

# TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Company Registration No. 91120000103100784F)

(Incorporated in the People's Republic of China)

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## PROPOSED ENTRY INTO FINANCIAL SERVICES AGREEMENT WITH TIANJIN PHARMACEUTICAL GROUP FINANCE CO., LTD (A SPECIFIC INTERESTED PERSON TRANSACTION)

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*The board of directors (the "Board") and every individual director of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "Company", together with its subsidiaries, the "Group") 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 Board refers to the previous announcements made by the Company on 23 April 2015, 29 December 2016, 14 April 2017, 28 April 2017, 15 June 2017 and 30 June 2017, and the Company's circular dated 15 June 2017, in relation to, *inter alia*, the incorporation of a joint venture company, Tianjin Pharmaceutical Group Finance Co., Ltd (天津医药集团财务有限公司) ("TPGF"), to provide financial services, and the entry into a financial services agreement with TPGF pursuant to which TPGF shall provide certain financial services to the Company until 30 June 2020.

### 1. FINANCIAL SERVICES AGREEMENT

#### 1.1 Introduction

The Board wishes to announce that the Company proposes to enter into a new financial services agreement with TPGF (the "**Agreement 2020**"), pursuant to which, TPGF shall provide certain financial services as elaborated in paragraph 1.4.3 below (the "**Financial Services**") for the period of three (3) years from 1 July 2020 to 30 June 2023 (the "**Term**") (the "**Proposed IPT**").

The total amount of the Financial Services to be provided by TPGF to the Company for the Term will not exceed Renminbi ("**RMB**") 1,281,000,000<sup>1</sup>, which is the aggregate of the maximum services fees payable by the Company, the maximum daily balance in the deposit account with TPGF (including interest), the maximum daily balance of credit facilities granted to the Company (excluding interest) and the estimated maximum interest payable on such credit facilities for the Term, as set out in paragraph 1.4.3 below. The individual limits were arrived at based on the legal and voluntary principles and the principle of mutual benefits, and after taking into consideration the following factors: (i) the maximum daily balance in the Company's deposit account with TPGF (including interest) of up to RMB600 million was arrived at based on the average bank deposits made by the Company of approximately RMB1.3 billion, and deducting for the non-collectable funds raised of approximately RMB530 million as required by the China Securities Regulatory Commission (the "**CSRC**") as well as other non-collectable funds; (ii) the maximum daily balance of credit facilities of up to RMB600 million (excluding

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<sup>1</sup> RMB1,281,000,000 = [RMB3,000,000 (the maximum services fees payable by the Company per year) + RMB24,000,000 (the estimated maximum interest payable on the credit facilities granted to the Company per year)] X 3(years) + RMB600,000,000 (the maximum daily balance in the Company's deposit account with TPGF, including interest) + RMB600,000,000 (the maximum daily balance of credit facilities granted to the Company (excluding interest payable))

interest) is in line with the maximum daily balance in the Company's deposit account with TPGF (including interest) of RMB600 million<sup>2</sup>; (iii) the estimated maximum interest payable on the credit facilities granted to the Company of up to RMB24 million per year was arrived at based on the estimated maximum balance of the loans of RMB600 million and with reference to the average interest rate on the loans of the Company and its subsidiaries of approximately 4% per annum; and (iv) the maximum services fees payable by the Company of up to RMB3 million per year was determined based on the Company's needs for such banking services during the Term and estimated costs and expenses that may be incurred by TPGF in providing such banking services.

Pursuant to Rule 909 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the value of a transaction is the amount at risk to the issuer and in the case of borrowing of funds from an interested person (as defined in the Listing Manual), the value of the transaction is the interest payable on the borrowing. Consequently, the amount at risk of the Proposed IPT to the Company is an aggregate of RMB681,000,000<sup>3</sup>, representing approximately 12.37% of the Group's latest audited net tangible assets ("**NTA**") value of RMB5,505,631,000 for the financial year ended 31 December 2019 ("**FY2019**").

