

**CIRCULAR DATED 7 NOVEMBER 2024**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This Circular is issued by Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited) (the “**Company**”). **If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.**

If you have sold all your shares in the capital of the Company, you should immediately hand this Circular, the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.



**TIANJIN PHARMACEUTICAL DA REN TANG  
GROUP CORPORATION LIMITED**

(Incorporated in the People’s Republic of China)  
(Company Registration No.: 91120000103100784F)

**CIRCULAR TO SHAREHOLDERS**

in relation to

- (1) THE PROPOSED DISPOSAL OF 13% EQUITY INTEREST IN THE REGISTERED CAPITAL OF TIANJIN TSKF PHARMACEUTICAL CO., LTD. (中美天津史克制药有限公司) TO HALEON CHINA CO., LTD., AND THE ENTRY INTO AN EQUITY TRANSFER AGREEMENT IN RELATION THERETO AS AN INTERESTED PERSON TRANSACTION; AND**
- (2) THE PROPOSED ENTRY INTO THE AMENDED AND RESTATED EQUITY JOINT VENTURE CONTRACT WITH RESPECT TO TIANJIN TSKF PHARMACEUTICAL CO., LTD. (中美天津史克制药有限公司) BETWEEN HALEON UK SERVICES LIMITED, HALEON CHINA CO., LTD. AND THE COMPANY, AND THE PROPOSED EXECUTION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION OF TIANJIN TSKF PHARMACEUTICAL CO., LTD. (中美天津史克制药有限公司)**

Independent Financial Adviser in respect of  
the Entry into the Equity Transfer Agreement as an Interested Person Transaction



**NOVUS CORPORATE FINANCE PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 201723484W)

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	20 November 2024 at 2:00 p.m.
Date and time of Extraordinary General Meeting	:	22 November 2024 at 2:00 p.m.
Place of Extraordinary General Meeting	:	RNN Conference Centre, 137 Cecil Street, #04-01 Cecil Building, Singapore 069537



---

## TABLE OF CONTENTS

---

<b>DEFINITIONS</b> .....	4
<b>LETTER TO SHAREHOLDERS</b> .....	15
<b>1. INTRODUCTION</b> .....	15
<b>2. THE PROPOSED DISPOSALS AND THE EQUITY TRANSFER AGREEMENT</b> .....	17
<b>3. THE RESTATED JVA AND THE AMENDED AOA</b> .....	44
<b>4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS</b> .....	57
<b>5. DIRECTORS' RECOMMENDATIONS</b> .....	57
<b>6. EXTRAORDINARY GENERAL MEETING</b> .....	58
<b>7. ACTION TO BE TAKEN BY S-SHARE SHAREHOLDERS</b> .....	59
<b>8. DIRECTORS' RESPONSIBILITY STATEMENT</b> .....	59
<b>9. CONSENTS</b> .....	59
<b>10. DOCUMENTS AVAILABLE FOR INSPECTION</b> .....	60
<b>APPENDIX A – IFA LETTER</b> .....	A-1
<b>APPENDIX B – AUDITORS' REPORT</b> .....	B-1
<b>APPENDIX C – SUMMARY OF ASSET APPRAISAL REPORT</b> .....	C-1
<b>APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA</b> .....	D-1
<b>APPENDIX E – COMPARISON OF PRINCIPAL TERMS OF RESTATED JVA AND AMENDED AOA</b> .....	E-1
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING</b> .....	N-1
<b>PROXY FORM</b>	

---

## DEFINITIONS

---

The following definitions apply throughout this Circular unless the context otherwise requires or otherwise stated:–

- “2024 2<sup>nd</sup> EGM”* : The 2<sup>nd</sup> EGM of the Company for FY2024 to be held at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, a video conferencing at RNN Conference Centre, 137 Cecil Street, #04-01 Cecil Building, Singapore 069537 for S-Share Shareholders in Singapore) on Friday, 22 November 2024 at 2:00 p.m.
- “A-Shares”* : Ordinary shares issued by the Company under the PRC Company Law, comprising shares issued to natural and legal persons in the PRC and which are denominated in RMB and listed on the SSE
- “A-Share Shareholders”* : Holders of A-Shares
- “AGM” or “Annual General Meeting”* : An annual general meeting of the Company
- “Amended AOA” or “TSKF AOA”* : The amended and restated articles of association of the JV Company, in its agreed form and included as an appendix to the Restated JVA, to be executed and delivered by the JV Partners on the date on which the Restated JVA takes effect, being the date on which the Closing under the Equity Transfer Agreement occurs
- “Appraisal Base Date”* : 31 May 2024
- “Articles” or “Articles of Association”* : The articles of association of the Company, as amended, supplemented and/or modified from time to time
- “Asset Appraisal Report”* : The asset appraisal report dated 24 July 2024 issued by the Independent Valuer in respect of the independent appraisal of the market value of the total shareholders’ equity of the Target Company, the summary of which is set out in **Appendix C** to this Circular

---

## DEFINITIONS

---

- “associate”* : (a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more;
- (b) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more
- “Associated Company”* : In relation to a corporation, means:
- (a) any corporation in which the corporation or its subsidiary has, or the corporation and its subsidiary together have, a direct interest in voting shares of not less than twenty per cent. (20%) but not more than fifty per cent. (50%) of the total votes attached to all voting shares in the corporation; or
  - (b) any corporation, other than a subsidiary of the corporation or a corporation which is an associated company by virtue of paragraph (a), the policies of which the corporation or its subsidiary, or the corporation together with its subsidiary, is or are able to control or influence materially
- “Audit Committee”* : The audit committee of the Company as at the Latest Practicable Date, comprising Mr. Liew Yoke Pheng Joseph, Mr. Yeo Guat Kwang and Mr. Zhong Ming
- “Auditors’ Report”* : The auditors’ report dated 15 July 2024 issued by CAC in respect of the audit conducted on the financial statements of the Target Company, a copy of which is set out in **Appendix B** to this Circular
- “Board” or “Board of Directors”* : The board of Directors of the Company as at the Latest Practicable Date

---

## DEFINITIONS

---

“CAC”	:	CAC Certified Public Accountants LLP (中审华会计事务所), the auditors appointed by the Company to perform an audit on the financial statements of the Target Company, as further elaborated in Section 2.2.1(b) of this Circular
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular dated 7 November 2024
“Closing”	:	Closing of the transfer of the Equity Interest in accordance with the Equity Transfer Agreement, as further elaborated in Section 2.4.3 of this Circular
“Closing Date”	:	The 10 <sup>th</sup> Business Day after the date on which the last of the Conditions Precedent is satisfied (or on such other date as the parties to the Equity Transfer Agreement may agree)
“Company”	:	Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited
“Conditions Precedent”	:	The conditions precedent to the closing of the transfer of the Equity Interest under the Equity Transfer Agreement, as further elaborated in Section 2.4.2 of this Circular
“control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
“Controlling Shareholder”	:	A person who:  (a) holds directly or indirectly fifteen per cent. (15%) or more of the total voting rights in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or  (b) in fact exercises control over the Company
“Directors”	:	The directors of the Company as at the Latest Practicable Date, and “Director” shall be constructed accordingly
“DRT Equity Interest”	:	13% equity interest in the registered capital of the Target Company held by the Company as at the Latest Practicable Date
“DRT Transfer Price”	:	RMB1,758,755,555.56 to be paid by the Transferee to the Company in consideration for the DRT Equity Interest pursuant to the Equity Transfer Agreement

---

## DEFINITIONS

---

<i>“Effective Date”</i>	:	The date on which the Restated JVA takes effect, being the date on which the closing of the transaction under the Equity Transfer Agreement occurs
<i>“EGM” or “Extraordinary General Meeting”</i>	:	An extraordinary general meeting of the Company
<i>“Encumbrance”</i>	:	Any mortgage, pledge, lien, assignment by way of security, attachment, seizure or other restriction of transfer, trust arrangement for the purpose of providing security or any other security interest of any kind
<i>“entity at risk”</i>	:	As defined in the Listing Manual, means:  (a) the Company;  (b) a subsidiary of the Company (excluding subsidiaries listed on the SGX-ST or an approved exchange); and  (c) an Associated Company (other than an Associated Company that is listed on the SGX-ST or an approved exchange) over which the Group, or the Group and its interested person(s), has or have control
<i>“EPS”</i>	:	Earnings per Share
<i>“Equity Interest”</i>	:	The DRT Equity Interest and the TPH Equity Interest, collectively
<i>“Equity Transfer Agreement”</i>	:	The equity transfer agreement dated 27 September 2024 entered into between the Company, TPH and Haleon China in relation to the Proposed Disposals, as further elaborated in Section 2.4 of this Circular
<i>“Execution Date”</i>	:	27 September 2024, being the execution date of the Equity Transfer Agreement
<i>“Existing JVA”</i>	:	The equity joint venture contract dated 7 April 1984 entered into between the respective predecessors of Haleon UK, TPH and the Company, pursuant to which the JV Company was established, including all its amendments and/or supplements over the years
<i>“FY” or “Financial Year”</i>	:	Financial year ended or, as the case may be, ending 31 December
<i>“FY2023”</i>	:	Financial year ended 31 December 2023
<i>“FY2024”</i>	:	Financial year ending 31 December 2024

---

## DEFINITIONS

---

<i>“Group”</i>	:	The Company and its subsidiaries
<i>“Haleon”</i>	:	Haleon UK and Haleon China, collectively
<i>“Haleon China” or “Transferee”</i>	:	Haleon China Co., Ltd. (赫力昂(中国)有限公司), further details of which are set out in Sections 2.1(b) and 2.2.1(a) of this Circular
<i>“Haleon UK”</i>	:	Haleon UK Services Limited, further details of which are set out in Section 3.2(a) of this Circular
<i>“IFA” or “Independent Financial Adviser”</i>	:	Novus Corporate Finance Pte. Ltd., being the independent financial adviser appointed to opine on whether the entry into the Equity Transfer Agreement as an interested person transaction is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders
<i>“IFA Letter”</i>	:	The letter dated 7 November 2024 from the IFA in relation to the entry into the Equity Transfer Agreement as an interested person transaction, as set out in <b>Appendix A</b> to this Circular
<i>“Independent Shareholders”</i>	:	Shareholders who are not TPH and its associates
<i>“Independent Valuer”</i>	:	China Enterprise Appraisal Co., Ltd. (北京中企华资产评估有限责任公司), the independent valuer appointed by the Company to perform an independent appraisal on the market value of the total shareholders’ equity of the Target Company
<i>“Interested Directors”</i>	:	Mr. Guo Min, Ms. Zhang Mingrui and Ms. Mao Weiwen, collectively
<i>“interested person”</i>	:	As defined in the Listing Manual, an interested person, in the case of the Company, means:  (a) a Director, chief executive officer, or Controlling Shareholder of the Company; or  (b) an associate of any such Director, chief executive officer, or Controlling Shareholder
<i>“IPT” or “interested person transaction”</i>	:	A transaction between an entity at risk and an interested person



---

## DEFINITIONS

---

<i>“IPT Announcement”</i>	:	The announcement dated 27 September 2024 released by the Company in relation to the Proposed DRT Disposal, and the entry into the Equity Transfer Agreement as an interested person transaction
<i>“Joint Venture Term”</i>	:	The duration of the JV Company as provided for in the Restated JVA
<i>“JV Partners”</i>	:	Haleon UK, Haleon China and the Company, collectively
<i>“Latest Practicable Date”</i>	:	28 October 2024, being the latest practicable date prior to the despatch of this Circular
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST, as amended, modified and/or supplemented from time to time
<i>“Locked Box Date”</i>	:	30 June 2024
<i>“Long Stop Date”</i>	:	30 April 2025, or such other date as agreed by the parties to the Equity Transfer Agreement
<i>“Non-Interested Directors”</i>	:	The Directors who are deemed to be independent for the purposes of making a recommendation on the entry into the Equity Transfer Agreement as an interested person transaction, namely, all the Directors except the Interested Directors
<i>“Notice of EGM”</i>	:	The notice of the 2024 2 <sup>nd</sup> EGM dated 7 November 2024
<i>“NTA”</i>	:	Net tangible assets
<i>“PRC”</i>	:	People’s Republic of China, and for the purpose of this Circular only, excluding Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and Taiwan Province
<i>“PRC Company Law”</i>	:	The Company Law of the PRC (《中华人民共和国公司法》), as amended, modified and/or supplemented from time to time
<i>“PRC Laws”</i>	:	All laws, regulations, decrees or other acts of a legally binding nature that are in force from time to time in the PRC including any amendment or substitution thereof
<i>“Proposals”</i>	:	The Proposed DRT Disposal and the entry into the Equity Transfer Agreement, as well as the proposed entry into the Restated JVA and the proposed execution of the Amended AOA of the JV Company, collectively

---

## DEFINITIONS

---

<i>“Proposed Capital Injection”</i>	:	The Company’s proposed capital injection of RMB493,617,700 into Taiping Medicine through the transfer of the 100% equity interest in TJZX Medicine to Taiping Medicine. Please refer to the Company’s circular dated 14 October 2024 for further information on the Proposed Capital Injection
<i>“Proposed Disposals”</i>	:	The Proposed DRT Disposal and the Proposed TPH Disposal, collectively
<i>“Proposed DRT Disposal”</i>	:	The proposed disposal of the DRT Equity Interest by the Company to the Transferee in consideration for the DRT Transfer Price pursuant to the Equity Transfer Agreement, as further elaborated in Section 2 of this Circular
<i>“Proposed TPH Disposal”</i>	:	The proposed disposal of the TPH Equity Interest by TPH to the Transferee in consideration for the TPH Transfer Price pursuant to the Equity Transfer Agreement, as further elaborated in Section 2 of this Circular
<i>“Proxy Form”</i>	:	The proxy form in respect of the 2024 2 <sup>nd</sup> EGM
<i>“Register of Members”</i>	:	The register of members of the Company as maintained by the Company’s S-Shares Registrar and Singapore Shares Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd.
<i>“Restated JVA”</i>	:	The amended and restated equity joint venture contract with respect to the JV Company to be entered into at Closing between the JV Partners in accordance with the Equity Transfer Agreement
<i>“Restricted A-Shares”</i>	:	A-Shares granted under the Scheme which shall be subject to the terms and conditions of the Scheme
<i>“S-Shares”</i>	:	Ordinary shares issued by the Company under the PRC Company Law, comprising shares issued to natural and legal persons in countries other than PRC and which are denominated in US\$ and are listed on the Official List of the SGX-ST
<i>“S-Share Shareholders”</i>	:	Holders of S-Shares
<i>“SAMR”</i>	:	The State Administration for Market Regulation or its local delegate, as appropriate

---

## DEFINITIONS

---

<i>“Scheme”</i>	:	The 2019 Restricted A-Share Incentive Scheme (2019年A股限制性股票计划) of the Company which was established to further improve the long-term incentive mechanism of the Company, attract and retain outstanding talents, fully motivate the key personnel of the Company, and align the interests of the shareholders and the Company with the individual interests of the members of management team of the Company so that all parties will make joint efforts for the long-term development of the Company, and the incentive instruments to be issued under the Scheme are A-Shares only and the participants who were eligible to participate in the Scheme which include directors, members of senior management, members of the management team of the Company that the Board considers should be motivated, leading-level scientific research experts, core personnel for scientific research and technology and members of core management team of the subordinate enterprises of the Company (excluding the Company’s Associated Companies). Please refer to the Company’s circular dated 15 November 2019 for further details on the Scheme
<i>“Securities Accounts”</i>	:	The securities account maintained with CDP, but not including the securities accounts maintained with a Depository Agent
<i>“SFA”</i>	:	The Securities and Futures Act 2001 of Singapore, as amended, supplemented and/or modified from time to time
<i>“SGXNET”</i>	:	Singapore Exchange Network, the corporate announcement system maintained by the SGX-ST for the submission of information and announcements by listed companies
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Shareholders”</i>	:	Registered holders of Shares (comprising A-Share Shareholders and S-Share Shareholders) except that where the registered holder is CDP, the term <i>“Shareholders”</i> in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited

---

## DEFINITIONS

---

“Shares”	:	Ordinary shares in the capital of the Company, comprising A-Shares and S-Shares
“SSE”	:	Shanghai Stock Exchange
“SSE Listing Rules”	:	The Listing Rules of the Shanghai Stock Exchange (《上海证券交易所股票上市规则》), as amended, modified and/or supplemented from time to time
“subsidiaries”	:	The subsidiaries of a corporation as determined in accordance with the laws of the PRC or Singapore (as the case may be), and “subsidiary” shall be constructed accordingly
“Substantial Shareholder”	:	A person who has an interest or interests in one (1) or more voting Shares (excluding treasury shares) in the Company, and the total votes attached to that Share, or those Shares, represent not less than five per cent. (5%) of the total votes attached to all the voting Shares (excluding treasury shares) in the Company
“Taiping Medicine”	:	Tianjin Pharmaceutical Group Taiping Medicine Co., Ltd. (津药太平医药有限公司 (formerly known as 天津医药集团太平医药有限公司)), a wholly-owned subsidiary of TPH as at the Latest Practicable Date, whose shareholders will become the Company and TPH holding 43.35% and 56.65%, respectively, upon completion of the Proposed Capital Injection <sup>1</sup>
“Target Company” or “JV Company” or “TSKF”	:	Tianjin TSKF Pharmaceutical Co., Ltd. (中美天津史克制药有限公司), further details of which are set out in Sections 2.1(c) and 2.2.1(b) of this Circular

---

<sup>1</sup> As stated in the Company’s circular dated 14 October 2024 (the “**14 October 2024 Circular**”) in relation to (i) the Proposed Capital Injection, (ii) the resultant joint venture in Taiping Medicine, and (iii) the Company’s proposed provision of a guarantee for an amount of up to RMB823,650,000 for TJZX Medicine (collectively, the “**Proposed IPTs**”), the completion of the Proposed Capital Injection will result in the Company establishing a joint venture in Taiping Medicine with TPH (being the Controlling Shareholder of the Company), with the Company and TPH holding 43.35% and 56.65% equity interest in Taiping Medicine, respectively. The Proposed IPTs were approved by the Independent Shareholders at the Company’s EGM held on 29 October 2024. Accordingly, Taiping Medicine will be jointly held by the Company and TPH upon completion of the Proposed Capital Injection. Please refer to the 14 October 2024 Circular and the announcement dated 29 October 2024 made by the Company in relation to the poll results of the Company’s EGM held on 29 October 2024 for further information on the Proposed IPTs.

---

## DEFINITIONS

---

“TJZX Medicine”	:	Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司), a wholly-owned subsidiary of the Company as at the Latest Practicable Date, will become a wholly-owned subsidiary of Taiping Medicine upon completion of the Proposed Capital Injection <sup>2</sup>
“TPGF”	:	Tianjin Pharmaceutical Group Finance Co., Ltd. (天津医药集团财务有限公司), a subsidiary of TPH as at the Latest Practicable Date
“TPH”	:	Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), the Controlling Shareholder of the Company as at the Latest Practicable Date
“TPH Equity Interest”	:	20% equity interest in the registered capital of Target Company held by TPH as at the Latest Practicable Date
“TPH Transfer Price”	:	RMB2,705,777,777.78 to be paid by the Transferee to TPH in consideration for the TPH Equity Interest pursuant to the Equity Transfer Agreement
“Transfer Price”	:	The DRT Transfer Price and/or the TPH Transfer Price, as the context requires
“Transferors”	:	The Company and TPH, collectively, each a “Transferor”

### Currencies, units and others

“RMB”	:	Renminbi, being the lawful currency of the PRC
“S\$”	:	Singapore Dollars, being the lawful currency of the Republic of Singapore
“US\$” or “USD”	:	United States Dollars, being the lawful currency of the United States of America
“%” or “per cent.”	:	Percentage or per centum

---

<sup>2</sup> As stated in the 14 October 2024 Circular, upon completion of the Proposed Capital Injection, TJZX Medicine will cease to be a wholly-owned subsidiary of the Company and will become a wholly-owned subsidiary of Taiping Medicine. The Proposed IPTs were approved by the Independent Shareholders at the Company’s EGM held on 29 October 2024. Accordingly, TJZX Medicine will be 100% held by Taiping Medicine upon completion of the Proposed Capital Injection. Please refer to the 14 October 2024 Circular and the announcement dated 29 October 2024 made by the Company in relation to the poll results of the Company’s EGM held on 29 October 2024 for further information on the Proposed IPTs.

---

## DEFINITIONS

---

The terms “**Depositor**”, “**Depository**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Listing Manual, the SFA or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Listing Manual, the SFA or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of a day in this Circular is a reference to Singapore time, unless otherwise stated.

Any discrepancies in this Circular between the sum of the figures stated and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures which precede them.

The English names of certain PRC companies, entities and authorities in this Circular have been translated from their Chinese names, as there is no requirement for these companies, entities and authorities to have an official English name. In case of any inaccuracy, conflict or inconsistency between the English translations, please refer to the original Chinese names.

---

## LETTER TO SHAREHOLDERS

---

### TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

(Incorporated in the People's Republic of China)  
(Company Registration No.: 91120000103100784F)

#### Board of Directors

**Ms. Zhang Mingrui**

(Chairman and Non-Executive and Non-Independent Director)

**Mr. Guo Min**

(Executive Director)

**Ms. Wang Lei**

(Executive Director)

**Mr. Zhou Hong**

(Executive Director)

**Mr. Shang Mingjie**

(Executive Director)

**Ms. Mao Weiwen**

(Non-Executive and Non-Independent Director)

**Mr. Yeo Guat Kwang**

(Lead Independent and Non-Executive Director)

**Mr. Liew Yoke Pheng Joseph**

(Independent and Non-Executive Director)

**Mr. Zhong Ming**

(Independent and Non-Executive Director)

#### Registered Office

17 Baidi Road,  
Nankai District,  
Tianjin, the PRC

7 November 2024

**To: The Shareholders of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited**

Dear Sir/Madam

- (1) **THE PROPOSED DISPOSAL OF 13% EQUITY INTEREST IN THE REGISTERED CAPITAL OF TIANJIN TSKF PHARMACEUTICAL CO., LTD. (中美天津史克制药有限公司) TO HALEON CHINA CO., LTD., AND THE ENTRY INTO AN EQUITY TRANSFER AGREEMENT IN RELATION THERETO AS AN INTERESTED PERSON TRANSACTION; AND**
- (2) **THE PROPOSED ENTRY INTO THE AMENDED AND RESTATED EQUITY JOINT VENTURE CONTRACT WITH RESPECT TO TIANJIN TSKF PHARMACEUTICAL CO., LTD. (中美天津史克制药有限公司) BETWEEN HALEON UK SERVICES LIMITED, HALEON CHINA CO., LTD. AND THE COMPANY, AND THE PROPOSED EXECUTION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION OF TIANJIN TSKF PHARMACEUTICAL CO., LTD. (中美天津史克制药有限公司)**

#### 1. INTRODUCTION

##### 1.1 Overview

On 27 September 2024, the Company announced that it had, on 27 September 2024, entered into the Equity Transfer Agreement with TPH and Haleon China, pursuant to which,

- (a) the Company has agreed to sell, and Haleon China has agreed to acquire, 13% equity interest held by the Company in the registered capital of the Target Company (i.e., the

---

## LETTER TO SHAREHOLDERS

---

DRT Equity Interest), for a consideration of RMB1,758,755,555.56 (i.e., the DRT Transfer Price) (the “**Proposed DRT Disposal**”); and

- (b) TPH has agreed to sell, and Haleon China has agreed to acquire, 20% equity interest held by TPH in the registered capital of the Target Company (i.e., the TPH Equity Interest), for a consideration of RMB2,705,777,777.78 (i.e., the TPH Transfer Price) (the “**Proposed TPH Disposal**”, together with the Proposed DRT Disposal, the “**Proposed Disposals**”).

As at the Latest Practicable Date, TPH is the Controlling Shareholder of the Company, holding 42.99% of the issued share capital of the Company. Accordingly, TPH is considered an interested person of the Company for the purposes of Chapter 9 of the Listing Manual. Therefore, the entry into the Equity Transfer Agreement between the Company and TPH (both as the Transferors) and the Transferee constitutes an interested person transaction under Chapter 9 of the Listing Manual. Since the DRT Transfer Price exceeds five per cent. (5%) of the Group’s latest audited NTA, the entry into the Equity Transfer Agreement is subject to the approval of the Independent Shareholders pursuant to Rule 906(1) of the Listing Manual.

In addition, under the Equity Transfer Agreement, one of the Conditions Precedent to the Closing is that Shareholders at the general meeting of the Company have reviewed and approved, amongst others, the Restated JVA and the Amended AOA. Further, the Restated JVA no longer provides the Company, as a Chinese shareholder of the JV Company following the Closing, with the right to acquire the equity interest in the JV Company held by the foreign shareholder(s) in the event that the shareholders of the Target Company fail to agree on the extension of the joint venture term of the JV Company, a right that is provided in the Existing JVA. This removal constitutes a waiver of rights by the Company under the SSE Listing Rules and shall be submitted for Shareholders’ approval at a general meeting of the Company.

Accordingly, the Company is seeking approval from the Independent Shareholders for the Proposed DRT Disposal and the entry into the Equity Transfer Agreement, as well as approval from Shareholders for the proposed entry into the Restated JVA and the proposed execution of the Amended AOA of the Target Company at the 2024 2<sup>nd</sup> EGM.

### 1.2 2024 2<sup>nd</sup> EGM

The Directors are convening the 2024 2<sup>nd</sup> EGM to be held at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, a video conferencing at RNN Conference Centre, 137 Cecil Street, #04-01 Cecil Building, Singapore 069537 for S-Share Shareholders in Singapore) on Friday, 22 November 2024 at 2:00 p.m. to seek Shareholders’ approval for the Proposals. The Notice of EGM is set out on pages N-1 to N-3 of this Circular.

### 1.3 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information pertaining to, and to seek Shareholders’ approval for:

- (a) (Resolution 1) the Proposed DRT Disposal, and the entry into the Equity Transfer Agreement as an interested person transaction; and



---

## LETTER TO SHAREHOLDERS

---

- (b) (Resolution 2) the proposed entry into the Restated JVA, and the proposed execution of the Amended AOA,

(collectively, the “**Proposals**”).

The SGX-ST assumes no responsibility for the accuracy of any statements made or opinions made or reports contained in this Circular.

**If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.**

### 1.4 Inter-conditionality of Resolutions

**Shareholders should note that the passing of Resolution 1 and Resolution 2 are inter-conditional on each other. This means that if either resolution is not approved, neither resolution will be passed.**

### 1.5 Legal Advisers

Shook Lin & Bok LLP is the legal adviser to the Company as to Singapore law in relation to the Proposals, and Tianjin Wisely Law Office (天津华盛理律师事务所) is the legal adviser to the Company as to PRC Laws in relation to the Proposals.

## 2. THE PROPOSED DISPOSALS AND THE EQUITY TRANSFER AGREEMENT

### 2.1 Information on TPH, Haleon China and the Target Company

*The information on Haleon China and the Target Company in this Circular was provided by Haleon China and/or the Target Company. In respect of such information, the Company and the Board have not independently verified the accuracy and correctness of the same and the Company's responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this Circular.*

#### (a) Information on TPH

TPH, a limited liability company incorporated in the PRC on 27 June 1996, is a large pharmaceutical group with a comprehensive pharmaceutical industry chain in the PRC. It has been ranked among the top 100 pharmaceutical companies in the country for several consecutive years. TPH is principally engaged in pharmaceutical manufacturing and distribution, including, amongst others, the manufacturing of Chinese proprietary medicines, chemical drugs and chemical raw materials, as well as operating in the medical devices and health and wellness sectors. As a conglomerate, TPH's headquarters does not engage in business activities directly, and its operations are predominantly carried out through its subsidiaries. For the full details of TPH's business scope, please refer to the IPT Announcement.

As at the Latest Practicable Date,

- (i) TPH is the Controlling Shareholder of the Company holding 42.99% of the issued share capital of the Company;

---

## LETTER TO SHAREHOLDERS

---

- (ii) TPH has a registered capital of RMB5,492,950,000, with its shareholders being Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司)<sup>3</sup> and Tianjin Guoyu Enterprise Management Co., Ltd. (天津国宇企业管理有限公司)<sup>4</sup>, holding 67% and 33%, respectively;
  - (iii) the board of directors of TPH comprises Ms. Chen Jinzhu (陈津竹), Mr. Guo Min (郭珉), Ms. Zhang Mingrui (张铭芮), Mr. Teng Fei (滕飞), Mr. Jia Wei (贾伟), Mr. Sun Lijun (孙利军), Mr. Luo Xuan (罗饒), Mr. Yu Kexiang (于克祥) and Mr. Jiang Kai (蒋恺); and
  - (iv) the legal representative of TPH is Ms. Zhang Mingrui (张铭芮).
- (b) Information on Haleon China

Haleon China, a limited liability company incorporated in the PRC on 11 August 2015, is principally engaged in manufacturing and distribution, including, amongst others, the manufacturing of oral health products, vitamins, minerals and supplements, and branded chemical medicines. For the full details of Haleon China's business scope, please refer to the IPT Announcement.

As at the Latest Practicable Date,

- (i) Haleon China is a wholly-owned subsidiary of Haleon UK;
- (ii) Haleon China has a registered capital of RMB270,000,000;
- (iii) the board of directors of Haleon China comprises Ms. Gu Haiying (顾海英), Ms. Xu Lifang (徐丽芳) and Mr. Zhao Wenfeng (赵文峰); and
- (iv) the legal representative of Haleon China is Ms. Gu Haiying (顾海英).

---

3 As at the Latest Practicable Date, the shareholders of the Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司) ("**Jinhushen**") comprises:

- (i) Shanghai Liuliguang Medical Development Co., Ltd (上海琉璃光医药发展有限公司) ("**Liuliguang Medical**");
- (ii) Shenzhen Qianhai Furong Asset Management Co., Ltd (深圳市前海富荣资产管理有限公司 (now known as 深圳市盈投荣达科技有限公司)) ("**Qianhai Furong**");
- (iii) Shenzhen Ruice Biological Medical Development Co., Ltd (深圳市瑞测生物医药发展有限公司) ("**Ruice Biological**"); and
- (iv) Hainan Special Economic Zone Yousheng Enterprise Management Limited Partnership (海南经济特区友盛企业管理合伙企业(有限合伙)) ("**Yousheng LP**"),

which holds 35%, 34%, 16% and 15% of Jinhushen's equity interest, respectively.

As at the Latest Practicable Date, the actual controller (as determined in accordance with the PRC Laws) of each of Liuliguang Medical, Qianhai Furong, Ruice Biological and Yousheng LP is State-owned Assets Supervision and Administration Commission of Shanghai Municipal People's Government (上海市国有资产监督管理委员会), Guo Min (郭珉), Sun Huiguang (孙慧光), and Leng Youbin (冷友斌) and Leng Shuang (冷霜), respectively.

4 As at the Latest Practicable Date, Tianjin Guoyu Enterprise Management Co., Ltd. (天津国宇企业管理有限公司) is ultimately owned by the State-owned Assets Supervision and Administration Commission of Tianjin Municipal People's Government (天津市人民政府国有资产监督管理委员会).

---

## LETTER TO SHAREHOLDERS

---

To the best knowledge of the Directors, Haleon China and its controlling shareholder(s) are not related to any of the Company's Directors, Controlling Shareholder, chief executive officer, or their respective associates<sup>5</sup>. Based on the latest information available to the directors of the Haleon China (including the register of shareholders of Haleon China) and as at the Latest Practicable Date, Haleon China has confirmed to the Company that neither Haleon China nor its controlling shareholder(s) has any shareholding interest, direct or indirect, in the Company.

(c) Information on the Target Company

The Target Company, a limited liability company incorporated in the PRC on 23 September 1984, is principally engaged in the manufacturing and distribution of branded chemical medicines. For the full details of Target Company's business scope, please refer to the IPT Announcement.

As at the Latest Practicable Date,

- (i) the Target Company has a registered and paid-up capital of USD29,940,000, with its shareholders being Haleon UK, TPH and the Company, holding 55%, 20% and 25%, respectively;
- (ii) the board of directors of the Target Company comprises Ms. Chen Jinzhu (陈津竹), Ms. Gu Haiying (顾海英), Ms. Zhang Lei (张蕾), Ms. Xu Lifang (徐丽芳), Mr. Xu Hua (徐华), Mr. Sui Jinguo (睢金国), Mr. Zhao Wei (赵炜) and Mr. Tian Gang (田刚); and
- (iii) the legal representative of the Target Company is Ms. Chen Jinzhu (陈津竹).

Upon completion of the Proposed Disposals, the shareholders of the Target Company will become Haleon UK, Haleon China and the Company, holding 55%, 33% and 12% equity interest in the Target Company, respectively.

---

5 As defined in this Circular, "**associates**" means:

- (a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
  - (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more;
- (b) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more.

---

## LETTER TO SHAREHOLDERS

---

### 2.2 Financial Information

#### 2.2.1 Key Financial Information

(a) Haleon China

The key financial information of Haleon China is set out below:

Items	As at 31 December 2023 (audited)	As at 30 June 2024 (unaudited)
Total assets	RMB3,256,141,973.81	RMB3,459,903,116.93
Total liabilities	RMB3,208,174,872.01	RMB3,195,673,940.96
Net assets	RMB47,967,101.80	RMB264,229,175.97
Items	January to December 2023 (audited)	January to June 2024 (unaudited)
Revenue	RMB783,384,489.70	RMB463,487,223.19
Operating profit/(loss)	(RMB41,482,765.38)	RMB5,461,948.62
Total profit	RMB30,271,464.34	RMB44,256,977.13
Net profit/(loss)	RMB30,271,705.56	RMB44,256,977.13

(b) The Target Company

For the purposes of the Proposed DRT Disposal, the Company's management has engaged CAC Certified Public Accountants LLP (中审华会计事务所) ("CAC") to conduct an audit on the financial statements of the Target Company and issue an audit report in relation thereto (the "**Auditors' Report**"). Based on the Auditors' Report, CAC has audited the financial statements of the Target Company, including the balance sheets as at 31 December 2023 and 31 May 2024, along with the income statement, statement of cash flows, statement of changes in owners' equity, and the related notes to the financial statements of Year 2023 and the period from January to May 2024. In CAC's opinion, the financial statements attached thereto are prepared, in all material respects, in accordance with the *Accounting System for Business Enterprises* and fairly present the financial status of the Target Company as at 31 December 2023 and 31 May 2024, as well as the operating results and cash flows of Year 2023 and the period from January to May 2024.

## LETTER TO SHAREHOLDERS

Based on the Auditors' Report, the key financial information of the Target Company is set out below:

Items	As at 31 December 2023 (audited)	As at 31 May 2024 (audited)
Total assets	RMB3,087,843,950.17	RMB2,737,666,901.43
Total liabilities	RMB1,720,711,326.54	RMB1,728,349,220.20
Net assets	RMB1,367,132,623.63	RMB1,009,317,681.23
Items	January to December 2023 (audited)	January to May 2024 (audited)
Revenue	RMB3,581,879,341.01	RMB1,573,844,345.00
Operating profit/(loss)	RMB1,313,298,587.28	RMB432,371,796.91
Total profit	RMB1,309,857,620.44	RMB432,587,248.72
Net profit/(loss)	RMB981,655,588.06	RMB324,647,224.12

A copy of the Auditors' Report is set out in **Appendix B** to this Circular.

### 2.2.2 Independent Valuation

In connection with the Proposed DRT Disposal, the Company's management has engaged China Enterprise Appraisal Co., Ltd. (北京中企华资产评估有限责任公司) as the Independent Valuer to appraise the market value of the total shareholders' equity of the Target Company.

#### (a) Independent Valuer

The previous valuation work undertaken by the Independent Valuer for listed entities in the pharmaceutical industry includes, amongst others:

- (i) JOINN Laboratories (China) Co., Ltd. (北京昭衍新药研究中心股份有限公司) ("**JOINN Laboratories**") (listed on both the SSE and the Stock Exchange of Hong Kong Limited) in relation to the assessment of the preference shares held by JOINN Laboratories in JOINN Biologics Inc.;
- (ii) Hunan Nucien Pharmaceutical Co., Ltd. (湖南南新制药股份有限公司) (listed on the STAR Market of the SSE) in relation to its proposed acquisition of 51% equity interest in Synermore Biologics (Suzhou) Co., Ltd. (兴盟生物医药(苏州)有限公司); and
- (iii) China Resources Double-Crane Pharmaceutical Co., Ltd. (华润双鹤药业股份有限公司) (listed on the SSE) in relation to its proposed introduction of the Asian regional patent for CX2101 and all related proprietary technologies and rights in the Asian region held by Ligand Pharmaceuticals Incorporated.

---

## LETTER TO SHAREHOLDERS

---

(b) Valuation Conclusion

The appraisal result by the income approach was selected by the Independent Valuer for the appraisal conclusion. Based on the asset appraisal report dated 24 July 2024 issued by the Independent Valuer (the “**Asset Appraisal Report**”), as at 31 May 2024 (the “**Appraisal Base Date**”), the Target Company has:

- (i) a total book value of assets amounting to RMB2,737,666,901.43;
- (ii) a total book value of liabilities amounting to RMB1,728,349,220.20;
- (iii) a book value of net assets amounting to RMB1,009,317,681.23; and
- (iv) an appraised value of total shareholders’ equity amounting to RMB9,996,363,700, with an appreciation of RMB8,987,046,000 at an appreciation rate of 890.41%<sup>6</sup>.

(c) Key Elements of the Methodology

In arriving at its valuation conclusion, the discounted cash flow method under the income approach is used by the Independent Valuer to assess the overall enterprise value of the Target Company, and is indirectly used to determine the total equity value of the shareholders of the Target Company. The overall enterprise value consists of the value of operating assets generated from normal business activities and the value of non-operating assets not related to normal business activities. For the determination of the operating asset value, the enterprise free cash flow discount model is used, which is based on the enterprise’s free cash flows over several future years, discounted using an appropriate discount rate and then summed. The formula for calculating the total shareholders’ equity value is as follows:

$$\text{Total shareholders' equity value} = \text{Overall enterprise value} - \text{Interest-bearing debt value}$$

(i) Overall enterprise value

The overall enterprise value refers to the sum of the total equity value of shareholders and the value of interest-bearing debt. Based on the asset

---

<sup>6</sup> In asset transactions, the purpose of investors is to generate returns. The price of an asset is determined by its potential to generate future returns for the investor and the level of those returns, rather than by the cost of acquiring or building the asset. The income approach is a valuation method that capitalises or discounts the expected returns of the appraised asset to determine its value. This method uses the future income-generating potential of the asset as the basis for valuation, making it more readily accepted in a market economy. The Target Company has been in operation for many years, with a stable business structure, operating model, and profitability. Comprehensive historical data related to its core business is available, and as of the Appraisal Base Date, the management of the Target Company has a clear business plan. Future earnings can be predicted and measured in monetary terms, and the risks undertaken can also be quantified in monetary terms. Therefore, the income approach is adopted for this valuation. The Target Company’s profitability has remained generally stable, with minimal fluctuations in recent years. The gross profit margin has increased with changes in the revenue model, and both the net profit margin and return on equity have been steadily improving, demonstrating the Target Company’s strong profitability. The Target Company’s main products include ibuprofen, Contac, and other medications for relieving fever or inflammation. Due to the impact of the COVID-19 pandemic, the Target Company experienced significant growth in revenue, profit margins, and total assets in 2023. In recent years, the Target Company has shown strong growth potential. Given the Target Company’s excellent profitability and significant growth potential, the income approach valuation reflects a much higher value compared to the net asset value.

---

## LETTER TO SHAREHOLDERS

---

allocation and usage of the appraised entity, the formula for calculating the overall enterprise value is as follows:

$$\begin{array}{ccccccc} \text{Overall} & & \text{Operating} & & \text{Surplus} & & \text{Non-} \\ \text{enterprise} & = & \text{asset} & + & \text{asset} & + & \text{operating} \\ \text{value} & & \text{value} & & \text{value} & & \text{asset} \\ & & & & & & \text{value} \\ & & & & & & - & \text{Non-} \\ & & & & & & & \text{operating} \\ & & & & & & & \text{liability} \\ & & & & & & & \text{value} \end{array}$$

(A) Operating asset value

Operating assets refer to the assets and liabilities related to the production and operations of the appraised entity, which are involved in the forecast of enterprise free cash flows after the valuation date. As at the Appraisal Base Date, the operating asset value of the Target Company is approximately RMB9,658,377,600.

(B) Surplus asset value

Surplus assets refer to assets that exceed the needs of the company's production and operations as at the appraisal base date and are not involved in the forecast of free cash flows after the appraisal base date. Surplus assets are analysed and evaluated separately. As at the Appraisal Base Date, the surplus assets of the Target Company are approximately RMB150,868,300.

(C) Non-operating assets and Non-operating liabilities value

Non-operating assets and non-operating liabilities refer to assets and liabilities that are unrelated to the production and operations of the appraised entity and are not involved in the forecast of free cash flows after the appraisal base date. Non-operating assets and non-operating liabilities are analysed and evaluated separately. As at the Appraisal Base Date, the total value of the non-operating assets and non-operating liabilities of the Target Company is approximately RMB187,117,800.

Accordingly, as at the Appraisal Base Date, the overall enterprise value of the Target Company is approximately RMB9,996,363,700.

(ii) Interest-bearing debt value

Interest-bearing debt refers to liabilities for which the appraised entity is required to pay interest as at the appraisal base date. The interest-bearing debt of the appraised entity is analysed and evaluated separately.

As at the Appraisal Base Date, the Target Company has no interest-bearing debt.

(iii) Total shareholders' equity value

As such, as at the Appraisal Base Date, the total shareholders' equity value of the Target Company is approximately RMB9,996,363,700.

