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国药集团
SINOPHARM

國藥控股股份有限公司

SINOPHARM GROUP CO. LTD.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability and carrying on business in Hong Kong as 國控股份有限公司)

(Stock Code: 01099)

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROCUREMENT AND SALES TRANSACTIONS: PROPOSED RATIFICATION OF THE 2021 ACTUAL TRANSACTION AMOUNTS
PROPOSED REVISION OF THE ANNUAL CAPS FOR 2022 AND 2023
AND
CLOSURE OF REGISTER OF MEMBERS**

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROCUREMENT AND SALES TRANSACTIONS: PROPOSED RATIFICATION OF THE 2021 ACTUAL TRANSACTION AMOUNTS AND PROPOSED REVISION OF THE ANNUAL CAPS FOR 2022 AND 2023

References are made to the announcements of the Company dated 22 October 2020 and 18 December 2020 in relation to the 2020 Procurement Framework Agreement and the 2020 Sales Framework Agreement entered into between the Company and CNPGC and the annual caps for the years of 2021 to 2023 for the transactions thereunder.

During the course of preparing the financial statements of the Company for the year of 2021 and reviewing and verifying the data on the amounts of connected transactions of the Group in 2021, the Board noted that the 2021 Actual Transaction Amounts of the transactions contemplated under the 2020 Procurement Framework Agreement and the 2020 Sales Framework Agreement exceeded the Original Annual Caps for 2021. Taking into account the 2021 Actual Transaction Amounts and the business demands of the Group for the years of 2022 and 2023, the Board expects that the Original Annual Caps for the years of 2022 and 2023 will not be sufficient to meet the Group's needs for business development. Therefore, on 18 March 2022, the Board proposes to (1) ratify the 2021 Actual Transaction Amounts; and (2) revise the annual caps for the years of 2022 and 2023 for the transactions contemplated under the 2020 Procurement Framework Agreement and the 2020 Sales Framework Agreement.

HONG KONG LISTING RULES IMPLICATIONS

CNPGC is the ultimate controlling shareholder of the Company, therefore, pursuant to the Hong Kong Listing Rules, CNPGC is a connected person of the Company and the transactions contemplated under the 2020 Procurement Framework Agreement and the 2020 Sales Framework Agreement constitute continuing connected transactions of the Company.

As both of the 2021 Actual Procurement Transaction Amount and the 2021 Actual Sales Transaction Amount exceeded the Original Annual Caps for 2021, pursuant to Rule 14A.54 of the Hong Kong Listing Rules, the Company is required to re-comply with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of each of the 2021 Actual Procurement Transaction Amount and the 2021 Actual Sales Transaction Amount exceeds 5%, the 2021 Actual Procurement Transaction Amount and the 2021 Actual Sales Transaction Amount are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of each of the Revised Procurement Annual Caps and the Revised Sales Annual Caps exceeds 5%, the Revised Procurement Annual Caps and the Revised Sales Annual Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

THE EGM

The Company will convene the EGM to seek the ratification of the 2021 Actual Transaction Amounts and the approval of the Revised Annual Caps from the Independent Shareholders. CNPGC and its associates will abstain from voting on the relevant resolutions at the EGM.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the 2021 Actual Transaction Amounts and the Revised Annual Caps. The Company has approved to appoint Gram Capital to advise the Independent Board Committee and the Independent Shareholders on such matters.

The Circular containing, among others, details of the 2021 Actual Transaction Amounts and the Revised Annual Caps, a letter from the Independent Board Committee and the recommendation from the Independent Financial adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the EGM, will be despatched to the Shareholders on or before 26 April 2022 as more time is needed for the preparation of the information to be contained therein.

I. BACKGROUND

References are made to the announcements of the Company dated 22 October 2020 and 18 December 2020 in relation to the 2020 Procurement Framework Agreement and the 2020 Sales Framework Agreement entered into between the Company and CNPGC and the annual caps for years of 2021 to 2023 for the transactions thereunder.

1. 2020 Procurement Framework Agreement

Details of the 2020 Procurement Framework Agreement are as follows:

Date: 22 October 2020

Parties: (i) the Company

(ii) CNPGC

Term of the Agreement: The 2020 Procurement Framework Agreement shall be effective from 1 January 2021 to 31 December 2023.

