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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)**

**ALIGNMENT IN PREPARATION OF  
FINANCIAL STATEMENTS IN ACCORDANCE WITH  
CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES  
AND  
PROPOSED CESSATION OF RE-APPOINTMENT OF  
INTERNATIONAL AUDITOR**

**ALIGNMENT IN PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE  
WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES**

Since the date on which the H Shares of Shanghai Pharmaceuticals Holding Co., Ltd. (the “**Company**”) were listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Company has been preparing its financial statements under both the China Accounting Standards for Business Enterprises and the Hong Kong Financial Reporting Standards.

According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Stock Exchange in December 2010, Mainland China incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with the China Accounting Standards for Business Enterprises and Mainland China audit firms approved by the Ministry of Finance of the People’s Republic of China (the “**MOF**”) and the China Securities Regulatory Commission (the “**CSRC**”) are allowed to adopt the China Standards on Auditing in providing services to such issuers.

In order to improve working efficiency, lower disclosure costs and audit costs, since 2020, the Company decided to align the preparation of its financial statements and disclose relevant financial information in accordance with China Accounting Standards for Business Enterprises.

The Company is of the view that the preparation of all of its financial statements in accordance with the China Accounting Standards for Business Enterprises will not have a significant impact on the financial position, operating results and cash flows of the Company in 2020 and in the future.

**PROPOSED CESSATION OF RE-APPOINTMENT OF INTERNATIONAL AUDITOR**

PricewaterhouseCoopers is the international auditor of the Company, and carries out the audit work of the Company's financial statements prepared in accordance with the Hong Kong Financial Reporting Standards. In view that the Company's decision to align the preparation of its financial statements in accordance with China Accounting Standards for Business Enterprises, the Board proposed to cease the re-appointment of its international auditor.

PricewaterhouseCoopers Zhong Tian LLP is a firm of practicing accountants which has been approved by the MOF and the CSRC and eligible to provide auditing services by using the China Standards on Auditing to the Mainland China incorporated issuers listed in Hong Kong. The Board proposed to appoint PricewaterhouseCoopers Zhong Tian LLP as the Company's auditor for 2020 to undertake other responsibilities of international auditor which are required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well.

PricewaterhouseCoopers has confirmed that there were no matters regarding the proposed cessation of its re-appointment as the Company's international auditor that need to be brought to the attention of the shareholders of the Company (the "**Shareholders**"). There is no disagreement between the Company and PricewaterhouseCoopers regarding the proposed cessation of its re-appointment.

In light of the aforesaid matters in relation to the alignment in preparation of the financial statements of the Company in accordance with China Accounting Standards for Business Enterprises and the proposed cessation of the re-appointment of the Company's international auditor (the "**Relevant Matters**"), the Board also proposed to amend relevant articles in the articles of association of the Company (the "**Articles of Association**"). For details of the proposed amendments to the Articles of Association, please refer to the announcement of the Company of the same date in relation to the proposed amendments to the Articles of Association.

The independent non-executive directors and the supervisors of the Company are of the view that, the Relevant Matters are in favor of the Company to improve working efficiency, lower disclosure costs and audit costs, and in compliance with the relevant laws and regulations; and there is no damage to the interests of the minority Shareholders. The independent non-executive directors and the supervisors of the Company have agreed that the Company should prepare all of its financial statements in accordance with the China Accounting Standards for Business Enterprises in future, and cease to re-appoint its international auditor.

The Relevant Matters have been considered and approved at the 11<sup>th</sup> meeting of the seventh session of the Board of the Company, among which the proposed cessation of the re-appointment of the Company's international auditor is subject to the Shareholders' approval at the upcoming annual general meeting of the Company. A proposal will also be made to the general meeting to authorize the Board to determine the remuneration of the Company's auditor.

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

Shanghai, the PRC, 29 April 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*