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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
DEEMED DISPOSAL OF SPHC**

CAPITAL INCREASE

The Board is pleased to announce that, on 12 January 2021, Previous Shareholders (including the Company and SPH Holding), Investors and SPHC entered into the Capital Increase Agreement, pursuant to which, Investors agreed to subscribe for the new registered capital of RMB688.5625 million of SPHC in a consideration of RMB1,032.84375 million in accordance with the terms and conditions set out in the Capital Increase Agreement. Upon the completion of the Capital Increase, the Company will directly and indirectly hold approximately 47.974% shareholding in total in SPHC. SPHC will cease to be a subsidiary of the Company, and its financial results will also cease to be included into the consolidated statements of the Company. Previous Shareholders and Investors also entered into the Shareholders' Agreement in respect of, among other things, corporate governance and relationship among the shareholders of SPHC on 12 January 2021. The Capital Increase was carried out by way of public listing at SUAEE.

IMPLICATIONS UNDER THE LISTING RULES

As Huadong Industry is a wholly-owned subsidiary of Shanghai Shangshi, a controlling shareholder of the Company, it constitutes 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 Capital Increase 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.

I. CAPITAL INCREASE AGREEMENT

Parties:

- (1) the Company (as one of the Previous Shareholders);
- (2) SPH Holding (as one of the Previous Shareholders);

- (3) Jingdong Century Trade Co., Ltd. (北京京東世紀貿易有限公司) (as one of the Previous Shareholders);
- (4) Zhuhai Aiqi Yongxing Management Consulting Enterprise (Limited Partnership) (珠海愛奇永興管理諮詢企業(有限合夥)) (as one of the Previous Shareholders);
- (5) Shenzhen Dongxing Jiaoying International Equity Investment Partnership (Limited Partnership) (深圳東興交盈國際股權投資合夥企業(有限合夥)) (as one of the Previous Shareholders);
- (6) Shanghai Shengtai Investment Management Co., Ltd. (上海盛太投資管理有限公司) (as one of the Previous Shareholders);
- (7) Hangzhou Jingxin Investment Partnership (Limited Partnership) (杭州鏡心投資合夥企業(有限合夥)) (as one of the Previous Shareholders);
- (8) Shanghai Hengyu Investment Management Consulting Centre (Limited Partnership) (上海珩予投資管理諮詢中心(有限合夥)) (as one of the Previous Shareholders);
- (9) Shanghai Healthcare Capital 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)) (as one of the Investors);
- (10) JIC Investment Co., Ltd. (建投投資有限責任公司) (as one of the Investors);
- (11) 3nod Health Management Co., Ltd. (三諾健康管理有限公司) (as one of the Investors);
- (12) Jiaxing Changying Equity Investment Partnership (Limited Partnership) (嘉興常盈股權投資合夥企業(有限合夥)) (as one of the Investors);
- (13) Shanghai Lianyun Enterprise Management Centre (Limited Partnership) (上海聯耘企業管理中心(有限合夥)) (as one of the Investors);
- (14) Gongqingcheng Chenxi No.7 Equity Investment Partnership (Limited Partnership) (共青城晨熹七號股權投資合夥企業(有限合夥)) (as one of the Investors);
- (15) Huadong Industry (as one of the Investors); and
- (16) SPHC.

To the best of the Directors' knowledge, information and belief and after making all reasonable enquiries, as of the date of entering into the Capital

Increase Agreement, save for SPH Holding and Huadong Industry, Previous Shareholders and Investors and their ultimate beneficial owners are Independent Third Parties of the Company and its connected persons.

Subject Matter:

Investors agreed to subscribe for the new registered capital of RMB688.5625 million in total of SPHC, among which, Huadong Industry agreed to subscribe for the new registered capital of RMB20 million of SPHC.

Upon the completion of the Capital Increase, the Company will directly and indirectly hold approximately 47.974% shareholding in total in SPHC and Huadong Industry will directly hold approximately 0.989% shareholding in SPHC.