Major Terms and Conditions: Pursuant to the 2020 Procurement Framework Agreement, the Group has agreed to purchase products such as pharmaceutical products, personal-care supplies, medical devices and health products from the CNPGC Group; and the CNPGC Group has agreed to sell such products to the Group.

The Group will purchase relevant products from the CNPGC Group on a voluntary and non-compulsory basis and is entitled to purchase the same from any other third parties.

Upon its expiry, the 2020 Procurement Framework Agreement will, subject to compliance with the relevant requirements under the Hong Kong Listing Rules and the agreement of the parties, be renewed for a further term of three years.

Pricing Policy: The price of pharmaceutical products and medical devices to be purchased by the Group from the CNPGC Group under the 2020 Procurement Framework Agreement will be determined by the parties through arm's length negotiation after mainly taking into account (i) the final price according to which the relevant product is sold to hospitals, pharmacies and other institutions (for example, for products that go through the public bidding process, the final price refers to the successful tender price; for products that do not go through the public bidding process, the final price refers to the price that the manufacturer files with the government or the selling price to the hospital from the distributor agreed between the manufacturer and the hospital), (ii) the distribution costs of the relevant members of the Group, and (iii) the profit level of the Group on relevant product. The price of products such as personal-care products and health products to be purchased by the Group from the CNPGC Group under the 2020 Procurement Framework Agreement will be determined by the parties through arm's length negotiation after mainly taking into account the guiding retail price provided by relevant members of the CNPGC Group for the related products, the distribution costs of the relevant members of the Group, and the profit level of the Group on relevant product.

Before purchasing products such as pharmaceutical products, personal-care supplies, medical devices and health products from the relevant member of the CNPGC Group, the Company and/or its subsidiaries will (i) consider a variety of factors relating to the relevant products, including but not limited to the price, quality, credit period, delivery method, aftersales service, gross profit and average price in the industry; and (ii) go through all necessary internal review and approval procedures by the president and/or various departments of the Company and/or its subsidiaries (including but not limited to the procurement department, finance department, legal and compliance department, quality

department and operation department). For products with public bidding price/public procurement price (such as pharmaceutical products), after taking into account the tender price won in the public bidding process which is held by the tender offices of relevant levels of the PRC government or hospitals and participated by the relevant member of the CNPGC Group and other independent third parties in respect of particular product, geographical location of the products, the market size of products and the above factors stated in (i), the Company and/or its subsidiaries will determine whether to accept the price of the products as offered by members of the CNPGC Group. In respect of one particular product, the Company and/or its subsidiaries will generally refer to the successful tender prices in more than 30 provinces. For product without public bidding price/public procurement price, the Company and/or its subsidiaries will generally inquire the quotations offered by not less than three independent third parties in respect of the same product.

After considering such factors and going through such internal procedures, the Company and/or its subsidiaries will determine whether to accept the procurement price of the products as offered by members of the CNPGC Group. If the Company and/or its subsidiaries, after taking into consideration all the above-mentioned factors, consider that the procurement price offered by members of the CNPGC Group is not in the best interest of the Company and its shareholders, or is not fair and reasonable, they will make the decision not to purchase such products from the CNPGC Group.

Payment Arrangements: Payment arrangements will be negotiated by the parties and stated in individual implementation agreements, but shall be the same as the arrangement with other independent third parties.

Implementation Agreements: Members of the Group and members of the CNPGC Group will enter into, from time to time and as necessary, individual implementation agreements to set out the specific terms and conditions in respect of the procurement of the products thereunder.

Any such implementation agreements will be within the ambit of the 2020 Procurement Framework Agreement and shall not contravene the provisions of the 2020 Procurement Framework Agreement.

2. 2020 Sales Framework Agreement

Details of the 2020 Sales Framework Agreement are as follows:

Date: 22 October 2020

Parties: (i) the Company

(ii) CNPGC

Term of the Agreement: The 2020 Sales Framework Agreement shall be effective from 1 January 2021 to 31 December 2023.

Major Terms and Conditions: Pursuant to the 2020 Sales Framework Agreement, the Group has agreed to sell products such as pharmaceutical products, personal-care supplies, medical devices, chemical reagents, laboratory supplies and health products to the CNPGC Group; and the CNPGC Group has agreed to purchase such products from the Group.

The Group will sell the relevant products to the CNPGC Group on a voluntary and non-compulsory basis and is entitled to sell the same to any other third parties.

Upon its expiry, the 2020 Sales Framework Agreement will, subject to compliance with the relevant requirements under the Hong Kong Listing Rules and the agreement of the parties, be renewed for a further term of three years.