As the value of the Proposed IPT is in excess of 5% of the Group's latest audited NTA for FY2019 which, unless an exception under Chapter 9 of the Listing Manual is applicable, would have to be subject to the approval of the shareholders ("**Shareholders**") at a general meeting of the Company pursuant to Rule 906(1)(a) of the Listing Manual.

As TPGF is a subsidiary of Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) ("**TPH**"), the controlling shareholder of the Company, pursuant to the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange* (《上海证券交易所股票上市规则》), the *Guidelines for the Implementation of Related Party Transactions of Listed Companies in Shanghai Stock Exchange* (《上海证券交易所上市公司关联交易实施指引》), and the Listing Manual, the Proposed IPT constitutes an interested person transaction.

However, according to the *Measures for the Administration of Material Asset Reorganization of Listed Companies* (《上市公司重大资产重组管理办法》), the Proposed IPT does not constitute a material asset reorganization of the Company.

## 1.2 Information on the Interested Person

TPGF is a limited company incorporated in the People's Republic of China ("**PRC**") on 14 September 2016, with a registered capital of RMB500,000,000. It is located at 3-2-501/502 Ronghe Square, No. 168 Fourth West Road, Tianjin Free Trade Zone (Airport Economic Zone), PRC. Zhao Wei (赵伟) is the legal representative of TPGF. The principal activity of TPGF is to provide the following financial services (the "**Business Scope**"):

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<sup>2</sup> For the avoidance of doubt, the maximum daily balance of credit facilities of up to RMB600 million (excluding interest) is different from the maximum daily balance in the Company's deposit account with TPGF (including interest) of RMB600 million. As a non-bank financial institution approved by the CBIRC, the size of the loans which TPGF may provide is limited by the size of the deposits and capital it receives. Accordingly, the maximum limit of credit facilities that may be given is aligned with the maximum amount of funds that could be deposited with TPGF. However, whether TPGF grants credit facilities is not contingent on whether deposits have been made in the account with TPGF. For illustration purposes, if the Company does not have any funds deposited with TPGF on a certain day, TPGF would still be able to provide loans of up to RMB600 million to the Company, if liquidity permits.

<sup>3</sup> RMB681,000,000 = RMB9,000,000 (the maximum services fees payable by the Company for 3 years) + RMB72,000,000 (the estimated maximum interest payable on the credit facilities granted to the Company for 3 years) + RMB600,000,000 (the daily balance in the Company's deposit account with TPGF, including interest)

- (a) providing financing consulting, credit authentication, and related consulting services to TPH and its subsidiaries and associated companies (the “TPH Group”);
- (b) assisting the members of the TPH Group to fulfill the collection and payment of money for transactions;
- (c) providing approved insurance agency services;
- (d) providing guarantees to the members of the TPH Group;
- (e) handling entrusted loans and entrusted investments between the members of the TPH Group;
- (f) handling the settlement of bills for the members of the TPH Group;
- (g) handling internal transfer settlement between the members of the TPH Group, and designing programs for internal settlement and clearance;
- (h) absorbing deposits from the members of the TPH Group;
- (i) granting loans to and handling financial lease for the members of the TPH Group;
- (j) engaging in inter-bank borrowings and investing in fixed income securities; and
- (k) other businesses as approved by the China Banking and Insurance Regulatory Commission (中国银行保险监督管理委员会) (the “CBIRC”).

As at the date of this announcement, the shareholdings in TPGF are in the following proportions:

Name of shareholder	Equity Contribution (RMB)	Shareholding Proportion
TPH	250,000,000	50%
The Company	75,000,000	15%
Tianjin Yaoye Group Co., Ltd (天津药业集团有限公司)	75,000,000	15%
Tianjin Lisheng Pharmaceutical Co. Ltd (天津力生制药股份有限公司)	75,000,000	15%
Tianjin Jin Yi Investment Guarantee Co., Ltd (天津金益投资担保有限责任公司)	25,000,000	5%
Total	500,000,000	100%