---

## LETTER TO SHAREHOLDERS

---

(d) Valuation Assumptions

The Independent Valuer made the following assumptions using the income approach to arrive at its valuation conclusion:

- (i) all appraised assets are in the process of being traded, and valuation professionals simulate the market conditions for pricing based on the transaction conditions of the assets;
- (ii) the assets being traded or intended for trade in the market are between parties with equal standing, both having sufficient opportunities and time to access market information, and that all transactions are voluntary, rational, and both parties can make informed judgments regarding the asset's function, usage and transaction price;
- (iii) there are no significant changes in the current relevant laws, regulations, and policies of the PRC, or in the macroeconomic situation. It is also assumed that there are no significant changes in the political, economic, and social environment of the regions where the parties to the transaction are located;
- (iv) based on the actual condition of the assets as at the Appraisal Base Date, it is assumed that the Target Company will continue to operate after the expiration of its business registration;
- (v) there will be no significant changes in interest rates, exchange rates, tax bases and rates, and government-imposed fees related to the Target Company after the Appraisal Base Date;
- (vi) the management of the Target Company after the Appraisal Base Date will be responsible, stable, and capable of fulfilling their duties;
- (vii) unless otherwise stated, it is assumed that the Target Company fully complies with all relevant laws and regulations;
- (viii) no *force majeure* or unforeseen factors will cause significant adverse effects on the Target Company after the Appraisal Base Date;
- (ix) the accounting policies adopted by the Target Company after the Appraisal Base Date will remain consistent with those in effect when the Asset Appraisal Report was prepared;
- (x) the business scope and methods of the Target Company will remain consistent with the present, based on the existing management methods and levels;
- (xi) the Target Company's cash inflows and outflows after the Appraisal Base Date will be evenly distributed;
- (xii) the Target Company will continue to hold the production and sales rights for all products (including technology, trademarks, etc.) after the Appraisal Base Date;
- (xiii) there will be no major changes in the business model, product categories or product pricing levels of the Target Company after the Appraisal Base Date; and
- (xiv) the supply model, supply prices, and payment cycles for raw materials and formulations will remain unchanged after the Appraisal Base Date.



---

## LETTER TO SHAREHOLDERS

---

(e) Valuation Approaches

For Shareholders information, apart from the income approach, the Independent Valuer has also considered the market approach in the valuation of the market value of the total shareholders' equity of the Target Company. The table below sets out the appraised value of the market value of the total shareholders' equity of the Target Company as at 31 May 2024 (i.e., the Appraisal Base Date), using both the income approach and the market approach:

Approaches	Book value (RMB)	Appraised value (RMB)	Increase/ (Decrease) (RMB)	Appreciation/ (Depreciation) rate (%)
Income approach	1,009,317,700	9,996,363,700	8,987,046,000	890.41%
Market approach	1,009,317,700	9,783,053,800	8,773,736,100	869.27%

As set out in Section 2.2.2(b) of this Circular above, the appraisal result by the income approach is selected by the Independent Valuer for the appraisal conclusion. This is because the two (2) valuation methods (i.e., the income approach and the market approach) consider different perspectives. The income approach is based on capitalising or discounting the expected returns of the appraised entity to determine the value of the subject, estimating the enterprise's value from the perspective of expected earnings and reflecting the comprehensive profitability of the enterprise's various assets. The market approach, on the other hand, considers the value from the perspective of market alternatives, reflecting the public market's assessment of the enterprise's value under normal and fair-trading conditions. Given that the Target Company has been operating continuously for many years, with stable product types and business models. The income approach reflects the comprehensive profitability of the Target Company's various assets and takes into account factors such as product competitiveness, management experience, and the sales team's impact on the equity value. Whereas, in the market approach, due to the limited number of comparable companies available, the selected comparable listed companies differ from the Target Company in terms of asset scale, operating model, development stage, background, and strategic positioning. Furthermore, the market approach valuation results are significantly affected by the stock price fluctuations of comparable listed companies, which introduces certain limitations and increases the uncertainty of the market approach results. Therefore, after comprehensive analysis, the income approach result was selected as the valuation conclusion.

A copy of the summary of the Asset Appraisal Report is set out in **Appendix C** to this Circular.

---

## LETTER TO SHAREHOLDERS

---

### 2.3 Basis of Consideration

The consideration for the DRT Equity Interest is RMB1,758,755,555.56 (i.e., the DRT Transfer Price), which was agreed upon after arm's length negotiations between Haleon China and the Company on a "willing buyer willing seller" basis, and taking into account prevailing market conditions, the key financial information of the Target Company as set out in Section 2.2.1(b) of this Circular, and the appraisal result as set out in Section 2.2.2 of this Circular. The DRT Transfer Price represents a premium of approximately 35% over the appraised value of the DRT Equity Interest as at the Appraisal Base Date performed by the Independent Valuer.

### 2.4 Principal Terms of the Equity Transfer Agreement

#### 2.4.1 Transfer of Equity Interest

Pursuant to the Equity Transfer Agreement:

- (a) The Company agrees to sell the DRT Equity Interest, free from all Encumbrances and together with all rights attaching to the DRT Equity Interest (including all rights to receive dividend in respect of the DRT Equity Interest as from the Locked Box Date (i.e., 30 June 2024)), to the Transferee in consideration of RMB1,758,755,555.56 (i.e., the DRT Transfer Price) and in accordance with the other terms and conditions agreed under the Equity Transfer Agreement. The Transferee agrees to acquire the DRT Equity Interest from the Company in consideration of the DRT Transfer Price and in accordance with the other terms and conditions agreed under the Equity Transfer Agreement.
- (b) TPH agrees to sell the TPH Equity Interest, free from all Encumbrances and together with all rights attaching to the TPH Equity Interest (including all rights to receive dividend in respect of the TPH Equity Interest as from the Locked Box Date (i.e., 30 June 2024)), to the Transferee in consideration of RMB2,705,777,777.78 (i.e., the TPH Transfer Price) and in accordance with the other terms and conditions agreed under the Equity Transfer Agreement. The Transferee agrees to acquire the TPH Equity Interest from TPH in consideration of the TPH Transfer Price and in accordance with the other terms and conditions agreed under the Equity Transfer Agreement.
- (c) The Parties<sup>7</sup> agree that subject to the Occurrence of Closing (as defined in Section 2.4.3(e) of this Circular below), no dividend or other distribution (whether in cash or in kind) accrued on the DRT Equity Interest and the TPH Equity Interest as from the Locked Box Date shall be declared, paid or made to any of the Transferors.
- (d) The Transferee shall not be obliged to complete the sale and purchase of any Equity Interest unless the sale and purchase of the entire Equity Interest is completed simultaneously in accordance with the Equity Transfer Agreement.

---

<sup>7</sup> For the purposes of the Equity Transfer Agreement, "Parties" mean the Company, TPH and Haleon China, collectively, and each a "Party".

---

## LETTER TO SHAREHOLDERS

---

### 2.4.2 Conditions Precedent

Pursuant to the Equity Transfer Agreement:

- (a) The closing of the transfer of the Equity Interest (the “**Closing**”) shall be subject to the satisfaction of all the following conditions (each a “**Condition Precedent**”, and collectively the “**Conditions Precedent**”):
- (i) the antitrust review of the concentration of undertakings by the SAMR in respect of the Proposed Disposals having been approved unconditionally;
  - (ii) the general meeting of the Company having reviewed and approved (i) the transfer of the DRT Equity Interest to the Transferee according to the terms and conditions of the Equity Transfer Agreement, and (ii) the Restated JVA and the Amended AOA;
  - (iii) the board of directors of TPH having reviewed and approved the transfer of the TPH Equity Interest to the Transferee according to the terms and conditions of the Equity Transfer Agreement; and
  - (iv) the shareholder of the Transferee having reviewed and approved the acquisition of the Equity Interest by the Transferee according to the terms and conditions of the Equity Transfer Agreement.
- (b) In the event that the approval regarding the antitrust review of the concentration of undertakings granted by the SAMR in respect of the Proposed Disposals is subject to any condition imposed by the SAMR, the Parties agree to discuss in good faith and to assess the impact of such condition on the Proposed Disposals, the Parties or the Target Company, with a view to properly addressing such condition and its impact. If the Parties agree to proceed with the Proposed Disposals, the Conditions Precedent under Section 2.4.2(a)(i) of this Circular may be deemed as having been satisfied.
- (c) If the matters under Section 2.4.2(a)(ii) of this Circular fail to be approved by the general meeting of the Company, the Company will not be deemed as in breach of the Condition Precedent as set out in Section 2.4.2(a)(ii) of this Circular and will not be held liable for breach of contract as a result.

### 2.4.3 Closing

Pursuant to the Equity Transfer Agreement:

- (a) The Closing shall take place at the office of the Target Company on the tenth (10<sup>th</sup>) Business Day<sup>8</sup> after the date on which the last of the Conditions Precedent is satisfied (or at such other place and/or on such other date as the Parties may agree) (the “**Closing Date**”).

---

<sup>8</sup> For the purposes of the Equity Transfer Agreement, “**Business Day**” means day from Monday to Friday, but excluding the statutory (or public) holidays in Beijing, the PRC.

---

## LETTER TO SHAREHOLDERS

---

- (b) On the Closing Date,
  - (i) each of the Company and TPH shall deliver to the Transferee the shareholders resolutions of the Target Company duly executed by it approving (A) the Proposed Disposals (if applicable), (B) the Amended AOA, and (C) the change of directors and supervisors of the Target Company pursuant to the Amended AOA;
  - (ii) the Transferee shall procure that Haleon UK shall deliver to the Company and TPH the shareholders resolution of the Target Company duly executed by Haleon UK approving (A) the Proposed Disposals (if applicable), (B) the Amended AOA, and (C) the change of directors and supervisors of the Target Company pursuant to the Amended AOA;
  - (iii) the Company shall deliver to the Transferee, and the Transferee shall deliver to the Company, and shall procure the delivery by Haleon UK to the Company of, the Restated JVA and the Amended AOA duly executed by it (or, in the case of Haleon UK, by Haleon UK); and
  - (iv) the Parties shall cause the Target Company to register the Transferee as a shareholder in the register of shareholders of the Target Company upon the Occurrence of Closing, reflecting the Transferee as the owner of the Equity Interest with effect from the Occurrence of Closing.
- (c) On the Closing Date, subject to the completion of inspection of all the documents required to be delivered on the Closing Date pursuant to the provision as set out in Section 2.4.3(b) of this Circular by each Party, the Transferee shall pay the DRT Transfer Price to the Company and the TPH Transfer Price to TPH, in each case, in full in one lump sum to the designated bank account of that Transferor.
- (d) All documents required to be delivered on the Closing Date pursuant to the provision as set out in Section 2.4.3(b) of this Circular shall be held by the delivering party's outside counsel to the order of the delivering party until such time as Closing shall have taken place pursuant to the provision as set out in Section 2.4.3(e) of this Circular. The documents required to be delivered by the Target Company on the Closing Date pursuant to the provision as set out in Section 2.4.3(b) of this Circular shall be held by the Transferors' outside counsel to the order of the Transferors until such time as Closing shall have taken place pursuant to the provision as set out in Section 2.4.3(e) of this Circular.
- (e) Subject to the provision as set out in Section 2.4.6(d) of this Circular, simultaneously with delivery of all documents required to be delivered pursuant to the provision as set out in Section 2.4.3(b) of this Circular on the Closing Date and the receipt of the Transfer Price by each of the Transferors, the documents delivered pursuant to the provision as set out in Section 2.4.3(b) of this Circular shall cease to be held to the order of the person delivering them and be released automatically, and Closing shall have taken place (the "**Occurrence of Closing**"). All documents required to be delivered on the Closing Date pursuant to the provision as set out in Section 2.4.3(b) of this Circular shall take effect and only take effect upon the Occurrence of Closing.

---

## LETTER TO SHAREHOLDERS

---

### 2.4.4 Registration of Transfer

- (a) Within three (3) Business Days after the Occurrence of Closing, the Parties shall promptly perform, and each Transferor shall procure that the incumbent directors nominated by such Transferor to, and the Transferee shall procure Hialeon UK and the incumbent directors nominated by the Transferee and Hialeon UK to promptly perform any and all actions (including execution and delivery of all such other documents), and complete the registration formalities in respect of the Proposed Disposals with the SAMR.
- (b) The Parties further agree that once the Amended AOA takes effect upon the Occurrence of Closing, the governance structure provided in the Amended AOA shall be adopted as the governance structure of the Target Company.

### 2.4.5 Representations, Warranties and Undertakings

Pursuant to the Equity Transfer Agreement:

- (a) As of each of the Execution Date and the Closing Date, each Party hereby represents, warrants and undertakes to the other Parties:
  - (i) it is duly organised, validly existing and in good standing under the laws of the place where it is established, and has full power and authority to enter into each of the Equity Transfer Agreement and the Amended AOA and to perform the provisions of each of the Equity Transfer Agreement and the Amended AOA;
  - (ii) each of the Equity Transfer Agreement (once duly executed by such Party) and the Amended AOA (once taking effect according to the provision as set out in Section 2.4.3(e) of this Circular) will constitute its legal, valid and binding obligations and will be enforceable against it in accordance with its terms;
  - (iii) its execution, delivery and performance of each of the Equity Transfer Agreement and the Amended AOA will not conflict with any oral or written agreement, instrument or understanding to which it is a party or to which it is subject, nor will it violate any law or regulation of any court, government authority, administrative department or other authority that has jurisdiction over it;
  - (iv) it has complied and will at all relevant times comply with all applicable tax filing, information and payment obligations in the PRC and any other relevant jurisdiction in relation to its shareholding (whether current, past or future) in the Target Company (including, without limitation, in relation to any acquisition or disposal thereof, and any returns of any nature therefrom); and
  - (v) (A) it is resident for tax purposes in the place where it is established; and (B) it is not treated for tax purposes in any jurisdiction as resident in any jurisdiction other than the place where it is established.

---

## LETTER TO SHAREHOLDERS

---

- (b) As of each of the Execution Date and the Closing Date, the Company hereby represents, warrants and undertakes to the Transferee:
- (i) it is the owner of, and has the full right to transfer the ownership in, the DRT Equity Interest to the Transferee on the terms and conditions set out in the Equity Transfer Agreement. At the Occurrence of Closing, the Transferee will be the owner of the DRT Equity Interest, free and clear of any and all Encumbrances;
  - (ii) the DRT Equity Interest is free of any Encumbrance; and
  - (iii) the registered capital of the Target Company represented by the DRT Equity Interest has been fully paid up.
- (c) The Transferee represents, warrants and undertakes to each of the Transferors:
- (i) there is no willful and gross negligent (A) concealment, (B) omission, (C) false recordation or (D) misleading statement, in each case, with respect to the provision of information and data by the Transferee, its representatives, its Affiliates<sup>9</sup> or the Target Company to the Transferors based on the documents and information in the possession of the Transferee, its Affiliates or the Target Company (as the case may be) for cooperating with the due diligence, or in connection with the negotiations, execution and performance of the Equity Transfer Agreement; and
  - (ii) it will pay:
    - (A) the TPH Transfer Price to TPH; and
    - (B) the DRT Transfer Price to the Company,in full in a timely manner as agreed under the Equity Transfer Agreement.
- (d) The Transferee undertakes to each of the Transferors that:
- (i) it will submit the notification for antitrust review of the concentration of undertakings to the SAMR in respect of the Proposed Disposals in accordance with applicable PRC Laws no later than five (5) Business Days after the Execution Date; and
  - (ii) it will procure the Target Company to distribute and pay to each of the Transferors the distributable profits in respect of the equity interest held by such Transferor in the Target Company as of the Execution Date for such period starting from 1 October 2023 to the Locked Box Date as declared by the board of directors of the Target Company, no later than twenty (20) Business Days after the Execution Date.

---

<sup>9</sup> As defined in the Equity Transfer Agreement, “**Affiliate**” means in respect of a Party, any company, joint venture or other business entity controlling, controlled by or under the common control with such Party. For the purposes of this definition, “**control**” means, in respect of a company or other business entity, the direct or indirect ownership of fifty per cent. (50%) or more of shares or interests with the voting right to elect directors of such company or business entity, or otherwise has the ability to cause any entity or individual to control or to have the right to control the board of directors or equivalent management body of such company or other entity, or to direct the management and policies of such company or business entity, which shall include, in respect of any partnership, the status as the general partner of such partnership.

---

## LETTER TO SHAREHOLDERS

---

### 2.4.6 Termination

Pursuant to the Equity Transfer Agreement:

- (a) If any of the Conditions Precedent as set out under Section 2.4.2 of this Circular fails to be satisfied on or before the Long Stop Date, the Equity Transfer Agreement can be terminated by any Party by serving a written notice to the other Parties, provided that, if the failure to satisfy any of the Conditions Precedent on or before the Long Stop Date is due to willful conduct or gross negligence of a Party, such Party shall not be entitled to terminate the Equity Transfer Agreement in accordance with the provisions as set out in this Section 2.4.6, and shall be held liable for breach of contract in accordance with the provision as set out in Section 2.4.7(c) of this Circular, and shall hold the other Parties harmless from any direct loss arising from such breach.
- (b) The Equity Transfer Agreement may be terminated upon mutual agreement of the Parties by entering into a separate written agreement.
- (c) Each Party that is not in breach (such Party, the “**Non-defaulting Party**”) has the right to unilaterally terminate the Equity Transfer Agreement prior to Closing by giving a written notice to a Party in breach (such Party, the “**Defaulting Party**”) if any of the following events occurs in respect of the Defaulting Party:
  - (i) The Transferee fails to pay the Transfer Price agreed under the Equity Transfer Agreement to any Transferor in full, and the payment is overdue by more than thirty (30) days, provided that in such event, only a Transferor who has not received the Transfer Price in full has the right to terminate the Equity Transfer Agreement in accordance with this Section 2.4.6(c);
  - (ii) The Defaulting Party is in material breach of the Equity Transfer Agreement (including as a result of any breach of the representations, warranties and undertaking as set out in Section 2.4.5 of this Circular), and to the extent such material breach is curable, fails to properly cure such breach within sixty (60) days after receiving the written notice from the Non-defaulting Party requesting such cure; and/or
  - (iii) The Defaulting Party is insolvent or ceases to exist for any other reason.
- (d) The Parties agree that if the Closing fails to take place as a result of the occurrence of any default set forth in item (i) and (ii) as set out under Section 2.4.6(c) of this Circular, (A) in the event that such default is cured by the relevant Defaulting Party within the applicable cure period in accordance with the provision as set out in Section 2.4.6(c) of this Circular and provided that each Condition Precedent have been satisfied in accordance with the provision as set out in Section 2.4.2 of this Circular, the Closing shall be deferred to the third (3<sup>rd</sup>) Business Day after the date that such default is cured, in which case the provision as set out in Sections 2.4.3(b), (c), (d) and (e) of this Circular shall still apply to Closing as so deferred; or (B) in the event that such default is not cured by the relevant Defaulting Party within the applicable cure period in accordance with the provision as set out in Section 2.4.6(c) of this Circular, the Non-defaulting Party has the right to unilaterally terminate the Equity Transfer Agreement in accordance with the provision as set out in Section 2.4.6(c) of this Circular.

---

## LETTER TO SHAREHOLDERS

---

- (e) Clauses in relation to confidentiality, notices and governing law and dispute resolution under the Equity Transfer Agreement and any other clauses that shall, by virtue of its intention and purpose, continue to be effective after the termination of the Equity Transfer Agreement, shall survive the termination of the Equity Transfer Agreement.

### 2.4.7 Liability for Breach of Contract

Pursuant to the Equity Transfer Agreement:

- (a) If the Transferee fails to pay the Transfer Price to any Transferor in full in time, the Transferee shall pay to any such Transferor who has not received its Transfer Price in full late payment interest at a daily rate of 0.05% of the overdue amount for each day of delay until the earlier of (i) the Occurrence of Closing or (ii) termination of the Equity Transfer Agreement.
- (b) If the Equity Transfer Agreement is unilaterally terminated in accordance with the provision as set out in Section 2.4.6(c) of this Circular, the Defaulting Party shall pay to the Non-defaulting Party liquidated damages equaling to 20% of the relevant Transfer Price that is applicable to the Equity Interest contemplated between the Defaulting Party and the Non-defaulting Party under the Equity Transfer Agreement.

The Parties further agree, if any of the Transferors is in breach of any representations, warranties or undertakings as set out in Sections 2.4.5(a)(iv) or 2.4.5(a)(v) of this Circular, the Transferors shall not be liable for paying the liquidated damages pursuant to the provision as set out in this Section 2.4.7(b).

- (c) A Party in breach of any provision of the Equity Transfer Agreement shall indemnify and hold harmless the non-breaching Party against all direct losses or damage (including without limitation any tax, penalties or interest as well as legal, financial and other advisor fees) incurred by the non-breaching Party as a result of such breach.
- (d) A Party's failure or delay to exercise any right, power or remedy in relation to the Equity Transfer Agreement (the "**Lawful Right**") shall not constitute a waiver of such Lawful Right, and any exercise or partial exercise of any Lawful Right shall not prevent any additional or further exercise of such Lawful Right or any exercise of any other Lawful Right. The Lawful Right agreed under the Equity Transfer Agreement shall be cumulative and not preclude any other statutory or contractual right.
- (e) The maximum amount for which the Transferee or the Company (as applicable) shall be liable to the other pursuant to the provision as set out in this Section 2.4.7 shall not exceed the DRT Transfer Price.
- (f) The maximum amount for which the Transferee or TPH (as applicable) shall be liable to the other pursuant to the provision as set out in this Section 2.4.7 shall not exceed the TPH Transfer Price.
- (g) If either of TPH or the Company is, or both of TPH and the Company are, liable for any default under the Equity Transfer Agreement, such Defaulting Party shall be liable to the Transferee (which shall be deemed as the Non-defaulting Party for purposes of this Section 2.4.7) on a several basis (including for the liquidated damages as set out under Section 2.4.7(b)). TPH and the Company shall not be jointly and severally liable for any default under the Equity Transfer Agreement.



---

## LETTER TO SHAREHOLDERS

---

### 2.4.8 Governing Law and Dispute Resolution

Pursuant to the Equity Transfer Agreement:

- (a) The Equity Transfer Agreement shall be governed by and construed in accordance with the PRC Laws.
- (b) The representatives of the Parties shall endeavor to resolve any dispute arising from or in connection with the Equity Transfer Agreement, including any dispute concerning the existence, validity, termination, modification or performance of the Equity Transfer Agreement (a “**Dispute**”) in accordance with the principle of fairness and in good faith. Upon request by either Party, the other Parties shall assign a senior management representative to participate in the discussions. Each Party shall have the right to terminate the discussions at any time by giving written notice to the other Parties.
- (c) If any Dispute fails to be resolved according to the provision as set out in Section 2.4.8(b) of this Circular, such Dispute shall be submitted to the China International Economic and Trade Arbitration Commission to be finally resolved through arbitration according to the Arbitration Rules of China International Economic and Trade Arbitration Commission in force at the time of submission of the arbitration notice. The tribunal shall be composed of three (3) arbitrators. The Transferors (acting jointly) have the right to nominate one (1) arbitrator and the Transferee has the right to nominate one (1) arbitrator. The third (3<sup>rd</sup>) arbitrator, who shall be the Chairman of the arbitral tribunal, shall be nominated by the two (2) nominated arbitrators within 14 days of the last of their appointments. The arbitration shall be seated in Beijing. The arbitration proceedings shall be conducted in Chinese and English.
- (d) While a Dispute or the arbitration of a Dispute is ongoing, the Parties shall continue to perform their respective obligations and may exercise their respective rights under the Equity Transfer Agreement in relation to the matters other than those subject to the Dispute.

### 2.5 Rationale for, and Benefits of, the Proposed DRT Disposal

The Directors are unanimously of the view that the Proposed DRT Disposal is in the best interest of the Company and its Shareholders due to the following considerations:

- (a) the DRT Transfer Price represents a significant premium of approximately 35% over the appraised value of the DRT Equity Interest as at the Appraisal Base Date;
- (b) the Proposed DRT Disposal is expected to unlock the value of the Company's investment in the Target Company and bring considerable financial returns to the Company's Shareholders. The Proposed DRT Disposal is expected to result in immediate cash inflows and investment income of approximately RMB1.7 billion; and
- (c) the proceeds from the Proposed DRT Disposal would allow the Company to dedicate resources for business expansion, including but not limited to strategic mergers and acquisitions, research and development projects, new product development and market expansion initiatives.

---

## LETTER TO SHAREHOLDERS

---

### 2.6 Chapter 10 of the Listing Manual

#### 2.6.1 Requirements of Chapter 10 of the Listing Manual

Chapter 10 of the Listing Manual governs the continuing listing obligations of issuers in respect of significant transactions, including acquisitions and disposals. Such transactions are classified as (a) non-discloseable transactions, (b) discloseable transactions, (c) major transactions, and (d) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual. Where any of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual exceeds five per cent. (5%) but does not exceed twenty per cent. (20%), the transaction is classified as a “discloseable transaction” under Chapter 10 of the Listing Manual, and where any of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual exceeds twenty per cent. (20%) but is less than 100%, the transaction is classified as a “major transaction” under Chapter 10 of the Listing Manual. Pursuant to Rule 1014(2) of the Listing Manual, a major transaction must be made conditional upon approval by shareholders in general meeting.

#### 2.6.2 Relative Figures under Rule 1006 of the Listing Manual

Based on the unaudited financial statements of the Group for the six-month financial period ended 30 June 2024 (being the latest announced consolidated financial statements of the Group as at the Execution Date), the relative figures in respect of the Proposed DRT Disposal computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule	Bases of Computation	Relative Figures (%)
Rule 1006(a)	The net asset <sup>(1)</sup> value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets	2.27% <sup>(2)</sup>
Rule 1006(b)	The net profits/(loss) <sup>(3)</sup> attributable to the assets acquired or disposed of, compared with the group's net profits	7.31% <sup>(4)</sup>
Rule 1006(c)	The aggregate value of the consideration <sup>(5)</sup> given or received, compared with the issuer's market capitalisation <sup>(6)</sup> based on the total number of issued shares excluding treasury shares	8.51% <sup>(7)</sup>
Rule 1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable <sup>(8)</sup>

## LETTER TO SHAREHOLDERS

Rule	Bases of Computation	Relative Figures (%)
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount	Not applicable <sup>(9)</sup>

**Notes:**

- (1) Under Rule 1002(3)(a) of the Listing Manual, "net assets" means total assets less total liabilities. Under Rule 1002(3)(c) of the Listing Manual, the net asset figures used for comparison with the transaction(s) under consideration will be taken from the latest announced consolidated accounts. The SGX-ST may allow the issuer's net asset value to be adjusted to take into account any transaction(s) completed subsequent to the latest announced consolidated accounts provided that adequate information about such transaction(s) has already been announced to shareholders.
- (2) Based on the net asset value of the DRT Equity Interest of approximately RMB143,676,501 as at 30 June 2024, compared with the Group's unaudited net asset value of approximately RMB6,316,214,000 as at 30 June 2024.
- (3) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. Under Rule 1002(3)(c) of the Listing Manual, the net profit figures used for comparison with the transaction(s) under consideration will be taken from the latest announced consolidated accounts. The SGX-ST may allow the issuer's net profit to be adjusted to take into account any transaction(s) completed subsequent to the latest announced consolidated accounts provided that adequate information about such transaction(s) has already been announced to shareholders.
- (4) Based on the net profit attributable to the DRT Equity Interest of approximately RMB54,669,000 for the period ended 30 June 2024, compared with the Group's unaudited net profits of approximately RMB747,649,000 for the period ended 30 June 2024.
- (5) Under Rule 1003(3) of the Listing Manual, where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher.
- (6) Under Rule 1002(5) of the Listing Manual, "market capitalisation" is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the sale and purchase agreement.
- (7) Based on the DRT Transfer Price of RMB1,758,755,555.56, compared with the market capitalisation of the Company of approximately RMB20,667,121,438.72 (determined by multiplying the 570,158,276 A-Shares by the volume-weighted average price of the A-Shares of RMB30.72 and 200,000,000 S-Shares by the volume-weighted average price of the S-Shares of USD2.24 (exchange rate: USD1:RMB7.0354) as at 26 September 2024 (being the last market day on which the Shares were traded prior to the signing of the Equity Transfer Agreement).
- (8) This basis is not applicable as no equity securities will be issued by the Company as consideration for the Proposed DRT Disposal.
- (9) This basis is not applicable as the Company is not a mineral, oil and gas company.

---

## LETTER TO SHAREHOLDERS

---

As the relative figures computed based on Rules 1006(b) and 1006(c) of the Listing Manual exceed five per cent. (5%) but do not exceed twenty per cent. (20%), the Proposed DRT Disposal constitutes a “discloseable transaction” pursuant to Rule 1010 of the Listing Manual which does not require Shareholders’ approval at a general meeting. However, the entry into the Equity Transfer Agreement is subject to the approval of the Independent Shareholders as it is an interested person transaction pursuant to Chapter 9 of the Listing Manual. Please refer to Section 2.7 of this Circular for further information.

### 2.6.3 *Pro Forma* Financial Effects of the Proposed DRT Disposal

#### (a) Bases and Assumptions

The *pro forma* financial effects of the Proposed DRT Disposal on the Group as set out below are only presented for illustrative purposes and should not be taken as an indication of the actual and/or future financial performance or position of the Company or the Group following the completion of the Proposed DRT Disposal.

The *pro forma* financial effects for the Proposed DRT Disposal have been prepared based on the following bases and assumptions:

- (i) the Group’s latest audited consolidated financial statements for FY2023;
- (ii) the latest audited financial statements of the Target Company for FY2023; and
- (iii) the expenses incurred for the Proposed DRT Disposal have not been taken into account.

#### (b) Effect on NTA per Share

**For illustrative purposes only**, assuming that the Proposed DRT Disposal had been completed on 31 December 2023, the Proposed DRT Disposal would have had the following effects on the NTA per Share of the Company as at 31 December 2023:

	Before the Proposed DRT Disposal	After the Proposed DRT Disposal
NTA <sup>(1)</sup> (RMB)	6,261,576,000	7,713,896,500
Number of the issued Shares (excluding treasury shares)	770,158,276	770,158,276
NTA per share (RMB)	8.1	10.0

**Note:**

- (1) NTA is computed based on total assets (net of intangible assets, including goodwill) less total liabilities.

---

## LETTER TO SHAREHOLDERS

---

(c) Effect on EPS

**For illustrative purposes only**, assuming that the Proposed DRT Disposal had been completed on 1 January 2023, the Proposed DRT Disposal would have had the following effects on the EPS of the Group for FY2023:

	<b>Before the Proposed DRT Disposal</b>	<b>After the Proposed DRT Disposal</b>
Net profit <sup>(1)</sup> (RMB)	968,705,540	2,176,338,330
Weighted average number of Shares	771,753,979.9	771,753,979.9
EPS (RMB)	1.26	2.82

**Note:**

(1) Net profit means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

### 2.6.4 Excess of Proceeds over Book Value and Amount of Gain on the Proposed DRT Disposal

Based on the audited financial statements of the Target Company for FY2023:

- (a) the DRT Transfer Price represents an excess of approximately RMB1,708,612,354.93 over the book value of the DRT Equity Interest (being RMB50,143,200.63); and
- (b) the amount of gain on the Proposed DRT Disposal is approximately RMB1,708,612,354.93.

Based on the audited financial statements of Target Company for the financial period from 1 January to 31 May 2024:

- (a) the DRT Transfer Price represents an excess of approximately RMB1,708,612,354.93 over the book value of the DRT Equity Interest (being RMB50,143,200.63); and
- (b) the amount of gain on the Proposed DRT Disposal is approximately RMB1,708,612,354.93.

### 2.6.5 Use of Proceeds from the Proposed DRT Disposal

The Company intends to use the proceeds from the Proposed DRT Disposal for the following purposes:

- (i) to support business expansion, including potential acquisitions of targets that are complementary to, and of strategic value to, the Company's core business, and to enhance the channel distribution and branding of the Company's products;
- (ii) to enhance research and development capabilities, including continuous development of the core products and expedite research and development, and business development of new pipelines and products; and
- (iii) for working capital and general corporate purposes.

---

## LETTER TO SHAREHOLDERS

---

### 2.6.6 Directors' and Controlling Shareholders' Interests in the Proposed DRT Disposal

As at the Latest Practicable Date,

- (a) Mr. Guo Min is a director of TPH, Ms. Zhang Mingrui is a director and the legal representative of TPH, and Ms. Mao Weiwen is a key management personnel in TPH; and
- (b) TPH is the Controlling Shareholder of the Company, holding 42.99% of the issued share capital of the Company.

Save as disclosed above and in Sections 1.1, 2.1(a), 2.7.2 and 5(a) of this Circular, as at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or Controlling Shareholder(s) have any interest, direct or indirect, in the Proposed DRT Disposal other than through their respective shareholdings in the Company (if any) as set out in Section 4 of this Circular.

### 2.6.7 No Service Contract

No person is proposed to be appointed as a Director of the Company in connection with the Proposed DRT Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

## 2.7 Interested Person Transaction

### 2.7.1 Requirements of Chapter 9 of the Listing Manual

Pursuant to Rule 906 of the Listing Manual, shareholders' approval (in addition to an immediate announcement) is required where:

- (a) the value of such transaction is equal to or exceeds five per cent. (5%) of the Group's latest audited NTA; or
- (b) the value of such transaction with interested persons when aggregated with the values of other transactions previously entered into with the same interested person during the same financial year, equals to or exceeds five per cent. (5%) of the Group's latest audited NTA, such aggregation need not include any transaction that has been approved by shareholders previously or is the subject of aggregation with another transaction that has been previously approved by shareholders.

Rule 918 of the Listing Manual provides that if a transaction requires shareholders' approval, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

Interested person transactions below S\$100,000 each are to be excluded. However, pursuant to Rule 906(4) of the Listing Manual, while transactions below S\$100,000 are not normally aggregated under Rule 906(2) of the Listing Manual, the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one transaction in accordance with Rule 902 of the Listing Manual.

---

## LETTER TO SHAREHOLDERS

---

Pursuant to Rule 909 of the Listing Manual, the value of a transaction is the amount at risk to the issuer. This is illustrated by the following examples:

- (a) In the case of a partly-owned subsidiary or associated company, the value of the transaction is the issuer's effective interest in that transaction;
- (b) In the case of a joint venture, the value of the transaction includes the equity participation, shareholders' loans and guarantees given by the entity at risk;
- (c) In the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. In the case of lending of funds to an interested person, the value of the transaction is the interest payable on the loan and the value of the loan; and
- (d) In the case that the market value or book value of the asset to be disposed of is higher than the consideration from an interested person, the value of the transaction is the higher of the market value or book value of the asset.

### 2.7.2 Entity at Risk and Interested Person

The Company is considered an "entity at risk" for the purposes of Chapter 9 of the Listing Manual in relation to the entry into the Equity Transfer Agreement.

As stated in Section 1.1 of this Circular, as at the Latest Practicable Date, TPH is the Controlling Shareholder of the Company. As such, TPH is considered an "interested person" of the Company for the purposes of Chapter 9 of the Listing Manual.

### 2.7.3 Shareholders' Approval for the Entry into the Equity Transfer Agreement

TPH (together with the Company as the Transferors) is a party to the Equity Transfer Agreement, which contemplates the Proposed Disposals. Accordingly, the entry into the Equity Transfer Agreement constitutes an interested person transaction under Chapter 9 of the Listing Manual.

As set out in Section 2.4.7(e) of this Circular, under the Equity Transfer Agreement, the maximum amount for which the Company shall be liable to the Transferee pursuant to the provision as set out in Section 2.4.7 of this Circular shall not exceed the DRT Transfer Price. As such, the amount at risk to the Company, which is RMB1,758,755,555.56 (being the DRT Transfer Price), represents approximately 26.94% of the Group's latest audited NTA of RMB6,528,642,000 as at 31 December 2023, the entry into the Equity Transfer Agreement is an interested person transaction which exceeds the five per cent. (5%) of the Group's latest audited NTA.

Consequently, the entry into the Equity Transfer Agreement is subject to the approval of the Independent Shareholders pursuant to Rule 906(1) of the Listing Manual.

---

## LETTER TO SHAREHOLDERS

---

### 2.7.4 Current and On-going Interested Person Transactions

(a) Other Interested Person Transactions with TPH and/or its Associates

Save for transaction(s) which has been approved by Shareholders, or is the subject of aggregation with another transaction that has been approved by Shareholders, and the Company's proposed capital contribution of RMB150 million to TPGF on a pro rata basis<sup>10</sup>, representing approximately 2.30% of the Group's latest audited NTA of RMB6,528,642,000 as at 31 December 2023, there are no other interested person transactions (excluding transactions less than S\$100,000 and the entry into the Equity Transfer Agreement in respect of which the approval of the Independent Shareholders is being sought at the 2024 2<sup>nd</sup> EGM) entered into by the Company, its subsidiaries and/or Associated Companies, which are considered to be an "entity at risk" within the meaning of Rule 904(2) of the Listing Manual with TPH and/or its associates for the current financial year beginning 1 January 2024 up to the Latest Practicable Date.

(b) All Interested Person Transactions for the Current Financial Year

The Company has an existing general mandate for recurrent transactions of a revenue trading nature or those necessary for its day-to-day operations with specified classes of interested persons which was last renewed and approved at the Company's AGM held on 15 May 2024 (the "IPT General Mandate"). For the current financial year beginning 1 January 2024 up to the Latest Practicable Date, 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 IPT General Mandate obtained by the Company pursuant to Rule 920 of the Listing Manual.

Accordingly, the current total value of all interested person transactions (excluding interested person transactions less than S\$100,000 and the entry into the Equity Transfer Agreement in respect of which the approval of the Independent Shareholders is being sought at the 2024 2<sup>nd</sup> EGM) that were entered into or are proposed to be entered into by the Company, its subsidiaries and/or Associated Companies, which are considered to be an "entity at risk" within the meaning of Rule 904(2) of the Listing Manual with TPH and/or its associates for the current financial year beginning 1 January 2024 up to the Latest Practicable Date is approximately RMB1,477,039,255, representing approximately 22.62% of the Group's latest audited NTA of RMB6,528,642,000 as at 31 December 2023. This comprises:

- (i) RMB9,741,000, being the amount of the transactions made pursuant to the financial services agreement entered into between the Company and TPGF which had been approved by the Independent Shareholders at the AGM of the Company held on 15 May 2023<sup>11</sup>;

---

10 Please refer to the announcement made by the Company on 6 September 2024 for further information on the Company's proposed capital contribution to TPGF.

11 Please refer to the annexure dated 28 April 2023 accompanying the notice of AGM in relation to the proposed financial services agreement to be entered into between the Company and TPGF as an interested person transaction and all transactions arising therefrom for further information.



---

## LETTER TO SHAREHOLDERS

---

- (ii) RMB150 million, being the Company's proposed capital contribution to TPGF on a pro rata basis which had been announced on 6 September 2024<sup>12</sup>; and
- (iii) RMB1,317,298,255, being the aggregate amount of the Proposed IPTs, which had been approved by the Independent Shareholders at the Company's EGM held on 29 October 2024<sup>13</sup>.

### 2.7.5 All Related Party Transactions over the Past Twelve (12) Months

In accordance with the PRC Laws including the SSE Listing Rules, save for:

- (i) the transactions entered into by the Company with TPH, its subsidiaries and/or associated companies relating to the acceptance of labour services, provision of labour services, lease of properties, lease of housing equipment and purchase of assets with an aggregate value of approximately RMB12,667,700, representing approximately 0.28% of the Company's latest audited net assets attributable to its parent company;
- (ii) the acquisition of 15% equity interest in TPGF by the Company through a public bidding (公开摘牌) process for a consideration of RMB87,823,860<sup>14</sup>, representing approximately 1.33% of the Company's latest audited net assets attributable to its parent company;
- (iii) the entry into the two (2) Construction Contracts for Tianjin Small Construction Project (天津市小型建设工程施工合同) between the Company and Tianjin Pharmaceutical Design Institute Co., Ltd. (天津市医药设计院有限公司) of an aggregate contract value of approximately RMB6,764,311<sup>15</sup>, representing approximately 0.10% of the Company's latest audited net assets attributable to its parent company;

---

12 The approval of the Independent Shareholders is not being sought for this interested person transaction as its individual value (excluding the Proposed IPTs in respect of which the approval of the Independent Shareholders is being separately sought at the Company's EGM held on 29 October 2024, and the entry into the Equity Transfer Agreement in respect of which the approval of the Independent Shareholders is being sought at the 2024 2<sup>nd</sup> EGM) was not equal to, or more than five per cent. (5%) of the Group's latest audited NTA. For the avoidance of doubt, this interested person transaction will continue to be the subject of aggregation for the purposes of Chapter 9 of the Listing Manual.

13 Please refer to the 14 October 2024 Circular and the announcement dated 29 October 2024 made by the Company in relation to the poll results of the Company's EGM held on 29 October 2024 for further information on the Proposed IPTs.

14 Please refer to the announcements made by the Company on 11 September 2023, 10 October 2023 and 5 August 2024 for further information on the acquisition of 15% equity interest in TPGF by the Company.

15 Please refer to the announcement made by the Company on 19 December 2023 for further information on the entry into the two (2) Construction Contracts for Tianjin Small Construction Project (天津市小型建设工程施工合同).

---

## LETTER TO SHAREHOLDERS

---

- (iv) the entry into the Enterprise Support Service Agreement (企业支持服务协议) between the Company and Tianjin Pharmaceutical Group Marketing Co., Ltd. (天津医药集团营销有限公司) of a contract value of not more than RMB6,700,000<sup>16</sup>, representing approximately 0.10% of the Company's latest audited net assets attributable to its parent company;
- (v) the Company's proposed capital contribution of RMB150 million to TPGF on a pro rata basis<sup>17</sup>, representing approximately 2.27% of the Company's latest audited net assets attributable to its parent company; and
- (vi) the Company's proposed capital injection of RMB493,617,700 into Taiping Medicine<sup>18</sup>, representing approximately 7.48% of the Company's latest audited net assets attributable to its parent company,

there are no other related party transactions (excluding transaction(s) which has been approved by Shareholders) over the past twelve (12) months immediately preceding the Latest Practical Date.

### 2.7.6 IFA's Opinion

Pursuant to Rule 921(4)(a) of the Listing Manual, Novus Corporate Finance Pte. Ltd. has been appointed to opine on whether the entry into the Equity Transfer Agreement as an interested person transaction, is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. A copy of the IFA Letter is set out in **Appendix A** to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety.

The following is an extract from paragraph 7 of the IFA Letter and should be read in conjunction with, and interpreted in, the full context of the IFA Letter. All terms and expression used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated. **Shareholders are advised to read and consider carefully the key considerations relied upon by the IFA, in arriving at its opinion.**

---

<sup>16</sup> Please refer to the announcement made by the Company on 19 December 2023 for further information on the entry into the Enterprise Support Service Agreement (企业支持服务协议).

