
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in China Traditional Chinese Medicine Holdings Co. Limited (the “Company”), you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee, or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 CONTINUING CONNECTED TRANSACTIONS IN RELATION TO (1) THE FINANCIAL SERVICES (2026-2028) FRAMEWORK AGREEMENT; (2) THE MASTER PURCHASE (2026-2028) AGREEMENT; AND (3) THE MASTER SUPPLY (2026-2028) AGREEMENT AND NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company



PELICAN FINANCIAL
百利勤金融

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



Gram Capital Limited
嘉林資本有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 24 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 25 to 26 of this circular. A letter from Gram Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 48 of this circular.

A notice convening the EGM of the Company to be held at Conference Room, 4th floor, Winteam Plaza, 6 Kuiqi Second Road, Chancheng District, Foshan City, Guangdong Province, China on Monday, 2 February 2026 at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and returning of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire.

15 January 2026

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	25
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	27
APPENDIX – GENERAL INFORMATION	49
NOTICE OF EGM	EGM-1

DEFINITIONS

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

“Agreements”	together, the Financial Services (2026-2028) Framework Agreement, the Master Purchase (2026-2028) Agreement and the Master Supply (2026-2028) Agreement;
“Annual Caps”	the annual caps for the Financial Services under the Financial Services (2026-2028) Framework Agreement, the Proposed Purchase Caps and the Proposed Sales Cap;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“CNBG”	China National Biotec 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, a wholly-owned subsidiary of CNPGC;
“CNPGC”	China National Pharmaceutical Group Co., Ltd.(中國醫藥集團有限公司), a state-owned enterprise established in the PRC;
“CNPGC Group”	CNPGC and its subsidiaries;
“CNTCM”	China National Traditional Chinese Medicine Co., Ltd.(中國中藥有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of CNPGC;
“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”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Master Purchase Agreement”	the existing master purchase agreement dated 11 November 2022 entered into between the Company and CNPGC in respect of the purchase of the Materials by the Group from the CNPGC Group;
“Existing Master Supply Agreement”	the existing master supply agreement dated 11 November 2022 entered into between the Company and CNPGC in respect of the sale of the Products by the Group to the CNPGC Group;

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at Conference Room, 4th Floor, Winteam Plaza, 6 Kuiqi Second Road, Chancheng District, Foshan City, Guangdong Province, China, on Monday, 2 February 2026 at 2:30 p.m., or any adjournment thereof;
“Financial Services”	deposit services, loan and entrustment loan services and Other Financial Services provided by Sinopharm Group Finance to the Group;
“Financial Services (2023-2025) Framework Agreement”	the financial services framework agreement dated 18 November 2022 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 from 20 November 2022 to 19 November 2025;
“Financial Services (2025) Framework Agreement”	the financial services framework agreement dated 19 November 2025 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 during the period from 19 November 2025 to 31 December 2025;
“Financial Services (2026-2028) Framework Agreement”	the financial services framework agreement dated 25 November 2025 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 the three years ending 31 December 2028;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee comprising the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the Agreements and the respective transactions contemplated thereunder;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreements and the respective transactions contemplated thereunder;
“Independent Shareholders”	the Shareholders other than CNPGC and its associates;

DEFINITIONS

“Latest Practicable Date”	9 January 2026, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein;
“Leasing Services”	the leasing services in respect of production facilities, warehouses and/or other premises provided by the Group to the CNPGC Group;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Purchase (2026-2028) Agreement”	the master purchase agreement dated 25 November 2025 entered into between the Company and CNPGC in respect of the Purchases for the three years ending 31 December 2028;
“Master Supply (2026-2028) Agreement”	the master supply agreement dated 25 November 2025 entered into between the Company and CNPGC in respect of the Sales for the three years ending 31 December 2028;
“Materials”	the TCM and chemical materials purchased by the Group from the CNPGC Group;
“NFRA”	the National Financial Regulatory Administration;
“Other Financial Services”	bill discounting and acceptance services, non-financing guarantee services, online banking services, financial advisory services, and such other services as approved by the NFRA and to be provided by Sinopharm Group Finance;
“PBOC”	the People’s Bank of China;
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan);
“Products”	various pharmaceutical products manufactured and supplied by the Group to the CNPGC Group;
“Proposed Purchase Cap”	the annual caps for the Purchases under the Master Purchase (2026-2028) Agreement;
“Proposed Sales Cap”	the annual caps for the Sales under the Master Supply (2026-2028) Agreement;
“Purchases”	the purchases of the Materials and the Services from the CNPGC Group;
“RMB”	Renminbi, the lawful currency of the PRC;

DEFINITIONS

“Sales”	the sales of the Products and the provision of Leasing Services to the CNPGC Group;
“Services”	various services procured by the Group from the CNPGC Group;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Shanghai 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 which is listed on the Shanghai Stock Exchange (stock code: 600420), a subsidiary of CNPGC;
“Share(s)”	the share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Sinopharm Group”	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 which is listed on the Stock Exchange (stock code: 1099), a subsidiary of CNPGC;
“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;
“Taiji”	Chongqing Taiji Industry (Group) Co., Ltd. (重慶太極實業(集團)股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability which is listed on the Shanghai Stock Exchange (stock code: 600129), a subsidiary of CNPGC;
“TCM”	traditional Chinese medicine; and
“%”	per cent.

The English translation of Chinese names or words in this circular, where indicated by “”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. YANG Jun (*Chairman*)

Mr. LI Hongjian

Mr. PENG Li

Registered Office:

Room 1601, Emperor Group Centre

288 Hennessy Road

Wanchai

Hong Kong

Non-executive Directors:

Mr. LIU Haijian

Mr. LI Xiangrong

Mr. ZU Jing

Ms. XU Jinghui

Mr. HUANG Hao

Principal Place of Business in Hong Kong:

Room 1601, Emperor Group Centre

288 Hennessy Road

Wanchai

Hong Kong

Independent Non-executive Directors:

Mr. XIE Rong

Mr. YU Tze Shan Hailson

Mr. QIN Ling

Mr. LI Weidong

15 January 2026

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
(1) THE FINANCIAL SERVICES (2026-2028) FRAMEWORK AGREEMENT;
(2) THE MASTER PURCHASE (2026-2028) AGREEMENT;
AND
(3) THE MASTER SUPPLY (2026-2028) AGREEMENT
AND
NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

INTRODUCTION

References are made to (i) the announcement of the Company dated 18 November 2022 in relation to the entering into of the Financial Services (2023-2025) Framework Agreement; (ii) the announcement of the Company dated 19 November 2025 in relation to the entering into of Financial Services (2025) Framework Agreement; (iii) the announcement of the Company dated 11 November 2022 in relation to, amongst others, the entering into of the Existing Master Purchase Agreement; (iv) the announcement and the circular of the Company dated 11 November 2022 and 15 December 2022 respectively in relation to, among others, the entering into of the Existing Master Supply Agreement; and (v) the announcement of the Company dated 25 November 2025.

The purposes of this circular are:

- (i) to provide the Shareholders with further details regarding the Agreements and the respective transactions contemplated thereunder;
- (ii) to set out the recommendation from the Independent Board Committee regarding the Agreements and the respective transactions contemplated thereunder;
- (iii) to set out the advice from Gram Capital, the Independent Financial Adviser, regarding the Agreements and the respective transactions contemplated thereunder; and
- (iv) to give the Shareholders other information in accordance with the requirements of the Listing Rules.

The notice of EGM is enclosed herein as part of this circular.

THE FINANCIAL SERVICES (2026-2028) FRAMEWORK AGREEMENT

References are made to (i) the announcement of the Company dated 18 November 2022 in relation to the entering into of the Financial Services (2023-2025) Framework Agreement; and (ii) the announcement of the Company dated 19 November 2025 in relation to the entering into of the Financial Services (2025) Framework Agreement.

The Company has entered into the Financial Services (2025) Framework Agreement, pursuant to which Sinopharm Group Finance agreed to provide Financial Services to the Group during the period from 19 November 2025 to 31 December 2025. The Financial Services (2025) Framework Agreement was entered into so as to (i) ensure the continuity of the Financial Services during the period from 19 November 2025 to 31 December 2025; and (ii) align the expiry date of the Group's agreements relating to continuing connected transactions to 31 December for administrative consistency and to facilitate future management of such transactions. As the term of the Financial Services (2025) Framework Agreement expired on 31 December 2025, on 25 November 2025, the Company entered into the Financial Services (2026-2028) Framework Agreement with Sinopharm Group Finance to govern the terms of the Financial Services, including deposit services, loan services and Other Financial Services, for the three years ending 31 December 2028. The Financial Services (2026-2028) Framework Agreement is on substantially similar terms to the Financial Services (2023-2025) Framework Agreement and the Financial Services (2025) Framework Agreement.

LETTER FROM THE BOARD

The Company entered into the Financial Services (2026-2028) Framework Agreement with Sinopharm Group Finance, which covers deposit services, loan services, and Other Financial Services. In respect of the loan services, the loans to be provided by Sinopharm Group Finance to the Group under the Financial Services (2026-2028) 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 (2026-2028) Framework Agreement will be fully exempt under Rule 14A.90 of the Listing Rules.

In addition, as each of the applicable percentage ratios in respect of the estimated aggregate amount of the service fees in connection with the Other Financial Services on an annual basis is less than 0.1%, the Other Financial Services under the Financial Services (2026-2028) Framework Agreement will be fully exempt under Rule 14A.76(1) of the Listing Rules.

Principal terms of the Financial Services (2026-2028) Framework Agreement in relation to the deposit services are set out as below:

Date	:	25 November 2025
Parties	:	(1) The Company; and (2) Sinopharm Group Finance
Subject	:	Pursuant to the Financial Services (2026-2028) Framework Agreement, Sinopharm Group Finance agreed to provide the Financial Services to the Group during the period from 1 January 2026 to 31 December 2028.

The Group may utilise the Financial Services on a non-compulsory basis. Among other things, the terms of the Financial Services shall adhere to the following principles:

- (i) the terms of the Financial Services shall be no less favorable than those available to the Group from other independent financial institutions from time to time, and the Company agreed to preferentially procure the Financial Services offered by Sinopharm Group Finance under the same terms; and
- (ii) for deposit services, the interest rates offered by Sinopharm Group Finance to the Group shall not be lower than the interest rates offered to the Group by independent commercial banks for the same category of deposits.

LETTER FROM THE BOARD

Payment terms : The service fees of the transactions contemplated under the Financial Services (2026-2028) Framework Agreement shall be paid in accordance with the specific terms as agreed in the separate agreements to be entered into from time to time between the relevant member of the Group and Sinopharm Group Finance.

For deposit services, the principal amount and accrued interest shall be paid to the Group upon maturity (in the case of time deposits) or on demand (in the case of current deposits) in accordance with the specific terms of the relevant deposit arrangement. The Group generally places current deposits (repayable on demand) and time deposits with maturities generally ranging from 7 days to 6 months.

THE MASTER PURCHASE (2026-2028) AGREEMENT

References are made to (i) the announcement of the Company dated 11 November 2022 in relation to, among others, the entering into of the Existing Master Purchase Agreement; and (ii) the announcement of the Company dated 25 November 2025 in relation to the entering into of the Master Purchase (2026-2028) Agreement.

As the term of the Existing Master Purchase Agreement expired on 31 December 2025, on 25 November 2025, the Company entered into the Master Purchase (2026-2028) Agreement with CNPGC to govern the terms of the Purchases for the three years ending 31 December 2028. The Master Purchase (2026-2028) Agreement is on substantially similar terms to the Existing Master Purchase Agreement.

Principal terms of the Master Purchase (2026-2028) Agreement are set out as below:

Date : 25 November 2025

Parties : (1) The Company; and
(2) CNPGC

Subject : Pursuant to the Master Purchase (2026-2028) Agreement, the Group conditionally agreed to purchase the Materials and the Services to be supplied by the CNPGC Group during the period from 1 January 2026 to 31 December 2028. The terms of the Purchases shall adhere to the following principles:

LETTER FROM THE BOARD

- (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 fees for the Services shall be determined based on the prevailing market prices, on an arm's length basis and at prices and terms no less favourable than those available to the Group from independent third parties.

