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**国药集团**  
SINOPHARM

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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 570)**

**RENEWAL OF EXISTING ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS  
AND  
CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO FINANCIAL SERVICES FRAMEWORK AGREEMENT**

**THE NEW MASTER PURCHASE AGREEMENT**

On 20 November 2019, the Company entered into the New Master Purchase Agreement with CNPGC, pursuant to which the Group conditionally agreed to purchase the Materials and equipment to be supplied by the CNPGC Group during the period from 1 January 2020 to 31 December 2022.

**THE NEW MASTER SUPPLY AGREEMENT**

On 20 November 2019, the Company entered into the New Master Supply Agreement with CNPGC, pursuant to which the Group conditionally agreed to sell the Products to the CNPGC Group during the period from 1 January 2020 to 31 December 2022.

**THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

On 20 November 2019, the Company entered into the Financial Services Framework Agreement with Sinopharm Group Finance, pursuant to which Sinopharm Group Finance agreed to provide the Financial Services to the Group for a period of three years from the date of the Financial Services Framework Agreement.

## **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. CNPGC is the parent company of Sinopharm Hongkong and Sinopharm Group Finance. As such, both CNPGC and Sinopharm Group Finance are connected persons of the Company and the Purchases, the Sales and the procurement of the Financial Services constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Caps for the Purchases and the Sales under the New Master Purchase Agreement and the New Master Supply Agreement, when aggregated, exceed 5%, the entering into of the Master Agreements is subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Cap for the deposit services under the Financial Services Framework Agreement exceed 0.1% but are all less than 5%, the entering into of the Financial Services Framework Agreement is only subject to the reporting, announcement and annual review requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The EGM will be convened by the Company at which resolutions will be proposed to seek approval from the Independent Shareholders for the Master Agreements (including the Annual Caps for the Purchases and the Sales) by way of poll. CNPGC and its associates, which are interested in 1,634,705,642 Shares as at the date of this announcement (representing approximately 32.46% of the total number of issued Shares), will abstain from voting on the relevant resolutions at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the Master Agreements (including the Annual Caps for the Purchases and the Sales). The Independent Board Committee comprises Mr. Xie Rong, Mr. Qin Ling and Mr. Li Weidong, all being independent non-executive Directors. The other independent non-executive Director, namely Mr. Yu Tze Shan Hailson, is deemed to have a material interest in the Master Agreements as he is also an independent non-executive director of Sinopharm Group Co. Ltd. (a subsidiary of CNPGC) and accordingly is not included as a member of the Independent Board Committee. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Master Agreements (including the Annual Caps for the Purchases and the Sales).

## **GENERAL**

A circular containing, among other things, (i) details of the Master Agreements and the Annual Caps for the Purchases and the Sales; (ii) the letter of recommendation from the Independent Board Committee regarding the Master Agreements (including the Annual Caps for the Purchases and the Sales); (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders regarding the Master Agreements (including the Annual Caps for the Purchases and the Sales); and (iv) a notice of the EGM, will be despatched to the Shareholders in compliance with the Listing Rules on or before 13 December 2019.

Reference is made to the announcement and the circular of the Company dated 20 November 2016 and 19 December 2016 respectively in relation to the entering into of the Existing Master Purchase Agreement and the Existing Master Supply Agreement, which govern the terms of the Purchases and the Sales respectively for the three financial years ending 31 December 2017, 2018 and 2019. As the term of each of the Existing Master Purchase Agreement and the Existing Master Supply Agreement will expire on 31 December 2019, on 20 November 2019, the Company entered into the New Master Purchase Agreement and the New Master Supply Agreement with CNPGC to govern the terms of the Purchases and the Sales for the three financial years ending 31 December 2022. On the same date, the Company also entered into the Financial Services Framework Agreement with Sinopharm Group Finance, pursuant to which Sinopharm Group Finance agreed to provide the Financial Services to the Group for a period of three years from the date of the Financial Services Framework Agreement. Set out below are the principal terms of the Master Agreements and the Financial Services Framework Agreement.