<sup>17</sup> Please refer to the announcement made by the Company on 6 September 2024 for further information on the Company's proposed capital contribution to TPGF.

<sup>18</sup> Please refer to the 14 October 2024 Circular and the announcement dated 29 October 2024 made by the Company in relation to the poll results of the Company's EGM held on 29 October 2024 for further information on the Proposed IPTs (including the Proposed Capital Injection).

---

## LETTER TO SHAREHOLDERS

---

**“7. OPINION**

*In arriving at our opinion in respect of the entry into the Equity Transfer Agreement as an interested person transaction, we have taken into consideration, inter alia, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter.*

- (a) the rationale for, and benefits of, the Proposed DRT Disposal;*
- (b) the use of the DRT Consideration;*
- (c) the Independent Appraisal conducted by the Independent Valuer;*
- (d) overview of the financial performance of the Target Company:
  - (i) the historical financial performance of the Target Company;*
  - (ii) the NAV of the Target Company;*
  - (iii) the implied financial ratios of the Target Company; and*
  - (iv) the financial information of the Target Company as recorded in the consolidated historical financial statements of the Company;**
- (e) in respect of the Comparable Companies:
  - (i) the P/E ratio of the Target Company of 18.41 times (as implied by the DRT Consideration) is within range of the P/E ratio of the Comparable Companies of between 8.35 times to 37.35 times, above the median P/E ratio of the Comparable Companies at 18.38 times, and below the mean P/E ratio of the Comparable Companies at 21.44 times;*
  - (ii) the EV/EBITDA ratio of the Target Company of 13.49 times (as implied by the DRT Consideration) is within range of the EV/EBITDA ratio of the Comparable Companies of between 2.74 times to 24.79 times, and above the mean and median EV/EBITDA ratio of the Comparable Companies at 9.82 times and 11.80 times respectively;*
  - (iii) the P/NAV ratio of the Target Company of 13.40 times (as implied by the DRT Consideration) is significantly higher than the maximum P/NAV ratio of 5.42 times of the Comparable Companies;**
- (f) the assessment of the salient terms of the Equity Transfer Agreement;*
- (g) the financial effects of the Proposed DRT Disposal; and*
- (h) other relevant considerations as set out in paragraph 6 of this Letter, namely (i) the inter-conditionality of Resolution 1 and Resolution 2, and (ii) the abstention from voting.*

---

## LETTER TO SHAREHOLDERS

---

*Having regard to the considerations set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the entry into the Equity Transfer Agreement as an interested person transaction is on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders.”*

### 2.7.7 Audit Committee’s Statement

The Audit Committee, having considered, amongst others, the DRT Transfer Price, the basis for the consideration, the terms of the Equity Transfer Agreement, the rationale for and benefits of the Proposed DRT Disposal and the financial effects thereof, as well as the opinion of the IFA as set out in the IFA Letter, concurs with the opinion of the IFA and is of the view that the entry into the Equity Transfer Agreement as an interested person transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. Accordingly, the opinion of the Audit Committee on the entry into the Equity Transfer Agreement does not differ from that of the IFA.

### 2.7.8 Abstention from Voting

Under Rule 919 of the Listing Manual, where a meeting is held to obtain shareholders’ approval, the interested person and any associate of the interested person must not vote on a resolution in respect of which such person is interested, nor accept appointments as proxies, unless specific instructions as to voting are given.

Accordingly, TPH will abstain, and has undertaken to ensure that its associates will abstain, from voting at the 2024 2<sup>nd</sup> EGM on the resolution in respect of the Proposed DRT Disposal and the entry into the Equity Transfer Agreement. In addition, it shall, and has undertaken to ensure that its associates shall, also not accept nomination as proxies or otherwise for voting at the 2024 2<sup>nd</sup> EGM in respect of the aforesaid resolution unless specific instructions have been given in the proxy instrument on how the relevant Shareholders wish their votes to be cast for the aforesaid resolution.

## 3. THE RESTATED JVA AND THE AMENDED AOA

### 3.1 Background

The JV Company was established as a Sino-foreign equity joint venture on 23 September 1984 pursuant to an equity joint venture contract dated 7 April 1984 (the “**Initial JVA**”, and collectively with all its amendments and/or supplements over the years, the “**Existing JVA**”) entered into between the respective predecessors of Haleon, TPH and the Company.

As stated in the announcement dated 1 August 2024 made by the Company in relation to the extension of the operating period of an associated company, the original business term of the JV Company was set to expire on 22 September 2024. To facilitate thorough discussions and communications among the shareholders regarding the future operations of the JV Company, all shareholders unanimously agreed to extend the business term of the JV Company to 30 June 2025. In this regard, Haleon UK, TPH and the Company entered into an agreement to extend the term of the existing joint venture contract and the business term of the JV Company, which took effect from 9 July 2024.

---

## LETTER TO SHAREHOLDERS

---

In view of the changes to the equity structure of the JV Company following the completion of the Proposed Disposals, the Existing JVA and the existing articles of association of the JV Company shall be amended to reflect the new equity structure and to realign the respective rights, responsibilities and obligations of the shareholders of the JV Company. Accordingly, Haleon UK, Haleon China and the Company (the “**JV Partners**”) propose to, on Closing:

- (a) enter into the Restated JVA to govern their respective rights and obligations, and regulate their relationship *inter se* as shareholders of the JV Company in the conduct of the business and related affairs of the JV Company; and
- (b) execute and deliver the Amended AOA, in its agreed form and included as an appendix to the Restated JVA, which will replace the existing articles of association of the JV Company, incorporating the provisions of the Restated JVA to govern the operation of the JV Company as a Sino-foreign equity joint venture company following Closing.

As stated in Section 2.4.2(a) of this Circular, one of the Conditions Precedent to Closing under the Equity Transfer Agreement is that Shareholders at the general meeting of the Company have reviewed and approved, amongst others, the Restated JVA and the Amended AOA. In addition, the Restated JVA no longer provides the Company, as a Chinese shareholder of the JV Company, with the right to acquire the equity interest held by the foreign shareholder(s) in the event that the shareholders of the JV Company fail to agree on the extension of the joint venture term of the JV Company<sup>19</sup>, a right that is provided in the Existing JVA. This removal constitutes a waiver of rights by the Company under the SSE Listing Rules and shall be submitted for Shareholders’ approval at a general meeting of the Company. As such, the Company is seeking Shareholders’ approval for the proposed entry into the Restated JVA and the proposed execution of the Amended AOA at the 2024 2<sup>nd</sup> EGM.

Accordingly, subject to the approval from the Independent Shareholders for the Proposed DRT Disposal and the entry into the Equity Transfer Agreement being obtained at the 2024 2<sup>nd</sup> EGM, as well as the approval from Shareholders for the proposed entry into the Restated JVA and the proposed execution of the Amended AOA of the JV Company being obtained at the 2024 2<sup>nd</sup> EGM and Closing occurs, the JV Partners shall execute the Restated JVA and the Amended AOA at Closing.

### 3.2 Information on the JV Partners

*The information on Haleon UK and Haleon China in this Circular was provided by Haleon UK, Haleon China and/or the JV Company. In respect of such information, the Company and the Board have not independently verified the accuracy and correctness of the same and the Company’s responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this Circular.*

#### (a) Information on Haleon UK

Haleon UK, a private limited company organised and existing under the laws of England and Wales, incorporated in England on 26 September 2014, is an investment holding company and business services provider under Haleon plc.

---

<sup>19</sup> For the avoidance of doubt, the reason for not providing this right in the Restated JVA is that it is in the long-term interest of the Company, as a minority shareholder of the JV Company following the completion of the Proposed Disposals, to cease buying back the equity interest held by the foreign shareholders of the JV Company.

---

## LETTER TO SHAREHOLDERS

---

Haleon plc is a public company limited by shares, incorporated under the laws of England and Wales. Haleon plc has ordinary shares with a nominal value of £0.01 per share. The ordinary shares of Haleon plc are listed and traded on the London Stock Exchange with American Depositary Shares listed and traded on the New York Stock Exchange.

As at the Latest Practicable Date,

- (i) Haleon UK is a wholly-owned subsidiary of Haleon plc;
- (ii) Haleon UK has ordinary shares with a nominal value of £0.01 per share; and
- (iii) the board of directors of Haleon UK comprises Oriane F Lacaze, Siri T Mikalsen, Haleon UK Corporate Director Limited, and Haleon UK Corporate Secretary Limited.

To the best knowledge of the Directors, Haleon UK and its controlling shareholder(s) are not related to any of the Company's Directors, Controlling Shareholder, chief executive officer, or their respective associates. Based on the latest information available to the directors of the Haleon UK (including the register of shareholders of Haleon UK) and as at the Latest Practicable Date, Haleon UK has confirmed to the Company that neither Haleon UK nor its controlling shareholder(s) has any shareholding interest, direct or indirect, in the Company.

(b) Information on Haleon China

Please refer to Section 2.1(b) of this Circular for information on Haleon China.

### 3.3 Principal Terms of the Restated JVA

The following sets out certain principal terms of the Restated JVA. For a fuller list of the principal terms of the Restated JVA, including those relating to shareholders' meeting, board of directors, management organisation and supervisors, deadlock and termination, please see **Appendix D** to this Circular.

#### 3.3.1 Limited Liability Company

- (a) The JV Company shall be a limited liability company under the laws of the PRC. For each of the JV Partners, the profits, losses, risks, liabilities and any other obligations whatsoever of the JV Company shall be limited and in proportion to the subscribed amount of its respective contribution to the registered capital of the JV Company. No JV Partner shall have any liability to the JV Company or to any third party in connection with the activities of the JV Company, either jointly or severally, other than the requirement to make such contribution in accordance with the Restated JVA or the Amended AOA, unless otherwise agreed to in writing by the JV Partners. The provisions as set out in this Section 3.3.1(a) are also strictly without prejudice to the contractual or non-contractual rights, liabilities and other obligations that exist or may arise between a JV Partner and any other JV Partners or as between a JV Partner and the JV Company (which shall, for the avoidance of doubt, continue to apply notwithstanding anything to the contrary that may be contained in this Section 3.3.1(a)).

---

## LETTER TO SHAREHOLDERS

---

- (b) Except as otherwise provided in the Restated JVA, once a JV Partner has paid in full its contribution to the registered capital of the JV Company, it shall not be required to provide further funds to or on behalf of the JV Company by way of capital contribution, loan, advance, guarantee or otherwise.
- (c) Unless otherwise agreed in writing by a JV Partner or provided under the PRC Laws, creditors of the JV Company and other claimants against the JV Company shall have recourse only to the assets of the JV Company and shall not seek compensation, damages or other remedies from such JV Partner.

### 3.3.2 Registered Capital and Funding

- (a) Registered Capital

The registered capital of the JV Company shall be USD29,940,000.

- (b) Equity Percentage in Registered Capital

- (i) As of the Effective Date, Haleon's equity percentage in the total registered capital of the JV Company is eighty-eight per cent. (88%), equivalent to USD26,347,200, which has been contributed in full.
- (ii) As of the Effective Date, the Company's equity percentage in the total registered capital of the JV Company is twelve per cent. (12%), equivalent to USD3,592,800, which has been contributed in full.

- (c) Increase of Registered Capital

- (i) Any increase in the registered capital of the JV Company shall be unanimously approved by the Shareholders' Meeting<sup>20</sup> of the JV Company according to the terms of the Restated JVA (i.e., paragraph 2.2.1(a)(2)<sup>21</sup> of **Appendix D** to this Circular). Upon receipt of such approval, the JV Company shall register the increase in the registered capital with the Business Registration Authority<sup>22</sup> pursuant to the PRC Laws.
- (ii) Unless otherwise provided under the Restated JVA, and approved by the Shareholders' Meeting of the JV Company, the JV Partners shall make any increase in the registered capital in the same proportions as their respective equity percentage in the total registered capital of the JV Company as set out in Section 3.3.2(b) of this Circular. The JV Partners may agree, in writing, to adjust their registered capital proportions, subject to the PRC Laws.

---

20 For the purposes of this Section 3 and **Appendix D** to this Circular, "**Shareholders' Meeting**" means the shareholders' meeting of the JV Company.

21 As stated in paragraph 2.2.1(a)(2) of **Appendix D** to this Circular, the Shareholders' Meeting shall have the power to make decisions on all major and important matters of the JV Company, including, without limitation, increasing or reducing the JV Company's registered capital, which shall require unanimous approval by the shareholders of the JV Company at the Shareholders' Meeting.

22 As defined under the Restated JVA, "**Business Registration Authority**" means the PRC State Administration for Market Regulation or its successor or local office in charge of company registration.

---

## LETTER TO SHAREHOLDERS

---

(d) Future Funding

- (i) In the event that the JV Company requires any additional funding, in addition to the debt financings (as may be available), such additional funding shall be subject to the unanimous approval of the Shareholders' Meeting of the JV Company according to the terms of the Restated JVA (i.e., paragraph 2.2.1(a)(2)<sup>23</sup> of **Appendix D** to this Circular). Upon such unanimous approval of the Shareholders' Meeting of the JV Company, each JV Partner has the right to fund such additional amount by subscribing and paying in the increased registered capital of the JV Company on a pro rata basis.
- (ii) Subject to the provision as set out in Section 3.3.2(d)(i) of this Circular, Haleon has the right to subscribe for any portion of the registered capital of the JV Company to the extent the Company fails to subscribe and pay in for its pro rata portion and, should Haleon so exercise such right to subscribe for any portion of the registered capital of the JV Company that the Company fails to subscribe or pay for, Haleon's equity percentage in the total registered capital of the JV Company shall increase, and the Company's equity percentage in the total registered capital of the JV Company shall decrease, accordingly as a result of the additional subscription for registered capital of the JV Company for which Haleon so subscribed.

### 3.3.3 Transfer of Interest in the Registered Capital of the JV Company

- (a) Except as otherwise provided in the Restated JVA or separately agreed by the JV Partners, none of the JV Partners shall, without the prior written consent of the other JV Partners, transfer, assign, pledge or otherwise encumber any of its interest in the registered capital of the JV Company.
- (b) Notwithstanding the provision as set out in Section 3.3.3(a) of this Circular, and subject to the PRC Laws and regulations, each JV Partner (the "**Transferring Party**") shall be entitled to transfer or assign all or part of its interest in the registered capital of the JV Company to one of its wholly-owned Affiliates<sup>24</sup> (a "**Transferee**") (such transfer hereinafter referred to as a "**Permitted Transfer**"), provided that the following occurs:
  - (i) the Transferring Party shall give to the non-transferring JV Partners not less than one (1) month's prior written notice of its intention to effect such transfer;

---

<sup>23</sup> As stated in paragraph 2.2.1(a)(2) of **Appendix D** to this Circular, the Shareholders' Meeting shall have the power to make decisions on all major and important matters of the JV Company, including, without limitation, increasing or reducing the JV Company's registered capital, which shall require unanimous approval by the shareholders of the JV Company at the Shareholders' Meeting.

<sup>24</sup> As defined under the Restated JVA, "**Affiliate**" means a Party means, any company or other entity or natural person other than the JV Company that, through ownership or voting stock or otherwise, Controls or is Controlled by, or is under joint Control with, such Party. Within the PRC, the "company" as used in this definition shall include any kind of business entity with legal person status under PRC Laws. The JV Company shall not be deemed as an Affiliate of a Party and *vice versa*. "**Control(s)**" or "**is Controlled by**" or any reference to "**Control**" in the Restated JVA means in respect of a company or other business entity, the direct or indirect ownership of fifty per cent. (50%) or more of shares or interests with the voting right to elect directors of such company or business entity, or otherwise has the ability to cause any entity or individual to control or to have the right to control the board of directors or equivalent management body of such company or other entity, or to direct the management and policies of such company or business entity, which shall include, in respect of any partnership, the status as the general partner of such partnership.



---

## LETTER TO SHAREHOLDERS

---

- (ii) the Transferee shall execute with the non-transferring JV Partners a revised version of the Restated JVA and of the TSKF AOA, which documents shall, unless otherwise agreed between the non-transferring JV Partners and the Transferee, be the same as the versions prior to the transfer or assignment, except that the Transferee shall be substituted for the Transferring Party as a party to those documents; and
- (iii) the Transferring Party enters into an agreement with the non-transferring JV Partners agreeing that the Transferring Party shall remain liable for any breach of the Restated JVA or the TSKF AOA by the Transferee as if the Transferring Party were still a party to them.
- (c) Each JV Partner shall cooperate with the Transferring Party, execute and do (or procure to be executed and done by any other necessary party, including the JV Company) all such deeds, documents, acts and things as the Transferring Party may from time to time require in order to give full effect to a Permitted Transfer, including executing relevant documents as required by the Business Registration Authority (if required).
- (d) Prior to a Transferee ceasing to be a wholly-owned Affiliate of the Transferring Party, the Transferee must transfer the relevant equity interests in the JV Company that were transferred to it under the provision as set out in Section 3.3.3(b) of this Circular back to the Transferring Party.

### 3.3.4 Distribution of Profits

#### (a) Allocation of Reserve Funds

- (i) After the offset of cumulative losses (if the statutory reserve fund of the JV Company at the time are insufficient to make up the cumulative losses) and the payment of income tax and other applicable taxes by the JV Company each year, the Board of Directors<sup>25</sup> and the Shareholders' Meeting of the JV Company shall set aside at least ten per cent. (10%) of the profit for allocation to the JV Company's statutory reserve fund until the JV Company's statutory reserve fund has reached in aggregate fifty per cent. (50%) or more of the JV Company's registered capital.
- (ii) After the JV Company has made appropriations to the statutory reserve fund out of after-tax profits in accordance with the provision as set out in Section 3.3.4(a)(i) of this Circular, any further voluntary appropriations from the after-tax profits to the discretionary reserve fund shall be approved by the Shareholders' Meeting of the JV Company pursuant to the terms of the Restated JVA (i.e., paragraph 2.2.1(a)(5)<sup>26</sup> of **Appendix D** to this Circular).

---

25 For the purposes of this Section 3 and **Appendix D** to this Circular, "**Board of Directors**" means the board of directors of the JV Company, and "**Directors**" mean the persons appointed by the Shareholders' Meeting of the JV Company to serve as members of the Board of Directors in accordance with the terms of the Restated JVA.

26 As stated in paragraph 2.2.1(a)(5) of **Appendix D** to this Circular, the Shareholders' Meeting shall have the power to make decisions on all major and important matters of the JV Company, including, without limitation, deliberating on and approving profit distribution plans of the JV Company and plans to make up losses suffered by the JV Company, which shall require unanimous approval by the shareholders of the JV Company at the Shareholders' Meeting.

---

## LETTER TO SHAREHOLDERS

---

(b) Distribution of Profits

- (i) After paying Taxes<sup>27</sup> in accordance with the relevant PRC Laws and making allocations to the statutory reserve fund and/or the discretionary reserve fund (if applicable) as provided for in Section 3.3.4(a) of this Circular, the JV Company's remaining profits (the "**Distributable Profits**") either shall be distributed or shall be retained or re-invested as decided by the Shareholders' Meeting of the JV Company pursuant to the terms of the Restated JVA (i.e., paragraph 2.2.1(a)(5)<sup>28</sup> of **Appendix D** to this Circular).
- (ii) If the JV Company carries any loss from any previous year, and the statutory reserve fund of the JV Company at the time are insufficient to make up the cumulative losses the profits of the current year shall first be used to cover such loss. No profits shall be distributed or re-invested unless and until all deficits from any previous years are fully made up. Any Distributable Profits retained by the JV Company and carried over from any previous years that are not re-invested may be distributed together with the Distributable Profits of the current year. Subject to the approval of the Shareholders' Meeting of the JV Company pursuant to the terms of the Restated JVA (i.e., paragraph 2.2.1(a)(5)<sup>29</sup> of **Appendix D** to this Circular), the JV Company may declare and distribute the Distributable Profits on an interim basis.

### 3.3.5 Joint Venture Term

(a) Joint Venture Term

The duration of the JV Company commenced on 23 September 1984 and shall continue until 30 June 2025 (the "**Initial Term**"), unless earlier terminated or further extended as provided in the Restated JVA and the TSKF AOA.

(b) Exit Mechanism

- (i) Three (3) months prior to 30 June 2025 (the "**Expiry Date**"), the JV Partners (to the extent the Company still holds any equity interest in the JV Company as of the date of exercise of the Put Option (as defined in Section 3.3.5(b)(ii) below) (the "**DRT Remaining Equity Interest**") shall enter into discussions to determine whether to seek to mutually agree on the extension of the Joint Venture Term as set out in Section 3.3.5(a) of this Circular in writing (an "**Extension**").

---

<sup>27</sup> As defined under the Restated JVA, "**Taxes**" mean taxes, duties, levies and all other charges imposed by Governmental Authorities, including any surtax, interest, fines, penalties or additions to tax that may become payable in respect of such taxes in accordance with relevant PRC Laws and regulations (collectively the Taxes). "**Governmental Authority**" means the government of any jurisdiction, or any political subdivision thereof, whether provincial, state or local, and any department, ministry, agency, instrumentality, authority, body, court, central bank or other entity lawfully exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

<sup>28</sup> As stated in paragraph 2.2.1(a)(5) of **Appendix D** to this Circular, the Shareholders' Meeting shall have the power to make decisions on all major and important matters of the JV Company, including, without limitation, deliberating on and approving profit distribution plans of the JV Company and plans to make up losses suffered by the JV Company, which shall require unanimous approval by the shareholders of the JV Company at the Shareholders' Meeting.

<sup>29</sup> *Ibid.*

---

## LETTER TO SHAREHOLDERS

---

(ii) If the JV Partners fail to agree an Extension by the date which is two (2) months prior to the Expiry Date, during the period (the **“Put Option Period”**):

(A) beginning at 00:01 (Beijing time) on the date that is two (2) months prior to the Expiry Date (or, if the closing date of the Proposed DRT Disposal was in 2025, at 00:01 (Beijing time) on 1 January 2026); and

(B) ending at 00:01 (Beijing time) on the date that is one (1) month prior to the Expiry Date (or, if the closing date of the Proposed DRT Disposal was in 2025, at 00:01 (Beijing time) on 31 January 2026)

(with both the beginning date and the end date of the Put Option Period being inclusive), the Company has the option to sell all of the equity interest held by the Company in the JV Company to Haleon China at the Option Price (as defined in Section 3.3.5(b)(iv)(D) below) subject to the terms, conditions and provisions of the Restated JVA and a sale and purchase agreement required to be entered into by the Company and Haleon China following an exercise of an Option (as defined in Section 3.3.5(b)(iv)(A) below) in accordance with the provisions as set out in Section 3.3.5(b)(iv) below (the **“DRT SPA”**) by serving a notice substantially in the form set out in the appendix to the Restated JVA (the **“Put Exercise Notice”**) on Haleon China (the **“Put Option”**).

(iii) During the period (the **“Call Option Period”**):

(A) beginning at 00:02 (Beijing time) on the date that is one (1) month prior to the Expiry Date (or, if the closing date of the Proposed DRT Disposal was in 2025, at 00:01 (Beijing time) on 1 February 2026); and

(B) ending at 23:59 (Beijing time) on the day immediately prior to the Expiry Date (or, if the closing date of the Proposed DRT Disposal was in 2025, at 00:01 (Beijing time) on 28 February 2026)

(with both the beginning date and the end date of the Call Option Period being inclusive), if the Company fails to exercise the Put Option, Haleon China has the option to purchase the equity interest held by the Company in the JV Company at the Option Price subject to the terms, conditions and provisions of the Restated JVA and the DRT SPA by serving a notice substantially in the form set out in the appendix to the Restated JVA (the **“Call Exercise Notice”**) on the Company (the **“Call Option”**).

(iv) The JV Partners agree and acknowledge that:

(A) a Call Option or a Put Option (an **“Option”**) may only be exercised in respect of all (and not some only) of the DRT Remaining Equity Interest;

---

## LETTER TO SHAREHOLDERS

---

- (B) exercise of an Option shall oblige:
- (1) each of the Company and Haleon China to, within fifteen (15) Business Days<sup>30</sup> of delivery of a Call Exercise Notice or a Put Exercise Notice (as the context may require) (an “**Exercise Notice**”):
    - (I) enter into the DRT SPA, such DRT SPA to be in the form of the Equity Transfer Agreement subject only to changes strictly necessary to give effect to the facts and circumstances of the transfer of the DRT Remaining Equity Interest pursuant to the Restated JVA and the DRT SPA to the extent such facts and circumstances differ from the Proposed DRT Disposal<sup>31</sup>; and
    - (II) deliver, or procure the delivery of, a duly executed counterpart of the DRT SPA to each other; and
  - (2) the Company to sell and Haleon China to purchase the DRT Remaining Equity Interest on the terms and subject to the conditions as set out in the appendix to the Restated JVA and the DRT SPA;
- (C) if an Option is not duly exercised within the relevant period specified in Section 3.3.5(b) of this Circular, it shall cease to be exercisable and shall lapse. For the avoidance of doubt, the Options specified in Section 3.3.5(b) of this Circular shall be deemed as duly exercised when a JV Partner delivers the relevant exercise notice to the other JV Partner within the relevant option period pursuant to the provisions as set out in Sections 3.3.5(b)(ii) and 3.3.5(b)(iii) of this Circular, in which case the JV Partners shall enter into the DRT SPA in accordance with the provisions as set out in Section 3.3.5(b)(iv)(B) of this Circular and complete the transfer of the equity interest in the JV Company in accordance with the DRT SPA, irrespective of the expiry of the relevant option period; and
- (D) the price payable by Haleon China for the DRT Remaining Equity Interest shall be the greater of:
- (1) such amount as is calculated in accordance with the most recent valuation agreed between Haleon China and the Company in respect of the sale of any equity interest in the JV Company (as would apply to the entirety of equity interest in the JV Company), pro-rated for the target equity interest being transferred; and

---

<sup>30</sup> For the purposes of the Restated JVA, “**Business Day**” means any day from Monday to Friday, but excluding the statutory (or public) holidays in the PRC or the United Kingdom.

<sup>31</sup> For the avoidance of doubt, considering that the relative figures computed based on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed DRT Disposal (involving 13% equity interest in the JV Company) exceed 5% but do not exceed 20% (and in fact, are less than 10%), the Company does not anticipate that the disposal of the DRT Remaining Equity Interest (involving 12% equity interest in the JV Company) will be subject to Chapter 10 of the Listing Manual, barring any unforeseen circumstances. Notwithstanding the foregoing, if such circumstances arise, the DRT SPA will include a condition precedent requiring the Company to seek Shareholder’s approval for the disposal of the DRT Remaining Equity Interest at a general meeting of the Company.

---

## LETTER TO SHAREHOLDERS

---

- (2) a thirteen (13) times multiple of the net income of the JV Company as set out in the most recently audited annual financial statements of the JV Company (as a line item) for a given financial year of the JV Company at the time of the exercise of the Option, as pro-rated for the target equity interest being transferred,

(such price in respect of an Option being its relevant “**Option Price**”), with the Option Price being the consideration that will, subject to the terms and conditions of the DRT SPA, be payable by Haleon China for the transfer of the DRT Remaining Equity Interest.

(c) Extension

- (i) As of the date which is twenty (20) Business Days prior to the expiry of the Initial Term, if the JV Partners do not agree on any other extension of the Joint Venture Term and the exit mechanism (as set out in Section 3.3.5(b) of this Circular) has not been completed in full such that the Company continues to hold any equity interest in the JV Company, the Joint Venture Term shall be automatically extended to expire on 30 June 2045<sup>32</sup>, and the term of the Restated JVA and the TSKF AOA shall be automatically extended (the “**Further Extension**”). Each JV Partner agrees to cooperate, and to procure that the JV Company cooperates, in a timely manner, to complete all registrations and filings with relevant PRC authorities, and any other formalities required by applicable laws in connection with the Further Extension, including, without limitation:
- (A) the registration and filing of the Further Extension, and the application for the updated business license of the JV Company which reflects the Further Extension, with the Tianjin Administration for Market Regulation or its local counterpart; and
- (B) the online reporting of the Further Extension with the Chinese Ministry of Commerce or its local counterpart (to the extent applicable).

---

<sup>32</sup> For the avoidance of doubt, if the Joint Venture Term is automatically extended to expire on 30 June 2045, it is intended that the Joint Venture Term will remain extended until the exit mechanism (as set out in Section 3.3.5(b) of this Circular) has been completed in full (i.e., the completion of transfer of the DRT Remaining Equity Interest pursuant to the DRT SPA), such that the Company no longer holds any equity interest in the JV Company.

---

## LETTER TO SHAREHOLDERS

---

- (ii) The JV Partners agree that, in the event that the Joint Venture Term is extended pursuant to the provision as set out in Section 3.3.5(c)(i) of this Circular, the unanimous decision matters set out in the Restated JVA (i.e., paragraphs 3.2.1(a)(7)<sup>33</sup>, 3.2.1(a)(8)<sup>34</sup> and 3.2.1(a)(9)<sup>35</sup> of **Appendix D** to this Circular shall remain in force and effect until 30 June 2026 (and for the avoidance of doubt, such matters shall become simple majority decision matters to be approved in accordance with the terms of the Restated JVA (i.e., paragraph 3.2.1(b) of **Appendix D** to this Circular thereafter).

### 3.4 The Amended AOA

The existing articles of association of the JV Company were originally adopted by the predecessors of Haleon, TPH and the Company upon the establishment of the JV Company in 1984, in accordance with the Existing JVA and the applicable PRC Laws including the *Law of the PRC on Sino-foreign Equity Joint Ventures* (《中华人民共和国合资经营企业法》) (the “**EJV Law**”) in force then. The existing articles of association of the JV Company covers the following provisions including, amongst others, purpose and business scope, registered capital, board of directors, management structure, and labour and business management of the JV Company.

As stated in Section 3.1 of this Circular, in view of the changes to the equity structure of the JV Company following the completion of the Proposed Disposals, the existing articles of association of the JV Company shall be amended to reflect the new equity structure and to

- 33 As stated in paragraph 3.2.1(a)(7) of **Appendix D** to this Circular, the Board of Directors shall have the power to make decisions on the following matters of the JV Company, including, amongst others, subject to the provision as set out in Section 3.3.5(c)(ii) of this Circular, disposal of the JV Company’s patents, trademarks, product approvals, and disposal of other proprietary technologies and trade secrets related to product production (including but not limited to sale or transfer, licensing to third parties, mortgaging or pledging to external parties, or providing guarantees for third parties) other than where such disposal is in connection with the divestment of the global rights to a product or brand by any member of the Haleon Group (for the avoidance of doubt, excluding the JV Company), which shall require unanimous decisions by the Board of Directors of the JV Company.
- 34 As stated in paragraph 3.2.1(a)(8) of **Appendix D** to this Circular, the Board of Directors shall have the power to make decisions on the following matters of the JV Company, including, amongst others, subject to the provision as set out in Section 3.3.5(c)(ii) of this Circular, preventing by any means the JV Company from continuing to manufacture, sell or promote any products that are, as at the signing date of the Restated JVA, manufactured, sold or promoted by the JV Company (including without limitation transferring the right to distribute such products to any third party, or restricting or terminating the supply of the active pharmaceutical ingredients of such existing products to the JV Company), provided that the provisions as set out in paragraph 3.2.1(a)(8) of **Appendix D** to this Circular shall not apply to any matter permitted or exempted as set out in paragraph 3.2.1(a)(7) of **Appendix D** to this Circular, which shall require unanimous decisions by the Board of Directors of the JV Company.
- 35 As stated in paragraph 3.2.1(a)(9) of **Appendix D** to this Circular, the Board of Directors shall have the power to make decisions on the following matters of the JV Company, including, amongst others, subject to the provision as set out in Section 3.3.5(c)(ii) of this Circular, in respect of all products of which the JV Company is, as at the signing date of the Restated JVA, the marketing authorisation holder (the “**Authorised Products**”), implementing or making any preparation for any of the following changes in each case to the extent such action would be materially and disproportionately prejudicial to the Company: (i) changing the marketing authorisation holder of any Authorised Products; (ii) changing or adding manufacturing sites of any Authorised Products (except for transferring the manufacturing of Voltaren Diclofenac Sodium Sustained Release Tablets 75mg and Voltaren Diclofenac Sodium Enteric Coated Tablets 25mg from Novartis to the JV Company); (iii) except for the contract manufacturing products and scope already known or consented to by the Company (as applicable), entering into any new contract manufacturing arrangement in relation to any Authorised Products (including without limitation search for and identification of contractors, conducting cooperation negotiations with contractors, or communications with and providing guidance for obtaining relevant drug manufacturing licenses by contractors); (iv) any other change intended to change the marketing authorization holder or manufacturing site of any Authorised Product (including without limitation changes involving sources, methods and control conditions in relation to manufacturing, quality control and use conditions); or (v) Haleon and/or Haleon Chinese Affiliates applying for or holding any marketing authorisation or manufacturing license in the PRC in relation to any product that is identical or similar to any Authorised Product, or making any preparation for such purpose, which shall require unanimous decisions by the Board of Directors of the JV Company.

---

## LETTER TO SHAREHOLDERS

---

realign the respective rights, responsibilities, and obligations of the shareholders of the JV Company in accordance with the Restated JVA. Additionally, the EJV Law has been abolished and foreign investment enterprises are required to adjust their organisational structure to align with the PRC Company Law in accordance with the *Foreign Investment Law of the PRC* (《中华人民共和国外商投资法》) (the “**Foreign Investment Law**”) and the *Implementation Regulations for the Foreign Investment Law of the PRC* (《中华人民共和国外商投资法实施条例》), which came into force on 1 January 2020. Consequently, the existing articles of association of the JV Company have been amended and restated in their entirety pursuant to the Restated JVA and the applicable PRC Laws currently in force including the PRC Company Law and the Foreign Investment Law (i.e., the Amended AOA). The Amended AOA, which will replace the existing articles of association of the JV Company, mirrors the terms of the Restated JVA including the principal terms of the Restated JVA in relation to equity structure and corporate governance matters as set out in Section 3.3 of this Circular and **Appendix D** to this Circular. The Amended AOA, in its agreed form, is included as an appendix to the Restated JVA which will, subject to the approval from Shareholders for the proposed entry into the Restated JVA and the proposed execution of the Amended AOA of the JV Company being obtained at the 2024 2<sup>nd</sup> EGM and Closing occurs, be executed and delivered by the JV Partners on Closing. For the avoidance of doubt, given that most provisions in the Amended AOA mirror those in the Restated JVA, the Company believes it is unnecessary to reproduce the Amended AOA in this Circular. Please refer to **Appendix E** to this Circular for a comparison of the principal terms of the Restated JVA and the Amended AOA for further information.

As stated in Section 2.4.4(b) of this Circular, the parties under the Equity Transfer Agreement agree that once the Amended AOA takes effect upon the Occurrence of Closing, the governance structure provided in the Amended AOA shall be adopted as the governance structure of the JV Company. Under the Amended AOA (which mirrors the terms of the Restated JVA):

- (i) The Shareholders’ Meeting of the JV Company is made up of the JV Partners and is the JV Company’s highest decision-making body, which shall exercise its functions and powers in accordance with PRC Laws, the Amended AOA and the Restated JVA.
- (ii) The Board of Directors of the JV Company shall consist of up to five (5) directors who are elected by the Shareholders’ Meeting upon nomination by the JV Partners, of which Haleon shall have the right to nominate four (4) Directors, and the Company shall have the right to nominate one (1) Director save that should a JV Partner cease to hold any equity interests in the JV Company, such JV Partner shall no longer have the right to nominate any person to be a Director and any Director then holding office who was nominated by such JV Partner shall be deemed to have resigned and will be removed from office with immediate effect.

---

## LETTER TO SHAREHOLDERS

---

The Chairman of the Board of Directors will be nominated by Haleon and the Vice-Chairman of the Board of Directors will be nominated by the Company. The Directors, including the Chairman and the Vice-Chairman of the Board of Directors, each shall have a term of office of three (3) years, and each shall be eligible for consecutive terms of office upon re-nomination by the original nominating JV Partner, and re-election by the Shareholders' Meeting (as the case may be).

- (iii) The Board of Directors of the JV Company shall establish a management organisation (the "**Management**"), which shall be responsible for and in charge of the day-to-day operation and management of the JV Company. The Management shall be made up of (a) one (1) General Manager, (b) one (1) Vice General Manager, and (c) one (1) Chief Financial Officer (the "**CFO**"), and other senior corporate officers as determined by the Board of Directors from time to time (collectively, the "**Senior Corporate Officers**"). For the avoidance of doubt, Senior Corporate Officers do not include department managers.

Haleon shall be entitled to nominate or propose to remove the General Manager and the CFO, and the Company shall be entitled to nominate or propose to remove the Vice General Manager. The remuneration and benefits of the Senior Corporate Officers shall be approved by the Board of Directors. The department managers shall be appointed by the General Manager. The remuneration and benefits of the department managers shall be approved by the General Manager and CFO jointly. The term of office for the Senior Corporate Officers shall be three (3) years, which term may be renewed if so determined by the Board of Directors.

- (iv) The Board of Supervisors<sup>36</sup> of the JV Company will consist of three (3) Supervisors. One (1) Supervisor shall be elected by the Shareholders' Meeting upon nomination by Haleon, and one (1) Supervisor shall be elected by the Shareholders' Meeting upon nomination by the Company. The other one (1) Supervisor shall be an employee Supervisor as elected by the Employee Representatives' Meeting<sup>37</sup>. The Directors and the Senior Corporate Officers shall not concurrently act as the Supervisors of the JV Company.

The term of office of each Supervisor shall be three (3) years, and the Supervisor may serve successive terms if re-nominated by the original nominating Party and re-elected by the Shareholders' Meeting, or re-elected by the Employee Representatives' Meeting, as the case may be.

---

36 For the purposes of this Section 3 and **Appendix D** to this Circular, "**Board of Supervisors**" means the board of supervisors of the JV Company, and "**Supervisors**" mean the persons appointed by the Shareholders' Meeting or the Employee Representatives' Meeting (as the case may be) of the JV Company to serve as the members of the Board of Supervisors in accordance with the terms of the Restated JVA.

37 For the purposes of this Section 3 and **Appendix D** to this Circular, "**Employee Representatives' Meeting**" means the institution that trade union established in accordance with the terms of the Restated JVA organises the employees of the JV Company to exercise the power of democratic management of enterprises according to the PRC Company Law, the Regulation on Democratic Management of Enterprises, the Opinion on Enhancing the Construction of Employee Director System and Employee Supervisor System of Incorporated Enterprises and other applicable regulations.



---

## LETTER TO SHAREHOLDERS

---

### 4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The details of the Directors' and Substantial Shareholders' interest in the Shares as at the Latest Practicable Date are set out below:–

	Direct Interest		Deemed Interest	
	No of Shares	% <sup>(1)</sup>	No of Shares	% <sup>(1)</sup>
<b>Directors</b>				
Zhang Mingrui	–	–	–	–
Guo Min	–	–	–	–
Wang Lei	–	–	–	–
Zhou Hong	23,800 <sup>(2)</sup>	0.003	–	–
Shang Mingjie	–	–	–	–
Mao Weiwen	–	–	–	–
Yeo Guat Kwang	–	–	–	–
Liew Yoke Pheng Joseph	–	–	–	–
Zhong Ming	–	–	–	–
<b>Substantial Shareholder(s)</b>				
TPH	325,855,528	42.31	5,265,000 <sup>(3)</sup>	0.68

**Notes:**

- (1) Based on the total issued share capital of 770,158,276 Shares as at the Latest Practicable Date.
- (2) These are the Restricted A-Shares granted and issued under the Scheme.
- (3) Pursuant to Section 4 of the SFA, TPH is deemed interested in the 5,265,000 Shares in the capital of the Company held by its wholly-owned subsidiary, Tianjin Pharmaceutical (Singapore) International Investment Pte. Ltd..

### 5. DIRECTORS' RECOMMENDATIONS

(a) The Proposed DRT Disposal and the Entry into the Equity Transfer Agreement

As at the Latest Practicable Date, Mr. Guo Min is a director of TPH, Ms. Zhang Mingrui is a director and the legal representative of TPH, and Ms. Mao Weiwen is a key management personnel in TPH. Accordingly, they have abstained from voting on the board resolution in respect of the Proposed DRT Disposal and the entry into the Equity Transfer Agreement, and will abstain from making any recommendation to the Independent Shareholders on the Proposed DRT Disposal and the entry into the Equity Transfer Agreement.

The Non-Interested Directors, having considered, amongst others, the DRT Transfer Price, the basis for the consideration, the terms of the Equity Transfer Agreement, the rationale for, and benefits of, the Proposed DRT Disposal and the financial effects thereof, as well as the opinion of the IFA as set out in the IFA Letter, and the statement of the Audit Committee as set out in Section 2.7.7 of this Circular, are of the opinion that the Proposed DRT Disposal, and the entry into the Equity Transfer Agreement as an interested person transaction is in the interests of the Company and the Shareholders as a whole. Therefore, the Non-Interested Directors (which excludes Mr. Guo Min, Ms. Zhang Mingrui and Ms. Mao Weiwen as they shall abstain from

---

## LETTER TO SHAREHOLDERS

---

making a recommendation for reasons set out above) unanimously recommend that the Independent Shareholders **VOTE IN FAVOUR** of the resolution in relation to the Proposed DRT Disposal and the entry into the Equity Transfer Agreement as set out in the Notice of EGM.

(b) The proposed entry into the Restated JVA and the proposed execution of the Amended AOA

The Directors, having considered, amongst others, the terms of the Restated JVA and the rationale for the Restated JVA and the Amended AOA, are of the opinion that the proposed entry into the Restated JVA and the proposed execution of the Amended AOA are in the interests of the Company and the Shareholders as a whole. Therefore, the Directors unanimously recommend that the Shareholders **VOTE IN FAVOUR** of the resolution in relation to the proposed entry into the Restated JVA and the proposed execution of the Amended AOA as set out in the Notice of EGM.

