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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)

ANNOUNCEMENT

(1) CONTINUING CONNECTED TRANSACTIONS: 2023 PROCUREMENT FRAMEWORK AGREEMENT, 2023 SALES FRAMEWORK AGREEMENT, 2023 EPC GENERAL CONTRACTING SERVICES FRAMEWORK AGREEMENT AND 2023 FACTORING SERVICES FRAMEWORK AGREEMENT; AND

(2) DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION: 2023 FINANCIAL SERVICES FRAMEWORK AGREEMENT

References are made to (i) the announcement of the Company dated 22 October 2020 in relation to the 2020 Procurement Framework Agreement, the 2020 Sales Framework Agreement, the 2020 EPC General Contracting Services Framework Agreement, the 2020 Factoring Services Framework Agreement and the 2020 Financial Services Framework Agreement; (ii) the announcement of the Company dated 18 December 2020 in relation to the annual caps of the 2020 Financial Services Framework Agreement; and (iii) the announcement of the Company dated 18 March 2022 in relation to the ratification of the 2021 actual transaction amounts and revision of the annual caps for 2022 and 2023 of the 2020 Procurement Framework Agreement and the 2020 Sales Framework Agreement.

The Board hereby announces that as the term of each of the above-mentioned framework agreements as well as the annual caps for each of the continuing connected transactions thereunder will expire on 31 December 2023, on 9 November 2023, (i) the Company and CNPGC entered into the 2023 Procurement Framework Agreement, the 2023 Sales Framework Agreement and the 2023 EPC General Contracting Services Framework Agreement; (ii) the Company and the Factoring Company entered into the 2023 Factoring Services Framework Agreement; and (iii) the Company and the Finance Company entered into the 2023 Financial Services Framework

* *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."*

Agreement. The term of each of the above-mentioned framework agreements will be three years from 1 January 2024 to 31 December 2026 (whereas the 2023 Procurement Framework Agreement, the 2023 Sales Framework Agreement and the 2023 Financial Services Framework Agreement are subject to the approval by the Independent Shareholders).

The Company expects that for the three years ending 31 December 2026, (i) the proposed annual caps for the continuing connected transactions contemplated under the 2023 Procurement Framework Agreement will amount to RMB12,500 million, RMB14,900 million and RMB17,700 million, respectively; (ii) the proposed annual caps for the continuing connected transactions contemplated under the 2023 Sales Framework Agreement will amount to RMB3,200 million, RMB4,000 million and RMB4,900 million, respectively; (iii) the proposed annual caps for the continuing connected transactions contemplated under the 2023 EPC General Contracting Services Framework Agreement will amount to RMB1,600 million, RMB2,100 million and RMB2,500 million, respectively; (iv) the proposed annual caps for the continuing connected transactions contemplated under the 2023 Factoring Services Framework Agreement will amount to RMB250 million, RMB280 million and RMB320 million, respectively; and (v) the proposed maximum daily balance (including accrued interests) of the Deposit Services contemplated under the 2023 Financial Services Framework Agreement will amount to RMB5,500 million, and the proposed annual caps for the Other Financial Services contemplated under the 2023 Financial Services Framework Agreement will amount to RMB500 million.

HONG KONG LISTING RULES IMPLICATIONS

CNPGC is the ultimate controlling shareholder of the Company and thus, CNPGC and its subsidiaries, the Finance Company and the Factoring Company, are connected persons of the Company under the Hong Kong Listing Rules. Each of the 2023 Procurement Framework Agreement, the 2023 Sales Framework Agreement, the 2023 EPC General Contracting Services Framework Agreement, the 2023 Factoring Services Framework Agreement and the 2023 Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

The loans and entrustment loans to be provided by or through the Finance Company to the Group under the 2023 Financial Services Framework Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. Pursuant to the 2023 Financial Services Framework Agreement, such loans and entrustment loans will be on conducted normal commercial terms or better, and no security over the assets of the Group will be provided. Therefore, the transactions in respect of the loans and entrustment loans provided by or through the Finance Company to the Group under the 2023 Financial Services Framework Agreement are fully exempt from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of (i) the proposed annual caps for the continuing connected transactions contemplated under the 2023 EPC General Contracting Services Framework Agreement and the 2023 Factoring Services Framework Agreement; and (ii) the proposed annual caps for the Other Financial Services contemplated under the 2023 Financial Services Framework Agreement exceed 0.1% but are less than 5%, such transactions are only subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of (i) the proposed annual caps for the continuing connected transactions contemplated under the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement; and (ii) the proposed maximum daily balance of the Deposit Services contemplated under the 2023 Financial Services Framework Agreement exceed 5%, such agreements and transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios in respect of the proposed maximum daily balance of the Deposit Services contemplated under the 2023 Financial Services Framework Agreement exceed 5% but are less than 25%, the Deposit Services are also subject to the requirements applicable to discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

THE EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting of the Company will be convened to seek the approval of the Independent Shareholders with respect to (i) the terms of, the continuing connected transactions contemplated under and the proposed annual caps for the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement; and (ii) the terms of, the Deposit Services contemplated under and the proposed maximum daily balance of the deposits under the 2023 Financial Services Framework Agreement. CNPGC and its associates will abstain from voting on the relevant resolutions at the extraordinary general meeting.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on (i) the terms of, the continuing connected transactions contemplated under and the proposed annual caps for the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement; and (ii) the Deposit Services contemplated under, the relevant terms thereof and the proposed maximum daily balance of the deposits under the 2023 Financial Services Framework Agreement. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, details of the continuing connected transactions contemplated under and the proposed annual caps for the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement, the Deposit Services contemplated under and the proposed

maximum daily balance of the deposits under the 2023 Financial Services Framework Agreement, 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 extraordinary general meeting, will be despatched to the Shareholders on or before 5 December 2023 as more time is needed for the preparation of the information to be contained therein.

I. BACKGROUND

References are made to (i) the announcement of the Company dated 22 October 2020 in relation to the 2020 Procurement Framework Agreement, the 2020 Sales Framework Agreement, the 2020 EPC General Contracting Services Framework Agreement, the 2020 Factoring Services Framework Agreement and the 2020 Financial Services Framework Agreement; (ii) the announcement of the Company dated 18 December 2020 in relation to the annual caps of the 2020 Financial Services Framework Agreement; and (iii) the announcement of the Company dated 18 March 2022 in relation to the ratification of the 2021 actual transaction amounts and revision of the annual caps for 2022 and 2023 of the 2020 Procurement Framework Agreement and the 2020 Sales Framework Agreement.

As the term of each of the above-mentioned framework agreements as well as the annual caps for each of the continuing connected transactions thereunder will expire on 31 December 2023, on 9 November 2023, (i) the Company and CNPGC entered into the 2023 Procurement Framework Agreement, the 2023 Sales Framework Agreement and the 2023 EPC General Contracting Services Framework Agreement; (ii) the Company and the Factoring Company entered into the 2023 Factoring Services Framework Agreement; and (iii) the Company and the Finance Company entered into the 2023 Financial Services Framework Agreement. The term of each of the above 2023 framework agreements will be three years from 1 January 2024 to 31 December 2026 (whereas the 2023 Procurement Framework Agreement, the 2023 Sales Framework Agreement and the 2023 Financial Services Framework Agreement are subject to the approval by the Independent Shareholders).

II. 2023 PROCUREMENT FRAMEWORK AGREEMENT

As the term of the 2020 Procurement Framework Agreement will expire on 31 December 2023, the Company and CNPGC entered into the 2023 Procurement Framework Agreement on 9 November 2023 for a term of three years from 1 January 2024 to 31 December 2026, subject to the approval by the Independent Shareholders at the general meeting of the Company. When entering into the 2023 Procurement Framework Agreement, the Company updated the pricing policy thereof, so as to meet the needs of the Group better. Except for this, the 2023 Procurement Framework Agreement is not materially different from the 2020 Procurement Framework Agreement.

1. 2023 Procurement Framework Agreement

Details of the 2023 Procurement Framework Agreement are as follows:

Date: 9 November 2023

Parties: (i) the Company
(ii) CNPGC

Term of the Agreement: The term will be three years from 1 January 2024 to 31 December 2026, subject to the approval by the Independent Shareholders. Upon its expiry, the agreement will, subject to compliance with the relevant laws and regulations and the Hong Kong Listing Rules, be extended or renewed with the consent of the parties.

Nature of the Transactions: Pursuant to the 2023 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.

Principle of the Transactions: The transactions under the 2023 Procurement Framework Agreement shall follow the principle of fairness, and the terms and conditions of the transactions, including but not limited to the price, shall be conducted on normal commercial terms or better and the quality and conditions of the same or similar products shall be no less favourable than those sold or offered by independent third parties to the Group or by the CNPGC Group to independent third parties.

The 2023 Procurement Framework Agreement is non-exclusive, and the Group is entitled to purchase such products from any other third parties.

