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国药集团
SINOPHARM

CHINA TRADITIONAL CHINESE MEDICINE HOLDINGS CO. LIMITED
中國中藥控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 570)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
FINANCIAL SERVICES FRAMEWORK AGREEMENT**

THE NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT

On 18 November 2022, the Company entered into the New Financial Services Framework Agreement with Sinopharm Group Finance, pursuant to which Sinopharm Group Finance agreed to provide the Financial Services to the Group during the period from 20 November 2022 to 19 November 2025.

LISTING RULES IMPLICATIONS

Sinopharm Hongkong is the controlling Shareholder holding 1,634,705,642 Shares, representing approximately 32.46% of the total number of issued Shares as at the date of this announcement. As at the date of this announcement, Sinopharm Group Finance is owned as to approximately 58.2%, 9.1%, 10.9%, 10.9% and 10.9% by CNPGC, Sinopharm Group, CNBG, CNTCM and Shanghai Shyndec Pharmaceutical, respectively, and CNPGC is the parent company of Sinopharm Hongkong and Sinopharm Group Finance. As such, Sinopharm Group Finance is a connected person of the Company and the New Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Caps for the deposit services under the New Financial Services Framework Agreement exceed 0.1% but are all less than 5%, the deposit services under the New Financial Services Framework Agreement are only

subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The loans to be provided by Sinopharm Group Finance to the Group under the New Financial Services Framework Agreement will constitute financial assistance by a connected person for the benefit of the Group. As the loans will be provided on terms which are no less favourable than those offered by independent third parties and the Company does not intend to offer any assets of the Group as security of the loans, the loan transactions under the New Financial Services Framework Agreement will be fully exempt under Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios in respect of the estimated aggregate amount of the service fees in connection with the Other Financial Services on an annual basis is less than 0.1%, the Other Financial Services under the New Financial Services Framework Agreement will be fully exempt under Rule 14A.76(1) of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 20 November 2019 in relation to, among others, the entering into of the Existing Financial Services Framework Agreement. As the term of the Existing Financial Services Framework Agreement will expire on 19 November 2022, on 18 November 2022, the Company entered into the New Financial Services Framework Agreement with Sinopharm Group Finance to govern the terms of the Financial Services, including deposit services, loan services and Other Financial Services, during the period from 20 November 2022 to 19 November 2025.

The loans to be provided by Sinopharm Group Finance to the Group under the New Financial Services Framework Agreement will constitute financial assistance by a connected person for the benefit of the Group. As the loans will be provided on terms which are no less favourable than those offered by independent third parties and the Company does not intend to offer any assets of the Group as security of the loans, the loan transactions under the New Financial Services Framework Agreement will be fully exempt under Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios in respect of the estimated aggregate amount of the service fees in connection with the Other Financial Services on an annual basis is less than 0.1%, the Other Financial Services under the New Financial Services Framework Agreement will be fully exempt under Rule 14A.76(1) of the Listing Rules.

THE DEPOSIT SERVICES

Principal terms of the New Financial Services Framework Agreement in relation to the deposit services

- Date : 18 November 2022
- Parties : (i) the Company; and
(ii) Sinopharm Group Finance
- Subject : Pursuant to the New Financial Services Framework Agreement, Sinopharm Group Finance agreed to provide the Financial Services to the Group during the period from 20 November 2022 to 19 November 2025.

The Group may utilise the Financial Services on a non-compulsory basis. Among other things, the terms of the Financial Services shall adhere to the following principles:

- (i) the terms of the Financial Services shall be no less favorable to the Group than those available to the Group from other independent financial institutions from time to time, and the Company agreed to preferentially procure the Financial Services offered by Sinopharm Group Finance under the same terms; and
 - (ii) for deposit services, the interest rates offered by Sinopharm Group Finance to the Group shall not be lower than the interest rates offered to the Group by independent commercial banks for the same category of deposits.
- Annual Caps : Pursuant to the New Financial Services Framework Agreement, the Annual Caps for the deposit services (i.e. the maximum daily deposit balance, including accrued interest) during the effective period of the New Financial Services Framework Agreement are set out below:

	<i>RMB</i>
Maximum outstanding daily deposit balance	600,000,000

Basis of determination of the Annual Caps for the deposit services

The historical maximum daily deposit balance (including accrued interest) under the Existing Financial Services Framework Agreement for each of the three years ended 31 December 2019, 2020, 2021 and for the eight months ended 31 August 2022 are as follows:

	For the year ended 31 December			For the eight months ended
	2019	2020	2021	31 August 2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Historical maximum daily deposit balance (including accrued interest)	593.0	593.0	595.2	595.2

The Annual Caps for the deposit services were determined mainly by reference to: (i) the historical maximum daily deposit balance (including accrued interest) placed by the Group with Sinopharm Group Finance under the Existing Financial Services Framework Agreement; and (ii) the potential demands of the deposit services of the Group in the coming years.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT

The Board considers that entering into the New Financial Services Framework Agreement is in the interest of the Group as it provides an option to the Group in procuring financial services for its treasury management. Given the Group's close relationship with the CNPGC Group, the application procedures for financial services from Sinopharm Group Finance (being a subsidiary of CNPGC) are more efficient, convenient and flexible than those of the independent commercial banks. In addition, according to the New Financial Services Framework Agreement, the terms of Financial Services offered by Sinopharm Group Finance will be no less favourable than those offered by the independent commercial banks to the Group. Having considered the above, the Board (including the independent non-executive Directors but excluding Directors who have abstained from voting) is of the view that the terms of the New Financial Services Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and the New Financial Services Framework Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROLS FOR THE FINANCIAL SERVICES

In accordance with the Group's internal control policy applicable to procurement of the Financial Services with any financial institutions, the finance department of the Company shall obtain quotations from at least three service providers, the terms of service, the interest rate, and other applicable service details of difference service providers are compared. The finance department of the Company shall then recommend the service provider and their suggestion to the management of the

Company. The management of the Company will review and approve the terms of the Financial Services to ensure that the service provider which offers terms most suited to the Group's needs is chosen. If Sinopharm Group Finance is selected as the service provider, the management of the Company will ensure that the terms of the Financial Services strictly adhere to the principles of the New Financial Services Framework Agreement set out in the paragraph headed "Subject" under "Principal terms of the New Financial Services Framework Agreement in relation to the deposit services" above.

INFORMATION ON THE GROUP AND SINOPHARM GROUP FINANCE

The principal business activities of the Group are the manufacture and sale of TCM and pharmaceutical products in the PRC with a focus on concentrated TCM granules, TCM finished drugs and TCM decoction pieces.

Sinopharm Group Finance is a non-bank financial institution regulated by the PBOC and the CBIRC. Sinopharm Group Finance is principally engaged in the provision of financial services to the members of the CNPGC Group, including deposit taking, provision of loans, bills acceptance and discounting, entrustment loans, settlement services as well as other financial services such as provision of financial advisory and other advisory agency services, non-financing guarantee services and other services as approved by the CBIRC and to be provided by Sinopharm Group Finance.

THE LISTING RULES IMPLICATIONS

Sinopharm Hongkong is the controlling Shareholder holding 1,634,705,642 Shares, representing approximately 32.46% of the total number of issued Shares as at the date of this announcement. As at the date of this announcement, Sinopharm Group Finance is owned as to approximately 58.2%, 9.1%, 10.9%, 10.9% and 10.9% by CNPGC, Sinopharm Group, CNBG, CNTCM and Shanghai Shyndec Pharmaceutical, respectively, and CNPGC is the parent company of Sinopharm Hongkong and Sinopharm Group Finance. As such, Sinopharm Group Finance is a connected person of the Company and the New Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Caps for the deposit services under the New Financial Services Framework Agreement exceed 0.1% but are all less than 5%, the deposit services under the New Financial Services Framework Agreement are only subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The loans to be provided by Sinopharm Group Finance to the Group under the New Financial Services Framework Agreement will constitute financial assistance by a connected person for the benefit of the Group. As the loans will be provided on terms which are no less favourable than those

offered by independent third parties and the Company does not intend to offer any assets of the Group as security of the loans, the loan transactions under the New Financial Services Framework Agreement will be fully exempt under Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios in respect of the estimated aggregate amount of the service fees in connection with the Other Financial Services on an annual basis is less than 0.1%, the Other Financial Services under the New Financial Services Framework Agreement will be fully exempt under Rule 14A.76(1) of the Listing Rules.

