

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)

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

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”, 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, 30 June 2017 and 17 April 2020 as well as 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 2023.

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 2023**”) 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 2023 to 30 June 2026 (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 **RMB3,172.5 million**, which is the aggregate of (i) the maximum services fees payable by the Company for the Term (i.e., RMB15 million), (ii) the maximum daily balance in the deposit account with TPGF (including interest) (i.e., RMB1,500 million), (iii) the maximum daily balance of credit facilities granted to the Company (excluding interest) (i.e., RMB1,500 million) and (iv) the estimated maximum interest payable on such credit facilities for the Term (i.e., RMB157.5 million), 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 services fees payable by the Company of up to RMB5 million per annum was determined based on the Company's needs for such banking services during the Term and the estimated costs and expenses that may be incurred by TPGF in providing such banking services;

- (ii) the maximum daily balance in the Company's deposit account with TPGF (including interest) of up to RMB1,500 million was arrived at based on the average bank deposits made by the Company of approximately RMB2,600 million, and deducting for the restricted cash of approximately RMB780 million, of which, RMB420 million is the raised funds which can only be utilised according to the requirements of the China Securities Regulatory Commission (中国证券监督管理委员会) (the "CSRC"), and RMB360 million is the security deposits for handling acceptance bills as required by the bank and the fixed bank deposits made by the Company;
- (iii) the maximum daily balance of credit facilities of up to RMB1,500 million (excluding interest) is in line with the maximum daily balance in the Company's deposit account with TPGF (including interest) of RMB1,500 million¹; and
- (iv) the estimated maximum interest payable on the credit facilities granted to the Company of up to RMB52.5 million per annum was arrived at based on the estimated balance of the loans of RMB1,500 million and with reference to the average interest rate on the loans of the Company and its subsidiaries of approximately 3.5% per annum².

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 **RMB1,672.5 million**³, representing approximately 25.76% of the Group's latest audited net tangible assets ("NTA") value of RMB6,493,593,000 for the financial year ended 31 December 2022 ("FY2022").

As the value of the Proposed IPT is in excess of 5% of the Group's latest audited NTA for FY2022 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》) and the Listing Manual, the Proposed IPT constitutes an interested person transaction.

¹ For the avoidance of doubt, the maximum daily balance of credit facilities of up to RMB1,500 million (excluding interest) is different from the maximum daily balance in the Company's deposit account with TPGF (including interest) of RMB1,500 million. As a non-bank financial institution approved by the China Banking and Insurance Regulatory Commission (中国银行保险监督管理委员会) ("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 RMB1,500 million to the Company, if liquidity permits.

² This is calculated based on the Loan prime rate ("LPR") for 1-year. For Shareholders' reference only, as of the end of February 2023, the LPR (as defined herein) for 1-year loan is approximately 3.65%, and the LPR for loans with tenure of five (5) years or more is 4.3%. There is presently no LPR for loans with a tenure of three (3) years.

³ RMB1,672.5 million = RMB15 million (the maximum services fees payable by the Company for three (3) years) + RMB157.5 million (the estimated maximum interest payable on the credit facilities granted to the Company for three (3) years) + RMB1,500 million (the maximum daily balance in the Company's deposit account with TPGF, including interest)

However, according to the *Measures for the Administration of Material Asset Reorganisation 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 reorganisation of the Company.

1.2 Information on the Interested Person

TPGF is a limited liability company incorporated in the People's Republic of China ("PRC") on 14 September 2016, with a registered capital of RMB500 million as at the date of this announcement. It is located at 3-2-501/502 & 3-3-501 Ronghe Square, No. 168 Fourth West Road, Tianjin Airport Economic Zone (天津市空港经济区西四道 168 号融和广场 3-2-501、502; 3-3-501). Mr. Xing Jianhua (幸建华) is the legal representative of TPGF as at the date of this announcement. The principal activity of TPGF as at the date of this announcement is to provide the following financial services (the "Business Scope"):

- (a) absorbing deposits from the members of the TPH Group (吸收成员单位存款);
- (b) handling loans for the members of the TPH Group (办理成员单位贷款);
- (c) handling discounting of negotiable instruments for the members of the TPH Group (办理成员单位票据贴现);
- (d) handling fund settlement, receipt and payment for the members of the TPH Group (办理成员单位资金结算与收付);
- (e) providing entrusted loans, bond underwriting, non-financial letter of guarantee, financing consulting, credit authentication and related consulting and agency services to members of the TPH Group (提供成员单位委托贷款、债券承销、非融资性保函、财务顾问、信用鉴证及咨询代理业务);
- (f) engaging in inter-bank borrowings (从事同业拆借);
- (g) handling acceptance of negotiable instruments for the members of the TPH Group (办理成员单位票据承兑); and
- (h) engaging in securities (other than shares/stocks) investment (除股票投资以外类有价证券投资).

