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国药集团
SINOPHARM

國藥控股股份有限公司 SINOPHARM GROUP CO. LTD.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability and carrying on business in Hong Kong as 國控股份有限公司)
(Stock Code: 01099)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS 2023 FINANCIAL SERVICES FRAMEWORK AGREEMENT

References are made to (i) the announcements of the Company dated 22 October 2020 and 18 December 2020 in relation to, including but not limited to, the 2020 Financial Services Framework Agreement and its annual caps; (ii) the announcement of the Company dated 9 November 2023 and the circular dated 5 December 2023 in relation to, including but not limited to, the Former 2023 Financial Services Framework Agreement and its annual caps; and (iii) the announcement of the Company dated 20 December 2023 in relation to the poll results of the extraordinary general meeting of the Company held on 20 December 2023.

The Board hereby announces that as the term of the 2020 Financial Services Framework Agreement and the annual caps for each of the continuing connected transactions thereunder will expire on 31 December 2023, and the Former 2023 Financial Services Framework Agreement does not become effective due to the failure to obtain the approval of the independent Shareholders, and that the Company expects to continue to utilise financial services from the Finance Company after 31 December 2023, the Company and the Finance Company entered into the 2023 Financial Services Framework Agreement on 27 December 2023 for a term of three years from 1 January 2024 to 31 December 2026. The 2023 Financial Services Framework Agreement is not materially different from the Former 2023 Financial Services Framework Agreement.

* *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."*

The Company expects that for the three years ending 31 December 2026, the proposed maximum daily balances (including accrued interests) of the Deposit Services contemplated under the 2023 Financial Services Framework Agreement will amount to RMB2,630 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, therefore, the Finance Company, the subsidiary of CNPGC, is a connected person of the Company under the Hong Kong Listing Rules. 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 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 the proposed maximum daily balances of the Deposit Services and 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.

I. BACKGROUND

References are made to (i) the announcements of the Company dated 22 October 2020 and 18 December 2020 in relation to, including but not limited to, the 2020 Financial Services Framework Agreement and its annual caps; (ii) the announcement of the Company dated 9 November 2023 and the circular dated 5 December 2023 in relation to, including but not limited to, the Former 2023 Financial Services Framework Agreement and its annual caps; and (iii) the announcement of the Company dated 20 December 2023 in relation to the poll results of the extraordinary general meeting of the Company held on 20 December 2023.

The Board hereby announces that as the term of the 2020 Financial Services Framework Agreement and the annual caps for each of the continuing connected transactions thereunder will expire on 31 December 2023, and the Former 2023 Financial Services Framework Agreement does not become effective due to the failure to obtain the approval of the independent Shareholders, and that the Company expects to continue to utilise financial services from the Finance Company after 31 December 2023, the Company and the Finance Company entered into the 2023 Financial Services Framework Agreement on 27 December 2023 for a term of three years from 1 January 2024 to 31 December 2026. The 2023 Financial Services Framework Agreement is not materially different from the Former 2023 Financial Services Framework Agreement.

The Company expects that for the three years ending 31 December 2026, the proposed maximum daily balances (including accrued interests) of the Deposit Services contemplated under the 2023 Financial Services Framework Agreement will amount to RMB2,630 million, and the proposed annual caps for the Other Financial Services contemplated under the 2023 Financial Services Framework Agreement will amount to RMB500 million.

II. PRINCIPAL TERMS

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

- Date:** 27 December 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. 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 to the Group:
- (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, including but not limited to the business which can only be carried on with the approval of 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 no less favorable than those offered to other members of the CNPGC Group for the same type of financial services and no 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 terms 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.

III. ANNUAL CAPS

1. Historical Figures

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

Transactions	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (RMB)	Nine months ended 30 September 2023 (RMB)
Maximum daily balances (including accrued interests) of the Deposit Services under the 2020 Financial Services Framework Agreement	2,419 million	2,410 million	2,410 million
Transaction amount of the Other Financial Services under the 2020 Financial Services Framework Agreement	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.

