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国药集团
SINOPHARM

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

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

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
FACTORING SERVICES FRAMEWORK AGREEMENT**

THE FACTORING SERVICES FRAMEWORK AGREEMENT

On 27 December 2023, Shandong Yifang entered into the Factoring Services Framework Agreement with Sinopharm Puxin, pursuant to which Sinopharm Puxin agreed to provide Commercial Factoring Services to Shandong Yifang during the period from 27 December 2023 to 26 December 2024.

LISTING RULES IMPLICATIONS

Sinopharm Hongkong is the controlling Shareholder holding 1,634,705,642 Shares, representing approximately 32.46% of the total number of issued Shares as at the date of this announcement, and the Company holds 87.30% equity of Shandong Yifang. As at the date of this announcement, Sinopharm Puxin is a wholly-owned subsidiary of CNPGC, and CNPGC is the parent company of Sinopharm Hongkong. As such, Sinopharm Puxin is a connected person of the Company and the Factoring Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

INTRODUCTION

On 27 December 2023, Shandong Yifang entered into the Factoring Services Framework Agreement with Sinopharm Puxin, pursuant to which Sinopharm Puxin agreed to provide Commercial Factoring Services to Shandong Yifang during the period from 27 December 2023 to 26 December 2024.

THE FACTORING SERVICES FRAMEWORK AGREEMENT

1. Principal terms

Date:	27 December 2023
Parties:	(i) Shandong Yifang; and (ii) Sinopharm Puxin
Term of the Agreement:	The term will be one year from 27 December 2023 to 26 December 2024. The agreement will be extended or renewed with the consent of the parties while expired.
Nature of the Transactions:	Sinopharm Puxin will provide the Commercial Factoring Services to Shandong Yifang, including but not limited to factoring services and other business of Sinopharm Puxin 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 Sinopharm Puxin).
Principle of the Transactions:	The transactions under the Factoring Services Framework Agreement shall be conducted on normal commercial terms or better. The Factoring Services Agreement is non-exclusive, and Shandong Yifang is entitled to receive Commercial Factoring Services from any other third parties.
Pricing Policy:	The comprehensive pricing (including interest and fees) of the Commercial Factoring Services charged by Sinopharm Puxin 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 Shandong Yifang or Sinopharm Puxin to independent third parties during the same period.

2. Agreement Cap

The Board advised the Agreement Cap of the Factoring Services Framework Agreement and the transactions contemplated thereunder is RMB50,000,000.

Basis of determination of the Agreement Cap

The Agreement Cap of the Factoring Services Framework Agreement and the transactions contemplated thereunder is determined with reference to the forecast of the financing needs of Shandong Yifang in terms of obtaining Commercial Factoring Services from Sinopharm Puxin combined with its average daily factoring scale from 2023 to 2024. At the same time, 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 Shandong Yifang.

REASONS FOR AND BENEFIT OF ENTERING INTO THE FACTORING SERVICES FRAMEWORK AGREEMENT

The execution of the Factoring Services Framework Agreement would enable Shandong Yifang to expand the diversified financing channels and optimise its financial structure, and its efficiency of capital usage would also be improved.

As far as the Directors are aware, Sinopharm Puxin 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 Sinopharm Puxin to Shandong Yifang.

Having considered the above, the Board (including the independent non-executive Directors but excluding Directors who have abstained from voting) is of the view that the Factoring Services Framework Agreement is conducted on normal commercial terms during the Group's daily and common business operation, and the terms of the Factoring Services Framework Agreement and the transactions contemplated thereunder (including the Agreement Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROLS FOR THE COMMERCIAL FACTORING SERVICES

In accordance with the Group's internal control policy applicable to procurement of the Commercial Factoring Services with any financial institutions, the finance center of the Company shall obtain fees and terms from at least three major and independent PRC commercial banks or commercial factoring companies, and compares relevant service details. And then, the finance center of the Company shall recommend the service providers and their suggestions to the management of the Company. The

management of the Company will review and approve the terms of the Commercial Factoring Services to ensure that the service provider which offers terms most suited to Shandong Yifang's needs is chosen.

If Sinopharm Puxin is selected as the service provider, the management of the Company will ensure that the terms of the Commercial Factoring Services strictly adhere to the principles of the Factoring Services Framework Agreement set out in the paragraph headed "Principal terms" under "the Factoring Services Framework Agreement" above.

INFORMATION ON SHANDONG YIFANG AND SINOPHARM PUXIN

The principal business activities of Shandong Yifang are the manufacture and sale of TCM products in the PRC with a focus on TCM decoction pieces and concentrated TCM granules.

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

LISTING RULES IMPLICATIONS

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

As Directors, being Mr. Chen Yinglong, Mr. Cheng Xueren and Mr. Yang Wenming, are the management of CNTCM, and Directors, being Ms. Li Ru, Mr. Yang Binghua, Mr. Wang Kan and Mr. Meng Qingxin, are the management of CNPGC, they are deemed to have material interest in the Factoring Services Framework Agreement and the transactions contemplated thereunder. Each of them had abstained from voting at the Board meeting on the relevant resolutions for approving the Factoring Services Framework Agreement and the transactions contemplated thereunder (including the Agreement Cap).

DEFINITIONS

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

“Agreement Cap”	the agreement cap for the Factoring Services Framework Agreement and the continuing connected transactions contemplated thereunder
“Board”	the board of directors of the Company
“CNPGC”	China National Pharmaceutical Group Co., Ltd. (中國醫藥集團有限公司), a state-owned enterprise established in the PRC
“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, and a wholly-owned subsidiary of CNPGC
“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 Sinopharm Puxin)
“Company”	China Traditional Chinese Medicine Holdings Co. Limited (中國中藥控股有限公司), a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 570)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Factoring Services Framework Agreement”	the factoring services framework agreement entered into between Shandong Yifang and Sinopharm Puxin on 27 December 2023 in relation to the provision of Commercial Factoring Services by Sinopharm Puxin to Shandong Yifang
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Yifang”	Shandong Yifang Pharmaceutical Co., Ltd. and its subsidiary, a company incorporated under the laws of the PRC with limited liability
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Sinopharm Hongkong”	Sinopharm Group Hongkong Co., Limited (國藥集團香港有限公司), a company incorporated in Hong Kong with limited liability and the controlling Shareholder
“Sinopharm Puxin”	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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCM”	traditional Chinese medicine
“%”	percent

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

Hong Kong, 27 December 2023

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