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

No.	Name of shareholders	Equity Contribution (RMB)	Shareholding Proportion
1.	TPH	250,000,000	50%
2.	The Company	75,000,000	15%
3.	Tianjin Yaoye Group Co., Ltd. (天津药业集团有限公司)	75,000,000	15%
4.	Tianjin Lisheng Pharmaceutical Co. Ltd. (天津力生制药股份有限公司)	75,000,000	15%
5.	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》) (the “**PRC Company Law**”) and the articles of association of TPGF, the Company had nominated Ms. Niu Shengfang (牛胜芳), the head of the finance department of the Company, as a director of TPGF. This arrangement where shareholder(s) nominate director(s) to the board of directors of the finance company appears to be a common practice in the finance industry in the PRC.

In addition, Mr. Xing Jianhua (幸建华), a Supervisor of the Company, is also the legal representative of TPGF and Chief Financial Officer of TPH as at the date of this announcement. Mr. Xing Jianhua was appointed as a Supervisor of the Company at the 2nd extraordinary general meeting of the Company in 2021 held on 10 December 2021 (the “**2021 2nd EGM**”) with effect from the date of the 2021 2nd EGM. Mr. Xing Jianhua shall perform his duty as a Supervisor of the Company in line with the Articles of Association of the Company. Pursuant to Article 179 of the Articles of Association of the Company, the Supervisory Committee of the Company has the following functions and powers, including: (i) examine the regular reports of the Company prepared by the Board, and also give written opinions of examination; (ii) check financial affairs of the Company; (iii) supervise the acts of Directors and senior managerial personnel in performing their duties of the Company, and put forward proposals of dismissing the Directors and senior managerial personnel who act against the laws, administrative regulations, the Articles of Association or resolutions of the general meeting of Shareholders; (iv) ask Directors and senior managerial personnel to make corrections when their acts are detrimental to the interests of the Company; (v) submit motions on convening extraordinary general meetings of Shareholders, and call and chair general meetings of Shareholders when the Board does not perform its duty of calling and chairing general meetings of Shareholders as stipulated by the PRC Company Law; (vi) submit motions to the general meeting of Shareholders; (vii) file lawsuits against Directors and senior managerial personnel as stipulated under Article 152 of the PRC Company Law; (viii) conduct investigations in case of finding abnormal circumstances in the Company's operations; if necessary, appoint accounting firms, law firms, and other specialised organisations to assist its work, and the costs thereof are borne by the Company; and (ix) other functions and powers as authorised by the general meeting of Shareholders. Please refer to the Company's circular dated 25 November 2021 for further details in relation to the appointment of Mr. Xing Jianhua as a Supervisor of the Company, and the announcement dated 10 December 2021 made by the Company in relation to the poll results of the 2021 2nd EGM.

Notwithstanding the appointment of Ms. Niu Shengfang as a director of TPGF, Mr. Xing Jianhua as the legal representative of TPGF and Chief Financial Officer of TPH, and each of Ms. Zhang Mingrui, Mr. Guo Min and Ms. Mao Weiwen (the “**Interested Directors**”) being a key management personnel in TPH as at the date of this announcement, the Company believes that this will not affect the independence of the Proposed IPT 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 at the date of this announcement (as mentioned above) and hence, Ms. Niu Shengfang will not be able to influence the board of directors of TPGF;
- (ii) Mr. Xing Jianhua, as a member of the Supervisory Committee of the Company whose responsibilities include, *inter alia*, supervising the acts of the Directors and senior managerial personnel in performing their duties of the Company, is not involved in the day-to-day operations and management of the Company nor will he be involved in the decision-making procedures in relation to the Proposed IPT;

- (iii) the Interested Directors shall, in accordance with the listing rules of the Shanghai Stock Exchange (the “SSE”), abstain from voting at the Board meeting in respect of the resolution approving the Proposed IPT and shall not act as proxies or otherwise for voting at the Board meeting in respect of the aforesaid resolution;
- (iv) the Proposed IPT is a related party transaction under the PRC laws including the listing rules of the SSE and an interested person transaction under the Listing Manual, which shall, in accordance with the regulations of the CSRC and SSE, as well as the Listing Manual, 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
- (v) 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.

Save for the foregoing, there are no common members in the board and management of the Company, TPGF and TPH (the controlling shareholder of the Company as at the date of this announcement).