Payment of Consideration:

RMB1,032,843,750 in total, among which, Huadong Industry shall pay the consideration of RMB30 million. Such consideration was determined by the Previous Shareholders and Investors by adopting comparable companies approach and comparable transactions approach to appraise the value of SPHC and through arm's length negotiation.

Investors have paid a total of RMB103,284,375 in deposits to SUAEE for the Capital Increase, among which, Huadong Industry has paid a deposit of RMB3 million to SUAEE.

In addition to the above-mentioned consideration offset by the deposits, Investors should pay the remaining consideration totaling RMB929,559,380 to SPHC on or before the fifth business day after receiving the Conditions Precedent Confirmation (the "**Payment Date**") to the designated bank account of SPHC, among which, the remaining consideration payable by Huadong Industrial is RMB27 million.

SUAEE will issue the Certificate of Capital Increase on the Payment Date and transfer the above deposits to the designated bank account of SPHC after receiving the application from SPHC.

Conditions Precedent:

The Capital increase shall become effective upon fulfilment of the following conditions:

(1) SPHC enters into the share purchase agreement with SPH Cardinal (Hong Kong) Limited (上藥康德樂股份(香港)有限公司) in respect of the acquisition of 75% equity interest in Guangzhou Kangwei Information Technology Co., Ltd. (廣州市康維信息技術有限公司);

(2) the Company and SPH Holding issues an undertaking to strengthen the market management of SPHC, resolve the competition issue, ensure the continuity of business and eliminate barriers to listing of SPHC;

(3) the general meeting of SPHC approves the Capital Increase; and

(4) the representatives and warranties made by SPHC in the Capital Increase Agreement and other transaction documents related to the Capital Increase as of the date of the Capital Increase Agreement and the

Payment Date are true, accurate and complete in all respects.

Closing:

The parties to the Capital Increase Agreement shall provide SPHC with the information for handling the enterprise change registration within ten business days from the date of issuance of the Certificate of Capital Increase. SPHC shall complete the submission of the enterprise change information within ten business days after collecting the enterprise change information of the parties to the Capital Increase Agreement, and complete the changes of registration contemplated under the Capital Increase within 40 business days after submitting the enterprise change information to the competent authorities and obtain the updated business license.

II. SHAREHOLDERS' AGREEMENT

In addition to the Capital Increase Agreement, Previous Shareholders and Investors also entered into the Shareholders' Agreement in respect of, among other things, corporate governance and relationship among the shareholders of SPHC.

Parties:

(1) Previous Shareholders; and

(2) Investors

Tag-along:

If the Company and/or SPH Holding intend to transfer all or part of shares of SPHC held by them to any third parties, Investors shall have the right but no obligation to exercise the tag-along rights to sell shares of SPHC held by them to such third parties at the same price, terms and conditions. If such third parties do not agree to purchase the shares of SPHC sold by the Investors exercising the tag-along rights, the Company and/or SPH Holding shall not sell equity interests of SPHC to such third parties.

Non-competition and listing arrangement:

The Company shall procure the listing of SPHC within three years commencing from the date of the closing of the Capital Increase on a best effort basis. The Company undertakes to resolve the competition issues between the Company and SPHC before the listing of SPHC, if any.

Other arrangements:

Previous Shareholders and Investors also agreed on other arrangements in relation to certain corporate actions of SPHC in the Shareholders' Agreement, such as restrictions on share transfer, amendment of the articles of association, increase or decrease of its registered capital, issuance of corporate bonds, merger, division, dissolving and liquidation of the company, change of the company's form, approval of employee incentive plan relating to shares of SPHC, etc.

III. LISTING RULES IMPLICATIONS

As Huadong Industry is a wholly-owned subsidiary of Shanghai Shangshi, a controlling shareholder of the Company, it constitutes 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 Capital Increase 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.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE

SPHC is an "Internet + Pharmaceutical Business Technology Platform" established by the Company under a market-oriented mixed ownership system. With "DTP professional pharmacy" and "Internet + service" as the two major business cornerstones and through deep integration of online and offline services, SPHC could comprehensively develop a beneficial medicine ecosystem. SPHC also devotes itself to providing a valuable and accessible sales and service network for the booming development of innovative drugs, and create a "China New Model of Pharmaceutical Division" for the development of "Internet +" for OTC and chronic disease drugs. Through the Capital Increase, SPHC introduces advantageous industry resources and development funds and establishes a fully market-oriented governance mechanism and incentive mechanism to further deepen the reform of mixed ownership. Upon the completion of the Capital Increase, the Company will continue to directly and indirectly holds approximately 47.974% shareholding in SPHC and will still benefit from the development of SPHC.