Pricing Policy: The price of pharmaceutical products, personal-care supplies, medical devices, chemical reagents, laboratory supplies and health products sold by the Group to the CNPGC Group under the 2020 Sales Framework Agreement will be determined on an arm's length basis between the parties after mainly taking into account (i) the purchase cost (including products cost, cost of capital, logistic cost and others) for relevant products purchased by relevant members of the Group and (ii) the profit level of the Group on related products.

The finance department of the Company will be responsible for collecting data of the continuing connected transactions conducted by itself or any of its subsidiaries on a regular basis. The president and various departments (including but not limited to the procurement department, finance department, legal and compliance department, quality department and operation department) of the Company and/or its subsidiaries will carry out all necessary internal review and approval procedures, and examine and compare specific agreements for such continuing connected transactions with those entered into with independent third parties, so as to ensure that the pricing policies of the relevant products offered by the Company and/or its subsidiaries to the CNPGC Group are comparable to those offered to independent third parties.

Payment Arrangements: Payment arrangements will be negotiated by the parties and stated in individual implementation agreements, but shall be the same as the arrangement with other independent third parties.

Implementation Agreement: Members of the Group and members of the CNPGC Group will enter into, from time to time and as necessary, individual

implementation agreements to set out the specific terms and conditions in respect of the sale of the products thereunder.

Any such implementation agreements will be within the ambit of the 2020 Sales Framework Agreement and shall not contravene the provisions of the 2020 Sales Framework Agreement.

II. PROPOSED RATIFICATION OF THE 2021 ACTUAL TRANSACTION AMOUNTS AND PROPOSED REVISION OF THE ANNUAL CAPS FOR 2022 AND 2023

1. Original Annual Caps for the Three Years Ended 31 December 2023

The transactions contemplated under the 2020 Procurement Framework Agreement and the annual caps thereof for the years from 2021 to 2023 were approved by the Independent Shareholders at the general meeting of the Company held on 18 December 2020, and the transactions contemplated under the 2020 Sales Framework Agreement and the annual caps thereof for the years from 2021 to 2023 were approved by the Board on 22 October 2020 (the “**Original Annual Caps**”). The Original Annual Caps for the three years ending 31 December 2023 are as follows:

Transactions	Year ended 31 December 2021 <i>(RMB million)</i>	Year ending 31 December 2022 <i>(RMB million)</i>	Year ending 31 December 2023 <i>(RMB million)</i>
Annual caps for the transaction amount between the Group and the CNPGC Group under the 2020 Procurement Framework Agreement	7,000	8,000	9,000
Annual Caps for the transaction amount between the CNPGC Group and the Group under the 2020 Sales Framework Agreement	1,800	2,000	2,150

2. Proposed Ratification of the 2021 Actual Transaction Amounts

During the course of preparing the financial statements of the Company for the year of 2021 and reviewing and verifying the data on the amounts of connected transactions of the Group in 2021, the Board noted that the 2021 Actual Transaction Amounts exceeded the Original Annual Caps for 2021. On 18 March 2022, the Board proposes to ratify the 2021 Actual Transaction Amounts. Details are as follows:

Transactions	Year ended 31 December 2021 <i>(RMB million)</i>
Actual transaction amount between the Group and the CNPGC Group under the 2020 Procurement Framework Agreement	7,969

Actual transaction amount between the CNPGC Group
and the Group under the 2020 Sales Framework
Agreement

2,626

Reason for exceeding the Original Annual Caps for the Year of 2021

The 2021 Actual Transaction Amounts exceeded the Original Annual Caps for 2021, primarily due to the following reasons:

- (i) The COVID-19 inactivated vaccine developed by the CNPGC Group is the first COVID-19 inactivated vaccine approved for registration and marketing in the world. In order to guarantee the demands of China and even the whole world for COVID-19 vaccines or anti-COVID-19-related drugs and equipment, the Group's relevant sales of raw materials will be adjusted according to the temporary requirements of the CNPGC Group from time to time.
- (ii) In respect of the sales transactions between the Group and the CNPGC Group: the enhanced transmissibility of COVID variants and the continuing outbreak of COVID-19 worldwide have led to an increased demand for vaccines nationwide and even globally. In 2021, the amount of sales of vaccine reagent raw materials and vaccine logistics labels by the Group (as the main supplier of reagent raw materials required for the production of Sinopharm COVID-19 vaccines and the main supplier of logistics labels for vaccine export business) to CNBG (a subsidiary of the CNPGC Group) significantly increased. The Company did not anticipate such rapid growth in sales of relevant products during the global pandemic of COVID-19 when it set the Original Annual Caps for the year of 2021. The aggregate amount of the Group's sales to the CNPGC Group in respect of such vaccine reagent raw materials and vaccine logistics labels amounted to approximately RMB856 million in 2021, which is far higher than the sales amount of the Group in 2020 in this regard.
- (iii) In respect of the procurement transactions between the Group and the CNPGC Group: Taiji Group became a subsidiary of CNPGC in April 2021, and has since become a major supplier of more than 200 retail pharmacies of the Group. Taiji Group and its subsidiaries are mainly engaged in the processing, sale of proprietary Chinese medicines, medicines and health care products, etc., and their products include chemicals, own-branded proprietary Chinese medicines and health care products, and products and materials related to COVID-19 diagnosis and treatment. In 2021, the retail pharmacies of the Group purchased a large number of medicines and health products from Taiji Group and its subsidiaries, with the total purchase amount reaching approximately RMB1,265 million in 2021.

After noting that the actual transaction amounts exceeded the Original Annual Caps for the year of 2021, the Company immediately organized various departments to conduct reconciliation and confirmation to confirm the 2021 Actual Procurement Transaction Amount and the 2021 Actual Sales Transaction Amount.

3. Proposed Revision of the Annual Caps for the years of 2022 and 2023

Taking into account the 2021 Actual Procurement Transaction Amount, the 2021 Actual Sales Transaction Amount and the business demands of the Group for the years of 2022 and 2023, the Board expects that the Original Annual Caps for the years of 2022 and 2023 for the transactions contemplated under the 2020 Procurement Framework Agreement and the 2020 Sales Framework Agreement will not be sufficient to meet the Group's needs for business development. Therefore, on 18 March 2022, the Board proposes to revise the annual caps for the years of 2022 and 2023 for the transactions contemplated under the 2020 Procurement Framework Agreement and the 2020 Sales Framework Agreement. Details of the proposed Revised Annual Caps are as follows:

Transactions	Year ending 31 December 2022 (RMB million)	Year ending 31 December 2023 (RMB million)
Annual caps for the transaction amount between the Group and the CNPGC Group under the 2020 Procurement Framework Agreement	10,600	12,200
Annual caps for the transaction amount between the CNPGC Group and the Group under the 2020 Sales Framework Agreement	4,200	5,500

The Company confirmed that, from 1 January 2022 until the date of this announcement, (i) the actual transaction amount between the Group and the CNPGC Group under the 2020 Procurement Framework Agreement has not exceeded the Original Annual Cap for 2022 (i.e. RMB8,000 million); and (ii) the actual transaction amount between the Group and the CNPGC Group under the 2020 Sales Framework Agreement has also not exceeded the Original Annual Cap for 2022 (i.e. RMB2,000 million).

Basis of determination of the Revised Annual Caps

The above Revised Annual Caps were determined mainly with reference to the 2021 Actual Procurement Transaction Amount and the 2021 Actual Sales Transaction Amount and taking into account the following factors:

- (i) Taking into account the compound annual growth rate of approximately 15% of the Group's business for the years from 2015 to 2020, it is expected that the transaction amount of the Group's purchases from the CNPGC Group in 2022 and 2023 will increase at an average annual growth rate of 15% from the adjusted full-year procurement amount for 2021 (adjusted on the assumption that Taiji Group has become a subsidiary of CNPGC since 1 January 2021). Therefore, it is expected that the amount of the Group's purchase from the CNPGC Group under the 2020 Procurement Framework Agreement in 2022 and 2023 will reach approximately RMB9,650 million and RMB11,097 million respectively;
- (ii) Taking into account the compound annual growth rate of approximately 15% of the Group's business for the years from 2015 to 2020, it is expected that the transaction amount of the Group's sales to the CNPGC Group (excluding the sales in respect of vaccine reagent raw materials and vaccine logistics labels) in 2022 and 2023 will increase at an average annual growth rate of 15% from the adjusted full-year sales amount for 2021 (adjusted on the assumption that Taiji Group has become a subsidiary of CNPGC since 1 January 2021). In addition, the Group will continue to supply the raw materials of vaccine reagents and the logistics labels required for vaccine export to CNBG in 2022 and 2023, and with reference to the historical sales growth rate during the COVID-19 global pandemic and the estimated future purchase demands of CNBG arising from its supply of vaccines, it is expected that the growth rate of relevant sales amount in 2022 and 2023 will reach 100% and 50%, respectively. Therefore, it is expected that the amount of the Group's sales to the CNPGC Group under the 2020 Sales Framework Agreement in 2022 and 2023 will amount to approximately RMB3,826 million and RMB4,999 million respectively; and
- (iii) When determining the Revised Annual Caps, the Company has applied a buffer of 10% to cater for the unanticipated increase in demand.

