

ANNEXURE DATED 30 APRIL 2025

THIS ANNEXURE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Annexure 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 Annexure, the Notice of Annual General Meeting and attached 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 Annexure.



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

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

**ANNEXURE TO
THE NOTICE OF ANNUAL GENERAL MEETING**

in relation to

- (1) THE PROPOSED PROVISION OF A GUARANTEE OF UP TO RMB1,647.3 MILLION BY THE COMPANY FOR TIANJIN PHARMACEUTICAL GROUP TAIPING MEDICINE CO., LTD. (津药太平医药有限公司) AS AN INTERESTED PERSON TRANSACTION; AND**
- (2) THE PROPOSED PROVISION OF A GUARANTEE OF UP TO RMB815 MILLION BY THE COMPANY FOR TIANJIN ZHONGXIN MEDICINE CO., LTD. (天津中新医药有限公司) AS AN INTERESTED PERSON TRANSACTION**

Independent Financial Adviser
in respect of the Proposed Guarantees as Interested Person Transactions



NOVUS CORPORATE FINANCE PTE. LTD.

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

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DEFINITIONS

The following definitions apply throughout this Annexure unless the context otherwise requires:–

<i>“14 October 2024 Circular”</i>	:	The Company’s circular dated 14 October 2024 in relation to (i) the Proposed Capital Injection, (ii) the resultant joint venture in Taiping Medicine, and (iii) the Company’s Proportionate Guarantee
<i>“2024 1st EGM”</i>	:	The 1 st EGM of the Company in 2024 held on 29 October 2024
<i>“2025 AGM”</i>	:	The AGM of the Company to be held at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, via video conferencing at RNN Conference Centre, GB Building, 143 Cecil Street, Level 11, #11-03, Singapore 069542 for S-Share Shareholders in Singapore) on Thursday, 15 May 2025 at 1:30 p.m.
<i>“A-Shares”</i>	:	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
<i>“A-Share Shareholders”</i>	:	Holders of A-Shares
<i>“AGM” or “Annual General Meeting”</i>	:	An annual general meeting of the Company
<i>“Annexure”</i>	:	This annexure dated 30 April 2025 to the Notice of AGM
<i>“Articles” or “Articles of Association”</i>	:	The articles of association of the Company, as amended, modified and/or supplemented from time to time
<i>“Asset Restructuring”</i>	:	The restructuring of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited, Medicine Co. (天津中新药业集团股份有限公司医药公司), which involved (i) its conversion from a branch office of the Company into an indirect wholly-owned subsidiary of the Company by transferring the Company’s seventeen (17) branch offices and four (4) subsidiaries (including four (4) retail pharmacies operated as branch offices of these subsidiaries) in the pharmaceutical distribution/circulation business segment to a newly incorporated wholly-owned subsidiary of the Company (i.e. TJZX Medicine) post-restructuring, and (ii) the establishment of new branch offices under TJZX Medicine. Please refer to Appendix 1 to the Company’s announcement dated 17 December 2021 in relation to the resolutions passed at the 11 th Board meeting for the financial year ended 31 December 2021 for further details on the Asset Restructuring

DEFINITIONS

<i>“associate”</i>	:	(a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: <ul style="list-style-type: none">(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
<i>“Associated Company”</i>	:	In relation to a corporation, means: <ul style="list-style-type: none">(i) 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(ii) 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
<i>“Audit Committee”</i>	:	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
<i>“Board” or “Board of Directors”</i>	:	The board of Directors of the Company from time to time
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Company”</i>	:	Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited

DEFINITIONS

<i>“Company’s Proportionate Guarantee”</i>	:	The provision of a proportionate liability equal to 43.35% of the Subsisting Guarantee for TJZX Medicine (i.e. up to RMB823,650,000), in proportion to the Company’s equity interest in Taiping Medicine upon completion of the Proposed Capital Injection pursuant to the capital injection agreement in relation thereto, which was approved by the Independent Shareholders at the Company’s 2024 1 st EGM. Please refer to the 14 October 2024 Circular and the Company’s announcement dated 29 October 2024 in relation to the poll results of the 2024 1 st EGM for further details on the Proposed Capital Injection and the Company’s Proportionate Guarantee
<i>“control”</i>	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
<i>“Controlling Shareholder”</i>	:	<p>A person who:</p> <ul style="list-style-type: none"> (i) 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 (ii) in fact exercises control over the Company
<i>“Directors”</i>	:	The directors of the Company as at the Latest Practicable Date, and <i>“Director”</i> shall be construed accordingly
<i>“EGM” or “Extraordinary General Meeting”</i>	:	An extraordinary general meeting of the Company
<i>“entity at risk”</i>	:	<p>As defined in the Listing Manual, means:</p> <ul style="list-style-type: none"> (i) the Company; (ii) a subsidiary of the Company (excluding subsidiaries listed on the SGX-ST or an approved exchange); and (iii) 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>“FY” or “Financial Year”</i>	:	Financial year ended or, as the case may be, ending 31 December
<i>“FY2024”</i>	:	Financial year ended 31 December 2024
<i>“Group”</i>	:	The Company and its subsidiaries

DEFINITIONS

<i>“IFA” or “Independent Financial Adviser”</i>	:	Novus Corporate Finance Pte. Ltd., being the independent financial adviser appointed to opine on whether the Proposed Guarantees as interested person transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders
<i>“IFA Letter”</i>	:	The letter dated 30 April 2025 from the IFA in relation to the Proposed Guarantees as interested person transactions, as set out in Schedule 1 of this Annexure
<i>“Independent Shareholders”</i>	:	Shareholders who are not TPH and its associates
<i>“Interested Directors”</i>	:	Mr. Guo Min, Ms. Wang Lei, Mr. Xing Jianhua 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: <ul style="list-style-type: none"> (i) a Director, chief executive officer, or Controlling Shareholder of the Company; or (ii) 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
<i>“IPT Announcement”</i>	:	The announcement dated 28 March 2025 released by the Company in relation to the Proposed Guarantees as interested persons transactions
<i>“Latest Practicable Date”</i>	:	17 April 2025, being the latest practicable date prior to the despatch of this Annexure
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST, as amended, modified and/or supplemented from time to time
<i>“Non-Interested Directors”</i>	:	The Directors who are deemed to be independent for the purposes of making a recommendation on the Proposed Guarantees, namely, all the Directors except the Interested Directors
<i>“Notice of AGM”</i>	:	The notice of the 2025 AGM dated 30 April 2025
<i>“NTA”</i>	:	Net tangible assets
<i>“PRC”</i>	:	People’s Republic of China

DEFINITIONS

<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>“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, which was completed on or around 25 December 2024. Please refer to the 14 October 2024 Circular, as well as the Company’s announcement dated 29 October 2024 in relation to the poll results of the 2024 1 st EGM and its announcement dated 26 December 2024 in relation to completion of the Proposed Capital Injection for further details on the Proposed Capital Injection
<i>“Proposed Guarantees”</i>	:	The Proposed Taiping Medicine Guarantee and the Proposed TJZX Medicine Guarantee, collectively
<i>“Proposed Taiping Medicine Guarantee”</i>	:	The proposed provision of a joint and several liability guarantee (连带责任担保) of up to RMB1,647.3 million by the Company for Taiping Medicine in proportion to its equity interest in Taiping Medicine, in connection with the credit facilities to be obtained by Taiping Medicine from financial institutions, as further elaborated in Section 2 of this Annexure
<i>“Proposed TJZX Medicine Guarantee”</i>	:	The proposed provision of a joint and several liability guarantee (连带责任担保) of up to RMB815 million by the Company for TJZX Medicine in proportion to its equity interest in TJZX Medicine, in connection with the credit facilities to be obtained by TJZX Medicine from financial institutions, as further elaborated in Section 2 of this Annexure
<i>“Proxy Form”</i>	:	The proxy form in respect of the 2025 AGM
<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>“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