**In giving the above recommendations, the Directors have not had regard to any individual Shareholder's, or any specific group of Shareholders', general or specific investment objectives, financial situations, risk profiles, tax positions or particular needs or constraints. As different Shareholders have different investment profiles and objectives, the Directors recommend that any Shareholder who may require specific advice in relation to his or her investment portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser(s) immediately.**

### 6. EXTRAORDINARY GENERAL MEETING

The 2024 2<sup>nd</sup> EGM, notice of which is set out on pages N-1 to N-3 of this Circular, will be held at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, a video conferencing at RNN Conference Centre, 137 Cecil Street, #04-01 Cecil Building, Singapore 069537 for S-Share Shareholders in Singapore) on Friday, 22 November 2024 at 2:00 p.m. for the purpose of considering and, if thought fit, passing the resolutions (with or without modifications) as set in the Notice of EGM.

S-Share Shareholders may participate in the 2024 2<sup>nd</sup> EGM via the video conferencing at RNN Conference Centre, 137 Cecil Street, #04-01 Cecil Building, Singapore 069537 for S-Share Shareholders in Singapore by:

- (a) attending the 2024 2<sup>nd</sup> EGM in person;
- (b) submitting substantial and relevant questions relating to the resolutions to be tabled for approval at the 2024 2<sup>nd</sup> EGM, in advance of, or at, the 2024 2<sup>nd</sup> EGM; and/or
- (c) voting at the 2024 2<sup>nd</sup> EGM (i) themselves, or (ii) through their duly appointed proxy(ies).

Details of the submission of questions and voting at the 2024 2<sup>nd</sup> EGM by Shareholders (including S-Share Shareholders) are set out in the Notice of EGM.

---

## LETTER TO SHAREHOLDERS

---

### 7. ACTION TO BE TAKEN BY S-SHARE SHAREHOLDERS

S-Share Shareholders who wish to vote but who are unable to attend the 2024 2<sup>nd</sup> EGM and wish to appoint a proxy(ies) to attend and vote at the 2024 2<sup>nd</sup> EGM on their behalf must complete, sign and return the Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive by (i) post at the office of the Company's S-Shares Registrar and Singapore Shares Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632, or (ii) email at [srs.proxy@boardroomlimited.com](mailto:srs.proxy@boardroomlimited.com), no later than **2:00 p.m. on Wednesday, 20 November 2024**.

The completion and return of a Proxy Form by a S-Share Shareholder does not preclude such S-Share Shareholder from attending, speaking and voting in person at the 2024 2<sup>nd</sup> EGM should such S-Shareholder subsequently decide to do so. In such event, the appointment of the proxy(ies) for the 2024 2<sup>nd</sup> EGM will be deemed to be revoked if the S-Share Shareholder attends the 2024 2<sup>nd</sup> EGM in person, and the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the 2024 2<sup>nd</sup> EGM.

A S-Share Shareholder who intends to attend the 2024 2<sup>nd</sup> EGM must be registered in the Register of Members, or where the registered holder is CDP, must be named as a Depositor in the Depository Register, as at a time not earlier than forty-eight (48) hours before the 2024 2<sup>nd</sup> EGM.

### 8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposals and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

### 9. CONSENTS

The IFA, Novus Corporate Finance Pte. Ltd., has given and has not before the date of this Circular withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter (as set out in **Appendix A** to this Circular) and all references thereto, in the form and context in which they appear in this Circular.

The auditors, CAC Certified Public Accountants LLP (中审华会计事务所), has given and has not before the date of this Circular withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Auditors' Report (as set out in **Appendix B** to this Circular) and all references thereto, in the form and context in which they appear in this Circular.

---

## LETTER TO SHAREHOLDERS

---

The Independent Valuer, China Enterprise Appraisal Co., Ltd. (北京中企华资产评估有限责任公司), has given and has not before the date of this Circular withdrawn its written consent to the issue of this Circular with the inclusion of its name, the summary of the Asset Appraisal Report (as set out in **Appendix C** to this Circular) and all references thereto, in the form and context in which they appear in this Circular.

The PRC legal adviser to the Company in relation to the Proposals, Tianjin Wisely Law Office (天津华盛理律师事务所), has given and has not before the date of this Circular withdrawn its written consent to the issue of the Circular with the inclusion of its name and all references thereto, in the form and context in which they appear in this Circular.

### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 17 Baidi Road, Nankai District, Tianjin, the PRC 300193, during normal business hours for a period of three (3) months from 27 September 2024 (being the date of the IPT Announcement) in respect of items (c), (f), (g) and (h), and from the date of this Circular up to and including the date of the 2024 2<sup>nd</sup> EGM in respect of items (a), (b), (d), (e) and (i):

- (a) the Articles of Association of the Company;
- (b) the annual report of the Company for FY2023;
- (c) the Equity Transfer Agreement;
- (d) the IFA Letter;
- (e) the Auditors' Report;
- (f) the Asset Appraisal Report and its summary;
- (g) the Restated JVA;
- (h) the Amended AOA; and
- (i) the letters of consent referred in Section 9 of this Circular.

Yours faithfully

For and on behalf of the Directors of

**Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited**

**Zhang Mingrui**

Chairman of the Board

---

## APPENDIX A – IFA LETTER

---

### NOVUS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201723484W)  
7 Temasek Boulevard  
#04-02 Suntec Tower 1  
Singapore 038987

7 November 2024

To: The Non-Interested Directors of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (the “**Company**”) (deemed to be independent in respect of the entry into the Equity Transfer Agreement)

Ms. Wang Lei  
Mr. Zhou Hong  
Mr. Shang Mingjie  
Mr. Yeo Guat Kwang  
Mr. Liew Yoke Peng Joseph  
Mr. Zhong Ming

Dear Sirs,

#### INDEPENDENT FINANCIAL ADVICE TO THE NON-INTERESTED DIRECTORS IN RESPECT OF THE ENTRY INTO AN EQUITY TRANSFER AGREEMENT AS AN INTERESTED PERSON TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF A 13% EQUITY INTEREST IN THE REGISTERED CAPITAL OF TIANJIN TSKF PHARMACEUTICAL CO., LTD.

---

*Unless otherwise otherwise defined or the context otherwise requires, all terms defined in the circular dated 7 November 2024 (the “**Circular**”) issued by the Company to shareholders of the Company (the “**Shareholders**”) shall have the same meanings herein.*

#### 1. INTRODUCTION

On 27 September 2024 (the “**Announcement Date**”), the board of directors of the Company (the “**Directors**”) announced (the “**IPT Announcement**”) that the Company had entered into an equity transfer agreement dated 27 September 2024 (the “**Equity Transfer Agreement**”) with Tianjin Pharmaceutical Holdings Co., Ltd. (“**TPH**”) and Haleon China Co., Ltd. (“**Haleon China**” or “**Purchaser**”), pursuant to which among others, (a) the Company has agreed to sell, and Haleon China has agreed to acquire, a 13.0% equity interest held by the Company in the registered capital of Tianjin TSKF Pharmaceutical Co., Ltd. (the “**Target Company**” and the “**DRT Equity Interest**”) for a consideration of RMB1,758,755,555.56 (the “**DRT Consideration**” and the “**Proposed DRT Disposal**”) and (b) TPH has agreed to sell, and Haleon China has agreed to acquire, a 20.0% equity interest held by TPH in the registered capital of the Target Company (the “**TPH Equity Interest**”) for a consideration of RMB2,705,777,777.78 (the “**TPH Consideration**” and the “**Proposed TPH Disposal**”; collectively the Proposed DRT Disposal and the Proposed TPH Disposal are the “**Proposed Disposals**”).

The Target Company was established as a Sino-foreign equity joint venture company in the People’s Republic of China (“**PRC**”) on 23 September 1984 pursuant to an equity joint venture contract dated 7 April 1984 entered into between the respective predecessors of

---

## APPENDIX A – IFA LETTER

---

Haleon China and Haleon UK Services Limited (“**Haleon UK**”, and collectively, the “**Haleon Group**”), the Company and TPH. As at the Latest Practicable Date, the Company holds a 25.0% equity interest in the Target Company, whereas TPH and Haleon UK each hold a 20.0% and 55.0% equity interest in the Target Company respectively.

Upon completion of the Proposed Disposals, TPH will cease to be a shareholder of the Target Company, while the Company and the Haleon Group will each hold a 12.0% and 88.0% equity interest in the Target Company respectively. In connection with the Proposed Disposals and in view of the envisaged changes to the equity structure of the Target Company as mentioned above, it is also proposed that the Company will enter into an amended and restated equity joint venture contract (the “**Restated JVA**”) with the Haleon Group in respect of the Target Company to continue to govern its operations as a Sino-foreign equity joint venture company.

As at the Latest Practicable Date, TPH is the controlling Shareholder and holds 331,120,528 shares representing approximately 42.99% of the issued share capital of the Company. Accordingly, TPH is deemed to be an “interested person” under Chapter 9 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). As TPH is also a party to the Equity Transfer Agreement, which contemplates the Proposed Disposals, the entry into the Equity Transfer Agreement between the Company (being considered an “entity at risk” for the purposes of Chapter 9 of the Listing Manual), TPH and Haleon China constitutes an interested person transaction under the Listing Manual.

Pursuant to Rule 906 of the Listing Manual, approval is required from Shareholders for an interested person transaction of a value that is equal to, or exceeds:

- (a) 5.0% of the latest audited net tangible assets (“**NTA**”) of the Company and its subsidiaries (collectively, the “**Group**”); or
- (b) 5.0% of the Group’s latest audited NTA, when aggregated with other transactions entered into with the same interested person during the same financial year.

The maximum amount for which the Company shall be liable to Haleon China pursuant to the provisions of the Equity Transfer Agreement shall not exceed the DRT Consideration. As such, the amount at risk to the Company, which is RMB 1,758,755,555.56, represents approximately 26.94% of the Group’s latest audited NTA of approximately RMB6,528,642,000 as at 31 December (“**FY**”) 2023 (“**FY2023**”). Accordingly, the entry into the Equity Transfer Agreement as an interested transaction exceeds 5.0% of the Group’s latest audited NTA and Shareholders’ approval is required and will be sought at the extraordinary general meeting of the Company to be held on 22 November 2024 (the “**EGM**”).

Novus Corporate Finance Pte. Ltd. (“**NCF**”) has been appointed as the independent financial adviser (the “**IFA**”) and as required under Rule 921(4)(a) of the Listing Manual to provide an opinion on whether the entry into the Equity Transfer Agreement as an interested person transaction, is on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders. This Letter (as defined herein) sets out, *inter alia*, our views and evaluation of the entry into the Equity Transfer Agreement as an interested person transaction, which has been prepared pursuant to Rule 921(4)(a) of the Listing Manual, and our opinion thereon (the “**Letter**”), and will form part of the Circular providing, *inter alia*, the terms and conditions of the Equity Transfer Agreement and the recommendation of the Non-Interested Directors.

---

## APPENDIX A – IFA LETTER

---

### 2. TERMS OF REFERENCE

We have been appointed as the IFA pursuant to Rule 921(4)(a) of the Listing Manual and to provide an opinion in respect of the entry into the Equity Transfer Agreement as an interested person transaction.

We were neither a party to the negotiations entered into by the Company in relation to the entry into the Equity Transfer Agreement nor were we involved in the deliberations leading up to the decision of the Directors to undertake the entry into the Equity Transfer Agreement. Accordingly, we do not, by this Letter, warrant the merits of the entry into the Equity Transfer Agreement other than to express an opinion on whether the entry into the Equity Transfer Agreement as an interested person transaction is on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders.

Our terms of reference do not require us to evaluate or comment on the legal, commercial or strategic merits of the entry into the Equity Transfer Agreement. Such evaluations and comments are and remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company. We have also relied on information provided and representations made, whether written or verbal, including relevant financial analyses, estimates and representations contained in the Circular by the management of the Company (the “**Management**”), the Directors and the Company’s solicitors. We have not independently verified such information, representation or assurance, whether written or verbal, and accordingly cannot and do not make any representation or warranty, expressed or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information or representations. We have nevertheless made reasonable enquiries and exercised our judgement as we deemed necessary in assessing the information and representations provided to us and have found no reason to doubt the accuracy or reliability of the information and representations.

We have relied upon the assurances of the Directors (including those who may have been delegated detailed supervision of the Circular) that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, that (a) all material information in connection with the entry into the Equity Transfer Agreement, the Group, and the Target Company has been disclosed to us; (b) such information is true, complete and accurate in all material aspects; and (c) there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the entry into the Equity Transfer Agreement, the Target Company, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors collectively and individually accept responsibility accordingly.

For the purpose of assessing the entry into the Equity Transfer Agreement and reaching our conclusion thereon, we have not conducted a comprehensive independent review of the business, operations or financial condition of the Target Company, Company and/or the Group. We have also not relied upon any financial projections or forecasts in respect of the Target Company, Company and/or the Group. We are not required to express, and we do not express, any view on the growth prospects and earnings potential of the Target Company, the Company and/or the Group in connection with our opinion in this Letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Target Company, the Company and/or the Group. As such, we have relied on the asset

---

## APPENDIX A – IFA LETTER

---

appraisal report dated 24 July 2024 (the “**Asset Appraisal Report**”) prepared by China Enterprise Appraisal Co., Ltd. (北京中企华资产评估有限责任公司) (the “**Independent Valuer**”) and the disclosures and representations made by the Company on the value of the assets, liabilities and profitability of the Target Company, the Company and/or the Group. Save for the Asset Appraisal Report, we have also not been furnished with any other such independent evaluation or appraisal.

Our analysis and opinion as set out in this Letter is based on the market, economic, industry, monetary and other conditions in effect on, and the information provided to us as at 28 October 2024 (the “**Latest Practicable Date**”). Such conditions may change significantly over a relatively short period of time, and we assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to their consideration of the entry into the Equity Transfer Agreement which may be released by the Company after the Latest Practicable Date.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Non-Interested Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter).

**Our opinion in respect of the entry into the Equity Transfer Agreement as an interested person transaction, as set out in paragraph 7 of this Letter, should be considered in the context of the entirety of this Letter and the Circular.**

### **3. INFORMATION ON THE COMPANY AND THE TARGET COMPANY**

#### **3.1 Brief overview of the Company and its businesses**

The Company is the core pharmaceutical manufacturing arm of TPH. With green Chinese traditional medicine as its core business, the Group is equipped with a complete industry chain, product chain and talent chain integrating production, management and scientific research. The Group’s business covers a number of areas including research, development and manufacturing of Chinese herbal medicines, proprietary Chinese medicines, chemical raw materials and preparations and nutritional and health products as well as pharmaceutical commerce. The Company is listed on both the SGX-ST and the Shanghai Stock Exchange (“SSE”).

#### **3.2 Information on the Target Company, Haleon China and TPH**

The details of the Target Company, TPH and Haleon China are set out in Sections 2.1 and 2.2 of the Circular, the key information of which have been extracted and reproduced in italics below for ease of reference:

##### ***“2.1 Information on TPH, Haleon China and the Target Company***

*The information on Haleon China and the Target Company in this Circular was provided by*



---

## APPENDIX A – IFA LETTER

---

Haleon China and/or the Target Company. In respect of such information, the Company and the Board have not independently verified the accuracy and correctness of the same and the Company's responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this Circular.

(a) Information on TPH

TPH, a limited liability company incorporated in the PRC on 27 June 1996, is a large pharmaceutical group with a comprehensive pharmaceutical industry chain in the PRC. It has been ranked among the top 100 pharmaceutical companies in the country for several consecutive years. TPH is principally engaged in pharmaceutical manufacturing and distribution, including, amongst others, the manufacturing of Chinese proprietary medicines, chemical drugs and chemical raw materials, as well as operating in the medical devices and health and wellness sectors. As a conglomerate, TPH's headquarters does not engage in business activities directly, and its operations are predominantly carried out through its subsidiaries. For the full details of TPH's business scope, please refer to the IPT Announcement.

As at the Latest Practicable Date,

- (i) TPH is the Controlling Shareholder of the Company holding 42.99% of the issued share capital of the Company;
- (ii) TPH has a registered capital of RMB5,492,950,000, with its shareholders being Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司)<sup>3</sup> and Tianjin Guoyu Enterprise Management Co., Ltd. (天津国宇企业管理有限公司)<sup>4</sup>, holding 67% and 33%, respectively;

---

<sup>3</sup> As at the Latest Practicable Date, the shareholders of the Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司) ("**Jinhushen**") comprises:

- (i) Shanghai Liuliguang Medical Development Co., Ltd (上海琉璃光医药发展有限公司) ("**Liuliguang Medical**");
- (ii) Shenzhen Qianhai Furong Asset Management Co., Ltd (深圳市前海富荣资产管理有限公司 (now known as 深圳市盈投荣达科技有限公司)) ("**Qianhai Furong**");
- (iii) Shenzhen Ruice Biological Medical Development Co., Ltd (深圳市瑞测生物医药发展有限公司) ("**Ruice Biological**"); and
- (iv) Hainan Special Economic Zone Yousheng Enterprise Management Limited Partnership (海南经济特区友盛企业管理合伙企业(有限合伙)) ("**Yousheng LP**"),

which holds 35%, 34%, 16% and 15% of Jinhushen's equity interest, respectively.

As at the Latest Practicable Date, the actual controller (as determined in accordance with the PRC Laws) of each of Liuliguang Medical, Qianhai Furong, Ruice Biological and Yousheng LP is State-owned Assets Supervision and Administration Commission of Shanghai Municipal People's Government (上海市国有资产监督管理委员会), Guo Min (郭珉), Sun Huiguang (孙慧光), and Leng Youbin (冷友斌) and Leng Shuang (冷霜), respectively.

<sup>4</sup> As at the Latest Practicable Date, Tianjin Guoyu Enterprise Management Co., Ltd. (天津国宇企业管理有限公司) is ultimately owned by the State-owned Assets Supervision and Administration Commission of Tianjin Municipal People's Government (天津市人民政府国有资产监督管理委员会).

---

## APPENDIX A – IFA LETTER

---

(iii) the board of directors of TPH comprises Ms. Chen Jinzhu (陈津竹), Mr. Guo Min (郭珉), Ms. Zhang Mingrui (张铭芮), Mr. Teng Fei (滕飞), Mr. Jia Wei (贾伟), Mr. Sun Lijun (孙利军), Mr. Luo Xuan (罗譞), Mr. Yu Kexiang (于克祥) and Mr. Jiang Kai (蒋恺); and

(iv) the legal representative of TPH is Ms. Zhang Mingrui (张铭芮).

(b) Information on Hialeon China

Hialeon China, a limited liability company incorporated in the PRC on 11 August 2015, is principally engaged in manufacturing and distribution, including, amongst others, the manufacturing of oral health products, vitamins, minerals and supplements, and branded chemical medicines. For the full details of Hialeon China's business scope, please refer to the IPT Announcement.

As at the Latest Practicable Date,

(i) Hialeon China is a wholly-owned subsidiary of Hialeon UK;

(ii) Hialeon China has a registered capital of RMB270,000,000;

(iii) the board of directors of Hialeon China comprises Ms. Gu Haiying (顾海英), Ms. Xu Lifang (徐丽芳) and Mr. Zhao Wenfeng (赵文峰); and

(iv) the legal representative of Hialeon China is Ms. Gu Haiying (顾海英).

To the best knowledge of the Directors, Hialeon China has confirmed to the Company that Hialeon China and its controlling shareholder(s) are not related to any of the Company's Directors, Controlling Shareholder, chief executive officer, or their respective associates<sup>5</sup>. Based on the latest information available to the directors of the Hialeon China (including the register of shareholders of Hialeon China) and as at the Latest Practicable Date, Hialeon China has confirmed to the Company that neither Hialeon China nor its controlling shareholder(s) has any shareholder interest, direct or indirect, in the Company.

---

<sup>5</sup> As defined in this Circular, "associates" means:

(a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:

(i) his immediate family;

(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more;

(b) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more.

## APPENDIX A – IFA LETTER

### (c) Information on the Target Company

The Target Company, a limited liability company incorporated in the PRC on 23 September 1984, is principally engaged in the manufacturing and distribution of branded chemical medicines. For the full details of Target Company's business scope, please refer to the IPT Announcement.

As at the Latest Practicable Date,

- (i) the Target Company has a registered and paid-up capital of USD29,940,000, with its shareholders being Haleon UK, TPH and the Company, holding 55%, 20% and 25%, respectively;
- (ii) the board of directors of the Target Company comprises Ms. Chen Jinzhu (陈津竹), Ms. Gu Haiying (顾海英), Ms. Zhang Lei (张蕾), Ms. Xu Lifang (徐丽芳), Mr. Xu Hua (徐华), Mr. Sui Jinguo (睢金国), Mr. Zhao Wei (赵炜) and Mr. Tian Gang (田刚); and
- (iii) the legal representative of the Target Company is Ms. Chen Jinzhu (陈津竹).

Upon completion of the Proposed Disposals, the shareholders of the Target Company will become Haleon UK, Haleon China and the Company, holding 55%, 33% and 12% equity interest in the Target Company, respectively.

## 2.2 Financial Information

### 2.2.1 Key Financial Information

#### (a) Haleon China

The key financial information of Haleon China is set out below:

Items	As at 31 December 2023 (audited)	As at 30 June 2024 (unaudited)
Total assets	RMB3,256,141,973.81	RMB3,459,903,116.93
Total liabilities	RMB3,208,174,872.01	RMB3,195,673,940.96
Net assets	RMB47,967,101.80	RMB264,229,175.97
Items	January to December 2023 (audited)	January to June 2024 (unaudited)
Revenue	RMB783,384,489.70	RMB463,487,223.19
Operating profit/(loss)	(RMB41,482,765.38)	RMB5,461,948.62
Total profit	RMB30,271,464.34	RMB44,256,977.13
Net profit/(loss)	RMB30,271,705.56	RMB44,256,977.13

#### (b) The Target Company

For the purposes of the Proposed DRT Disposal, the Company's management has engaged CAC Certified Public Accountants LLP (中审华会计事务所) ("CAC") to conduct an audit on the financial statements of the Target Company and issue an audit report in

## APPENDIX A – IFA LETTER

relation thereto (the “**Auditors’ Report**”). Based on the Auditors’ Report, CAC has audited the financial statements of the Target Company, including the balance sheets as at 31 December 2023 and 31 May 2024, along with the income statement, statement of cash flows, statement of changes in owners' equity, and the related notes to the financial statements of Year 2023 and the period from January to May 2024. In CAC’s opinion, the financial statements attached thereto are prepared, in all material respects, in accordance with the Accounting System for Business Enterprises and fairly present the financial status of the Target Company as at 31 December 2023 and 31 May 2024, as well as the operating results and cash flows of Year 2023 and the period from January to May 2024.

Based on the Auditors’ Report, the key financial information of the Target Company is set out below:

<b>Items</b>	<b>As at 31 December 2023 (audited)</b>	<b>As at 31 May 2024 (audited)</b>
Total assets	RMB3,087,843,950.17	RMB2,737,666,901.43
Total liabilities	RMB1,720,711,326.54	RMB1,728,349,220.20
Net assets	RMB1,367,132,623.63	RMB1,009,317,681.23
<b>Items</b>	<b>January to December 2023 (audited)</b>	<b>January to May 2024 (audited)</b>
Revenue	RMB3,581,879,341.01	RMB1,573,844,345.00
Operating profit/(loss)	RMB1,313,298,587.28	RMB432,371,796.91
Total profit	RMB1,309,857,620.44	RMB432,587,248.72
Net profit/(loss)	RMB981,655,588.06	RMB324,647,224.12

A copy of the Auditors’ Report is set out in **Appendix B** to this Circular.”

#### 4. SALIENT INFORMATION IN RESPECT OF THE DRT CONSIDERATION, THE PROPOSED DRT DISPOSAL AND THE EQUITY TRANSFER AGREEMENT

The salient terms and details of the DRT Consideration, the DRT Disposal and the Equity Transfer Agreement are set out in Sections 2.3, 2.4 and 2.6.4 of the Circular. **We recommend that the Non-Interested Directors advise the minority Shareholders to read these sections of the Circular very carefully.**

##### 4.1 The DRT Consideration

The following information on the DRT Consideration has been extracted from Section 2.3 of the Circular and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Circular.

###### “2.3 Basis of Consideration

*The consideration for the DRT Equity Interest is RMB1,758,755,555.56 (i.e., the DRT Transfer Price), which was agreed upon after arm’s length negotiations between Haleon China and the Company on a “willing buyer willing seller” basis, and taking into account prevailing market conditions, the key financial information of the Target Company as set out in Section 2.2.1(b) of this Circular, and the appraisal result as set out in Section 2.2.2 of this Circular. The DRT*

---

## APPENDIX A – IFA LETTER

---

*Transfer Price represents a premium of approximately 35% over the appraised value of the DRT Equity Interest as at the Appraisal Base Date performed by the Independent Valuer.”*

Based on the DRT Consideration, we note that the implied valuation of a 100% equity interest in the Target Company is approximately RMB13,528.89 million (the “**Implied Consideration Value**”).

### 4.2 Principal terms of the Equity Transfer Agreement

#### 4.2.1 Transfer of the Equity Interest pursuant to the Equity Transfer Agreement

The following information on the transfer of the Equity Interest has been extracted from Section 2.4.1 of the Circular and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Circular.

##### *“2.4.1 Transfer of Equity Interest*

*Pursuant to the Equity Transfer Agreement:*

- (a) The Company agrees to sell the DRT Equity Interest, free from all Encumbrances and together with all rights attaching to the DRT Equity Interest (including all rights to receive dividend in respect of the DRT Equity Interest as from the Locked Box Date (i.e., 30 June 2024)), to the Transferee in consideration of RMB1,758,755,555.56 (i.e., the DRT Transfer Price) and in accordance with the other terms and conditions agreed under the Equity Transfer Agreement. The Transferee agrees to acquire the DRT Equity Interest from the Company in consideration of the DRT Transfer Price and in accordance with the other terms and conditions agreed under the Equity Transfer Agreement.*
- (b) TPH agrees to sell the TPH Equity Interest, free from all Encumbrances and together with all rights attaching to the TPH Equity Interest (including all rights to receive dividend in respect of the TPH Equity Interest as from the Locked Box Date (i.e., 30 June 2024)), to the Transferee in consideration of RMB2,705,777,777.78 (i.e., the TPH Transfer Price) and in accordance with the other terms and conditions agreed under the Equity Transfer Agreement. The Transferee agrees to acquire the TPH Equity Interest from TPH in consideration of the TPH Transfer Price and in accordance with the other terms and conditions agreed under the Equity Transfer Agreement.*
- (c) The Parties<sup>6</sup> agree that subject to the Occurrence of Closing (as defined in Section 2.4.3(e) of this Circular below), no dividend or other distribution (whether in cash or in kind) accrued on the DRT Equity Interest and the TPH Equity Interest as from the Locked Box Date shall be declared, paid or made to any of the Transferors.*
- (d) The Transferee shall not be obliged to complete the sale and purchase of any Equity Interest unless the sale and purchase of the entire Equity Interest is completed simultaneously in accordance with the Equity Transfer Agreement.”*

---

<sup>6</sup> For the purposes of the Equity Transfer Agreement, “**Parties**” mean the Company, TPH and Haleon China, collectively, and each a “**Party**”.

---

## APPENDIX A – IFA LETTER

---

### 4.2.2 Conditions Precedent

The following information on the conditions precedent pursuant to the Equity Transfer Agreement have been extracted from Section 2.4.2 of the Circular and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Circular.

#### *“2.4.2 Conditions Precedent*

*Pursuant to the Equity Transfer Agreement:*

- (a) *The closing of the transfer of the Equity Interest (the “Closing”) shall be subject to the satisfaction of all the following conditions (each a “Condition Precedent”, and collectively the “Conditions Precedent”):*
- (i) *the antitrust review of the concentration of undertakings by the SAMR in respect of the Proposed Disposals having been approved unconditionally;*
  - (ii) *the general meeting of the Company having reviewed and approved (i) the transfer of the DRT Equity Interest to the Transferee according to the terms and conditions of the Equity Transfer Agreement, and (ii) the Restated JVA and the Amended AOA;*
  - (iii) *the board of directors of TPH having reviewed and approved the transfer of the TPH Equity Interest to the Transferee according to the terms and conditions of the Equity Transfer Agreement; and*
  - (iv) *the shareholder of the Transferee having reviewed and approved the acquisition of the Equity Interest by the Transferee according to the terms and conditions of the Equity Transfer Agreement.*
- (b) *In the event that the approval regarding the antitrust review of the concentration of undertakings granted by the SAMR in respect of the Proposed Disposals is subject to any condition imposed by the SAMR, the Parties agree to discuss in good faith and to assess the impact of such condition on the Proposed Disposals, the Parties or the Target Company, with a view to properly addressing such condition and its impact. If the Parties agree to proceed with the Proposed Disposals, the Conditions Precedent under Section 2.4.2(a)(i) of this Circular may be deemed as having been satisfied.*
- (c) *If the matters under Section 2.4.2(a)(ii) of this Circular fail to be approved by the general meeting of the Company, the Company will not be deemed as in breach of the Condition Precedent as set out in Section 2.4.2(a)(ii) of this Circular and will not be held liable for breach of contract as a result.”*

### 4.2.3 Other material terms of the Equity Transfer Agreement

The following information on the other material terms of the Equity Transfer Agreement have been extracted from Section 2.4 of the Circular and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Circular.

---

## APPENDIX A – IFA LETTER

---

### “2.4.6 Termination

Pursuant to the Equity Transfer Agreement:

- (a) *If any of the Conditions Precedent as set out under Section 2.4.2 of this Circular fails to be satisfied on or before the Long Stop Date, the Equity Transfer Agreement can be terminated by any Party by serving a written notice to the other Parties, provided that, if the failure to satisfy any of the Conditions Precedent on or before the Long Stop Date is due to willful conduct or gross negligence of a Party, such Party shall not be entitled to terminate the Equity Transfer Agreement in accordance with the provisions as set out in this Section 2.4.6, and shall be held liable for breach of contract in accordance with the provision as set out in Section 2.4.7(c) of this Circular, and shall hold the other Parties harmless from any direct loss arising from such breach.*
- (b) *The Equity Transfer Agreement may be terminated upon mutual agreement of the Parties by entering into a separate written agreement.*
- (c) *Each Party that is not in breach (such Party, the “**Non-defaulting Party**”) has the right to unilaterally terminate the Equity Transfer Agreement prior to Closing by giving a written notice to a Party in breach (such Party, the “**Defaulting Party**”) if any of the following events occurs in respect of the Defaulting Party:*
  - (i) *The Transferee fails to pay the Transfer Price agreed under the Equity Transfer Agreement to any Transferor in full, and the payment is overdue by more than thirty (30) days, provided that in such event, only a Transferor who has not received the Transfer Price in full has the right to terminate the Equity Transfer Agreement in accordance with this Section 2.4.6(c);*
  - (ii) *The Defaulting Party is in material breach of the Equity Transfer Agreement (including as a result of any breach of the representations, warranties and undertaking as set out in Section 2.4.5 of this Circular), and to the extent such material breach is curable, fails to properly cure such breach within sixty (60) days after receiving the written notice from the Non-defaulting Party requesting such cure; and/or*
  - (iii) *The Defaulting Party is insolvent or ceases to exist for any other reason.*
- (d) *The Parties agree that if the Closing fails to take place as a result of the occurrence of any default set forth in item (i) and (ii) as set out under Section 2.4.6(c) of this Circular, (A) in the event that such default is cured by the relevant Defaulting Party within the applicable cure period in accordance with the provision as set out in Section 2.4.6(c) of this Circular and provided that each Condition Precedent have been satisfied in accordance with the provision as set out in Section 2.4.2 of this Circular, the Closing shall be deferred to the third (3<sup>rd</sup>) Business Day after the date that such default is cured, in which case the provision as set out in Sections 2.4.3(b), (c), (d) and (e) of this Circular shall still apply to Closing as so deferred; or (B) in the event that such default is not cured by the relevant Defaulting Party within the applicable cure period in accordance with the provision as set out in Section 2.4.6(c) of this Circular, the Non-defaulting Party has the right to unilaterally terminate the Equity Transfer Agreement in accordance with the provision as set out in Section 2.4.6(c) of this Circular.*

---

## APPENDIX A – IFA LETTER

---

- (e) *Clauses in relation to confidentiality, notices and governing law and dispute resolution under the Equity Transfer Agreement and any other clauses that shall, by virtue of its intention and purpose, continue to be effective after the termination of the Equity Transfer Agreement, shall survive the termination of the Equity Transfer Agreement.*

### 2.4.7 Liability for Breach of Contract

*Pursuant to the Equity Transfer Agreement:*

- (a) *If the Transferee fails to pay the Transfer Price to any Transferor in full in time, the Transferee shall pay to any such Transferor who has not received its Transfer Price in full late payment interest at a daily rate of 0.05% of the overdue amount for each day of delay until the earlier of (i) the Occurrence of Closing or (ii) termination of the Equity Transfer Agreement.*
- (b) *If the Equity Transfer Agreement is unilaterally terminated in accordance with the provision as set out in Section 2.4.6(c) of this Circular, the Defaulting Party shall pay to the Non-defaulting Party liquidated damages equaling to 20% of the relevant Transfer Price that is applicable to the Equity Interest contemplated between the Defaulting Party and the Non-defaulting Party under the Equity Transfer Agreement.*

*The Parties further agree, if any of the Transferors is in breach of any representations, warranties or undertakings as set out in Sections 2.4.5(a)(iv) or 2.4.5(a)(v) of this Circular, the Transferors shall not be liable for paying the liquidated damages pursuant to the provision as set out in this Section 2.4.7(b).*

- (c) *A Party in breach of any provision of the Equity Transfer Agreement shall indemnify and hold harmless the non-breaching Party against all direct losses or damage (including without limitation any tax, penalties or interest as well as legal, financial and other advisor fees) incurred by the non-breaching Party as a result of such breach.*
- (d) *A Party's failure or delay to exercise any right, power or remedy in relation to the Equity Transfer Agreement (the "**Lawful Right**") shall not constitute a waiver of such Lawful Right, and any exercise or partial exercise of any Lawful Right shall not prevent any additional or further exercise of such Lawful Right or any exercise of any other Lawful Right. The Lawful Right agreed under the Equity Transfer Agreement shall be cumulative and not preclude any other statutory or contractual right.*
- (e) *The maximum amount for which the Transferee or the Company (as applicable) shall be liable to the other pursuant to the provision as set out in this Section 2.4.7 shall not exceed the DRT Transfer Price.*
- (f) *The maximum amount for which the Transferee or TPH (as applicable) shall be liable to the other pursuant to the provision as set out in this Section 2.4.7 shall not exceed the TPH Transfer Price.*
- (g) *If either of TPH or the Company is, or both of TPH and the Company are, liable for any default under the Equity Transfer Agreement, such Defaulting Party shall be liable to the Transferee (which shall be deemed as the Non-defaulting Party for purposes of this*



---

## APPENDIX A – IFA LETTER

---

*Section 2.4.7) on a several basis (including for the liquidated damages as set out under Section 2.4.7(b)). TPH and the Company shall not be jointly and severally liable for any default under the Equity Transfer Agreement.*

### 4.3 Rationale for, and benefits of, the Proposed DRT Disposal

The following rationale and benefits of the Proposed DRT Disposal has been extracted from Section 2.5 of the Circular, and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Circular:

*“2.5 Rationale for, and Benefits of, the Proposed DRT Disposal*

*The Directors are unanimously of the view that the Proposed DRT Disposal is in the best interest of the Company and its Shareholders due to the following considerations:*

- (a) the DRT Transfer Price represents a significant premium of approximately 35% over the appraised value of the DRT Equity Interest as at the Appraisal Base Date*
- (b) the Proposed DRT Disposal is expected to unlock the value of the Company’s investment in the Target Company and bring considerable financial returns to the Company’s Shareholders. The Proposed DRT Disposal is expected to result in immediate cash inflows and investment income of approximately RMB 1.7 billion; and*
- (c) the proceeds from the Proposed DRT Disposal would allow the Company to dedicate resources for business expansion, including but not limited to strategic mergers and acquisitions, research and development projects, new product development and market expansion initiatives.”*

### 4.4 Proceeds and amount of gain pursuant to the Proposed DRT Disposal

The following information on the proceeds and amount of gain pursuant to the Proposed DRT Disposal has been extracted from Section 2.6.4 of the Circular and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Circular.

*“2.6.4 Excess of Proceeds over Book Value and Amount of Gain on the Proposed DRT Disposal*

*Based on the audited financial statements of the Target Company for FY2023:*

- (a) the DRT Transfer Price represents an excess of approximately RMB1,708,612,354.93 over the book value of the DRT Equity Interest (being RMB50,143,200.63); and*
- (b) the amount of gain on the Proposed DRT Disposal is approximately RMB1,708,612,354.93.*

*Based on the audited financial statements of Target Company for the financial period from 1 January to 31 May 2024:*

- (a) the DRT Transfer Price represents an excess of approximately RMB1,708,612,354.93 over the book value of the DRT Equity Interest (being RMB50,143,200.63); and*

---

## APPENDIX A – IFA LETTER

---

(b) *the amount of gain on the Proposed DRT Disposal is approximately RMB1,708,612,354.93.*

### 4.5 Independent Appraisal

We note that the Company's management had commissioned the Independent Valuer to assess and determine the market value of the total shareholders' equity of the Target Company as at 31 May 2024 (the "**Appraisal Base Date**") in connection with the Proposed Disposals (the "**Independent Appraisal**"). The Independent Valuer was established in 1996 and is one (1) of the leading and most reputable asset appraisal firms in the PRC<sup>7</sup>. The Independent Valuer has a national network of 22 branch offices and a global service reach in nearly 10 countries, having successfully appraised assets valued at over RMB100 trillion, contributing significantly to state-owned enterprise reforms, capital market development and international projects. The Independent Valuer has ranked first in the appraisal industry for 14 consecutive years. The Asset Appraisal Report in respect of the Independent Appraisal has been issued by the Independent Valuer and an English translation of salient contents of the Asset Appraisal Report, save for the annexures to the Asset Appraisal Report (the "**Translated Asset Appraisal Summary**") has been provided by the Company and is set out in Appendix C to the Circular.

Based on the Asset Appraisal Report, we note that the market value of the total shareholders' equity of the Target Company as at the Appraisal Base Date is estimated at approximately RMB9,996.4 million (the "**Market Value**"). Please refer to paragraph 5.3 of this Letter for more details on the Independent Appraisal. The following information on the Independent Appraisal has also been extracted from Section 2.2.2 of the Circular and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Circular.

#### *"2.2.2 Independent Valuation*

*In connection with the Proposed DRT Disposal, the Company's management has engaged China Enterprise Appraisal Co., Ltd. (北京中企华资产评估有限责任公司) as the Independent Valuer to appraise the market value of the total shareholders' equity of the Target Company.*

#### (a) *Independent Valuer*

*The previous valuation work undertaken by the Independent Valuer for listed entities in the pharmaceutical industry includes, amongst others:*

- (i) *JOINN Laboratories (China) Co., Ltd. (北京昭衍新药研究中心股份有限公司) ("**JOINN Laboratories**") (listed on both the SSE and the Stock Exchange of Hong Kong Limited) in relation to the assessment of the preference shares held by JOINN Laboratories in JOINN Biologics Inc.;*
- (ii) *Hunan Nucien Pharmaceutical Co., Ltd. (湖南南新制药股份有限公司) (listed on the STAR Market of the SSE) in relation to its proposed acquisition of 51% equity interest in Synermore Biologics (Suzhou) Co., Ltd. (兴盟生物医药(苏州)有限公司); and*
- (iii) *China Resources Double-Crane Pharmaceutical Co., Ltd. (华润双鹤药业股份有限公司) (listed on the SSE) in relation to its proposed introduction of the Asian*

---

<sup>7</sup> Source: [Liaoning Shenyang United Assets and Equity Exchange](#), a government-backed investment platform

---

## APPENDIX A – IFA LETTER

---

regional patent for CX2101 and all related proprietary technologies and rights in the Asian region held by Ligand Pharmaceuticals Incorporated.

(b) Valuation Conclusion

The appraisal result by the income approach was selected by the Independent Valuer for the appraisal conclusion. Based on the asset appraisal report dated 24 July 2024 issued by the Independent Valuer (the “**Asset Appraisal Report**”), as at 31 May 2024 (the “**Appraisal Base Date**”), the Target Company has:

- (i) a total book value of assets amounting to RMB2,737,666,901.43;
- (ii) a total book value of liabilities amounting to RMB1,728,349,220.20;
- (iii) a book value of net assets amounting to RMB1,009,317,681.23; and
- (iv) an appraised value of total shareholders' equity amounting to RMB9,996,363,700, with an appreciation of RMB8,987,046,000 at an appreciation rate of 890.41%<sup>8</sup>.

(c) Key Elements of the Methodology

In arriving at its valuation conclusion, the discounted cash flow method under the income approach is used by the Independent Valuer to assess the overall enterprise value of the Target Company, and is indirectly used to determine the total equity value of the shareholders of the Target Company. The overall enterprise value consists of the value of operating assets generated from normal business activities and the value of non-operating assets not related to normal business activities. For the determination of the operating asset value, the enterprise free cash flow discount model is used, which is based on the enterprise's free cash flows over several future years, discounted using an appropriate discount rate and then summed. The formula for calculating the total shareholders' equity value is as follows:

$$\text{Total shareholders' equity value} = \text{Overall enterprise value} - \text{Interest-bearing debt value}$$

(i) Overall enterprise value

---

<sup>8</sup> In asset transactions, the purpose of investors is to generate returns. The price of an asset is determined by its potential to generate future returns for the investor and the level of those returns, rather than by the cost of acquiring or building the asset. The income approach is a valuation method that capitalises or discounts the expected returns of the appraised asset to determine its value. This method uses the future income-generating potential of the asset as the basis for valuation, making it more readily accepted in a market economy. The Target Company has been in operation for many years, with a stable business structure, operating model, and profitability. Comprehensive historical data related to its core business is available, and as of the Appraisal Base Date, the management of the Target Company has a clear business plan. Future earnings can be predicted and measured in monetary terms, and the risks undertaken can also be quantified in monetary terms. Therefore, the income approach is adopted for this valuation. The Target Company's profitability has remained generally stable, with minimal fluctuations in recent years. The gross profit margin has increased with changes in the revenue model, and both the net profit margin and return on equity have been steadily improving, demonstrating the Target Company's strong profitability. The Target Company's main products include ibuprofen, Contac, and other medications for relieving fever or inflammation. Due to the impact of the COVID-19 pandemic, the Target Company experienced significant growth in revenue, profit margins, and total assets in 2023. In recent years, the Target Company has shown strong growth potential. Given the Target Company's excellent profitability and significant growth potential, the income approach valuation reflects a much higher value compared to the net asset value.