The Group may, from time to time, enter into specific agreements with the CNPGC Group to specify the details such as product requirements, scope of services, delivery term, transaction amount and other specifications, provided that the principles and terms in the 2023 Procurement Framework Agreement must be followed.

Pricing Policy:

The price of pharmaceutical products and medical devices to be purchased by the Group from the CNPGC Group under the 2023 Procurement Framework Agreement will be determined by the parties through arm's length negotiation after mainly taking into account (i) the final price of the relevant product is sold to hospitals, pharmacies and other institutions (for products procured through national centralised procurement or public bidding process by local governments, the final price refers to the winning tender price published on the public official websites of the local governments, such as: the website of Shanghai Sunshine Medical Procurement ALL-IN-ONE (上海陽光醫藥採購網), the website of Beijing Municipal Medical Insurance Bureau Medicine Sunshine Purchasing (北京市醫療保障局陽光採購網站), the website of Tianjin Medicine Purchasing Center (天津市醫藥採購中心網站), the website of Chongqing Drug Delivery (重慶藥交網); for products that are not procured through public bidding process, the final price refers to the price that the manufacturer files with the government, such as price of medical insurance drug or the hospital's procurement price from the distributor which is determined according to the agreement between the manufacturer and the hospital, or the manufacturer's proposed terminal sales price for relevant products in the corresponding channel (such as hospitals and pharmacies)), (ii) the distribution costs of the Group; and (iii) the profit level of the Group on relevant products.

The price of products such as personal care supplies and health products to be purchased by the Group from the CNPGC Group under the 2023 Procurement Framework Agreement will be determined by the parties through arm's length negotiation, having mainly taken into account the proposed terminal sales price provided by the CNPGC Group for the relevant products in the corresponding channel (such as hospitals and pharmacies), the distribution costs of the Group, and the profit level of the Group on relevant products.

After taking into consideration all the above-mentioned factors and going through all the necessary internal review and approval procedures, if the Group considers that the procurement price offered by the CNPGC Group is not in the best interest of the Company and its shareholders, or is not fair and reasonable, it is entitled not to purchase such products from the CNPGC Group.

2. Annual Caps

Historical figures

Historical transaction amounts between the Group and the CNPGC Group under the 2020 Procurement Framework Agreement are as follows:

	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (RMB)	Nine months ended 30 September 2023 (RMB)
Amounts paid by the Group to the CNPGC Group under the 2020 Procurement Framework Agreement	7,969 million	8,093 million	6,855 million

Proposed annual caps for the three years ending 31 December 2026

The Directors propose the annual caps for the continuing connected transactions contemplated under the 2023 Procurement Framework Agreement for the three years ending 31 December 2026 to be as follows:

Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
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Proposed annual caps for the 2023

Procurement Framework Agreement	12,500 million	14,900 million	17,700 million
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Basis of determination of the annual caps

The above proposed annual caps for the continuing connected transactions contemplated under the 2023 Procurement Framework Agreement were calculated after taking into account the following factors, and based on (1) the estimated transaction amount for 2023 estimated from the average proportion of historical transaction amounts in the first and second half of the year; (2) compound annual growth rate calculated based on the historical transaction amounts for the six years from 2017 to 2022; and (3) a buffer of 5%.

- (i) The number of customers of the Group is expected to continuously increase over the next three years, which will lead to the increase in the demand for pharmaceutical products, personal care supplies, medical devices, health products and other products, as well as the purchase of relevant products by the Group from the CNPGC Group. The expected increase in the number of customers of the Group in the next three years is mainly attributable to:
 - (a) the expected significant increase of the Group's market share in the pharmaceutical and medical device distribution business over the next three years due to the Group's seizing of market share and optimising of network layout with the market concentration of the pharmaceutical and medical device distribution industry continuously increasing;
 - (b) the expected continuous increase of the scale of medical device business and retail business operated by the Group in the next three years as a result of the Group's continuous strategic focusing on the medical device segment and retail segment; and
 - (c) the increase in sales volume of the above products through various terminal medical institutions and retail channels brought by the further expansion of sales network of various business segments benefiting from the Group's own business expansion and the continuous exploration and increase of innovative services;

- (ii) With the aging of China's population, the increasing demand for health and medical services of the people, and the further promotion and deepening of China's medical and health system reform by the Chinese government, it is expected that the size of China's pharmaceutical market will continue to grow in the next three years. According to statistics from IQVIA, it is estimated that the compound growth rate of China's pharmaceutical market will reach around 4% in the next three years;
- (iii) Considering the incremental effect related to the pandemic in 2021 and 2022 should be excluded, the estimation of proposed annual caps for the next three years used the estimated transaction amount for 2023 as base value. The estimated transaction amount for 2023 is estimated based on the average proportion of transaction amounts in the first and second half of the year for the six years from 2017 to 2022;
- (iv) Taking into account the aforementioned growth factors for procurement demand and considering it would be of higher reference value to use historical transaction amounts and their growth for a longer period to determine the trend of future transaction amounts, the compound growth rate of the transaction amounts for the six years from 2017 to 2022 is adopted, and such compound growth rate is used as the determination basis for estimating the growth rate of procurement transaction amounts in the next three years. The compound growth rate calculated based on the historical transaction amounts for the six years from 2017 to 2022 is approximately 19%; and
- (v) Applying a buffer of 5% to cater for any unanticipated growth of the above-mentioned transaction amounts during the term of the 2023 Procurement Framework Agreement.

3. Reasons for and Benefit of Entering into the 2023 Procurement Framework Agreement

The CNPGC Group is the largest pharmaceutical group in China and is a well-known pharmaceutical corporation with outstanding competency in pharmaceutical industry and sound financial condition, and has developed extensive experience and good service systems in respect of the products under the 2023 Procurement Framework Agreement. The products currently procured by the Group from CNPGC Group are mainly chemical pharmaceuticals, biopharmaceuticals, modern Chinese medicine and other related products, which are mainly used for distribution to medical institutions, retail pharmacies and other institutions (according to the pharmaceutical distribution model in the PRC, the specific types and scale of pharmaceutical products procured by the Group from CNPGC Group are mostly specified directly by the Group's customers such as medical institutions and retail pharmacies).

The Directors are of the view that the 2023 Procurement Framework Agreement enables (i) the Group to 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 satisfying the expected increase in customers' demand; (ii) the CNPGC Group to provide stable and high-quality services for the Group because it is familiar with the business and operational needs of the Group by virtue of the long-term cooperation with the Group in previous years; and (iii) the Group to fully leverage on advantages of the CNPGC Group to achieve better operating performance.

III. 2023 SALES FRAMEWORK AGREEMENT

As the term of the 2020 Sales Framework Agreement will expire on 31 December 2023, the Company and CNPGC entered into the 2023 Sales Framework Agreement on 9 November 2023 for a term of three years from 1 January 2024 to 31 December 2026, subject to the approval by the Independent Shareholders at the general meeting of the Company. When entering into the 2023 Sales Framework Agreement, the Company updated the pricing policy thereof, so as to meet the needs of the Group better. Except for this, the 2023 Sales Framework Agreement is not materially different from the 2020 Sales Framework Agreement.

1. 2023 Sales Framework Agreement

Details of the 2023 Sales Framework Agreement are as follows:

Date: 9 November 2023

Parties: (i) the Company

(ii) CNPGC

Term of the Agreement: The term will be three years from 1 January 2024 to 31 December 2026, subject to the approval by the Independent Shareholders. Upon its expiry, the agreement will, subject to compliance with the relevant laws and regulations and the Hong Kong Listing Rules, be extended or renewed with the consent of the parties.

Nature of the Transactions: Pursuant to the 2023 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.

Principle of the Transactions: The transactions under the 2023 Sales Framework Agreement shall follow the principle of fairness, and the terms and conditions of the transactions, including but not limited to the price, shall be conducted on normal commercial terms or better and the quality and conditions of the same or similar products shall be no less favourable than those purchased by independent third parties from the Group or by the CNPGC Group from independent third parties.

The 2023 Sales Framework Agreement is non-exclusive, and the Group is entitled to sell relevant products to any other third parties.

The Group may, from time to time, enter into specific agreement with the CNPGC Group to specify the details such as product requirements, scope of services, delivery term, transaction amount and other specifications, provided that the principles and terms in the 2023 Sales Framework Agreement must be followed.

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 2023 Sales Framework Agreement will be determined on an arm's length basis between the parties and after going through all necessary internal review and approval procedures, having mainly taken into account (i) the procurement costs (including products costs, cost of capital, logistic cost and others) for the relevant products purchased by the Group; and (ii) the profit level of the Group on relevant products.