The Materials : The Materials are major TCM 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), scorpion(全蠍), artificial musk(人工麝香), atractylodes lancea(蒼朮)and resina draconis(血竭).

The Services : The Services provided by the CNPGC Group including (a) engineering services (excluding construction); (b) exhibition services; (c) information support services; (d) leasing services; (e) research and development (R&D) services; and (f) other services (e.g. training and legal consulting).

Payment terms : The relevant members of the Group and CNPGC will enter into separate agreements under the Master Purchase (2026-2028) Agreement, which will specify the detailed payment methods, timing and arrangements.

In respect of purchases of the Materials, payments are made by the Group within 90 days after delivery of the Materials. In respect of purchases of the Services, payments will generally be settled on an annual basis.

The payment terms for the purchase of the Materials and Services by the Group shall be negotiated on arm's length basis between the parties thereto and be determined based on normal commercial terms. The terms shall be no less favourable than those available to the Group from independent third parties.

Conditions precedent : The Master Purchase (2026-2028) Agreement is conditional upon the fulfilment of the following conditions (if applicable):

LETTER FROM THE BOARD

- (i) the passing of the resolution(s) by the Independent Shareholders at the EGM to approve the Master Purchase (2026-2028) Agreement and the transactions contemplated thereunder and the Proposed Purchase Caps as required under the Listing Rules;
- (ii) CNPGC having approved the Master Purchase (2026-2028) 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 Master Purchase (2026-2028) Agreement having been obtained.

None of the above conditions can be waived.

THE MASTER SUPPLY (2026-2028) AGREEMENT

References are made to (i) the announcement and the circular of the Company dated 11 November 2022 and 15 December 2022 respectively in relation to, among others, the entering into of the Existing Master Supply Agreement; and (ii) the announcement of the Company dated 25 November 2025 in relation to the entering into of the Master Supply (2026-2028) Agreement.

As the term of the Existing Master Supply Agreement expired on 31 December 2025, on 25 November 2025, the Company entered into the Master Supply (2026-2028) Agreement with CNPGC to govern the terms of the Sales for the three years ending 31 December 2028. The Master Supply (2026-2028) Agreement is on substantially similar terms to the Existing Master Supply Agreement.

Principal terms of the Master Supply (2026-2028) Agreement are set out as below:

Date	:	25 November 2025
Parties	:	(1) The Company; and (2) CNPGC
Subject	:	Pursuant to the Master Supply (2026-2028) Agreement, the Group conditionally agreed to sell the Products and provide Leasing Services to the CNPGC Group during the period from 1 January 2026 to 31 December 2028.

The terms of the Sales shall adhere to the following principles:

LETTER FROM THE BOARD

- (i) the terms of the Sales (including prices and discounts, credit period) 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;
- (ii) the prices of the Products shall be determined based on the prevailing market prices, on an arm's length basis and at prices and terms no less favourable than those offered to independent third parties by the Group; and
- (iii) rental fees for the Leasing Services shall be determined on an arm's length basis, reflecting prevailing market prices for similar assets in comparable locations and at prices and terms no less favourable than those offered to independent third parties by the Group.

The Products : The Products are pharmaceutical products manufactured and supplied by the Group, including but not limited to Nifedipine sustained-release Tablets* (硝苯地平緩釋片), Yu Ping Feng Granules* (玉屏風顆粒), Biyankang Tablets (鼻炎康片), Vitamin C Yinqiao Tablets* (維C銀翹片), concentrated TCM granules* (中藥配方顆粒) and TCM decoction pieces (中藥飲片).

The Leasing Services : The Leasing Services provided by the Group to the CNPGC Group include the rental of production facilities, warehouses and/or other premises, totaling approximately 280,000 square meters in Chongqing, Shaanxi, Yunnan and other locations.

Payment terms : The relevant members of the Group and CNPGC will enter into separate agreements under the Master Supply (2026-2028) Agreement, which will specify the detailed payment methods, timing and arrangements.

In respect of sales of the Products, payments are made by the CNPGC Group within 90 days after delivery of the Products. In respect of the provision of the Leasing Services, service fees will generally be settled by the CNPGC Group on a monthly basis.

LETTER FROM THE BOARD

The payment terms for the sales of the Products and Leasing Services from the Group to CNPGC Group shall be negotiated on arm's length basis between the parties thereto and be determined based on normal commercial terms. The terms shall be no less favourable than those given to independent third parties by the Group.

- Conditions precedent : The Master Supply (2026-2028) Agreement is conditional upon the fulfilment of the following conditions (if applicable):
- (i) the passing of the resolution(s) by the Independent Shareholders at the EGM to approve the Master Supply (2026-2028) Agreement and the transactions contemplated thereunder and the Proposed Sales Caps as required under the Listing Rules;
 - (ii) CNPGC having approved the Master Supply (2026-2028) 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 Master Supply (2026-2028) Agreement having been obtained.

None of the above conditions can be waived.

HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS OF THE AGREEMENTS

The following table sets out (i) the historical maximum daily deposit balance (including accrued interest) under the Financial Services (2023-2025) Framework Agreement for the two years ended 31 December 2024 and for the nine months ended 30 September 2025 and the proposed Annual Caps for the deposit services (i.e. the maximum daily deposit balance, including accrued interest) under the Financial Services (2026-2028) Framework Agreement for the three years ending 31 December 2028; (ii) the historical figures of the continuing connected transactions under the Existing Master Purchase Agreement for the two years ended 31 December 2024 and for the nine months ended 30 September 2025 and the proposed Annual Caps of the Master Purchase (2026-2028) Agreement for the three years ending 31 December 2028; and (iii) the historical figures of the continuing connected transactions under the Existing Master Supply Agreement for the two years ended 31 December 2024 and for the nine months ended 30 September 2025 and the proposed Annual Caps of the Master Supply (2026-2028) Agreement for the three years ending 31 December 2028:

LETTER FROM THE BOARD

	For the year ended		For the nine months ended 30 September 2025 (for actual amount)/For the year ending 31 December 2025	During the period from 19 November 2025 to 31 December 2025 (Note 1)	For the year ending		
	31 December 2023	2024	(for existing annual cap)		31 December 2026	2027	2028
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Services (2026-2028) Framework Agreement							
<i>Maximum daily deposit balance (including accrued interest)</i>							
Existing annual caps	600,000	600,000	600,000	400,000	–	–	–
Actual amount	587,000	587,000	582,000	–	–	–	–
Utilisation rate	97.8%	97.8%	97.0%	–	–	–	–
Proposed Annual Caps	–	–	–	–	900,000	900,000	900,000
Master Purchase (2026-2028) Agreement							
Historical annual caps	300,000	450,000	675,000	N/A	–	–	–
Actual amount	167,520	119,270	67,496	N/A	–	–	–
Utilisation rate	55.8%	26.5%	10.0%	N/A	–	–	–
Proposed Annual Caps	–	–	–	–	704,100	724,600	740,100
Master Supply (2026-2028) Agreement							
Historical annual caps	1,750,000	2,100,000	2,500,000	N/A	–	–	–
Actual amount	1,193,800	1,298,910	902,108	N/A	–	–	–
Utilisation rate	68.2%	61.9%	36.1%	N/A	–	–	–
Proposed Annual Caps	–	–	–	–	2,730,000	2,875,000	3,026,750

Note:

- The Company entered into the Financial Services (2025) Framework Agreement on 19 November 2025, pursuant to which Sinopharm Group Finance agreed to provide Financial Services to the Group during the period from 19 November 2025 to 31 December 2025. For further details, please refer to the Company's announcement dated 19 November 2025.

BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS

Proposed Annual Caps for the deposit services

The proposed Annual Caps for the deposit services under the Financial Services (2026-2028) Framework Agreement were determined mainly with reference to: (i) the historical maximum daily deposit balance (including accrued interest) placed by the Group with Sinopharm Group Finance under the Financial Services (2023-2025) Framework Agreement, which reached approximately RMB587 million; (ii) the

LETTER FROM THE BOARD

Group's solid liquidity position, with cash and cash equivalents of the Group of approximately RMB4.3 billion as at 30 June 2025; (iii) the potential demands of the deposit services of the Group for the three years ending 31 December 2028, taking into account the Group's business expansion and treasury management needs; and (iv) a buffer of approximately 9%.

Details of the basis of determination are set out as follows:

- (i) **Historical maximum daily deposit balance and usage rate:** The historical maximum daily deposit balance reached approximately RMB587 million under the Financial Services (2023-2025) Framework Agreement. This represented a utilisation rate of approximately 97.8% of the existing annual cap of RMB600 million, indicating that the previous cap had reached its capacity limit and provided negligible headroom for fluctuation.
- (ii) **Liquidity position and estimated growth:** The Group's cash and cash equivalents have demonstrated strong growth, increasing by approximately 40.6% from RMB3.1 billion as at 31 December 2022 to approximately RMB4.3 billion as at 30 June 2025. With the development of business in the next few years, the cash generated from daily business operations is expected to increase, driving up the demand for deposit services. Consequently, the Company has applied this growth rate to the historical peak balance to project a baseline demand of approximately RMB825 million.
- (iii) **Potential demands and optimisation of cash deployment:** The annual cap for deposit services under the Financial Services (2025) Framework Agreement was determined based on the Group's immediate year-end settlement obligations, which limited the cash available for deposit. In contrast, for the three years ending 31 December 2028, the Group anticipates having more cash available for deposit. Accordingly, the proposed Annual Caps for deposit services of RMB900 million restores the treasury allocation ratio to the previous level of approximately 20%, aligning with the Group's historical treasury strategy. It also provides flexibility to place larger amounts of cash with Sinopharm Group Finance and to benefit from interest rates that are generally more favourable than those offered by independent commercial banks for comparable deposits. This enhances treasury efficiency and maximises returns on idle capital without affecting the Group's operational cash flows or liquidity position.
- (iv) **Buffer:** The proposed Annual Caps of RMB900 million provides a buffer of approximately 9% above the growth-adjusted baseline of RMB825 million. This buffer is incorporated to accommodate potential day-to-day fluctuations, accrued interest and unforeseen liquidity events over the three years ending 31 December 2028.

Proposed Purchase Caps

The Proposed Purchase Caps were determined mainly with reference to: (i) the historical volumes of the Materials purchased from the CNPGC Group; (ii) the expected increase in the use of the Materials to cater for the increasing demand of the Group's products and the growth in the Group's TCM finished drugs and TCM decoction pieces businesses; (iii) the extension of joint procurement activities to TCM decoction

LETTER FROM THE BOARD

pieces, for both industrial decoction pieces and medical decoction pieces; and (iv) the anticipated level of the Services provided by the CNPGC Group including engineering, exhibition, information support, leasing, R&D, and other services (e.g. training, legal consulting, etc.).

The Directors note that the utilization rates of the historical annual caps for the two years ended 31 December 2024 and the nine months ended 30 September 2025 were approximately 55.8%, 26.5% and 10.0% (based on the existing annual cap of RMB675 million), respectively. The low utilization in the recent periods was mainly due to (i) the impact of policies regarding TCM granules, which resulted in a temporary industry-wide adjustment and a decrease in unit prices; and (ii) the Group's strategic optimisation of its TCM material supply chain and sourcing structure, involving targeted reductions in categories with inadequate resource and cost management, while progressively increasing allocations and adjustments for high-priority varieties to support sustained future expansion. In particular, looking forward to the three years ending 31 December 2028, the Group anticipates a rebound in demand driven by the stabilization of the centralized procurement policy environment. The Group is strategically implementing a "volume-for-price" trade-off strategy to leverage price controls to capture greater market share. To support this increase in production volume, the Group will expand joint procurement to include strategic reserves of authentic medicinal materials so as to ensure supply and explore fresh-cut business of Chinese medicinal materials at production place.

