

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

PROPOSED ENTRY INTO CONSTRUCTION CONTRACTS WITH TIANJIN PHARMACEUTICAL DESIGN INSTITUTE CO., LTD. (天津市医药设计院有限公司)

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” 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 announcement dated 19 December 2023 made by the Company on the resolutions passed at the 9th Board meeting for the financial year ending 31 December 2023 (the “**FY2023 9th Board Meeting**”) in relation to, *inter alia*, the Company’s proposed entry into Construction Contracts (as defined below) with Tianjin Pharmaceutical Design Institute Co., Ltd. (天津市医药设计院有限公司) (“**TPDI**”) (the “**Announcement**”).

Unless otherwise defined, all capitalised terms used herein shall bear the same meanings as ascribed to them in the Announcement.

1. OVERVIEW

- 1.1 In order to integrate the business lines of medicinal materials and decoction pieces and achieve integrated management of decoction pieces and related businesses, the Company plans to build new production workshop for decoction pieces, decoction center and supporting facilities in the existing Qingguang South Warehouse area, and to upgrade and renovate the warehouse in the North Warehouse area. Based on the said plan, the Company proposes to carry out the "Relocation and Renovation Project of Tianjin Pharmaceutical Da Ren Tang Chinese Medicinal Slices Co., Ltd. – Decoction Workshop Single Project" (津药达仁堂饮片厂搬迁改造项目—代煎车间单项工程) (the “**Decoction Workshop Project**”) and the "Renovation Project of Qingguang North Warehouse Area of Medicinal Materials Co. – Warehouses No. 27, No. 29 and No. 43 Renovation Project" (津药达仁堂药材公司青光库北库区改造项目—27#29#43#库改造工程) (the “**Warehouse Renovation Project**”), together with the Decoction Workshop Project, the “**Two Projects**”).

According to the bidding results, TPDI won the bid to undertake the construction of the Two Projects. Consequently, the Company proposes to enter into the Construction Contract for Tianjin Small Construction Project (天津市小型建设工程施工合同) with TPDI for the Decoction Workshop Project and the Warehouse Renovation Project respectively (collectively, the “**Construction Contracts**”, and each a “**Construction Contract**”). The contract price for the Decoction Workshop Project is approximately RMB3,961,324, and the contract price for the Warehouse Renovation Project is approximately RMB2,802,987, totaling RMB6,764,311, which accounts for approximately 0.10% of the Group’s latest audited net tangible assets (“**NTA**”) of RMB6,493,593,000 as at 31 December 2022. The Company intends to finance the Two Projects through its internal resources.

- 1.2 As at the date of this announcement, TPDI is a wholly-owned subsidiary of the Company's controlling shareholder, Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) ("**TPH**"). Accordingly, TPDI is an associate¹ of TPH and therefore, TPDI is regarded as an interested person of the Company for the purposes of Chapter 9 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited. Consequently, the proposed entry into each of the Construction Contracts between the Company (as an "entity at risk") and TPDI (as an "interested person") constitutes an interested person transaction under the Listing Manual.
- 1.3 As at the date of this announcement, the Board comprises nine (9) directors (the "**Directors**"), of which, each of Mr. Guo Min, Ms. Zhang Mingrui and Ms. Wao Weiwen is a key management personnel in TPH (the "**Interested Directors**"). Since TPH is regarded as an interested person of the Company for the purposes of Chapter 9 of the Listing Manual, the Interested Directors have abstained from voting at the FY2023 9th Board Meeting in respect of the resolutions approving the proposed entry into the Construction Contracts, and the remaining six (6) directors (including all the three (3) independent directors of the Company for the time being (the "**Independent Directors**")) have approved the resolutions in relation to the proposed entry into the Construction Contracts.

The proposed entry into the Construction Contracts does not constitute material asset restructuring pursuant to the laws of the People's Republic of China (the "**PRC**"), and is therefore not subject to shareholders' approval.

As further elaborated in paragraph 4 of this announcement, the proposed entry into each of the Construction Contracts constitutes an interested person transaction (as defined under the Listing Manual). However, given that the aggregate value of the Construction Contracts is less than three per cent. (3%) of the Group's latest audited NTA, the proposed entry into the Construction Contracts is not subject to the disclosure requirements under Chapter 9 of the Listing Manual. For the avoidance of doubt, the Company is making this announcement in accordance with Rules 217 and 703 of the Listing Manual.