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 under the Business Scope 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 optimise 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 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 14 of the *Administrative Measures on Finance Companies of Enterprise Groups (Order of China Banking and Insurance Regulatory Commission No. 6 of 2022)* (《企业集团财务公司管理办法》(中国银行保险监督管理委员会令 2022 年第 6 号)) issued by the CBIRC on 13 October 2022 and taking effect from 13 November 2022, the sixth paragraph of Article 18 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 (the "PBOC"), 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 PRC's 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 5%; 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 of TPGF. 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 2020 that was entered into between the Company and TPGF for the provision of Financial Services from TPGF to the Company up to the maximum limit of RMB1,281 million which will expire on 30 June 2023 (the "Agreement 2020"), 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 realised 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 optimise the efficiency of capital utilisation.

1.4 Main Terms of the Agreement 2023

1.4.1 Principles of Cooperation

Each party is legally authorised to enter into the Agreement 2023 and has entered into the Agreement 2023 on a voluntary basis for its own commercial benefit.

1.4.2 Condition Precedent

The Agreement 2023 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 collection and payment of various types of payments. The Company has opened / 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 RMB5 million per annum.

- (b) Deposit business services, including but not limited to current deposits, time deposits, negotiated deposits, call deposits. The Company has opened / 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 RMB1,500 million.
- (c) Credit business services, including but not limited to working capital loan, fixed asset loan, project loan, bill acceptance and discounting 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 RMB1,500 million. The aggregate amount of interest payable on the credit facilities shall not be more than RMB52.5 million per annum, 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 PBOC for the same type

of deposits⁴ 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 with reference to the LPR published by the Centre⁵ (as authorised by the PBOC). 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 rates⁶. 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 subsidised rates.

1.4.5 Principles of Financial Services

- (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 2023 as set out in this paragraph 1.4 of this announcement, but the precise details of the Financial Services to be provided will be specified in other agreements⁷ and signed and approved

⁴ As of the end of February 2023, the benchmark interest rates for RMB deposits for financial institutions as stipulated by the PBOC are as follows:

(1) current deposits	:	0.35%
(2) term deposits (3 months)	:	1.10%
term deposits (6 months)	:	1.30%
term deposits (1 year)	:	1.50%
term deposits (2 years)	:	2.10%
term deposits (3 years)	:	2.75%
(3) installment time deposits (1 year)	:	1.10%
installment time deposits (3 years)	:	1.30%
(4) agreement deposits	:	1.15%
(5) call deposits (1-day notice)	:	0.80%
call deposits (7-day notice)	:	1.35%

⁵ The website of the National Inter-bank Funding Centre (全国银行间同业拆借中心) (the “Centre”) can be accessed from <http://www.chinamoney.com.cn/english/>.

⁶ There are many different types of intermediary business services, each of which is priced differently.

⁷ This term is also contained in the Agreement 2020. For the provision of each financial service pursuant to the Agreement 2023, 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

by TPGF and the Company.

- (b) The Financial Services to be provided by TPGF under the Agreement 2023 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 2020. 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 2023, this will be a related party transaction under the PRC laws including the listing rules of the SSE and an interested person transaction under the Listing Manual, 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 2023

The Agreement 2023 will be effective upon signing by the parties and satisfaction of the condition precedent, and shall be valid from 1 July 2023 to 30 June 2026.

The parties to the Agreement 2023 shall not modify and terminate the Agreement 2023 without prior written agreement reached by all parties.

1.4.7 Key differences between the terms of the Agreement 2023 and the Agreement 2020

Key differences between the terms of the Agreement 2023 and the Agreement 2020 are the changes to the limits of the transaction value as follows:

- (i) the amount of the maximum services fees payable by the Company is proposed to be increased from up to RMB3 million to RMB5 million per annum;
- (ii) the amount of the maximum daily balance in the Company's deposit account with TPGF (including interest) is proposed to be increased from up to RMB600 million to RMB1,500 million;
- (iii) the amount of the maximum daily balance of credit facilities is proposed to be increased from up to RMB600 million to RMB1,500 million (excluding interest); and
- (iv) the amount of the estimated maximum interest payable on the credit facilities granted to the Company is proposed to be increased from up to RMB24 million to RMB52.5 million per annum.

The increase in the limits of the transaction value under the Agreement 2023 as set out above

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 2023 (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.

is mainly based on the following considerations: (i) with the development and growth of the Company's business, the cash and cash equivalents of the Company are constantly increasing and had reached approximately RMB2,900 million as at the end of FY2022; and (ii) as compared with other financial institutions, TPGF is able to provide the Company with more efficient, convenient and competitive services, such as the handling charges for external payment for the Company would be reduced or waived, and offering the Company deposit interest rates at a maximum floating ratio within the framework of the deposit interest rate pricing benchmark of the PBOC. Therefore, the Company intends to develop a more comprehensive and in-depth business cooperation with TPGF.