The increase in the Proposed Purchase Caps is primarily driven by the Group's strategic expansion of joint procurement activities with the CNPGC Group. To maximize the CNPGC Group's strengths in supply chain integration, cost management and economies of scale, the Group intends to further deepen collaboration with the CNPGC Group with a view to achieving ongoing procurement cost savings. This includes deepening cooperation on medicinal material resources and expanding into joint procurement of industrial and medical decoction pieces, with projected aggregate purchases from the CNPGC Group reaching approximately RMB600 million in 2028, and increasing the procurement of high quality and competitively priced Chinese medicinal materials from the CNPGC Group to approximately RMB100 million by 2028 to support the business growth of the TCM finished drugs and TCM decoction pieces industrial segments.

Regarding the Services, the Group has taken into account the actual service fees incurred and its planned enhancement of information systems, facilities and R&D. It is expected that service related Purchases will account for only about 5% of each of the Proposed Purchase Caps, representing approximately 20% of the total service fees incurred of approximately RMB180 million for the year ended 31 December 2024. This provides options for the Group to engage the CNPGC Group on a non-exclusive basis in instances where their commercial terms are more favourable, without resulting in any reliance.

According to the annual report for the year ended 31 December 2024 of the Group, the TCM decoction pieces business contributed approximately RMB3.3 billion, representing a year-on-year increase of 17.9% and accounting for 20.1% of the Group's total revenue for the year ended 31 December 2024. Meanwhile, revenue from TCM finished drugs business contributed approximately RMB4.6 billion, representing a year-on-year increase of 14.0% and accounting for 27.6% of the Group's total revenue for the same year. As disclosed in the interim report for the six months ended 30 June 2025, these segments continued to account for over half of the Group's total revenue for the period. The Group anticipates, these segments scales will continue to grow in the coming three years, and thus will increase the Purchases to meet rising demand for the Group's products.

LETTER FROM THE BOARD

Proposed Sales Caps

The Proposed Sales Caps were determined mainly by reference to: (i) the historical sales of the Products by the Group to the CNPGC Group; (ii) the expected increase in the demand for the Group's Products; and (iii) the planned expansion of Leasing Services to the CNPGC Group. Under the Master Supply (2026-2028) Agreement, the Group supplies the Products to the CNPGC Group for onward sale and use within its distribution and hospital network, with the CNPGC Group acting as a distributor of the Products. In determining the Proposed Sales Caps, the Group has principally taken into account its own business development plans and the expected utilisation of the CNPGC Group's distribution platform to implement such plans.

Historical sales of the Products to the CNPGC Group under the Existing Master Supply Agreement have increased approximately 9.2% from RMB1.19 billion for the year ended 31 December 2023 to RMB1.30 billion for the year ended 31 December 2024. The Directors note that the utilization rates of the historical annual caps for the two years ended 31 December 2024 and the nine months ended 30 September 2025 were approximately 68.2%, 61.9% and 36.1% (based on the existing annual cap of RMB2.5 billion), respectively. The low utilization rate in the first nine months of 2025 was primarily attributable to the Group's proactive optimization of its business structure, specifically the strategic reduction of low-margin and high-risk Chinese medicinal herbs integration businesses, as well as the temporary impact of price reductions arising from the centralized procurement of concentrated TCM granules.

Despite the temporary adjustment in 2025, the Group expects sales to the CNPGC Group to grow in line with its business development plans and CNPGC Group's anticipated demand, driven by:

- (i) **TCM Decoction Pieces Growth:** The Group has successfully secured bids for 45 varieties under the nationwide centralized procurement of TCM decoction pieces. The Group expects to leverage CNPGC Group's extensive hospital network to significantly increase the sales volume of these standardized products, offsetting price reductions with increased market share.
- (ii) **High-Quality Business Focus:** The Group is shifting its focus towards higher-margin segments. In the TCM finished drugs segment, the Group continues to develop core medical terminals through the "One Person, One Hospital, One Benchmark" project, which is expected to drive demand for the Group's products within CNPGC's distribution network.
- (iii) **Strategic Raw Material Supply:** Regarding the Chinese medicinal herbs integration business, the Group is actively shifting focus to the development of local varieties and advantageous varieties, cutting high-risk business with low margin. The Proposed Sales Caps account for the expected increase in CNPGC Group's requirement for high-quality, traceable raw materials as they integrate their own supply chains.

The aggregate sales of the above mentioned three major product segments (TCM decoction pieces, TCM finished drugs and Chinese medicinal herbs) have increased by 46.3% from approximately RMB6.3 billion for the year ended 31 December 2022 to approximately RMB9.3 billion for the year ended 31 December 2024. The Group anticipates that the aggregate sales of the three major product segments will reach approximately RMB12 billion by 2028. Of this amount, sales to the CNPGC Group are expected to represent approximately 25% of total sales over the next three years, as the Group deepens cooperation with the

LETTER FROM THE BOARD

CNPGC Group in decoction pieces and raw materials and promotes higher margin TCM finished drugs through its network. Accordingly, the Directors expect that the annual amount under the Master Supply (2026-2028) Agreement will be approximately RMB3 billion by 2028.

Furthermore, the Group intends to expand its Leasing Services to the CNPGC Group to maximize asset utilization. The new caps cater for potential expansion in the leasing of production facilities or warehouses to CNPGC Group members to support their integrated operations. The Group has not previously provided such Leasing Services to the CNPGC Group under the Existing Master Supply Agreement. To capitalize on the CNPGC Group's channel and resource strengths while enhancing asset utilization rates, the Group intends to initiate and expand collaboration with CNPGC Group in asset leasing services over the next three years. The proposed Annual Caps for the Leasing Services are RMB30 million for the year ending 31 December 2026, RMB40 million for the year ending 31 December 2027, and RMB50 million for the year ending 31 December 2028. Based on approximately 280,000 square meters of production facilities and warehouse space at an average local monthly rental rate of RMB15 per square meter (which was determined with reference to the prevailing market rates for 3 comparable properties in the vicinity), the Group expects to generate RMB50 million in receivable fees from the Leasing Services for the year ending 31 December 2028.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The Financial Services (2026-2028) Framework Agreement

The Board considers that entering into the Financial Services (2026-2028) Framework Agreement is in the interest of the Group as it provides an option to the Group in procuring financial services for its treasury management. The Financial Services (2026-2028) 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. The entering of the Financial Services (2026-2028) Framework Agreement will simply avail the Group to one more service provider and encourage all financial services providers to offer more competitive terms to the Group.

Given the Group's close relationship with the CNPGC Group, the application procedures for financial services from Sinopharm Group Finance (being a subsidiary of CNPGC) are more efficient, convenient and flexible than those of the independent commercial banks.

In addition, according to the Financial Services (2026-2028) Framework Agreement, the terms of Financial Services offered by Sinopharm Group Finance will be no less favourable than those offered by the independent commercial banks to the Group, which enables the Group to a stable source of financial services.

The utilization of the deposit services can greatly facilitate deployment of surplus funds within the Group, which can have a material impact as the business of the Group develops and its cash resources increase. Specifically, the favourable interest rate available through Sinopharm Group Finance, in comparison to those offered by independent commercial banks or financial institutions for deposits, delivers further benefits to the Group.

LETTER FROM THE BOARD

The Master Purchase (2026-2028) Agreement and the Master Supply (2026-2028) Agreement

The Master Purchase (2026-2028) Agreement and the Master Supply (2026-2028) Agreement 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 the only life-and health-oriented central enterprise directly under the State-owned Assets Supervision and Administration Commission of the State Council, with a full healthcare industry chain covering R&D, manufacturing, logistics and distribution, retail chains, healthcare, engineering services, etc.

Members of the CNPGC Group have been major suppliers of raw materials, pharmaceutical products and related healthcare products to the Group since 1998. They possess high quality supply capabilities and stable procurement channels in Chinese medicinal materials, TCM decoction pieces and related services. Through the Master Purchase (2026-2028) Agreement, the Group can source a stable and quality supply of the Materials, benefit from economies of scale and joint procurement, reduce procurement costs, and enhance overall supply chain efficiency and resilience. The Group procures the Services to support its operational efficiency and growth. Specifically, engineering services facilitate production capacity expansion by leveraging the CNPGC Group's expertise in medical engineering design and services; exhibition services enhance market visibility and product promotion, drawing on the Reed Sinopharm Exhibitions (國藥勵展)'s industry resources and advantages in pharmaceutical events, to strengthen brand dissemination; information support services ensure IT reliability, enabling steady progress on "upstream-downstream collaboration and organic integration*" (上下協同,有機一體)" in information technology construction; leasing services provide flexible asset utilization to meet needs for initial processing sites for Chinese medicinal herbs integration business and off-site warehouses for TCM finished drugs business, with plans to deepen leasing cooperation with CNPGC subsidiaries; R&D services accelerate innovation, focusing on non-clinical safety evaluation testing, secondary development of listed products, and related areas, to build on ongoing collaborations with the CNPGC Group's research institutions; and other services deliver specialized expertise at fair market price, helping the Group fully leverage the CNPGC Group's platform resources, reduce duplicate investments, and improve management efficiency.

Also, leveraging the CNPGC Group's strong distribution capability and extensive nationwide sales network and customer base, the Master Supply (2026-2028) Agreement will enable the Group to further expand the market coverage of its Products, and to sell its products to more hospitals, medical institutions and retail pharmacies across the country and reach a wider range of end customers. In addition, the Group also plans to further partner with CNPGC Group in Leasing Services over the next three years to better use the underutilised assets of the Group.

In light of the above, the Directors (excluding the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee) consider that the terms of the Agreements and the respective transactions contemplated thereunder are fair and reasonable; on normal commercial terms or better, entered into in the ordinary and usual course of business of the Group; and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INTERNAL CONTROL PROCEDURES AND PRICING POLICY

In order to safeguard the interests of the Company and the Shareholders, and to ensure that all continuing connected transactions are conducted on normal commercial terms and on terms no less favourable to the Group than those offered by independent third parties, in addition to the terms disclosed above, the Company has also adopted the following general internal control procedures and pricing policies:

General internal control procedures and pricing policies

- (1) The strategic and operation management department of the Company would monitor the aggregate transaction amounts under the continuing connected transactions on a regular basis and prepare an annual report on the aggregate amounts of continuing connected transactions and the implementation of the regulations regarding continuing connected transactions and submit it to the Board for review.
- (2) The strategic and operation management department of the Company would establish an internal control system for continuing connected transactions together with relevant departments. Before conducting any transactions with connected persons, the strategic and operation management department of the Company would confirm that the Group still has sufficient unused annual caps for carrying out the relevant continuing connected transactions. The strategic and operation management department of the Company would review the continuing connected transactions carried out during the period under review on a monthly basis to assess, and compile a report, on (i) whether the continuing connected transactions of the Group have been carried out in accordance with the terms of the relevant agreement and the Group's pricing policy; and (ii) the aggregate amounts of transactions conducted during the relevant financial year and whether the relevant annual caps have been exceeded. If it is anticipated that the annual caps may be exceeded if the Group is to carry out the proposed transactions, in particular, when 90% of the relevant annual cap has been utilised, it would take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules including but not limited to revising the relevant annual caps before entering into the proposed transactions.
- (3) Every time before conducting any continuing connected transactions, the relevant department of the Company would first prepare the relevant individual agreement for the continuing connected transactions and submit it to the strategic and operation management department or relevant departments of the Company for review and approval. The strategic and operation management department or relevant departments of the Company would review the terms of the proposed transaction and the draft individual agreement to be entered into to make sure that the terms are in compliance with the pricing policy of the Group and the overall terms and conditions (including prices and payment terms) are no less favourable to the relevant member of the Group than those offered by independent third parties. The transactions could only be carried out after the strategic and operation management department or relevant departments of the Company have given their approval therefor.
- (4) The Company's internal control unit will on a regular review the monitoring of the continuing connected transactions to ensure the abovementioned policies and procedures are adequate and effective, the findings of the review will be reported by the head of internal control unit to the

LETTER FROM THE BOARD

management of the Company. The internal control unit regularly reviews and monitors whether the continuing connected transactions are conducted on normal commercial terms and in compliance with the policies and procedures.