In accordance with the provisions of the *Company Law of the People’s Republic of China* (《中华人民共和国公司法》) and the Articles of Association of TPGF, the Company had nominated Ms. Niu Shengfang, the head of the finance department of the Company, as a director of TPGF. This arrangement where shareholders nominate directors to the board of directors of the finance company appears to be a common practice in the finance industry in the PRC. Notwithstanding the appointment of Ms. Niu Shengfang as a director of TPGF, the Company believes that this will not affect the independence of the transactions between TPGF and the Company for the following reasons: (i) even though Ms. Niu Shengfang represents the Company on the board of directors of TPGF, the Company holds only 15% voting rights in TPGF (as mentioned above) and hence, Ms. Niu Shengfang will not be able to influence the board of directors of TPGF; (ii) the business conducted between the Company and TPGF is a related party transaction, which shall, in accordance with the regulations of the CSRC and Shanghai Stock Exchange, be approved by Shareholders at a general meeting of the Company, where the interested Shareholders shall abstain from voting, and such transaction will only take effect upon it being approved by a majority of independent Shareholders; and (iii) the Company compares the conditions/terms offered by other financial institutions and by TPGF before

arriving at its decision as to engage which institution for its specific financial needs.

### 1.3 Rationale for the Proposed IPT

TPGF is a non-bank financial institution approved by the CBIRC and is established to provide Financial Services to the entities in the TPH Group, including the Company. TPGF will set up cash pooling in banks to provide channels for financing and lower the cost of financing for the entities in the TPH Group. This will optimize the use of surplus funds of the entities in the TPH Group.

As a financial institution, TPGF strictly follows the requirements of the CBIRC and prudently conducts its financial business. Accordingly, TPGF strictly implements the regulatory requirements and indicators of the CBIRC for the industry, strictly controls its capital adequacy ratio and the level of liabilities, maintains good liquidity, and ensures that the funding needs of all member entities in the TPH Group are met. At the same time, in accordance with the requirements of Article 8 of the *Administrative Measures on Finance Companies of Enterprise Groups (Order of China Banking Regulatory Commission No. 8 of 2006)* (《企业集团财务公司管理办法》(银监会[2006]年 8 号令)), the fourth paragraph of Article 16 of the Articles of Association of TPGF clearly provides “*Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), as the parent company of TPGF, promises to increase the corresponding capital according to the actual need to solve the payment difficulties in the emergency situation of TPGF's payment difficulties*”. This is to ensure that TPGF can satisfy the funding needs of the member entities in the TPH Group.

Further, TPGF will ensure that the Company has access to funding as:

- (i) TPGF will keep abreast of the demand for short-term funds by the Company in a timely manner and will reserve sufficient funds through fund budget management;
- (ii) TPGF will also analyse the capital characteristics of each company within the TPH Group, and based on such characteristics, will reserve sufficient funds to ensure the use of funds required by the Company after earmarking a certain level of safety provisions;
- (iii) TPGF will hold onto a certain amount of other liquid assets that can be encashed at any time, such as time deposits that can be released at any time and bank acceptance bills that can be rediscounted at any time, to ensure that the aforementioned assets can be encashed in a timely manner to satisfy any funding needs;
- (iv) TPGF has deposited the statutory deposit reserves and excess deposit reserves in the People's Bank of China, and may use these reserves to solve its liquidity requirements at any time;
- (v) TPGF is required to adhere to certain liquidity requirements of the regulatory authorities. For example, the CBIRC stipulates that the liquidity ratio shall not be less than 25% and the statutory deposit reserve ratio shall not be less than 7%; and
- (vi) TPGF may obtain short-term liquidity funds through inter-bank borrowing up to a limit of RMB500 million, and the term of borrowing is seven (7) days.

If TPGF still faces a liquidity crisis after employing the abovementioned methods, TPH shall provide funds to meet the liquidity demand. This is provided in the *Administrative Measures on Finance Companies of Enterprise Groups* (《企业集团财务公司管理办法》) and has also been enshrined in the Articles of Association of TPGF, as stated above.