2. Annual Caps

Historical figures

Historical transaction amounts between the Group and the CNPGC Group under the 2020 Sales Framework Agreement are as follows:

	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (RMB)	Nine months ended 30 September 2023 (RMB)
Amounts paid by the CNPGC Group to the Group under the 2020 Sales Framework Agreement	2,626 million	2,470 million	1,613 million ^{Note}

Note: Based on the historical transaction amounts paid by the CNPGC Group to the Group, the utilisation rate of the annual cap for the year ending 31 December 2023 is expected to be relatively low, mainly because sales volume of pandemic prevention consumables and other products of the Group to the CNPGC Group in 2023 was relatively low as compared with that in 2021 and 2022, which was mainly attributable to the gradual disappearance of incremental factors related to pandemic prevention along with the gradual release of pandemic prevention and control policy.

Proposed Annual caps for the three years ending 31 December 2026

The Directors propose the annual caps for the continuing connected transactions contemplated under the 2023 Sales Framework Agreement for the three years ending 31 December 2026 to be as follows:

	Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
Proposed annual caps for the 2023 Sales Framework Agreement	3,200 million	4,000 million	4,900 million

Basis of determination of the annual caps

The above proposed annual caps for the continuing connected transactions contemplated under the 2023 Sales Framework Agreement were calculated after taking into account the following factors, and based on (1) the estimated transaction amount for 2023 estimated from the average proportion of historical transaction amounts in the first and second half of the year; (2) compound annual growth rate calculated based on the historical transaction amounts for the six years from 2017 to 2022; and (3) a buffer of 5%.

- (i) Each of the CNPGC Group and the Group will continue to expand its network and business by way of acquisitions and mergers in the next three years, and it is expected that the demand of the CNPGC Group for pharmaceutical products, personal-care supplies, medical devices, chemical reagents, laboratory supplies and health products purchased from the Group will increase;
- (ii) With the aging of China's population, the increasing demand for health and medical services of the people, and the further promotion and deepening of China's medical and health system reform by the Chinese government, it is expected that the size of China's pharmaceutical market will also continue to grow in the next three years. The growth of such industries will also lead to an increase in the CNPGC Group's procurement demand from the Group;
- (iii) Considering the incremental effect related to the pandemic in 2021 and 2022 should be excluded, the estimation of proposed annual caps for the next three years used the estimated transaction amount for 2023 as base value. The estimated transaction amount for 2023 is estimated based on the average proportion of transaction amounts in the first and second half of the year for the six years from 2017 to 2022;
- (iv) Taking into account the aforementioned growth factors for sales demand and considering it would be of higher reference value to use historical transaction amounts and their growth for a longer period to determine the trend of future transaction amounts, the compound growth rate of the transaction amounts for the six years from 2017 to 2022 is adopted, and such compound growth rate is used as the determination basis for estimating the growth rate of sales transaction amounts in the next three years. The compound growth rate calculated based on the historical transaction amounts for the six years from 2017 to 2022 is approximately 23%; and
- (v) Applying a buffer of 5% to cater for any unanticipated growth of the above-mentioned transaction amounts during the term of the 2023 Sales Framework Agreement.

3. Reasons for and Benefit of Entering into the 2023 Sales Framework Agreement

The CNPGC Group is the largest pharmaceutical group in China and is a well-known pharmaceutical corporation with outstanding competency in pharmaceutical industry. The Group has extensive experience and good reputation in pharmaceutical sector, and the cooperation between the CNPGC Group and the Group is commercially reasonable and in their best interests. The products currently sold by the Group to CNPGC Group are mainly pharmaceutical products such as chemical pharmaceuticals, biopharmaceuticals, modern Chinese medicine, health products, medical devices, chemical reagents, auxiliary materials and laboratory supplies, and such products are mainly sold to medical institutions, medical service enterprises and pharmaceutical manufacturing enterprises of the CNPGC Group.

The Directors are of the view that the 2023 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; (ii) the Group to increase the sales volume of relevant products by actively expanding the CNPGC Group as the target customer group and the possible further introduction of the Group's products to other customers by the CNPGC Group; and (iii) the Group to fully leverage on advantages of the CNPGC Group to achieve better operating performance.

IV. 2023 EPC GENERAL CONTRACTING SERVICES FRAMEWORK AGREEMENT

As the term of the 2020 EPC General Contracting Services Framework Agreement will expire on 31 December 2023, the Company and CNPGC entered into the 2023 EPC General Contracting Services Framework Agreement on 9 November 2023 for a term of three years from 1 January 2024 to 31 December 2026. When entering into the 2023 EPC General Contracting Services Framework Agreement, the Company updated the pricing policy thereof, so as to meet the needs of the Group better. Except for this, the 2023 EPC General Contracting Services Framework Agreement is not materially different from the 2020 EPC General Contracting Services Framework Agreement.

1. 2023 EPC General Contracting Services Framework Agreement

Details of the 2023 EPC General Contracting Services Framework Agreement are as follows:

- Date:** 9 November 2023
- Parties:** (i) the Company
(ii) CNPGC

Term of the Agreement:	The term will be three years from 1 January 2024 to 31 December 2026. Upon its expiry, the agreement will, subject to compliance with the relevant laws and regulations and the Hong Kong Listing Rules, be extended or renewed with the consent of the parties.
Nature of the Transactions:	Pursuant to the 2023 EPC General Contracting Services Framework Agreement, the CNPGC Group will provide EPC general contracting services to the Group according to the EPC general contracting services agreements obtained through bidding process.
Principle of the Transactions:	<p>The 2023 EPC General Contracting Services Framework Agreement shall be conducted on normal commercial terms or better, and the service provider and the price shall be determined through a bidding process in principle and in compliance with the Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) and other applicable laws, regulations and rules.</p> <p>The Group may, from time to time, enter into specific agreements with the CNPGC Group to specify the details such as specific rights and obligations, contents of services, transaction amount and payment method, provided that the principles and terms in the 2023 EPC General Contracting Services Framework Agreement must be followed.</p>
Pricing Policy:	The CNPGC Group shall bid by stringently following the steps and/or measurements as stipulated by the Invitation And Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) and the specific requirements in bidding invitation documents made by the Group.

The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the project's technical requirements, the criteria for examination of the contractors, the requirements for the bid price and the standard of evaluation of the bid, etc. The Group's tender committee is responsible for (i) ensuring the process is in accordance with the Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》); (ii) reviewing, evaluating and monitoring documents from outsourcing service providers based on the technical, commercial and pricing criteria and payment terms of relevant service fees, which will ensure the terms obtained by the Group from the CNPGC Group is no less favorable than the quality and condition offered by independent third parties to the Group or those are available to independent third parties from the CNPGC Group for the same or similar services; and (iii) grading the service providers and writing recommendation advice. The Group's tender committee is responsible for determining whether to accept the EPC general contracting services for particular EPC projects offered by the CNPGC Group after all necessary internal review and approval procedures are carried out.

After considering above factors and going through all necessary internal review and approval procedures, the Group will determine whether to accept the EPC general contracting services for particular EPC projects offered by the CNPGC Group.

2. Annual Caps

Historical figures

Historical transaction amounts between the Group and the CNPGC Group under the 2020 EPC General Contracting Services Framework Agreement are as follows:

	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (RMB)	Nine months ended 30 September 2023 (RMB)
Amounts paid by the Group to the CNPGC Group under the 2020 EPC General Contracting Services Framework Agreement	5 million ^{Note}	28 million ^{Note}	9.5 million ^{Note}

Note: There are uncertainties on the EPC projects as their implementation requires for policy support from local government. In addition, the EPC projects have long implementation timeframe. Therefore, the number of the EPC projects actually performed from 2021 to 2023 was less than expected, resulting in lower actual transaction amount than the annual caps.

Proposed Annual caps for the three years ending 31 December 2026

The Directors propose the annual caps for the continuing connected transactions contemplated under the 2023 EPC General Contracting Services Framework Agreement for the three years ending 31 December 2026 to be as follows:

	Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
Proposed annual caps for the 2023 EPC General Contracting Services Framework Agreement	1,600 million	2,100 million	2,500 million

Basis of determination of the annual caps

The above proposed annual caps for the continuing connected transactions contemplated under the 2023 EPC General Contracting Services Framework Agreement were mainly determined with reference to the historical transaction figures as stated above and after taking into consideration the following factors:

- (i) the Group will accelerate the promotion of the integrated management of logistics nationwide as the key strategy of logistics segment, fully carry out the construction of integrated logistics operation system and significantly increase investment in logistics infrastructure construction in the future and set up logistic hubs in many places;
- (ii) based on the project construction planning, business development and the requirements of satisfying the GSP (Good Supply Practice for pharmaceutical products) standards and combined with above national logistics integration strategy, the Group forecasts the demand for the logistics infrastructure construction in the next three years, the majority of which will be conducted by way of EPC general contracting. Based on the approximate proportion of EPC general contracting services obtained by the CNPGC Group through successful tenders over the years, the estimated transaction amounts for EPC general contracting services with the CNPGC Group will be RMB1,500 million, RMB2,000 million and RMB2,400 million, respectively, in the next three years; and
- (iii) applying a buffer of 5% to cater for any unanticipated growth of the above-mentioned transaction amounts during the term of the 2023 EPC General Contracting Services Framework Agreement.