The Board (including 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. LI Yongzhong served as directors in SPHC, and (ii) Mr. ZHOU Jun and Mr. GE Dawei held interests or positions in Shanghai Shangshi, Mr. ZHOU Jun, Mr. GE Dawei and Mr. LI Yongzhong abstained from voting when the Board reviewed the resolution in respect of the Capital Increase 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 Capital Increase Agreement or shall abstain from voting on board resolutions approving the Capital Increase Agreement and the transaction contemplated thereunder.

V. FINANCIAL IMPACT OF THE CAPITAL INCREASE

The proceeds from the Capital Increase will be used for the asset acquisition, the expansion and execution of innovative business and daily working capital of SPHC.

As at the date of the announcement, the Company directly and indirectly hold approximately 72.7478% shareholding in SPHC. Upon the completion of the Capital Increase, the Company will directly and indirectly hold approximately 47.974% shareholding in total in SPHC. SPHC will cease to be a subsidiary of the Company and its financial results will also cease to be included into the consolidated statements of the Company. It is expected that the Capital Increase will not have material impact on the Company's business operation.

VI. General Information

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.

Huadong Industry

Huadong Industry is a company incorporated under the PRC laws with limited liabilities and is mainly engaged in providing investment consultation and services. As at the date of this announcement, Huadong Industry is a wholly-owned subsidiary of Shanghai Shangshi, a controlling shareholder of the Company.

Jingdong Century Trade Co., Ltd. (北京京東世紀貿易有限公司)

Jingdong Century Trade Co., Ltd. is a company incorporated under the PRC laws with limited liabilities and is mainly engaged in online retail business. Jingdong Century Trade Co., Ltd. (北京京東世紀貿易有限公司) is a subsidiary of JD.com Inc., the shares of which are listed on the Main Board of the Hong Kong Stock Exchange with stock code 09618.

Zhuhai Aiqi Yongxing Management Consulting Enterprise (Limited Partnership) (珠海愛奇永興管理諮詢企業(有限合夥))

Zhuhai Aiqi Yongxing Management Consulting Enterprise (Limited Partnership) is a limited partnership established under the PRC laws and is mainly engaged in investment management and asset management. The general partner of Zhuhai Aiqi Yongxing Management Consulting Enterprise (Limited Partnership) is Tibet Minhao Startup Investment Management Co., Ltd. (西藏旻昊創業投資管理有限公司), the ultimate beneficial owners of which are Niu Kuiguang, Wang Jingbo, Yang Fei and Lin Dongliang.

Shenzhen Dongxing Jiaoying International Equity Investment Partnership (Limited Partnership) (深圳東興交盈國際股權投資合夥企業(有限合夥))

Shenzhen Dongxing Jiaoying International Equity Investment Partnership (Limited Partnership) is a limited partnership established under the PRC laws and is mainly engaged in investment management and asset management. The general partner of Shenzhen Dongxing Jiaoying International Equity Investment Partnership (Limited Partnership) is BOCOM International Equity Investment Management (Shenzhen) Co., Ltd. (交銀國際股權投資管理(深圳)有限公司), the ultimate beneficial owner of which is BOCOM International Holdings Company Limited, a company listed on the Main Board of Hong Kong Stock Exchange with the stock code 03329.

Shanghai Shengtai Investment Management Co., Ltd. (上海盛太投資管理有限公司)

Shanghai Shengtai Investment Management Co., Ltd. is a company incorporated under the PRC laws with limited liabilities and is mainly engaged in investment management and industrial investment. Shanghai Shengtai Investment Management Co., Ltd. is wholly owned by Shanghai Charity Foundation (上海市慈善基金會).