In addition, by way of obtaining the loans from TPGF, the Group will receive long-term financing support as well as competitive financing costs. In this regard, since the signing of the financial service agreement dated 1 July 2017 entered into by the Company with TPGF for the provision of Financial Services from TPGF to the Company up to the maximum limit of RMB1,281,000,000 which will expire on 30 June 2020 (the “**Agreement 2017**”), the terms under which the Company had obtained loans from TPGF have not been higher than those offered by the other financial institutions in the PRC in the same period.

Furthermore, the deposit services provided by TPGF will enhance the management of funds of the Company and improve the Company’s efficiency in the use of available funds. The management of funds is enhanced as:

- (i) there is security of funds as TPGF provides safe and efficient online banking services to the member entities in the TPH Group, and these member entities can monitor the changes in the funds deposited in their accounts with TPGF at any time;
- (ii) funds payment can be made and settled efficiently as any payment made by the Company for its branches can be realized through the internal transfer function of TPGF’s online banking system, which is efficient and convenient; and
- (iii) TPGF can provide credit support to the Company within a short period of time, and this can reduce the Company’s need to maintain a certain amount of reserves from time to time.

The settlement services provided by TPGF will facilitate to attain better efficiency and convenience in settlement between the Company and the other entities of the TPH Group, as well as speed up the Company’s capital turnover.

The Company will make full use of the Financial Services to expand its financing panels, reduce its financing cost, ensure the sufficiency of working capital of the Company, and optimize the efficiency of capital utilization.

## **1.4 Main Terms of the Agreement 2020**

### **1.4.1 Principles of Cooperation**

Each party is legally authorised to enter into the Agreement 2020, and has entered into the Agreement 2020 on a voluntary basis for its own commercial benefit.

### **1.4.2 Condition Precedent**

The Agreement 2020 is conditional upon all approvals being granted by or obtained from, *inter alia*, the shareholders of the Company in a general meeting.

### **1.4.3 Financial Services**

Pursuant to the Business Scope approved by the CBIRC, TPGF shall provide the following Financial Services to the Company:

- (a) Settlement and intermediary business services, including but not limited to draft, collection and acceptance, consignment collection, exchange, provision of balance of payment and settlement service, and payment of various types of payments. The Company will open a settlement account with TPGF, which provides collection and payment services in accordance with the Company’s instructions, as well as other ancillary services related to the settlement business services.

The maximum services fees which TPGF can charge for the provision of all settlement and intermediary business services shall not be higher than the fees charged by TPGF to other third parties for similar type of services for the same period and shall not exceed RMB3 million per year.

- (b) Deposit business services, including but not limited to current deposits, time deposits, negotiated deposits, call deposits. The Company will open a deposit account with TPGF and deposit the funds in such account. The maximum daily balance in the deposit account (including interest) shall not exceed RMB600 million.
- (c) Credit business services, including but not limited to working capital loan, fixed asset loan, project loan, bill acceptance and discount business.

In accordance with the PRC laws, regulations and policies, and the requirements of the CBIRC as well as TPGF's own operating and credit policies, TPGF shall use its best endeavors to meet the Company's funds demands, and shall design the scientific and reasonable financing plans for the Company as well as comprehensive credit and discounted bills services and other credit services. The maximum daily balance of credit facilities (excluding interest) provided by TPGF during the Term shall not be more than RMB600 million. The aggregate amount of interest payable on the credit facilities shall not be more than RMB24 million per year, which shall be accrued from 1 January to 31 December in the same year.

#### 1.4.4 Pricing Basis and Policies

- (a) TPGF provides the deposit service for the Company. The deposit interest rate shall be determined with reference to the interest rates published by the People's Bank of China for the same type of deposits with the same duration and shall not be lower than the interest rates offered by other domestic financial institutions for the same type of deposits with the same duration.
- (b) The pricing of credit business services, such as loans and bill discounting, provided by TPGF to the Company will be determined in accordance with the loan prime rate ("LPR") published by the National Inter-bank Funding Centre (全国银行间同业拆借中心)<sup>4</sup> (the "Centre") (as authorised by the People's Bank of China). The interest rates and fee rates charged by TPGF for the credit facilities granted to the Company shall not be higher than the interest rates and fee rates the Company can obtain from other domestic financial institutions for the same period.
- (c) The pricing in relation to the funds settlement service, the opening of electronic banking acceptance drafts, agency service and other intermediary business services provided by TPGF to the Company will be determined with reference to market rates. The rates charged by TPGF for such settlement and intermediary business services provided to the Company shall not be higher than the rates the Company can obtain from other domestic financial institutions in the PRC.
- (d) The above fee rates and interest rates refer to the market rates quoted by other financial institutions in the PRC under prevailing market conditions, without taking into account special rates such as policy lending rates or government subsidized rates.