2. 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:

Transactions	Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
Maximum daily balances (including accrued interests) of the Deposit Services under the 2023 Financial Services Framework Agreement	2,630 million	2,630 million	2,630 million
Transaction amount of 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 balances (including accrued interests) of the Deposit Services 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 balances of the Deposit Services of RMB2,420 million under the 2020 Financial Services Framework Agreement fall below the available cash balance of the Group, therefore it is expected that the Group's demand for deposits with the Finance Company will correspondingly increase in the future:
 - (a) Historical figures and utilisation rates. The utilisation rates of the maximum daily balances of the deposits for the five years ended 31 December 2022 and the nine months ended 30 September 2023 reached 99.51%, 98.80%, 99.03%, 99.96%, 99.59% and 99.59%, respectively, which were at a relatively high level. The proposed maximum daily balances of the Deposit Services for the three years ending 31 December 2026 of RMB2,630 million represented an increase of RMB210 million, or approximately 8.68%, as compared to the maximum daily balances of the Deposit Services for the three years ended/ending 31 December 2023 of RMB2,420 million under the 2020 Financial Services Framework Agreement;

- (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) Substantial improvement in financial position of the Group. The Group's (i) cash at bank and on hand as at 30 September 2023 (approximately RMB44.3 billion) increased by approximately RMB4,800 million, or 12%, as compared to that as at 30 September 2020 (approximately RMB39.4 billion) (being the latest available financial information when entering into the 2020 Financial Services Framework Agreement); and (ii) cash and cash equivalents as at 30 September 2023 (approximately RMB33.3 billion) increased by approximately RMB1,500 million, or 5%, as compared to that as at 30 September 2020 (approximately RMB31.8 billion); and
 - (d) The Group has sufficient funds. The maximum daily balances of the Deposit Services under the 2020 Financial Services Framework Agreement only accounted for 6%, 4% and 7% (the "**Historical Maximum Balance to Cash Proportion**") of the cash and cash equivalents of the Group as at 31 December 2021 and 2022 and 30 September 2023, respectively. The proposed maximum daily balances of the Deposit Services of RMB2,630 million under the 2023 Financial Services Framework Agreement accounted for approximately 5% of the cash and cash equivalents of the Group as at 31 December 2022, which remains relatively the same as the Historical Maximum Balance to Cash Proportion;
- (ii) Having considered the fact that the cash and cash equivalents of the Group exceeds the maximum daily balances of the Deposit Services provided by the Finance Company, the Group's continuously expanding business and the stable financial position, the relatively high historical utilisation rates, and the fact that the Group has always engaged both commercial banks and the Finance Company to provide deposit services in the past, the Directors believe that raising the maximum daily balances of the Deposit Services to RMB2,630 million could provide the Group with greater flexibility in engaging the Finance Company or other independent third party financial institutions for 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 non-financing letter of guarantee, 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;
- (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 a credit line not less than the deposit cap, the Group intends to increase the maximum daily balances of the Deposit Services to realise resource sharing and win-win situation; and
- (vi) Taking into account the factors set out in the section headed “IV. REASONS FOR AND BENEFIT OF THE TRANSACTIONS” below, utilising financial services from the Finance Company continuously allows the Group to enjoy more competitive Deposit Services, and the Group has received financial services from the Finance Company within the annual caps approved by the Board since 2012. The Group intends to continue to carry out such transactions with the Finance Company and determines the annual caps within the scope of authority of the Board.

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.

IV. REASONS FOR AND BENEFIT OF THE TRANSACTIONS

The Directors are of the view that utilising financial services from the Finance Company continuously is based on the following reasons of the transactions and 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; at the same time, the deposit-taking policies of the Finance Company is stable, which can complement the independent third party commercial banks at the year-ends;
- (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, 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.

V. 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) Based on laws and regulations including the Company Law of the People's Republic of China, the Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》) and Measures for the Administration of Enterprise Group Finance Companies (《企業集團財務公司管理辦法》), 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, and implemented the internal audit supervision system. The risk management organisational system of the Finance Company comprises its board of directors, its board of supervisors and its management. The risk control committee and the audit committee have been established under the board of directors, and independent risk management department and audit department have been set up and operate under the principle of mutual separation to effectively carry out risk control and audit supervision work in order 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 Renminbi Accounts for Member Entities (《成員單位人民幣賬戶管理辦法》), 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 business procedures, administration authorities, 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. With respect to the process of withdrawing deposit funds from the Finance Company, the Group can submit withdrawal instructions through the Finance Company's online platform and receive funds from the Finance Company on the day of application for withdrawal, which is equivalent to the services provided by major commercial banks;

- (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, strictly adheres to the procedure of unified credit management and level-by-level approval, conducts pre-loan investigations and management in the phases of ongoing-loan and post-loan and strictly scrutinises the use of the loans, 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;
- (v) The Finance Company ensures the stability of the system, has formulated management rules regarding information safety and network security, and uploads 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 its business system;
- (vi) The Finance Company continuously optimises its credit level grading system, keeps a close eye on the credit customer's business operations, financial and fund conditions and solvency and external risk incidents, strictly enforces the collective deliberation rules of the business review committee, implements the approval-granting separation, and

standardises the loan approval mechanism. The Finance Company strictly enforces the “three reviews for loans” mechanism and credit line management and control, reviews the purpose of the funds, and tracks the flow of the loan funds. The Finance Company strengthens its credit risk monitoring and precautions, regularly manages the assets through categorising, and ensures the safety of the assets;

