

TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED
(Formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited)
(Company Registration No.91120000103100784F)
(Incorporated in the People's Republic of China)

RESOLUTION PASSED AT THE 7TH BOARD MEETING FOR FY2022

- **PROPOSED ACQUISITION OF THE REMAINING 47.9826% EQUITY INTEREST IN TIANJIN DA REN TANG JINGWANHONG PHARMACEUTICAL CO., LTD. (天津达仁堂京万红药业有限公司)**
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The board of directors (the “Board”) and every individual director of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited) (the “Company”) hereby confirm that they will individually and collectively accept full responsibility for the accuracy of the information given in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated in this announcement are fair and accurate in all material respects as at the date of this announcement, and that there are no material facts the omission of which would make any statement in this announcement misleading.

The Company had, on 19 September 2022, duly convened its 7th Board meeting for the financial year ending 31 December 2022 (“FY2022”) by means of live meeting and telephone conference. The said meeting was convened in compliance with the applicable Companies Law, Securities Law and the Articles of Association of the Company, and the following resolution was discussed and passed by the 8 directors out of the full board of 8 directors:

1. That, the proposed acquisition of the remaining 47.9826% equity interest (the “**Sale Equity**”) in Tianjin Da Ren Tang Jingwanhong Pharmaceutical Co., Ltd. (天津达仁堂京万红药业有限公司) (“**Jingwanhong Pharmaceutical**”), a controlled subsidiary of the Company (as determined in accordance with the laws of the People's Republic of China) from Tianjin Jinlan Group Corporation (天津津兰集团公司) (the “**Vendor**”) by the Company (the “**Proposed Acquisition**”) and entry into a binding letter of intent (the “**LOI**”) in relation to the Proposed Acquisition, be approved. Please refer to **Appendix A** to this announcement for the details of the Proposed Acquisition.

To the best knowledge of the Company, the Vendor does not hold any shareholding interest, directly or indirectly, in the Company and is an independent third party unrelated to any of the Company's directors, chief executive officer (or its equivalent rank) or controlling shareholders (as defined in the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)), and their respective associates (as defined in the Listing Manual). In addition, the relative figures in respect of the Proposed Acquisition computed on the bases (where applicable) set out in Rule 1006 of the Listing Manual do not exceed 5%. As such, the Proposed Acquisition does not constitute an interested person transaction or a disclosable transaction for the purposes of Chapters 9 and 10 of the Listing Manual.

By Order of the Board

Jiao Yan
Secretary to the Board of Directors
19 September 2022

APPENDIX A

1. INTRODUCTION

The Company intends to exercise its pre-emptive rights to acquire the Sale Equity from the Vendor for an aggregate consideration of up to RMB450,000,000 (the “**Consideration**”), and has, on 19 September 2022, entered into the LOI with the Vendor. The Consideration for the Proposed Acquisition will be funded by the internal resources of the Company, and represents 7.07% of the latest audited net assets of the Company attributable to its parent company. The Proposed Acquisition does not constitute a related party transaction nor does it constitute a material asset restructuring under the *Listing Rules of the Shanghai Stock Exchange* (《上海证券交易所股票上市规则》). Subsequent to the Proposed Acquisition (if undertaken and completed), the Company will hold 100% equity interest in Jingwanhong Pharmaceutical. Further details are set out below.

2. INFORMATION ON JINGWANHONG PHARMACEUTICAL

2.1 General information on Jingwanhong Pharmaceutical

Name of company	: Tianjin Da Ren Tang Jingwanhong Pharmaceutical Co., Ltd. (天津达仁堂京万红药业有限公司)
Date of incorporation	: 26 December 1981
Uniform social credit No.	: 91120111103787467Q
Type of company	: Limited liability company (有限责任公司)
Registered address	: 20 Daming Road, Xiqing District, Tianjin (天津市西青区大明道20号)
Legal representative	: Wang Lei (王磊)
Registered capital	: RMB27,510,000
Equity holding structure	: As at the date of this announcement, the Company holds 52.0174% equity interest in Jingwanhong Pharmaceutical and is the controlling shareholder of Jingwanhong Pharmaceutical, while the Vendor holds 47.9826% equity interest in Jingwanhong Pharmaceutical
Industry	: Pharmaceutical manufacturing
Main products	: The main products of Jingwanhong Pharmaceutical include, <i>inter alia</i> , Jingwanhong ointment (京万红软膏), Jingwanhong hemorrhoid ointment (京万红痔疮膏), Xiangpishengji ointment (橡皮生肌膏), Wanxuandi ointment (顽癣敌软膏), Bi Qi capsules (痹祺胶囊), Xiaorhewei pills (小儿和胃丸), Baixiao pills (百效丸), Ningsou Huatan pills (宁嗽化痰丸), Sanfeng Huoxue ointment (散风活血膏), Shangke Zhuanggu ointment