DEFINITIONS

<i>“S-Share Shareholders”</i>	:	Holders of S-Shares
<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 Company’s management team 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, modified and/or supplemented 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
<i>“Shares”</i>	:	Ordinary shares in the capital of the Company, comprising A-Shares and S-Shares
<i>“SSE”</i>	:	Shanghai Stock Exchange

DEFINITIONS

“SSE Listing Rules”	:	The Listing Rules of 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 construed accordingly
“Subsisting Guarantee”	:	The provision of a guarantee of up to RMB1,900 million by the Company for TJZX Medicine, remaining in effect until 13 May 2026 (being the originally set expiration date of the Subsisting Guarantee), which was approved by the Shareholders at the Company’s AGM held on 15 May 2024. Please refer to Appendix B to the Company’s announcement dated 29 March 2024 in relation to, <i>inter alia</i> , the resolutions passed at the 1 st Board meeting for FY2024, and its announcement dated 15 May 2024 in relation to the poll results of the AGM held on 15 May 2024 for further details
“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. (5.0%) 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), whose shareholders as at the Latest Practicable Date are TPH and the Company, holding 56.65% and 43.35% of its equity interest, respectively
“TJZX Medicine”	:	Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司), a wholly-owned subsidiary of Taiping Medicine as at the Latest Practicable Date
“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 holding approximately 42.99% of the issued share capital of the Company as at the Latest Practicable Date

DEFINITIONS

Currencies, units and others

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

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 Annexure 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 Annexure shall, where applicable, have the same meaning ascribed to it under the Listing Manual, the SFA or any statutory modifications thereof, as the case may be, unless the context otherwise requires.

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

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

The English names of certain PRC companies, entities and authorities in this Annexure are translations of their Chinese names, as there is no requirement for these companies, entities and authorities to have official English names. In case of any discrepancy, conflict or inconsistency among 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. Wang Lei

(Chairman and Executive Director)

Mr. Guo Min

(Executive Director)

Mr. Zhou Hong

(Executive Director)

Mr. Shang Mingjie

(Executive Director)

Ms. Mao Weiwen

(Non-Executive and Non-Independent Director)

Mr. Xing Jianhua

(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

30 April 2025

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

Dear Sir/Madam

- (1) THE PROPOSED PROVISION OF A GUARANTEE OF UP TO RMB1,647.3 MILLION BY THE COMPANY FOR TIANJIN PHARMACEUTICAL GROUP TAIPING MEDICINE CO., LTD. (津药太平医药有限公司) AS AN INTERESTED PERSON TRANSACTION; AND**
- (2) THE PROPOSED PROVISION OF A GUARANTEE OF UP TO RMB815 MILLION BY THE COMPANY FOR TIANJIN ZHONGXIN MEDICINE CO., LTD. (天津中新医药有限公司) AS AN INTERESTED PERSON TRANSACTION**

1. INTRODUCTION

1.1 Overview

We refer to the Notice of AGM of the Company dated 30 April 2025 convening the 2025 AGM, and, in particular, to:

- (a) Resolution 15, relating to the proposed provision of a guarantee of up to RMB1,647.3 million by the Company for Taiping Medicine as an interested person transaction (the **“Proposed Taiping Medicine Guarantee”**); and

LETTER TO SHAREHOLDERS

- (b) Resolution 16, relating to the proposed provision of a guarantee of up to RMB815 million by the Company for TJZX Medicine as an interested person transaction (the **“Proposed TJZX Medicine Guarantee”**),

(collectively, the **“Proposed Guarantees”**), as further elaborated in Section 2 below.