In addition to those disclosed above, the Company has also adopted the following internal control procedures and pricing policies specific to the continuing connected transactions contemplated under the relevant agreements:

The Financial Services (2026-2028) Framework Agreement

In accordance with the Group's internal control policy applicable to procurement of the Financial Services with any financial institutions, the finance department of the Company shall obtain quotations from at least three independent commercial banks, the terms of service, the interest rate, and other applicable service details of different independent commercial banks are compared. The finance department of the Company shall then recommend the service provider and their suggestion to the management of the Company. The management of the Company 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 management of the Company will ensure that the terms of the Financial Services strictly adhere to the principles of the Financial Services (2026-2028) Framework Agreement set out in the paragraph headed "Subject" under "Principal terms of the Financial Services (2026-2028) Framework Agreement in relation to the deposit services" above.

The Master Purchase (2026-2028) Agreement

In accordance with the Group's procurement policy (applicable to purchases from the CNPGC Group and independent third parties), the business unit of the relevant operating entities shall obtain quotations from at least three independent suppliers which are in the approved suppliers list or with reference to the prevailing market price levels and terms for similar services and industry practices. In order to be qualified as an approved supplier, supplier will be evaluated by the business unit on various aspects of the suppliers, including but not limited to production capacity, financial strengths, qualifications and quality assurance. Quotations received shall then be assessed by the business unit based on a number of factors, such as price, quality, payment terms, delivery terms and business relationship and the supplier with the best overall offer will be selected. The fees payable for the Services shall be determined based on the prevailing market prices, which shall be assessed with reference to at least three quotations and/or transactions with independent third party suppliers (when applicable) for services of similar scope, complexity and quality or negotiated on an arm's length basis and determined with reference to transaction terms of similar services and industry practices. Consequently, the transaction shall be conducted on an arm's length basis and at prices and terms no less favourable than those available to the Group offered by the independent third parties. The board of directors of the relevant operating entities will review terms of the Purchases. Independent third-party institutions may be appointed by the board of directors of the relevant operating entities, when necessary, to evaluate the Purchase to ensure that the Purchases are not made in less favourable terms to the Group than those offered by other suppliers.

LETTER FROM THE BOARD

The Master Supply (2026-2028) Agreement

For the sales of the Products to end-customers of the hospitals, all of which are conducted through tender, the Group will determine the tender price with reference to the price cap set by the provincial level tender offices. According to the pricing policy of the Group, the Group may offer discounts to the price cap of the TCM finished drugs based on factors such as sales amount, payment terms, distance of delivery, business relationship with the customers and production costs, and are generally in the range of 1-3%. Any proposed discounts must be approved by the head of the relevant business unit before execution to ensure they are no more favourable than those offered to independent third party customers for comparable transactions.

For the sales of TCM finished drugs (being one of the Products) to end-customers of retail pharmacies, the selling prices are determined on an arm's length basis with reference to the prevailing market prices, with reference to at least three quotations or transactions of same or comparable products sold directly by the Group to independent third party customers.

Rental fees for the Leasing Services shall be determined on normal commercial terms and on an arm's length basis, at prices reflecting prevailing market rates for similar properties in comparable locations (ascertained with reference to the market rental rates of at least three comparable properties in the surrounding areas), and on terms no less favourable to the Group than those offered to independent third parties.

The board of directors of the relevant operating entity will review the terms of the Sales to ensure that the Sales (for both Products and Leasing Services) are offered in accordance with the Group's pricing policy, and on terms no less favourable to the Group than those offered to independent third party customers under comparable circumstances.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CNPGC holds 1,685,055,642 Shares, representing approximately 33.46% of the total number of issued Shares. Sinopharm Group Finance is owned as to approximately 52.7750%, 31.7705%, 5.4545%, 5.4545% and 4.5455% by CNPGC, CNBG, CNTCM, Shanghai Shyndec Pharmaceutical and Sinopharm Group, respectively. As such, CNPGC and Sinopharm Group Finance are connected persons of the Company. Therefore, the Agreements and the respective transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

The Company entered into the Financial Services (2026-2028) Framework Agreement with Sinopharm Group Finance, which covers deposit services, loan services and Other Financial Services. In respect of deposit services, as the highest applicable percentage ratios in respect of the proposed Annual Caps is higher than 5% and more than HK\$10,000,000, the Financial Services (2026-2028) Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

In respect of the loan services, the loans to be provided by Sinopharm Group Finance to the Group under the Financial Services (2026-2028) 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 services under the Financial Services (2026-2028) Framework Agreement will be fully exempt under Rule 14A.90 of the Listing Rules.

In respect of the Other Financial Services, as each of the applicable percentage ratios in respect of the estimated aggregate amount of the service fees in connection with the Other Financial Services on an annual basis is less than 0.1%, the Other Financial Services under the Financial Services (2026-2028) Framework Agreement will be fully exempt under Rule 14A.76(1) of the Listing Rules.

In respect of the Master Purchase (2026-2028) Agreement, as the highest applicable percentage ratios in respect of the Proposed Purchase Caps is higher than 5% and more than HK\$10,000,000, the Master Purchase (2026-2028) Agreement and the respective transactions contemplated thereunder are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the Master Supply (2026-2028) Agreement, as the highest applicable percentage ratios in respect of the Proposed Sales Caps is higher than 25%, the Master Supply (2026-2028) Agreement and the respective transactions contemplated thereunder are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, any connected person of the Company and any Shareholder with a material interest in the Agreements and the respective transactions contemplated thereunder and its close associate(s) must abstain from voting on the relevant resolution(s) at the EGM. Mr. YANG Jun, Mr. LI Hongjian and Mr. PENG Li, the executive Directors and Mr. LIU Haijian, Mr. LI Xiangrong, Mr. ZU Jing and Ms. XU Jinghui, the non-executive Directors, are Directors nominated by CNPGC and are considered to have material interests in the Agreements and the respective transactions contemplated thereunder. They have abstained from voting on the relevant resolutions to approve the Agreements and the respective transactions contemplated thereunder at the Board meeting. Save as disclosed above, none of the other Directors has a material interest in the Agreements and the respective transactions contemplated thereunder. The Board resolutions approving the Agreements were duly passed by the five Directors entitled to vote at the relevant Board meeting and are in full compliance with the articles of association of the Company.

As at the Latest Practicable Date, CNPGC and its associates, which are interested in 1,685,055,642 Shares (representing approximately 33.46% 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 in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the terms and proposed Annual Caps of the Agreements and the respective transactions contemplated thereunder. The Independent Board Committee comprises Mr. XIE Rong, Mr. YU Tze Shan Hailson, Mr. QIN Ling and Mr. LI Weidong, all being independent non-executive Directors.

LETTER FROM THE BOARD

Gram Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Agreements and the respective transactions contemplated thereunder (including the proposed Annual Caps).

As the EGM is expected to be held on 2 February 2026, the Company will not conduct any of the relevant transactions under the Agreements from 1 January 2026 until the Independent Shareholders' approval has been obtained.

GENERAL INFORMATION OF THE PARTIES

The Group

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

Sinopharm Group Finance

Sinopharm Group Finance is a non-bank financial institution regulated by the PBOC and the NFRA. 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, entrustment loans, settlement services as well as other financial services such as provision of financial advisory and other advisory agency services, non-financing guarantee services and other services as approved by the NFRA and to be provided by Sinopharm Group Finance.

CNPGC

CNPGC is the only life- and health-oriented central enterprise directly under the State-owned Assets Supervision and Administration Commission of the State Council, with a whole healthcare industry chain covering R&D, manufacturing, logistics and distribution, retail chains, healthcare, engineering services, etc.

EGM

The Company will convene the EGM at Conference Room, 4th floor, Winteam Plaza, 6 Kuiqi Second Road, Chancheng District, Foshan City, Guangdong Province, China on Monday, 2 February 2026 at 2:30 p.m., at which resolutions will be proposed for the purposes of considering and, if thought fit, approving the Agreements and the respective transactions contemplated thereunder. The notice of the EGM is set out on pages EGM-1 and EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time

LETTER FROM THE BOARD

appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and returning of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders who are entitled to attend the EGM, the Company's register of members will be closed from Wednesday, 28 January 2026 to Monday, 2 February 2026 (both days inclusive). The Shareholders whose names appear on the register of members of the Company on Monday, 2 February 2026 are entitled to attend and vote at the EGM. Shareholders who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 27 January 2026.

RECOMMENDATION

Your attention is drawn to (a) the letter from the Independent Board Committee set out on pages 25 to 26 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Agreements and the respective transactions contemplated thereunder at the EGM; (b) the letter from Gram Capital, the Independent Financial Adviser, set out on pages 27 to 48 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the respective transactions contemplated thereunder; and (c) additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice (together with principal factors and reasons considered in arriving at such advice) of the Independent Financial Adviser, considers that the Agreements and the respective transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are entered in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Agreements and the respective transactions contemplated thereunder.

The Board are of the opinion that the Agreements and the respective transactions contemplated thereunder are fair and reasonable; on normal commercial terms or better and in the ordinary and usual course of business of the Group; and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors also recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Agreements and the respective transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,

By Order of the Board

China Traditional Chinese Medicine Holdings Co. Limited

YANG Jun

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

Date: 15 January 2026

To: the Shareholders

Dear Sirs or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
(1) THE FINANCIAL SERVICES (2026-2028) FRAMEWORK AGREEMENT;
(2) THE MASTER PURCHASE (2026-2028) AGREEMENT;
AND
(3) THE MASTER SUPPLY (2026-2028) AGREEMENT**

We refer to the circular of the Company dated 15 January 2026 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular bear the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders in respect of the Agreements and the respective transactions contemplated thereunder, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser set out on pages 5 to 24 and pages 27 to 48 of the Circular respectively.

Having taken into account of the advice (together with principal factors and reasons considered in arriving at such advice) of Gram Capital, the Independent Financial Adviser, we are of the opinion that the Agreements and the respective transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are entered in the ordinary and usual course of business of the Group, and are in the interests

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Agreements and the respective transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee of
China Traditional Chinese Medicine Holdings Co. Limited

Mr. XIE Rong
*Independent Non-
Executive Director*

Mr. YU Tze Shan Hailson
*Independent Non-
Executive Director*

Mr. QIN Ling
*Independent Non-
Executive Director*

Mr. LI Weidong
*Independent Non-
Executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

15 January 2026

*To: The independent board committee and the independent shareholders
of China Traditional Chinese Medicine Holdings Co. Limited*

Dear Sir/Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
(1) THE FINANCIAL SERVICES (2026-2028) FRAMEWORK AGREEMENT;
(2) THE MASTER PURCHASE (2026-2028) AGREEMENT;
AND
(3) THE MASTER SUPPLY (2026-2028) AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) deposit services contemplated under the Financial Services (2026-2028) Framework Agreement (the “**Deposit Services**”); (ii) the transactions contemplated under the Master Purchase (2026-2028) Agreement (the “**Purchase Transactions**”); and (iii) the transactions contemplated under the Master Supply (2026-2028) Agreement (the “**Sales Transactions**”, together with the Deposit Services and the Purchase Transactions, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 15 January 2026 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 25 November 2025:

- the Company and Sinopharm Group Finance entered into the Financial Services (2026-2028) Framework Agreement, pursuant to which Sinopharm Group Finance agreed to provide Financial Services (including the Deposit Services) to the Group for a term of three years from 1 January 2026 to 31 December 2028.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- the Company entered into the Master Purchase (2026-2028) Agreement with CNPGC, pursuant to which the Group conditionally agreed to purchase the Materials to be supplied by the CNPGC Group during the period from 1 January 2026 to 31 December 2028.
- the Company entered into the Master Supply (2026-2028) Agreement with CNPGC, pursuant to which the Group conditionally agreed to sell the Products to the CNPGC Group during the period from 1 January 2026 to 31 December 2028.

