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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)**

**CONTINUING CONNECTED TRANSACTION  
ENTERING INTO SALES AND PROCUREMENT FRAMEWORK AGREEMENT**

**ENTERING INTO SALES AND PROCUREMENT FRAMEWORK AGREEMENT**

On 29 August 2022, the Company and Yunnan Baiyao entered into the Sales and Procurement Framework Agreement with a term from the Effective Date to 31 December 2022, pursuant to which, (i) the Group agrees to sell to Yunnan Baiyao Group the medicines, medical devices, health care products and food products that the Group produces or is the main distributor; and (ii) the Group agrees to procure from Yunnan Baiyao Group the medicines, medical devices, health care products and food products that it produces or is the main distributor.

**IMPLICATIONS UNDER THE LISTING RULES**

As of the date of this announcement, Yunnan Baiyao holds 18.01% of the shares of the Company and is a substantial shareholder of the Company, and is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. As such, the transactions contemplated under the Sales and Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of each of the proposed annual cap for the selling or procurement transactions contemplated under the Sales and Procurement Framework Agreement is more than 0.1% but less than 5%, respectively, such continuing connected transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 29 August 2022, the Company and Yunnan Baiyao entered into the Sales and Procurement Framework Agreement commencing from the Effective Date and ending on 31 December 2022, pursuant to which, (i) the Group agrees to sell to Yunnan Baiyao Group the medicines, medical devices, health care products and food products that the Group produces or is the main distributor; and (ii) the Group agrees to procure from Yunnan Baiyao Group the medicines, medical devices, health care products and food products that it produces or is the main distributor.

## **PRINCIPLE TERMS OF THE SALES AND PROCUREMENT FRAMEWORK AGREEMENT**

<b>Parties</b>	(a) the Company  (b) Yunnan Baiyao
<b>Term</b>	From the Effective Date to 31 December 2022
<b>Subject Matter</b>	<p>Pursuant to the Sales and Procurement Framework Agreement:</p> <p>(i) any members of the Group may enter into Individual Executive Agreements with any members of Yunnan Baiyao Group to sell to Yunnan Baiyao Group the medicines, medical devices, health care products and food products the Group produces or is the main distributor, subject to the relevant annual cap of the sales amount.</p> <p>(ii) any members of the Group may enter into Individual Executive Agreements with any members of Yunnan Baiyao Group to procure from Yunnan Baiyao Group the medicines, medical devices, health care products and food products it produces or is the main distributor, subject to the annual cap of the procurement amount.</p> <p>Terms and conditions of the Individual Executive Agreements shall be determined in accordance with the Sales and Procurement Framework Agreement.</p>
<b>Pricing Principles</b>	The sales or procurement price of the products under each of the Individual Executive Agreements between the Group and Yunnan Baiyao Group shall be determined after arm's length negotiations between the parties with reference to various factors, including but not limited to, current market conditions, order size, technical conditions, related costs and other purchases made to independent third-party customers or conducted with third-party suppliers, provided that such sales and procurement price shall be in line with the market price.
<b>Settlement and Payment Method</b>	The settlement and payment method will be agreed and elaborated in the specific Individual Executive Agreements after arm's length negotiation and on a normal commercial basis between the Group and Yunnan Baiyao Group, provided that, in each case, the relevant settlement and payment methods shall be essentially the same with those provided by the Group and Yunnan Baiyao Group to independent third-party customers and suppliers.

## **ANNUAL CAPS AND BASIS OF DETERMINATION**

The historical transaction amount for the sales to and procurement from Yunnan Baiyao Group by the Group for the period from 1 April 2022 to 30 June 2022 amounted to approximately RMB145 million and RMB67 million, respectively.

The annual cap for each of (i) the total sales amounts receivable by the Group, and (ii) the total procurement amounts payable by the Group for the transactions contemplated under the Sales and Procurement Framework Agreement for

the period from 1 April 2022 to 31 December 2022 is RMB508 million and RMB243 million, respectively.

The annual caps set out above have been determined after taking into account: (i) the estimated amount of the medicines, medical devices, health care products and food products that Yunnan Baiyao Group produces or is the main distributor that the Group requires for the period from 1 April 2022 to 31 December 2022; (ii) the amount of the medicines, medical devices, health care products and food products that the Group produces or is the main distributor that Yunnan Baiyao Group requires that the Group estimated for the period from 1 April 2022 to 31 December 2022; (iii) the historical transaction amount of sales and procurement of the medicines, medical devices, health care products and food products by the Group to Yunnan Baiyao Group; and (iv) an expected increase in the transaction amount in the future due to business expansion of the Group.

## **REASONS FOR AND BENEFITS OF THE SALES AND PROCUREMENT FRAMEWORK AGREEMENT**

The Company is of the view that entering into the Sales and Procurement Framework Agreement is able to ensure the stableness of the Group's business and to satisfy future demand of the Group from time to time, which is in the overall interests of the Group. In addition, Yunnan Baiyao Group has several well-known brands in the fields of medicines, health products, traditional Chinese medicine resources and pharmaceutical logistics. It has strong strength and development advantages in the big health industry, and has strong strategic resources in the medical and health industry, which will help the Group to fulfill its relevant business needs.

The Board (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated under the Sales and Procurement Framework Agreement are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, and are in the interests of the Company and its shareholders as a whole.