2. INTRODUCTION

2.1 Relationship between TPH, the Company and TPDI

¹ As defined under the Listing Manual, "**associate**" 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.

As at the date of this announcement, TPH is the controlling shareholder of the Company holding 42.99% of the total shareholding in the Company, and TPDI is a wholly-owned subsidiary of TPH. As such, TPDI is regarded as an interested person of the Company for the purposes of Chapter 9 of the Listing Manual.

2.2 Information on TPDI

Name of company	: Tianjin Pharmaceutical Design Institute Co., Ltd. (天津市医药设计院有限公司)
Domicile	: Level 1, Block 5, Yanshengli, Nankai 2 nd Road, Nankai District, Tianjin (天津市南开区二马路延生里5号楼一层)
Uniform social credit No.	: 911201044013530776
Type of company	: Limited liability company (sole proprietorship of a legal person) (有限责任公司 (法人独资))
Legal representative	: MA Guodong (马国栋)
Date of incorporation	: 24 May 1996
Registered capital	: RMB13,417,457.74
Business scope	: Licensed items: construction engineering design; various types of engineering construction activities; special equipment design (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: engineering management services; technical services, technical development, technical consultation, technical exchange, technical transfer, technical promotion; software sales; software development; sales of drug testing instruments; sales of glass instruments; sales of laboratory analysis instruments; leasing of mechanical equipment (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)

3. THE PRINCIPAL TERMS OF THE CONSTRUCTION CONTRACTS

3.1 Decoction Workshop Project

1. **Parties** : Principal (Party A): The Company
Contractor (Party B): TPDI

(collectively, the “**Parties**”, and each a “**Party**”)

2. **Project location** : North of Qingguang Village, Beichen District, Tianjin (within the Pharmaceutical and Medical Equipment Industrial Park)
3. **Contract scope** : The existing warehouse is to be transformed into a decoction workshop within the existing building, including steel structure engineering, clean color steel plate, electrical engineering, fire system engineering, process pipeline, etc.
4. **Mode of contracting** : Labor and materials included.
5. **Contract price** : RMB3,961,324

The Construction Contract is a fixed-price contract, covering all costs to complete all the work within the scope of the Decoction Workshop Project. The contract price shall not change due to market fluctuations (including policy-oriented price adjustments and market price changes, etc.) during the implementation of the Construction Contract.

6. **Party B's responsibilities** :
 - (1) According to the dates agreed by the Parties, Party B shall provide Party A with daily construction progress plans, statistical reports and accident reports, as well as usage plans for construction electricity and water.
 - (2) Party B shall submit the contraction plan to Party A before commencing construction. Party A shall approve or provide modification suggestions within one (1) day, otherwise it shall be deemed as approved.
 - (3) Party B shall carry out construction according to the approved progress plan and accept Party A's inspection and supervision of the progress.
 - (4) Party B shall be responsible for the protection of the completed project before acceptance. If any damage occurs before Party A's acceptance, Party B shall be responsible for the repair.
 - (5) Party B shall properly protect the underground pipelines and adjacent buildings and structures at the construction site in accordance with the agreed requirements.
 - (6) Party B shall strictly comply with the relevant regulations of Tianjin Municipality concerning construction site management, clean the construction site before the delivery of the project so as to free the buildings from contamination and construction waste on the site to meet the use requirements of Party A.

If Party B fails to complete work according to the Construction Contract and causes project losses, Party B shall pay the liquidated damages to Party A at the rate of 10% of the project construction price. If the liquidated damages are insufficient to cover Party A's losses, Party A shall be compensated based on Party A's actual losses.

- (7) The warranty period for the construction project quality is one (1) year, starting from the date of satisfactory completion acceptance of the project. During the warranty period, if any quality issues occur due to non-human reasons, Party B shall fulfill the warranty obligations free of charge.