With reference to the Board Letter, the Transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. XIE Rong, Mr. YU Tze Shan Hailson, Mr. QIN Ling and Mr. LI Weidong (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of the proposal to privatise the Company by Sinopharm Common Wealth Company Limited by way of a scheme of arrangement (the "**Proposal**"), details of which are set out in the joint announcement of Sinopharm Common Wealth Company Limited and the Company dated 21 February 2024 (the Proposal was lapsed on 18 October 2024). Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Sinopharm Group Finance, CNPGC, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group's principal business activities are the manufacture and sales of TCM and pharmaceutical products in the PRC with a focus on concentrated TCM granules, TCM finished drugs and TCM decoction pieces.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2024 and the six months ended 30 June 2025 (with comparative figures) as extracted from the Company's annual report for the year ended 31 December 2024 ("**2024 Annual Report**") and the Company's interim report for the six months ended 30 June 2025 ("**2025 Interim Report**"):

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the six months ended 30 June 2025 ("1H2025") RMB'000 (unaudited)	For the six months ended 30 June 2024 ("1H2024") RMB'000 (unaudited)	Change from 1H2024 to 1H2025 %	For the year ended 31 December 2024 ("FY2024") RMB'000 (audited)	For the year ended 31 December 2023 ("FY2023") RMB'000 (audited)	Change from FY2023 to FY2024 %
Revenue	7,463,383	8,385,473	(11.00)	16,509,708	18,121,861	(8.90)
– Chinese medicinal herbs integration business	445,584	754,277	(40.93)	1,386,669	1,855,534	(25.27)
– TCM decoction pieces	1,596,128	1,576,914	1.22	3,314,794	2,811,368	17.91
– Concentrated TCM granules	2,990,750	3,479,735	(14.05)	6,972,013	9,108,382	(23.45)
– TCM finished drugs	2,308,809	2,418,349	(4.53)	4,552,955	3,994,333	13.99
– TCM great health	122,112	156,198	(21.82)	283,277	352,244	(19.58)
Gross profit	3,634,593	4,061,254	(10.51)	7,856,308	9,274,492	(15.29)
Profit/(loss) for the year/period	(141,760)	214,143	N/A	20,771	1,396,070	(98.51)

The Group's revenue decreased by approximately 8.90% from approximately RMB18.1 billion for FY2023 to approximately RMB16.5 billion for FY2024, primarily due to the decrease in revenue from concentrated TCM granules. With reference to the 2024 Annual Report, the decrease in the Group's revenue from concentrated TCM granules was mainly due to (i) substantial decrease in selling price of the varieties under centralized procurement after the implementation of centralized procurement policy on concentrated TCM granules; and (ii) the decrease in sales volume during FY2024 as a result of the intensified market competition.

The Group's gross profit decreased by approximately 15.29% from approximately RMB9.3 billion for FY2023 to approximately RMB7.9 billion for FY2024; while the Group's gross profit margin decreased by approximately 3.59 percentage points from approximately 51.18% for FY2023 to approximately 47.59% for FY2024. With reference to the 2024 Annual Report, the decrease in the Group's gross profit margin was mainly due to the decrease in gross profit margin of the Group's concentrated TCM granules business as a result of (i) the significant decrease in the selling price of the varieties of concentrated TCM granules under centralized procurement; and (ii) the relatively high costs of raw materials and under-utilization of capacity.

As a result of the decrease in the Group's revenue and gross profit for FY2024, the impairment loss recognised in respect of goodwill, right-of-use assets and other intangible assets (recorded under other gains and losses) during FY2024, and the recognition of income tax expenses for FY2024 as opposed to income tax credit for FY2023, partially offset by the decrease in selling and distribution expenses, research and development ("R&D") expenses and finance costs, the Group's profit for FY2024 decreased by approximately 98.51% as compared to that for FY2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's revenue decreased by approximately 11.00% from approximately RMB8.4 billion for 1H2024 to approximately RMB7.5 billion for 1H2025, primarily due to the decrease in revenue from Chinese medicinal herbs integration business and concentrated TCM granules. With reference to the 2025 Interim Report:

- the decrease in revenue from Chinese medicinal herbs integration business was mainly due to (i) the Group actively shifting focuses to the development of local varieties and advantageous varieties, and cutting high-risk businesses with low margin; and (ii) the decline in sales volume of Chinese medicinal herbs affected by the downward fluctuation in its market price.
- the decrease in revenue from concentrated TCM granules was mainly due to the significant increase in the proportion of centralized procurement business during 1H2025, while affected by factors such as intensified market competition.

As a result of the decrease in the Group's revenue for 1H2025, the Group's gross profit for 1H2025 decreased by approximately 10.51% as compared to that for 1H2024.

The Group recorded loss of approximately RMB142 million for 1H2025 as compared to the profit of approximately RMB214 million for 1H2024. With reference to the 2025 Interim Report, the Group's loss position was primarily due to (i) the decrease in the Group's revenue and gross profit as aforementioned; (ii) the recognition of impairment loss in respect of goodwill during 1H2025; and (iii) the increase in impairment losses on the Group's financial assets and items under expected credit loss model.

As at 30 June 2025, the Group's cash and cash equivalents and net assets were approximately RMB4.3 billion and RMB23.4 billion respectively.

Information on CNPGC and Sinopharm Group Finance

With reference to the Board Letter, CNPGC is the only life- and health-oriented central enterprise directly under the State-owned Assets Supervision and Administration Commission of the State Council, with a whole healthcare industry chain covering R&D, manufacturing, logistics and distribution, retail chains, healthcare, engineering services, etc.

With reference to the Board Letter, Sinopharm Group Finance is a non-bank financial institution regulated by the PBOC and the NFRA. 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, entrustment loans, settlement services as well as other financial services such as provision of financial advisory and other advisory agency services, non-financing guarantee services and other services as approved by the NFRA and to be provided by Sinopharm Group Finance.

As at the Latest Practicable Date, CNPGC holds 1,685,055,642 Shares, representing approximately 33.46% of the total number of issued Shares; and Sinopharm Group Finance is directly owned as to approximately 52.7750% by CNPGC. As such, both CNPGC and Sinopharm Group Finance are connected persons of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons for and benefits of the Transactions

Deposit Services

With reference to the Board Letter, the Financial Services (2026-2028) 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. The entering of the Financial Services (2026-2028) Framework Agreement will simply avail the Group to one more service provider and encourage all financial services providers to offer more competitive terms to the Group.

Given the Group's close relationship with the CNPGC Group, the application procedures for financial services (including the Deposit Services) from Sinopharm Group Finance (being a subsidiary of CNPGC) are more efficient, convenient and flexible than those of the independent commercial banks.

As the terms of the Deposit Services offered by Sinopharm Group Finance will be no less favourable to the Group than those offered to the Group by independent commercial banks, the utilization of the Deposit Services can greatly facilitate the deployment of surplus funds within the Group as the business of the Group develops and its cash resources increase; while providing further benefits to the Group.

Purchase Transactions and Sales Transactions

With reference to the Board Letter, CNPGC is the only life- and health-oriented central enterprise directly under the State-owned Assets Supervision and Administration Commission of the State Council, with a full healthcare industry chain covering R&D, manufacturing, logistics and distribution, retail chains, healthcare, engineering services, etc. Members of the CNPGC Group have been major suppliers of raw materials, pharmaceutical products and related healthcare products to the Group since 1998. They possess high-quality supply capabilities and stable procurement channels in Chinese medicinal materials, TCM decoction pieces and related services. Through the Master Purchase (2026-2028) Agreement, the Group can source a stable and quality supply of the Materials, benefit from economies of scale and joint procurement, reduce procurement costs, and enhance overall supply chain efficiency and resilience. In addition, by procuring engineering, exhibition, information system and other ancillary services from the CNPGC Group, the Group can obtain professional, integrated support for its production capacity expansion, information technology upgrade and marketing activities.

Also, leveraging the CNPGC Group's strong distribution capability and extensive nationwide sales network and customer base, the Master Supply (2026-2028) Agreement will enable the Group to further expand the market coverage of its Products, and to sell its products to more hospitals, medical institutions and retail pharmacies across the country and reach a wider range of end-customers.

Having considered the above, we consider that the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Principal terms of the Transactions

(1) *Deposit Services*

Set out below are the principal terms of the Deposit Services, details of which are set out under the section headed “The Financial Services (2026-2028) Framework Agreement” of the Board Letter:

Date

25 November 2025

Parties

- (1) The Company; and
- (2) Sinopharm Group Finance

Subject

Pursuant to the Financial Services (2026-2028) Framework Agreement, Sinopharm Group Finance agreed to provide the Financial Services to the Group during the period from 1 January 2026 to 31 December 2028. The Group may utilise the Financial Services on a non-compulsory basis. Among other things, for the Deposit Services, the interest rates offered by Sinopharm Group Finance to the Group shall not be lower than the interest rates offered to the Group by independent commercial banks for the same category of deposits.

For our due diligence purpose, we obtained from the Company (i) a list of the latest prevailing interest rates offered by Sinopharm Group Finance to the Group for deposit with various deposit periods (i.e. demand deposit, agreed deposits, notice deposits, three months, six months, one year fixed deposits); and (ii) lists of the latest prevailing interest rates offered by three commercial banks who are independent third parties (including the Group’s major bank, the “**Independent Bank(s)**”) to the Group for deposit with various deposit periods (i.e. demand deposit, agreed deposits, notice deposits, three months, six months, one year fixed deposits). Set out below are the prevailing interest rates for various deposit periods offered by Sinopharm Group Finance and the Independent Banks for comparison:

Deposit period	Sinopharm Group Finance	Independent Bank A	Independent Bank B	Independent Bank C
On demand	0.25%	0.05%	0.05%	0.15%
Agreed-term deposit	0.60%	0.35%	0.45%	0.45%
Call deposit	0.85%	0.65%	0.75%	0.75%
3-month fixed deposit	1.20%	0.85%	1.00%	1.00%
6-month fixed deposit	1.40%	1.00%	1.20%	1.20%
1-year fixed deposit	1.50%	1.10%	1.30%	1.30%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After comparing the aforesaid lists of deposit interest rates, we noted that the interest rates offered by Sinopharm Group Finance were higher than those offered by the Independent Banks for deposit with various periods.

For our due diligence purpose, we also obtained from the Company a list of members of the Group that have placed deposit with Sinopharm Group Finance. We randomly selected three members of the Group from the list and obtained all of the deposit records in relation to the deposit placed by them with Sinopharm Group Finance for the two years ended 31 December 2024 and the six months ended 30 June 2025 (“**Sampled Deposit Records**”), together with the then prevailing interest rates for the same deposit period offered by the Independent Banks. As the Sampled Deposit Records covered each of FY2023, FY2024 and 9M2025, we consider the Sampled Deposit Records are sufficient for us to assess the effectiveness of the internal control measure in place. After comparing the aforesaid records, we noted that the interest rates offered by Sinopharm Group Finance for various deposit periods were no less favourable to the Group than those offered by the Independent Banks for deposit placed within the same period.

With reference to the 2024 Annual Report, the Company’s auditor was engaged to report on the continuing connected transactions (including the Deposit Services under the Financial Services (2023-2025) Framework Agreement) for FY2024. The Company’s auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules (the “**Auditor’s Confirmation**”). The independent non-executive Directors also reviewed the continuing connected transactions (including the Deposit Services under the Financial Services (2023-2025) Framework Agreement) for FY2024 and confirmed that these transactions have been entered into (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole (the “**INEDs’ Confirmation**”).

With reference to the Board Letter, the Company has adopted certain internal control procedures to ensure the transactions with connected persons are conducted in accordance with the pricing policy and that the annual caps would not be exceeded, including:

- (i) the finance department of the Company shall obtain quotations from at least three independent commercial banks, the terms of service, the interest rate, and other applicable service details of different independent commercial banks are compared; and
- (ii) the treasury department of the Company would carry out real-time review on the deposit amount of the Group’s members with Sinopharm Group Finance to ensure that the annual caps would not be exceeded.

We consider that the effective implementation of such internal control procedures will ensure (i) the fair interest rates determination for the Deposit Services; and (ii) that the annual caps would not be exceeded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For our due diligence purpose, we discussed with the senior treasury manager of the treasury department of the Company and understood that the Group operate a treasury management system and the treasury management department of the Company is able to review and manage the deposit amount of each of the Group's members with Sinopharm Group Finance on a real-time basis. We also obtained from the Company illustration of the monitoring process on the treasury management system and are of the view that the timely monitor of the deposit amount would ensure that the annual caps would not be exceeded.

