

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

PROPOSED ADJUSTMENTS TO THE IMPLEMENTATION PLAN FOR THE PROVISION OF AN ENTRUSTED LOAN (委托贷款) OF RMB1,200 MILLION BY THE COMPANY TO ITS WHOLLY-OWNED SUBSIDIARY, TIANJIN ZHONGXIN MEDICINE CO., LTD. (天津中新医药有限公司)

The board of directors (the “Board”) and every individual director of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited) (the “Company”) hereby confirm that they will individually and collectively accept full responsibility for the accuracy of the information given in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated in this announcement are fair and accurate in all material respects as at the date of this announcement, and that there are no material facts the omission of which would make any statement in this announcement misleading.

I. INTRODUCTION

1. Information on the Entrusted Loan

On 17 December 2021, the Company duly convened its 11th Board meeting for the financial year ended 31 December 2021 (“FY2021”), and the Board considered and approved the proposed contents of the “Asset Restructuring Plan on Pharmaceutical Circulation Business of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited” (天津中新药业集团股份有限公司药品流通业务资产重组方案) (the “**Restructuring Plan**”). Please refer to the announcement dated 17 December 2021 made by the Company for further details on the Restructuring Plan.

Pursuant to the Restructuring Plan, to ensure the normal operation of Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司) (“**TJZX Medicine**”), being a wholly-owned subsidiary of the Company, the Company duly convened its 1st Board meeting for the financial year ending 31 December 2022 (“FY2022”), and the Board considered and approved the proposed provision of an entrusted loan (委托贷款) of RMB1,200 million (the “**Entrusted Loan**”) by the Company to TJZX Medicine (the “**Provision of Entrusted Loan**”). The loan interest rate of the Entrusted Loan shall be one-year loan prime rate (LPR) (being 3.75% then) with a term of one (1) year. On 16 May 2022, the Company duly convened its annual general meeting for FY2021 (the “**FY2021 AGM**”), and the shareholders of the Company at the FY2021 AGM considered and approved, amongst others, the Provision of Entrusted Loan. Please refer to Appendix D to the announcement dated 30 March 2022 made by the Company in relation to, *inter alia*, resolutions passed at the 1st Board meeting for FY2022 and the announcement dated 16 May 2022 made by the Company in relation to the poll results of the FY2021 AGM for further details.

The Provision of Entrusted Loan does not constitute an interested person transaction or related party transaction.

2. Proposed Amendments

In order to closely integrate with the policy changes in the financial market and provide TJZX Medicine with a more fair and reasonable financing competition environment, the Company intends to adjust the implementation plan for the Provision of Entrusted Loan as follows:

- (a) The amount (i.e., RMB1,200 million) and the term (i.e., one (1) year) of the Entrusted Loan are proposed to be adjusted such that “the Entrusted Loan may be flexibly utilised up to the maximum amount of RMB1,200 million within one (1) year from the date of the approval”. In other words, TJZX Medicine is permitted to engage in multiple short-term borrowings pursuant to the Entrusted Loan provided that the total amount outstanding at any one point in time does not exceed RMB1,200 million.
- (b) The basis for determining the loan interest rate of the Entrusted Loan is proposed to be adjusted from “in accordance with one-year loan prime rate (LPR)” to “in accordance with the Company's financing cost or with reference to the level in the same industry”.

3. Decision-making process of the Company

On 8 November 2022, the Company duly convened its 9th Board meeting for FY2022, and the Board considered and approved the proposed adjustments to the implementation plan for the Provision of Entrusted Loan. The said Board meeting was convened in compliance with the applicable Companies Law, Securities Law and the Articles of Association of the Company, and the proposed adjustments to the implementation plan for the Provision of Entrusted Loan was agreed by the 7 directors out of the full board of 7 directors. The resolution in relation to the proposed adjustments to the implementation plan for the Provision of Entrusted Loan shall be submitted for shareholders' approval at a general meeting of the Company.