#### 1.4.5 Principles of Financial Services

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<sup>4</sup> The website of the Centre can be accessed from <http://www.chinamoney.com.cn/english/>.

- (a) TPGF will provide the Financial Services to the Company within the boundaries of the Business Scope approved by the CBIRC, and based on the broad principles as set out in paragraphs 1.4.1 and 1.4.5 of this announcement and terms of the Agreement 2020 as set out in this paragraph 1.4, but the precise details of the Financial Services to be provided will be specified in other agreements and signed and approved by TPGF and the Company<sup>5</sup>.
- (b) The Financial Services to be provided by TPGF under the Agreement 2020 shall be extended to the Group.
- (c) When TPGF is providing the Financial Services, it may require the Company to provide the corresponding security according to the actual situation and business demand. For the avoidance of doubt, the Company had not been required to provide any security in connection with the provision of the Financial Services by TPGF since the signing of the Agreement 2017. In any case, should the Company be required to provide any security in connection with the provision of the Financial Services by TPGF under the Agreement 2020, this will be a related party transaction and under the rules of the Shanghai Stock Exchange, the Company will be required to obtain Shareholders' approval prior to the provision of such security.

#### 1.4.6 Modification and Termination of the Agreement 2020

The Agreement 2020 will be effective upon signing by the parties and satisfaction of the condition precedent, and shall be valid from 1 July 2020 to 30 June 2023.

The parties to the Agreement 2020 shall not modify and terminate the Agreement 2020 without prior written agreement reached by all parties.

### 1.5 Review Procedures in relation to the Proposed IPT

To ensure that the transactions pursuant to the Agreement 2020 are carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company has put in place the following procedures for the review of the transactions contemplated under the Proposed IPT:

- a. Settlement and intermediary business services and credit business services: The Group will obtain quotations from TPGF and at least two other unrelated financial institutions in respect of substantially similar types of transactions for comparison. The head of the finance department of the Company, namely Ms. Niu Sheng Fang (or such person appointed to such capacity from time to time), will review the quotations and approve the transaction provided that the quotation offered by TPGF is not less favourable than those offered by unrelated third parties and that overall the terms are in accordance with

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<sup>5</sup> This term is also contained in the Agreement 2017. For the provision of each financial service pursuant to the Agreement 2020, a specific contract needs to be entered into between TPGF and the Company, and the terms of such contract shall be in accordance with regulatory and market management requirements. For example, for opening an account, the parties will need to execute *inter alia* an "Application for Opening (Change) Corporate Settlement Account" (《开立(变更)单位结算账户申请书》); for deposits, the parties will need to execute *inter alia* a "Corporate Deposit Agreement" (《单位协定存款协议》) and "Agreement on Administration of RMB Internal Settlement Accounts" (《人民币内部结算账户管理协议》); and for loans, the parties will need to execute *inter alia* a "Credit Line Contract" (《授信额度合同》), a "Working Capital Loan Contract" (《流动资金借款合同》) and a "Fixed Asset Loan Contract" (《固定资产借款合同》). For the avoidance of doubt, the broad principles and the terms of the Agreement 2020 (being similar to a framework agreement) shall guide and regulate the general principles and amounts of financial services to be provided by TPGF to the Company, though these may not be replicated in full in each specific contract to be entered into between TPGF and the Company subsequently.

the usual industry practice and business policies of the Group.