Hangzhou Jingxin Investment Partnership (Limited Partnership) (杭州鏡心投資合夥企業(有限合夥))

Hangzhou Jingxin Investment Partnership (Limited Partnership) (杭州鏡心投資合夥企業(有限合夥)) is a limited partnership established under the PRC laws and is mainly engaged in investment management and industrial investment. The general partner of Hangzhou Jingxin Investment Partnership (Limited Partnership) is Ningbo Ze Hong Zi Yue Investment Management, Ltd. (寧波澤泓子悅投資管理有限公司), the controlling shareholder of which is Lu Xiaoxiang.

Shanghai Hengyu Investment Management Consulting Centre (Limited Partnership) (上海珩予投資管理諮詢中心(有限合夥))

Shanghai Hengyu Investment Management Consulting Centre (Limited Partnership) (上海珩予投資管理諮詢中心(有限合夥)) is a limited partnership established under the PRC laws and is mainly engaged in investment management and industrial investment. The general partner of Shanghai Hengyu Investment Management Consulting Centre (Limited Partnership) is Liu Bin.

Shanghai Healthcare Capital 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))

Shanghai Healthcare Capital 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)) is a limited partnership established under the PRC laws and is mainly engaged in equity investment, equity investment management, etc.. For details of Shanghai Healthcare Capital Partnership (Limited Partnership), please refer to the announcement of the Company dated 30 October 2020.

JIC Investment Co., Ltd. (建投投資有限責任公司)

JIC Investment Co., Ltd. is a company incorporated under the PRC laws with limited liabilities and is mainly engaged in investment management and industrial investment. JIC Investment Co., Ltd. is ultimately controlled by Central Huijin Investment Ltd. (中央匯金投資有限責任公司).

3nod Health Management Co., Ltd. (三諾健康管理有限公司)

3nod Health Management Co., Ltd. (三諾健康管理有限公司) is a company incorporated under the PRC laws with limited liabilities and is mainly engaged in health consulting, medical equipment retail business, etc.. 3nod Health Management Co., Ltd. is a wholly-owned subsidiary of Sannuo biosensor Co., Ltd. (三諾生物傳感股份有限公司), the A shares of which are listed on the Shenzhen Stock Exchange with stock code 300298.

Jiaxing Changying Equity Investment Partnership (Limited Partnership) (嘉興常盈股權投資合夥企業(有限合夥))

Jiaxing Changying Equity Investment Partnership (Limited Partnership) is a limited partnership established under the PRC laws and is mainly engaged in investment management and industrial investment. The general partner of Jiaxing Changying Equity Investment Partnership (Limited Partnership) is Puye Investment Limited (上海樸曄投資管理中心(有限合夥)), the general partner of which is Chen Xishan.

Shanghai Lianyun Enterprise Management Centre (Limited Partnership) (上海聯耘企業管理中心(有限合夥))

Shanghai Lianyun Enterprise Management Centre (Limited Partnership) (上海聯耘企業管理中心(有限合夥))

夥)) is a limited partnership established under the PRC laws and is mainly engaged in investment management and industrial investment. The general partner of Shanghai Lianyun Enterprise Management Centre (Limited Partnership) is Shanghai Lianyou Investment Co., Ltd. (上海聯佑投資有限公司), the controlling shareholder of which is Qu Liefeng.

Gongqingcheng Chenxi No.7 Equity Investment Partnership (Limited Partnership) (共青城晨熹七號股權投資合夥企業(有限合夥))

Gongqingcheng Chenxi No.7 Equity Investment Partnership (Limited Partnership) is a limited partnership established under the PRC laws and is mainly engaged in investment management and industrial investment. The general partner of Gongqingcheng Chenxi No.7 Equity Investment Partnership (Limited Partnership) is Jiaxing Chenxi Investment Management Co., Ltd. (嘉興晨熹投資管理有限公司), the controlling shareholder of which is Shao Yutian.

SPHC

SPHC is a joint stock company incorporated under the PRC laws and is mainly engaged in pre-market clinical medicine supply chain, marketed Chinese medicine circulation, patient services and innovative payment, and post-market data analysis. As at the date of this announcement, the Company directly and indirectly hold approximately 72.7478% shareholding in SPHC and SPHC is a non-wholly-owned subsidiary of the Company.