7. **Adjustment to contract price** : The Parties agree to make adjustments to the contract price in the cases of (i) major design modifications approved by Party A resulting in an increase or decrease in the engineering quantity by more than 5%; (ii) any other additions, deletions or adjustments of work scope agreed upon by the Parties.
8. **Supply of materials and equipment** : The materials and equipment purchased by Party B shall meet the design and specification requirements and shall be accompanied with certificates of conformity.
9. **Quality and acceptance** :
- (1) Party B shall carry out construction in strict accordance with the national construction acceptance specifications and the requirements of the project design drawings, accept Party A's supervision and pass the quality acceptance. For any part of the project that does not meet the standards, Party B shall be responsible for any repair and related fees pursuant to the requirements of the specifications. Any expenses incurred due to Party A's fault or other reasons not attributable to Party B shall be borne by Party A. If Party A requires higher-quality work, any additional costs shall be agreed upon by the Parties and included in supplementary terms.
 - (2) Concealed work acceptance. When the project meets the conditions for coverage and burial, or reaches the agreed stages, Party B shall, after passing the self-inspection, notify Party A for acceptance 24 hours before carrying out the concealed work, and the concealed construction can only be carried out after passing Party A's acceptance.
 - (3) When the project meets the conditions for completion acceptance, the Parties shall conduct the acceptance in accordance with the relevant national regulations on project completion.
10. **Dispute resolution** : The Parties agree that they shall endeavour to amicably resolve any dispute arising out of, or in connection with, the Construction Contract; failing which either Party may file a lawsuit in the People's

Court at the place where the project is located in accordance with applicable law.

3.2 Warehouse Renovation Project

1. **Parties** : Principal (Party A): The Company

Contractor (Party B): TPDI

(collectively, the “**Parties**”, and each a “**Party**”)
2. **Project location** : North of Qingguang Village, Beichen District, Tianjin (within the Pharmaceutical and Medical Device Industrial Park)
3. **Contract scope** : Renovation of the Qingguang North Warehouse Area – Warehouses No. 27, No. 29 and No. 43, including the procurement and installation of air conditioning, steel structure engineering, floor ceiling engineering, electrical engineering, fire system engineering, etc., and excluding outdoor engineering of the warehouse.
4. **Mode of contracting** : Labor and materials included.
5. **Contract price** : RMB2,802,987

The Construction Contract is a fixed-price contract, covering all costs to complete all the work within the scope of the project to transform Warehouses No. 27, No. 29 and No. 43 into standard temperature warehouses that meet GSP requirements. The contract price shall not change due to market fluctuations (including policy-oriented price adjustments and market price changes, etc.) during the implementation of the Construction Contract.

6. **Party B's responsibilities** :
 - (1) According to the dates agreed by the Parties, Party B shall provide Party A with daily construction progress plans, statistical reports and accident reports, as well as usage plans for construction electricity and water.
 - (2) Party B shall submit the contraction plan to Party A before commencing construction. Party A shall approve or provide modification suggestions within one (1) day, otherwise it shall be deemed as approved.
 - (3) Party B shall carry out construction according to the approved progress plan and accept Party A's inspection and supervision of the progress.
 - (4) Party B shall be responsible for the protection of the completed project before acceptance. If any damage occurs before Party A's acceptance, Party B shall be responsible for the repair.

- (5) Party B shall properly protect the underground pipelines and adjacent buildings and structures at the construction site in accordance with the agreed requirements.
 - (6) Party B shall strictly comply with the relevant regulations of Tianjin Municipality concerning construction site management, clean the construction site before the delivery of the project so as to free the buildings from contamination and construction waste on the site to meet the use requirements of Party A.
 - (7) The quality of the project shall meet the quality standards stipulated in the Construction Contract. If the quality of project fails to meet the contractual standards due to reasons attributable to Party B, Party A has the right to require Party B to rework until the quality of project meets the standards stipulated in the Construction Contract, and Party B shall bear any additional expenses and/or delay in the construction period arising therefrom.
 - (8) The warranty period for the construction project quality is one (1) year, starting from the date of satisfactory completion acceptance of the project. During the warranty period, if any quality issues occur due to non-human reasons, Party B shall fulfill the warranty obligations free of charge.
7. **Adjustment to contract price** : The Parties agree to make adjustments to the contract price in the cases of (i) major design modifications approved by Party A resulting in an increase or decrease in the engineering quantity by more than 5%; (ii) any other additions, deletions or adjustments of work scope agreed upon by the Parties.
8. **Supply of materials and equipment** : The materials and equipment purchased by Party B shall meet the design and specification requirements and shall be accompanied with certificates of conformity.
9. **Quality and acceptance** : (1) Party B shall carry out construction in strict accordance with the national construction acceptance specifications and the requirements of the project design drawings, accept Party A's supervision and pass the quality acceptance. For any part of the project that does not meet the standards, Party B shall be responsible for any repair and related fees pursuant to the requirements of the specifications. Any expenses incurred due to Party A's fault or other reasons not attributable to Party B shall be borne by Party A. If Party A requires higher-quality work, any additional costs shall be agreed upon by the Parties and included in supplementary terms.