- b. Deposit business services: The Group will obtain interest rates from at least two other unrelated financial institutions in respect of substantially similar types of deposits for comparison as and when necessary, and in the event that the interest rates are adjusted by the People's Bank of China, the interest rates for comparison will be re-examined. The head of the finance department of the Company, namely Ms. Niu Sheng Fang (or such person appointed to such capacity from time to time), will review the interest rates and approve the transaction provided that the interest rates offered by TPGF is not less favourable than those offered by unrelated third parties and that overall the terms are in accordance with the usual industry practice and business policies of the Group.

As disclosed in paragraph 1.2 of this announcement, notwithstanding the appointment of Ms. Niu Shengfang as a director of TPGF, the Company believes that this will not affect the independence of the transactions between TPGF and the Company for the following reasons: (i) even though Ms. Niu Shengfang represents the Company on the board of directors of TPGF, the Company holds only 15% voting rights in TPGF (as mentioned above) and hence, Ms. Niu Shengfang will not be able to influence the board of directors of TPGF; (ii) the business conducted between the Company and TPGF is a related party transaction, which shall, in accordance with the regulations of the CSRC and Shanghai Stock Exchange, be approved by Shareholders at a general meeting of the Company, where the interested Shareholders shall abstain from voting, and such transaction will only take effect upon it being approved by a majority of independent Shareholders; and (iii) the Company compares the conditions/terms offered by other financial institutions and by TPGF before arriving at its decision as to engage which institution for its specific financial needs.

In addition, the transactions to be carried out pursuant to the Agreement 2020 will also be subject to the guidelines and review procedures that the Group has adopted for any Interested Person Transaction undertaken by the Group, where applicable, including but not limited to the following:

- (i) All transactions in excess of S\$100,000 each will be summarized and presented to the Audit Committee for review, at least on a quarterly basis, to ensure that they are carried out at arm's length basis and on normal commercial terms and in accordance with the Group's procedures for Interested Person Transactions. For the avoidance of doubt, all trades under one agreement are considered as one transaction. Such review shall include the examination of the transaction and its supporting documents or such other data and all non-quantitative factors deemed necessary by the Audit Committee. The Audit Committee will, when it deems fit, have the right to require the appointment of independent sources, advisers or valuers to provide additional information pertaining to the transaction under review. In the event that a member of the Audit Committee is interested in any Interested Person Transaction, he shall abstain from participating in the review of that particular transaction.
- (ii) The Company's internal audit department will arrange to conduct a special audit on the Company's use of funds on an annual basis, and will review the implementation of the Agreement 2020 and the supplementary agreements entered into between the Company and TPGF in connection therewith, and submit its findings to the Audit Committee.
- (iii) The Company's external auditors will also review Interested Person Transactions as part of its regular audit.
- (iv) Furthermore, the Company will disclose the aggregate value of the transactions carried out pursuant to the Agreement 2020 in the form set out in Rule 907 of the Listing Manual



in the Company's quarterly/full year financial statement and its annual report.

## 1.6 General Meeting and Circular to Shareholders

A general meeting will be convened to seek the approval of Shareholders for the Proposed IPT. A circular to Shareholders, containing, *inter alia*, further details in relation to the Proposed IPT will be despatched by the Company to Shareholders in due course (the "Circular").

## 1.7 Independent Financial Adviser

Pursuant to Chapter 9 of the Listing Manual, an independent financial adviser ("IFA") will be appointed to opine on whether the Proposed IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

## 1.8 Audit Committee Statement

The Audit Committee will consider the opinion of the IFA before forming its view as to whether the Proposed IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders, in accordance with the requirements under the listing rules of the SGX-ST. Such view will be made known in the Circular.

## 1.9 Previous Interested Person Transactions with TPGF

Save for the transactions made pursuant to the Agreement 2017 which will expire on 30 June 2020 (which have been approved by Shareholders at an extraordinary general meeting of the Company held on 30 June 2017), over the past 12 months immediately preceding the date of this announcement, the Company did not have any other interested person transactions with TPGF.