1.2 Purpose of this Annexure

The purpose of this Annexure is to provide Shareholders with information pertaining to, and to seek Independent Shareholders’ approval for, the Proposed Guarantees at the forthcoming 2025 AGM to be held at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, via video conferencing at RNN Conference Centre, GB Building, 143 Cecil Street, Level 11, #11-03, Singapore 069542 for S-Share Shareholders in Singapore) on Thursday, 15 May 2025 at 1:30 p.m..

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.

1.3 No Inter-conditionality

For the avoidance of doubt, Resolution 15 relating to the Proposed Taiping Medicine Guarantee and Resolution 16 relating to the Proposed TJZX Medicine Guarantee are not inter-conditional. Accordingly, subject to obtaining the requisite Shareholders’ approval, the Proposed Taiping Medicine Guarantee and the Proposed TJZX Medicine Guarantee may proceed independently, regardless of whether the other is approved or implemented.

1.4 SGX-ST

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

1.5 Legal Adviser

Shook Lin & Bok LLP is the legal adviser to the Company as to Singapore law in relation to the Proposed Guarantees.

2. THE PROPOSED GUARANTEES

2.1 Background

2.1.1 The Asset Restructuring and the Company’s Previous Guarantees for TJZX Medicine

As announced by the Company on 17 December 2021, the Company proposed to undertake an asset restructuring of its pharmaceutical commercial segment (or pharmaceutical circulation business segment) (医药商业板块). The restructuring involved (i) the transfer of the Company’s seventeen (17) branch offices and four (4) subsidiaries (including four (4) retail pharmacies operated as branch offices of these subsidiaries) in the pharmaceutical commercial segment to a newly incorporated wholly-owned subsidiary of the Company (i.e. TJZX Medicine), and (ii) the establishment of new branch offices under TJZX Medicine, so as to form a pharmaceutical commercial enterprise integrating channel distribution, sales

LETTER TO SHAREHOLDERS

and retail (i.e. the Asset Restructuring). The Asset Restructuring was also aimed at enabling the independent operation of the Company's pharmaceutical commercial segment and pharmaceutical industrial segment (医药工业板块). The Asset Restructuring was completed on or around 1 April 2022.

To ensure that TJZX Medicine meets its funding requirements for its daily operations and to facilitate the orderly continuation and replacement (接续置换) of its subsisting entrusted loans following the Asset Restructuring, the Company has been providing guarantees annually from 2022 to 2024 for TJZX Medicine, which was then a wholly-owned subsidiary of the Company, as follows:

- (i) up to RMB500 million for one (1) year, which was approved by Shareholders at the Company's AGM held on 16 May 2022;
- (ii) up to RMB1,900 million for one (1) year, which was approved by Shareholders at the Company's AGM held on 15 May 2023; and
- (iii) up to RMB1,900 million for one (1) year (i.e. the Subsisting Guarantee), which was approved by Shareholders at the Company's AGM held on 15 May 2024.

2.1.2 The Company's Proportionate Guarantee for TJZX Medicine following the Proposed Capital Injection

On 10 September 2024, the Company convened its 5th Board meeting for FY2024, where the Board considered and approved, amongst others, the proposed capital injection of RMB493,617,700 into Taiping Medicine by the Company through the transfer of the 100% equity interest in TJZX Medicine to Taiping Medicine (i.e. the Proposed Capital Injection). The Proposed Capital Injection was part of the Company's strategic plan to streamline its business and focus on its core pharmaceutical industrial segment. Given the continued losses and high receivables in the pharmaceutical commercial segment, the Company believes that divesting this segment will enhance the Group's financial performance, with the consolidated financial statements thereafter primarily reflecting the financial metrics from the pharmaceutical industrial segment. The Proposed Capital Injection also resolved the issue of competition within the same industry between the Company and its Controlling Shareholder (i.e. TPH), and is aligned with the long-term interests of the Company and its Shareholders.