III. GENERAL INFORMATION OF THE PARTIES

The Company

The Company is principally engaged in the distribution of pharmaceutical, healthcare products and medical devices, operation of retail pharmacies and production and sale of chemical reagents.

CNPGC

CNPGC is a wholly state-owned enterprise established in the PRC and the ultimate controlling shareholder of the Company, which is principally engaged in the research and development of pharmaceutical products, manufacturing, logistics and distribution, retail chains, medical health, engineering technology, professional exhibition, international operation business, financial investment and other businesses.

IV. REASONS FOR AND BENEFIT OF THE TRANSACTIONS

The CNPGC Group is the largest pharmaceutical group in China and is a well-known pharmaceutical corporation with outstanding competency in pharmaceutical industry and has developed good experience and service systems in respect of the products under the 2020 Procurement Framework Agreement.

The 2020 Procurement Framework Agreement enables (i) the Group secure a stable source of the relevant products, supplies and devices from the CNPGC Group in its ordinary course of business, thereby avoiding unnecessary disruption to the Group's operations; and (ii) the Group to fully leverage on advantages of the CNPGC Group to achieve better operating performance.

The 2020 Sales Framework Agreement enables (i) the Group to have stable customers to sell products such as pharmaceutical products, personal-care supplies, medical devices, chemical reagents, laboratory supplies and health products in its ordinary course of business, thereby avoiding unnecessary disruption to the Group's operations; and (ii) the Group to fully leverage on advantages of the CNPGC Group to achieve better operating performance.

In addition, the materials related to pandemic prevention and control and the raw materials related to the production of vaccines are subject to various pandemic prevention policies issued by the government to a certain extent. As the Group is the largest medical equipment distributor and retail services provider in China, the Group has the necessity and responsibility to cooperate with governments at all levels to promote the implementation of relevant pandemic prevention and control policies and the production and reserve of vaccines and pandemic prevention materials. The Group will actively provide cooperation for the circulation and reserve of pandemic prevention materials, which is a necessary measure for the Group to fulfil its corporate social responsibility and perform the relevant obligations of central enterprises as emergency guarantee and reserve enterprises, and also helps the Group to further deepen the cooperation between the Group and the upstream and downstream medical institutions and the government regulatory authorities in terms of the supply and guarantee of medical materials.

V. INTERNAL CONTROL MEASURES

With respect to continuing connected transactions between the Group and the CNPGC Group (including the Revised Annual Caps), the Group has adopted the following enhanced internal control measures:

- (i) The departments of the Company and/or its subsidiaries responsible for the execution of transactions (including but not limited to those responsible for legal, finance, operation, etc.) will perform the necessary internal review and approval procedures in advance to confirm whether the terms of the implementation agreements of continuing connected transactions are fair and reasonable and are in compliance with the relevant framework agreement.
- (ii) (a) the operation department of the Company is responsible for taking the lead in requesting the subsidiaries that having continuing connected transactions to report the estimated amount of continuing connected transactions in the next quarter on a quarter basis, and the finance department of the Company is responsible for reviewing the quarterly budget; (b) the finance department of the Company is responsible for taking the lead in continuously monitoring and collecting from subsidiaries at least quarterly the actual amount of continuing connected transactions; (c) the office of the Board, the operation department and the finance department of the Company shall check the received actual amount of continuing connected transactions of subsidiaries for each quarter as soon as possible to jointly confirm the final actual amount; (d) the office of the Board is responsible for organizing relevant departments such as the finance department, the treasury department, the legal and compliance department, the investment management department, the operation department to hold regular meetings to review and upgrade the list of connected persons; (e) the Company established a continuing connected transaction management working group led by the office of the Board, with the participation of the heads of the operation department, the finance department, the legal and compliance department and other departments and the secretaries of the boards of directors of significant subsidiaries as members. The working group will hold regular meetings on the Group's continuing connected transactions on a quarterly basis, and hold temporary meetings as necessary.
- (iii) In addition to the Group's quarterly review of actual amounts for continuing connected transactions, the enhanced internal control measures require that (i) if (a) at the end of the first quarter of each year, the actual amount of any continuing connected transaction amounts to or exceeds 40% of the cap of the current year; or (b) at the end of the second quarter of each year, the actual amount of any continuing connected transaction amounts to or exceeds 50% of the cap of the current year, the finance department shall issue an early warning, and then follow up on a monthly basis to collect the actual amount, and discuss with the secretary of the Board, the office of the Board and the operation department on the response plan; (ii) if the actual amount of any continuing connected transaction has amounted to 70% of the cap of the current year, the finance department shall immediately notify the secretary of the Board, the office of the Board and the operation department, and the office of the Board shall take the lead in organizing relevant departments to jointly formulate a response plan; and (iii) the operation department shall analyze and track the reasons for abnormal changes in a timely manner, and make an estimate of the subsequent growth of the continuing connected transactions; if the operation department expects that such business will increase or expand substantially in a short period of time and is likely to account for a significant portion of the annual cap of such continuing connected transaction, the operation department shall issue an early warning in a timely manner, and discuss with the secretary of the Board, the office of the Board and the finance department on a response plan.
- (iv) The Company will continue to provide training on connected transactions to its Directors, senior management, and personnel responsible for connected transaction monitoring. In 2022, the Company has organized a training on connected transactions and internal control in March 2022 for its Directors and senior management.

VI. HONG KONG LISTING RULES IMPLICATIONS

CNPGC is the ultimate controlling shareholder of the Company, therefore, pursuant to the Hong Kong Listing Rules, CNPGC is a connected person of the Company and the transactions contemplated under the 2020 Procurement Framework Agreement and the 2020 Sales Framework Agreement constitute continuing connected transactions of the Company.

As both of the 2021 Actual Procurement Transaction Amount and the 2021 Actual Sales Transaction Amount exceeded the Original Annual Caps for 2021, pursuant to Rule 14A.54 of the Hong Kong Listing Rules, the Company is required to re-comply with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of each of the 2021 Actual Procurement Transaction Amount and the 2021 Actual Sales Transaction Amount exceeds 5%, the 2021 Actual Procurement Transaction Amount and the 2021 Actual Sales Transaction Amount are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of each of the Revised Procurement Annual Caps and the Revised Sales Annual Caps exceeds 5%, the Revised Procurement Annual Caps and the Revised Sales Annual Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Mr. Hu Jianwei and Mr. Deng Jindong are senior management of CNPGC. Therefore, they are deemed to have material interest in the proposed ratification of the 2021 Actual Transaction Amounts and proposed approval of the Revised Annual Caps, and thus have abstained from voting on the relevant resolutions at the Board meeting. Save as mentioned above, none of the other Directors has a material interest in such transactions and is required to abstain from voting on the relevant resolution at the Board meeting.

The Directors (excluding the independent non-executive Directors, the opinion of whom will be included in the Circular) are of the view that the transactions contemplated under the 2020 Procurement Framework Agreement and the 2020 Sales Framework Agreement for the year ended 31 December 2021 and the 2021 Actual Transaction Amounts and the Revised Annual Caps are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

VII. THE EGM

The Company will convene the EGM to seek the ratification of the 2021 Actual Transaction Amounts and the approval of the Revised Annual Caps from the Independent Shareholders. CNPGC and its associates will abstain from voting on the relevant resolutions at the EGM.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the 2021 Actual Transaction Amounts and the Revised Annual Caps. The Company has approved to appoint Gram Capital to advise the Independent Board Committee and the Independent Shareholders on such matters.

The Circular containing, among others, details of the 2021 Actual Transaction Amounts and the Revised Annual Caps, a letter from the Independent Board Committee and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the EGM, will be despatched to the Shareholders on or before 26 April 2022 as more time is needed for the preparation of the information to be contained therein.

VIII. CLOSURE OF THE REGISTER OF MEMBERS

The Company will convene and hold the EGM on Wednesday, 11 May 2022. In order to ascertain the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company (the "Register") will be closed from Thursday, 5 May 2022 to Wednesday, 11 May 2022 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to be qualified to attend and vote at the EGM, for holders of H shares of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable, and in any event no later than 4:30 p.m. on Wednesday, 4 May 2022.