### **THE NEW MASTER PURCHASE AGREEMENT**

**Date:** 20 November 2019

**Parties:** (i) The Company; and  
(ii) CNPGC.

CNPGC is a state-owned enterprise established in the PRC and is principally engaged in the wholesale of pharmaceutical products and biological products. It is the parent company of Sinopharm Hongkong, which 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. Accordingly, CNPGC is a connected person of the Company.

## **Subject matter**

Pursuant to the New Master Purchase Agreement, the Group conditionally agreed to purchase the Materials and equipment to be supplied by the CNPGC Group during the period from 1 January 2020 to 31 December 2022. The terms of the Purchases shall adhere to the following principles:

- (i) the terms of the Purchases (including prices, discounts, credit period and payment terms) shall be fair and reasonable and on normal commercial terms, and no less favourable to the Group than those available to the Group from independent third parties; and
- (ii) the prices of the Materials and equipment shall be determined based on the prevailing market prices.

For details of the internal control procedures to ensure strict adherence to the above principles, please refer to the section headed “Internal Controls” below.

## **The Materials and equipment**

The Materials are major TCM and chemical materials used to manufacture pharmaceutical products of the Group, including but not limited to vitro cultivation calculus bovis (體外培育牛黃), pangolin scales (炮山甲), chlorpheniramine maleate (馬來酸氯苯那敏), artificial musk (人工麝香), atractylodes (白朮) and resina draconis (血竭). The equipment to be supplied by the CNPGC Group are for the Group’s self use.

## **Conditions precedent**

The New Master Purchase Agreement is conditional upon the fulfilment of the following condition:

- (i) the passing of the resolution(s) by the Independent Shareholders at the EGM to approve the New Master Purchase Agreement and the transactions contemplated thereunder and the Annual Caps for the Purchases as required under the Listing Rules;
- (ii) the board of directors and/or shareholders of CNPGC having approved the New Master Purchase Agreement in accordance with its articles of association (if applicable); and
- (iii) other regulatory approval (if any) applicable to the Company and CNPGC in relation to the New Master Purchase Agreement having been obtained.

None of the above conditions can be waived.

## Annual Caps

Pursuant to the New Master Purchase Agreement, the value of the Purchases shall not exceed the Annual Caps set out below:

<i>Financial year ending</i>	<i>RMB</i>
31 December 2020	55,000,000
31 December 2021	63,000,000
31 December 2022	70,000,000

For the two years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, the transaction values of the Purchases amounted to approximately RMB22.6 million, RMB26.0 million and RMB14.2 million respectively. For the purpose of determining the Annual Caps for the Purchases for each of the three years ending 31 December 2020, 2021 and 2022, the Company has considered (i) the historical values and growth trend of the Purchases; (ii) the expected growth in demand of the Materials to be supplied by the CNPGC Group of about 10% to 20% per annum based on the production plan of the Group; (iii) the expected additional purchases of around RMB20 million per annum from the CNPGC Group for certain Materials which were used to be purchased from independent suppliers; and (iv) the expected purchase of certain equipment of approximately RMB3 million per annum for the Group's self use.

## THE NEW MASTER SUPPLY AGREEMENT

**Date:** 20 November 2019

**Parties:** (i) The Company; and  
(ii) CNPGC.

### Subject matter

Pursuant to the New Master Supply Agreement, the Group conditionally agreed to sell the Products to the CNPGC Group during the period from 1 January 2020 to 31 December 2022. The terms of the Sales shall adhere to the following principles:

- (i) the terms of the Sales (including prices, discounts, credit period and payment terms) shall be fair and reasonable and on normal commercial terms, and no less favourable to the Group than those offered by the Group to independent third parties; and
- (ii) the prices of the Products shall be determined based on the prevailing market prices.

For details of the internal control procedures to ensure strict adherence to the above principles, please refer to the section headed "Internal Controls" below.

## The Products

The Products are major products manufactured by the Group, including but not limited to concentrated TCM granules products, TCM decoction pieces, Xianling Gubao Capsules and Tablets (仙靈骨葆膠囊及片劑), Yu Ping Feng Granules (玉屏風顆粒), Jingshu Granules (頸舒顆粒), Moisturizing and Anti-Itching Capsules (潤燥止癢膠囊), Weimaining Capsules (威麥寧膠囊), Bi Yan Kang Tablet (鼻炎康片), Zaoren Anshen Capsules (棗仁安神膠囊), Niu Huang Shangqing Wan (牛黃上清丸), Group A Streptococcus for injection (Sha Pei Lin) (注射用A群鏈球菌(沙培林)), Fengshi Gutong Capsules (風濕骨痛膠囊), Trionycis Bolus (鱉甲煎丸) and Nifedipine Sustained-release tablets (Sheng Tong Ping) (硝苯地平緩釋片(聖通平)).