(伤科壮骨膏), Zhuifenghuoluo wine (追风活络酒), Yishenye (益肾液), Zhulishui (竹沥水)

Business scope : Manufacturing, wholesale and retail of pharmaceuticals, pharmaceutical excipients and packaging materials, as well as medical devices; cultivation, wholesale and retail of Chinese herbal medicines; manufacturing, wholesale and retail of food, cosmetics, sanitary products, and chemicals for daily use (excluding hazardous chemical and precursor chemicals); intellectual property services; road cargo transportation; warehousing services; loading and unloading; lease of machinery and equipment; house leasing; advertising business; import and export of goods and technologies (for items subject to approval pursuant to applicable laws, the business activities shall be carried out only after obtaining approval from the relevant authorities)

2.2 Key financial information of Jingwanhong Pharmaceutical

Items	As at 31 December 2021	As at 30 June 2022
Total assets	RMB365,070,000	RMB382,030,000
Total liabilities	RMB110,910,000	RMB134,950,000
Net assets	RMB254,160,000	RMB247,080,000
Items	Year 2021	January 2022 – June 2022
Revenue	RMB400,370,000	RMB224,620,000
Net profit	RMB39,150,000	RMB22,920,000

3. INFORMATION ON THE VENDOR

Name of company : Tianjin Jinlan Group Corporation (天津津兰集团公司)

Date of incorporation : 13 June 1989

Uniform social credit No. : 91120111103066141A

Type of company : Collectively-owned enterprise (集体所有制)

Registered address : Wanglanzhuang Village, Liqizhuang Township, Xiqing District, Tianjin (天津市西青区李七庄乡王兰庄村)

Legal representative : Guo Baoyin (郭宝印)

Registered capital : RMB368,000,000

Business scope : General items: lease of non-residential real estate; management of corporate headquarters; commercial complex management services; general cargo warehousing services (excluding hazardous chemicals and other items subject to separate approvals); trade brokerage; sales of building materials; labor services (excluding labor dispatch); software

development (except for the items that are subject to approval in accordance with applicable laws, business activities shall be carried out based on its business licence in accordance with applicable laws)

4. PRINCIPAL TERMS OF THE LOI

4.1 The Consideration

- (1) The Company shall have the right to engage an audit institution, appraisal institution or other intermediaries with the securities practitioner qualification to conduct an audit and appraisal or valuation of Jingwanhong Pharmaceutical. The final amount of the Consideration shall be determined through further negotiations between the Company and the Vendor, taking into account the results of the audit report and appraisal or valuation report, which will be recorded in a definitive equity transfer agreement (the **"Equity Transfer Agreement"**) to be entered into between the Company and the Vendor, provided that the Consideration shall be capped at RMB450,000,000. In the event that the amount of the Consideration offered by the Company is RMB450,000,000, the Vendor must transfer the Sale Equity to the Company at the Consideration of RMB450,000,000.
- (2) The Company shall pay an aggregate of RMB300,000,000 to the Vendor as earnest money (the **"Earnest Money"**) in the following two (2) tranches:
 - (a) the Company shall pay RMB200,000,000 to a bank account designated by the Vendor (the **"Vendor's Designated Account"**) on 20 September 2022; and
 - (b) the Company shall pay RMB100,000,000 to the Vendor's Designated Account on 21 September 2022.
- (3) The Vendor shall pay the Company fees for possession of the Earnest Money (the **"Earnest Money Possession Fees"**) calculated as an annual interest of 5% on the amount of the Earnest Money paid by the Company, in accordance with the following formula:

$$\begin{array}{ccccccc}
 \text{\textit{Earnest Money}} & & \text{\textit{Earnest}} & & \text{\textit{Annual}} & & \text{\textit{Total number}} \\
 \text{\textit{Possession}} & = & \text{\textit{Money}} & \times & \text{\textit{interest}} & \times & \text{\textit{of days the}} \\
 \text{\textit{Fees}} & & \text{\textit{paid by}} & & \text{\textit{rate of}} & & \text{\textit{Vendor is in}} \\
 & & \text{\textit{the}} & & \text{\textit{5\%}} & & \text{\textit{possession}} \\
 & & \text{\textit{Company}} & & & & \text{\textit{of the Earnest}} \\
 & & & & & & \text{\textit{Money}}
 \end{array}
 \div \begin{array}{c} \text{\textit{360}} \\ \text{\textit{days}} \end{array}$$

The total number of days for which the Vendor is in possession of the Earnest Money shall be deemed to commence from the date on which the Earnest Money is received in the Vendor's Designated Account and end on the date on which the Earnest Money is refunded (in the case where the Proposed Acquisition is terminated) or off-set against the Consideration payable by the Company, as the case may be. For the avoidance of doubt, in the event that the Earnest Money and the Earnest Money Possession Fees are used to off-set against the Consideration payable by the Company as agreed in the Equity Transfer Agreement, the Vendor shall not be required to pay any Earnest Money Possession Fees following such set-off.