The following Directors hold the following positions in the CNPGC Group or its associates:

- (i) Mr. CHEN Yinglong is the chairman and general manager of CNTCM;
- (ii) Mr. CHENG Xueren is a director of CNTCM;
- (iii) Mr. YANG Wenming is a director of CNTCM;
- (iv) Mr. YANG Shanhua is a director of CNTCM and the chairman of Sinopharm Group Finance;
- (v) Ms. LI Ru is a director of CNTCM;
- (vi) Mr. YANG Binghua is a director of CNTCM; and
- (vii) Mr. WANG Kan is a director of CNTCM.

The above Directors are regarded as having a material interest in the New Financial Services Framework Agreement and the transactions contemplated thereunder by virtue of their positions held in the CNPGC Group or its associates. Each of them had abstained from voting at the Board meeting on the relevant resolutions for approving the New Financial Services Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“Annual Caps”	the annual caps for the Financial Services under the New Financial Services Framework Agreement
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission

“CNBG”	China National Biotech Group Company Limited (中國生物技術股份有限公司), a joint stock company incorporated in the PRC with limited liability, a wholly-owned subsidiary of CNPGC
“CNPGC”	China National Pharmaceutical Group Co., Ltd. (中國醫藥集團有限公司), a state-owned enterprise established in the PRC
“CNPGC Group”	CNPGC and its subsidiaries
“CNTCM”	China National Traditional Chinese Medicine Co., Limited (中國中藥有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of CNPGC
“Company”	China Traditional Chinese Medicine Holdings Co. Limited (中國中藥控股有限公司), a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 570)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Existing Financial Services Framework Agreement”	the existing financial services framework agreement dated 20 November 2019 entered into between the Company and Sinopharm Group Finance in relation to the provision of the Financial Services by Sinopharm Group Finance to the Group from 20 November 2019 to 19 November 2022
“Financial Services”	deposit services, loan and entrustment loan services and Other Financial Services provided by Sinopharm Group Finance to the Group
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Financial Services Framework Agreement”	the financial services framework agreement dated 18 November 2022 entered into between the Company and Sinopharm Group Finance in relation to the provision of the Financial Services by Sinopharm Group Finance to the Group during the period from 20 November 2022 to 19 November 2025

“Other Financial Services”	bill discounting and acceptance services, non-financing guarantee services, online banking services, financial advisory services, and such other services as approved by the CBIRC and to be provided by Sinopharm Group Finance
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Shyndec Pharmaceutical”	Shanghai Shyndec Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司), a joint stock company incorporated in the PRC with limited liability which is listed on the Shanghai Stock Exchange (stock code: 600420), a subsidiary of CNPGC
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Sinopharm Group”	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 which is listed on the Stock Exchange (stock code: 1099), a subsidiary of CNPGC
“Sinopharm Group Finance”	Sinopharm Group Finance Co., Ltd. (國藥集團財務有限公司), a company incorporated under the laws of the PRC with limited liability, which is a non-bank financial institution
“Sinopharm Hongkong”	Sinopharm Group Hongkong Co., Limited (國藥集團香港有限公司), a company incorporated in Hong Kong with limited liability and the controlling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCM”	traditional Chinese medicine
“%”	per cent

By order of the Board
China Traditional Chinese Medicine Holdings Co. Limited
CHEN Yinglong
Chairman

Hong Kong, 18 November 2022

As at the date of this announcement, the Board comprises twelve Directors, of which Mr. CHEN Yinglong, Mr. CHENG Xueren and Mr. YANG Wenming are executive Directors; Mr. YANG Shanhua, Ms. LI Ru, Mr. YANG Binghua, Mr. WANG Kan and Mr. KUI Kaipin are non-executive Directors; and Mr. XIE Rong, Mr. YU Tze Shan Hailson, Mr. QIN Ling and Mr. LI Weidong are independent non-executive Directors.