3. Reasons for and Benefits of Entering into the 2023 EPC General Contracting Services Framework Agreement

According to the national logistics integration strategy of the Group, the Group will fully carry out the construction of integrated logistics operation system and significantly increase investment in logistics infrastructure construction in the future. In order to improve project efficiency, the Group will conduct the aforesaid engineering construction projects by way of EPC general contracting more frequently in the future, and will select service providers through open tendering process in accordance with relevant laws and regulations. The CNPGC Group may participate in the bidding process as a provider of EPC general contracting services. The appointment of the CNPGC Group as a provider of EPC general contracting services for the projects of the Group is subject to a successful tender in a competitive tendering process governed by the relevant laws and regulations in the PRC.

The main purpose of entering into the 2023 EPC General Contracting Services Framework Agreement is to avoid undue delay in the construction progress of the relevant projects which will otherwise have to implement its duties for information disclosure under the Hong Kong Listing Rules in relation to connected transactions for specific agreements, so as to improve the efficiency of the Group's approval process of such transactions.

V. 2023 FACTORING SERVICES FRAMEWORK AGREEMENT

As the term of the 2020 Factoring Services Framework Agreement will expire on 31 December 2023, the Company and the Factoring Company entered into the 2023 Factoring Services Framework Agreement on 9 November 2023 for a term of three years from 1 January 2024 to 31 December 2026. When entering into the 2023 Factoring Services Framework Agreement, the Company updated the pricing policy thereof, so as to meet the needs of the Group better. Except for this, the 2023 Factoring Services Framework Agreement is not materially different from the 2020 Factoring Services Framework Agreement.

1. 2023 Factoring Services Framework Agreement

Details of the 2023 Factoring Services Framework Agreement are as follows:

Date:	9 November 2023
Parties:	(i) the Company; (ii) the Factoring Company
Term of the Agreement:	The term will be three years from 1 January 2024 to 31 December 2026. The agreement will, subject to compliance with relevant laws and regulations and the Hong Kong Listing Rules, be extended or renewed with the consent of the parties.
Nature of the Transactions:	The Factoring Company will provide the Commercial Factoring Services to the Group, including but not limited to factoring services and other business of the Factoring Company approved by the regulatory authority. The specific services include recourse and non-recourse commercial factoring and other commercial factoring services (including sales sub-account management services, collection services for trade receivables and other permitted business of the Factoring Company).

**Principle of the
Transactions:**

The transactions under the 2023 Factoring Services Framework Agreement shall be conducted on normal commercial terms or better.

The Factoring Company undertakes that whenever it provides Commercial Factoring Services to the Group, the conditions thereof shall be no less favorable than those offered by independent third parties to the Group or those available to independent third parties from the Factoring Company for the same type of Commercial Factoring Services.

The 2023 Factoring Services Agreement is non-exclusive, and the Group is entitled to receive Commercial Factoring Services from any other third parties.

The Factoring Company may, from time to time, enter into specific agreement with the Group, provided that the principles and pricing policy in the 2023 Factoring Services Framework Agreement must be followed.

Pricing Policy:

The comprehensive pricing (including interest and fees) of the Commercial Factoring Services charged by the Factoring Company shall be fair and reasonable and shall not be higher than the comprehensive pricing (including interest and fees) of the Commercial Factoring Services of the same type provided by independent third parties to the Group or the Factoring Company to independent third parties during the same period.

2. Annual Caps

Historical figures

Historical transaction amounts between the Group and the Factoring Company under the 2020 Factoring Services Framework Agreement are as follows:

	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (RMB)	Nine months ended 30 September 2023 (RMB)
Interests/fees paid by the Group for Commercial Factoring Services provided by the Factoring Company	89 million	84 million	69 million

Proposed Annual caps for the three years ending 31 December 2026

The Directors propose the annual caps for the continuing connected transactions contemplated under the 2023 Factoring Services Framework Agreement for the three years ending 31 December 2026 to be as follows:

	Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
Proposed annual caps for the 2023 Factoring Services Framework Agreement	250 million	280 million	320 million

Basis of determination of the annual caps

The above proposed annual caps for the continuing connected transactions contemplated under the 2023 Factoring Services Framework Agreement are determined with reference to the historical transaction amount as stated above and the following factors:

- (i) the proposed annual caps for the next three years were estimated based on the judgment of the Group and the Factoring Company on the trend of market capital price from 2024 to 2026 and the forecast of the Group's financing needs in terms of obtaining Commercial Factoring Services from the Factoring Company and the

average daily factoring scale in the next three years combined with the average factoring fee rate of Commercial Factoring Services obtained by the Group from the Factoring Company in 2021 and 2022; and

- (ii) a portion of buffer has been reserved from a prudent perspective after taking into account fluctuations in the price of capital in the future and small fluctuations in the business volume of the Group.

3. Reasons for and Benefit of Entering into the 2023 Factoring Services Framework Agreement

The Group obtains factoring services from various commercial banks, the Factoring Company and the Finance Company. The execution of the 2023 Factoring Services Framework Agreement would enable the Group to expand the diversified financing channels and optimise its financial structure. The efficiency of capital usage of the Group would also be improved.

As far as the Directors are aware, the Factoring Company has established stringent internal control measures to ensure effective risk management and compliance with relevant laws and regulations of the PRC. Meanwhile, the Group will also adopt reasonable internal control procedures and corporate governance measures in relation to its utilisation of the Commercial Factoring Services provided by the Factoring Company to the Group.

VI. 2023 FINANCIAL SERVICES FRAMEWORK AGREEMENT

As the term of the 2020 Financial Services Framework Agreement will expire on 31 December 2023, the Company and the Finance Company entered into the 2023 Financial Services Framework Agreement on 9 November 2023 for a term of three years from 1 January 2024 to 31 December 2026, subject to the approval by the Independent Shareholders at the general meeting of the Company. When entering into the 2023 Financial Services Framework Agreement, the Company updated the pricing policy thereof, so as to meet the needs of the Group better. Except for this, the 2023 Financial Services Framework Agreement is not materially different from the 2020 Financial Services Framework Agreement.

1. 2023 Financial Services Framework Agreement

Details of the 2023 Financial Services Framework Agreement are as follows:

Date: 9 November 2023

Parties: (i) the Company

(ii) the Finance Company

Term of the Agreement: The term will be three years from 1 January 2024 to 31 December 2026, subject to the approval by the Independent Shareholders. Upon its expiry, the agreement will, subject to compliance with the relevant laws and regulations and the Hong Kong Listing Rules, be extended or renewed with the consent of the parties.

Nature of the Transactions: Pursuant to the 2023 Financial Services Framework Agreement, the Finance Company agrees to provide the following financial services:

- (i) deposit services;
- (ii) loan and entrustment loan services;
- (iii) bill discounting, bill acceptance, non-financing letter of guarantee and settlement services; and
- (iv) other business as may be carried on by the Finance Company as approved by the NAFR.

Principle of the Transactions: All transactions under the 2023 Financial Services Framework Agreement shall be conducted on normal commercial terms or better. The Finance Company undertakes to provide financial services on conditions that neither be less favorable than those offered to other members of the CNPGC Group for the same type of financial services, nor shall be less favorable than those available to the Group from the then-current commercial banks or other financial institutions for the same type of financial services.

The 2023 Financial Services Framework Agreement is non-exclusive, and the Group is entitled to independently choose the financial institution to provide financial services and independently determine the financial institution to provide deposit and/or loan services and the deposit and/or loan amounts according to its business needs.

The Group may, from time to time, enter into specific agreements with the Finance Company, provided that the principles and pricing policy in the 2023 Financial Services Framework Agreement must be followed.

Pricing Policy:

Pursuant to the 2023 Financial Services Framework Agreement, the service price between the Group and the Finance Company will be determined on the following basis:

Deposit services

In determining the interest rates for the deposits to be placed by the Group with the Finance Company, the Group shall obtain the quotation on interest rates from the Finance Company, and make reference to the interest rates of the same type of deposits quoted by not less than three major commercial banks in the PRC (the “**Reference Deposit Rates**”). The interest rate applicable to the Group for its deposits with the Finance Company shall, subject to compliance with requirements on interest rates prescribed by the PBOC for such type of deposits, be the higher of; (i) the maximum Reference Deposit Rates; and (ii) the interest rates offered by the Finance Company.