Based on our findings on the interest rates of the Deposit Services as detailed above, our discussion with the senior treasury manager of the treasury department of the Company, our observation on the monitoring process on the treasury management system, the Auditor's Confirmation and the INEDs' Confirmation, we consider the internal control measures in place are effective for determining the interest rate of the Deposit Services and to ensure that the annual caps would not be exceeded.

Payment terms

With reference to the Board Letter:

- (a) the service fees of the transactions contemplated under the Financial Services (2026-2028) Framework Agreement shall be paid in accordance with the specific terms as agreed in the separate agreements to be entered into from time to time between the relevant member of the Group and Sinopharm Group Finance.
- (b) for deposit services, the principal amount and accrued interest shall be paid to the Group upon maturity (in the case of time deposits) or on demand (in the case of current deposits) in accordance with the specific terms of the relevant deposit arrangement. The Group generally places current deposits (repayable on demand) and time deposits with maturities generally ranging from 7 days to 6 months.

From the Sampled Deposit Records, we noted that the accrued interests were paid to the Group in accordance with the specific terms of the relevant deposit arrangement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Proposed annual caps

Set out below are (i) the maximum daily deposit balance (including accrued interest) in relation to the Deposit Services for the two years ended 31 December 2024 and for the nine months ended 30 September 2025, together with the previous/existing annual caps for the three years ending 31 December 2025; and (ii) the proposed annual caps for the Deposit Services for the three years ending 31 December 2028:

	For the year ended 31 December 2023 <i>RMB'000</i>	For the year ended 31 December 2024 <i>RMB'000</i>	For the period from 1 January to 19 November 2025 <i>RMB'000</i>	For the period from 19 November to 31 December 2025 <i>RMB'000</i>
Maximum daily deposit balance (including accrued interest)	587,000	587,000	582,000 (Note 1)	Information not available
Previous/Existing annual caps	600,000	600,000	600,000	400,000 (Note 2)
Utilization rate	97.83%	97.83%	97.00% (Note 1)	N/A
	For the year ending 31 December 2026 <i>RMB'000</i>	For the year ending 31 December 2027 <i>RMB'000</i>	For the year ending 31 December 2028 <i>RMB'000</i>	
Proposed annual caps for Deposit Services	900,000	900,000	900,000	

Notes:

- For the nine months ended 30 September 2025 (“**9M2025**”).
- As advised by the Directors, the Company entered into the Financial Services (2025) Framework Agreement on 19 November 2025 so as to (i) ensure the continuity of the Financial Services during the period from 19 November 2025 to 31 December 2025; and (ii) align the expiry date of the Group’s agreements relating to continuing connected transactions to 31 December for administrative consistency and to facilitate future management of such transactions. The annual cap for Deposit thereunder does not affect the determination of the proposed annual caps for the Deposit Services for the three years ending 31 December 2028.

Proposed annual caps for Deposit Services

With reference to the Board Letter, the proposed annual caps for the Deposit Services were determined mainly with reference to (i) the historical maximum daily deposit balance (including accrued interest) placed by the Group with Sinopharm Group Finance under the Financial Services (2023-2025) Framework Agreement; (ii) the cash and cash equivalents of the Group of approximately RMB4.3 billion as at 30 June 2025; and (iii) the potential demands of the deposit services of the Group for the three years ending 31 December 2028.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the above table, the utilization rates of the existing annual caps were approximately 97.83% for both FY2023 and FY2024, which were at relatively high levels. The proposed annual caps were upward adjusted by 125% from the existing annual cap under the Financial Services (2025) Framework Agreement to cater for further possible demands for Deposit Services. With reference to the Board Letter, the existing annual cap under the Financial Services (2025) Framework Agreement was determined based on the Group's immediate year-end settlement obligations, which limited the idle cash available for deposit. As such, we consider it is more appropriate to compare the annual caps for the Deposit Services to those under the Financial Services (2023-2025) Framework Agreement. The proposed annual caps were upward adjusted by 50% from the previous annual caps under the Financial Services (2023-2025) Framework Agreement.

We noted from the 2025 Interim Report that, as at 30 June 2025, the Group's cash and cash equivalents was approximately RMB4.3 billion. The Group's cash level was significantly higher than the proposed annual caps for Deposit Services. Furthermore, we noted from the 2024 Annual Report and the 2025 Interim Report that the Group's net cash inflow from operating activities increased by (i) approximately 121% from approximately RMB1.2 billion for FY2023 to approximately RMB2.6 billion for FY2024; and (ii) approximately 62% from approximately RMB0.6 billion for 1H2024 to approximately RMB0.9 billion for 1H2025, indicating the possible increase in demand for Deposit Services.

Having considered the above, we are of the view that the proposed annual caps for Deposit Services for the three years ending 31 December 2028 are necessary for catering the increase in the Group's net cash inflow from operating activities. Accordingly, we consider the proposed annual caps for the three years ending 31 December 2028 to be fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of deposit amount under the Deposit Services. Consequently, we express no opinion as to how closely the actual deposit amount under the Deposit Services will correspond with the annual caps.

Having considered the principal terms of the Deposit Services as set out above, we consider the terms of the Deposit Services (including the proposed annual caps) to be fair and reasonable.

(2) *Purchase Transactions and Sales Transactions*

Set out below are the principal terms of the Purchase Transactions and Sales Transactions, details of which are set out under the sections headed "The Master Purchase (2026-2028) Agreement" and "The Master Supply (2026-2028) Agreement" of the Board Letter:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Purchase Transactions	Sales Transactions
Date	25 November 2025	25 November 2025
Parties	(1) The Company; and (2) CNPGC	(1) The Company; and (2) CNPGC
Subject	Pursuant to the Master Purchase (2026-2028) Agreement, the Group conditionally agreed to purchase the Materials and the Services to be supplied by the CNPGC Group during the period from 1 January 2026 to 31 December 2028. 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; (ii) the prices of the Materials and fees for the Services shall be determined based on the prevailing market prices, on an arm's length basis and at prices and terms no less favourable than those available to the Group from independent third parties.	Pursuant to the Master Supply (2026-2028) Agreement, the Group conditionally agreed to sell the Products and provide Leasing Services to the CNPGC Group during the period from 1 January 2026 to 31 December 2028. The terms of the Sales shall adhere to the following principles: (i) the terms of the Sales (including prices and discounts, credit period) 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; (ii) the prices of the Products and fees for leasing service shall be determined based on the prevailing market prices, on an arm's length basis and at prices and terms no less favourable than those offered to independent third parties by the Group; and (iii) rental fees for the Leasing Services determined on an arm's length basis, reflecting prevailing market prices for similar assets in comparable locations and at prices and terms no less favourable than those offered to independent third parties by the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the purchase of Services and the provision of Leasing Services were not under the scope of the Existing Master Purchase Agreement and the Existing Master Supply Agreement, we did not perform any due diligence on the pricing of the purchase of Services and the provision of Leasing Services.

For our due diligence purpose, the Company provided us with a summary of the transactions in relation to the purchase of Materials under the Purchase Transactions and sales of Products under the Sales Transactions for FY2023, FY2024 and 9M2025, setting out the transaction amounts of each member of the Group with each member of the CNPGC Group. From the aforesaid summary, we randomly selected and the Company provided us a set of transaction documents (including the relevant individual agreements, invoices, delivery note, payment records) in relation to the Purchase Transactions and the Sales Transactions for each of FY2023, FY2024 and 9M2025, together with a set of transaction documents for the purchase of the same materials from independent third parties and the sale of the same products to independent third party distributors for each of FY2023, FY2024 and 9M2025 (i.e. three sets of transaction documents in relation to each of Purchase Transaction (the “**Sampled Purchase Documents**”) and Sales Transactions (the “**Sampled Sales Documents**”) for the said period). Given that (i) the parties to the Sampled Purchase Documents and the Sampled Sales Documents were selected by us on a random selection basis; and (ii) the Sampled Purchase Documents and the Sampled Sales Documents covered each of FY2023, FY2024 and 9M2025, we consider the Sampled Purchase Documents and the Sampled Sales Documents are sufficient for us to assess the effectiveness of the internal control measure for the historical Purchase Transactions and the historical Sales Transactions.

We noted from the Sampled Purchase Documents and the Sampled Sales Documents that (i) the prices offered by the CNPGC Group to the Group in relation to the purchase of Materials under the Purchase Transactions were no less favourable to the Group than those offered to the Group by independent third parties for the same products; (ii) the prices offered by the Group to the CNPGC Group in relation to the sales of Products under the Sales Transactions were no less favourable to the Group than those offered by the Group to independent third party distributors for the same products.

With reference to the 2024 Annual Report, the Company’s auditor was engaged to report on the continuing connected transactions (including the Purchase Transactions under the Existing Master Purchase Agreement and the Sales Transactions under the Existing Master Supply Agreement) for FY2024. The Company’s auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules (i.e. the Auditor’s Confirmation). The independent non-executive Directors also reviewed the continuing connected transactions (including the Purchase Transactions under the Existing Master Purchase Agreement and the Sales Transactions under the Existing Master Supply Agreement) for FY2024 and confirmed that these transactions have been entered into (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole (i.e. the INEDs’ Confirmation).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Board Letter, the Company has adopted certain internal control procedures to ensure the transactions with connected persons are conducted in accordance with the pricing policy and that the annual caps would not be exceeded, including:

- (i) for purchase of Materials under the Purchase Transactions, the business unit of the relevant operating entities shall obtain quotations from at least three independent suppliers which are in the approved suppliers list or with reference to the prevailing market price levels and terms for similar services and industry practices, and the quotations shall be assessed by the business unit based on factors such as price, quality, payment terms, delivery terms;
- (ii) for purchase of Services under the Purchase Transactions, the fees payable shall be determined based on prevailing market prices and shall be assessed with reference to at least three quotations and/or transactions with independent third party supplier for services of similar scope, complexity and quality;
- (iii) for sales of Products under the Sales Transactions, the selling prices are determined either through tender process or with reference to at least three quotations of same or comparable products sold directly by the Group to independent third-party customers;
- (iv) for provision of Leasing Services under the Sales Transactions, the rental fees shall be determined at prices reflecting prevailing market rates for similar properties in comparable locations with reference to the market rental rates of at least three comparable properties in the surrounding areas, and on terms no less favourable to the Group than those offered by the Group to independent third parties; and
- (v) the strategic and operation management department of the Company would review the Purchase Transactions and the Sales Transactions on a monthly basis to assess whether the relevant annual caps have been exceeded.

We consider that the effective implementation of such internal control procedures will ensure (i) the fair pricing for the Purchase Transactions and the Sales Transactions, particularly, the purchase of Services and the provision of Leasing Services which were not under the scope of the Existing Master Purchase Agreement and the Existing Master Supply Agreement; and (ii) that the annual caps would not be exceeded.

For our due diligence purpose, we obtained the relevant review and assessment records in respect of the Purchase Transactions and Sales Transactions for the two years ended 31 December 2024 and the six months ended 30 June 2025 carried out by the strategic and operation management department of the Company. We noted that the strategic and operation management department of the Company had reviewed the amounts of the Purchase Transactions and Sales Transactions on a monthly basis, and such review reports were approved by the department head of the strategic and operation management department of the Company to ensure that the relevant annual caps have not been exceeded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our findings on the pricing and internal review records of the historical Purchase Transactions and the historical Sales Transactions as detailed above, the Auditor's Confirmation and the INEDs' Confirmation, we consider the internal control measures in place are effective to ensure the fair pricing of the Purchase Transactions and the Sales Transactions and that the relevant annual caps would not be exceeded.