## Conditions precedent

The New Master Supply Agreement is conditional upon the fulfilment of the following conditions:

- (i) the passing of the resolution(s) by the Independent Shareholders at the EGM to approve the New Master Supply Agreement and the transactions contemplated thereunder and the Annual Caps for the Sales as required under the Listing Rules;
- (ii) the board of directors and/or shareholders of CNPGC having approved the New Master Supply Agreement in accordance with its articles of association (if applicable); and
- (iii) other regulatory approval (if any) applicable to the Company and CNPGC in relation to the New Master Supply Agreement having been obtained.

None of the above conditions can be waived.

## Annual Caps

Pursuant to the New Master Supply Agreement, the value of the Sales shall not exceed the Annual Caps set out below:

<i>Financial year ending</i>	<i>RMB</i>
31 December 2020	1,200,000,000
31 December 2021	1,450,000,000
31 December 2022	1,700,000,000

For the years ended 31 December 2017 and 2018 and the six months ended 30 September 2019, the transaction values of the Sales amounted to approximately RMB382.4 million, RMB760.1 million and RMB422.6 million respectively. For the purpose of determining the Annual Caps for the Sales for each of the three years ending 31 December 2020, 2021 and 2022, the Company has considered (i) the historical values and growth trend of the Sales; (ii) the expected growth in demand of the Products from the CNPGC Group of about 10% to 20% per annum for finished drugs, about 10% to 40% per annum for decoction pieces and about 20% to 50% per annum for concentrated granules driven by organic growth

as well as the gradual commencement of full production of the companies engaging in the local TCM integrated operation in 2019 and 2020.; and (iii) the launch of high-end decoction pieces in 2020 and its robust growth in the later years.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER AGREEMENTS**

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

The Master Agreements were entered into for the purpose of enabling the Group to continue the business relationship with the CNPGC Group in compliance with the Listing Rules as well as to capture the business opportunities that may be brought about by the CNPGC Group to the Group. CNPGC is a large state-owned pharmaceutical and healthcare group administered directly by the State-owned Assets Supervision and Administration Commission of the State Council. Its core businesses are pharmaceutical distribution, pharmaceutical scientific research and manufacture of medical and biotech products. Members of the CNPGC Group have been the suppliers of the Materials and customers of the Products since 1998. The CNPGC Group is a reliable business partner of the Group which has a strong supply capacity and a well-established distribution network. The New Master Purchase Agreement enables the Group to source stable and quality supply of the Materials and the equipment for self use, while the New Master Supply Agreement enables the Group to tap into a larger market and approach a much wider clientele base with the support of the extensive sales and distribution network of the CNPGC Group in the PRC. As CNPGC is one of the largest pharmaceutical companies in the PRC and has a long-term relationship with the Group, the Directors considered that the partnership with the CNPGC Group can secure the distribution of the Products to hospitals and retail pharmacies in the PRC via the CNPGC Group as the Group's distributor.

Based on the above, the Directors (excluding the independent non-executive Directors who will express their view after having considered the advice from Gram Capital) are of the view that the terms of the Master Agreements are fair and reasonable and the entering into of the Master Agreements is in the interests of the Company and the Shareholders as a whole.

## **THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

**Date:** 20 November 2019

**Parties:** (i) The Company; and  
(ii) Sinopharm Group Finance.



Sinopharm Group Finance is a non-bank financial institution regulated by the PBOC and the CBRC. It is owned as to 80% by CNPGC and as to 20% by Sinopharm Group Co., Ltd. (a subsidiary of CNPGC) and is therefore a connected person of the Company. Sinopharm Group Finance is principally engaged in the provision of financial services to the members of the CNPGC Group, including deposit taking, provision of loans, bills acceptance and discounting, finance lease, entrustment loans, settlement services as well as other financial services such as provision of credit certification, financial advisory and other advisory agency services, guarantee services and other services as may be approved by the CBRC.