Loan services

The terms of loans provided to the Group by the Finance Company shall be no less favorable than the terms of the same type of loans offered to the Group by independent third party commercial banks which have existing cooperative relationships with the Group. In determining the applicable interest rates for loans to be granted to the Group by the Finance Company, the Group shall obtain the quotation on interest rates from the Finance Company, and make reference to the interest rates of the same type of loans quoted by not less than three major commercial banks in the PRC (the “**Reference Loan Rates**”). The interest rate applicable to the Group for its loans to be granted by the Finance Company shall be the lower of: (i) the lowest Reference

Loan Rate; and (ii) the interest rate offered by the Finance Company.

Subject to compliance with relevant laws, regulations and regulatory requirements, the Finance Company will provide the loan services on normal commercial terms or better and such loans will not be secured by the assets of the Group.

Other Financial Services and financial services to be carried out

The fees charged for Other Financial Services to be provided by the Finance Company to the Group shall comply with the standard rates as promulgated by the PBOC or the NAFR, if applicable. The terms of Other Financial Services provided to the Group by the Finance Company shall be no less favorable than the terms of the same type of Other Financial Services provided by independent third party commercial banks which have existing cooperative relationships with the Group. In determining the applicable fees for Other Financial Services to be charged by the Finance Company from Group, the Group shall obtain the fee quotation from the Finance Company, and make reference to the fees for the same type of financial services quoted by not less than three major commercial banks in the PRC (the “**Reference Service Fees**”). The applicable fees for Other Finance Services to be offered by the Finance Company to the Group shall be the lower of: (i) the lowest Reference Service Fee; and (ii) the fees charged by the Finance Company.

The settlement services provided by the Finance Company to the Group will be free of charge.

2. Annual Caps

Historical figures

Historical transaction amounts between the Group and the Finance Company under the 2020 Financial Services Framework Agreement are as follows:

	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (RMB)	Nine months ended 30 September 2023 (RMB)
Maximum daily balance of the deposits (including accrued interests) of the Group placed with the Finance Company	2,419 million	2,410 million	2,410 million
Interests/service fees paid by the Group for the Other Financial Services provided by the Finance Company	109 million ^{Note}	119 million ^{Note}	95 million ^{Note}

Note: For the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023, the utilisation rate of the annual caps for the Other Financial Services was relatively low, mainly because the Finance Company reduced the interest rates/fees for relevant services after considering factors such as market interest rates and national policies, the impact of which outweighed the growth of the transaction scale of the Other Financial Services.

Proposed annual caps for the three years ending 31 December 2026

The Directors propose the annual caps for the continuing connected transactions contemplated under the 2023 Financial Services Framework Agreement for the three years ending 31 December 2026 to be as follows:

	Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
Proposed maximum daily balance (including accrued interest) of the Deposit Services under the 2023 Financial Services Framework Agreement	5,500 million	5,500 million	5,500 million

	Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
Annual caps for the Other Financial Services under the 2023 Financial Services Framework Agreement	500 million	500 million	500 million

Basis of determination of the annual caps

The above proposed maximum daily balance of the Deposit Services (including accrued interests) contemplated under the 2023 Financial Services Framework Agreement are determined with reference to the historical transaction amount as stated above and the following factors:

- (i) Based on following factors, the maximum daily balance of the Deposit Services under the 2020 Financial Services Framework Agreement fall far below the available cash balance of the Group, therefore it is expected that the Group's demand for deposits with the Finance Company will further increase in the future:
 - (a) Changes in the balance of deposits in recent years. The utilisation rates of the maximum daily balance of the deposits for the two years ended 31 December 2022 and the nine months ended 30 September 2023 reached 99.96%, 99.59% and 99.59%, respectively, which were at a relatively high level;
 - (b) Business development of the Group. The revenue for the year ended 31 December 2022 increased by approximately 30% as compared to the year ended 31 December 2019 (being the latest full financial year prior to entering into the 2020 Financial Services Framework Agreement);
 - (c) Financial position of the Group. The cash and cash equivalents as at 30 September 2023 increased by approximately 5% as compared to that as at 30 September 2020 (being the latest date for financial position prior to entering into the 2020 Financial Services Framework Agreement); and
 - (d) The Group has sufficient funds. The maximum daily balance of the Deposit Services under the 2020 Financial Services Framework Agreement only accounted for 6%, 4% and 7% of the cash and cash equivalents of the Group as at 31 December 2021 and 2022 and 30 September 2023, respectively;
- (ii) Based on the maximum daily balance of the deposits of RMB5,500 million, deposits with the Finance Company accounted for approximately 13%, 10% and 16% of the cash and cash equivalents as at 31 December 2021 and 2022 and 30 September

2023, respectively. Having considered the fact that the cash and cash equivalents of the Group exceeds the maximum daily balance of the Deposit Services provided by the Finance Company, the Group will require both commercial banks and the Finance Company to provide the Deposit Services, and greater flexibility in engaging the Finance Company or other independent third party financial institutions to provide the Deposit Services. The Deposit Services provided by the Finance Company will supplement those of commercial banks, so that the Group can maintain an optimal capital structure and in the best interests of shareholders and other creditors;

- (iii) The Finance Company may provide relatively stable Deposit Services with higher deposit interest rates;
- (iv) The Finance Company will provide settlement service to the Group for free and shall ensure the safe operation of the fund settlement network, safeguard the safety of funds, control the risk of assets and liabilities and meet the payment needs of the Group. Also, the Finance Company will provide commercial bills information enquiry service to the Group for free. In addition, the Finance Company will provide diversified financial services, such as national monetary policy dynamics, financial market price dynamics, financial risk analysis and highlights and commercial bank annual information analysis, to supplement services provided by banks in counter-cyclical and critical periods and enable the Group to understand the market and control financial risks; and
- (v) Taking into account the liquidity risk (being having sufficient and flexible cash and cash equivalents to meet the needs of daily operations) and the fact that Finance Company undertakes to grant the Group with the credit facility not less than the deposit cap, the Group intends to increase the maximum daily balance of the deposits with the Finance Company to realise resource sharing and win-win situation.

The above-mentioned proposed annual caps of Other Financial Services contemplated under the 2023 Financial Services Framework Agreement are determined mainly with reference to the historical transaction data set out above and taking into account the following: in the next three years, the business of the Finance Company will continue to grow. The Finance Company will also continue to enlarge the scope of services to the Group, extend service levels, diversify financial products, and provide the Group with more diversified Other Financial Services, including convenient fund settlement, and bill business and accounts receivable financing business with relatively flexible terms. Therefore, the proposed annual caps for Other Financial Services will remain unchanged.

3. Reasons for and Benefit of Entering into the 2023 Financial Services Framework Agreement

The Directors are of the view that utilising financial services from the Finance Company continuously has the following benefits:

- (i) *Obtain convenient and diversified financial services, effectively lower costs and expenses and enhance competitiveness and bargaining power*

The Finance Company has been dedicated to serving the Group for a long time and can offer more favorable, diversified, flexible and personalised financial services than third-party commercial banks. In addition, the 2023 Financial Services Framework Agreement is non-exclusive and does not limit the Group's choice in engaging any banks or financial institutions to satisfy its need for financial services. Accordingly, entering into the 2023 Financial Services Framework Agreement will provide the Group with an additional financial services provider and help improve the Group's bargaining power with other external financial institutions.

All financial services provided by the Finance Company to the Group shall be on normal commercial terms or better. Among which:

- (a) in respect of the Deposit Services, the interest rates offered by the Finance Company will not be lower than those offered by three major commercial banks for the same type of deposits. The procedures for withdrawal of the deposits are convenient and the categories and term of the deposits are flexible, which will improve the capital utilisation efficiency of the Group;
- (b) in respect of the loan services, the terms of the loans provided to the Group by the Finance Company shall be no less favorable than the terms of the same type of loans offered to the Group by independent third party commercial banks which have existing cooperative relationships with the Group, and the interest rate shall not be higher than those offered by three major commercial banks for the same type of loans, along with relatively simple business process and relatively efficient approval, which will lower the financing costs of the Group;
- (c) in respect of the Other Financial Services, by taking advantage of the familiarity with the Group, the Finance Company can formulate a tailored, flexible and customised financial services (such as capital management, financial services, etc.) plan for the Group, which is characterised by rapid responses, favorable rates and strong pertinence; and
- (d) the Finance Company will provide the Group with settlement service for free, which also enables the Group to save settlement expenses.

All the above-mentioned can help improve the Group's bargaining power with other external financial institutions.

(ii) Indirectly increase investment income

The Group's deposits placed with the Finance Company can bring investment income to the Group. The Company holds approximately 4.5% equity interests in the Finance Company. The 2023 Financial Services Framework Agreement (including the Deposit Services, loan services and Other Financial Services) will help improve profits and investment income of the Finance Company, obtain stable investment income through annual cash dividend and also supplement the cash flow of the Company.

