

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2877)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 19 December 2023 (the “**Announcement**”). Unless otherwise stated herein, capitalized terms used in this announcement shall have the same meaning as defined in the Announcement.

In addition to the information provided in the Announcement, the Company would like to provide the following additional information relating to (i) the detailed basis of determination of the fixed fees payable under each of the General Services Agreements, the Tenancy Agreements, the Hotel Services Agreement, the Car Lease Agreement and the Equipment Lease Agreement, (ii) the detailed basis of determination of the annual caps under each of the Hotel Services Agreement and the Training Agreement, and (iii) the internal control and pricing policy of the Group.

BASIS OF DETERMINATION OF THE FIXED FEES PAYABLE

Shineway Medical GSA

The annual property management fee payable by Shineway Pharmaceutical to Shineway Medical under the Shineway Medical GSA was determined based on the actual land areas occupied by the Factory Premises of Shineway Pharmaceutical, and a predetermined rate which was determined with reference to (and no less favourable to the Group than) the average of the rate of property management fee charged by independent property management companies providing similar services in respect of five districts in the vicinity of the relevant Factory Premises.

The annual catering service fee payable by Shineway Pharmaceutical to Shineway Medical under the Shineway Medical GSA was determined based on the number of tables served by Shineway Medical, the number of working days, and a predetermined

rate of which was determined with reference to (and no less favourable to the Group than) the average of the rate of catering fee charged by three independent catering companies providing similar services in the district where the relevant Factory Premises are located.

Shineway Sanhe GSA

The annual property management fee payable by Hebei Shineway to Shineway Sanhe under the Shineway Sanhe GSA was determined based on the actual land areas occupied by the Factory Premises of Hebei Shineway, and a predetermined rate which was determined with reference to (and no less favourable to the Group than) the average of the rate of property management fee charged by independent property management companies providing similar services in respect of three districts in the vicinity of the relevant Factory Premises.

The annual catering service fee payable by Hebei Shineway to Shineway Sanhe under the Shineway Sanhe GSA was determined based on the number of tables served by Shineway Sanhe, the number of working days, and a predetermined rate which was determined with reference to (and no less favourable to the Group than) the average of the rate of catering fee charged by three independent catering companies providing similar services in the district where the relevant Factory Premises are located.

Shineway Medical TA

The annual rent payable to Shineway Medical by Shineway Pharmaceutical under the Shineway Medical TA was determined based on the actual land area to be rented, and a predetermined rate which was determined with reference to (and no less favourable to the Group than) the average of the rate of rent in respect of three pieces of comparable land in the vicinity of the relevant Factory Premises.

Shineway Sanhe TA

The annual rent payable to Shineway Sanhe by Hebei Shineway under the Shineway Sanhe TA was determined based on the actual land area to be rented, and a predetermined rate which was determined with reference to (and no less favourable to the Group than) the average of the rate of rent in respect of two pieces of comparable land in the vicinity of the relevant Factory Premises.

Hotel Services Agreement

The annual rent payable to Shineway Medical in respect of the Hotel Rooms under the Hotel Services Agreement was determined based on a predetermined rate per room per month, which was determined with reference to (and no less favourable to the Group than) the average of the rate of rent of hotel rooms of similar size of two independent hotels in the vicinity of the Hotel.

Car Lease Agreement

The annual rent payable to Shineway Medical by Shineway Pharmaceutical under the Car Lease Agreement was determined with reference to (and comparable to) the average of the rate of rent in respect of similar or same cars charged by three independent car rental companies.

Equipment Lease Agreement

The annual rent payable to Shineway Medical by Shineway Pharmaceutical under the Equipment Lease Agreement was determined based on a predetermined fraction of the acquisition cost of the Equipment, which was determined with reference to (and no less favourable to the Group than) the average of the rate of rent of equipment and machinery of similar scale offered by three independent owners.

BASIS OF DETERMINING THE ANNUAL CAPS

The fees paid by the Group for provision of hotel services of the Hotel and for provision of training services and training venue during the two years ended 31 December 2022 and the 11 months ended 30 November 2023 were to a substantial extent less than the annual caps of the Hotel Services Agreement (in respect of the provision of hotel services) and the Training Agreement for the three years ending 31 December 2026 because the hotel services and training services were underutilized by the Group in the past three years because of COVID-19 pandemic, and the lockdowns, and restrictions on movement during such period. With the receding of COVID-19, it is expected that the utilization of hotel services of the Hotel and training services by the staff of the Group will exceed pre-COVID-19 level to make up for the lack or absence of training to the staff during the pandemic and cater for the need of expanded size of employees and to provide accommodation to them (during training and working) accordingly.

INTERNAL CONTROL AND PRICING POLICY

For the hotel services of the Hotel payable under the Hotel Services Agreement, Shineway Pharmaceutical will be charged in accordance with the hotel price list offered by the Hotel from time to time to all hotel guests (including the general public). The finance department of Shineway Pharmaceutical will regularly review the hotel price list of the Hotel and compare it with at least two independent hotels in the vicinity to ensure that the price for the hotel services charged by the Hotel is no less favourable to the Group than the price offered by independent hotels.

For the consideration payable under the Training Agreement, the finance department of Shineway Pharmaceutical will obtain quotations from at least three independent training schools before entering into individual contracts with Shineway Training School and will ensure that the terms offered by Shineway Training School is no less favourable to the Group than the terms offered by the independent training schools.

Taking into account the terms of the General Services Agreements, the Tenancy Agreements, the Hotel Services Agreement, the Training Agreement, the Car Lease

Agreement and the Equipment Lease Agreement, the basis of determination of the consideration payable thereunder, and the internal control and pricing policy as disclosed in the Announcement and this announcement, the Directors (including the independent non-executive Directors) consider that the internal control and pricing measures adopted are sufficient to ensure that the transactions under aforesaid agreements will be conducted on normal commercial terms and fair and reasonable.

By order of the Board

China Shineway Pharmaceutical Group Limited

Li Zhenjiang

Chairman

Hong Kong, 22 December 2023

As at the date of this announcement, the executive Directors are Mr. Li Zhenjiang, Ms. Xin Yunxia and Mr. Li Huimin; the non-executive Director is Mr. Zhou Wencheng and the independent non-executive Directors are Mr. Liu Shun Fai, Mr. Yew Yat On and Ms. Wang Guihua.