Save for the foregoing, there is no substantive difference in the terms of the Agreement 2023 and the Agreement 2020.

1.5 Review Procedures in relation to the Proposed IPT

To ensure that the Proposed IPT is 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 (2) 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 Shengfang (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 the usual industry practice and business policies of the Group.
- (b) Deposit business services: The Group will obtain interest rates from at least two (2) 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 PBOC, the interest rates for comparison will be re-examined. The head of the finance department of the Company, namely Ms. Niu Shengfang (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 are 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, Mr. Xing Jianhua as the legal representative of TPGF and Chief Financial Officer of TPH, and each Interested Director being a key management personnel in TPH as at the date of this announcement, the Company believes that this will not affect the independence of the Proposed IPT 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 at the date of this announcement (as mentioned above) and hence, Ms. Niu Shengfang will not be able to influence the board of directors of TPGF;
- (ii) Mr. Xing Jianhua, as a member of the Supervisory Committee of the Company whose responsibilities include, *inter alia*, supervising the acts of the Directors and senior

managerial personnel in performing their duties of the Company, is not involved in the day-to-day operations and management of the Company nor will he be involved in the decision-making procedures in relation to the Proposed IPT;

- (iii) the Interested Directors shall, in accordance with the listing rules of the SSE, abstain from voting at the Board meeting in respect of the resolution approving the Proposed IPT and shall not act as proxies or otherwise for voting at the Board meeting in respect of the aforesaid resolution;
- (iv) the Proposed IPT is a related party transaction under the PRC laws including the listing rules of the SSE and an interested person transaction under the Listing Manual, which shall, in accordance with the regulations of the CSRC and the SSE, as well as the Listing Manual, 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
- (v) 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 Proposed IPT 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 summarised and presented to the audit committee of the Company (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 (1) agreement are considered as one (1) 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/she 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 2023 and the supplementary agreements (if any) 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; and
- (iv) Furthermore, the Company will disclose the aggregate value of the Proposed IPT 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 2020 which will expire on 30 June 2023 (which have been approved by Shareholders at the annual general meeting of the Company held on 5 June 2020), 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 2023 up to the date of this announcement (the “**Relevant Period**”), save for the transactions made pursuant to the Agreement 2020 (which have been approved by Shareholders at the annual general meeting of the Company held on 5 June 2020), there are no other interested person transactions (excluding transactions less than S\$100,000) that were or are proposed to be 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 RMB591.41 million⁸. This amount is within the limit of RMB681 million approved by the Shareholders at the annual general meeting of the Company held on 5 June 2020. Please refer to the annexure date 21 May 2020 to the notice of annual general meeting for the financial year ended 31 December 2019 (as set out on pages 187 to 224 of the Company’s annual report for the financial year ended 31 December 2019) for further details on the Agreement 2020.

1.10 Other Interested Person Transactions

For the Relevant Period (i.e., the current financial year beginning 1 January 2023 up to the date of this announcement), there are no interested person transactions (excluding transactions less than S\$100,000) entered into with TPH and/or its associates that are conducted under the general shareholders’ mandate pursuant to Rule 920 of the Listing Manual.

Accordingly, the current total value of all interested person transactions (excluding interested

⁸ For the period from 1 January 2023 to the date of this announcement, the current total value of all interested person transactions with TPGF is approximately RMB591.41 million, which comprise the deposit of RMB589.29 million, interest accruable on deposit of RMB1.88 million and interest payable on credit facilities of RMB0.24 million.

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 RMB591.41 million⁹, representing approximately 9.11% of the Group's latest audited NTA of RMB6,493,593,000 as at 31 December 2022.

2. REVIEW PROCEDURES FOR THE PROPOSED IPT

2.1 Board Meeting

In the 2nd Board meeting for the financial year ending 31 December 2023 held on 30 March 2023 (the “**Board Meeting**”), the resolution approving the Proposed IPT was passed by five (5) uninterested Directors of the Company (including all of the independent directors of the Company), with the three (3) Interested Directors, Ms. Zhang Mingrui, Mr. Guo Min and Ms. Mao Weiwen, 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 relevant laws and regulations including 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 2023 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 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
31 March 2023

⁹ For the period from 1 January 2023 to the 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 RMB591.41 million, which comprise the current total value of all interested person transactions with TPGF of approximately RMB591.41 million.