### **Subject matter**

Pursuant to the Financial Services Framework Agreement, Sinopharm Group Finance agreed to provide the Financial Services to the Group for a period of three years from the date of the Financial Services Framework Agreement. The Group may utilise the Financial Services on a non-compulsory basis. The terms of the Financial Services shall adhere to the following principles:

- (i) the terms of the Financial Services shall be no less favorable to the Group than those available to the Group from other independent financial institutions;
- (ii) for deposit services, the interest rates offered by Sinopharm Group Finance to the Group shall not be lower than (a) the interest rates floor set by the PBOC from time to time for the same category of deposits; and (b) the interest rates offered to the Group by independent commercial banks for the same category of deposits;
- (iii) for loan services (including discounting, finance lease and other credit related services), the interest rates charged to the Group shall not be higher than (a) the interest rates cap set by the PBOC from time to time for the same category of loans; and (b) the interest rates charged to the Group by independent commercial banks for the same category of loans; and
- (iv) for Other Financial Services, the fees charged to the Group shall (a) comply with the standard rates promulgated by the PBOC or the CBRC from time to time (if applicable) for such kind of services; and (b) not be higher than the service fees charged to the Group by independent commercial banks for the same kind of services.

### **Annual Caps**

Pursuant to the Financial Services Framework Agreement, the Annual Caps for the deposit services and the loan services (i.e. the maximum daily deposit balance and general credit limit) during the effective period of the Financial Services Framework Agreement (i.e. from 20 November 2019 to 19 November 2022) are as follows:

	<b><i>RMB</i></b>
Maximum daily deposit balance	600,000,000
General credit limit	1,200,000,000



The Annual Caps for the Financial Services were determined based on the potential need of the Financial Services of the Group in the coming years. The Group expects the service fees payable to Sinopharm Group Finance for the Other Financial Services will not exceed HK\$3 million for each of the three years ending 19 November 2020, 2021 and 2022.

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

The Board considers that the entering into of the Financial Services Framework Agreement is in the interest of the Group as it will provide more options to the Group in procuring financial services for its treasury management and the Group will have sole discretion to choose the most suitable service provider. In addition, it is expected that the application procedures for financial services from Sinopharm Group Finance are more efficient, convenient and flexible than the independent commercial banks given the Group's close relationship with the CNPGC Group, and the terms offered by Sinopharm Group Finance will be no less favourable than those offered by the independent commercial banks to the Group according to the Financial Services Framework Agreement. Having considered the above, the Board is of the view that the terms of the Financial Services Framework Agreement (including the Annual Caps for deposit, loan services and Other Financial Services) are fair and reasonable and the entering into of the Financial Services Framework Agreement is in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROLS**

### **Internal controls for the Purchases**

In accordance with the Group's procurement policy (applicable to purchases from the CNPGC Group and independent third parties), the purchase department shall obtain quotations from at least three suppliers which are in the approved suppliers list. In order to be qualified as an approved supplier, supplier will be evaluated by the purchase department on various aspects of the suppliers, including but not limited to production capacity, financial strengths, qualifications and quality assurance. Currently, there are more than 400 suppliers in the approved suppliers list. To the best of the Directors' knowledge, information and belief, save for the CNPGC Group, all the suppliers in the approved suppliers list are independent of the Company and its connected persons. Quotations received shall then be assessed by the purchase department based on a number of factors, such as price, quality, payment terms, delivery terms and length of business relationship and the supplier with the best overall offer will be selected. After the purchase department approves the Purchases, the general manager of the relevant operating entity will review the terms of the Purchases to ensure that the Purchases are not made in less favourable terms to the Group than those offered by other suppliers. For those Materials or equipment that are exclusively supplied by the CNPGC Group, the Group will confirm with the CNPGC Group that the prices of the Materials or equipment offered by the CNPGC Group to the Group shall be no less favourable than those offered to its other customers.