Pursuant to the capital injection agreement in relation to the Proposed Capital Injection, the Company shall assume a proportionate liability equal to 43.35% of the Subsisting Guarantee for TJZX Medicine (i.e. RMB823,650,000), in proportion to its equity interest in Taiping Medicine upon completion of the Proposed Capital Injection (i.e. the Company's Proportionate Guarantee).

As stated in the 14 October 2024 Circular, following the completion of the Proposed Capital Injection, TJZX Medicine will become a wholly-owned subsidiary of Taiping Medicine, which, in turn, will be jointly held by TPH and the Company with 56.65% and 43.35% equity interests, respectively. As a result:

- (i) the Subsisting Guarantee (including the Company's Proportionate Guarantee) will be classified as a related-party guarantee under the SSE Listing Rules; and

LETTER TO SHAREHOLDERS

- (ii) the Company's Proportionate Guarantee will constitute an interested person transaction under Chapter 9 of the Listing Manual, with a transaction value exceeding five per cent. (5%) of the Group's latest audited NTA.

Accordingly, the Company submitted the Company's Proportionate Guarantee, together with the Proposed Capital Injection, for Independent Shareholders' approval at the 2024 1st EGM, which were duly obtained.

The Proposed Capital Injection was completed on or around 25 December 2024.

As at the Latest Practicable Date, the actual amount of guarantee provided by the Company for TJZX Medicine under the Company's Proportionate Guarantee is approximately RMB523,817,300, remaining in effect until 13 May 2026, which is the originally set expiration date of the Subsisting Guarantee.

2.1.3 The Proposed Guarantees

The core businesses of Taiping Medicine and TJZX Medicine are centred on the pharmaceutical commercial segment, which requires substantial working capital for daily operations. Their operational funding needs are mainly met through financing from financial institutions. Taiping Medicine and TJZX Medicine intend to apply for credit facilities of RMB3.8 billion¹ and RMB1.88 billion from banks, respectively. Accordingly, both Taiping Medicine and TJZX Medicine are requesting their shareholders to provide proportionate guarantees based on their respective shareholdings to secure the credit facilities from the banks. To support their respective working capital requirements, enhance capital utilisation efficiency, and reduce financing costs, TPH and the Company propose to provide proportionate guarantees for Taiping Medicine and TJZX Medicine based on their respective equity interests in both entities.

Specifically, the Company proposes to provide:

- (i) a guarantee of up to RMB1,647.3 million for Taiping Medicine (i.e. the Proposed Taiping Medicine Guarantee); and
- (ii) a guarantee of up to RMB815 million² for TJZX Medicine (i.e. the Proposed TJZX Medicine Guarantee),

each in proportion to its equity interests in Taiping Medicine and TJZX Medicine, respectively.

1 The credit facilities of RMB3.8 billion applied for by Taiping Medicine are consistent with the credit facilities it has applied for in the past. Prior to the Proposed Capital Injection, TPH, as the sole shareholder of Taiping Medicine, had been providing guarantees for such credit facilities. Following the Proposed Capital Injection, and in view of the Company becoming a 43.35% shareholder of Taiping Medicine, the Company is now requested to provide guarantees for Taiping Medicine in proportion to its equity interest.

2 For the avoidance of doubt, the proposed total guarantee amount of RMB1.88 billion to be applied by TJZX Medicine, of which the Company's proportionate guarantee is up to RMB815 million, is not in addition to the Company's Proportionate Guarantee, but a continuation of it (which remains in effect until 13 May 2026). The proposed amount reflects the total anticipated guarantee needs of TJZX Medicine for the financial year ending 31 December 2025, and is slightly lower than the RMB1.9 billion guarantee previously provided by the Company for TJZX Medicine, which was then a wholly-owned subsidiary of the Company, for each of 2023 and 2024.