- (vii) The Finance Company strictly implements liquidity risk management, establishes and improves the liquidity risk management rules; undertakes measures including continuously optimising the asset liability structure, strengthening position management of funds, utilising interbank funding channels, and reasonably proportioning the terms of deposits and loans to ensure liquidity; enforces daily liquidity proportion monitoring mechanism through informatised measures, incorporates such into the annual tolerance index management system, increases intelligent liquidity prediction and precaution capabilities; organises liquidity risk stress tests, so as to improve liquidity emergency response capabilities; and
- (viii) The Finance Company, based on the Notice on Regulating the Business Transactions between Listed Companies and Finance Companies of Enterprise Groups (《關於規範上市公司與企業集團財務公司業務往來的通知》), established the Management Procedures of Sinopharm Group Finance Co., Ltd. for Financial Services for Listed Companies (《國藥集團財務有限公司上市公司金融服務管理辦法》) as well as a risk point control list, clarifies the duties of each department, enhances risk prevention measures, and fully supports the protection of rights of the listed company and the shareholders.

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 set out below in the section headed “VI. MEASURES OF INTERNAL CONTROL”, the Group has also adopted reasonable internal control procedures and corporate governance measures in relation to its utilisation of the financial services provided by the Finance Company.

VI. MEASURES OF INTERNAL CONTROL

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:

- (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 Capital Management Department of the Group;
- (iii) The Group (via the internal treasury system on a real-time basis) and the Finance Company (on each business day) will monitor the balances of deposits and the utilisation rate of the maximum daily balances of the Deposit Services. Daily reports on the balances of the Group's deposits placed with the Finance Company at the end of each month and the maximum deposit balances 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 Group will report to the management and ensure that the daily balances of deposits should not exceed the annual cap. On the other hand, the Finance Company will also report such situation to the Company on the following day so as to facilitate the real-time monitoring by the Group 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.

Meanwhile, the Company, as a shareholder of the Finance Company, is able to monitor the compliant operation of the Finance Company dynamically to strengthen the supervision and management of the Finance Company.

VII. 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 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.

Having considered the terms of the agreements as set out in the above sections headed “II. PRINCIPAL TERMS – Principle of the Transactions” and “II. PRINCIPAL TERMS – Pricing Policy”, reasons for and benefits of the transactions as set out in the above section headed “IV. REASONS FOR AND BENEFIT OF THE TRANSACTIONS”, measures taken for protecting the interests of the Company and its Shareholders as a whole as set out in the above sections headed “V. RISK MANAGEMENT MEASURES TAKEN FOR PROTECTING THE INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS AS A WHOLE IN THE DEPOSIT SERVICES TRANSACTION” and “VI. MEASURES OF INTERNAL CONTROL” and the fact that the Group has received financial services provided by the Finance Company since 2012 and the continuous use of financial services of the Finance Company could ensure the continuity of the Deposit Services, the Directors (including the independent non-executive Directors) are of the view that the transactions 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.

VIII. HONG KONG LISTING RULES IMPLICATIONS

CNPGC is the ultimate controlling shareholder of the Company, therefore, the Finance Company, the subsidiary of CNPGC, is a connected person of the Company under the Hong Kong Listing Rules. 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 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 the proposed maximum daily balances of the Deposit Services and 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.

IX. 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.

X. DEFINITIONS

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

“2020 Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and the Finance Company on 18 December 2020 in relation to the provision of financial services by the Finance Company to the Group on a non-exclusive basis
“2023 Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and the Finance Company on 27 December 2023 in relation to the provision of financial services by the Finance Company to the Group
“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
“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
“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
“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
“financial services to be carried out”	other financial services to be carried out by the Finance Company in the future and to be provided to the Group, including but not limited to the business which can only be carried on with the approval of the NAFR
“Former 2023 Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and the Finance Company on 9 November 2023
“former CBIRC”	the former China Banking and Insurance Regulatory Commission, currently the NAFR
“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
“NAFR”	the National Administration of Financial Regulation of China
“Other Financial Services”	bill discounting and acceptance services, finance lease services, settlement services, etc. 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
27 December 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.