(iii) Risk guarantee

As a non-bank financial institution established with the approval of the former CBIRC, the Finance Company is subject to the routine supervision by the regulatory authorities. It is subject to the Measures for the Administration of Enterprise Group Finance Companies (《企業集團財務公司管理辦法》) and other regulatory requirements and is guided and regulated by the NAFR and its agencies, the PBOC, the State Administration of Foreign Exchange, the China National Association of Finance Companies, the State-owned Assets Supervision and Administration Commission, etc. In particular, the funds of the Finance Company are strictly managed to guarantee the fund safety. During the daily operation, the NAFR and its agencies comprehensively supervised the independence and compliance of the Finance Company through on-site inspections and off-site inspections to ensure the regulated operations of the Finance Company.

In accordance with regulatory requirements, the Finance Company submits various regulatory reports to regulatory institutions on a daily, monthly, quarterly, and annual basis, including capital adequacy ratio, liquidity ratio, guarantee ratio, investment ratio, etc. The Finance Company is the same as other banks in terms of supervision intensity, risk control system and capital security. As of 30 September 2023, the capital adequacy ratio, liquidity ratio, inter-bank lending ratio, guarantee ratio, investment ratio, the ratio of self-owned fixed assets, non-performing loan ratio and non-performing asset ratio was 21.63%, 60.84%, 0%, 2.80%, 67.09%, 0.08%, 0% and 0%, respectively. All of the above indicators reflect that the Finance Company is an institution with good credit and high-quality assets, and its counterparty risk, credit risk, market risk and liquidity risk are significantly lower than the industry average. Since its establishment up to the date of this announcement, the Finance Company has complied with all the relevant requirements from the NAFR in respect of the above ratios and applicable rules

and regulations stipulated by the NAFR. In addition, the Finance Company undertakes to provide the Group with key regulatory indicator data on a regular basis.

The Finance Company is subject to the direct supervision of the PBOC to maintain deposit reserve in full and timely manner, and the deposit reserve ratio of the Finance Company shall not be lower than the minimum permitted by the PBOC at any time. Since its establishment up to the date of this announcement, the Finance Company has complied with such regulatory requirements in respect of the deposit reserves. When providing financial services to the Group on a non-exclusive basis, the Finance Company will ensure that the ownership of and the right to use deposit funds of the Group and the interests derived from its deposit funds will not be affected. The Finance Company is responsible for ensuring the safety of the funds deposited by the Group and the independence of use of such funds by the Group. In addition, the Finance Company undertakes to maintain sufficient liquidity and ensure the safety of the Group's funds to ensure that the Group's deposit funds can be used at any time.

4. Risk Management Measures taken for protecting the interests of the Company and its shareholders as a whole in the Deposit Services transaction

As far as the Directors are aware, the Finance Company has established stringent internal control measures to ensure effective risk management and compliance with relevant laws and regulations of the PRC. The internal control measures adopted by the Finance Company include:

- (i) the Finance Company has formulated a sound internal control management system and risk management system, made emergency plans based on different risks to effectively prevent risks, implemented the internal audit supervision system, established the risk control committee responsible for its board of directors, and set up risk management department and audit department to supervise and audit its business activities. Each business department formulates corresponding standardised operating procedures, operation standards and risk prevention measures according to each business, predicts, evaluates and controls credit risk, liquidity risk, market risk, operation risk, system risk, compliance risk and reputation risk in business operations, submits risk and internal control work reports and other work reports to the directors of the Finance Company on a regular basis and supervises the daily risk management and control, risk governance and business development of the Company to ensure the safety of funds deposited by the Group;
- (ii) the Finance Company has formulated a series of business systems and operating procedures such as the Measures for the Administration of Accounts (《賬戶管理辦法》), the Measures for the Administration of Settlement Business (《結算業務管理辦法》), the Measures for the Administration of Deposit Business (《存款業務管理辦

法》) and the Measures for the Administration of Payment and Settlement Authority (《支付結算權限管理辦法》) in accordance with rules and regulations prescribed by the relevant national authorities and the PBOC. These measures provide the operating specifications and control standards for various settlement and deposit businesses, and effectively control business risks. The Finance Company follows the principles of equality, willingness, fairness and integrity to ensure the safety of customers' funds, complies with the basic principle of the PBOC for "abiding by the credit" in the settlement business, performs the contractual payment obligations, actively cooperates with the Group in managing the funds, provides relevant information statements as required in time, and regularly made reconciliations with customers to ensure the safety of the funds;

- (iii) the Finance Company has formulated a series of administration measures and operating procedures such as the Measures for the Administration of Customer Credit Rating (《客戶信用評級管理辦法》), the Measures for the Administration of General Credit (《綜合授信管理辦法》) and the Measures for the Administration of Self-operated Loan Business (《自營貸款業務管理辦法》) in accordance with the Lending General Provisions (《貸款通則》), the Measures for the Administration of Enterprise Group Finance Companies (《企業集團財務公司管理辦法》) and the relevant provisions promulgated by the NAFR and the PBOC, so as to effectively control the risks of credit business;
- (iv) the Finance Company has required the business personnel to comply with the systems, not to disclose customers' information without permission, and to sign confidentiality agreements and receive relevant trainings to understand how to handle and protect customers' information and keep customers' deposits confidential; and
- (v) the Finance Company will ensure the stability of the system and upload financing data and other information to the Group on a daily basis to facilitate the Group to control its financial risks. The Finance Company strengthened technical security measures, formulated the measures for management of information technology risks and business continuity, emergency plans, etc., regularly carried out security inspection and loophole repair on the system, and conducted emergency exercises at least once a year to ensure the security and stability of the business system.

In addition, at the establishment of the Finance Company, the board of directors of its parent company CNPGC issued a letter of commitment to the former CBIRC, in which CNPGC undertook that it would correspondingly increase its capital investment in the Finance Company so as to meet its actual needs to solve such difficulties in case that the Finance Company encounters operational difficulties.

Meanwhile, as described below in the section headed “VII. Measures of Internal Control - 4. 2023 Financial Services Framework Agreement”, the Group also adopted reasonable internal control procedures and corporate governance measures in relation to its utilisation of the financial services provided by the Finance Company.

VII. MEASURES OF INTERNAL CONTROL

To ensure the Company’s conformity with the above pricing policies in relation to the continuing connected transactions contemplated under each of the 2023 Procurement Framework Agreement, the 2023 Sales Framework Agreement, the 2023 EPC General Contracting Services Framework Agreement, the 2023 Factoring Services Framework Agreement and the 2023 Financial Services Framework Agreement, from time to time, the Company has adopted and would continue to strengthen the below internal control policies for its daily operation. The Directors consider that such internal policies and procedures can ensure the continuing connected transactions contemplated under each of the 2023 Procurement Framework Agreement, the 2023 Sales Framework Agreement, the 2023 EPC General Contracting Services Framework Agreement, the 2023 Factoring Services Framework Agreement and the 2023 Financial Services Framework Agreement will be conducted on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements.

In addition, the independent non-executive Directors of the Company will review the non-exempt continuing connected transactions contemplated under each of the 2023 Procurement Framework Agreement, the 2023 Sales Framework Agreement, the 2023 EPC General Contracting Services Framework Agreement, the 2023 Factoring Services Framework Agreement and the 2023 Financial Services Framework Agreement on an ongoing basis to ensure that such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements.

The auditors of the Company will also conduct an annual review on the pricing terms and annual caps of such non-exempt continuing connected transactions. When conducting the annual review, the Company will provide the auditors with all required data and information on the continuing connected transactions. The Company and its subsidiaries will also promptly cooperate with the auditors for inspection and verification and offer relevant execution agreements for the auditor to review whether the execution agreements comply with the terms of the framework agreements in all material respects. The finance department of the Company will also maintain close communication with the auditors to answer relevant questions raised by the auditors during the annual review in a timely manner.

1. 2023 Procurement Framework Agreement and 2023 Sales Framework Agreement

In respect of the continuing connected transactions contemplated under the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement, the Group has adopted following internal control measures:

Especially for the 2023 Procurement Framework Agreement

- (i) In determining the price for the procurement of products from the CNPGC Group, such price (being the procurement costs of products of the Group), when aggregated with the distribution costs of the Group, shall still enable the Group to achieve level of gross profit from sales of such products comparable to the gross profit margin that would be achieved if the relevant products or similar products to be sold were purchased from a third party under the same or similar business model.
- (ii) Before purchasing products from the CNPGC Group, the Group will determine whether to accept the procurement price for a particular product offered by the CNPGC Group after (a) comprehensively considering a variety of factors relating to particular products, including but not limited to the price, quality, credit period, delivery method, after-sales service, gross profit and average price in the industry; and (b) going through all necessary internal review and approval procedures by the president and/or various departments of the relevant members of the Group (including but not limited to the procurement department, finance department, legal and compliance department, quality department and operation department).