LETTER TO SHAREHOLDERS

As mentioned above, following the completion of the Proposed Capital Injection, TJZX Medicine ceased to be a wholly-owned subsidiary of the Company and became a wholly-owned subsidiary of Taiping Medicine, which, as at the Latest Practicable Date, is jointly held by TPH and the Company with 56.65% and 43.35% equity interests, respectively. As such, each of the Proposed Taiping Medicine Guarantee and the Proposed TJZX Medicine Guarantee constitutes an interested person transaction under Chapter 9 of the Listing Manual. Furthermore, as the value of the Proposed Taiping Medicine Guarantee represents approximately 21.24% of the Group's latest audited NTA, and the value of the Proposed TJZX Medicine Guarantee represents approximately 10.51% of the Group's latest audited NTA, both Proposed Guarantees exceed five per cent (5%) of the Group's latest audited NTA and are therefore subject to Independent Shareholders' approval under Rule 906(1) of the Listing Manual. Please refer to Section 2.6 of this Annexure for further details.

2.2 Information on TPH, Taiping Medicine and TJZX Medicine

2.2.1 Corporate Information

(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.

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) and Tianjin Guoyu Enterprise Management Co., Ltd. (天津国宇企业管理有限公司), holding 67% and 33%, respectively;
- (iii) the board of directors of TPH comprises Mr. Feng Huang (冯煌) (chairman), Mr. Zhang Wang (张旺) (vice chairman), Mr. Guo Min (郭珉) (vice chairman), Mr. Jiang Kai (蒋恺), Mr. Jia Wei (贾伟), Mr. Luo Xuan (罗譔), Mr. Wang Dong (王东), Mr. Wang Guanghua (王光华), and Mr. Xue Yangxue (徐阳雪); and
- (iv) the legal representative of TPH is Ms. Wang Lei (王磊).

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(b) Information on Taiping Medicine

Taiping Medicine, a limited liability company incorporated in the PRC on 29 September 1994, is one of the leading pharmaceutical logistics companies in Tianjin. It serves as the flagship enterprise in TPH's commercial and retail segments. Taiping Medicine operates across several sectors, including medical, commercial, retail and medical devices. Taiping Medicine has a broad business scope and is principally engaged in the commercial distribution of Chinese proprietary medicines, chemical raw materials and their preparations, antibiotics, biological products, diagnostic medicines, anesthetics and medical devices. It offers more than 9,000 product categories. For full details of Taiping Medicine's business scope, please refer to the IPT Announcement.

As at the Latest Practicable Date,

- (i) Taiping Medicine has a registered capital of RMB1,000 million, with its shareholders being TPH and the Company, holding 56.65% and 43.35%, respectively;
- (ii) the board of directors of Taiping Medicine comprises Mr. Xing Jianhua (幸建华) (chairman), Mr. Xue Chao (薛超), Ms. Wang Lei (王磊), Mr. Huang Zhiyong (黄志勇), and Ms. Zou Yan (邹燕); and
- (iii) the legal representative of Taiping Medicine is Mr. Xue Chao (薛超).

(c) Information on TJZX Medicine

TJZX Medicine, a limited liability company incorporated in the PRC on 24 August 2021, is principally engaged in the sale of pharmaceutical products, logistics and distribution, as well as the provision of pharmaceutical supply chain solutions. Its main products include Chinese proprietary medicines, Chinese herbal decoction pieces, chemical drug preparations, biological products, medical consumables, medical devices, and nutritional supplements. As at the Latest Practicable Date, TJZX Medicine operates through fourteen (14) branch offices and three (3) subsidiaries under a regional management structure. Its sales network covers medical institutions, private hospitals, clinics, and retail pharmacies across all sixteen (16) districts of Tianjin. For full details of TJZX Medicine's business scope, please refer to the IPT Announcement.

As at the Latest Practicable Date,

- (i) TJZX Medicine is a wholly-owned subsidiary of Taiping Medicine;
- (ii) TJZX Medicine has a registered capital of RMB520 million;
- (iii) the sole director of TJZX Medicine is Mr. Xiao Jiannan (肖健男); and
- (iv) the legal representative of TJZX Medicine is Mr. Xiao Jiannan (肖健男).