Payment terms

With reference to the Board Letter:

- (a) the relevant members of the Group and CNPGC will enter into separate agreements under the Master Purchase (2026-2028) Agreement and the Master Supply (2026-2028) Agreement, which will specify the detailed payment methods, timing and arrangements.
- (b) in respect of purchases of the Materials, payments are made by the Group within 90 days after delivery of the Materials. In respect of purchases of the Services, payments will generally be settled on an annual basis.
- (c) in respect of sales of the Products, payments are made by the CNPGC Group within 90 days after delivery of the Products. In respect of the provision of the Leasing Services, service fees will generally be settled by the CNPGC Group on a monthly basis.

We reviewed the delivery note and the payment records of the Sampled Purchase Documents and the Sampled Sales Documents and noted that payments were made by either the Group or CNPGC Group in a manner consistent with those set out above and are comparable to those made by the Group (in respect of comparable purchase transactions with independent third parties) or by independent third party distributors (in respect of comparable sales transactions with independent third party distributors). As such, we consider the payment terms to be fair and reasonable.

Proposed Purchase Caps and Proposed Sales Caps

Set out below are (i) the historical amount of Purchase Transactions and Sales Transactions for the two years ended 31 December 2024 and the nine months ended 30 September 2025, together with their respective existing annual caps for the three years ending 31 December 2025; and (ii) the Proposed Purchase Caps and the Proposed Sales Caps for the three years ending 31 December 2028:

	For the year ended 31 December 2023	For the year ended 31 December 2024	For the year ending 31 December 2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical amount of	167,520	119,270	67,496
Purchase Transactions			<i>(Note)</i>
Existing annual caps for	300,000	450,000	675,000
Purchase Transaction			
Utilization rate	55.84%	26.50%	10.00%
			<i>(Note)</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended 31 December 2023 <i>RMB'000</i>	For the year ended 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>
Historical amount of Sales Transactions	1,193,800	1,298,910	902,108 <i>(Note)</i>
Existing annual caps for Sales Transactions	1,750,000	2,100,000	2,500,000
Utilization rate	68.22%	61.85%	36.08% <i>(Note)</i>

Note: for the nine months ended 30 September 2025.

	For the year ending 31 December 2026 <i>RMB'000</i>	For the year ending 31 December 2027 <i>RMB'000</i>	For the year ending 31 December 2028 <i>RMB'000</i>
Proposed Purchase Caps	704,100	724,600	740,100
Proposed Sales Caps	2,730,000	2,875,000	3,026,750

With reference to the Board Letter:

- the Proposed Purchase Caps were determined with reference to (i) the historical volumes of the Materials purchased from the CNPGC Group; (ii) the expected increase in the use of the Materials to cater for the increasing demand of the Group's products and the growth in the Group's TCM finished drugs and TCM decoction pieces businesses; (iii) the extension of joint procurement activities to TCM decoction pieces, encompassing both industrial decoction pieces and medical decoction pieces; and (iv) the anticipated level of the Services provided by the CNPGC Group including engineering, exhibition, information support, leasing, R&D, and other services (e.g. training, legal consulting, etc).
- the Proposed Sales Caps were determined mainly with reference to (i) the historical sales of the Products by the Group to the CNPGC Group; and (ii) the expected increase in the demand of the Group's Products; and (iii) the planned expansion of leasing services to the CNPGC Group.

We understood from the Directors that:

- under the Proposed Purchase Caps, the estimated amounts of the purchase of Materials shall be attributed to the Group's businesses as to (i) approximately 32% for the Group's TCM finished drugs business; (ii) approximately 21% for the Group's TCM decoction pieces business; (iii) approximately 32% for the Group's concentrated TCM granules business; and (iv) approximately 10% for the Group's Chinese medicinal herbs integration business, while the purchase of Services shall account for 5% of the Proposed Purchase Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- under the Proposed Sales Caps, the estimated amounts of the sales of Products shall be attributed to the Group's businesses as to (i) approximately 50% for the Group's TCM finished drugs business; (ii) approximately 35% for the Group's TCM decoction pieces business; (iii) approximately 3% for the Group's concentrated TCM granules business; and (iv) approximately 10% for the Group's Chinese medicinal herbs integration business, while the provision of Leasing Services shall account for 2% of the Proposed Sales Caps.

We further enquired into the Directors and understood that as required under applicable regulations, concentrated TCM granules can only be sold to medical terminals; while members of CNPGC Group are primarily distributors of raw materials, pharmaceutical products and related healthcare products. Accordingly, the Company expects that, while the Group shall maintain substantial proportion of purchase of Materials attributed to the Group's concentrated TCM granules business, the Group shall primarily sell its concentrated TCM granules to independent third party medical terminals through its own sales network. Hence, the above proportion of the Sales Transaction attributed to the Group's concentrated TCM granules is relatively lower than that of the Purchase Transactions.

According to the above table:

- the utilization rates of the historical annual caps for Purchase Transactions (which solely consisted of the purchase of Materials) were approximately 55.84% for FY2023 and 26.50% for FY2024. Based on the historical amount of Purchase Transactions for 9M2025, the annualised transaction amount for FY2025 would amount to approximately RMB90 million.
- the utilization rates of the historical annual caps for Sales Transactions (which solely consisted of the sales of Products) were approximately 68.22% for FY2023 and 61.85% for FY2024.

As noted from the Board Letter and as advised by the Directors:

- the low utilisation of the existing annual caps for the Purchase Transactions for FY2024 and 9M2025 was mainly due to (1) the impact of policies regarding concentrated TCM granules, which resulted in temporary market size adjustment in the industry and decrease in purchase amounts; and (2) the Group's structural adjustments in the allocation of medicinal herb resources and the sourcing of medicinal herbs in recent years, which strategically reduced the procurement of medicinal material where there are insufficient control over resources and costs, while gradually strengthening the layout and structural adjustment of key medicinal materials varieties to lay the foundation for future development.
- the low utilization of the existing annual caps for Sales Transactions up to 9M2025 was primarily attributable to the Group's proactive optimization of its business structure, specifically the strategic reduction of low-margin and high-risk Chinese medicinal herbs trading business, and the impact of price reductions arising from the centralized procurement of concentrated TCM granules and market factors, which caused the lower-than-expected sales amounts.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Despite the temporary adjustment in 2025 which affected the utilisation of the existing annual caps for Purchase Transactions and the Sales Transactions, as advised by the Directors, the Group expected sales to the CNPGC Group and purchase from the CNPGC Group to grow in line with its business development plans and CNPGC Group's anticipated demand, driven by:

- (i) the Group's focus on the TCM finished drugs and TCM decoction pieces segments which are experiencing high revenue growth and shall drive an overall increase in transaction amounts of the Purchase Transactions and the Sales Transactions;
- (ii) the Group's deepen collaboration with CNPGC Group in the allocation of medicinal herb resources, adjustments in the structure of procurement of varieties, and focus on Chinese medicinal herbs that have a significant impact on product costs, including those with a high cost proportion and high market fluctuation. The increase in procurement amount of these herbs will assist the Group to deal with market fluctuation thereby enhancing product costs competitiveness; and
- (iii) the Group's leverage on the industrial resources, distribution channels and service advantages of CNPGC Group in the medical and pharmaceutical fields, the scope of future collaboration procurement and sales will comprehensively cover the business areas of Chinese medicinal herbs, TCM decoction pieces, TCM finished drugs and concentrated TCM granules, together with the new service-related procurement and sales items.

We noted from the 2024 Annual Report that:

- the Group's revenue from TCM decoction pieces increased by approximately 17.91% from approximately RMB2.8 billion for FY2023 to approximately RMB3.3 billion for FY2024, mainly due to the Group's continued efforts in the field of medical terminal sales which resulted in steady growth in revenue from existing customers and brought the growth in the intelligent decoction distribution center business simultaneously, and thereby resulting in the increase in the Group's cost of sales from TCM decoction pieces business by approximately 14.89%.
- the Group's revenue from TCM finished drugs increased by approximately 13.99% from approximately RMB4.0 billion for FY2023 to approximately RMB4.6 billion for FY2024, mainly attributed to the deepening of the production and sales synergy during FY2024, and thereby resulting in the increase in the Group's cost of sales from TCM finished drugs business by approximately 5.74%.

We noted from the 2025 Interim Report and understood from the Directors that the Group's revenue from TCM finished drugs for 1H2025 decreased by approximately 4.53% as compared to that for 1H2024; and the Group's revenue from TCM decoction pieces for 1H2025 remained at similar level as that for 1H2024, primarily due to the structural adjustment to the Group's business, whereby the Group proactively reduced its lower-margin, higher-risk TCM decoction pieces products and focus on higher-margin TCM decoction pieces products that are not included in the centralised procurement scheme to maintain high growth in medical terminal sales. The Group's TCM decoction pieces business were affected by factors such as the launch of the nationwide centralised procurement of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

TCM decoction pieces in April 2025 which affected prices of the Group's TCM decoction pieces business (but advantageous to medical terminal sales development); while the Group's TCM finished drugs business was affected by the overall outpatient planning, adjustments to medical insurance policies and the online channels sales diversion which affected the over-the-counter ("OTC") business (under the Group's TCM finished drugs business), whereas the prescription drugs business still achieve growth. The Group had proactively addressed these challenges, strengthened products development, increase terminals and customers, made breakthroughs and efforts in brand promotion, variety exploration and new retail models.

As a substantial portion of the Proposed Purchase Caps and the Proposed Sales Caps were determined to cater for the Group's TCM finished drugs business, we searched for relevant statistics of the PRC's TCM finished drugs markets. Set out below are the sales value of TCM finished drugs in the PRC for the five years ended 31 December 2024, being the latest available five-year statistics as contained in the annual statistical reports on pharmaceutical circulation industry (the "**Pharmaceutical Report(s)**") published by the Ministry of Commerce of the PRC, together with the Group's revenue from TCM finished drugs business for the respective years, as extracted from the Company's past annual reports:

	2020	2021	2022	2023	2024
Sales value of TCM finished drugs in the PRC (RMB million)	341,390	374,865	408,925	454,422	428,888
<i>Compound annual growth rate (%)</i>					5.87
The Group's revenue from TCM finished drugs (RMB million)	3,067	3,194	3,122	3,994	4,553
<i>Compound annual growth rate (%)</i>					10.38

As shown in the above table, the sales value of TCM finished drugs in the PRC increased from approximately RMB341,390 million for 2020 to approximately RMB428,888 million for 2024, representing a compound annual growth rate of approximately 4.59%; while the Group's revenue from TCM finished drugs increased from approximately RMB3,067 million for 2020 to approximately RMB4,553 million for 2024, representing a compound annual growth rate of 10.38%. The Group's TCM finished drugs business had outperformed the Chinese market in terms of the revenue growth achieved.

As noted from the 2025 Interim Report, a total of 45 varieties of the Group's TCM decoction pieces were successfully selected under the centralized procurement policy. The price deduction of varieties for the centralized procurement will help to enhance the Group's brand benefits and influence in the industry and the Group will implement effective production and stocking plans to provide the market

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

with standardized, large-scale and fully traceable TCM decoction pieces. According to the 2023 edition of the Pharmaceutical Report, CNPGC was ranked first among others pharmaceutical wholesale enterprises in terms of operating revenue for 2023. By leveraging the extensive commercial and hospital network of CNPGC Group, the sales volume of the standardized products under the centralized procurement policy is expected to increase.

Despite that the Group's TCM finished drugs business and TCM decoction pieces business had recently been affected by changes in the industry landscape, given that the upward adjustments in the Proposed Purchase Caps and the Proposed Sales Caps (which represented an increase of over 400% and 100% as compared to the respective historical transaction amounts for FY2024) were determined to cater for, among other things, the increasing demand of the Group's products and the growth in the Group's TCM finished drugs and TCM decoction pieces businesses, which had shown growth potential as substantiated by historical performance. As noted from the Board Letter, the Directors anticipated that the Group's revenue from TCM decoction pieces, TCM finished drugs and Chinese medicinal herbs shall reach RMB12 billion in aggregate by 2028; while the sales to CNPGC Group are expected to represent approximately 25% of the Group's revenue from TCM decoction pieces, TCM finished drugs and Chinese medicinal herbs for the three years ending 31 December 2028.