---

## APPENDIX A – IFA LETTER

---

The overall enterprise value refers to the sum of the total equity value of shareholders and the value of interest-bearing debt. Based on the asset allocation and usage of the appraised entity, the formula for calculating the overall enterprise value is as follows:

$$\begin{array}{rcccccc} \text{Overall} & = & \text{Operating} & & \text{Surplus} & & \text{Non-} & & \text{Non-} \\ \text{enterprise} & & \text{asset} & + & \text{asset} & + & \text{operating} & - & \text{operating} \\ \text{value} & & \text{value} & & \text{value} & & \text{asset} & & \text{liability} \\ & & & & & & \text{value} & & \text{value} \end{array}$$

(A) *Operating asset value*

*Operating assets refer to the assets and liabilities related to the production and operations of the appraised entity, which are involved in the forecast of enterprise free cash flows after the valuation date. As at the Appraisal Base Date, the operating asset value of the Target Company is approximately RMB9,658,377,600.*

(B) *Surplus asset value*

*Surplus assets refer to assets that exceed the needs of the company's production and operations as at the appraisal base date and are not involved in the forecast of free cash flows after the appraisal base date. Surplus assets are analysed and evaluated separately. As at the Appraisal Base Date, the surplus assets of the Target Company are approximately RMB150,868,300.*

(C) *Non-operating assets and Non-operating liabilities value*

*Non-operating assets and non-operating liabilities refer to assets and liabilities that are unrelated to the production and operations of the appraised entity and are not involved in the forecast of free cash flows after the appraisal base date. Non-operating assets and non-operating liabilities are analysed and evaluated separately. As at the Appraisal Base Date, the total value of the non-operating assets and non-operating liabilities of the Target Company is approximately RMB187,117,800.*

*Accordingly, as at the Appraisal Base Date, the overall enterprise value of the Target Company is approximately RMB9,996,363,700.*

(ii) *Interest-bearing debt value*

*Interest-bearing debt refers to liabilities for which the appraised entity is required to pay interest as at the appraisal base date. The interest-bearing debt of the appraised entity is analysed and evaluated separately.*

*As at the Appraisal Base Date, the Target Company has no interest-bearing debt.*

(iii) *Total shareholders' equity value*

*As such, as at the Appraisal Base Date, the total shareholders' equity value of the Target Company is approximately RMB9,996,363,700.*

(d) Valuation Assumptions

---

## APPENDIX A – IFA LETTER

---

*The Independent Valuer made the following assumptions using the income approach to arrive at its valuation conclusion:*

- (i) all appraised assets are in the process of being traded, and valuation professionals simulate the market conditions for pricing based on the transaction conditions of the assets;*
- (ii) the assets being traded or intended for trade in the market are between parties with equal standing, both having sufficient opportunities and time to access market information, and that all transactions are voluntary, rational, and both parties can make informed judgments regarding the asset's function, usage and transaction price;*
- (iii) there are no significant changes in the current relevant laws, regulations, and policies of the PRC, or in the macroeconomic situation. It is also assumed that there are no significant changes in the political, economic, and social environment of the regions where the parties to the transaction are located;*
- (iv) based on the actual condition of the assets as at the Appraisal Base Date, it is assumed that the Target Company will continue to operate after the expiration of its business registration;*
- (v) there will be no significant changes in interest rates, exchange rates, tax bases and rates, and government-imposed fees related to the Target Company after the Appraisal Base Date;*
- (vi) the management of the Target Company after the Appraisal Base Date will be responsible, stable, and capable of fulfilling their duties;*
- (vii) unless otherwise stated, it is assumed that the Target Company fully complies with all relevant laws and regulations;*
- (viii) no force majeure or unforeseen factors will cause significant adverse effects on the Target Company after the Appraisal Base Date;*
- (ix) the accounting policies adopted by the Target Company after the Appraisal Base Date will remain consistent with those in effect when the Asset Appraisal Report was prepared;*
- (x) the business scope and methods of the Target Company will remain consistent with the present, based on the existing management methods and levels;*
- (xi) the Target Company's cash inflows and outflows after the Appraisal Base Date will be evenly distributed;*
- (xii) the Target Company will continue to hold the production and sales rights for all products (including technology, trademarks, etc.) after the Appraisal Base Date;*
- (xiii) there will be no major changes in the business model, product categories or product pricing levels of the Target Company after the Appraisal Base Date; and*

## APPENDIX A – IFA LETTER

(xiv) *the supply model, supply prices, and payment cycles for raw materials and formulations will remain unchanged after the Appraisal Base Date.*

(e) Valuation Approaches

*For Shareholders information, apart from the income approach, the Independent Valuer has also considered the market approach in the valuation of the market value of the total shareholders' equity of the Target Company. The table below sets out the appraised value of the market value of the total shareholders' equity of the Target Company as at 31 May 2024 (i.e., the Appraisal Base Date), using both the income approach and the market approach:*

<b>Approaches</b>	<b>Book value (RMB)</b>	<b>Appraised value (RMB)</b>	<b>Increase/ (Decrease) (RMB)</b>	<b>Appreciation/ (Depreciation) rate (%)</b>
<i>Income approach</i>	1,009,317,700	9,996,363,700	8,987,046,000	890.41%
<i>Market approach</i>	1,009,317,700	9,783,053,800	8,773,736,100	869.27%

*As set out in Section 2.2.2(b) of this Circular above, the appraisal result by the income approach is selected by the Independent Valuer for the appraisal conclusion. This is because the two (2) valuation methods (i.e., the income approach and the market approach) consider different perspectives. The income approach is based on capitalising or discounting the expected returns of the appraised entity to determine the value of the subject, estimating the enterprise's value from the perspective of expected earnings and reflecting the comprehensive profitability of the enterprise's various assets. The market approach, on the other hand, considers the value from the perspective of market alternatives, reflecting the public market's assessment of the enterprise's value under normal and fair-trading conditions. Given that the Target Company has been operating continuously for many years, with stable product types and business models. The income approach reflects the comprehensive profitability of the Target Company's various assets and takes into account factors such as product competitiveness, management experience, and the sales team's impact on the equity value. Whereas, in the market approach, due to the limited number of comparable companies available, the selected comparable listed companies differ from the Target Company in terms of asset scale, operating model, development stage, background, and strategic positioning. Furthermore, the market approach valuation results are significantly affected by the stock price fluctuations of comparable listed companies, which introduces certain limitations and increases the uncertainty of the market approach results. Therefore, after comprehensive analysis, the income approach result was selected as the valuation conclusion.*

*A copy of the summary of the Asset Appraisal Report is set out in **Appendix C** to this Circular."*

---

## APPENDIX A – IFA LETTER

---

### 5. EVALUATION OF THE ENTRY INTO THE EQUITY TRANSFER AGREEMENT

In our evaluation of the entry into the Equity Transfer Agreement as an interested person transaction, we have considered the following factors which we consider to be pertinent and have a significant bearing on our assessment:

- (a) the rationale for, and benefits of, the Proposed DRT Disposal;
- (b) the use of the DRT Consideration;
- (c) the Independent Appraisal conducted by the Independent Valuer;
- (d) overview of the financial performance of the Target Company;
  - (i) the historical financial performance of the Target Company;
  - (ii) the net asset value (“NAV”) of the Target Company;
  - (iii) the implied financial ratios of the Target Company; and
  - (iv) the financial information of the Target Company as recorded in the consolidated historical financial statements of the Company;
- (e) valuation ratios of selected listed companies which principal business activities are broadly comparable to those of the Target Company;
- (f) the assessment of the salient terms of the Equity Transfer Agreement;
- (g) the financial effects of the Proposed DRT Disposal; and
- (h) other relevant considerations.

#### 5.1 Rationale for, and benefits of, the Proposed DRT Disposal

In relation to the entry into the Equity Transfer Agreement, it is not within our terms of reference to comment or express an opinion on the merits of the Proposed DRT Disposal or the future prospects of the Group after the Proposed DRT Disposal.

Nevertheless, we have reviewed the rationale for, and benefits of, the Proposed DRT Disposal as set out in Section 2.5 of the Circular, the full text of which has been reproduced in italics in paragraph 4.3 of this Letter above.

#### 5.2 Use of the DRT Consideration

In relation to the entry into the Equity Transfer Agreement, we have also considered the Company’s intended use of proceeds to be raised from the Proposed DRT Disposal as set out in Section 2.6.5 of the Circular, the full text of which has been reproduced in italics below:

*“2.6.5 Use of Proceeds from the Proposed DRT Disposal*

*The Company intends to use the proceeds from the Proposed DRT Disposal for the following purposes:*

---

## APPENDIX A – IFA LETTER

---

- (i) *to support business expansion, including potential acquisitions of targets that are complementary to, and of strategic value to, the Company's core business, and to enhance the channel distribution and branding of the Company's products;*
- (ii) *to enhance research and development capabilities, including continuous development of the core products and expedite research and development, and business development of new pipelines and products; and*
- (iii) *for working capital and general corporate purposes."*

### 5.3 Independent Appraisal conducted by the Independent Valuer

Our evaluation as set out in this section has been translated using our own internal resources based on the original Asset Appraisal Report, the Translated Asset Appraisal Summary as set out in Appendix C to the Circular and our discussions held with the Independent Valuer with regards to the Independent Appraisal, and we do not accept any responsibility for the accuracy of the translations set out herein. Shareholders should always refer to the original Asset Appraisal Report and the Translated Asset Appraisal Summary, and in the event of any inconsistencies between our translated evaluation set out herein, the Translated Asset Appraisal Summary and the original Asset Appraisal Report, the original Asset Appraisal Report shall prevail.

For the purpose of the Proposed Disposals, we note that the Asset Appraisal Report has been prepared in accordance with the basic asset appraisal standards issued by the Ministry of Finance of the PRC and the asset appraisal practice standards and professional ethics standards issued by the China Appraisal Society ("**CAS**").

#### 5.3.1 Scope of the Independent Appraisal

The scope of the Independent Appraisal encompasses all assets and liabilities (including off-balance assets) of the Target Company. As of the Appraisal Base Date, the book value of net assets of the Target Company was approximately RMB1,009.32 million. The main assets of the Target Company included in the valuation scope comprise inventory assets, building (structure) assets, equipment assets, land use rights, construction in progress and intangible assets (collectively, the "**Main Assets**"). Please refer to the Asset Appraisal Report for more details of the Main Assets assessed by the Independent Valuer.

#### 5.3.2 Basis of Independent Appraisal

As set out in the Asset Appraisal Report, the value type of the Target Company as determined by the Independent Valuer is the "Market Value" which refers to the estimated value of an assessment object in a normal and fair transaction on the assessment base date in the case of a willing buyer and willing seller each acting rationally and without compulsion.

According to Articles 14 and 16 of the "Guidance on Asset Valuation Value Types – No. 47" published by the CAS in 2017, (a) when selecting a value type, asset valuation professionals should consider the correlation between the value type and the valuation assumptions, and (b) when performing asset appraisal transactions, when the basic elements of asset valuation such as the assessment purpose and the assessment object meet the requirements of the market value definition, the market value is generally selected as the value of the assessment conclusion.

#### 5.3.3 Valuation approaches

As set out in the Asset Appraisal Report, the valuation approaches commonly applied to develop approximate indications of value for a business or asset are the income, market and



---

## APPENDIX A – IFA LETTER

---

asset-based approaches. For the purpose of the Independent Appraisal, the Independent Valuer has selected the income approach and market approach, and has solely relied on the income approach as the primary approach in concluding the Market Value. The rationale for adopting the income approach lies in the present value rule, i.e. the value of any asset or enterprise value is the present value of expected future cash flows, discounted at a rate appropriate to the risk of the cash flows not being realised. It estimates the value of the enterprise from the perspective of the expected income of the enterprise, reflecting the comprehensive profitability of the assets of the enterprise. The Independent Valuer notes that the Target Company has been operating for many years, and its business structure, business, production and operation models, profitability as well as product types have remained stable. Further, the Independent Valuer notes that (a) the relevant historical information on the main business of the Target Company is relatively complete, (b) the management has a clear business plan as of the Appraisal Base Date, as well as (c) future income can be predicted and measured in monetary terms, and the risks it bears can also be measured in monetary terms. The income approach accordingly reflects the comprehensive profitability of the assets of the Target Company, and also considers the impact of factors such as product competitiveness, management experience and sales team on equity value.

The market approach has also been adopted for the purpose of the Independent Appraisal as there are certain comparable listed companies in the pharmaceutical manufacturing industry which can be found in the PRC domestic capital markets, and it is relatively easy to obtain market information, operating and financial data of such comparable listed companies. However, as explained in the Asset Appraisal Report, due to the limited number of comparable companies available, the Independent Valuer has noted that the selected comparable listed companies have certain differences from the Target Company in terms of asset scale, operating model, development stage, development background and strategic positioning. In addition, the assessment results using the market approach are greatly affected by the stock price fluctuations of the similar comparable listed companies, resulting in certain limitations to the market approach analysis which increases the uncertainty of the assessment results.

### Income approach

In applying the income approach, the Independent Valuer had used a discounted cash flow (“DCF”) methodology to assess the overall enterprise value of the Target Company and subsequently derive the total shareholders’ equity value. The overall enterprise value comprises the value of operating assets related to normal business activities and the value of non-operating assets unrelated to normal business activities. Based on our discussions with the Independent Valuer, we note that the enterprise free cash flow discount model is used to determine the value of the operating assets based on the following formula:

$$\text{Total shareholders' equity value} = \text{Overall enterprise value} - \text{Interest-bearing debt}$$

(1) Overall enterprise value of approximately RMB9,996,363,700

The overall value of an enterprise refers to the sum of the value of all shareholders’ equity and the value of interest-bearing debts. According to the asset allocation and use of the assessed unit, the formula for calculating the overall value of the enterprise as set out in the Asset Appraisal Report is as follows:

$$\text{Overall enterprise value} = \text{operating asset value} + \text{surplus asset value} + \text{non-operating asset value} - \text{non-operating liability value}$$

Pursuant to our discussions with the Independent Valuer, we note that they had arrived at the following respective values:

## APPENDIX A – IFA LETTER

- (a) Operating asset value of approximately RMB9,658.38 million based on the aggregated expected free cash flows of the Target Company from the financial period from 1 June 2024 to 31 December 2024 to FY2029, which are discounted to present value at a discount rate or weighted average cost of capital (“WACC”) of 9.04%.

RMB ‘000	Jun – Dec 2024	FY2025	FY2026	FY2027	FY2028	FY2029	Perpetual Period
<b>Free cash flow</b>	<b>545,739</b>	<b>702,218</b>	<b>694,366</b>	<b>781,075</b>	<b>755,622</b>	<b>857,032</b>	<b>873,857</b>
Discount rate years	0.29	1.08	2.08	3.08	4.08	5.08	0.00
<b>Discount rate</b>	<b>9.04%</b>	<b>9.04%</b>	<b>9.04%</b>	<b>9.04%</b>	<b>9.04%</b>	<b>9.04%</b>	<b>9.04%</b>
Discount factor	0.98	0.91	0.84	0.77	0.70	0.64	7.13
<b>Net cash flow</b>	<b>532,150</b>	<b>639,370</b>	<b>599,796</b>	<b>598,147</b>	<b>530,673</b>	<b>552,014</b>	<b>6,226,228</b>
<b>Operating asset value</b>							<b>9,658,377</b>

- The WACC adopted is based on the following computation:

WACC	Notes
<b>Capital Structure</b>	(1)
Debt-to-Total Capitalisation (D / (E+D))	26.58%
Equity-to-Total Capitalisation (E / (E+D))	73.42%
<b>Cost of Debt (K<sub>d</sub>)</b>	(2)
Cost of Debt	3.95%
Tax Rate (t)	25.0%
<b>After-tax Cost of Debt</b>	<b>2.96%</b>
<b>Cost of Equity (K<sub>e</sub>)</b>	(3)
Risk-free Rate (r <sub>f</sub> )	2.29%
Market Risk Premium (MRP)	7.08%
Levered Beta (β <sub>L</sub> )	1.0523
Enterprise-specific risk adjustment coefficient (r <sub>c</sub> )	1.50
<b>Cost of Equity</b>	<b>11.24%</b>
<b>WACC (rounded)</b>	<b>9.04</b>

Notes:

- The target capital structure of the Target Company is forecasted based on the average capital structure of 36.20% of the comparable listed companies shortlisted by the Independent Valuer.
- Cost of debt is based on the five-years and above loan prime rate in the PRC of 3.95% as at the Appraisal Base Date. The Independent Valuer has adopted the actual corporate income tax rate of the Target Company.
- Cost of equity is computed based on the capital asset pricing model with the formula detailed in the Asset Appraisal Report and the assumptions set out as follow:
  - R<sub>f</sub>: The risk-free rate of 2.29% is based on the maturity yield of the PRC 10-year treasury bonds as at the Appraisal Base Date.
  - MRP: The market risk premium is the difference between the market investment return rate and the risk-free return rate. The market investment return rate of 9.37% as at the Appraisal Base Date is based on the stock trading price indexes of the SSE and the Shenzhen Stock Exchange, and is determined

## APPENDIX A – IFA LETTER

by the Independent Valuer's comprehensive analysis of the weighted average of the annualised weekly returns from 1992 to 2023.

- $\beta_L$ : Levered beta of 1.0523 is derived by taking the unlevered betas of the shortlisted comparable listed companies and re-levering by debt-equity ratio and tax rate of the Target Company. The unlevered and re-levered beta of the shortlisted comparable listed companies are as follow:

Name of company	Levered beta	Debt (D) (RMB '000)	Equity (E) (RMB '000)	D/E	Unlevered beta	Tax rate
Harbin Pharmaceutical Group Co Ltd	1.0900	1,980,793	8,085,410	0.2450	0.9021	15%
Sichuan Kelun Pharmaceutical Co., Ltd.	0.6515	5,091,590	55,020,038	0.0925	0.6040	15%
Humanwell Healthcare Group	0.7938	9,582,676	34,658,659	0.2765	0.6575	15%
Zhejiang Medicine Co., Ltd.	1.3954	851,160	9,831,163	0.0866	1.2997	15%
Zhejiang Huahai Pharmaceutical Co Ltd	1.1701	8,170,834	26,022,374	0.3140	0.9236	15%
North China Pharmaceutical Co., Ltd.	1.0811	10,729,158	9,269,461	1.1575	0.5787	15%
<b>Average</b>				<b>0.3620</b>	<b>0.8276</b>	

- $R_c$ : The enterprise-specific risk adjustment coefficient of 1.50% has been adjusted according to the differences in the advantages and disadvantages of the Target Company (which the Independent Valuer has deemed to have underperformed compared to its peers) and the comparable listed companies selected by the Independent Valuer in terms of, among others, the operating environment of the enterprise, the scale of the enterprise, business model, risk resistance.

- (b) Surplus asset value of approximately RMB150.87 million.
- (c) Net non-operating asset value of approximately RMB187.12 million based on non-operating assets of the Target Company less non-operating liabilities as at the Appraisal Base Date.
- (2) The Target Company had no interest-bearing debt as at the Appraisal Base Date.

Accordingly, the Independent Valuer has determined that the total shareholders' equity value of the Target Company according to the income approach is approximately RMB9,996.36 million as at the Appraisal Base Date. This represents an appreciation in value of approximately RMB8,987.05 million or approximately 890.41% from the net asset value of the Target Company.

### Market approach

The Independent Valuer has selected the price-earnings ("P/E") valuation multiple on the basis that the Target Company belongs to the pharmaceutical industry, has been operating continuously for many years with stable product types and business models, and is accordingly, a mature business with stable profitability, hence the market value is deemed to be more correlated with the earnings of the Target Company.

Given that the revenue and profit of the Target Company have been significantly impacted by the COVID-19 pandemic in the recent financial years, the Independent Valuer's assessment has excluded the impact of this event by dividing the adjusted equity market value of three (3) of the most comparable shortlisted companies, namely Harbin Pharmaceutical Group Co Ltd, Sichuan Kelun Pharmaceutical Co., Ltd. and Zhejiang Medicine Co., Ltd. (collectively, the

## APPENDIX A – IFA LETTER

“Valuation Comparables”) by the forecasted net profit for 2024 attributable to the respective company to determine the forward P/E multiples for 2024. The total shareholders’ equity value of the Target Company using the market approach is calculated as follows:

$$\text{Total shareholders' equity value} = (\text{Average P/E of the Valuation Comparables} * \text{Target Company's net profit for FY2024} + \text{surplus asset value} + \text{net value of non-operating assets and liabilities}) * (1 - \text{liquidity discount})$$

Please refer to the computations summarised below based on the explanations provided by the Independent Valuer:

	Inputs	Units	Target Company
1	Average P/E of the Valuation Comparables		17.68
2	Target Company's net profit	RMB million	738.88
3	Surplus asset value	RMB million	150.87
4	Net value of non-operating assets and liabilities	RMB million	187.12
5	Liquidity discount		27.00%
<b>6</b>	<b>Total equity value attributable to shareholders</b>	<b>RMB million</b>	<b>9,783.05</b>

*Note: Any discrepancy in the listed amounts and the totals thereof are due to rounding differences.*

Based on the forward average P/E multiples of the Valuation Comparables, the total shareholders’ equity value of the Target Company according to the market approach is approximately RMB9,783.05 million as at the Appraisal Base Date. This represents an appreciation in value of approximately RMB8,773.74 million or approximately 869.27% from the net asset value of the Target Company.

### 5.3.4 Valuation conclusion

The Independent Valuer has adopted the assessment results of the income approach for the reasons as set out above in this section. Accordingly, we note that the Independent Appraisal concludes that the total shareholders’ equity value of the Target Company is approximately RMB9,996.36 million (the “**Concluded Value**”). Accordingly, we note that the Implied Consideration Value is at an excess of approximately RMB3,532.53 million or represents a premium of 35.34% over the Concluded Value.

The Directors and Management have confirmed that they have made due and careful enquiries with respect to the assumptions and projections underlying the financial forecasts of the Target Company prepared by the Independent Valuer in respect of the Independent Appraisal.

**We recommend that the Non-Interested Directors advise the minority Shareholders to read the Asset Appraisal Report, as well as the Translated Asset Appraisal Summary in its entirety as set out in Appendix C to the Circular carefully, in particular but not limited to the valuation methodology, assumptions and limiting conditions.**

### 5.4 Overview of the financial performance of the Target Company

#### 5.4.1 Historical financial performance of the Target Company

A summary of the audited historical financial performance of the Target Company based on the audited financial statements of the Target Company for FY2021, FY2022, FY2023, and for the five-month financial period ended 31 May (“**5M**”) 2024, as well as the unaudited financial statements for 5M2023 (the “**Target Company FS**”) are set out below:

## APPENDIX A – IFA LETTER

### Income statement of the Target Company

RMB' million	-----Audited-----			--Unaudited--	--Audited--
	FY2021	FY2022	FY2023	5M2023	5M2024
Revenue	2,763.1	2,973.8	3,581.9	1,904.0	1,573.8
Gross profit	1,293.4	1,478.6	1,965.0	1,095.4	746.9
Profit on other business	21.9	22.9	24.2	4.5	5.4
Operating expenses	(415.8)	(498.5)	(592.0)	(301.2)	(301.5)
General and administrative expenses	(104.1)	(74.6)	(105.1)	(42.7)	(24.8)
Net finance income	18.6	14.8	21.3	6.1	6.4
Other income/expenses (net)	0.6	1.2	(3.4)	*	0.2
Profit before tax	814.6	944.4	1,309.9	762.1	432.6
Profit after tax	609.3	706.9	981.7	571.6	324.6

\* denotes less than RMB 100,000

Source: The Target Company FS

Note: Any discrepancy in the listed amounts and the totals thereof are due to rounding differences.

### Statement of financial position of the Target Company

RMB' million	-----Audited-----			
	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 31 May 2024
Current assets	1,851.9	1,959.5	2,618.1	2,208.3
Current liabilities	1,317.7	1,278.3	1,720.7	1,728.3
Working capital	534.2	681.2	897.4	480.0
Non-current assets	460.6	411.3	469.7	529.4
Non-current liabilities	-	-	-	-
Total equity	994.8	1,092.4	1,367.1	1,009.3

Source: The Target Company FS

Note: Any discrepancy in the listed amounts and the totals thereof are due to rounding differences.

In relation to the above, we note the following:

### **Consolidated income statement of the Target Company**

#### FY2021 vs FY2022

The Target Company's revenue increased by approximately RMB210.7 million in FY2022 mainly due to an increase in product prices, the launch of new products and business expansionary efforts of the Target Company.

The Target Company's gross profit increased by approximately RMB185.2 million in FY2022, mainly due to a proportionately smaller increase in the cost of sales of products of

---

## APPENDIX A – IFA LETTER

---

approximately RMB22.2 million, and which was partially offset by an increase in the taxes and surcharges on primary business of the Target Company of approximately RMB3.3 million.

As a result of the above-mentioned, as well as (i) an increase in profit on other business of approximately RMB1.0 million, and (ii) a decrease in general and administrative expenses of approximately RMB29.5 million, the Target Company recorded profit before tax of approximately RMB944.4 million in FY2022 vis-à-vis a profit before tax of RMB814.6 million in FY2021. This was partially offset by (i) an increase in operating expenses of approximately RMB82.7 million, and (ii) a decrease in net finance income of approximately RMB3.8 million. Accordingly, after taking into account tax expenses, the Target Company recorded profit after tax of approximately RMB 706.9 million in FY2022.

### FY2022 vs FY2023

The Target Company's revenue increased by approximately RMB608.1 million in FY2023 mainly due to increasing market demand in the midst of a gradual recovery from the COVID-19 pandemic outbreak.

The Target Company's gross profit increased by approximately RMB486.4 million in FY2023, which was due to a proportionately smaller increase in the cost of sales of products of approximately RMB119.2 million. This was partially offset by an increase in the taxes and surcharges on primary business of RMB2.4 million in FY2023.

As a result of the above-mentioned, as well as (i) an increase in profit on other business of approximately RMB1.3 million, and (ii) a slight increase in net finance income of approximately RMB6.5 million, the Target Company recorded profit before tax of approximately RMB1,309.9 million in FY2023. This was partially offset by (i) an increase in operating expenses of approximately RMB93.5 million, and (ii) an increase in administrative expenses of approximately RMB30.5 million. Other expenses (net) also increased by approximately RMB4.6 million in FY2023. Accordingly, after taking into account tax expenses, the Target Company recorded profit after tax of approximately RMB981.7 million in FY2023.

### 5M2023 vs 5M2024

The Target Company's revenue decreased by approximately RMB330.2 million in 5M2024, mainly due to the higher market demand for the Target Company's products during 5M2023 as a result of the COVID-19 outbreak.

The Target Company's gross profit decreased by approximately RMB348.5 million in 5M2024. This decrease was due to the abovementioned decrease in revenue as well as a slightly proportionately larger increase in the cost of sales of products approximately RMB26.1 million, and which was partially offset by a decrease in the taxes and surcharges on primary business of approximately RMB7.7 million in 5M2024.

The Target Company had recorded an increase in profit on other business of approximately RMB0.9 million in 5M2024. There were no material variances between the Target Company's operating expenses and net finance income for 5M2023 and 5M2024. Conversely, there was a decrease in general and administrative expenses of approximately RMB17.9 million in 5M2024. As a result of the above-mentioned, the Target Company recorded profit before tax of approximately RMB 432.6 million in 5M2024. Accordingly, after taking into account tax expenses, the Target Company recorded profit after tax of approximately RMB324.6 million in 5M2024.

---

## APPENDIX A – IFA LETTER

---

### Statement of financial position

**Working capital:** The Target Company's working capital position decreased from approximately RMB897.4 million as at 31 December 2023 to RMB480.0 million as at 31 May 2024. This was mainly due to a decrease in the Target Company's current assets, mainly attributed to a decrease in (i) short-term investments of approximately RMB474.9 million, other receivables of RMB125.5 million and inventory of RMB127.7 million, which was partially offset by an increase in advances to suppliers of approximately RMB108.3 million and accounts receivables of RMB212.6 million; as well as (ii) a slight increase in current liabilities of approximately RMB7.6 million, which was partially offset by a decrease in advances from customers of approximately RMB6.9 million, wages payable of RMB25.8 million and taxes and surtaxes payable of RMB57.1 million.

#### 5.4.2 NAV of the Target Company

The NAV of a group refers to the aggregate value of all the assets in their existing condition, net of any non-controlling interests and all the liabilities of the group. The net asset value approach may provide an estimate of the value of a group assuming the hypothetical sale of all its assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of the group with the balance available for distribution to its shareholders. Therefore, the net assets of a group are perceived as providing support for the value of the shareholders' equity.

Notwithstanding the foregoing, Shareholders should note that an analysis based on the NAV of the Target Company provides an estimate of the value of the Target Company based on a hypothetical scenario, and such hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NAV that can be realised.

The audited financial position of the Target Company as at 31 May 2024 is as set out below:

<b>RMB' million</b>	<b>Audited As at 31 May 2024</b>
<u>Non-current assets</u>	
Fixed assets - net	301.5
Intangible assets	4.1
Deferred tax assets	223.8
Total non-current assets	529.4
<u>Current assets</u>	
Monetary funds	3.1
Short-term investments	892.6
Accounts receivable	370.7
Other receivables	11.6
Advances to suppliers	116.1
Inventory	814.2
Total current assets	2,208.3
<b>Total assets</b>	<b>2,737.7</b>
<u>Current liabilities</u>	
Accounts payable	682.5

## APPENDIX A – IFA LETTER

RMB' million	Audited As at 31 May 2024
Wages payable	28.6
Welfare payable	46.4
Taxes and surtaxes payable	80.3
Other payables	48.3
Accrued expenses	842.2
Total current liabilities	1,728.3
<b>Total liabilities</b>	<b>1,728.3</b>
Paid-in capital	173.7
Capital reserves	5.0
Surplus reserves	206.8
Undistributed profits	623.8
<b>Total equity</b>	<b>1,009.3</b>
<b>Premium of valuation of the Target Company as implied by the DRT Consideration to NAV</b>	<b>1,240.4%</b>

*Source: The Company*

*Note: Any discrepancy in the listed amounts and the totals thereof are due to rounding differences.*

The Target Company recorded an NAV of approximately RMB1,009.3 million as at 31 May 2024. As set out in the table above, we note that the Implied Consideration Value represents a premium of approximately 1,240.4% to the NAV of the Target Company as at 31 May 2024.

### 5.4.3 Financial ratios of the Target Group as implied by the Implied Consideration Value

#### Earnings-based ratios

The earnings-based ratios considered for the purpose of our evaluation would be price-earnings (“P/E”) ratio and the enterprise value-to-earnings before interests, taxes, depreciation and amortisation (“EV/EBITDA”) ratio. EBITDA refers to the historical consolidated earnings before interest, taxes, depreciation and amortisation for the relevant financial year/period.

#### (a) P/E ratio

The P/E ratio illustrates the ratio of the market capitalisation of a company in relation to its historical consolidated net profit attributable to its shareholders. Based on the Target Company’s net profit after tax for the trailing twelve-month period from 1 June 2023 to 31 May 2024 (“TTM 2024”) of approximately RMB734.7 million, the P/E ratio based on the Implied Consideration Value is 18.41 times.

#### (b) EV/EBITDA ratio

The EV/EBITDA ratio illustrates the ratio of the market value of a company’s business in relation to its historical pre-tax operating cash flow performance. Based on the Target Company’s EBITDA for TTM 2024 of approximately RMB1,002.6 million, the EV/EBITDA ratio based on the Implied Consideration Value is 13.49 times.

#### Asset-based ratio

The asset-based ratio considered for the purpose of our evaluation would be the price-to-NAV (“P/NAV”) ratio. P/NAV refers to the ratio of the market capitalisation of a company in relation



## APPENDIX A – IFA LETTER

to its NAV. Based on the audited NAV of the Target Company of approximately RMB1,009.3 million as at 31 May 2024, the P/NAV ratio based on the Implied Consideration Value is 13.40 times.

### 5.4.4 Financial information of the Target Company as recorded in the consolidated historical financial statements of the Company

The Company holds a 25.0% equity interest in the Target Company, which is recorded as an investment in an associate of the Group. A summary of the key financial information of the Target Company as recorded in the Group's historical consolidated financial statements for FY2021, FY2022 and FY2023 is as follows:

#### Consolidated income statement

RMB' million	-----Audited-----		
	FY2021	FY2022	FY2023
Revenue	2,761.9	2,983.0	3,581.9
Profit after tax	610.0	705.1	978.6
Total comprehensive income	610.0	705.1	978.6
Share of results of the Target Company	152.5 <sup>(1)</sup>	176.2	244.7

#### Statement of financial position

RMB' million	-----Audited-----		
	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023
Non-current assets	480.1	445.2	517.7
Current assets	1,849.3	1,847.2	2,613.8
Non-current liabilities	3.2	9.0	-
Current liabilities	1,328.4	1,216.8	1,766.0
Working capital	520.9	630.4	2,096.1
Net assets	997.9	1,093.7	1,365.6
Carrying amount of the Group's interest in the Target Company	249.5	273.4	341.4

**Source:** Note 18 to the financial statements in the Company's annual report for FY2022 and Note 10 to the financial statements in the Company's annual report for FY2023.

#### **Notes:**

(1) Derived based on the Group's pro-rated share of profit for the year of the Target Company.

Shareholders should note that the aforementioned financial information is extracted from the Company's annual report for FY2022 and FY2023 and included in this Letter for the purposes of completeness only. We understand from the Company that the above financial information was based on the Target Company's preliminary financial statements as the audit of the Target Company's financial statements is typically still underway and not completed by the time that the Company is required to publish its consolidated financial statements for the respective financial years. Accordingly, there are differences between the aforementioned historical financial performance and financial position figures vis-à-vis that of the Target Company FS.

## APPENDIX A – IFA LETTER

### 5.5 Valuation ratios of selected listed companies whose principal business activities are broadly comparable to those of the Target Company

We note that the main business of the Target Company appears to be engaged in the manufacturing and distribution of branded chemical medicines (the “**Pharmaceutical Business**”). We have also considered the primary market that the Target Company operates in, that being the PRC based on the Target Company FS, and note that there appears to be no such companies listed on the SGX-ST which may be deemed to be comparable to the Pharmaceutical Business due to the size and geographical location where the Target Company operates in. Accordingly, further to discussions with Management, the Independent Valuer and having regard to the Asset Appraisal Report, we have considered other publicly-listed companies in the PRC that are engaged in the Pharmaceutical Business.

For the purpose of our evaluation of the DRT Consideration, we have made reference to the valuation ratios of the following selected companies that are deemed to be broadly comparable to the Pharmaceutical Business (the “**Comparable Companies**”), to get an indication of the current market expectations with regard to the perceived valuation of the Target Company.

We wish to highlight that the Comparable Companies are not exhaustive and we recognise that there is no company which is identical to the Target Company in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria and that such businesses may have fundamentally different profitability objectives. Shareholders should note that any comparison made with respect to the Comparable Companies merely serves to provide an illustrative perceived market valuation of the Target Company as at the Latest Practicable Date.

A brief description of the Comparable Companies is as follows:

Company / Listing exchange	Business description	Financial year-end
Tibet Rhodiola Pharmaceutical Holding Co. (“ <b>Tibet Rhodiola</b> ”) / SSE	Tibet Rhodiola is a PRC-based company principally engaged in the production and distribution of pharmaceuticals. Tibet Rhodiola operates its businesses through the distribution of proprietary drug products, as well as the processing of pharmaceuticals and others. Tibet Rhodiola conducts its businesses primarily in South China, North China, East China, Central China and overseas markets.	31 December
Wedge Industrial Co., Ltd. (“ <b>Wedge Industrial</b> ”) / Shenzhen Stock Exchange (“ <b>SZSE</b> ”)	Wedge Industrial is a PRC-based company mainly engaged in the pharmaceutical manufacturing business. Wedge Industrial’s main businesses include the research and development, production and sales of micro-ecological live bacteria products, superalloys and products thereof. Wedge Industrial’s products includes, among others, bifidobacterium lactobacillus triple viable bacteria tablets, vaginal lactobacillus viable bacteria capsules and probiotic dietary supplements and other micro-ecological viable bacteria products.	31 December
Guangxi Liuyao Group Co., Ltd. (“ <b>Guangxi Liuyao</b> ”) / SSE	Guangxi Liuyao, formerly known as Guangxi Liuzhou Pharmaceutical Co Ltd, is a PRC-based company mainly engaged in the sales of pharmaceuticals. Guangxi Liuyao is mainly engaged in three businesses. The pharmaceutical wholesale business mainly	31 December

## APPENDIX A – IFA LETTER

Company / Listing exchange	Business description	Financial year-end
	<p>distributes pharmaceutical products to medical and health institutions at all levels, pharmaceutical distribution enterprises and chain pharmacies. The pharmaceutical retail business provides sales and health services of various pharmaceutical products, medical devices and other pharmaceutical products to individual consumers through terminal pharmacies. The pharmaceutical industry business is mainly engaged in the production and processing of traditional Chinese medicine pieces and traditional Chinese medicine formula granules. Guangxi Liuyao is also engaged in supply chain value-added services, pharmaceutical Internet services, terminal health services and others.</p>	
<p>Chengdu Sheng Nuo Biotec Co., Ltd. (“<b>Nuo Biotec</b>”) / SSE</p>	<p>Nuo Biotec is a PRC-based company mainly engaged in the research and development of peptide active pharmaceutical ingredients (APIs) and preparation products. Nuo Biotec’s main business includes independent research and development, production and sales of peptide APIs and preparations, providing pharmaceutical research services for peptide innovative drugs, customized production services for peptide products and transfer services for peptide drug production technology for domestic and foreign pharmaceutical companies, providing original equipment manufacture processing of small molecule chemical drug levosimendan preparations and levosimendan API production, export and sales business. Nuo Biotec’s products target areas including immunity, digestive tract, antiviral, obstetrics and gynecology, diabetes, cardiovascular and cerebrovascular, rare diseases, orthopedics and others. Nuo Biotec mainly conducts its business in domestic and foreign markets.</p>	31 December
<p>Wai Yuen Tong Medicine Holdings Ltd (“<b>Wai Yuen Tong</b>”) / Hong Kong Stock Exchange</p>	<p>Wai Yuen Tong is a Hong Kong-based investment holding company principally engaged in the production and sales of pharmaceutical products. Wai Yuen Tong operates through three segments. Production and sale of Chinese pharmaceutical and health food products segment is mainly engaged in the manufacture, processing and retailing of traditional Chinese medicine in PRC and Hong Kong. Its products include Chinese medicines under the brand Wai Yuen Tong, as well as products manufactured with traditional prescriptions. Production and sale of western pharmaceutical and health food products segment is engaged in the processing and sales of Western pharmaceutical products and personal care products under the brands Madame Pearl’s and Pearl’s. Property Investment segment is engaged in the investment in commercial properties for rental income.</p>	31 March
<p>Harbin Pharmaceutical Group Co Ltd (“<b>Harbin Pharmaceutical</b>”) / SSE</p>	<p>Harbin Pharmaceutical is a PRC-based company mainly engaged in the research and development, manufacturing, wholesale and retail of pharmaceuticals. Harbin Pharmaceutical is mainly engaged in two businesses. The pharmaceutical</p>	31 December

## APPENDIX A – IFA LETTER

Company / Listing exchange	Business description	Financial year-end
<p>Sichuan Kelun Pharmaceutical Co., Ltd.  <b>("Sichuan Kelun Pharmaceutical")</b> / SZSE</p>	<p>industry business is mainly engaged in the research, development and manufacturing of chemical raw materials, chemical preparations, biological preparations, traditional Chinese medicine and health care products. The pharmaceutical commercial business is mainly engaged in pharmaceutical commercial wholesale business and pharmaceutical commercial retail business. Harbin Pharmaceutical's products mainly include zinc gluconate oral solution, calcium iron zinc oral solution, compound calcium gluconate oral solution, amoxicillin capsules and Shuanghuanglian oral solution. Harbin Pharmaceutical's products are mainly used in digestive, respiratory, anti-infectious, cardiovascular and cerebrovascular and anti-tumor treatment fields.</p> <p>Sichuan Kelun Pharmaceutical is a PRC-based company, principally engaged in the research and development, manufacture and distribution of pharmaceutical products. Sichuan Kelun Pharmaceutical operates its businesses through manufacture and distribution of injections, booster injections, lyophilized power injections, tablets, capsules, granules, oral liquids, dialysis fluids and other form of pharmaceuticals, bulk pharmaceutical chemicals, pharmaceutical packing materials, as well as medical equipment. Sichuan Kelun Pharmaceutical's injection products include general injections and therapeutic injections, such as glucose injections, sodium chloride injections, glucose and sodium chloride injections, ofloxacin injections, metronidazole injections and norfloxacin injections, among others. Kelun Pharmaceutical distributes its products within its domestic market and to overseas markets.</p>	<p>31 December</p>
<p>Humanwell Healthcare Group Co Ltd  <b>("Humanwell")</b> / SSE</p>	<p>Humanwell is a PRC-based company principally engaged in the research and development, production and sales of pharmaceuticals. Humanwell primarily operates its businesses through two segments. Pharmaceutical segment is mainly engaged in the research and development, production and sales of pharmaceutical products and the research and development, production and sales of medical device products, as well as the delivery, distribution and related businesses of pharmaceutical products, providing drugs, devices, medical equipment, reagents, consumables, health products, as well as technology and management services. Humanwell's products include chemical pharmaceutical preparations, chemical active pharmaceutical ingredients and others. Environmental Protection segment is primarily engaged in environmental protection engineering business.</p>	<p>31 December</p>
<p>Zhejiang Medicine Co., Ltd.  <b>("Zhejiang Medicine")</b> / SSE</p>	<p>Zhejiang Medicine is a PRC-based company, principally engaged in the manufacture and distribution of drugs and nourishments. Zhejiang Medicine mainly provides nourishments for animals and humans, health care products, and chemicals and chemical raw materials, among others. Zhejiang Medicine's products</p>	<p>31 December</p>

## APPENDIX A – IFA LETTER

Company / Listing exchange	Business description	Financial year-end
Zhejiang Huahai Pharmaceutical Co Ltd (“ <b>Zhejiang Huahai Pharmaceutical</b> ”) / SSE	include synthetic vitamin E, natural vitamin E soft capsules, Beta carotene, vancomycin hydrochloride for injection and teicoplanin for injection, among others. Zhejiang Medicine distributes its products within its domestic market and to overseas markets.  Zhejiang Huahai Pharmaceutical is a PRC-based company mainly engaged in the research, development, manufacture and sales of generic drugs, biological drugs, innovative drugs and specialty active pharmaceutical ingredients (APIs) in multiple dosage forms. Zhejiang Huahai Pharmaceutical’s pharmaceutical preparations and APIs cover cardiovascular, mental disorder, nervous system and anti-infection fields. Zhejiang Huahai Pharmaceutical’s products include irbesartan hydrochlorothiazide tablets, losartan potassium tablets, paroxetine hydrochloride tablets, sertraline hydrochloride tablets, oseltamivir phosphate capsules, linagliptin tablets, dabigatran etexilate capsules, pemetrexed disodium for injection, esomeprazole magnesium enteric-coated capsules, febuxostat tablets and toseamide injection. Zhejiang Huahai Pharmaceutical also provides technical services and pharmaceutical import and export trade business.	31 December
North China Pharmaceutical Co Ltd (“ <b>North China Pharmaceutical</b> ”) / SSE	North China Pharmaceutical is a PRC-based company primarily engaged in the research, development, production and sales of pharmaceutical products. North China Pharmaceutical’s main products include anti-infective drugs, nephrology and immunomodulatory drugs, biotechnology drugs, cardiovascular and cerebrovascular and immunomodulatory agents, vitamins and health consumer products, nervous and blood system drugs, pharmaceutical intermediates, anti-epidemic drugs, pesticides and Veterinary drugs. North China Pharmaceutical is also engaged in pharmaceutical and other logistics trade pharmaceuticals. North China Pharmaceutical’s products are mainly used in chemical pharmaceuticals, modern biotechnology drugs, vitamins and health consumer products, bio-agricultural and veterinary drugs and other fields. North China Pharmaceutical mainly conducts its businesses in domestic and overseas markets.	31 December

**Source:** Thomson Reuters Eikon and the Comparable Companies’ annual reports and results announcements

In our evaluation, we have considered the following widely used valuation measures:

Valuation ratios	General description
P/E ratio	<p>P/E ratio or earnings multiple is the ratio of a company’s market capitalisation divided by the trailing 12 months (“<b>TTM</b>”) net profit attributable to shareholders.</p> <p>The P/E ratio is an earnings-based valuation methodology and is calculated based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses.</p>

---

## APPENDIX A – IFA LETTER

---

The P/E ratio illustrates the ratio of the market capitalisation of a company in relation to the historical consolidated full-year net profit attributable to its shareholders (as the case may be). As such, it is affected by the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.