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2.2.2 Key Financial Information

(a) Taiping Medicine

The key financial information of Taiping Medicine, based on the consolidated financial statements of Taiping Medicine and its subsidiaries (unless otherwise stated), is set out below:

Items	As at 31 December 2022 (audited) (RMB'000)	As at 31 December 2023 (audited) (RMB'000)	As at 31 December 2024 (audited) (RMB'000)	As at 31 December 2024 (excluding TJZX Medicine) (unaudited) (RMB'000)
Total assets	3,642,312.9	4,121,622.8	6,695,198.3	4,735,300.9
Total liabilities	3,137,181.6	3,624,997.4	5,707,641.7	3,766,850.7
Total current assets	3,488,846.5	3,990,922.3	6,486,776.9	4,164,267.4
Total current liabilities	3,115,716.2	3,603,731.0	5,526,641.9	3,608,734.2
Net assets	505,131.3	496,625.4	987,556.6	968,450.2
Items	January to December 2022 (audited) (RMB'000)	January to December 2023 (audited) (RMB'000)	January to December 2024 (audited) (RMB'000)	January to December 2024 (excluding TJZX Medicine) (unaudited) (RMB'000)
Revenue	4,777,606.7	5,260,919.5	8,363,812.4	5,698,283.4
Net profit/ (loss)	6,208.9	25,090.4	(7,376.1)	31,403.6

(b) TJZX Medicine

The key financial information of TJZX Medicine, based on the consolidated financial statements of TJZX Medicine and its subsidiaries, is set out below:

Items	As at 31 December 2022 (audited) (RMB'000)	As at 31 December 2023 (audited) (RMB'000)	As at 31 December 2024 (audited) (RMB'000)
Total assets	2,951,538.9	2,744,358.6	2,396,521.1
Total liabilities	2,432,800.0	2,258,989.3	1,960,145.2
Total current assets	2,879,165.0	2,679,812.0	2,341,863.7

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Items	As at 31 December 2022 (audited) (RMB'000)	As at 31 December 2023 (audited) (RMB'000)	As at 31 December 2024 (audited) (RMB'000)
Total current liabilities	2,420,143.5	2,247,219.3	1,937,261.9
Net assets	518,738.9	485,369.3	436,375.9
Items	January to December 2022 (audited) (RMB'000)	January to December 2023 (audited) (RMB'000)	January to December 2024 (audited) (RMB'000)
Revenue	3,356,568.6	3,724,300.8	3,063,674.8
Net profit/(loss)	(27,540.8)	(33,369.6)	(38,779.7)

2.3 Principal Terms of the Proposed Guarantees

(a) The Proposed Taiping Medicine Guarantee

- Guarantee Type : Joint and several liability guarantee (连带责任担保)³
- Guarantee Term : The guarantee liability period under the Proposed Taiping Medicine Guarantee is as follows:
- within one (1) year from the date of approval at the 2025 AGM, the Company may enter into one or more guarantee agreements with the relevant banks; and
 - each such guarantee agreement will have a term of one (1) year from its date of execution⁴.

³ Under the Proposed Taiping Medicine Guarantee, the terms of the guarantee do not require the banks to first claim payment from either of the guarantors before claiming from the other. The banks retain the right to pursue claims against both guarantors. In practice, in the event that Taiping Medicine is unable to fulfil its repayment obligations, the banks are expected to initiate claims against TPH and the Company (as guarantors) in proportion to their respective equity interests in Taiping Medicine.

⁴ For example, if a guarantee agreement is entered into on 13 May 2026, it will expire on 12 May 2027. As long as the commencement date of such guarantee falls between the date of approval (i.e. 15 May 2025, being the date of the 2025 AGM, assuming the Proposed Taiping Medicine Guarantee is approved at the 2025 AGM) and 14 May 2026, the guarantee will be considered valid.

