

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Company Registration No. 91120000103100784F)

(Incorporated in the People's Republic of China)

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

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

The Board refers to the previous announcements made by the Company on 23 April 2015 and 29 December 2016 in relation to the incorporation of a joint venture company, Tianjin Pharmaceutical Group Finance Co., Ltd (天津医药集团财务有限公司) ("TPGF"), to provide financial services, and the proposed entry into a financial services agreement with TPGF pursuant to which TPGF shall provide certain financial services to the Company until 30 June 2017, respectively.

1. FINANCIAL SERVICES AGREEMENT

1.1 INTRODUCTION

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

The total amount of the Financial Services to be provided by TPGF to the Company for the Term shall not exceed Renminbi ("**RMB**") 1,281,000,000¹, which is the aggregate of the maximum services fees payable by the Company, the maximum deposit with TPGF (including interest), the maximum credit facilities granted to the Company and the estimated maximum interest payable on such credit facilities for the Term, as set out in paragraph 1.4.3 below. The individual limits were arrived at based on the legal and voluntary principles and the principle of mutual benefits, and after taking into consideration the following factors: (i) the daily balance in the Company's deposit account with TPGF (including interest) of up to RMB600 million was arrived at based on the book value of the Company and the Company's future business requirements and financial planning; (ii) the daily balance of credit facilities amount of up to RMB600 million is in line with the maximum daily balance in the Company's deposit account with TPGF (including interest) of RMB600 million; (iii) the interest payable on the credit facilities granted to the Company of up to RMB24 million per year was arrived at based on the estimated balance of the loans and the benchmark lending rate and rediscount rate announced by the People's Bank of China; and (iv) the services fees payable by the Company of up to RMB3,000,000

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

per year was generally determined in accordance with the relevant regulations of the People's Bank of China and the Company's needs for such banking services during the Term.

Pursuant to Rule 909 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the value of a transaction is the amount at risk to the issuer and in the case of borrowing of funds from an interested person (as defined in the Listing Manual), the value of the transaction is the interest payable on the borrowing. Consequently, the amount at risk of the Proposed IPT to the Company is an aggregate of RMB681,000,000², or approximately 15.86% of the Group's latest audited net tangible assets ("**NTA**") value of RMB4,294,420,000 for the financial year ended 31 December 2016.

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

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

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

1.2 INFORMATION ON THE INTERESTED PERSON

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

- (a) providing financing consulting, credit authentication, and related consulting services to TPG and its subsidiaries and associated companies (the "**TPG Group**");
- (b) assisting the TPG Group to fulfill the collection and payment of money for transactions;
- (c) providing approved insurance agency services;
- (d) providing guarantees to the TPG Group;
- (e) handling entrusted loans and entrusted investments between the members of the TPG Group;
- (f) handling the settlement of bills for the TPG Group;
- (g) handling internal transfer settlement between the members of the TPG Group, and designing programs for internal settlement and clearance;
- (h) absorbing deposits from the TPG Group;
- (i) granting loans to and handling financial lease for the TPG Group;
- (j) engaging in inter-bank borrowings; and
- (k) other businesses as approved by the China Banking Regulatory Commission (the "**CBRC**").

The shareholdings in TPGF are in the following proportions:

² RMB681,000,000 = [RMB3,000,000 (the services fees payable by the Company) + RMB24,000,000 (the interest on the credit facilities granted to the Company)] X 3(years) + RMB600,000,000 (the daily balance in the Company's deposit account with TPGF, including interest)

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

1.3 RATIONALE FOR THE PROPOSED IPT

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

In addition, by way of obtaining the loans from TPGF, the Group will receive long-term financing support as well as competitive financing costs. Furthermore, the deposit services provided by TPGF will enhance the management of funds of the Company and improve the Company's efficiency in the use of available funds. The settlement services provided by TPGF will facilitate to attain better efficiency and convenience in settlement among the Company, TPG Group, as well as speed up the Company's capital turnover.

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

1.4 MAIN TERMS OF THE AGREEMENT

1.4.1 Principles of Cooperation

The Agreement is reached under the legal and voluntary principles and the principle of mutual benefits.

1.4.2 Condition Precedent

The Agreement is conditional upon all approvals being granted by or obtained from (i) the SGX-ST and (ii) the minority shareholders of the Company in a general meeting, in accordance with the listing rules of the SGX-ST.

1.4.3 Financial Services

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

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

The maximum fees which TPGF can charge for all settlement and intermediary business services shall not exceed RMB3 million per year.

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

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

1.4.4 Pricing Basis and Policies

- a. TPGF provides the deposit service for the Company. The deposit interest rate shall be determined with reference to the interest rates published by the People's Bank of China for the same type of deposits with the same duration and shall not be lower than the interest rates offered by other domestic financial institutions for the same type of deposits with the same duration.
- b. The pricing of credit business services, such as loans, bills acceptance and discounted bills, provided by TPGF to the Company will be determined with reference to the benchmark lending rate and rediscount rate announced by the People's Bank of China. TPGF will provide credit interest rates to the Company, which will not be higher than credit interest rates the Company can obtain from other domestic financial institutions for the same period.
- c. The pricing in relation to the funds settlement service, the opening of electronic banking acceptance drafts, agency service and other intermediary business services provided by TPGF to the Company will be determined with reference to market rates. TPGF will provide rates to the Company which shall not be higher than rates the Company can obtain from other domestic financial institutions in the PRC.
- d. The above rates refer to the market rates quoted by other financial institutions in the PRC under prevailing market conditions, without taking into account special rates such as policy lending rates or government subsidized rates.