We noted from the 2024 Annual Report that the Group's revenue from TCM decoction pieces, TCM finished drugs and Chinese medicinal herbs for FY2024 was approximately RMB9.3 billion in aggregate. The estimated revenue from TCM decoction pieces, TCM finished drugs and Chinese medicinal herbs of RMB12 billion by 2028 represented a compound annual growth of approximately 6.71% as compared to that for FY2024, which approximates to the year-on-year growth of approximately 6.85% for FY2024 as compared to that for FY2023. We also noted that the historical amounts of Sales Transactions accounted for approximately 14% of the Group's aggregated revenue from TCM decoction pieces, TCM finished drugs and Chinese medicinal herbs for FY2023 and FY2024. We consider the estimated proportion of sales to CNPGC Group provides enough headroom for the deepen collaboration with CNPGC Group over the next three years without placing significant reliance on CNPGC Group.

We noted from the Board Letter that the Group estimated that the aggregate purchases of Materials from CNPGC Group shall reach approximately RMB700 million in 2028. As illustrated in the above table, the historical amounts of Purchase Transactions were approximately RMB168 million and RMB119 million for FY2023 and FY2024 respectively, representing approximately 14% and 9% of the historical amounts of Sales Transactions for the corresponding period. With the deepening of the Group's collaboration with CNPGC Group over the next three years, we consider the estimated corresponding increase in the proportion of the estimated Materials purchase amounts under the Purchase Transactions with respect to the estimated Products sales amounts under the Sales Transactions (i.e. increase to approximately 23% by 2028) to be justifiable.

We noted from the Board Letter that the total service fees incurred by the Group was approximately RMB180 million for FY2024. The estimated proportion of Services under the Proposed Purchase Caps of 5% (i.e. no more than approximately RMB37 million) represents approximately 20% of the total service fees incurred by the Group for FY2024. We consider the provision of 5% of the Proposed Purchase Caps to cater for the Group's possible demand for Services to be provided by CNPGC Group to be reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the estimated amount of Leasing Services to be provided to CNPGC Group, we noted from the Board Letter that such amount was formulated based on (i) the production facilities and warehouse space of the Group with the floor area of approximately 280,000 square meter that are currently unutilised; and (ii) the average local monthly rental rate of RMB15 per square meter. For our due diligence purpose, we obtained from the Company the prevailing market rates for the comparable properties considered by the Company, which are in the vicinity of the Group's production facilities and warehouse space. Based on the information provided by the Company, we noted that the comparable properties identified by the Company were located in the same/nearby regions with similar usage, and thus we consider the reference made by the Group in determining the estimated amount of Leasing Services to be provided to CNPGC Group to be fair and reasonable.

Having also considered (i) the recent launch of the nationwide centralised procurement of TCM decoction pieces is expected to affect the Group's business only in the short term (but advantageous to medical terminal sales development); (ii) the proactive approach taken by the Group to face the challenges in the OTC business; (iii) the inclusion of the varieties of the Group in the centralized procurement policy could enhance the Group's brand benefits and further increase its sales volume by leveraging the extensive commercial and hospital network of CNPGC Group; and (iv) the inclusion of the Services and the Leasing Services in the Proposed Purchase Caps and the Proposed Sales Caps (the determination of which are reasonable), we consider the upward adjustments in the Proposed Purchase Caps and the Proposed Sales Caps to cater for the Group's possible demand for Purchase Transactions and Sales Transactions to be reasonable.

Having considered the above factors, we are of the view that the Proposed Purchase Caps and the Proposed Sales Caps are fair and reasonable.

Shareholders should note that as the Proposed Purchase Caps and the Proposed Sales Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of costs to be incurred or income to be generated from the Purchase Transactions and the Sales Transactions. Consequently, we express no opinion as to how closely the actual costs to be incurred or income to be generated from the Purchase Transactions and the Sales Transactions will correspond with the Proposed Purchase Caps and the Proposed Sales Caps.

Having considered the principal terms of the Purchase Transactions and the Sales Transactions as set out above, we consider the terms of the Purchase Transactions and the Sales Transactions (including the Proposed Purchase Caps and the Proposed Sales Caps) to be fair and reasonable.

Listing Rules implications

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the Transactions must be restricted by the respective annual caps; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision or procurement of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the proposed annual caps.

In the event that the maximum daily balance in respect of the Deposit Services or the transaction amounts in respect of the Purchase Transactions and the Sales Transactions are anticipated to exceed the respective annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions (including their respective proposed annual caps) are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS**Director and chief executive's interests and short positions in shares, underlying shares or debentures of the Company**

As at the Latest Practicable Date, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange.

Interests and short positions of substantial shareholders in the Shares and underlying shares

As at the Latest Practicable Date, to the best knowledge of the Directors and chief executives of the Company, the following Shareholders (other than Directors or chief executives of the Company) had interests or short positions in the Company's issued shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholders	Capacity	Number of Ordinary Shares	Approximate Percentage of Total Interests to Issued Shares (Note 1)
Sinopharm Hongkong	Beneficial owner	1,634,705,642 (long position) (Note 2)	32.46%
CNPGC	Interest of controlled corporations	1,634,705,642 (long position) (Note 2)	32.46%
	Beneficial owner	50,350,000 (long position)	1.00%
Ping An Life	Beneficial owner	604,296,222 (long position) (Note 3)	12.00%
Ping An Group	Interest of controlled corporations	604,296,222 (long position) (Note 3)	12.00%

Notes:

- (1) The approximate percentage of the total issued Shares of the Company is calculated with reference to the Company's number of shares in issue as at the Latest Practicable Date.
- (2) The 1,634,705,642 shares are held by Sinopharm Hongkong, which is indirectly wholly owned by CNPGC.
- (3) The 604,296,222 shares are held by Ping An Life Insurance Company of China, Ltd. ("**Ping An Life**") which is a subsidiary of Ping An Insurance (Group) Company of China, Ltd. ("**Ping An Group**"). Ping An Group is deemed to be interested in Ping An Life's interest in the Company under the SFO.

Save as disclosed above, the register which was required to be kept by the Company under section 336 of the SFO showed that the Company had not been notified of any interests or short positions of the shareholders (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as at the Latest Practicable Date.

3. COMPETING BUSINESS

Mr. Liu Haijian and Mr. Li Xiangrong are non-executive directors of Taiji. Taiji competes, or is likely to compete, either directly or indirectly, with the business of the Group, which includes the manufacture and sales of certain TCM finished drugs to certain destinations also served by the Group. The Directors consider that the Group is capable of carrying on and does carry on its business independently of, and on an arm's length basis from, the competing business of Taiji for the following reasons: (i) the Group's daily operations and commercial decisions are managed by executive Directors and senior management with no overlap with Taiji; (ii) Mr. Liu Haijian and Mr. Li Xiangrong act only as non-executive directors of the Group and Taiji, and hence do not participate in their day-to-day management or operation; (iii) they represent a minority of the Board and the board of directors of Taiji, and therefore have no control over either board; and (iv) in the event of any actual or potential conflict of interest in relation to Taiji, Mr. Liu Haijian and/or Mr. Li Xiangrong will declare their interests and abstain from voting on the relevant Board resolutions (and will not be counted in the quorum where applicable).

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor their respective close associates had any direct or indirect interests in any businesses that constitutes or may constitute a competing business of the Company.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. QUALIFICATION OF EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained or referred to in this circular:

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Gram Capital was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, Gram Capital did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2024 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Company since 31 December 2024, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect material interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2024 (the date to which the latest published audited consolidated financial statements of the Company were made up).

8. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, save for the Agreements, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.china-tcm.com.cn) from the date of this circular up to and including the date of the EGM.

- (a) the Financial Services (2026-2028) Framework Agreement;
- (b) the Master Purchase (2026-2028) Agreement;
- (c) the Master Supply (2026-2028) Agreement;
- (d) the letter from Gram Capital to the Independent Board Committee, the text of which is set out on pages 27 to 48 of this circular;
- (e) the written consent referred to in the paragraph headed "QUALIFICATION OF EXPERT AND CONSENT" in this appendix; and
- (f) this circular.

10. MISCELLANEOUS

The English version of this circular and the accompanying form of proxy shall prevail over the Chinese text for the purpose of interpretation.

NOTICE OF EGM



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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of China Traditional Chinese Medicine Holdings Co. Limited (the “**Company**”) will be held at Conference Room, 4th floor, Winteam Plaza, 6 Kuiqi Second Road, Chancheng District, Foshan City, Guangdong Province, China on Monday, 2 February 2026 at 2:30 p.m., for the purposes of considering and, if thought fit, passing the following ordinary resolutions (with or without modifications):

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass the following resolutions (with or without modification) as ordinary resolutions of the Company:

1. **“THAT:**

- (a) the Financial Services (2026-2028) Framework Agreement (as defined in the circular of the Company dated 15 January 2026 (the “**Circular**”)) dated 25 November 2025 and entered into between the Company and Sinopharm Group Finance Co., Ltd. (“**Sinopharm Group Finance**”), a copy of which is tabled at the EGM and marked “A” and initialled by the Chairman of the EGM for identification purpose, in relation to provision of a range of financial services by Sinopharm Group Finance to the Company and its subsidiaries (collectively, the “**Group**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the annual caps for the Financial Services (2026-2028) Framework Agreement and the transactions contemplated thereunder as stated in the Circular for the three years ending 31 December 2028 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the directors of the Company (the “**Directors**”) be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Financial Services (2026-2028) Framework Agreement and the transactions contemplated thereunder and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Financial

NOTICE OF EGM

Services (2026-2028) Framework Agreement as they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors' acts as aforesaid be hereby approved, confirmed and ratified."

2. **"THAT:**

- (a) the Master Purchase (2026-2028) Agreement (as defined in the Circular) dated 25 November 2025 and entered into between the Company and China National Pharmaceutical Group Co., Ltd. ("CNPGC"), a copy of which is tabled at the EGM and marked "B" and initialled by the Chairman of the EGM for identification purpose, in relation to the purchases of traditional Chinese medicine and chemical materials and services from CNPGC and its subsidiaries (collectively, the "CNPGC Group") and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the annual caps for the Master Purchase (2026-2028) Agreement and the transactions contemplated thereunder as stated in the Circular for the three years ending 31 December 2028 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Master Purchase (2026-2028) Agreement and the transactions contemplated thereunder and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Master Purchase (2026-2028) Agreement as they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors' acts as aforesaid be hereby approved, confirmed and ratified."

3. **"THAT:**

- (a) the Master Supply (2026-2028) Agreement (as defined in the Circular) dated 25 November 2025 and entered into between the Company and CNPGC, a copy of which is tabled at the EGM and marked "C" and initialled by the Chairman of the EGM for identification purpose, in relation to the sales of various pharmaceutical products manufactured and supplied by the Group and provide leasing services to the CNPGC Group and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the annual caps for the Master Supply (2026-2028) Agreement and the transactions contemplated thereunder as stated in the Circular for the three years ending 31 December 2028 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Master Supply (2026-2028) Agreement and the transactions contemplated thereunder and to waive compliance from or make and agree such variations of a non-material nature to any of the

NOTICE OF EGM

terms of the Master Supply (2026-2028) Agreement as they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors' acts as aforesaid be hereby approved, confirmed and ratified."

By Order of the Board
China Traditional Chinese Medicine Holdings Co. Limited
YANG Jun
Chairman

Hong Kong, 15 January 2026

Notes:

1. In order to determine the Shareholders who are entitled to attend the EGM, the Company's register of members will be closed from Wednesday, 28 January 2026 to Monday, 2 February 2026 (both days inclusive). The Shareholders whose names appear on the register of members of the Company on Monday, 2 February 2026 are entitled to attend and vote at the EGM. Shareholders who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 27 January 2026.
2. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. A proxy need not be a member of the Company.
3. A form of proxy for the EGM is enclosed. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, shall be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM.

As at the date of this notice, the Board comprises twelve Directors, of which Mr. YANG Jun, Mr. LI Hongjian and Mr. PENG Li are executive Directors; Mr. LIU Haijian, Mr. LI Xiangrong, Mr. ZU Jing, Ms. XU Jinghui and Mr. HUANG Hao 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.