whole.

In light of the above, the directors (including the independent non-executive directors) of the Company consider that the terms of the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder are negotiated on an arm's length basis and entered into on normal commercial terms during the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Implications under the Hong Kong Listing Rules

As at the date of this announcement, as the Company holds 27.5% of the equity interest in Shangshi Factoring, and the shareholding in Shangshi Factoring by the controlling shareholders of the Company through Shangshi Leasing is more than 10%, Shangshi Factoring is a commonly held entity as defined under Chapter 14A of the Hong Kong Listing Rules. As the commercial factoring services to be provided by Shangshi Factoring in accordance with the terms and conditions of the Commercial Factoring Services Framework Agreement involve financial assistance, pursuant to Rule 14A.26 of the Hong Kong Listing Rules, the transactions contemplated under the Commercial Factoring Services Framework Agreement will constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio for the transactions contemplated under the Commercial Factoring Services Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Commercial Factoring Services Framework Agreement shall be subject to the announcement and reporting requirements, and exempted from the independent shareholders' approval requirement, under Chapter 14A of the Hong Kong Listing Rules.

General Information

Information about 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 (Group) Co., Ltd. (上海上實（集團）有限公司).

Information about Shangshi Factoring

Company name:	Shangshi Financial Leasing Co., Ltd.
Nature of the company:	a limited liability company incorporated in the PRC
Registered capital:	RMB500 million
Date of incorporation	26 August 2016
Shareholders:	As at the date of this announcement, the Company, Shentong Metro and Shangshi Leasing will hold 27.5%, 27.5% and 45% of the equity interest in Shangshi Factoring, respectively. Shangshi Factoring is ultimately controlled by the Shanghai State-owned Assets Supervision and Administration Commission.
Business scope:	Commercial factoring business
Financial Information (audited):	As of 31 December 2019, the total assets and net assets of Shangshi Factoring were RMB1,480,306,904.63 and RMB533,169,365.21, respectively; the revenue and net profits of Shangshi Factoring for the year of 2019 were RMB72,380,283.59 and RMB30,321,551.83, respectively.

As Mr. SHEN Bo has conflict of interest in the Commercial Factoring Services Framework Agreement as well as the transactions contemplated thereunder, he has abstained from voting with respect to the relevant board resolutions when considering and approving such agreement and the transactions contemplated thereunder. Other than the above-mentioned director, no other directors of the Company have a material interest in the above-mentioned agreements or transactions.

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

Shanghai, the PRC, 16 December 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*