4.2 Equity Transfer Agreement

The Vendor and the Company shall enter into the Equity Transfer Agreement within the Exclusivity Period (as defined below).

4.3 Exclusivity

For the period commencing sixty (60) days from the date of the LOI (the “**Exclusivity Period**”), the Vendor shall not, directly or indirectly, negotiate or engage in discussions with, or enter into any agreement or arrangement with any other person or entity, in relation to any expression of interest, offer or proposal by any person which is in competition with the Proposed Acquisition.

4.4 Termination of the Proposed Acquisition

If any of the circumstances (the “**Termination Events**”) as set out below occurs, the Proposed Acquisition shall terminate and the Vendor shall refund the Earnest Money, and make payment of the Earnest Money Possession Fees, to the Company within seventy-five (75) days from the date of occurrence of any Termination Event:

- (1) Jingwanhong Pharmaceutical fails to disclose any material legal defect, accounting issue or daily operation problem that is required to be disclosed or is involved in any other matters that fail to satisfy the relevant requirements of the China Securities Regulatory Commission (the “**CSRC**”), the Shanghai Stock Exchange (the “**SSE**”) and/or the SGX-ST in relation to acquisition of assets by the Company (including the specific regulatory requirements imposed in any queries raised or letter of concern issued by the CSRC, the SSE and/or the SGX-ST in connection with the Proposed Acquisition), and the Vendor and the Company fail to reach an agreement after negotiation or rectification;
- (2) prior to the execution of the Equity Transfer Agreement, the Company discovers material matters affecting the determination of the Consideration or Jingwanhong Pharmaceutical is unable to continue its operations; and/or
- (3) the Proposed Acquisition cannot be undertaken due to the requirements of any government agency, court, arbitration institution or relevant administrative authority or legal provisions, or force majeure or otherwise.

4.5 Pledge of the Sale Equity

To guarantee the Vendor’s due performance of its obligations under the LOI and the Equity Transfer Agreement (if and when entered into), in particular, to guarantee the Vendor’s performance of its obligations to refund to the Company the Earnest Money (where applicable), and make payment to the Company of the Earnest Money Possession Fees, liquidated damages (if any) and other relevant fees, the Vendor agrees to pledge the Sale Equity to the Company (the “**Equity Pledge**”) and shall complete the relevant procedures for the registration of the Equity Pledge within seven (7) days from the receipt of the full amount of the Earnest Money from the Company, which shall be subject to an equity pledge agreement to be entered into between the Vendor and the Company.

4.6 Liabilities for breach of contract

- (1) If the Vendor refuses to execute the Equity Transfer Agreement, or the Equity Transfer Agreement is not entered into within the Exclusivity Period due to the Vendor’s passivity

or delay, the Vendor shall refund the Earnest Money and pay the Earnest Money Possession Fees and liquidated damages in the amount equivalent to 20% of the Earnest Money to the Company.

- (2) If the Vendor breaches the exclusivity provisions as set out in the LOI which results in an adverse effect on the execution of the Equity Transfer Agreement, the Vendor shall pay liquidated damages in the amount equivalent to 20% of the Earnest Money to the Company.
- (3) If the Vendor fails to complete the relevant procedures for the registration of Equity Pledge within the time limit set out in the LOI, the Vendor shall pay the Company liquidated damages calculated at the daily rate of 0.05% of the Earnest Money for each day of delay. The Vendor shall not be liable under this provision if the relevant procedures for the registration of Equity Pledge fail to be completed within the time limit set out in the LOI due to reasons attributable to the Company.

5. IMPACT ON THE COMPANY

The Proposed Acquisition is in line with the Company's strategic development plan, and if undertaken and completed, Jingwanhong Pharmaceutical will become a wholly-owned subsidiary of the Company which the Company believes would help improve its decision-making efficiency with regard to Jingwanhong Pharmaceutical and reduce management costs and risks. Two of Jingwanhong Pharmaceutical's main products (i.e., Jingwanhong ointment and Bi Qi (痹祺) capsules) are also the main products of the Company's strategy of "Three Cores and Nine Wings (三核九翼)" respectively. The Proposed Acquisition would help the Company focus on the field of "skin wound repair" with Jingwanhong ointment as the main variety which is one of the "Three Cores (三核)", and the field of "rheumatism and bone disease" represented by Bi Qi (痹祺) capsules which is one of the "Nine Wings (九翼)", and would help increase the net profit attributable to the Company's parent company and enhance the overall economic prospects of the Company.

The Proposed Acquisition, if undertaken and completed, will not result in any change in the scope of the consolidated financial statements of the Company, nor will it have any material impact on the operation of the Company or be detrimental to the interests of the Company and its minority shareholders.