When determining whether to accept the price of the products as offered by the CNPGC Group, the Group will make reference to the followings: for products with public bidding price/public procurement price, after taking into account the tender price won in the public bidding process which is held by the tender offices of relevant PRC local government or hospitals and participated by 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 (a). For products without public bidding price/public procurement price, the Group will generally inquire the quotations offered by not less than three independent third parties in respect of the same product. For products without market price (for instance, if there are no other suppliers for similar products, or if the product is proprietary), the purchase terms and price will be determined based on the transaction principles and pricing policies under the 2023 Procurement Framework Agreement and the above factors stated in (a) for the substantially similar type of purchase transactions with the Group.

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

Especially for the 2023 Sales Framework Agreement

- (i) 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 relevant members of the Group will carry out all necessary internal review and approval procedures. The departments of the Group responsible for the execution of connected transactions (including but not limited to those responsible for legal, finance, operation, etc.) will generally compare the terms and conditions of the specific agreements with at least two comparable agreements entered into with independent third parties through price inquiry or comparison prior to the entering into of the specific agreements, so as to ensure that the pricing policies of the relevant products offered by the Group to the CNPGC Group under the same or similar business model are comparable to those offered to independent third parties.

Applicable to the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement as a whole

- (i) the operation department of the Company is responsible for taking the lead in requesting the subsidiaries that conducting continuing connected transactions to report the estimated amount of continuing connected transactions in the next quarter on a quarter basis, and the finance department is responsible for reviewing the quarterly budget. The finance department of the Company is responsible for continuously monitoring and collecting the actual amount of continuing connected transactions from subsidiaries at least quarterly. The office of the Board, the operation department and the finance department of the Company shall check the collected actual amount of continuing connected transactions of subsidiaries for each quarter as soon as possible to jointly confirm the final actual amount. The Company established a continuing connected transaction management working group with the participation of the office of the Board, the heads of the operation department, the finance department, the treasury department, the legal and compliance department and other departments of the Company and the secretaries of the boards of directors of significant subsidiaries as members. The office of the Board is responsible for taking the lead in organising the working group to hold meetings from time to time and leading relevant departments to review the list of connected persons that is updated from time to time.
- (ii) in addition to the Group's quarterly review of actual amounts for continuing connected transactions, the enhanced internal control measures require that (a) if the actual amount of any continuing connected transaction has reached 70% of the cap of the current year, the finance department shall immediately notify relevant departments, and the office of the Board shall take the lead in organising relevant departments to jointly formulate a response plan; and (b) the operation department shall analyse 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 it is expected 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 relevant departments on a response plan. The response plan mentioned in this paragraph will include, but not limited to, the proposed revision of the annual caps before the annual caps are to be fully utilised and submitting the proposal to the shareholder's general meeting for consideration and approval.

2. 2023 EPC General Contracting Services Framework Agreement

Under the 2023 EPC General Contracting Services Framework Agreement, the service provider and the price of EPC general contracting services shall be determined through a bidding process in principle and in compliance with applicable laws, regulations and rules. The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the project's technical requirements, the criteria for examination of the contractors, the requirements for the bid price and the standard of evaluation of the bid and etc. The internal control policies are conducted and supervised by the tender committee of the Company (including but not limited to the project management and technical service department, the finance department, the audit department, the legal and compliance department and risk and operation management department of the Company). These departments are responsible for:

- (i) adhering the process is in accordance with the Invitation and Submission of Bids Law of the PRC;
- (ii) reviewing, evaluating and monitoring documents from outsourcing service providers based on the technical, commercial and pricing criteria and payment terms of relevant service fees, which will ensure the terms obtained by the Group from the CNPGC Group is no less favorable than the quality and conditions offered by independent third party providers to the Group or available to independent third party providers from the CNPGC Group for the same or similar services;
- (iii) collecting detailed information (including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific agreements) of the continuing connected transactions contemplated under the 2023 EPC General Contracting Services Framework Agreement and monitoring whether the transaction terms and pricing and other terms under each of the individual implementation agreements are consistent with the principles established under the 2023 EPC General Contracting Services Framework Agreement; and

- (iv) conducting continuous evaluation on the fairness of the transaction terms and the pricing terms, grading the service providers and writing recommendation and reporting relevant information to the Board in a timely manner.

3. 2023 Factoring Services Framework Agreement

In respect of the continuing connected transactions contemplated under the 2023 Factoring Services Framework Agreement, the Company has adopted and would continue to take the following review procedures and approval process against the following assessment criteria when obtaining Commercial Factoring Services from the Factoring Company:

- (i) Where a need for the Commercial Factoring Services arises, the relevant department of the Group (generally refers to the department responsible for the capital management function, hereinafter referred to as the “Capital Management Department”) would obtain the rates and terms offered by the Factoring Company and not less than three major and independent PRC commercial banks or commercial factoring companies; and
- (ii) After comparison, if the relevant department confirmed that the rates and terms provided by the Factoring Company are no less favorable than those offered by other major and independent PRC commercial banks or commercial factoring companies and are in compliance with the terms set out in the 2023 Factoring Services Framework Agreement, such application will be submitted to the chief financial officer for final approval upon obtaining approval from the head of the finance department or the head of the Fund Management Department of the Group.

4. 2023 Financial Services Framework Agreement

In respect of the continuing connected transactions contemplated under the 2023 Financial Services Framework Agreement, the Company has adopted and would continue to take the following review procedures and approval process against the following assessment criteria when obtaining the finance services from the Finance Company:

- (i) The Group will consider using the services of the Finance Company on a fair, voluntary and non-exclusive basis. The Finance Company is only one of the financial institutions that provide services to the Group. The 2023 Financial Services Framework Agreement does not restrict the Group from using the services of other financial institutions. The Group is still able to independently choose services provided by other financial institutions based on its own interests;
- (ii) Where a need for the financial services arises, the Capital Management Department would obtain the rates and terms offered by the Finance Company and not less than three major independent PRC commercial banks for comparison against the pricing policies referred to in the 2023 Financial Services Framework Agreement to ensure

the condition of financial services offered to the Group by the Finance Company shall neither be less favorable than those offered to other members of CNPGC Group for the same type of financial services, nor be less favorable than those available to the Group from commercial banks or other financial institutions for the same type of financial services. If after comparison, the Capital Management Department confirmed that the rates and terms provided by the Finance Company are no less favourable than those offered by other major and independent PRC commercial banks and are in compliance with the terms set out in the 2023 Financial Services Framework Agreement, such application will be submitted to the chief financial officer for final approval upon obtaining approval from the head of the finance department or the head of the Fund Management Department of the Group.

- (iii) the Finance Company will monitor the balance of deposits on each business day. Daily reports on the balance of the Group's deposits placed with the Finance Company at the end of each month and the maximum deposit balance for the month will be delivered to the Company by the Finance Company on the first business day of the following month. Furthermore, once the Group's deposit balance placed with the Finance Company reaches 70% of the annual cap of that year, the Finance Company will start to report such situation to the Company on the following day so that the Company can also carry out real-time monitoring until the daily deposit balance falls below 70% of the annual cap of that year, and then the monthly reporting mechanism will be resumed; and
- (iv) the independent non-executive Directors of the Company have reviewed the 2023 Financial Services Framework Agreement and would continue to review the non-exempt continuing connected transactions contemplated under the 2023 Financial Services Framework Agreement to ensure such continuing connected transactions are conducted on normal commercial terms or better, are fair and reasonable, and are carried out pursuant to the terms of such agreement. The auditors of the Company would also conduct an annual review on the pricing terms and annual caps of the non-exempt continuing connected transactions contemplated under the 2023 Financial Services Framework Agreement.

VIII. DIRECTORS' INTERESTS IN THE TRANSACTIONS AND THEIR OPINIONS

The following Directors, being Mr. Hu Jianwei, Mr. Deng Jindong, Mr. Wang Kan and Mr. Wang Peng, are also senior management of CNPGC, and Mr. Wang Peng is also a director of the Finance Company. Therefore, they are deemed to have material interest in the transactions contemplated under the 2023 Procurement Framework Agreement, the 2023 Sales Framework Agreement, the 2023 EPC General Contracting Services Framework Agreement, the 2023 Factoring Services Framework Agreement and the 2023 Financial Services Framework Agreement, and thus have abstained from voting on the relevant resolution at the Board

meeting. Save as mentioned above, none of 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 (including the independent non-executive Directors) are of the view that the transactions under the 2023 EPC General Contracting Services Framework Agreement and the 2023 Factoring Services Framework Agreement and the Other Financial Services under the 2023 Financial Services Framework Agreement were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for such transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Directors (excluding the Directors who shall abstain from voting on the relevant resolutions and the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the transactions under the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement and the transactions in respect of the Deposit Services under the 2023 Financial Services Framework Agreement were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for such transactions/maximum daily balance of the deposits are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IX. HONG KONG LISTING RULES IMPLICATIONS