The Board considers that the number of quotations to be obtained (i.e. no less than three) is sufficient for evaluation and the above policy will ensure that the terms offered by the selected supplier are no less favourable than those made available to the Group from other suppliers for similar materials or equipment. Accordingly, the Board is of the view that (i) the Purchases will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders; and (ii) the above internal control procedures are adequate to safeguard the interest of the Company and the Independent Shareholders in the transactions contemplated under the New Master Purchase Agreement.

### **Internal controls for the Sales**

The Group has an internal price list for the Products which are applicable to all customers (including the CNPGC Group and independent customers). The internal price list is reviewed by the sales and marketing department and finance department annually or more frequently if market condition changes materially. Based on the internal price list, the sales department may offer discounts to customers. The discounts shall be determined based on the sales amount, payment terms, distance of delivery and length of business relationship with the customer according to the pricing policy of the Group. After the sales department approves the Sales, the general manager of the relevant operating entity will review the terms of the Sales to ensure that the discounts are offered in accordance with the Group's pricing policy.

Given that the Group's pricing policy is applicable to all customers (including the CNPGC Group and other independent customers), the Directors consider that the above internal control procedures can ensure that the terms offered to the CNPGC Group are no more favourable than terms offered to other independent customers. Accordingly, the Board is of the view that (i) the Sales will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders as a whole; and (ii) the above internal control procedures are adequate to safeguard the interest of the Company and the Independent Shareholders in the transactions contemplated under the New Master Supply Agreement.

### **Internal controls for the Financial Services**

In accordance with the Group's internal control policy applicable to procurement of the Financial Services with any financial institutions, the finance department shall obtain quotations from at least three service providers (including Sinopharm Group Finance and other financial institutions). When making decision on choosing the service provider, the terms of service, the interest rate, and other applicable service details of difference service providers are presented and compared. After the finance department has selected the service provider, the chief financial officer will review and approve the terms of the Financial Services to ensure that the service provider which offers terms most suited to the Group's needs is chosen. If Sinopharm Group Finance is selected as the service provider, the chief financial officer will ensure that the terms of the Financial Services strictly adhere to the principles of the Financial Services Framework Agreement set out in the paragraph headed "Subject matter" under "The Financial Services Framework Agreement" above.

The Directors consider that the above methods and procedures can ensure the continuing connected transactions contemplated under the 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 agreement.

## **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. CNPGC is the parent company of Sinopharm Hongkong and Sinopharm Group Finance. As such, both CNPGC and Sinopharm Group Finance are connected persons of the Company and the Purchases, the Sales and the provision of the Financial Services constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Caps for the Purchases and the Sales under the New Master Purchase Agreement and the New Master Supply Agreement, when aggregated, exceed 5%, the entering into of the Master Agreements is subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Cap for the deposit services under the Financial Services Framework Agreement exceed 0.1% but are all less than 5%, the entering into of the Financial Services Framework Agreement is only subject to the reporting, announcement and annual review requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

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

- (i) Mr. Wu Xian is an executive director and general manager of China National Traditional Chinese Medicine Co., Ltd. (formerly named China National Corp. of Traditional & Herbal Medicine) which is a wholly-owned subsidiary of CNPGC;
- (ii) Mr. YANG Shanhua is the chief accountant of CNPGC and the chairman of Sinopharm Group Finance;

- (iii) Ms. LI Ru is the director of the legal and risk management department of CNPGC;
- (iv) Mr. YANG Binghua is the director of the party-masses relationship department of CNPGC;
- (v) Mr. WANG Kan is the deputy director of the investment management department of CNPGC; and
- (vi) Mr. YU Tze Shan Hailson is currently an independent non-executive director of Sinopharm Group Co. Ltd. which is a subsidiary of CNPGC.

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

The EGM will be convened by the Company at which resolutions will be proposed to seek approval from the Independent Shareholders for the Master Agreements (including the Annual Caps for the Purchases and the Sales) by way of poll. CNPGC and its associates, which are interested in 1,634,705,642 Shares as at the date of this announcement (representing approximately 32.46% of the total number of issued Shares), will abstain from voting on the relevant resolutions at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the Master Agreements (including the Annual Caps for the Purchases and the Sales). The Independent Board Committee comprises Mr. Xie Rong, Mr. Qin Ling and Mr. Li Weidong, all being independent non-executive Directors. The other independent non-executive Director, namely Mr. Yu Tze Shan Hailson, is deemed to have a material interest in the Master Agreements as he is also an independent non-executive director of Sinopharm Group Co. Ltd. (a subsidiary of CNPGC) and accordingly is not included as a member of the Independent Board Committee. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Master Agreements (including the Annual Caps for the Purchases and the Sales).