We have considered the P/E ratios of the Comparable Companies based on their respective closing prices on the Latest Practicable Date and their TTM net earnings per share.

EV/EBITDA ratio EV refers to enterprise value which is the sum of a company's market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents.

EBITDA refers to the historical consolidated TTM earnings before interest, taxes, depreciation and amortisation of a company.

The EV/EBITDA ratio illustrates the ratio of the market value of an entity's business in relation to its historical pre-tax operating cash flow performance. The EV/EBITDA multiple is an earnings-based valuation methodology. The difference between EV/EBITDA and the P/E ratio (described above) is that it does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.

We have considered the EV/EBITDA ratios of the Comparable Companies based on their respective closing prices on the Latest Practicable Date, latest-available balance sheet values and TTM EBITDA.

Price-to-net asset value ("P/NAV") ratio NAV refers to consolidated net asset value, which is the total assets of a company less total liabilities.

P/NAV refers to the ratio of a company's share price divided by NAV per share.

The P/NAV ratio represents an asset-based relative valuation which takes into consideration the book value or NAV backing of a company.

The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.

---

The valuation ratios of the Comparable Companies based on their respective last traded share prices as at the Latest Practicable Date are set out below:

Comparable Companies	Market capitalisation (RMB' million)	P/E (times)	EV/EBITDA (times)	P/NAV (times)
Tibet Rhodiola	12,828.3	15.49	12.95	3.38
Wedge Industrial	6,226.0	33.22	20.15	5.42
Guangxi Liuyao	7,270.4	8.35	6.55	0.96
Nuo Biotec	3,454.1	37.35	24.79 <sup>(4)</sup>	3.76

## APPENDIX A – IFA LETTER

Wai Yuen Tong <sup>(1)</sup>	227.1	n.a. <sup>(2)</sup>	2.74	0.18
Harbin Pharmaceutical	10,552.6	17.21	9.05 <sup>(4)</sup>	2.02
Sichuan Kelun Pharmaceutical	53,204.9	18.65	9.02	2.39
Humanwell	35,324.3	18.38	9.82	2.04
Zhejiang Medicine	16,069.0	16.43	8.49 <sup>(4)</sup>	1.55
Zhejiang Huahai Pharmaceutical	28,205.7	27.92	13.54	3.20
North China Pharmaceutical	10,088.5	127.09 <sup>(3)</sup>	12.72 <sup>(4)</sup>	1.88
<b>Max</b>		<b>37.35</b>	<b>24.79</b>	<b>5.42</b>
<b>Min</b>		<b>8.35</b>	<b>2.74</b>	<b>0.18</b>
<b>Mean</b>		<b>21.44</b>	<b>11.80</b>	<b>2.43</b>
<b>Median</b>		<b>18.38</b>	<b>9.82</b>	<b>2.04</b>
<b>Target Company (as implied by the DRT Consideration)</b>	<b>13,528.9</b>	<b>18.41</b>	<b>13.49</b>	<b>13.40</b>

**Source:** Thomson Reuters Eikon, annual reports and announcements of the Comparable Companies, the Target Company FS and NCF's calculations.

**Notes:**

- (1) The market capitalisation of Wai Yuen Tong has been converted from the reported currency of Hong Kong Dollars ("HKD") to RMB based on the exchange rate of 1 HKD : 0.92 RMB as at the Latest Practicable Date, as extracted from Thomson Reuters Eikon.
- (2) Wai Yuen Tong was loss making for its financial year ended 31 March 2024.
- (3) Excluded as a statistical outlier for the purposes of the maximum, mean, median and minimum computations.
- (4) As the most recent results announcements of the respective companies for their third quarter and nine-months interim financial period did not provide a breakdown of the depreciation and amortisation figures, the respective EBITDA has been computed using, among others, the pro-rated depreciation and amortisation figures disclosed in the financial results announcements of the respective companies for their second quarter and six-months interim financial periods instead.

Based on the above table, we note that:

- (a) the P/E ratio of the Target Company of 18.41 times (as implied by the DRT Consideration) is (i) within range of the P/E ratio of the Comparable Companies of between 8.35 times to 37.35 times, (ii) above the median P/E ratio of the Comparable Companies at 18.38 times, and (iii) below the mean P/E ratio of the Comparable Companies at 21.44 times;
- (b) the EV/EBITDA ratio of the Target Company of 13.49 times (as implied by the DRT Consideration) is (i) within range of the EV/EBITDA ratio of the Comparable Companies of between 2.74 times to 24.79 times, and (ii) above the mean and median EV/EBITDA ratio of the Comparable Companies at 9.82 times and 11.80 times respectively; and

---

## APPENDIX A – IFA LETTER

---

- (c) the P/NAV ratio of the Target Company of 13.40 times (as implied by the DRT Consideration) is significantly higher than the maximum P/NAV ratio of 5.42 times of the Comparable Companies.

### 5.6 Assessment of the salient terms of the Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are set out in Section 2.4 of the Circular and key extracts have been reproduced in italics in paragraph 4.2 of this Letter above. Having reviewed the Equity Transfer Agreement, we note, among others, the following:

- (a) the Implied Consideration Value is consistent with the implied value of the Target Company based on the TPH Consideration;
- (b) Haleon China shall, among others, undertake to procure the Target Company to distribute and pay to each of the Company and TPH the pro-rated distributable profits based on their respective equity interest held in the Target Company for such period starting from 1 October 2023 to 30 June 2024 as declared by the board of directors of the Target Company, no later than 20 business days from the signing of the Equity Transfer Agreement;
- (c) if the proposed transfer of the DRT Equity Interest to Haleon China according to the terms and conditions of the Equity Transfer Agreement, as well as the proposed entry into the Restated JVA and the proposed execution of the Amended AOA fail to be approved at the EGM, or if the Directors fail to agree to unanimously recommend to vote in favour of the Proposed Disposals, the Company will not be deemed to be in breach of contract and will not be held liable as a result;
- (d) if Haleon China fails to pay the DRT Consideration and/or the TPH Consideration to any of the Company or TPH respectively, Haleon China shall pay to the relevant party who has not received the DRT Consideration or the TPH Consideration in full, as the case may be, late payment interest at a daily rate of 0.05% of the overdue amount for each day of delay until the earlier of (i) Closing has taken place or (ii) termination of the Equity Transfer Agreement; and
- (e) if either of TPH or the Company is, or both of TPH and the Company are, liable for any default under the Equity Transfer Agreement, such party that is in default shall be liable to Haleon China (which shall be deemed as the Non-defaulting Party) on a several basis (including for the liquidated damages as set out in the Equity Transfer Agreement (also detailed in Section 2.4.7(b) of the Circular). TPH and the Company shall not be jointly and severally liable for any default under the Equity Transfer Agreement. Further, the maximum amount for which Haleon China or the Company (as applicable), or Haleon China or TPH (as applicable), shall be liable to the other pursuant to the provision set out in Section 2.4.7 of the Circular shall not exceed the DRT Consideration or the TPH Consideration respectively. This means that, among others, the Company is only liable for any default under the Equity Transfer Agreement attributed to its own actions, up to the maximum amount of the DRT Consideration, and does not bear any external or joint liability for defaults due to TPH.

Based on the above, we note that the terms of the Equity Transfer Agreement equally apply to both the Company and TPH, and do not appear to be prejudicial to the interests of the minority Shareholders.

### 5.7 Financial effects of the Proposed DRT Disposal

The pro forma financial effects of the Proposed DRT Disposal as set out in Section 2.6.3 of the Circular, the full text of which has been reproduced in italics below:



## APPENDIX A – IFA LETTER

### “2.6.3 Pro Forma Financial Effects of the Proposed DRT Disposal

#### (a) Bases and Assumptions

The pro forma financial effects of the Proposed DRT Disposal on the Group as set out below are only presented for illustrative purposes and should not be taken as an indication of the actual and/or future financial performance or position of the Company or the Group following the completion of the Proposed DRT Disposal.

The pro forma financial effects for the Proposed DRT Disposal have been prepared based on the following bases and assumptions:

- (i) the Group’s latest audited consolidated financial statements for FY2023;
- (ii) the latest audited financial statements of the Target Company for FY2023; and
- (iii) the expenses incurred for the Proposed DRT Disposal have not been taken into account.

#### (b) Effect on NTA per Share

**For illustrative purposes only**, assuming that the Proposed DRT Disposal had been completed on 31 December 2023, the Proposed DRT Disposal would have had the following effects on the NTA per Share of the Company as at 31 December 2023:

	Before the Proposed DRT Disposal	After the Proposed DRT Disposal
NTA <sup>(1)</sup> (RMB)	6,261,576,000	7,713,896,500
Number of the issued Shares (excluding treasury shares)	770,158,276	770,158,276
NTA per share (RMB)	8.1	10.0

**Note:**

- (1) NTA is computed based on total assets (net of intangible assets, including goodwill) less total liabilities.

#### (c) Effect on EPS

**For illustrative purposes only**, assuming that the Proposed DRT Disposal had been completed on 1 January 2023, the Proposed DRT Disposal would have had the following effects on the EPS of the Group for FY2023:

	Before the Proposed DRT Disposal	After the Proposed DRT Disposal
Net profit <sup>(1)</sup> (RMB)	968,705,540	2,176,338,330
Weighted average number of Shares	771,753,979.9	771,753,979.9
EPS (RMB)	1.26	2.82

**Note:**

---

## APPENDIX A – IFA LETTER

---

(1) *Net profit means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.*”

Shareholders should note that the above analysis has been prepared solely for illustrative purposes only and does not purport to be indicative or a projection of the results and financial position of the Target Company, the Company and the Group after the completion of the Proposed DRT Disposal.

### **6 OTHER RELEVANT CONSIDERATIONS**

#### **6.1 Inter-conditionality of Resolution 1 and Resolution 2**

Shareholders should note that approval of the Proposed DRT Disposal and the entry into the Equity Transfer Agreement (Resolution 1) is a condition precedent to Closing. In view of this, in the event that Resolution 1 is not passed by the minority Shareholders, among others, the entry into the Equity Transfer Agreement as an interested person transaction will not proceed.

Shareholders should also note that Resolution 1 and Resolution 2, being the proposed entry into the Restated JVA and the proposed execution of the Amended AOA, are inter-conditional on each other. Accordingly, in the event that either of these Resolutions are not passed, none of the Resolutions will be passed and the proposed transactions contemplated in the Circular will not take place.

#### **6.2 Abstention from Voting**

We note that, as set out in Section 2.7.8 of the Circular, TPH will abstain, and has undertaken to ensure that its associates will abstain from voting at the EGM on the resolution in respect of the Proposed DRT Disposal and the entry into the Equity Transfer Agreement. In addition, TPH shall, and has undertaken to ensure that its associates shall, also not accept nomination as proxies or otherwise for voting at the EGM in respect of the aforesaid resolution unless specific instructions have been given in the proxy instrument on how the relevant Shareholders wish their votes to be cast for the aforesaid resolution.

Additionally, as set out in Sections 2.6.6 and 5 of the Circular, as at the Latest Practicable Date, Mr. Guo Min is a director of TPH, Ms. Zhang Mingrui is a director and the legal representative of TPH, and Ms. Mao Weiwen is a key management personnel in TPH. Accordingly, the aforementioned Directors have abstained from voting on the board resolution in respect of the Proposed DRT Disposal and the entry into the Equity Transfer Agreement, and will abstain from making any recommendation to the Shareholders who are independent of TPH and its associates on the Proposed DRT Disposal and the entry into the Equity Transfer Agreement.

---

## APPENDIX A – IFA LETTER

---

### 7. OPINION

In arriving at our opinion in respect of the entry into the Equity Transfer Agreement as an interested person transaction, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (a) the rationale for, and benefits of, the Proposed DRT Disposal;
- (b) the use of the DRT Consideration;
- (c) the Independent Appraisal conducted by the Independent Valuer;
- (d) overview of the financial performance of the Target Company:
  - (i) the historical financial performance of the Target Company;
  - (ii) the NAV of the Target Company;
  - (iii) the implied financial ratios of the Target Company; and
  - (iv) the financial information of the Target Company as recorded in the consolidated historical financial statements of the Company;
- (e) in respect of the Comparable Companies:
  - (i) the P/E ratio of the Target Company of 18.41 times (as implied by the DRT Consideration) is within range of the P/E ratio of the Comparable Companies of between 8.35 times to 37.35 times, above the median P/E ratio of the Comparable Companies at 18.38 times, and below the mean P/E ratio of the Comparable Companies at 21.44 times;
  - (ii) the EV/EBITDA ratio of the Target Company of 13.49 times (as implied by the DRT Consideration) is within range of the EV/EBITDA ratio of the Comparable Companies of between 2.74 times to 24.79 times, and above the mean and median EV/EBITDA ratio of the Comparable Companies at 9.82 times and 11.80 times respectively;
  - (ii) the P/NAV ratio of the Target Company of 13.40 times (as implied by the DRT Consideration) is significantly higher than the maximum P/NAV ratio of 5.42 times of the Comparable Companies;
- (f) the assessment of the salient terms of the Equity Transfer Agreement;
- (g) the financial effects of the Proposed DRT Disposal; and
- (h) other relevant considerations as set out in paragraph 6 of this Letter, namely (i) the inter-conditional of Resolution 1 and Resolution 2, and (ii) the abstention from voting.

**Having regard to the considerations set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the entry into the Equity Transfer Agreement as an interested person transaction is on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders.**

This Letter is prepared pursuant to Rule 921(4)(a) of the Listing Manual as well as addressed to the Non-Interested Directors for their benefit, in connection with and for the purpose of their consideration of the entry into the Equity Transfer Agreement as an interested person

---

## APPENDIX A – IFA LETTER

---

transaction only. The recommendation made by the Non-Interested Directors to the minority Shareholders in relation to the entry into the Equity Transfer Agreement shall remain the sole responsibility of the Non-Interested Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of NCF in each specific case except for the EGM and the purpose of the entry into the Equity Transfer Agreement. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly,

For and on behalf of  
**Novus Corporate Finance Pte. Ltd.**

Andrew Leo  
Chief Executive Officer

Melvin Teo  
Associate Director

---

**APPENDIX B – AUDITORS’ REPORT**

---

**Tianjin TSKF Pharmaceutical Co., Ltd.**  
**January 2023 - May 2024**  
**Auditors' Report on Financial Statements**

CAC JZZ [2024] No. 0038

**CAC CPA Limited Liability Partnership**

This code is used to verify whether the Auditors' Report was issued by a licensed accounting firm.  
You can scan the QR code with your mobile phone or visit the "Unified Supervision Platform of  
Chinese CPA Profession" (<http://acc.mof.gov.cn>) for verification.  
Code: Jin 24D6LV2KMX



---

## APPENDIX B – AUDITORS’ REPORT

---

### CONTENTS

CONTENTS	Page
I. Auditors' Report	1-3
II. Audited Financial Statements	
Balance Sheet	4-5
Income Statement	6
Cash Flow Statement	7
Statement of Changes in Owners' Equity	8-9
III. Notes to the Financial Statements	10-26



---

## APPENDIX B – AUDITORS' REPORT

---



### CAC CPA Limited Liability Partnership

52/F, Centre Plaza, No. 188, Jiefang Road, Heping District, Tianjin, P.R.C. Post: 300042

Tel: 86-22-23193866 Fax: 86-22-23559045

Web: www.caccpallp.com

# Auditors' Report

CAC JZZ [2024] No. 0038

**To all the shareholders of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited,**

## I. Auditors' Opinion

Tianjin TSKF Pharmaceutical Co., Ltd. ("TSKF") We have audited the financial statements of Sino-American Tianjin Smith Kline & French Laboratories Ltd. ("TSKF"), including the balance sheets as at December 31, 2023 and May 31, 2024, along with the income statement, statement of cash flows, statement of changes in owners' equity and related notes to the financial statements of Year 2023 and the period from January to May 2024.

In our opinion, the financial statements attached hereto are prepared, in all material respects, in accordance with the *Accounting System for Business Enterprises* and fairly present the financial status of TSKF as at December 31, 2023 and May, 2024, as well as the operating results and cash flows of Year 2023 and the period from January to May 2024.

## II. Basis for Auditors' Opinion

We conducted our audit in accordance with the *Auditing Standards for Certified Public Accountants in China*. Our responsibilities under those standards are further described in the section "Responsibility of Certified Public Accountants for Auditing Financial Statements" of the Auditors' report. We are independent of TSKF and have fulfilled our other ethical responsibilities in accordance with the *China Code of Ethics for Certified Public Accountants*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



---

## APPENDIX B – AUDITORS’ REPORT

---

### III. Responsibility of the Management and Governance for Financial Statements

The management of TSKF (the "Management") shall be responsible for preparing financial statements in accordance with the *Accounting System for Business Enterprises* to accomplish fair presentation, and design, implement or maintain necessary internal controls so that the financial statements are free from material misstatement caused by fraud or error.

When preparing the financial statements, the Management shall be responsible for assessing TSKF's ability to continue as a going concern, disclosing matters related to going concern (if applicable), and applying the going concern assumption unless it has any plan of liquidation or discontinued operation, or there is no other actual choice.

The Governance shall be responsible for overseeing TSKF's financial reporting process.

### IV. Responsibility of Certified Public Accountants for Auditing Financial Statements

Our objective is to obtain reasonable guarantee as to whether the financial statements are free from material misstatement due to fraud or error as a whole, and to issue an auditors' report containing auditors' opinion. Reasonable guarantee is a high level of guarantee, but it cannot guarantee that one material misstatement will be always detected in any audit performed in accordance with auditing standards. Misstatement may be caused by fraud or error, and is generally considered material if it is reasonably expected that the misstatement alone or together may affect the economic decisions made by financial statement users based on financial statements.

We exercise professional judgment and maintain professional suspicion in performing our audit in accordance with audit standards. At the same time, we also carry out the following work:

(1) Identify and evaluate the risks of material misstatement of financial statements due to fraud or error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as the basis for delivering auditors' opinion. As collusion, forgery, intentional omission, misrepresentation or overriding internal control may be involved in the fraud, the risk of failing to detect material misstatement due to fraud is higher than that of failing to detect material misstatement due to error.

(2) Understand audit-related internal control to design appropriate audit procedures, but it is not for the purpose of giving opinions on the effectiveness of internal control.

(3) Evaluate the appropriateness of the Management's selection of accounting policies and the rationality of accounting estimates and related disclosures.





---

## APPENDIX B – AUDITORS’ REPORT

---

(4) Conclude the appropriateness of the Management's use of continuous operation hypothesis. At the same time, based on the audit evidence obtained, the conclusion is drawn as to whether there is any material uncertainty in the matters or conditions that may cause significant doubt on TSKF's capability of continued operation. If we conclude that there is any material uncertainty, we are required to ask the statement users to note the relevant disclosure in the financial statements in the auditors' reports according to the audit standards. If the disclosure is inadequate, we shall express our opinions without reservation. Our conclusions are based on information available as of the date of the auditors' report. However, future events or situations may make TSKF fail to continue its operation.

(5) Valuate the overall presentation (including disclosure), structure and content of the financial statements and whether the financial statements fairly present the relevant transactions and events.

We communicate with the Governance about planned audit scope, schedule and significant audit findings, etc., including internal control defects of concern that we identified during the audit.



CAC CPA Limited  
Liability Partnership  
(Stamp)

Chinese certified public  
accountant:

(Signature & Stamp)



丁琛

Chinese certified public  
accountant: Ding chen Ding  
chen

CAC CPA Limited  
Liability Partnership  
1201030336487

Chinese certified public  
accountant:

(Signature & Stamp)



李媛

Chinese certified public  
accountant: Li Yuan Li Yuan

Tianjin, China

July 15, 2024



## APPENDIX B – AUDITORS’ REPORT

Tianjin TSKF  
Pharmaceutical Co., Ltd.

### Balance Sheet

Prepared by: Tianjin TSKF Pharmaceutical Co., Ltd.

Unit & Currency: RMB

Item	Note	Amount as at May 31, 2024	Amount as at December 31, 2023
<b>Current assets:</b>			
Monetary funds	Annotation 1	3,138,656.61	4,183,407.13
Short-term investments	Annotation 2	892,572,124.99	1,367,457,230.06
Accounts receivable	Annotation 3	370,716,526.75	158,106,891.77
Other receivables	Annotation 4	11,562,485.29	137,043,893.94
Advances to suppliers		116,116,644.22	7,841,441.83
Inventory	Annotation 5	814,188,526.13	941,906,553.17
Other current assets		0.04	1,598,161.41
<b>Total current assets</b>		<b>2,208,294,964.03</b>	<b>2,618,137,579.31</b>
<b>Non-current assets:</b>			
Original price of fixed assets		1,067,709,051.13	1,063,594,096.97
Less: Accumulated depreciation		825,268,323.84	813,248,800.20
Net value of fixed assets		242,440,727.29	250,345,296.77
Less: Provision for impairment of fixed assets		15,855,225.39	15,364,987.95
Net amount of fixed assets	Annotation 6	226,585,501.90	234,980,308.82
Construction in Progress	Annotation 7	74,907,878.58	61,773,536.85
Total fixed assets		301,493,380.48	296,753,845.67
Intangible assets			
Intangible assets	Annotation 8	4,060,438.65	5,874,424.34
Deferred tax			
Deferred-tax assets	Annotation 9	223,818,118.27	167,078,100.85
<b>Total assets</b>		<b>2,737,666,901.43</b>	<b>3,087,843,950.17</b>



## APPENDIX B – AUDITORS’ REPORT

Tianjin TSKF Pharmaceutical Co., Ltd.
--

### Balance Sheet (Continued)

Prepared by: Tianjin TSKF Pharmaceutical Co., Ltd.

Unit & Currency: RMB

Item	Note	Amount as at May 31, 2024	Amount as at December 31, 2023
<b>Current liabilities:</b>			
Accounts payable		682,531,694.44	621,296,835.81
Advances from customers			6,927,815.51
Wages Payable		28,586,638.19	54,431,810.75
Welfare payable	Annotation 10	46,446,502.61	50,005,274.00
Taxes and surtaxes payable	Annotation 11	80,301,322.46	137,431,229.14
Other payables		48,262,791.01	58,616,922.66
Accrued expenses		842,220,271.49	792,001,438.67
Total current liabilities		1,728,349,220.20	1,720,711,326.54
<b>Total liabilities</b>		1,728,349,220.20	1,720,711,326.54
<b>Owners' equity:</b>			
Paid-in capital	Annotation 12	173,712,005.40	173,712,005.40
Capital reserves	Annotation 13	5,000,000.00	5,000,000.00
Surplus reserves	Annotation 14	206,765,030.17	206,765,030.17
Undistributed profit	Annotation 15	623,840,645.66	981,655,588.06
Total owners' equity		1,009,317,681.23	1,367,132,623.63
<b>Total liabilities and owners' equity</b>		2,737,666,901.43	3,087,843,950.17

Legal representative: Chen Jinzhu

Accounting principal: Xu Lifang

Principal of Accounting Firm: Chuan Lai Ong



## APPENDIX B – AUDITORS’ REPORT

Tianjin TSKF  
Pharmaceutical Co., Ltd.

### Income Statement

Prepared by: Tianjin TSKF Pharmaceutical Co., Ltd.

Unit & Currency: RMB

Item	Note	January - May 2024	Year 2023
I. Income from primary business	Annotation 16	1,573,844,345.00	3,581,879,341.01
Less: Cost of primary business	Annotation 17	809,840,248.55	1,583,219,074.22
Taxes and surcharges on main business	Annotation 18	17,126,881.70	33,661,958.13
II. Profit from primary business		746,877,214.75	1,964,998,308.66
Plus: Profit on other business		5,366,780.62	24,165,195.79
Less: Operating expenses		301,492,066.12	592,048,679.51
General and administrative expenses		24,817,994.31	105,131,087.72
Plus: Net financial income	Annotation 19	6,437,861.97	21,314,850.06
III. Operating profit		432,371,796.91	1,313,298,587.28
Plus: Non-operating income		565,822.79	364,404.82
Less: Non-operating expenses	Annotation 20	350,370.98	3,805,371.66
IV. Total profit		432,587,248.72	1,309,857,620.44
Less: Income tax expenses	Annotation 21	107,940,024.60	328,202,032.38
V. Net profit		324,647,224.12	981,655,588.06

Legal representative: Chen Jinzhu

Accounting principal: Xu Lifang

Principal of Accounting Firm: Chuan Lai Ong



## APPENDIX B – AUDITORS’ REPORT

Tianjin TSKF  
Pharmaceutical Co., Ltd.

### Cash Flow Statement

Prepared by: Tianjin TSKF Pharmaceutical Co., Ltd.

Unit & Currency: RMB

Item	January - May 2024	Year 2023
<b>I. Cash flows from operating activities:</b>		
Cash received from sales of product and rendering of services	1,564,971,121.46	4,229,170,784.06
Other cash received from operating activities	256,344,034.66	396,947.96
<b>Sub-total of cash inflows from operating activities</b>	<b>1,821,315,156.12</b>	<b>4,229,567,732.02</b>
Cash paid for purchase of products and rendering of services	852,400,448.72	1,876,725,612.75
Cash paid to and on behalf of employees	159,176,837.59	376,957,337.14
Cash paid for taxes and surcharges	381,119,553.72	583,823,895.00
Other cash paid for operating activities	208,999,382.30	242,485,150.86
Sub-total of cash outflows from operating activities	1,601,696,222.33	3,079,991,995.75
<b>Net cash flows from operating activities</b>	<b>219,618,933.79</b>	<b>1,149,575,736.27</b>
<b>II. Cash flows from investing activities:</b>		
Cash received from recovery of investments	474,885,105.07	
Cash received from returns on investments	6,729,646.38	20,888,469.91
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	490,237.44	463,913.35
Sub-total of cash inflows from investing activities	482,104,988.89	21,352,383.26
Cash paid for acquisition & construction of fixed assets, intangible assets and other long-term assets	20,306,512.35	59,842,998.45
Cash paid for investments		410,852,351.71
Sub-total of cash outflows from investing activities	20,306,512.35	470,695,350.16
Net cash flows from investing activities	461,798,476.54	-449,342,966.90
<b>III. Cash flows from financing activities:</b>		
Cash paid for distribution of dividends or profit, or payment of interest	682,462,166.52	706,820,755.03
Sub-total of cash outflows from financing activities	682,462,166.52	706,820,755.03
Net cash flows from financing activities	-682,462,166.52	-706,820,755.03
<b>IV. Net increase in cash and cash equivalents</b>	<b>-1,044,756.19</b>	<b>-6,587,985.66</b>
Plus: Cash and cash equivalents at the beginning of the period	4,172,192.41	10,760,178.07
<b>V. Cash and cash equivalents at the end of the period</b>	<b>3,127,436.22</b>	<b>4,172,192.41</b>

Legal representative: Chen Jinzhu

Accounting principal: Xu Lifang

Principal of Accounting Firm: Chuan Lai Ong



## APPENDIX B – AUDITORS’ REPORT

Tianjin TSKF  
Pharmaceutical Co., Ltd.

### Statement of Changes in Owners' Equity

Unit & Currency: RMB

Prepared by: Tianjin TSKF Pharmaceutical Co., Ltd.

Item	Other equity instruments										Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	
		Preferred stock	Perpetual bonds	Others							
I. Balance as at the end of previous year:	173,712,005.40	-	-	-	5,000,000.00	-	-	206,765,030.17	981,655,588.06	1,367,132,623.63	
Plus: Changes in accounting policies											
Correction of errors in previous period											
Others											
II. Balance as at the beginning of current year	173,712,005.40	-	-	-	5,000,000.00	-	-	206,765,030.17	981,655,588.06	1,367,132,623.63	
III. Increase/Decrease in current year ("-" for decrease)											
(I) Total comprehensive income											
(II) Capital contributed or reduced by owners											
1. Capital contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution											
1. Withdrawal of surplus reserves									-682,462,166.52	-682,462,166.52	
2. Distribution to owners									-682,462,166.52	-682,462,166.52	
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Capital reserves converted to paid-in capital											
2. Surplus reserves converted to paid-in capital											
3. Surplus reserves used to offset loss											
4. Changes in the defined benefit plan transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(V) Special reserves											
1. Amount withdrawn for current period											
2. Amount used for current period											
(VI) Others											
IV. Balance as at the end of current year	173,712,005.40	-	-	-	5,000,000.00	-	-	206,765,030.17	623,840,645.66	1,009,317,681.23	

Legal representative: Chen Jinzhu

Accounting principal: Xu Lifang

Principal of Accounting Firm: Chuan Lai Ong



## APPENDIX B – AUDITORS’ REPORT

Tianjin TSKF  
Pharmaceutical Co., Ltd.

### Statement of Changes in Owners' Equity (Continued)

Unit & Currency: RMB

Prepared by: Tianjin TSKF Pharmaceutical Co., Ltd.

Item	Other equity instruments				Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Total owners' equity
	Paid-in capital	Preferred stock	Perpetual bonds	Others							
I. Balance as at the end of previous year:	173,712,005.40				5,000,000.00				206,765,030.17	706,940,755.03	1,092,417,790.60
Plus: Changes in accounting policies											
Correction of errors in previous period											
Others											
II. Balance as at the beginning of current year	173,712,005.40				5,000,000.00				206,765,030.17	706,940,755.03	1,092,417,790.60
III. Increase/Decrease in current year ("-" for decrease)											
(I) Total comprehensive income										274,714,833.03	274,714,833.03
(II) Capital contributed or reduced by owners										981,655,588.06	981,655,588.06
1. Capital contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution										-706,940,755.03	-706,940,755.03
1. Withdrawal of surplus reserves											
2. Distribution to owners										-706,820,755.03	-706,820,755.03
3. Others										-120,000.00	-120,000.00
(IV) Internal carry-forward of owners' equity											
1. Capital reserves converted to paid-in capital											
2. Surplus reserves converted to paid-in capital											
3. Surplus reserves used to offset loss											
4. Changes in the defined benefit plan transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(V) Special reserves											
1. Amount withdrawn for current period											
2. Amount used for current period											
(VI) Others											
IV. Balance as at the end of current year	173,712,005.40				5,000,000.00				206,765,030.17	981,655,588.06	1,367,132,623.63

Legal representative: Chen Jinzhu

Accounting principal: Xu Liliang

Principal of Accounting Firm: Chuan Lai Ong



---

## APPENDIX B – AUDITORS' REPORT

---

# Notes to the Financial Statements of Tianjin TSKF Pharmaceutical Co., Ltd. ("TSKF")

January 1, 2023 to May 31, 2024

(The amounts herein are expressed in RMB unless otherwise specified)

### Note 1: Profile of TSKF

#### (1) Overview

Name: Tianjin TSKF Pharmaceutical Co., Ltd.

Registered address: Chenglinzhuang Industrial Zone, Dongli District, Tianjin

Date of establishment: September 23, 1984

Business term: September 23, 1984 to September 22, 2024

Registered capital: USD 29.94 million

#### (2) Nature of industry, business scope, and main Products or rendered services

Business scope: Manufacturing of pharmaceuticals (excluding the application of the processing of Chinese herbal pieces such as steaming, frying, roasting, and calcining, and the production of proprietary Chinese medicine formula products); Wholesale of pharmaceuticals; Retail of pharmaceuticals; Commissioned production of pharmaceuticals; Import and export of pharmaceuticals; Sales of pharmaceutical precursor chemicals; Production of Class II medical devices; Internet-based pharmaceutical information services (excluding services that require telecommunication business licenses); Food sales; Internet food sales; Catering services; Production of disinfectants (excluding hazardous chemicals); Operation of Class III medical devices. (For items subject to approval, the business cannot be carried out until the approval is obtained from relevant departments. Specific business items shall be based on the approval documents or licenses issued by the relevant departments) General Items: Sales of Class II medical devices; Import and export of goods; Import and export of food; Wholesale and retail of cosmetics; Sales of disinfectants (excluding hazardous chemicals); Sales of daily necessities; Wholesale and retail of sports goods and equipment; Sales of outdoor products; Internet sales (excluding goods requiring permits); Technical services, development, consultation, exchange, transfer, and promotion (excluding the development and application of human stem cells, gene diagnosis, and treatment technologies); Market planning; Health consultation services (excluding diagnosis and treatment services); Medical research and experimental development (excluding the development and application of human stem cells, gene diagnosis, and treatment technologies). (For items not subject to approval, the company shall lawfully conduct business activities autonomously based on its business license.) (The company is prohibited from investing in sectors that are restricted for foreign investments under the *Special Administrative Measures (Negative List) for Foreign Investment Access*.)



---

## APPENDIX B – AUDITORS’ REPORT

---

### (3) History and development of the Company

Tianjin TSKF Pharmaceutical Co., Ltd. (hereinafter referred to as "the Company") was established as a Sino-foreign joint venture enterprise on September 23, 1984, in Tianjin, China, by Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited. (formerly known as Tianjin Zhongxin Pharmaceutical Group Co., Ltd.), Tianjin Pharmaceutical Holdings Co., Ltd. (collectively referred to as the "Chinese party"), and GlaxoSmithKline (China) Investment Co., Ltd. (hereinafter referred to as the "Foreign party"). The Chinese party holds 45% of the registered capital, and the foreign party holds 55%. In August 2015, GlaxoSmithKline (China) Investment Co., Ltd. transferred its entire equity in the Company to Haeon UK Services Limited (formerly known as GlaxoSmithKline Consumer Healthcare (Overseas) Limited). The approved business term of the Company extends to September 2024 at the registered capital of USD 29.94 million. On July 17, 2022, GlaxoSmithKline PLC completed its business spin-off, and the Company's ultimate holding company was changed from GlaxoSmithKline PLC to Haeon PLC. The main business activities of the Company include the production, processing, packaging, and sales of pharmaceuticals and raw pharmaceutical materials. For details on investors' capital contributions, see Note 15.

#### **Note 2: Main Accounting Policies and Estimates**

##### 1. Accounting system

The Company prepares its main financial statements in accordance with the *Accounting System for Business Enterprises* issued by the Ministry of Finance of the People's Republic of China.

##### 2. Fiscal year

The Company's fiscal year begins on January 1 and ends on December 31 in the Gregorian calendar.

##### 3. Basis for accounting and valuation

The Company's accounts are prepared on an accrual basis, and the prices are measured on the basis of historical costs,

##### 4. Functional currency and translation of foreign currencies

The Company's functional currency is RMB. Foreign currency transactions are converted into RMB using the exchange rates published by the People's Bank of China on the first day of the transaction month. At the end of the year, monetary foreign currency assets and liabilities are translated at the exchange rate on the balance sheet date as published by the People's Bank of China. Foreign exchange differences, except for those related to the acquisition of fixed assets, are recognized as gain or loss on the exchange in current period.

##### 5. Criteria for the determination of cash and cash equivalents

Cash equivalents refer to short-term and highly-liquid investments held by the Company that are easily convertible into known amounts of cash and subject to minimal risk of value changes.

##### 6. Provision for bad debts

Provision for bad debts refers to the estimate of accrual by the Company based on individually identified receivables that show signs of difficulty in recovery and an aging analysis. The provision for bad debts of other receivables is accrued by estimating corresponding recoverability risk based on the nature.

---

## APPENDIX B – AUDITORS’ REPORT

---

(1) Accounting method for loss on bad debts: The allowance method is used, where the provision is made based on the recoverability of receivables. For receivables from related parties, where recoverability is distinctly different from other non-related-party receivables, a specific identification is made for accrual of special provision for bad debts. For other non-related-party receivables, where no specific accrual is made, the provision for bad debts is generally made based on an aging analysis, with full withdrawal of provision for bad debts for receivables aged over one year.

### 7. Accounting methods for inventory

Inventory is measured at the cost or the net realizable value, whichever is lower.

Inventory cost includes purchase cost, processing cost, and other related costs. Inventory is recorded at actual cost upon acquisition. The FIFO (First-In, First-Out) method is used for cost calculation when the inventory is issued. In addition to the cost for procurement of raw materials, the goods in progress and finished products also include direct labor and an appropriate share of manufacturing overheads.

The Company uses a perpetual inventory system.

### 8. Investments

#### (1) Entrusted loans

Entrusted loans refer to the funds that are provided by the Company and are disbursed and recovered through financial institutions based on the Company’s specified loan targets, purposes, amounts, terms and interest rates.

Entrusted loans are initially recognized at the cost of the initial investment, which is the total amount actually paid at the time of the loan disbursement, including the handling fees and other related expenses.

The Company accrues interest on entrusted loans based on the duration of the loan utilization and the applicable interest rate, and is recognized in profit or loss. If the accrued interest cannot be recovered by the payment date, the Company will discontinue the accrual of interest on the related entrusted loans and will offset the previously accrued interest against the current period's profit or loss.

The Company accrues the provision for impairment of entrusted loans, and the net amount after such provision is recorded on the balance sheet. Loans with a term of one year or less (including one year) are classified as short-term investments. Loans exceeding one year are classified as long-term debt investments, with portions maturing within one year (including one year) categorized as "long-term debt investments maturing within one year".

### 9. Fixed assets and construction in progress

Fixed assets are recorded on the Balance Sheet at cost less the accumulated depreciation and provision for impairment. Construction in progress is recognized at cost less provision for impairment.

All direct and indirect costs related to the acquisition of fixed assets incurred before the assets reach the intended state of readiness for use - including borrowing costs incurred from dedicated borrowings during the acquisition period (including profit or loss on foreign exchange associated with the principal and interest) - are fully capitalized as construction in progress. Construction in progress is transferred to fixed assets when it reaches the intended state of readiness for use. No depreciation is accrued for construction in progress.

## APPENDIX B – AUDITORS’ REPORT

The Company uses the straight-line method to calculate depreciation on fixed assets over their estimated useful lives. The estimated useful lives and net residual value rate for different categories of fixed assets are as follows:

	<u>Estimated useful life</u>	<u>Estimated net residual value rate</u>	<u>Depreciation rate</u>
Buildings and constructions			
- Land use rights	50 years	0%	2.00%
- Construction costs	5-20 years	0%	5.00-20.00%
Machinery equipment	3-20 years	0%	5.00-33.33%
Office equipment	3-15 years	0%	6.67-33.33%

### 10. Leases

Operating lease payments are recognized as expenses on a straight-line basis over the tenancy.

### 11. Intangible assets

Intangible assets are recorded on the Balance Sheet at cost less accumulated amortization and provision for impairment. Intangible assets are measured at their actual cost at acquisition. For intangible assets contributed by investors, the actual cost is based on the values as agreed upon by the parties involved. For self-developed intangible assets obtained through legal procedures, the actual cost is determined by the registration fees, attorney fees, and other expenses incurred at the time of acquisition. Research and development expenses incurred prior to legal acquisition are charged directly to the profit or loss in current period. For purchased intangible assets, the actual cost is based on the amount actually paid.

The cost amortization of intangible assets is calculated using the straight-line method over the benefit period specified in the contract or the legally prescribed duration, whichever is shorter. If no benefit period is specified and no effective duration is prescribed by law, the amortization period is less than 10 years.

The amortization periods for various intangible assets are as follows:

	<u>Estimated useful life</u>	<u>Estimated net residual value rate</u>	<u>Amortization rate</u>
Software	3 years	0%	33.33%
Patent	5-20 years	0%	20.00%

### 12. Provision for impairment of assets

The Company regularly conducts reviews on the carrying values of its assets (including entrusted loans, fixed assets, construction in progress, intangible assets and other assets) to determine whether their recoverable amounts have declined below their carrying values. When events or circumstances indicate that an asset's carrying value may not be recoverable, an impairment test shall be carried out. If impairment occurs, the carrying value will be impaired to its recoverable amount, while the value impaired shall be recognized as the loss on impairment.