- (2) Concealed work acceptance. When the project meets the conditions for coverage and burial, or reaches the agreed stages, Party B shall, after passing the self-inspection, notify Party A for acceptance 24 hours before carrying out the concealed work, and the concealed construction can only be carried out after passing Party A's acceptance. Party A may also require Party B to conduct borehole detection or re-inspection on the covered parts, and Party B shall comply with such requirements and restore the site to its original condition after inspection. If it is proved by inspection that the quality of the project is in conformity with the contractual standards, any additional costs and/or delays in construction period arising therefrom shall be borne by Party A; if it is proved by inspection that the quality of the project is not in conformity with the contractual standards, any additional costs and/or delays in construction period arising therefrom shall be borne by Party B.
- (3) When the project meets the conditions for completion acceptance, the Parties shall conduct the acceptance in accordance with the relevant national regulations on project completion.

10. **Dispute resolution** : The Parties agree that they shall endeavour to amicably resolve any dispute arising out of, or in connection with, the Construction Contract; failing which either Party may file a lawsuit in the People's Court at the place where the project is located in accordance with applicable law.

4. CHAPTER 9 OF THE LISTING MANUAL

- 4.1 Rule 905(1) of the Listing Manual provides that an issuer must make an immediate announcement of any interested person transaction (as defined in the Listing Manual) of a value equal to, or more than, three per cent. (3%) of the group's latest audited NTA, and Rule 905(2) provides that if the aggregate value of all transactions entered into with the same interested person (as defined in the Listing Manual) during the same financial year amounts to three per cent. (3%) or more of the group's latest audited NTA, the issuer must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year. Pursuant to Rule 905(3) of the Listing Manual, Rule 905(1) and (2) do not apply to any transaction below S\$100,000.
- 4.2 As disclosed in paragraph 1.2 of this announcement, as at the date of this announcement, TPDI is a wholly-owned subsidiary of TPH, being the controlling shareholder of the Company. Accordingly, TPDI is an associate of TPH and therefore, TPDI is regarded as an interested person of the Company for the purposes of Chapter 9 of the Listing Manual, and the proposed entry into each of the Construction Contracts constitutes an interested person transaction under the Listing Manual.

As disclosed in paragraph 1.1 of this announcement, the aggregate contract price of the Construction Contracts for the Two Projects of RMB6,764,311, being the amount at risk to the Company, represents approximately 0.10% of the Group's latest audited NTA of

RMB6,493,593,000 as at 31 December 2022 which is less than the threshold of three per cent. (3%). Accordingly, the proposed entry into each of the Construction Contracts constitutes an interested person transaction which is not subject to the disclosure requirements under Chapter 9 of the Listing Manual.

- 4.3 For the avoidance of doubt, for the current financial year beginning 1 January 2023 up to the date of this announcement (the “**Relevant Period**”), save for the proposed entry into the Construction Contracts, 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 TPDI.

Further, save for transaction(s) which has been approved by shareholders of the Company, or is the subject of aggregation with another transaction that has been approved by shareholders of the Company, the total value of all interested person transactions (excluding transactions which are less than S\$100,000) entered into between TPH and/or its associates on the one hand and 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) on the other hand for the Relevant Period is approximately RMB101,288,171, representing approximately 1.56% of the Group’s latest audited NTA of RMB6,493,593,000 as at 31 December 2022. Such transactions comprise (i) the acquisition of 15% equity interest in Tianjin Pharmaceutical Group Finance Co., Ltd. (天津医药集团财务有限公司) through a public bidding (公开摘牌) process for a consideration of RMB87,823,860, (ii) the proposed entry into the two (2) Construction Contracts of an aggregate contract value of RMB6,764,311, and (iii) the proposed 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.