For the current financial year beginning 1 January 2020 up to the date of this announcement (the "Relevant Period"), save for the transactions made pursuant to the Agreement 2017 (which have been approved by Shareholders at an extraordinary general meeting of the Company held on 30 June 2017), there are no other interested person transactions (excluding transactions less than S\$100,000) that were entered into by the Company with TPGF. As such, the current total value of all interested person transactions with TPGF for the Relevant Period is approximately RMB152,026,934.52<sup>6</sup>. This amount is within the limit of RMB681,000,000 approved by the Shareholders at an extraordinary general meeting of the Company held on 30 June 2017. Please refer to the Company's circular dated 15 June 2017 for further details on the Agreement 2017.

## 1.10 Other Interested Person Transactions

For the Relevant Period, there are no interested person transactions (excluding transactions less than S\$100,000) entered into with TPH and/ or its associates (as defined in the Listing Manual) that are conducted under the general shareholders' mandate pursuant to Rule 920 of the Listing Manual.

As announced by the Company on 17 February 2020, the Company is required to make an additional payment of RMB6,757,338 (representing 0.137% of the audited NTA for the financial

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<sup>6</sup> For the period from 1 January 2020 to the date of this announcement, the current total value of all interested person transactions with TPGF is approximately RMB152,026,934.52, which comprise the deposit of RMB151,291,666.00, interest accruable on deposit of RMB466,073.52 and interest payable on credit facilities of RMB269,195.00.

year ended 31 December 2018) to TPH (the “**Additional Payment**”), as the land area covered by the land use right over the land located in the North of Qingguang Village, Beichen District, Tianjin (being the current location of Pharmaceutical Factory No. 6) that was actually delivered by TPH to the Company pursuant to the “Asset Exchange Agreement” (资产置换协议) dated 29 July 2003 entered into between TPH and the Company was 161,088.9 square meters, which was 16,088.9 square meters more than the area stipulated in the aforesaid agreement. Such payment had been made by the Company to TPH on 9 March 2020. Please refer to the Company’s announcement dated 17 February 2020 for further details on the foregoing.

Save for the Additional Payment, for the Relevant Period, there are no interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920 of the Listing Manual) entered into with TPH and/ or its associates (as defined in the Listing Manual).

Accordingly, the current total value of all interested person transactions (excluding interested person transactions less than S\$100,000) entered into between the Group and all interested persons (as defined in the Listing Manual) for the Relevant Period is approximately RMB158,784,272.52<sup>7</sup>, representing approximately 2.88% of the Group’s latest audited NTA of RMB5,505,631,000 for FY2019.

## **2. REVIEW PROCEDURES FOR THE PROPOSED IPT**

### **2.1 Board Meeting**

In the 3<sup>rd</sup> Board meeting for the financial year ending 31 December 2020 held on 17 April 2020 (the “**Board Meeting**”), the resolution approving the Proposed IPT was passed by 6 uninterested Directors of the Company (including all of the Independent Directors), with the 2 interested Directors, Mr. Zhang Ping and Mr. Tang Tiejun, having abstained from voting. The Proposed IPT shall be tabled for shareholders’ approval at a general meeting of the Company to be convened in due course.

### **2.2 Prior review by and opinions from the Independent Directors**

Pursuant to the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange* (《上海证券交易所股票上市规则》), the Independent Directors of the Company have reviewed the Proposed IPT and opine as follows:

- (a) The convening and voting procedures of the Board Meeting are in compliance with the provisions of the laws and regulations as well as the Articles of Association of the Company, and the interested directors have abstained from voting;
- (b) The Agreement 2020 is on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders; and
- (c) The Proposed IPT does not and will not infringe, breach, violate, or exceed any power or restriction granted or imposed by (i) any law, regulation, authorisation, directive or order (whether or not having the force of law) to which it is subject; or (ii) any agreement

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<sup>7</sup> For the period from 1 January 2020 to date of this announcement, the current total value of all interested person transactions (excluding interested person transactions less than S\$100,000) entered into between the Group and all Interested Persons is approximately RMB158,784,272.52, which comprise the current total value of all interested person transactions with TPGF of approximately RMB152,026,934.52 and the Additional Payment of RMB6,757,338.

to which it is a party or which is binding on it.

**By Order of the Board**

Jiao Yan  
Secretary to the Board of Directors  
17 April 2020