---

## APPENDIX B – AUDITORS’ REPORT

---

The recoverable amount refers to the asset's net selling price or the present value of estimated future cash flows from its continued use and disposal at the end of its useful life, whichever is greater.

The Company calculates impairment loss on an individual asset basis, and recognizes it in current period's gain or loss.

If there are indications that the factors leading to the recognition of asset impairment in previous years have changed, such that the recoverable amount of the asset exceeds its carrying value, the impairment loss identified in previous years may be reversed. The reversed impairment loss will be recognized in the profit or loss of the current period; however, the carrying value of the asset after the reversal must not exceed the amount that would have been determined if no impairment had been recognized.

### 13. Income tax

Income tax expense is recognized based on the tax effect accounting method. Current tax expense includes the income tax payable for the period as well as changes in deferred tax assets and liabilities.

The current tax payable is calculated from the taxable income for the period and the applicable tax rate.

Deferred tax items are the provisions calculated using the deferred method. This method is used for calculations of deferred tax items based on timing differences arising from discrepancies between the timing of income, expenses, or loss determined under tax law and accounting standards, resulting in differences between pre-tax accounting profit and taxable income. When tax rates change or new taxes are introduced, the deferred tax method does not adjust the previously determined income tax effects of timing differences; However, any reversal of these amounts is recognized using the original tax rate.

Tax loss expected to offset the taxable income in future periods (within the same legal entity and jurisdiction) will be used to offset deferred tax liabilities. If it becomes unlikely that the benefits associated with deferred tax assets will be realized, the related deferred tax asset will be adjusted to reflect its expected realizable amount.

### 14. Estimated liabilities and contingent liabilities

The Company recognizes the provision for estimated liabilities when it assumes a present obligation arising from past events, the fulfillment of which is likely to cause an outflow of economic benefits, and the amount can be reliably estimated.

If the likelihood of an outflow of economic benefits is lower, or if the amount cannot be reliably estimated, the obligation will be disclosed as a contingent liability.

### 15. Recognition of income

Income shall be recognized when it is likely that economic benefits will flow to the Company, and both the income and associated costs can be reliably measured, with the following methods applied:

- (1) Income from sales of products

---

## APPENDIX B – AUDITORS’ REPORT

---

Income from sales of products is recognized when the significant risks and rewards of ownership have been transferred to the buyer, and the Company retains neither ongoing managerial responsibility nor control over the products that have been sold.

(2) Income from rendering of services

When the outcome of any service transaction can be reliably determined, the income shall be recognized over the period in which the services are delivered, based on the extent of completion. This is measured by the proportion of costs incurred relative to the total estimated costs. If the outcome of the service transaction cannot be reliably estimated, the income shall be recognized based on the costs incurred that are expected to be recoverable.

(3) Interest income

Interest income is recognized on the time proportion basis after taking into account the principal outstanding and the rate applicable.

(4) Income from subsidies

Tax rebate subsidies are recognized in accordance with the fixed amounts of subsidies specified by government regulations. Other forms of income from subsidies are recognized upon receipt of the actual amounts of subsidies.

16. Repair and maintenance expenses

Repair and maintenance expenses (including major overhaul costs) are recognized in the profit or loss for the period in which they are incurred.

17. Rights distributed to shareholders

Dividends are recognized in the profit for the current period and in the profit distribution schedule upon their approval.

18. Retirement welfare

In accordance with relevant Chinese regulations, the Company participates in a government-organized fixed-amount contribution retirement plan for employees. The Company contributes a certain percentage of employee wages to the retirement plan. The contributions above shall be recognized in asset costs or charged to profit or loss for the current period on an accrual basis. Once the contributions are made as per the plan, the Company will have no further payment obligations.

19. Related parties

Related parties are individuals or entities that have the ability to directly or indirectly control, jointly control, or exert significant influence over the Company, or vice versa. Alternatively, parties are considered related if they are subject to common control with the Company. Related parties can be either individuals or entities.

**Note 3: Taxes and Surcharges**

<u>Type of tax</u>	<u>Basis of taxation</u>
Value-added tax (VAT)	The payable VAT is the balance after deducting the deductible input VAT from the output VAT. The output VAT is calculated at 13% of sales amount or 6% of service income as per relevant tax regulations

## APPENDIX B – AUDITORS’ REPORT

<u>Type of tax</u>	<u>Basis of taxation</u>
Urban maintenance and construction tax	Calculated and paid at 7% of the actual VAT paid
Education fee surcharges	Calculated and paid at 3% of the actual VAT paid
Local education fee surcharges	Calculated and paid at 3% of the actual VAT paid
Corporate income tax	Calculated and paid at 25% of the taxable income

### Note 4: Key Annotations of Accounting Statements

Note: "End of Period" refers to "May 31, 2024"; "Beginning of Year" refers to "December 31, 2023"; "Current Period" refers to "January to May 2024"; "Previous Year" refers to the "Year 2023".

### Annotation 1. Monetary funds

Item	Currency	Balance as at the End of Period		Balance as at the Beginning of Year	
		Amount in original currency	Amount equivalent in RMB	Amount in original currency	Amount equivalent in RMB
Cash	RMB		0.00	0.00	0.00
Bank Deposits	RMB	3,138,656.61	3,138,656.61	4,183,407.13	4,183,407.13
	Subtotal		3,138,656.61		4,183,407.13
	<b>Total</b>		<b>3,138,656.61</b>		<b>4,183,407.13</b>

### Annotation 2. Short-term investments

Company	Balance as at the End of Period	Balance as at the Beginning of Year
	RMB	RMB
Haleon (China) Co., Ltd.	892,572,124.99	1,367,457,230.06

The Company's short-term investments consist of the principal of entrusted loans provided to affiliated parties through a cash pool facilitated by financial institutions, along with accrued interest receivable. The balance of accrued interest receivable is RMB 0.00 (Year 2023: RMB 2,469,026.82). For further details, please refer to Note 7 (3).

### Annotation 3. Accounts receivable

Aging	Balance as at the End of Period			Balance as at the Beginning of Year		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	370,716,526.75	100.00	0.00	158,106,891.77	100.00	0.00
<b>Total</b>	<b>370,716,526.75</b>	<b>100.00</b>	<b>0.00</b>	<b>158,106,891.77</b>	<b>100.00</b>	<b>0.00</b>

## APPENDIX B – AUDITORS’ REPORT

The aging is calculated from the date of recognition of accounts receivable.

### Annotation 4. Other receivables

The aging analysis for other receivables is listed as follows:

Aging	Balance as at the End of Period			Balance as at the Beginning of Year		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	10,876,522.64	94.07	0.00	135,898,763.29	99.16	0.00
Over 1 year	685,962.65	5.93	0.00	1,145,130.65	0.84	0.00
<b>Total</b>	<b>11,562,485.29</b>	<b>100.00</b>	<b>0.00</b>	<b>137,043,893.94</b>	<b>100.00</b>	<b>0.00</b>

The aging is calculated from the date of recognition of other receivables.

### Annotation 5. Inventory

Item	Balance as at the End of Period	Balance as at the Beginning of Year
Materials in transit	207,921,607.58	480,444,623.27
Raw materials	44,472,543.08	31,698,467.92
Goods in progress	24,905,325.99	42,701,899.95
Finished products	553,792,687.55	408,246,014.09
Subtotal	831,092,164.20	963,091,005.23
Less: Provision for depreciation of inventory	(16,903,638.07)	(21,184,452.06)
<b>Total</b>	<b>814,188,526.13</b>	<b>941,906,553.17</b>

Provision for depreciation of inventory:

	Balance as at the End of Period				Balance as at the Beginning of Year			
	Raw materials	Goods in progress	Finished products	Total	Raw materials	Goods in progress	Finished products	Total
Balance as at the Beginning of Year	2,820,439.50	3,486,916.19	14,877,096.37	21,184,452.06	(126,435.00)	664,514.46	12,071,726.70	12,609,806.16
Provision/(Reversal) for Current Year	(2,228,032.40)	(2,896,800.34)	1,318,550.70	(3,806,282.04)	3,318,497.67	2,826,564.80	12,654,966.67	18,800,029.14
Amount written off for Current Year	(290,467.28)	(10,074.24)	(173,990.43)	(474,531.95)	(371,623.17)	(4,163.07)	(9,849,597.00)	(10,225,383.24)
Balance as at the End of Year	301,939.82	580,041.61	16,021,656.64	16,903,638.07	2,820,439.50	3,486,916.19	14,877,096.37	21,184,452.06

### Annotation 6. Fixed assets and accumulated depreciation

	Buildings and constructions	Machinery equipment	Office equipment	Total
I. Original value				
Balance as at the Beginning of Year	304,456,904.48	568,818,756.91	190,318,435.58	1,063,594,096.97
Purchase for Current Year			220,384.00	220,384.00

## APPENDIX B – AUDITORS’ REPORT

Transfer from Construction in Progress for Current Year	248,077.26	4,435,141.80	1,852,988.57	6,536,207.63
Decrease for Current Year		<u>1,558,008.29</u>	<u>1,083,629.18</u>	<u>2,641,637.47</u>
Balance as at the End of Period	304,704,981.74	571,695,890.42	191,308,178.97	1,067,709,051.13
II. Accumulated depreciation				
Balance as at the Beginning of Year	248,073,661.94	420,577,793.02	144,597,345.24	813,248,800.20
Amount of provision for Current Year	1,789,505.79	8,991,176.74	4,631,747.28	15,412,429.81
Decrease for Current Year		<u>1,558,008.29</u>	<u>1,834,897.88</u>	<u>3,392,906.17</u>
Balance as at the End of Period	249,863,167.73	428,010,961.47	147,394,194.64	825,268,323.84
III. Provision for impairment				
Balance as at the Beginning of Year	389,299.22	9,984,269.94	4,991,418.79	15,364,987.95
Provision for Current Year		440,065.02	50,172.42	490,237.44
Balance as at the End of Period	389,299.22	10,424,334.96	5,041,591.21	15,855,225.39
IV. Net amount				
Balance as at the Beginning of Year	<u>55,993,943.32</u>	<u>138,256,693.95</u>	<u>40,729,671.55</u>	<u>234,980,308.82</u>
Balance as at the End of Period	<u><u>54,452,514.79</u></u>	<u><u>133,260,593.99</u></u>	<u><u>38,872,393.12</u></u>	<u><u>226,585,501.90</u></u>

**Annotation 7. Construction in progress**

Cost

Balance as at the Beginning of Year	72,104,018.81
Increase for Current Year	20,086,128.35
Amount transferred to fixed assets for Current Year	-6,536,207.63
Other decreases for Current Year	<u>(415,578.99)</u>
Balance as at the End of Period	85,238,360.54
Provision for impairment	
Balance as at the Beginning and the End of Year	<u>(10,330,481.96)</u>
Net amount	
Balance as at the Beginning of Year	61,773,536.85
Balance as at the End of Period	<u><u>74,907,878.58</u></u>

**Annotation 8. Intangible assets**

Software	Patent	Total
----------	--------	-------



## APPENDIX B – AUDITORS’ REPORT

Cost			
Balance as at the Beginning of Year	25,278,525.79	16,132,075.13	41,410,600.92
Increase for Current Year	415,578.99		
Balance as at the End of Period	25,694,104.78	16,132,075.13	41,826,179.91
Accumulated amortization			
Balance as at the Beginning of Year	(22,571,998.88)	(12,964,177.70)	(35,536,176.58)
Increase for Current Year	(789,610.41)	(1,439,954.27)	(2,229,564.68)
Balance as at the End of Period	<u>(23,361,609.29)</u>	<u>(14,404,131.97)</u>	<u>(37,765,741.26)</u>
Net amount			
Balance as at the Beginning of Year	<u>2,706,526.91</u>	<u>3,167,897.43</u>	<u>5,874,424.34</u>
Balance as at the End of Period	<u><u>2,332,495.49</u></u>	<u><u>1,727,943.16</u></u>	<u><u>4,060,438.65</u></u>

### Annotation 9. Deferred-tax assets

Item	Deductible/Taxable temporary differences		Deferred income-tax assets/(liabilities)	
	Amount as at the End of Period	Amount as at the Beginning of Year	Amount as at the End of Period	Amount as at the Beginning of Year
Provision for depreciation of inventory	16,903,638.07	21,184,452.06	4,225,909.52	5,296,113.02
Provision for impairment of fixed assets and construction in progress	26,185,707.35	25,695,469.91	6,546,426.84	6,423,867.48
Accrued expenses	849,512,005.28	615,740,323.07	212,378,001.32	153,935,080.77
Differences between tax and account for amortization of intangible assets	(3,596,323.31)	(2,966,392.90)	(899,080.83)	(741,598.23)
Differences between tax and account for amortization of fixed assets	(40,179,056.92)	(41,346,722.76)	(10,044,764.23)	(10,336,680.69)
Welfare payable	46,446,502.61	50,005,274.00	11,611,625.65	12,501,318.50
<b>Total</b>	<b><u>895,272,473.08</u></b>	<b><u>668,312,403.38</u></b>	<b><u>223,818,118.27</u></b>	<b><u>167,078,100.85</u></b>

### Annotation 10. Welfare payable

	Balance as at the End of Period	Balance as at the Beginning of Year
	RMB	RMB
Bonus and welfare funds for employees	16,326,029.22	16,326,029.22
Other welfare payable for employees	30,120,473.39	33,679,244.78
<b>Total</b>	<b><u>46,446,502.61</u></b>	<b><u>50,005,274.00</u></b>

## APPENDIX B – AUDITORS’ REPORT

The bonus and welfare funds are changed as follows:

	<u>RMB</u>
Balance as at the Beginning of Year	16,326,029.22
Provision for Current Year	0.00
Balance as at the End of Year	<u>16,326,029.22</u>

### Annotation 11. Taxes payable

Item	Balance as at the End of Period	Balance as at the Beginning of Year
Income tax payable	77,253,111.69	135,034,694.34
Value-added tax payable	7,008.82	
Others	3,041,201.95	2,396,534.80
<b>Total</b>	<b><u>80,301,322.46</u></b>	<b><u>137,431,229.14</u></b>

### Annotation 12. Paid-in capital

The Company’s registered capital is USD 29,940,045.00, and has been paid as of December 31, 2023. The capital contributions from investors, as stipulated in the Company’s articles of association, are as follows:

Shareholder	Amount as at the End of Period and the Beginning of Year		
	USD	Contribution Ratio %	Equivalent in RMB
Haleon UK Services Limited (Note 1)	16,467,025.00	55.00	95,541,602.97
Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (Note 2)	7,485,010.00	25.00	43,428,001.35
Tianjin Pharmaceutical Holdings Co., Ltd.	5,988,010.00	20.00	34,742,401.08
<b>Total</b>	<b><u>29,940,045.00</u></b>	<b><u>100.00</u></b>	<b><u>173,712,005.40</u></b>

The capital contributions above have been verified by Chinese certified public accountants with an issued capital verification report.

Note 1: Haleon UK Services Limited, which was formerly known as GlaxoSmithKline Consumer Healthcare (Overseas) Limited, renamed on November 18, 2022.

Note 2: Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited, which was formerly known as Tianjin Zhongxin Pharmaceutical Group Co., Ltd., renamed on May 18, 2022.

### Annotation 13. Capital reserves

	<u>Amount as at the End of Period and the Beginning of Year</u>
	RMB
Other capital reserves	<u>5,000,000.00</u>

## APPENDIX B – AUDITORS’ REPORT

### Annotation 14. Surplus reserves

	Reserve funds	Enterprise development funds	Total
	RMB	RMB	RMB
Amount as at the Beginning of Year and the End of Period	103,382,515.09	103,382,515.08	206,765,030.17

### Annotation 15. Profit distribution

	Balance as at the End of Period	Balance as at the Beginning of Year
	RMB	RMB
Undistributed profit as at the Beginning of Year	981,655,588.06	706,940,755.03
Plus: Profit for Current Year	324,647,224.12	981,655,588.06
Less: Employee welfare & bonus fund Note 1		(120,000.00)
Distributable profit	1,306,302,812.18	1,688,476,343.09
Less: Profit distributed to investors Note 2	(682,462,166.52)	(706,820,755.03)
Including: Dividends for Chinese shareholders	(307,107,926.49)	(318,069,339.76)
Dividends for foreign shareholders	(375,354,240.03)	(388,751,415.27)
Undistributed profit as at the End of Period	<b>623,840,645.66</b>	<b>981,655,588.06</b>

Note 1: According to the *Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures* and the Company's articles of association, the Company's annual net profit, after covering previous years' loss, shall first be allocated to the reserve funds, bonus and welfare funds for employees, and enterprise development funds before distribution to investors. The allocation ratios for the reserve funds, bonus and welfare funds for employees, and enterprise development funds are determined by the Company's board of directors.

Note 2: In accordance with the resolution of the Company's board of directors in May 2023, RMB 120,000.00 was allocated from the distributable profit as of December 31, 2022 as part of the welfare and bonus funds for employees, and RMB 682,462,166.52 was distributed as profit to investors (Year 2023: RMB 706,820,755.03). The profit above was distributed to shareholders based on their shareholding ratios.

### Annotation 16. Income from primary business

	Amount for Current Period	Amount for Previous Period
	RMB	RMB
Income from sales of products	1,573,844,345.00	3,581,879,341.01

### Annotation 17. Cost of primary business

	Amount for Current Period	Amount for Previous Period
--	---------------------------	----------------------------

## APPENDIX B – AUDITORS’ REPORT

	RMB	RMB
Cost of sales of products	<b>809,840,248.55</b>	<b>1,583,219,074.22</b>
<b>Annotation 18. Taxes and surcharges on primary business</b>		
	Amount for Current Period	Amount for Previous Period
	RMB	RMB
Urban construction tax and education surcharge	14,454,240.36	28,256,068.33
Property tax	1,579,866.58	3,112,154.09
Others	1,092,774.76	2,293,735.71
<b>Total</b>	<b>17,126,881.70</b>	<b>33,661,958.13</b>
<b>Annotation 19. Net financial income</b>		
	Amount for Current Period	Amount for Previous Period
	RMB	RMB
Interest income	(6,743,056.34)	21,771,960.76
Net gain/loss on exchange	68,125.22	35,014.29
Cash discounts	-	-
Bank service charges	237,069.15	(492,124.99)
<b>Total</b>	<b>(6,437,861.97)</b>	<b>21,314,850.06</b>
<b>Annotation 20. Non-operating expenses</b>		
	Amount for Current Period	Amount for Previous Period
	RMB	RMB
Provision for impairment of fixed assets	490,237.44	692,600.21
Loss on asset retirement by scrapping	-	2,830,897.28
Others	(139,866.46)	281,874.17
<b>Total</b>	<b>350,370.98</b>	<b>3,805,371.66</b>
<b>Annotation 21. Income tax expenses</b>		
Income tax reported in the Income Statement includes:		
Item	Amount for Current Period	Amount for Previous Period
Corporate income tax for Current Year	164,693,371.49	362,562,047.45

## APPENDIX B – AUDITORS’ REPORT

Deferred tax	(56,740,017.42)	(34,385,064.87)
Tax difference from previous years	(13,329.47)	25,049.80
<b>Total</b>	<b>107,940,024.60</b>	<b>328,202,032.38</b>

### Annotation 22. Notes to the Cash Flow Statement

Supplementary data	Amount for Current Period	Amount for Previous Period
Net profit adjusted to cash flows from operating activities:		
Net Profit	324,647,224.12	981,655,588.06
Plus: Accrued provision for impairment of assets	-3,790,576.55	692,600.21
Accrued/(Reversed) Provision for depreciation of inventory	(3,806,282.04)	18,800,029.14
Depreciation of fixed assets	15,412,429.81	34,939,319.75
Amortization of intangible assets	2,229,564.68	5,267,839.46
Increase/(Decrease) in accrued expenses	57,510,566.61	302,123,782.29
Loss on asset retirement by scrapping	490,237.44	2,830,897.28
Net financial income	(6,729,646.38)	(21,739,417.62)
(Increase)/Decrease in deferred tax assets	(56,740,017.42)	(34,385,064.87)
Increase in inventory	(131,998,841.03)	(276,586,576.57)
Decrease in operating receivables	(193,990,776.12)	4,263,949.70
Increase in operating payables	216,385,050.67	131,712,789.44
Net cash flows from operating activities	219,618,933.79	1,149,575,736.27
Net increase in cash and cash equivalents:		
Balance of cash as at the End of Period	3,127,436.22	4,172,192.41
Less: Balance of cash as at the Beginning of Period	4,172,192.41	(10,760,178.07)
Net increase/(decrease) in cash and cash equivalents	(1,044,756.19)	(6,587,985.66)

### Note 7: Interpretation on Related-party Relationships and Transactions

#### 1. Related-parties with control relationships:

Company	Registered address	Primary business	Relationship with the Company	Economic nature or type
Halon UK Services Limited (Note)	United Kingdom	Investment and related services	Parent company	Non-listed company

On July 17, 2022, the ultimate controlling entity of the Company changed from GlaxoSmithKline PLC to Haleon PLC. Note: Halon UK Services Limited was formerly known as GlaxoSmithKline Consumer Healthcare (Overseas) Limited. There has been no change in the registered capital of related parties with control relationships.

## APPENDIX B – AUDITORS’ REPORT

	Amount as at the End of Period and the Beginning of Year		
	USD	Contribution Ratio %	Equivalent in RMB
Halon UK Services Limited (Note 1)	16,467,025.00	55.00	95,541,602.97

### Shareholdings or interests of related parties with control relationships

	Amount as at the Beginning of Year		Increase for Current Year		Decrease for Current Year		Amount as at the End of Period	
	Amount	%	Amount	%	Amount	%	Amount	%
	Halon UK Services Limited	751,922,943.00	55	210,345,063.80	55	(375,354,240.03)	55	586,913,766.77

### 2. Name of related parties without control relationships

Entity	Relationship to related parties
Haleon (China) Co., Ltd. (formerly known as GlaxoSmithKline Consumer Healthcare (China) Limited)	Subsidiary with the same parent company
Guangdong Treerly Health Co. Ltd.	Subsidiary with the same parent company
Haleon (Suzhou) Pharmaceutical Co., Ltd. (formerly known as Wyeth Pharmaceuticals Co., Ltd.)	Subsidiary with the same parent company
Haleon UK Trading Services Ltd.	Subsidiary with the same parent company
GlaxoSmithKline Trading Services Ltd. (Note)	Subsidiary with the same parent company
GlaxoSmithKline Consumer Healthcare (Hong Kong) Limited	Subsidiary with the same parent company

The amounts of transactions between the Company and related parties for the current year are as follows

(1) Significant transactions between the Company and related parties are listed as below:

Details of goods purchased by the Company from related parties are as follows:

Entity	Accumulated amount incurred in Current Period	Accumulated amount incurred in Previous Year
Haleon UK Trading Services Ltd.	446,165,605.04	1,098,465,511.69
GlaxoSmithKline Trading Services Ltd.	9,293,980.11	-
<b>Total</b>	<b>455,459,585.15</b>	<b>1,098,465,511.69</b>

Purchases are conducted at contract prices as agreed upon by both parties.

Details of services provided by the Company to related parties and received therefrom are as follows:

Services provided	Accumulated amount incurred in Current Period	Accumulated amount incurred in Previous Year
Haleon UK Trading Services Ltd.	82,334,364.63	363,570,611.15
Haleon (China) Co., Ltd.		217,617.34
GlaxoSmithKline Consumer Healthcare (Hong Kong) Limited		699,433.39
Haleon (Suzhou) Pharmaceutical Co., Ltd.		4,894,616.28

## APPENDIX B – AUDITORS’ REPORT

Services provided	Accumulated amount incurred in Current Period	Accumulated amount incurred in Previous Year
<b>Total</b>	<b>82,334,364.63</b>	<b>369,382,278.16</b>
Services received	Accumulated amount incurred in Current Period	Accumulated amount incurred in Previous Year
Haleon (China) Co., Ltd.		56,283,233.68
Haleon (Suzhou) Pharmaceutical Co., Ltd.		1,303,266.61
Guangdong Treerly Health Co. Ltd.		659,224.82
GlaxoSmithKline Consumer Healthcare (Hong Kong) Limited	17,864,426.70	
<b>Total</b>	<b>17,864,426.70</b>	<b>58,245,725.11</b>

Details of interest income received by the Company from related parties are as follows:

Entity	Accumulated amount incurred in Current Period	Accumulated amount incurred in Previous Year
Haleon (China) Co., Ltd.	6,729,646.38	21,739,417.62

Details of loan transactions between the Company and related parties are as follows:

	Net amount for Current Period	Balance as at the End of Current Period	Net amount for Previous Year	Balance as at the End of Previous Year	Annual interest rate
Haleon (China) Co., Ltd.	(474,885,105.07)	892,572,124.99	411,703,299.42	1,367,457,230.06	2.25%

Note: The Company has entered into an entrusted loan agreement for centralized fund management applicable to multinational enterprises, spearheaded by Haleon (China) Co., Ltd. and Citibank (the "Trustee Bank"). Under this agreement, funds are managed in a centralized manner ("Cash Pool"), enabling Haleon (China) Co., Ltd. to extend loans to its designated affiliated companies via the trustee bank. Other participants are also permitted to lend to Haleon (China) Limited. The companies settle loan interest on a monthly basis at a fixed annual interest rate of 2.25%.

(2) The balances of receivables and payables with related parties for the Company are as follows:

Account	Related party	Amount as at the End of Period	Amount as at the Beginning of Year
Short-term investments	Haleon (China) Co., Ltd.	892,572,124.99	1,367,457,230.06
	Haleon UK Trading Services Ltd.		122,334,942.66
Other receivables	GlaxoSmithKline Consumer Healthcare (Hong Kong) Limited	741,399.39	6,492,341.46
	Haleon (Suzhou) Pharmaceutical Co., Ltd.	5,182,156.49	5,188,293.27
	<b>Total</b>	<b>5,923,555.88</b>	<b>134,015,577.39</b>
	Haleon UK Trading Services Ltd.	446,165,605.04	530,992,074.41
Accounts payable	Haleon (China) Co., Ltd.	9,293,980.11	3,787,258.46
	<b>Total</b>	<b>455,459,585.15</b>	<b>433,997,703.68</b>
Other payables	Haleon (Suzhou) Pharmaceutical Co., Ltd.		1,417,420.92

## APPENDIX B – AUDITORS’ REPORT

Account	Related party	Amount as at the End of Period	Amount as at the Beginning of Year
	Guangdong Treerly Health Co. Ltd.		715,852.07
	Haleon (China) Co., Ltd.		19,740,356.70
	Haleon UK Trading Services Ltd.		110,935.65
	Total		<u>21,984,565.34</u>

### 3. Operating lease obligations

According to irrevocable operating lease agreements, the minimum lease payments payable by the Company after the balance sheet date are as follows:

	Accumulated amount incurred in Current Period	Accumulated amount incurred in Previous Year
Year 1 after balance sheet date	1,659,175.24	8,811,451.76
Year 2 after balance sheet date	1,524,243.84	5,332,583.88
Year 3 after balance sheet date and beyond	1,588,935.24	3,873,888.00
<b>Total</b>	<b><u>4,772,354.32</u></b>	<b><u>18,017,923.64</u></b>

Tianjin TSKF Pharmaceutical Co., Ltd.

July 15, 2024



---

## APPENDIX C – SUMMARY OF ASSETS APPRAISAL REPORT

---

Assets Appraisal Report on the Value of All the Equity of Shareholders of Tianjin TSKF Pharmaceutical Co., Ltd. Involved in the Proposed Transfer of Equity of Tianjin TSKF Pharmaceutical Co., Ltd. by Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited

---

### Summary of Assets Appraisal Report

#### Key Notes

This summary is extracted from the main body of the Assets Appraisal Report. To understand the details of the appraisal and reasonably understand and use the appraisal conclusions, the main body of the Assets Appraisal Report should be read carefully.

To Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited,

CEA accepted the entrustment of your company to appraise the market value of all shareholders' equity of Tianjin TSKF Pharmaceutical Co., Ltd. ("TSK&F") on the base date of appraisal in accordance with the provisions of laws, administrative regulations and assets appraisal standards, by adhering to the principles of independence, objectivity and fairness, and based on the necessary appraisal procedures. The Assets Appraisal Report is summarized as below:

**Purpose:** Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited proposes to transfer its equity in TSK&F. Therefore, an appraisal of the total equity value of TSK&F's shareholders as of the appraisal base date is required to provide a value reference for the aforementioned economic activity.

**Subject:** Total equity value of TSK&F's shareholders.

**Scope:** All the assets and liabilities (including off-balance sheet assets) of TSK&F.

As of the appraisal base date, the assets within the appraisal scope include current assets, non-current assets (fixed assets, construction in progress, intangible assets and deferred-income tax assets), with a total book value of assets at RMB 2,737,666,900; the liabilities are current liabilities with a total book value of liabilities at RMB 1,728,349,200; the book value of net assets amounts to RMB 1,009,317,700.

---

## APPENDIX C – SUMMARY OF ASSETS APPRAISAL REPORT

---

Assets Appraisal Report on the Value of All the Equity of Shareholders of Tianjin TSKF Pharmaceutical Co., Ltd. Involved in the Proposed Transfer of Equity of Tianjin TSKF Pharmaceutical Co., Ltd. by Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited

---

Appraisal base date: May 31, 2024

Value type: Market value

Appraisal methods: Income approach and market approach

Conclusion: In this Assets Appraisal Report, the appraisal result by income approach is selected for the appraisal conclusion, which is specifically listed as below:

As of the appraisal base date, TSK&F has a total book value of assets at RMB 2,737,666,900; total book value of liabilities at RMB 1,728,349,200; book value of net assets at RMB 1,009,317,700, and the appraised value of total shareholders' equity amounts to RMB 9,996,363,700 with an appreciation of RMB 8,987,046,000 at an appreciation rate of 890.41%.

This Assets Appraisal Report is only for providing a value reference for the economic activity described herein, and the validity of the appraisal conclusion is one year from the appraisal base date.

Users of this Assets Appraisal Report shall fully consider the assumptions, limiting conditions and notes to special matters specified herein, along with their impact on the appraisal conclusion.

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

Apart from the terms set out in Section 3.3 of the Circular, this Appendix D further sets out certain principal terms of the Restated JVA.

*Unless otherwise defined, all capitalised terms used in this Appendix D which are not defined herein shall have the same meanings ascribed to them in the Definition section of the Circular.*

For the purposes of this Appendix D:

**“Affiliate”** of a Party means, any company or other entity or natural person other than the JV Company that, through ownership or voting stock or otherwise, Controls or is Controlled by, or is under joint Control with, such Party. Within the PRC, the **“company”** as used in this definition shall include any kind of business entity with legal person status under PRC Laws. The JV Company shall not be deemed as an Affiliate of a Party and *vice versa*.

**“Budget(s)”** mean the budget(s) of the JV Company that are determined in accordance with the terms of the Restated JVA.

**“Business Day”** means any day from Monday to Friday, but excluding the statutory (or public) holidays in the PRC or the United Kingdom.

**“Business License”** means the business license to be issued to the JV Company by the Business Registration Authority.

**“Business Plan(s)”** mean the business plan(s) of the JV Company that are determined in accordance with the terms of the Restated JVA.

**“Business Registration Authority”** means the PRC State Administration for Market Regulation or its successor or local office in charge of company registration.

**“Control(s)”** or **“is Controlled by”** or any reference to **“Control”** in the Restated JVA means in respect of a company or other business entity, the direct or indirect ownership of fifty per cent. (50%) or more of shares or interests with the voting right to elect directors of such company or business entity, or otherwise has the ability to cause any entity or individual to control or to have the right to control the board of directors or equivalent management body of such company or other entity, or to direct the management and policies of such company or business entity, which shall include, in respect of any partnership, the status as the general partner of such partnership.

**“Directors”** mean the persons appointed by the Shareholders’ Meeting of the JV Company to serve as members of the Board of Directors in accordance with the terms of the Restated JVA.

**“Employee Representatives’ Meeting”** means the institution that trade union established in accordance with the terms of the Restated JVA organises the employees of the JV Company to exercise the power of democratic management of enterprises according to the PRC Company Law, the *Regulation on Democratic Management of Enterprises*, the *Opinion on Enhancing the Construction of Employee Director System and Employee Supervisor System of Incorporated Enterprises* and other applicable regulations.

**“Governmental Authority”** means the government of any jurisdiction, or any political subdivision thereof, whether provincial, state or local, and any department, ministry, agency, instrumentality, authority, body, court, central bank or other entity lawfully exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

“**Haleon Chinese Affiliate**” means any wholly-owned subsidiary or holding company of Haleon UK, company invested by Haleon UK, or any other entity Controlled by Haleon UK, in each case, that is incorporated in the PRC.

“**Haleon Group**” means Haleon and its Affiliates, collectively.

“**Parties**” mean Haleon UK, Haleon China and the Company, collectively, and “**Party**” shall be constructed accordingly.

“**New Business Model**” means a business model which is different from those adopted by the JV Company in the past in relation to the distribution of the products bearing the brands of the foreign party, or any other business model which is similarly innovative, as defined in the meeting proposal of the fourth extraordinary Board meeting of the JV Company in 2021 (as set forth in appendix to the Restated JVA).

“**Supervisors**” mean the persons appointed by the Shareholders’ Meeting or the Employee Representatives’ Meeting (as the case may be) of the JV Company to serve as the members of the Board of Supervisors in accordance with the terms of the Restated JVA.

“**Taxes**” mean taxes, duties, levies and all other charges imposed by Governmental Authorities, including any surtax, interest, fines, penalties or additions to tax that may become payable in respect of such taxes in accordance with relevant PRC Laws and regulations (collectively the Taxes).

“**TSKF AOA**” means the articles of association of the JV Company in such form as included as appendix to the Restated JVA (i.e., the Amended AOA) as executed and delivered by the JV Partners on the Effective Date, and as may be amended thereby from time to time.

### 1. Representations, Warranties and Undertakings

1.1 As of the Effective Date, each Party represents and warrants to each of the other Parties:

- (i) it is a legal person, duly organised, validly existing and in good standing under the laws of the place of its establishment or incorporation;
- (ii) its legal representative or authorised representative is duly and fully authorised and empowered to sign, execute and give effect, on its behalf, to the Restated JVA, the TSKF AOA, and any agreements and documents referred to in the Restated JVA and to which it is a party;
- (iii) its execution, delivery and performance of the Restated JVA, the TSKF AOA and any other agreements and documents contemplated under the Restated JVA will not violate any of its constitution documents, any other agreement or obligation of such Party, any judgment or arbitral award binding such Party, or any currently effective law, regulation or decree of the jurisdiction in which it is organised or incorporated, that may be applicable to any aspect of the transactions contemplated under the Restated JVA;
- (iv) it has all requisite power, authority and approval required to enter into the Restated JVA and, on the Effective Date, will have all requisite right, authority and approval to duly perform each of its obligations under the Restated JVA;

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

- (v) from the Effective Date, the provisions of the Restated JVA will constitute legal and binding obligations upon it, and will be enforceable against it according to the terms of such provisions;
  - (vi) no lawsuit, arbitration, other legal or administrative proceeding, or governmental investigation is pending, or to the best of its knowledge, threatened, against it or one of its Affiliates that would affect in any way its ability to enter into or perform the Restated JVA;
  - (vii) it has complied and will at all relevant times comply with all applicable tax filing, information and payment obligations in the PRC and any other relevant jurisdiction in relation to its shareholding (whether current, past or future) in the JV Company (including, without limitation, in relation to any acquisition or disposal thereof, and any returns of any nature therefrom); and
  - (viii) (A) it is resident for tax purposes in the place where it is established; and (B) it is not treated for tax purposes in any jurisdiction as resident in any jurisdiction other than the place where it is established.
- 1.2 Each Party undertakes to the other Parties, during the Joint Venture Term as set out in Section 3.3.5(a) of the Circular, that it will:
- (i) to the maximum extent permitted by the applicable laws, exercise in good faith all powers and rights available to that Party as a shareholder of the JV Company in order to procure full performance of the provisions of the Restated JVA;
  - (ii) vote in favour of any changes required to the JV Company's constitutive documents, including the TSKF AOA, to the extent necessary to procure full performance of the terms of the Restated JVA; and
  - (iii) procure the JV Company to take all actions necessary to procure full performance of the terms of the Restated JVA.
- 1.3 The Parties undertake that, in relation to any matter as set out in paragraph 3.2.1(a)(6) (*shared services*) of this Appendix D, the Parties shall jointly engage a third-party independent auditor, at the cost of the JV Company, to audit the costs of shared services. Upon the issuance and receipt of the report on the costs of shared services by such third-party independent auditor, the Parties shall amicably negotiate and agree on the relevant costs of shared services based on such report.
- 1.4 Each Party shall be held liable for a breach of any of the foregoing representations, warranties and undertakings according to the provisions set out in paragraph 6.3 of this Appendix D.

## 2. Shareholders' Meeting of the JV Company

### 2.1 Formation of Shareholders' Meeting

The Shareholders' Meeting of the JV Company is made up of the Parties and is the JV Company's highest decision-making body, which shall exercise its functions and powers in accordance with PRC Laws, the Restated JVA and the TSKF AOA.

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

### 2.2 Powers of Shareholders' Meeting

2.2.1 The Shareholders' Meeting shall have the power to make decisions on all major and important matters of the JV Company, including, without limitation, the matters as follows:

(a) Unanimity decisions

The following matters shall require unanimous approval by the Parties at the Shareholders' Meeting:

- (1) amending the TSKF AOA;
- (2) increasing or reducing the JV Company's registered capital;
- (3) conducting any merger, split, division, change in corporate form, dissolution or liquidation of the JV Company;
- (4) deliberating on and approving reports produced by the Board of Supervisors of the JV Company;
- (5) deliberating on and approving profit distribution plans of the JV Company and plans to make up losses suffered by the JV Company;
- (6) adopting resolutions relating to the issue of bonds by the JV Company;
- (7) deliberating on and approving any debt outside the ordinary course of business with an amount in excess of USD2 million (including all debts of the JV Company other than working capital loans, including without limitation provision of external guarantees);
- (8) approving change of principal business of the JV Company; and
- (9) extending the operation term of the JV Company.

(b) Simple-majority decisions

The following matters shall require approval by the shareholders representing more than half of the total voting rights in the Shareholders' Meeting:

- (1) electing and replacing any Director or Supervisor (except for the employee supervisor) and determining matters relating to the remuneration of the Directors and Supervisors;
- (2) deliberating on and approving reports produced by the Board of Directors of the JV Company;
- (3) delegating any of the above matters to the Board of Directors of the JV Company for approvals in accordance with the Restated JVA or the TSKF AOA, except for the matters subject to unanimous decisions as set out in paragraph 2.2.1(a) of this Appendix D; and

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

- (4) any other matters requiring approval by the Shareholders' Meeting as provided for in the Restated JVA or the TSKF AOA, or as determined by the Parties from time to time, except for the matters subject to unanimous decisions as set out in paragraph 2.2.1(a) of this Appendix D.

2.2.2 Adoption of any resolution on the matters as set out in paragraph 2.2.1 of this Appendix D shall require the following affirmative votes of all shareholders (for the avoidance of doubt, the affirmative votes below do not include abstentions):

- (i) Affirmative votes of the shareholders representing all voting rights for matters as set out in paragraph 2.2.1(a) of this Appendix D; and
- (ii) Affirmative votes of the shareholders representing more than half of all voting rights for matters as set out in paragraph 2.2.1(b) of this Appendix D,

provided that all such matters shall in any event require the affirmative votes from shareholders having more than half of all voting rights.

### 3. Board of Directors of the JV Company

#### 3.1 Formation of the Board of Directors

- 3.1.1 The Board of Directors shall consist of up to five (5) Directors who are elected by the Shareholders' Meeting of the JV Company upon nomination by the Parties, of which Haleon shall have the right to nominate four (4) Directors and the Company shall have the right to nominate one (1) Director save that should a Party cease to hold any equity interests in the JV Company, such Party shall no longer have the right to nominate any person to be a Director and any Director then holding office who was nominated by such Party shall be deemed to have resigned and will be removed from office with immediate effect.
- 3.1.2 The Chairman of the Board of Directors of the JV Company will be nominated by Haleon and the Vice-Chairman of the Board of Directors of the JV Company will be nominated by the Company. The Directors, including the Chairman and the Vice-Chairman of the Board of Directors, each shall have a term of office of three (3) years, and each shall be eligible for consecutive terms of office upon re-nomination by the original nominating Party, and re-election by the Shareholders' Meeting of the JV Company (as the case may be).
- 3.1.3 Any vacancy created in the Board of Directors of the JV Company shall be immediately filled through election by the Shareholders' Meeting of the JV Company upon nomination by the Party who originally nominated the absent Director if such original Party still retains an equity interest in the JV Company. Any Party at any time may propose to remove any Director nominated by such Party and nominate in lieu thereof any other person to serve the remainder of the removed Director's term. Each Party shall notify the other Parties, in writing, each time it nominates or proposes to replace a Director.