II. INFORMATION ON THE PARTIES TO THE ENTRUSTED LOAN

1. Information on the borrower under the Entrusted Loan

Name of borrower	: Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司)
Type of company	: Limited liability company (sole proprietorship of a legal person invested or controlled by natural persons) (有限责任公司 (自然人投资或控股的法人独资))
Registered address	: No. 5, Tengda Road, Pharmaceutical and Medical Device Industrial Park, Beichen Economic-Technological Development Area, Beichen District, Tianjin (天津市北辰区天津北辰经济技术开发区医药医疗器械工业园腾达道5号)
Business address	: No. 5, Tengda Road, Pharmaceutical and Medical Device Industrial Park, Beichen Economic-Technological Development Area, Beichen District, Tianjin (天津市北辰区天津北辰经济技术开发区医药医疗器械工业园腾达道5号)
Legal representative	: SUN Yan (孙岩)
Registered capital	: RMB 520,000,000

Business scope : Licenced items: wholesale of pharmaceuticals; operation of Class III medical devices; road cargo transportation (excluding hazardous goods); sale of food; sale of disinfection equipment (for items subject to approval pursuant to applicable laws, the business activities shall be carried out only after obtaining approval from the relevant authorities, and the specific business activities shall be based on the approval documents or permits issued by the relevant authorities);

General items: sale of (pre-packaged) healthcare food; road cargo transportation by general freight vehicles with gross weight of 4.5 tons or less (excluding network freight and dangerous goods); sale of Class II medical devices; sale of Class I medical devices; sale of personal hygiene products; wholesale of cosmetics; sale of daily necessities; wholesale of sports goods and equipment; sale of household appliances; sale of daily groceries; advertisements production; advertisements design and agency; information consulting services (excluding information consulting services subject to licencing requirement); general cargo warehousing services (excluding hazardous chemicals and other items subject to licencing approval); leasing of non-residential real estate; house leasing; sale of disinfectants (excluding hazardous chemicals); sale of chemical products (excluding chemical products subject to licensing requirement); sale of sanitary products and disposable medical products. (Except for items subject to approval in accordance with applicable laws, business activities shall be conducted based on its business licence in accordance with applicable laws)

Key financials : TJZX Medicine is a newly established company. The Proposed Asset Restructuring (as defined under the Restructuring Plan) was completed at the beginning of April 2022. The assets and liabilities and operation conditions of TJZX Medicine as at 30 June 2022 and as at 30 September 2022 (being the latest available financial statement date) are as follows:

	As at 30 June 2022	As at 30 September 2022
Total assets	RMB2,392,427,000	RMB2,794,188,900
Total liabilities	RMB1,922,073,300	RMB2,274,604,000
Of which: total bank loan	0.00	0.00
Total current liabilities	RMB1,910,517,700	RMB2,262,588,800
Net assets	RMB470,353,600	RMB5,195,849
Revenue	RMB828,238,700	RMB1,977,187,900
Net profit	(RMB27,425,700)	(RMB26,694,800)

2. Relationship between the borrower and the Company

TJZX Medicine is a wholly-owned subsidiary of the Company, and the Company directly holds 100% equity interest in TJZX Medicine.

III. IMPACT ON THE COMPANY

The Entrusted Loan provided by the Company to TJZX Medicine shall mainly be used for the payment of the consideration for the Transferred Assets (as defined under the Restructuring Plan) to the Company and cash flow of TJZX Medicine for its daily operations. The consideration for the Transferred Assets (as defined under the Restructuring Plan) to be paid to the Company will be paid to the Company immediately after the disbursement of the Entrusted Loan to realise the recovery of funds.

The Entrusted Loan is an important means to ensure the successful completion of the Proposed Asset Restructuring (as defined under the Restructuring Plan). The source of funds for the Entrusted Loan is the Company's self-owned funds, which will not affect the daily cash flow needs of the Company or be detrimental to the interests of the Company and its shareholders.

IV. RISKS OF THE ENTRUSTED LOAN AND SOLUTIONS THEREOF

TJZX Medicine is a wholly-owned subsidiary of the Company which was incorporated for the purposes of the Proposed Asset Restructuring (as defined under the Restructuring Plan). The Company has actual control over TJZX Medicine and it is not envisaged that there will have major risks in relation to the Entrusted Loan.

V. ACCUMULATED AMOUNT OF ENTRUSTED LOAN PROVIDED BY THE COMPANY AND OVERDUE AMOUNT

As at the date of this announcement, the accumulated amount of the entrusted loans of the Company is RMB1,340,496,000 (including the Entrusted Loan) and the Company has no overdue entrusted loan.

By Order of the Board

Jiao Yan
Secretary to the Board of Directors
9 November 2022