To the best of Directors' knowledge, information and belief, and after making all reasonable enquiries, no Director had a material interest in the Sales and Procurement Framework Agreement or shall abstain from voting on board resolutions approving the Sales and Procurement Framework Agreement and the transactions contemplated thereunder.

## **INTERNAL CONTROL MEASURES**

In order to effectively implement the Sales and Procurement Framework Agreement, the Company has adopted the following internal control measures:

- (a) the financial department and other relevant departments of the Company will continuously monitor and regularly collect and evaluate the pricing principles, transaction terms and actual transaction amounts under the Sales and Procurement Framework Agreement to ensure that the transactions thereunder are conducted on normal commercial terms or on terms no less favorable than those available from independent third parties and that the total transaction amount will not exceed the proposed annual cap before the relevant approval procedures; and
- (b) the Company's auditor and the independent non-executive Directors will conduct annual review on the pricing principles, transaction terms and the proposed annual cap under the Sales and Procurement Framework Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

As of the date of this announcement, Yunnan Baiyao holds 18.01% of the shares of the Company and is a substantial shareholder of the Company, and is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. As such, the transactions contemplated under the Sales and Procurement Framework

Agreement constitute continuing connected transactions of the Company under the Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of each of the proposed annual cap for the selling or procurement transactions contemplated under the Sales and Procurement Framework Agreement is more than 0.1% but less than 5%, respectively, such continuing connected transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 8 April 2022, the registration of 665,626,796 A shares subscribed by Yunnan Baiyao under the non-public issuance was completed, and Yunnan Baiyao held 18.01% of the total issued share capital of the Company and is therefore a substantial shareholder and a connected person of the Company under Rule 14A.07 of the Listing Rules. However, due to the COVID-19 epidemic situation in Shanghai at that time, the employees of the Company generally adopted work-from-home arrangement, and the Company had practicable difficulties in conducting comprehensive due diligence and quantitative assessment of the transaction scale of the potential connected transaction with Yunnan Baiyao Group. In the process of preparing the consolidated results of the Group for the six months ended 30 June 2022, it came to the attention of the Company that the historical transaction amount for the sales to and procurement from Yunnan Baiyao Group by the Group for the period from 1 April 2022 to 30 June 2022 amounted to approximately RMB145 million and RMB67 million, respectively, of which the highest applicable percentage ratio exceeds 0.1% but is less than 5%. In order to ensure strict compliance with Chapter 14A of the Listing Rules and to avoid occurrence of similar incidents in the future, the Group will take the following measures: (i) further strengthen the daily communication with the connected persons including the substantial shareholders in the working process going forward, especially enhancing the frequency of communication with connected persons to avoid such incidents from happening again; and (ii) strengthen the reporting and monitoring procedures for connected transactions among the various departments of the Group, improve the process and frequency of data collection and conduct mutual inspections, provide relevant internal training when necessary, and emphasize the importance of the Company's compliance with the Listing Rules.

## GENERAL INFORMATION

### *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) Company Limited (上海實業(集團)有限公司), Shanghai Shangshi (Group) Co., Ltd. (上海上實(集團)有限公司) and Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司).

### *Yunnan Baiyao*

Yunnan Baiyao is a company incorporated under the laws of the PRC and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000538). Yunnan Baiyao is principally engaged in the business of pharmaceuticals, health products, traditional Chinese medicine resources and pharmaceutical logistics. As of the date of the announcement, Yunnan Baiyao holds 18.01% of the shares of Company and is a substantial shareholder of the Company.

## DEFINITIONS

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

<b>“Board”</b>	the board of directors of 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 (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)
<b>“connected person(s)”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“controlling shareholder(s)”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“Directors”</b>	the directors of the Company
<b>“Effective Date”</b>	the effective date of this agreement, which will become effective after being signed and sealed by the appropriate authorized representatives of both parties, and complete relevant internal review and external approval/filing procedures, being 29 August 2022
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Individual Executive Agreement(s)”</b>	individual procurement agreement(s) entered into between the Group and Yunnan Baiyao Group in accordance with the terms set out in the Sales and Procurement Framework Agreement
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“PRC” or “China”</b>	the People’s Republic of China, but for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Sales and Procurement Framework Agreement”</b>	the Daily Connected Transaction/Continuing Connected Transaction Framework Agreement between Shanghai Pharmaceuticals Holding Co., Ltd. and Yunnan Baiyao Group Co., Ltd. (《上海醫藥集團股份有限公司與雲南白藥集團股份有限公司之日常關聯交易/持續關連交易框架協議》) entered into between the Company and Yunnan Baiyao dated 29 August 2022 in respect of (i) sales of the medicines, medical devices, health care products and food products the Group produces or is the main distributor; and (ii) purchase of the medicines, medical devices, health care products and food products Yunnan Baiyao Group produces or is the main distributor, from the Group to Yunnan Baiyao Group.

“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Yunnan Baiyao”	The Yunnan Baiyao Group Co., Ltd., a company incorporated under the laws of the PRC and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000538) and is a substantial shareholder of the Company.
“Yunnan Baiyao Group”	Yunnan Baiyao and its subsidiaries
“%”	per cent

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

Shanghai, the PRC, 29 August 2022

*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*