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

- 3.1.4 Subject to applicable laws, each Party undertakes to attend the Shareholders' Meeting of the JV Company and to vote in favour of the appointment or removal of any Director (including the Chairman and Vice-Chairman of the Board of Directors) nominated or proposed to be replaced or removed by a Party pursuant to the Restated JVA, or to adopt a written resolution to such effect.
- 3.1.5 The Chairman of the Board of Directors of the JV Company shall be the legal representative of the JV Company. The Chairman of the Board of Directors shall exercise the functions in accordance with the provisions set forth in the Restated JVA, the TSKF AOA and the resolutions of the Shareholders' Meeting or the Board of Directors (as the case may be). Whenever the Chairman of the Board of Directors cannot exercise his/her functions for any reason, he/she shall authorise another Director to exercise such functions on his/her behalf until the Chairman of the Board of Directors resumes his/her right or functions, or until a successor is appointed.
- 3.1.6 Each Party shall cause the Directors nominated by it to act at all times lawfully and in good faith with respect to all matters relating to the business of the JV Company and the Restated JVA and to any other contracts and agreements concluded pursuant to the Restated JVA. A Party shall immediately propose to, and the other Parties shall agree and approve to, remove a Director it has nominated to the Board of Directors, upon discovery by that Party that such Director has: violated the Restated JVA, the TSKF AOA or the PRC Company Law or any other relevant PRC Laws; acted in bad faith or with gross negligence to the detriment of the JV Company; committed a crime; participated in corruption; or committed any other act that would be sufficient for removal of a director under PRC Laws.
- 3.2 Powers of Board of Directors of the JV Company
- 3.2.1 The Board of Directors shall have the power to make decisions on the following matters of the JV Company:
- (a) Unanimity decisions
- (1) preparing plans for increasing or reducing the JV Company's registered capital and for the issuance of corporate bonds;
  - (2) preparing plans for mergers, divisions, changes of corporate form or dissolution of the JV Company;
  - (3) establishment of subsidiaries or branches, or external investment or fixed-asset investment in one transaction exceeding an amount of USD2 million (or the equivalent in RMB);
  - (4) approving the JV Company's execution of (i) contracts with an amount exceeding USD2 million (or the equivalent in RMB); (ii) contracts with a term exceeding one (1) year; (iii) contracts that, based on their terms, can be renewed so that they have a term of one (1) year or longer, in each case as a result of an adoption of the New Business Model by the JV Company;



---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

- (5) any disposal of the JV Company's fixed assets in a single transaction with an amount exceeding USD1 million (including but not limited to sale or transfer, licensing to third parties, mortgaging or pledging to external parties, or providing guarantees for third parties);
- (6) subject to the provision as set out in paragraph 1.3 of this Appendix D, approving the shared service fees (including royalty fees);
- (7) subject to the provision as set out in Section 3.3.5(c)(ii) of this Circular, disposal of the JV Company's patents, trademarks, product approvals, and disposal of other proprietary technologies and trade secrets related to product production (including but not limited to sale or transfer, licensing to third parties, mortgaging or pledging to external parties, or providing guarantees for third parties) other than where such disposal is in connection with the divestment of the global rights to a product or brand by any member of the Haleon Group (for the avoidance of doubt, excluding the JV Company);
- (8) subject to the provision as set out in Section 3.3.5(c)(ii) of this Circular, preventing by any means the JV Company from continuing to manufacture, sell or promote any products that are, as at the signing date of the Restated JVA, manufactured, sold or promoted by the JV Company (including without limitation transferring the right to distribute such products to any third party, or restricting or terminating the supply of the active pharmaceutical ingredients of such existing products to the JV Company), provided that the provisions as set out in this paragraph 3.2.1(a)(8) shall not apply to any matter permitted or exempted as set out in paragraph 3.2.1(a)(7) of this Appendix D; and
- (9) subject to the provision as set out in Section 3.3.5(c)(ii) of this Circular, in respect of all products of which the JV Company is, as at the signing date of the Restated JVA, the marketing authorisation holder (the "**Authorised Products**"), implementing or making any preparation for any of the following changes in each case to the extent such action would be materially and disproportionately prejudicial to the Company:
  - I. changing the marketing authorisation holder of any Authorised Products;
  - II. changing or adding manufacturing sites of any Authorised Products (except for transferring the manufacturing of Voltaren Diclofenac Sodium Sustained Release Tablets 75mg and Voltaren Diclofenac Sodium Enteric Coated Tablets 25mg from Novartis to the JV Company);
  - III. except for the contract manufacturing products and scope already known or consented to by the Company (as applicable), entering into any new contract manufacturing arrangement in relation to any Authorised Products (including without limitation search for and identification of contractors, conducting cooperation negotiations with contractors, or communications with and providing guidance for obtaining relevant drug manufacturing licenses by contractors);

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

- IV. any other change intended to change the marketing authorization holder or manufacturing site of any Authorised Product (including without limitation changes involving sources, methods and control conditions in relation to manufacturing, quality control and use conditions); or
- V. Hialeon and/or Hialeon Chinese Affiliates applying for or holding any marketing authorisation or manufacturing license in the PRC in relation to any product that is identical or similar to any Authorised Product, or making any preparation for such purpose.

(b) Simple majority decisions

- (1) convening the Shareholders' Meetings and presenting reports to the Shareholders' Meeting;
- (2) implementing resolutions adopted by the Shareholders' Meeting;
- (3) determining the JV Company's internal management structure;
- (4) formulating the basic management system for the JV Company;
- (5) determining the JV Company's Business Plans;
- (6) determining the appointment or removal of the JV Company's Senior Corporate Officers, and their remunerations;
- (7) formulating and implementing the Budget and final accounts of the JV Company;
- (8) review of reports of the JV Company's finances and business operation presented by the General Manager to the Board of Directors;
- (9) preparing profit distribution plans for the JV Company and plans for making up any losses suffered by the JV Company;
- (10) determining and changing the annual auditor;
- (11) delegating any of the above matters as set out in paragraph 3.2.1(b) of this Appendix D to the relevant member(s) of the Senior Corporate Officer(s); and
- (12) any other matters requiring approval by the Board of Directors as provided for in the Restated JVA or the TSKF AOA, or as determined by the Parties or the Board of Directors from time to time, other than the matters subject to unanimous decision as set out in paragraph 3.2.1(a) of this Appendix D.

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

3.2.2 Adoption of any resolution on the matters as set out in paragraph 3.2.1 of this Appendix D shall require the following affirmative votes of all Directors (for the avoidance of doubt, the affirmative votes below do not include abstentions):

- (i) Affirmative votes of all directors for the matters as set out in paragraph 3.2.1(a) of this Appendix D; and
- (ii) Affirmative votes of more than half of all directors for the matters as set out in paragraph 3.2.1(b) of this Appendix D,

provided that all such matters shall in any event require the affirmative votes of more than half of all Directors.

### 4. Deadlock

4.1 If for whatever reason (i) the Shareholders' Meeting of the JV Company is unable to arrive at a decision on any matter as set out in paragraph 2.2.1(a) of this Appendix D or (ii) where the Board of Directors is unable to arrive at a decision on any matter as set out in paragraph 3.2.1(a) of this Appendix D and, upon escalation by the Board of Directors to the Shareholders' Meeting, the Shareholders' Meeting is still unable to arrive at a decision on such matter, and where the lack of the decision would materially and adversely affect the business operation of the JV Company or would cause serious harm to any of the Parties' material interests under the Restated JVA, then, within thirty (30) days after the matter is first raised at a Shareholders' Meeting, any Party shall be entitled to serve a notice (a "**Conciliation Notice**") on the other Parties requiring the Parties to attempt to promptly resolve the matter.

4.2 The Party who issues a Conciliation Notice shall describe in the Conciliation Notice the matter to be discussed, its position in respect of that matter, and its evidence and arguments in support of its position. The other Parties shall within thirty (30) days of the service on it of a Conciliation Notice give a written response to the Party who issued the Conciliation Notice of its position and evidence and arguments in support thereof.

4.3 Upon receipt of the written response, representatives of each of the Parties shall meet with each other in person and discuss their respective positions in respect of the matter described in the Conciliation Notice.

### 5. Management Organisation and Board of Supervisors of the JV Company

5.1 The Board of Directors shall establish a management organisation (hereinafter referred to as "**Management**"), which shall be responsible for and in charge of the day-to-day operation and management of the JV Company. The Management shall be made up of (a) one (1) General Manager, (b) one (1) Vice General Manager, and (c) one (1) Chief Financial Officer (the "**CFO**"), and other senior corporate officers as determined by the Board of Directors from time to time (collectively, the "**Senior Corporate Officers**"). For the avoidance of doubt, Senior Corporate Officers do not include department managers.

5.1.1 Haleon shall be entitled to nominate or propose to remove the General Manager and the CFO, and the Company shall be entitled to nominate or propose to remove the Vice General Manager. The remuneration and benefits of the Senior Corporate Officers shall be approved by the Board of Directors.

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

The department managers shall be appointed by the General Manager. The remuneration and benefits of the department managers shall be approved by the General Manager and CFO jointly.

- 5.1.2 The term of office for the Senior Corporate Officers shall be three (3) years, which term may be renewed if so determined by the Board of Directors.
- 5.1.3 If any of the Senior Corporate Officers shall resign, retire, become incapacitated, or be removed from office by the Board of Directors as proposed by the initially-nominating Party, the Board of Directors shall appoint a replacement based on the proposal of the initially-nominating Party as determined in paragraph 5.1.1 of this Appendix D.
- 5.1.4 Each Party undertakes to procure the Directors nominated by it to attend the Board of Directors meeting and to vote in favour of the appointment or removal of the relevant Senior Corporate Officer(s) nominated or proposed by a Party in accordance with the provisions as set out in paragraphs 5.1.1 and 5.1.3 of this Appendix D, or to adopt a written resolution to such effect.
- 5.2 Responsibilities and Powers of Senior Corporate Officers
- 5.2.1 The Senior Corporate Officers shall implement the decisions of the Shareholders' Meeting and the Board of Directors without any condition.
- Except for the powers reserved to the Shareholders' Meeting or the Board of Directors under the Restated JVA, the General Manager shall be responsible for any matters relating to the daily management and operation of the JV Company, and shall report to the Board of Directors.
- The Vice General Manager shall be responsible for providing operational support to the General Manager in managing the daily matters of the JV Company.
- 5.2.2 The CFO shall be responsible for the financial matters of the JV Company, such matters shall include the treasury, accounting, and financial controlling operations of the JV Company.
- 5.2.3 The JV Company may establish various departments, subject to approval by the Board of Directors. The Senior Corporate Officers may from time to time propose the creation or cancellation of any departments within the organisational structure of the JV Company to the Board of Directors. Any change of the organisational structure of the JV Company, however, shall be implemented only after review and approval of the Board of Directors.
- 5.2.4 The General Manager and the CFO shall jointly prepare for the Board of Directors approval the Business Plan and Budget for each year as provided for in the Restated JVA. Unless the Board of Directors decides otherwise, the General Manager and the CFO shall jointly submit each year's Business Plan and Budget to the Board of Directors for timely approval prior to the commencement of the fiscal year.

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

5.2.5 The following matters shall be reported to the Board of Directors from time to time:

- (i) performance of the JV Company's business operations;
- (ii) financial conditions and results of the JV Company;
- (iii) existing problems which are material or systemic in nature and measures proposed or carried out for the solution thereof;
- (iv) other important matters materially affecting the business and/or financial status of the JV Company; and
- (v) the implementation of the budget and final accounts of the JV Company (yearly).

### 5.3 Dismissal

Any Senior Corporate Officer who (1) misuses or abuses his/her position for personal ends, (2) engages in graft or bribery in connection with the JV Company's business, (3) acts in violation of any resolutions of the Shareholders' Meeting, or the Board of Directors or PRC Laws, (4) acts in any way in competition with the JV Company, is seriously negligent in his/her duties, or fails to perform any assigned tasks without due cause shall be dismissed by the Board of Directors without any compensation. Upon such dismissal, the Board of Directors shall immediately appoint a replacement according to the recommendation of the original nominating Party as set out in paragraph 5.1.1 of this Appendix D. Any other management personnel who engage in such improper activities shall be immediately dismissed by the General Manager after consultation with the CFO.

### 5.4 Board of Supervisors of the JV Company

#### 5.4.1 Nomination and Election of the Supervisors

The Board of Supervisors will consist of three (3) Supervisors. One (1) Supervisor shall be elected by the Shareholders' Meeting upon nomination by Haleon, and one (1) Supervisor shall be elected by the Shareholders' Meeting upon nomination by the Company. The other one (1) Supervisor shall be an employee Supervisor as elected by the Employee Representatives' Meeting. The Directors and the Senior Corporate Officers shall not concurrently act as the Supervisors of the JV Company.

#### 5.4.2 Term of Office of the Supervisors

- (i) The term of office of each Supervisor shall be three (3) years, and the Supervisor may serve successive terms if re-nominated by the original nominating Party and re-elected by the Shareholders' Meeting, or re-elected by the Employee Representatives' Meeting, as the case may be.
- (ii) Any vacancy created in a Supervisor nominated by the Parties due to retirement, resignation, removal, loss of capacity or other reasons, shall be immediately filled through election by the Shareholders' Meeting upon nomination by the Party who originally nominated the absent Supervisor. The relevant Party at any time may propose to remove any Supervisor nominated

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

by such Party and nominate in lieu thereof any other person to serve the remainder of the removed Supervisor's term. The JV Company shall carry out filing in relation to such replacement of the Supervisor in accordance with the relevant provisions of the PRC Laws. To nominate or propose to remove a Supervisor, a Party shall notify the other Parties in writing. The appointment and replacement of such Supervisor shall take effect upon approval by the Shareholders' Meeting.

- (iii) Any vacancy created in the employee Supervisor due to retirement, resignation, removal, loss of capacity or other reasons shall be immediately filled through election by the Employee Representatives' Meeting. The Employee Representatives' Meeting may at any time remove the employee Supervisor and elect in lieu thereof any other person to serve the remainder of the removed employee Supervisor's term. The JV Company shall carry out filing in relation to such replacement of the employee Supervisor in accordance with the relevant provisions of the PRC Laws. The appointment and replacement of employee Supervisor by the Employee Representatives' Meeting shall take effect upon approval by the Employee Representatives' Meeting.

5.4.3 Each Party undertakes to attend the Shareholders' Meeting and to vote in favour of the appointment or removal of the Supervisor nominated or proposed to be replaced or removed by a Party pursuant to the Restated JVA, or to adopt a written resolution to such effect. Any proposal to replace or remove a Supervisor (including the revocation of nomination of a Supervisor) can only be made by the Party originally nominated such Supervisor in accordance with the Restated JVA.

5.4.4 The Chairman of the Board of Supervisors shall be elected by more than one half of all the Supervisors upon nomination by the Company. The Chairman of the Board of Supervisors shall convene and preside over the Board of Supervisors meeting.

5.4.5 Functions and Powers of the Board of Supervisors

The main functions and powers of the Board of Supervisors shall be:

- (i) to examine the financial affairs of the JV Company;
- (ii) to supervise the acts of the Directors and the Senior Corporate Officers in the performance of their official duties, and to propose the dismissal of any Director or any Senior Corporate Officer who violates the PRC Laws, the TSKF AOA or any resolution of the Shareholders' Meeting;
- (iii) to demand the Directors and the Senior Corporate Officers to rectify all acts which are harmful to the interests of the JV Company;
- (iv) to propose to convene an ad hoc Shareholders' Meeting and to convene and preside over a Shareholders' Meeting in accordance with the Restated JVA;
- (v) to present proposals to the Shareholders' Meeting;

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

- (vi) to bring a suit against any Director or Senior Corporate Officer according to Article 189 of the PRC Company Law; and
- (vii) to exercise other functions and powers of the Supervisors as provided under the relevant provisions of the PRC Laws, the Restated JVA and the TSKF AOA.

The Supervisors may attend meetings of the Board of Directors as an observer and submit enquiries or suggestions about a matter to be resolved on by the Board of Directors (provided, however, a Supervisor shall not be entitled to vote).

### 6. Termination

#### 6.1 Events of Termination

The Party specified below for the relevant event shall have the right to terminate the Restated JVA prior to the expiration of the Joint Venture Term by written notice to the other Parties, if any of the following events occur:

- (i) (a) by the Company, if Haleon, or (b) by Haleon, if the Company, assigns, pledges, or otherwise encumbers any of its interest in the registered capital of the JV Company in violation of the Restated JVA or applicable PRC Laws, or such interest is involuntarily assigned, pledged or otherwise encumbered to any third party (whether as a result of a court order or otherwise);
- (ii) by all of the Parties if they jointly decide in writing to terminate their joint venture cooperation;
- (iii) (a) by the Company, if Haleon, or (b) by Haleon, if the Company, becomes (or can reasonably be expected to become) insolvent for a consecutive period of three (3) months, or it is in a bankruptcy or liquidation proceeding or a receiver has been appointed in respect of its assets;
- (iv) by any Party, if the Business License is cancelled or the JV Company is ordered to shut down or is revoked according to the laws; and
- (v) Haleon has purchased all of the equity interests in the JV Company held by the Company.

#### 6.2 Termination Notice

If a Party chooses to terminate the Restated JVA pursuant to the provision as set out in paragraph 6.1 of this Appendix D, it shall send a written notice of termination (the “**Termination Notice**”) to the other Parties and the Parties shall endeavour, through negotiation and agreement, to resolve the problem. Should the Party receiving the Termination Notice dispute or challenge the termination of the Restated JVA, such Party shall have the right to submit the dispute for arbitration, in accordance with the provisions as set out in paragraph 8 of this Appendix D, for determination of the issue of whether termination of the Restated JVA is valid.

---

## APPENDIX D – CERTAIN PRINCIPAL TERMS OF THE RESTATED JVA

---

### 6.3 Liabilities for Breach of Contract

- 6.3.1 Any resolution of the Shareholders' Meeting or the Board of Directors adopted in violation of the provisions as set out in paragraphs 2.2.1(a) or 3.2.1(a) of this Appendix D or the provisions of the TSKF AOA in relation to the matters requiring the approval of the Shareholders' Meeting or the Board of Directors shall be void, and the breaching Party shall indemnify the non-breaching Party against all losses, damages, liabilities and/or expenses incurred as a result, including without limitation interest, liquidated damages, taxes, costs and expenses and expenditures of any kind, and the legal fees and arbitration fees incurred by the non-breaching Party for recovering such losses, damages, liabilities and/or expenses.
- 6.3.2 Unless otherwise agreed herein, the Party that breaches the Restated JVA or the TSKF AOA shall be liable to compensate all losses, both actual and foreseeable at the time of the execution of the Restated JVA (including loss of profit), suffered by the other Parties and/or the JV Company as the result of the breach.
- 6.3.3 A Party's failure or delay to exercise any right, power or remedy in relation to the Restated JVA (the "**Lawful Right**") shall not constitute a waiver of such Lawful Right, and any exercise or partial exercise of any Lawful Right shall not prevent any additional or further exercise of such Lawful Right or any exercise of any other Lawful Right. The Lawful Right agreed under the Restated JVA shall be cumulative and not preclude any other statutory or contractual right.

### 7. **Applicable Law**

The Restated JVA shall be governed by and construed with the PRC Laws.

### 8. **Dispute Resolution**

- 8.1 The representatives of the Parties shall endeavour to resolve any dispute arising from or in connection with the Restated JVA, including any dispute concerning the existence, validity, termination, modification or performance of the Restated JVA (a "**Dispute**") in accordance with the principle of fairness and in good faith. Upon request by either Party, the other Parties shall assign a senior management representative to participate in the discussions. Each Party shall have the right to terminate the discussions at any time by giving written notice to the other Parties.
- 8.2 If any Dispute fails to be resolved according to the provision as set out in paragraph 8.1 of this Appendix D, such Dispute shall be submitted to China International Economic and Trade Arbitration Commission to be finally resolved through arbitration according to the Arbitration Rules of China International Economic and Trade Arbitration Commission in force at the time of submission of the arbitration notice. The tribunal shall be composed of three (3) arbitrators. Each of Haleon and the Company has the right to appoint one (1) arbitrator. The third (3<sup>rd</sup>) arbitrator, who shall be the Chairman of the arbitral tribunal, shall be appointed by the two (2) arbitrators appointed by Haleon and the Company within fourteen (14) days of the last of their appointments. The arbitration shall be seated in Beijing. The arbitration proceedings shall be conducted in Chinese and English.
- 8.3 While a Dispute or the arbitration of a Dispute is ongoing, the Parties shall continue to perform their respective obligations and may exercise their respective rights under the Restated JVA in relation to the matters other than those subject to the Dispute.



## APPENDIX E – COMPARISON OF PRINCIPAL TERMS OF RESTATED JVA AND AMENDED AOA

The table below provides a summary of the principal terms of the Restated JVA (in the first column), the corresponding articles in the Amended AOA (in the second column), which mirrors the terms of the Restated JVA, and the relevant disclosures in this Circular (in the third column).

Principal Terms of the Restated JVA	Corresponding Articles in the Amended AOA	Relevant Disclosures in this Circular
<b>2 PARTIES</b>	<b>PARTIES TO THE JV COMPANY</b>	–
2.1 Parties	Parties	–
2.2 <i>Representatives, Warranties and Undertakings</i>	–	Paragraph 1 of <b>Appendix D</b>
<b>3 OPERATION AND LEGAL FORM OF JV COMPANY</b>	Article 3	–
3.1 Operation of JV Company	Article 3.1	–
3.2 Limited Liability Company	Article 3.2	Section 3.3.1
3.3 Name and Address	Article 3.3	–
3.4 Date of Establishment	Article 3.4	–
3.5 Branches	Article 3.5	–
3.6 Compliance with Haleon Group Policies	Article 3.6	–
3.7 <i>Compliance with Anti-Corruption Laws</i>	–	–
<b>4 PURPOSE AND SCOPE OF BUSINESS OF JV COMPANY</b>	Article 4	–
4.1 Purpose	Article 4.1	–
4.2 Business Scope	Article 4.2	–
4.3 Business Plan and Budget	Article 4.3	–
<b>5 REGISTERED CAPITAL AND FUNDING</b>	Article 5	Section 3.3.2
5.1 Registered Capital	Article 5.1	Section 3.3.2(a)
5.2 Equity Percentage of Registered Capital	Article 5.2	Section 3.3.2(b)
5.3 Shareholder Register	Article 5.3	–
5.4 Increase of Registered Capital	Article 5.4	Section 3.3.2(c)
5.5 Future Funding	Article 5.5	Section 3.3.2(d)
<b>6 TRANSFER OF INTEREST IN THE REGISTERED CAPITAL OF THE JV COMPANY</b>	Article 6	Section 3.3.3

**APPENDIX E – COMPARISON OF PRINCIPAL TERMS OF RESTATED JVA  
AND AMENDED AOA**

<b>Principal Terms of the Restated JVA</b>	<b>Corresponding Articles in the Amended AOA</b>	<b>Relevant Disclosures in this Circular</b>
<b>7 SHAREHOLDERS' MEETING</b>	Article 7	Paragraph 2 of <b>Appendix D</b>
7.1 Formation of Shareholders' Meeting	Article 7.1	Paragraph 2.1 of <b>Appendix D</b>
7.2 Powers of Shareholders' Meeting	Article 7.2	Paragraph 2.2 of <b>Appendix D</b>
7.3 Meetings	Article 7.3	–
<b>8 BOARD OF DIRECTORS</b>	Article 8	Paragraph 3 of <b>Appendix D</b>
8.1 Formation of the Board of Directors	Article 8.1	Paragraph 3.1 of <b>Appendix D</b>
8.2 Powers of Board of Directors	Article 8.2	Paragraph 3.2 of <b>Appendix D</b>
8.3 Meetings	Article 8.3	–
8.4 Minutes	Article 8.4	–
8.5 Urgency	Article 8.5	–
<b>9 DEADLOCK</b>	–	Paragraph 4 of <b>Appendix D</b>
<b>10 MANAGEMENT ORGANIZATION AND BOARD OF SUPERVISORS</b>	Article 9	Paragraph 5 of <b>Appendix D</b>
10.1 Composition of Management, appointment of Senior Corporate Officers etc.	Article 9.1	Paragraph 5.1 of <b>Appendix D</b>
10.2 Responsibilities and Powers of Senior Corporate Officers	Article 9.2	Paragraph 5.2 of <b>Appendix D</b>
10.3 Dismissal	Article 9.3	Paragraph 5.3 of <b>Appendix D</b>
10.4 Board of Supervisors	Article 9.4	Paragraph 5.4 of <b>Appendix D</b>
<b>11 LABOR MANAGEMENT AND TRADE UNION</b>	Article 10	–
11.1 Governing Principle	Article 10.1	–
11.2 Employees of the Parties	Article 10.2	–
11.3 Labor Contract	Article 10.3	–
11.4 Labor Plan	Article 10.4	–
11.5 Labor and Personnel Policies	Article 10.5	–
11.6 Trade Union	Article 10.6	–
<b>12 DISTRIBUTION OF PROFITS</b>	Article 11	Section 3.3.4
12.1 Allocation of Reserve Funds	Article 11.1	Section 3.3.4(a)

**APPENDIX E – COMPARISON OF PRINCIPAL TERMS OF RESTATED JVA  
AND AMENDED AOA**

<b>Principal Terms of the Restated JVA</b>	<b>Corresponding Articles in the Amended AOA</b>	<b>Relevant Disclosures in this Circular</b>
12.2 Distribution of Profits	Article 11.2	Section 3.3.4(b)
<b>13 JOINT VENTURE TERM</b>	Article 12	Section 3.3.5
13.1 Joint Venture Term	Article 12.1	Section 3.3.5(a)
13.2 <i>Exit Mechanism</i>	–	Section 3.3.5(b)
13.3 Extension	Article 12.2	Section 3.3.5(c)
<b>14 TERMINATION</b>	–	Paragraph 6 of <b>Appendix D</b>
14.1 <i>Events of Termination</i>	–	Paragraph 6.1 of <b>Appendix D</b>
14.2 <i>Termination Notice</i>	–	Paragraph 6.2 of <b>Appendix D</b>
14.3 <i>Liabilities for Breach of Contract</i>	–	Paragraph 6.3 of <b>Appendix D</b>
<b>15 CONSEQUENCES OF TERMINATION</b>	Article 13 <b>CONSEQUENCES OF TERMINATION AND JOINT VENTURE TERM EXPIRATION</b>	–
15.1 Liquidation	Article 13.1	–
15.2 Liquidation Proceedings	Article 13.2	–
<b>16 CONFIDENTIALITY</b>	–	–
<b>17 ANNOUNCEMENTS</b>	–	–
<b>18 PAYMENT</b>	–	–
<b>19 FURTHER ASSURANCE</b>	–	–
<b>20 APPLICABLE LAW</b>	Article 14	Paragraph 7 of <b>Appendix D</b>
<b>21 DISPUTE RESOLUTION</b>	–	Paragraph 8 of <b>Appendix D</b>
<b>22 MISCELLANEOUS</b>	Article 15	–
<b>APPENDIX 1: Articles of Association</b>	–	–
<b>APPENDIX 2: Relevant Definitions Related to the “New Business Model”</b>	–	–
<b>APPENDIX 3: Exit Mechanism</b>	–	Section 3.3.5(b)
<b>APPENDIX 4: Form of Put Exercise Notice</b>	–	Section 3.3.5(b)
<b>APPENDIX 5: Form of Call Exercise Notice</b>	–	Section 3.3.5(b)

---

## **APPENDIX E – COMPARISON OF PRINCIPAL TERMS OF RESTATED JVA AND AMENDED AOA**

---

The key difference between the Restated JVA and the Amended AOA is that the following terms (as set out in *italics* in the table above) are provided in the Restated JVA but not in the Amended AOA:

- (i) Representatives, Warranties and Undertakings;
- (ii) Compliance with Anti-Corruption Laws;
- (iii) Deadlock;
- (iv) Exit Mechanism;
- (v) Termination (including Events of Termination, Termination Notice, and Liabilities for Breach of Contract);
- (vi) Confidentiality;
- (vii) Announcements;
- (viii) Payment;
- (ix) Further Assurance; and
- (x) Dispute Resolution.

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

### 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)  
(the "Company")

## NOTICE OF EXTRAORDINARY GENERAL MEETING

#### IMPORTANT NOTE FOR SHAREHOLDERS:

The Company had previously given notice of the Extraordinary General Meeting on 27 September 2024 in compliance with Article 69 of the Articles of Association of the Company and the listing rules of the Shanghai Stock Exchange which require the Company to issue a written notice 45 days in advance of a shareholders' meeting.

This updated notice of Extraordinary General Meeting, which is given in compliance with the listing rules of the Singapore Exchange Securities Trading Limited, supersedes the version announced by the Company on 27 September 2024.

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting ("**EGM**" or "**Extraordinary General Meeting**") of the Company will be held at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the People's Republic of China (the "**PRC**") 300193 (concurrently, a video conferencing at RNN Conference Centre, 137 Cecil Street, #04-01 Cecil Building, Singapore 069537 for holders of the S-Shares ("**S-Share Shareholders**") in Singapore) on Friday, 22 November 2024 at 2:00 p.m..

*Unless otherwise defined, all capitalised terms used in this Notice of EGM which are not defined herein shall have the same meanings ascribed to them in the circular issued by the Company to its Shareholders dated 7 November 2024 (the "**Circular**").*

**Shareholders should note that the passing of Resolution 1 and Resolution 2 are inter-conditional on each other. This means that if either resolution is not approved, neither resolution will be passed.**

To consider and, if thought fit, approve the following resolutions, with or without modifications:

**Resolution 1:** To consider and approve the proposed disposal of 13% equity interest in the registered capital of Tianjin TSKF Pharmaceutical Co., Ltd. (中美天津史克制药有限公司) to Haleon China Co., Ltd., and the entry into an equity transfer agreement in relation thereto as an interested person transaction; and

**Resolution 2:** To consider and approve the proposed entry into the amended and restated equity joint venture contract with respect to Tianjin TSKF Pharmaceutical Co., Ltd. (中美天津史克制药有限公司) between Haleon UK Services Limited, Haleon China Co., Ltd. and the Company, and the proposed execution of the amended and restated articles of association of Tianjin TSKF Pharmaceutical Co., Ltd. (中美天津史克制药有限公司).

#### By Order of the Board

Jiao Yan  
Secretary to the Board of Directors  
7 November 2024

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

### Notes:

1. The EGM will be held at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, a video conferencing at RNN Conference Centre, 137 Cecil Street, #04-01 Cecil Building, Singapore 069537 for S-Share Shareholders in Singapore) on Friday, 22 November 2024 at 2:00 p.m..
2. EGM documents. Printed copies of this updated notice of EGM (the “**Notice of EGM**”), the accompanying Proxy Form and the circular dated 7 November 2024 issued by the Company (the “**Circular**”) will be sent to S-Share Shareholders. This Notice of EGM, the Proxy Form and the Circular have also been, or will also be made available on the SGXNET and on the Company’s website at [www.jydr.com.cn](http://www.jydr.com.cn). S-Share Shareholders and investors are advised to check the SGXNET and/or the Company’s website at [www.jydr.com.cn](http://www.jydr.com.cn) regularly for the latest updates.
3. Shareholders’ questions and answers. S-Share Shareholders and duly appointed proxy or proxies will be able to attend the EGM in person and ask questions relating to the resolutions to be tabled for approval at the EGM.

However, S-Share Shareholders are encouraged to raise their questions (if any) as early as possible in advance of the EGM by **2:00 p.m. on Wednesday, 20 November 2024** and can submit substantial and relevant questions relating to the resolutions to be tabled for approval at the EGM, in advance of the EGM, in the following manner:

(a) by email to [drt600329@163.com](mailto:drt600329@163.com); or

(b) by post to the Company’s S-Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632.

S-Share Shareholders who submit questions in advance of the EGM should provide their full name, address, contact number, email address and the manner in which they hold Shares (if you hold Shares directly, please provide your account number with The Central Depository (Pte) Limited. Otherwise, please state if you hold your Shares through the Central Provident Fund Investment Scheme (“**CPF**”) or the Supplementary Retirement Scheme (“**SRS**”) or other Relevant Intermediary), for our verification purposes. “**Relevant Intermediary**” means (a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity, (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity, or (c) the CPF Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

The Company will endeavour to answer all substantial and relevant questions in relation to the resolutions to be tabled for approval at the EGM prior to, or at the EGM. **Where substantially similar questions are received, the Company may consolidate such questions and consequently not all questions may be individually addressed.**

The Company will also publish the minutes of the EGM which will include substantial and relevant questions relating to the resolutions to be tabled for approval at the EGM and the responses from the Board and/or management of the Company to such questions on the SGXNET and on the Company’s website at [www.jydr.com.cn](http://www.jydr.com.cn) within one (1) month after the date of the EGM.

4. Voting. A Shareholder (whether individual or corporate, including Relevant Intermediaries) entitled to attend and vote at the EGM is entitled to appoint one (1) or more persons (who need not also be Shareholder(s)) to act as his/her/its proxy(ies) to attend and vote on his/her/its behalf at the EGM. Where a Shareholder appoints more than one (1) proxy, the appointment shall be deemed to be alternative unless he/she/it specifies the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy.

If the appointor is a corporation, the instrument of proxy must be executed under seal or the hand of its duly authorised officer of attorney.

A S-Share Shareholder (whether individual or corporate) can also choose to appoint the Chairman of the EGM as his/her/its proxy, but this is not mandatory. The Chairman of the EGM, as proxy, need not be a Shareholder of the Company. Where a S-Share Shareholder (whether individual or corporate) appoints the Chairman of the EGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. **In the absence of specific instructions, the appointment of the Chairman of the EGM as his/her/its proxy for that resolution will be treated as invalid.**

Where a S-Share Shareholder (whether individual or corporate) appoints one (1) or more persons (other than the Chairman of the EGM) as his/her/its proxy(ies), he/she/it must give specific instructions as to voting, or abstentions from voting, in the instrument appointing a proxy(ies). **In the absence of specific instructions, the proxy(ies) may vote or abstain from voting on those resolutions at his/her discretion.**

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

The Proxy Form has been or will be made available on the SGXNET and may also be accessed at the Company's website at [www.jydr.com.cn](http://www.jydr.com.cn).

An investor who holds Shares under the CPF ("CPF Investor") and/or the SRS ("SRS Investor") (as may be applicable) and wishes to vote should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least **seven (7)** working days before the date of the EGM (i.e., by **5:00 p.m. on Tuesday, 12 November 2024**). **The Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.**

The duly completed Proxy Form must be submitted by S-Share Shareholders to the Company in the following manner:

- (a) if submitted by post, be lodged with the Company's S-Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632; or
- (b) if submitted electronically, via email to the Company's S-Shares Registrar at [srs.proxy@boardroomlimited.com](mailto:srs.proxy@boardroomlimited.com),

in either case, by no later than **2:00 p.m. on Wednesday, 20 November 2024**.

**S-Share Shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.**

A S-Share Shareholder who wishes to submit an instrument of proxy must first complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. If the S-Share Shareholder is a corporation, the Proxy Form must be executed under seal or the hand of its duly authorised officer or attorney.

The completion and return of the instrument appointing a proxy(ies) by a Shareholder does not preclude such Shareholder from attending, speaking and voting in person at EGM if such Shareholder subsequently decides to do so. The appointment of the proxy(ies) for the EGM will be deemed to be revoked if the Shareholder attends the EGM in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy(ies) to the EGM.

5. Pursuant to the Articles of Association of the Company, a holder of tradable domestic A-Shares with limiting conditions for sale shall notify the Company in writing not less than twenty (20) days prior to the EGM of his or her intention to attend the EGM. Accordingly, a holder of tradable domestic A-Shares with limiting conditions for sale who is planning to attend the EGM must give a written notice to the Company no later than 29 October 2024.
6. The EGM in Tianjin, PRC is expected to last for half a day and all accommodation and other expenses incurred by a Shareholder or his/her/its proxy(ies) in connection with his/her/its attendance at the EGM shall be borne by that Shareholder.
7. **Personal data privacy:** By (1) submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, (2) submitting any question prior to the EGM, a Shareholder of the Company (a) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the purposes of (i) the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof), (ii) the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), (iii) the addressing of substantial and relevant questions relating to the resolutions to be tabled for approval at the EGM from Shareholders received prior to and/or at the EGM and if necessary, the following up with Shareholders in relation to such questions, and (iv) in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (b) warrants that where a Shareholder discloses the personal data of such Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), such Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

*This page has been intentionally left blank.*



# PROXY FORM

## 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)  
(the "Company")

### EXTRAORDINARY GENERAL MEETING PROXY FORM

(You are advised to read the notes below before completing this form)

#### IMPORTANT

- The EGM will be held at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, a video conferencing at RNN Conference Centre, 137 Cecil Street, #04-01 Cecil Building, Singapore 069537 for S-Share Shareholders in Singapore) on Friday, 22 November 2024 at 2:00 p.m..
- A S-Share Shareholder (whether individual or corporate) can also choose to appoint the Chairman of the EGM as his/her/its proxy, but this is not mandatory. The Chairman of the EGM, as proxy, need not be a Shareholder of the Company. Where a S-Share Shareholder (whether individual or corporate) appoints the Chairman of the EGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. **In the absence of specific instructions, the appointment of the Chairman of the EGM as his/her/its proxy for that resolution will be treated as invalid.**
- Where a S-Share Shareholder (whether individual or corporate) appoints one (1) or more persons (other than the Chairman of the EGM) as his/her/its proxy(ies), he/she/it must give specific instructions as to voting, or abstentions from voting, in the instrument appointing a proxy(ies). **In the absence of specific instructions, the proxy(ies) may vote or abstain from voting on those resolutions at his/her discretion.**
- An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) and wishes to vote should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least **seven (7)** working days before the date of the EGM (i.e., by **5:00 p.m.** on **Tuesday, 12 November 2024**). **The Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.**
- Personal Data Privacy:** By submitting this Proxy Form, the S-Share Shareholders accepts and agrees to the personal data privacy terms set out in the Company's Notice of EGM dated 7 November 2024.
- Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of a proxy(ies) by a S-Share Shareholder to attend, speak and vote on his/her/its behalf at the EGM.

I/We, \_\_\_\_\_ (Name)

with NRIC/Passport/Company Registration Number \_\_\_\_\_

of \_\_\_\_\_ (Address)  
being a member/members of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (the "Company"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing whom, or if no persons are named above, the Chairman of the Extraordinary General Meeting as my/our proxy/proxies to attend, speak and vote on my/our behalf at the Extraordinary General Meeting of the Company ("EGM") to be held at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the People's Republic of China (the "PRC") 300193 (concurrently, a video conferencing at RNN Conference Centre, 137 Cecil Street, #04-01 Cecil Building, Singapore 069537 for S-Share Shareholders in Singapore) on Friday, 22 November 2024 at 2:00 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote on the Resolution(s) to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies (except where the Chairman of the EGM is appointed as proxy) will vote or abstain from voting at his/her/their discretion on any matter arising at the meeting and at any adjournment thereof. **Where the Chairman of the EGM is appointed as proxy, and in the absence of specific directions in respect of a resolution, the appointment of the Chairman of the EGM as proxy for that resolution will be treated as invalid.**

**(Voting will be conducted by poll. If you wish your proxy/proxies to exercise all your votes "For", "Against" or to "Abstain" from voting, please indicate with a tick (✓) or a cross (X) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy/proxies not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.)**

No.	Resolution(s) relating to:	For	Against	Abstain
1	To consider and approve the proposed disposal of 13% equity interest in the registered capital of Tianjin TSKF Pharmaceutical Co., Ltd. (中美天津史克制药有限公司) to Haleon China Co., Ltd., and the entry into an equity transfer agreement in relation thereto as an interested person transaction			
2	To consider and approve the proposed entry into the amended and restated equity joint venture contract with respect to Tianjin TSKF Pharmaceutical Co., Ltd. (中美天津史克制药有限公司) between Haleon UK Services Limited, Haleon China Co., Ltd. and the Company, and the proposed execution of the amended and restated articles of association of Tianjin TSKF Pharmaceutical Co., Ltd. (中美天津史克制药有限公司)			

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2024

Total number of Shares in:	No. of Shares <sup>Note 1</sup>
(a) Depository Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s) of Shareholder(s) or  
Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM**

---

# PROXY FORM

---

## Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members of the Company, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. **If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.**
2. A Shareholder (whether individual or corporate, including Relevant Intermediaries) entitled to attend and vote at the EGM is entitled to appoint one (1) or more persons (who need not also be Shareholder(s)) to act as his/her/its proxy(ies) to attend and vote on his/her/its behalf at the EGM. Where a Shareholder appoints more than one (1) proxy, the appointment shall be deemed to be alternative unless he/she/it specifies the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy.  
  
If the appointor is a corporation, the instrument of proxy must be executed under seal or the hand of its duly authorised officer of attorney.  
  
A S-Share Shareholder (whether individual or corporate) can also choose to appoint the Chairman of the EGM as his/her/its proxy, but this is not mandatory. The Chairman of the EGM, as proxy, need not be a Shareholder of the Company. Where a S-Share Shareholder (whether individual or corporate) appoints the Chairman of the EGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. **In the absence of specific instructions, the appointment of the Chairman of the EGM as his/her/its proxy for that resolution will be treated as invalid.**  
  
Where a S-Share Shareholder (whether individual or corporate) appoints one (1) or more persons (other than the Chairman of the EGM) as his/her/its proxy(ies), he/she/it must give specific instructions as to voting, or abstentions from voting, in the instrument appointing a proxy(ies). **In the absence of specific instructions, the proxy(ies) may vote or abstain from voting on those resolutions at his/her discretion.**
3. An investor who holds shares under the Central Provident Fund Investment Scheme (“**CPF Investor**”) and/or the Supplementary Retirement Scheme (“**SRS Investor**”) (as may be applicable) and wishes to vote should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least **seven (7)** working days before the date of the EGM (i.e., by **5:00 p.m.** on **Tuesday, 12 November 2024**). **This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.**
4. The duly completed Proxy Form must be submitted by S-Share Shareholders to the Company in the following manner:
  - (a) if submitted by post, be lodged with the Company’s S-Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632; or
  - (b) if submitted electronically, via email to the Company’s S-Shares Registrar at [srs.proxy@boardroomlimited.com](mailto:srs.proxy@boardroomlimited.com),

in either case, by no later than **2:00 p.m.** on **Wednesday, 20 November 2024**.

**S-Share Shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.**

A S-Share Shareholder who wishes to submit an instrument of proxy must first complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. If the S-Share Shareholder is a corporation, the instrument of proxy must be executed under seal or the hand of its duly authorised officer or attorney. Where an instrument appointing a proxy(ies) and/or representative(s) is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

5. The completion and return of the instrument appointing a proxy(ies) by a Shareholder do not preclude such Shareholder from attending, speaking and voting in person at the EGM if such Shareholder subsequently decides to do so. The appointment of the proxy(ies) for the EGM will be deemed to be revoked if the Shareholder attends the EGM in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy(ies) to the EGM.

## General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of S-Share Shareholders whose Shares are deposited with The Central Depository (Pte) Limited (“**CDP**”), the Company shall be entitled to reject any instrument appointing a proxy(ies) lodged if such S-Share Shareholder, being the appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the EGM, as certified by the CDP to the Company.

## Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the S-Share Shareholder accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 7 November 2024.