The Shareholders whose names appear on the Register on Thursday, 5 May 2022 are entitled to attend and vote at the EGM.

IX. DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings ascribed to them below:

"2020 Procurement Framework Agreement"	means the procurement framework agreement entered into between the Company and CNPGC on 22 October 2020
"2020 Sales Framework Agreement"	means the sales framework agreement entered into between the Company and CNPGC on 22 October 2020
"2021 Actual Procurement Transaction Amount"	means the actual transaction amount between the Group and CNPGC Group under the 2020 Procurement Framework Agreement for the year ended 31 December 2021
"2021 Actual Sales Transaction Amount"	means the actual transaction amount between the Group and CNPGC Group under the 2020 Sales Framework Agreement for the year ended 31 December 2021
"2021 Actual Transaction Amounts"	means the 2021 Actual Procurement Transaction Amount and the 2021 Actual Sales Transaction Amount
"associates"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Board"	means the board of directors of the Company
"Circular"	means the circular to be dispatched to the Shareholders in relation to, among other things, the 2021 Actual Transaction Amounts and the Revised Annual Caps
"CNBG"	means China National Biotech Group Company Limited (中國生物技術股份有限公司), a subsidiary controlled by CNPGC, mainly engaged in comprehensive research and product manufacturing of vaccines and blood products
"CNPGC"	means China National Pharmaceutical Group Corporation (中國醫藥集團有限公司), a state wholly-owned enterprise incorporated in the PRC and the ultimate controlling

	shareholder of the Company
“CNPGC Group”	means CNPGC and its subsidiaries and associates (excluding the Group)
“Company”	means Sinopharm Group Co. Ltd., (國藥控股股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability and whose H shares are listed and traded on the Hong Kong Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	means the director(s) of the Company
“EGM”	means the extraordinary general meeting to be convened by the Company for the Shareholders to consider, and if thought fit, ratify the 2021 Actual Transaction Amounts and approve the Revised Annual Caps
“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	means the independent board committee comprising all of the independent non-executive Directors, who have no material interests in the ratification of the 2021 Actual Transaction Amounts and the approval of the Revised Annual Caps, namely Mr. Zhuo Fumin, Mr. Chen Fangruo, Mr. Li Peiyu, Mr. Wu Tak Lung and Mr. Yu Weifeng
“Independent Financial Adviser” or “Gram Capital”	means Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, was approved by the Company to be the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the ratification of the 2021 Actual Transaction Amounts and approval of the Revised Annual Caps
“Independent Shareholders”	means Shareholders other than CNPGC and its associates
“Revised Annual Caps”	means the Revised Procurement Annual Caps and the Revised Sales Annual Caps
“Revised Procurement Annual Caps”	means the proposed new annual caps of RMB10,600 million and RMB12,200 million for the transactions contemplated under the 2020 Procurement Framework Agreement for the

two years ending 31 December 2023

“Revised Sales Annual Caps”	means the proposed new annual caps of RMB4,200 million and RMB5,500 million for the transactions contemplated under the 2020 Sales Framework Agreement for the two years ending 31 December 2023
“RMB”	means Renminbi, the lawful currency of the PRC
“Shareholders”	means the shareholders of the Company
“Taiji Group”	means Chongqing Taiji Industry (Group) Co., Ltd. (重慶太極實業股份有限公司), a pharmaceutical company listed on the Shanghai Stock Exchange (stock code: 600129.SH)

By order of the Board
Sinopharm Group Co. Ltd.
Yu Qingming
Chairman

Shanghai, the PRC
18 March 2022

As at the date of this announcement, the executive directors of the Company are Mr. Yu Qingming and Mr. Liu Yong; the non-executive directors of the Company are Mr. Chen Qiyu, Mr. Hu Jianwei, Mr. Ma Ping, Mr. Deng Jindong, Mr. Wen Deyong, Mr. Li Dongjiu and Ms. Feng Rongli; and the independent non-executive directors of the Company are Mr. Zhuo Fumin, Mr. Chen Fangruo, Mr. Li Peiyu, Mr. Wu Tak Lung and Mr. Yu Weifeng.

The Company is registered as a non-Hong Kong company under the Hong Kong Companies Ordinance under its Chinese name and the English name “Sinopharm Group Co. Ltd.”