1.4.5 Principles of Financial Services

TPGF will provide the Financial Services to the entities of the TPG Group but the details of the Financial Services to be provided to each member of the TPG Group (other than the Company) will be specified in other agreements. When TPGF is providing the Financial Services, it may require the Company to provide the corresponding security.

1.4.6 Modification and Termination of the Agreement

The Agreement will be effective upon signing by the parties, and shall be valid for three years from the date of the Agreement.

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

1.5 REVIEW PROCEDURES IN RELATION TO THE PROPOSED IPT

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

- a. Settlement and intermediary business services and credit business services: The Group will obtain quotations from TPGF and at least two other unrelated financial institutions in respect of substantially similar types of transactions for comparison. The head of the finance department of the Company (who has no interest, directly or indirectly, in the Proposed IPT) will review the quotations and approve the transaction provided that the quotation offered by TPGF is not less favourable than those offered by unrelated third parties and that overall the terms are in accordance with the usual industry practice and business policies of the Group.
- b. Deposit business services: The Group will obtain interest rates from at least two other unrelated financial institutions in respect of substantially similar types of deposits for comparison at the beginning of each year, and in the event that the interest rates are adjusted by the People's Bank of China, the interest rates for comparison will be re-examined. The head of the finance department of the Company (who has no interest, directly or indirectly, in the Proposed IPT) will review the interest rates and approve the transaction provided that the interest rates offered by TPGF is not less favourable than those offered by the unrelated third parties and that overall the terms are in accordance with the usual industry practice and business policies of the Group.

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

- (i) All transactions in excess of S\$100,000 each will be summarized and presented to the Audit Committee for review, at least on a quarterly basis, to ensure that they are carried out at arm's length basis and on normal commercial terms and in accordance with the Group's procedures for Interested Person Transactions. Such review shall include the examination of the transaction and its supporting documents or such other data and all non-quantitative factors deemed necessary by the Audit Committee. The Audit Committee will, when it deems fit, have the right to require the appointment of independent sources, advisers or valuers to provide additional information pertaining to the transaction under

review. In the event that a member of the Audit Committee is interested in any Interested Person Transaction, he shall abstain from participating in the review of that particular transaction.

- (ii) The Company's internal audit department will conduct a review of the Interested Person Transactions on a regular basis and submit its findings to the Audit Committee.
- (iii) The Company's external auditors will also review Interested Person Transactions as part of its regular audit.
- (iv) Furthermore, the Company will disclose the aggregate value of the transactions carried out pursuant to the Agreement in the form set out in Rule 907 of the Listing Manual in the Company's quarterly/full year financial statement and its annual report.

1.6 EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

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

1.7 INDEPENDENT FINANCIAL ADVISER

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

1.8 AUDIT COMMITTEE STATEMENT

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

1.9 PREVIOUS INTERESTED PERSON TRANSACTIONS WITH TPGF

Save for the loan of RMB50 million extended by TPGF to the Company (as announced by the Company on 11 November 2016), the financial services agreement entered into by the Company with TPGF for the provision of Financial Services from TPGF to the Company up to the maximum limit of RMB112,200,000 which will expire on 30 June 2017 (as announced by the Company on 29 December 2016) and the Proposed IPT, over the past 12 months immediately preceding the date of this announcement, the Company did not have any other interested person transactions with TPGF.

For the current financial year beginning 1 January 2017 up to the date of this announcement (the "**Relevant Period**"), save for the Proposed IPT, there are no other interested person transactions (excluding transactions less than S\$100,000) that were or are proposed to be entered into by the Company with TPGF. As such, the current total of all interested person transactions with TPGF for the Relevant Period is approximately RMB681,000,000.

1.10 OTHER INTERESTED PERSON TRANSACTIONS

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

Accordingly, the current total value of all interested person transactions (excluding interested person transactions less than S\$100,000) entered into between the Group and all interested persons (as defined in the Listing Manual) for the Relevant Period is approximately RMB681,000,000, representing approximately 15.86% of the Group's NTA.

2. BOARD PROCEDURE

In the 2nd Board meeting for the financial year ending 31 December 2017 held on 12 April 2017, the resolution approving the Proposed IPT was passed by 7 unrelated Directors of the Company (including all of the Independent Directors), with the 2 related Directors, Mr. Ma Gui Zhong and Mr. Zhang Jian Jin, being absent and abstained from voting.

3. PRIOR APPROVAL AND OPINIONS FROM THE INDEPENDENT DIRECTORS

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

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

By order of the Board

Jiao Yan
Company Secretary
14 April 2017