5. **RATIONALE FOR, AND IMPACT OF, THE PROPOSED ENTRY INTO THE CONSTRUCTION CONTRACTS**

TPDI possesses multiple qualifications in various fields, including double Class-A design qualifications for chemical and petrochemical pharmaceutical and construction, and Class-3 qualification for general contracting for engineering construction, and is capable of effectively completing various stages of work including design, construction and acceptance. Meanwhile, TPDI, which belongs to the same group as the Company, has rich experience in the design and construction of pharmaceutical companies and is familiar with the business process of the Company, which would facilitate the overall planning of the project, strengthen the link-up of different stages of the project, effectively speed up the construction progress of the project and ensure the project be completed and put into operation on schedule.

TPDI was selected as the contractor for the Two Projects based on the bidding results, and the proposed entry into the Construction Contracts for the Two Projects would not be detrimental to the interests of the Company and its minority shareholders and will not affect the Company’s independence.

6. **DECISION-MAKING PROCESS FOR THE PROPOSED ENTRY INTO THE CONSTRUCTION CONTRACTS**

6.1 **Board meeting**

On 18 December 2023, the Company duly convened its FY2023 9th Board Meeting, and the Board considered and approved the proposed entry into each of the Construction Contracts as an interested person transaction. The Interested Directors (i.e., Mr. Guo Min, Ms. Zhang Mingrui and Ms. Wao Weiwen) have abstained from voting at the said Board meeting in respect of the resolutions approving the proposed entry into the Construction Contracts, and the remaining six (6) directors (including all three (3) Independent Directors) have approved the resolutions in relation to the proposed entry into the Construction Contracts.

6.2 Opinions from the Independent Directors

In accordance with relevant laws and regulations including the *Listing Rules of the Shanghai Stock Exchange* (《上海证券交易所股票上市规则》), the Independent Directors have given their opinions on the resolutions in relation to the proposed entry into each of the Construction Contracts as an interest person transaction as follows:

- (a) the convening and voting procedures of the FY2023 9th Board Meeting comply with relevant laws and regulations, as well as the Articles of Association of the Company, and the Interested Directors have abstained from voting on the resolutions approving the proposed entry into the Construction Contracts;
- (b) the proposed entry into the Construction Contracts adheres to the principles of equality, free will and mutual benefit, and neither affects the independence of the Company nor the interests of the Company and its minority shareholders; and
- (c) the contents of the Construction Contracts are legal and valid, and not in violation of any mandatory provisions of laws, regulations and normative documents which are currently in force.

7. PREVIOUS TRANSACTIONS

In accordance with the PRC laws including the listing rules of the Shanghai Stock Exchange, save for (i) the transactions entered into by the Company with the TPH Group (comprising TPH, its subsidiaries and associated companies) relating to labour services and house leasing with an aggregate value of RMB37,822,400, representing approximately 0.58% of the Company's latest audited net assets attributable to its parent company, (ii) the subscription of shares in NewScen Coast Bio-Pharmaceutical Co., Ltd. (天津中新科炬生物制药股份有限公司), a controlled subsidiary (as determined in accordance with the laws of the PRC) of the Company and a joint investment² with TPH, with an aggregate value of RMB52,800,000, representing approximately 0.81% of the Company's latest audited net assets attributable to its parent company, (iii) the acquisition of 15% equity interest in Tianjin Pharmaceutical Group Finance Co., Ltd. (天津医药集团财务有限公司)³ through a public bidding (公开摘牌) process at a consideration of RMB87,823,860, representing approximately 1.35% of the Company's latest audited net assets attributable to its parent company, and (iv) the proposed 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, representing approximately 0.10% of the Company's latest audited net assets

² As at the date of this announcement, TPH and the Company respectively holds 1.94% and 64.09% of the total shareholding in NewScen Coast Bio-Pharmaceutical Co., Ltd. (天津中新科炬生物制药股份有限公司).

³ As at the date of this announcement, TPH and the Company respectively holds 50% and 30% of the total shareholding in Tianjin Pharmaceutical Group Finance Co., Ltd. (天津医药集团财务有限公司).

attributable to its parent company, there were no other related party transactions (excluding transactions conducted under the general shareholders' mandate) over the past twelve (12) months up to the date of this announcement.

By Order of the Board

Jiao Yan
Secretary to the Board of Directors
19 December 2023