CNPGC is the ultimate controlling shareholder of the Company, therefore, CNPGC and its subsidiaries, the Finance Company and the Factoring Company, are connected persons of the Company under the Hong Kong Listing Rules. Each of the 2023 Procurement Framework Agreement, the 2023 Sales Framework Agreement, the 2023 EPC General Contracting Services Framework Agreement, the 2023 Factoring Services Framework Agreement and the 2023 Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

The loans and entrustment loans to be provided by or through the Finance Company to the Group under the 2023 Financial Services Framework Agreement will constitute the financial assistance to be provided by a connected person for the benefit of the Group. Pursuant to the 2023 Financial Services Framework Agreement, such loans and entrustment loans will be conducted on normal commercial terms or better, and no security over the assets of the Group will be provided. Therefore, the transactions in respect of the loans and entrustment loans provided by or through the Finance Company to the Group under the 2023 Financial Services Framework Agreement are fully exempt from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of (i) the proposed annual caps for the continuing connected transactions contemplated under the 2023 EPC General Contracting Services Framework Agreement and the 2023 Factoring Services Framework Agreement; and (ii) the proposed annual caps for the Other Financial Services contemplated under the 2023 Financial Services Framework Agreement exceed 0.1% but are less than 5%, such transactions are only subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of (i) the proposed annual caps for the continuing connected transactions contemplated under the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement; and (ii) the proposed maximum daily balance of the Deposit Services contemplated under the 2023 Financial Services Framework Agreement exceed 5%, such agreements and transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios in respect of the proposed maximum daily balance of the Deposit Services contemplated under the 2023 Financial Services Framework Agreement exceed 5% but are less than 25%, the Deposit Services are also subject to the requirements applicable to discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

X. THE EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting of the Company will be convened to seek the approval of the Independent Shareholders with respect to (i) the terms of, the continuing connected transactions contemplated under and the proposed annual caps for the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement; and (ii) the terms of, the Deposit Services contemplated under and the proposed maximum daily balance of the deposits under the 2023 Financial Services Framework Agreement. CNPGC and its associates will abstain from voting on the relevant resolutions at the extraordinary general meeting.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on (i) the terms of, the continuing connected transactions contemplated under and the proposed annual caps for the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement; and (ii) the Deposit Services contemplated under, the relevant terms thereof and the proposed maximum daily balance of the deposits under the 2023 Financial Services Framework Agreement. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, details of the continuing connected transactions contemplated under and the proposed annual caps for the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement, the Deposit Services contemplated under and the proposed maximum daily balance of the deposits under the 2023 Financial Services

Framework Agreement, 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 extraordinary general meeting, will be despatched to the Shareholders on or before 5 December 2023 as more time is needed for the preparation of the information to be contained therein.

XI. GENERAL INFORMATION OF THE PARTIES

The Company

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

CNPGC

CNPGC is a state wholly-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.

The Finance Company

The Finance Company is a non-bank financial institution established on 23 February 2012 upon the approval of the former CBIRC, and is regulated by the PBOC and the NAFR. The Finance Company is owned as to 52.7750%, 4.5455%, 31.7705%, 5.4545% and 5.4545% by CNPGC, the Company, CNBG, CNTCM and Shyndec Pharmaceutical respectively, with the registered capital of RMB2.2 billion. CNBG, CNTCM and Shyndec Pharmaceutical are all subsidiaries of CNPGC.

The Finance Company is engaged in the provision of financial services to the members of the Group and the CNPGC Group which principally include deposit taking, provision of loans, bills acceptance and discounting, entrustment loans, settlement services, non-financing letter of guarantee as well as Other Financial Services such as provision of credit certification, financial advisory and other advisory agency services and other services as may be approved by the NAFR.

The Factoring Company

The Factoring Company is a company incorporated on 16 October 2017 under the laws of the PRC with limited liability and is a wholly-owned subsidiary of CNPGC with the registered capital of RMB500 million. The Factoring Company is principally engaged in Commercial Factoring Services.

XII. DEFINITIONS

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

“2020 EPC General Contracting Services Framework Agreement”	the EPC general contracting services framework agreement entered into between the Company and CNPGC on 22 October 2020 in relation to the provision of EPC (Engineering, Procurement and Construction) general contracting services by the CNPGC Group to the Group
“2020 Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and the Finance Company on 22 October 2020 or 18 December 2020, as the case may be, in relation to the provision of financial services by the Finance Company to the Group
“2020 Procurement Framework Agreement”	the procurement framework agreement entered into between the Company and CNPGC on 22 October 2020 in relation to the procurement of products such as the pharmaceutical products, personal-care supplies, medical devices and health products by the Group from the CNPGC Group on a non-exclusive basis
“2020 Sales Framework Agreement”	the sales framework agreement entered into between the Company and CNPGC on 22 October 2020 in relation to the sales of products such as the pharmaceutical products, personal-care supplies, medical devices, chemical reagents, laboratory supplies and health products by the Group to the CNPGC Group on a non-exclusive basis
“2020 Factoring Services Framework Agreement”	the factoring services framework agreement entered into between the Company and the Factoring Company on 22 October 2020 in relation to the provision of Commercial Factoring Services by the Factoring Company to the Group
“2023 EPC General Contracting Services Framework Agreement”	the EPC general contracting services framework agreement entered into between the Company and CNPGC on 9 November 2023 in relation to the provision of EPC (Engineering, Procurement and Construction) general contracting services by the CNPGC Group to the Group

“2023 Factoring Services Framework Agreement”	the factoring services framework agreement entered into between the Company and the Factoring Company on 9 November 2023 in relation to the provision of Commercial Factoring Services by the Factoring Company to the Group
“2023 Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and the Finance Company on 9 November 2023 in relation to the provision of financial services by the Finance Company to the Group
“2023 Procurement Framework Agreement”	the procurement framework agreement entered into between the Company and CNPGC on 9 November 2023 in relation to the procurement of products such as the pharmaceutical products, personal-care supplies, medical devices and health products by the Group from the CNPGC Group on a non-exclusive basis
“2023 Sales Framework Agreement”	the sales framework agreement entered into between the Company and CNPGC on 9 November 2023 in relation to the sales of products such as the pharmaceutical products, personal-care supplies, medical devices, chemical reagents, laboratory supplies and health products by the Group to the CNPGC Group on a non-exclusive basis
“applicable percentage ratio(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“associates”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of directors of the Company
“EPC”	Engineering, Procurement and Construction
“former CBIRC”	the former China Banking and Insurance Regulatory Commission, currently known as the NAFR
“NAFR”	the National Administration of Financial Regulation of China
“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

“CNPGC”	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”	CNPGC and its associates (excluding the Group) or (where the context requires) any of them
“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
“Commercial Factoring Services”	recourse and non-recourse commercial factoring and other commercial factoring services (including sales sub-account management services, collection services for trade receivables and other permitted business of the Factoring Company)
“Company”	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
“Deposit Services”	deposits services provided by the Finance Company to the Group under the 2020 Financial Services Framework Agreement or the 2023 Financial Services Framework Agreement, as the case may be
“Director(s)”	the director(s) of the Company
“Factoring Company”	Sinopharm Puxin Commercial Factoring Company Limited (國藥樸信商業保理有限公司), a company incorporated under the laws of the PRC with limited liability
“financial services to be carried out”	other financial services to be carried out by the Finance Company in the future upon obtaining approval of the NAFR and to be provided to the Group
“Finance Company”	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

“Group”	the Company and its subsidiaries or (where the context requires) any of them
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent board committee comprising all of the independent non-executive Directors, who have no material interests in the 2023 Procurement Framework Agreement, the 2023 Sales Framework Agreement and the 2023 Financial Services Framework Agreement, namely Mr. Chen Fangruo, Mr. Li Peiyu, Mr. Wu Tak Lung, Mr. Yu Weifeng and Mr. Shi Shenghao
“Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the terms of, the continuing connected transactions contemplated under and the proposed annual caps for the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement; and (ii) the Deposit Services contemplated under, the relevant terms thereof and the proposed maximum daily balance of the deposits under the 2023 Financial Services Framework Agreement
“Independent Shareholders”	Shareholders other than CNPGC and its associates
“Other Financial Services”	bill discounting and acceptance services, finance lease services and settlement services provided by the Finance Company to the Group under the 2020 Financial Services Framework Agreement or the 2023 Financial Services Framework Agreement, as the case may be
“PBOC”	the People’s Bank of China

“PRC”	the People’s Republic of China, which for the purpose of this announcement only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“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

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

Shanghai, the PRC
9 November 2023

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. Deng Jindong, Mr. Wang Kan, Mr. Wang Peng, Mr. Wen Deyong, Mr. Li Dong Jiu and Ms. Feng Rongli; and the independent non-executive directors of the Company are Mr. Chen Fangruo, Mr. Li Peiyu, Mr. Wu Tak Lung, Mr. Yu Weifeng and Mr. Shi Shenghao.