## **GENERAL**

A circular containing, among other things, (i) details of the Master Agreements and the Annual Caps for the Purchases and the Sales; (ii) the letter of recommendation from the Independent Board Committee regarding the Master Agreements (including the Annual Caps for the Purchases and the Sales); (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders regarding the Master Agreements (including the Annual Caps for the Purchases and the Sales); and (iv) a notice of the EGM will be despatched to the Shareholders in compliance with the Listing Rules on or before 13 December 2019.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Annual Caps”	the annual caps for the Purchases, the Sales and the Financial Services under the Master Agreements and the Financial Services Framework Agreement respectively
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission
“CNP GC”	China National Pharmaceutical Group Co., Ltd. (中國醫藥集團有限公司), a state-owned enterprise established in the PRC
“CNP GC Group”	CNP GC and its subsidiaries
“Company”	China Traditional Chinese Medicine Holdings Co. Limited 中國中藥控股有限公司, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 570)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Master Agreements (including the Annual Caps for the Purchases and the Sales)
“Existing Master Purchase Agreement”	the existing master purchase agreement dated 18 November 2016 entered into between the Company and CNP GC in respect of the purchase of the Materials and equipment by the Group from the CNP GC Group
“Existing Master Supply Agreement”	the existing master supply agreement dated 18 November 2016 entered into between the Company and CNP GC in respect of the sale of the Products by the Group to the CNP GC Group
“Financial Services”	deposit services, loan and entrustment loan services and Other Financial Services provided by Sinopharm Group Finance to the Group pursuant to the terms and provisions set out in the Financial Services Framework Agreement

“Financial Services Framework Agreement”	the financial services framework agreement dated 20 November 2019 entered into between the Company and Sinopharm Group Finance in relation to the provision of the Financial Services by Sinopharm Group Finance to the Group for a period of three years from the date of the Financial Services Framework Agreement
“Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) of the regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Agreements (including the Annual Caps for the Purchases and the Sales)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. Xie Rong, Mr. Qin Ling and Mr. Li Weidong, all being independent non-executive Directors, established for the purpose of giving a recommendation to the Independent Shareholders on the Master Agreements (including the Annual Caps for the Purchases and the Sales)
“Independent Shareholders”	the Shareholders other than CNPGC and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreements”	together, the New Master Purchase Agreement and New Master Supply Agreement
“Materials”	the TCM and chemical materials purchased by the Group from the CNPGC Group
“New Master Purchase Agreement”	the master purchase agreement dated 20 November 2019 entered into between the Company and CNPGC in respect of the Purchases for the three financial years ending 31 December 2020, 2021 and 2022

“New Master Supply Agreement”	the master supply agreement dated 20 November 2019 entered into between the Company and CNPGC in respect of the Sales for the three financial years ending 31 December 2020, 2021 and 2022
“Other Financial Services”	bill discounting and acceptance services, finance lease services, financial advisory services, guarantee services, settlement services, online banking services, insurance agency services and such other services as approved by the CBRC and to be provided by Sinopharm Group Finance
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Products”	various pharmaceutical products manufactured and supplied by the Group to the CNPGC Group
“Purchases”	the purchases of the Materials and equipment from the CNPGC Group
“Sales”	the sales of the Products to the CNPGC Group
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Sinopharm Group Finance”	Sinopharm Group Finance Co., Ltd. (國藥集團財務有限公司), a company incorporated under the laws of the PRC with limited liability, which is a non-bank financial institution
“Sinopharm Hongkong”	Sinopharm Group Hongkong Co., Limited (國藥集團香港有限公司), a company incorporated in Hong Kong with limited liability and the controlling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“TCM”	traditional Chinese medicine
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board  
**China Traditional Chinese Medicine Holdings Co. Limited**  
**WU Xian**  
*Chairman*

Hong Kong, 20 November 2019

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