The unaudited book value of SPHC as at 31 December 2020 is RMB468 million. According to the consolidated financial statements prepared by SPHC in accordance with the China Enterprise Accounting Standards, the net profit before and after tax of SPHC for the two financial years ended 31 December 2019 and 31 December 2020 are as follows:

	For the financial year ended	
	31 December 2020	31 December 2019
	(unaudited)	(audited)
	(RMB)	(RMB)
Profit/(loss) before tax	(52,235,370.20)	(57,229,784.40)
Profit/(loss) after tax	(52,535,529.00)	(59,222,666.57)

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
“Capital Increase”	the capital increase by the Investors pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	a capital increase agreement entered into among Previous Shareholders (including the Company and SPH Holding), Investors (including Huadong Industry) and SPHC dated 12 January 2021 in relation to the Capital Increase
“Certificate of Capital	a certificate issued by the SUAEE on the Payment Date in relation to the

Increase”	confirmation that the transaction procedures at SUAEE have been completed
“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 (the A shares of which are listed on the Shanghai Stock Exchange with stock code 601607 and the H shares of which are listed 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
“Conditions Precedent Confirmation”	a confirmation issued by SPHC to the Investors upon the fulfillment of the conditions precedent of the Capital Increase and the Investors’ confirmation in relation to the fact that relevant conditions precedent of the Capital Increase Agreement have been fulfilled
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huadong Industry”	Shanghai Huadong Industry Co., Ltd.
“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
“Investors”	seven investors who subscribed the new registered capital of SPHC pursuant to the Capital Increase Agreement, i.e. Shanghai Healthcare Capital 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)), JIC Investment Co., Ltd. (建投投資有限責任公司), 3nod Health Management Co., Ltd. (三諾健康管理有限公司), Jiaxing Changying Equity Investment Partnership (Limited Partnership) (嘉興常盈股權投資合夥企業(有限合夥)), Shanghai Lianyun Enterprise Management Centre (Limited Partnership) (上海聯耘企業管理中心(有限合夥)), Gongqingcheng Chenxi No.7 Equity Investment Partnership (Limited Partnership) (共青城晨熹七號股權投資合夥企業(有限合夥)) and Huadong Industry
“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, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Previous Shareholders”	eight shareholders of SPHC before entering into the Capital Increase

Agreement. i.e. the Company, SPH Holding, Jingdong Century Trade Co., Ltd. (北京京東世紀貿易有限公司), Zhuhai Aiqi Yongxing Management Consulting Enterprise (Limited Partnership) (珠海愛奇永興管理諮詢企業(有限合夥)), Shenzhen Dongxing Jiaoying International Equity Investment Partnership (Limited Partnership) (深圳東興交盈國際股權投資合夥企業(有限合夥)), Shanghai Shengtai Investment Management Co., Ltd. (上海盛太投資管理有限公司), Hangzhou Jingxin Investment Partnership (Limited Partnership) (杭州鏡心投資合夥企業(有限合夥)) and Shanghai Hengyu Investment Management Consulting Centre (Limited Partnership) (上海珩予投資管理諮詢中心(有限合夥))

“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Shangshi”	Shanghai Shangshi (Group) Co., Ltd. (上海上實（集團）有限公司), a controlling shareholder of the Company
“Shareholders’ Agreement”	a shareholders’ agreement entered into among Previous Shareholders and Investors dated 12 January 2021 in respect of, among other things, corporate governance and relationship among the shareholders of SPHC
“SPHC”	Shanghai Pharma Health Commerce Co., Ltd. (上海醫藥大健康雲商股份有限公司)
“SPH Holding”	SPH Holding Co., Ltd. (上藥控股有限公司) and as of the date of this announcement, a wholly-owned subsidiary of the Company
“SUAEE”	Shanghai United Assets and Equity Exchange Co., Ltd. (上海聯合產權交易所有限公司)
“%”	per cent

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

Shanghai, the PRC, 10 February 2021

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*