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Guarantee Amount : The total guarantee amount required for all credit facilities to be obtained by Taiping Medicine is RMB3,800 million⁵. Based on their respective equity interests in Taiping Medicine, the proportionate guarantees to be provided by the Company and TPH are as follows:

- the Company: up to RMB1,647.3 million
- TPH: up to RMB2,152.7 million

Please refer to the table below for a detailed breakdown of the guarantee amounts allocated to the Company and TPH.

Guarantee Scope : The guarantee covers all amounts due or payable by Taiping Medicine under the principal credit facility agreements, including interest, compound interest, penalty interest, liquidated damages, compensation for losses, and all other costs and expenses incurred in enforcing or recovering payment from Taiping Medicine

Guarantee Form : The shareholders of Taiping Medicine shall provide proportionate guarantees based on their respective equity interests in Taiping Medicine. Specifically:

- the Company shall assume guarantee obligations in proportion to its 43.35% equity interest in Taiping Medicine
- TPH shall assume guarantee obligations in proportion to its 56.65% equity interest in Taiping Medicine

⁵ Please refer to Section 2.2.2(a) of this Annexure for the key financial information of Taiping Medicine, and Section 2.4 of this Annexure for the details relating to its ability to meet its repayment obligations under the proposed credit facilities.

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The following table provides a detailed breakdown of the guarantee amounts allocated to the Company and TPH for each credit facility to be obtained by Taiping Medicine:

No.	Name of Bank	Total Guarantee Required (RMB million)	TPH's Guarantee Amount ⁽¹⁾ (RMB million)	The Company's Guarantee Amount ⁽¹⁾ (RMB million)
1.	Bank of China (中国银行)	400	226.6	173.4
2.	Agricultural Bank of China (农业银行)	200	113.3	86.7
3.	Bank of Communications (交通银行)	500	283.3	216.8
4.	China Merchants Bank (招商银行)	200	113.3	86.7
5.	Shanghai Pudong Development Bank (浦发银行)	400	226.6	173.4
6.	China CITIC Bank (中信银行)	150	85.0	65.0
7.	China Minsheng Bank (民生银行)	400	226.6	173.4
8.	China Guangfa Bank (广发银行)	200	113.3	86.7
9.	Industrial Bank Co., Ltd. (兴业银行)	300	170.0	130.1
10.	Ping An Bank (平安银行)	250	141.6	108.4
11.	Huaxia Bank (华夏银行)	50	28.3	21.7
12.	China Bohai Bank (渤海银行)	500	283.3	216.8
13.	The Export-Import Bank of China (进出口银行)	250	141.6	108.4
Total		3,800	2,152.7	1,647.3

Note(s):

(1) The amounts presented in this column have been rounded to one (1) decimal place.

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For the avoidance of doubt, the Company will proceed with the Proposed Taiping Medicine Guarantee only after obtaining approval from the Independent Shareholders. As at the Latest Practicable Date, the Company has not entered into any agreements with the banks listed above in relation to the Proposed Taiping Medicine Guarantee. Copies of the relevant draft template guarantee agreements proposed to be entered into between the Company and the banks in respect of the Proposed Taiping Medicine Guarantee 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 from the date of this Annexure up to and including the date of the 2025 AGM. Shareholders should note that these are draft templates only and may be subject to changes following final negotiations between the Company and the relevant banks, save for the principal terms set out above. The Company will update Shareholders in the event of any material changes to the terms of the Proposed Taiping Medicine Guarantee, including, but not limited to, the principal terms set out above.

(b) The Proposed TJZX Medicine Guarantee

Guarantee Type	:	Joint and several liability guarantee (连带责任担保) ⁶
Guarantee Term	:	<p>The guarantee liability period under the Proposed TJZX Medicine Guarantee is as follows:</p> <ul style="list-style-type: none">• within one (1) year from the date of approval at the 2025 AGM, the Company may enter into one or more guarantee agreements with the relevant banks; and• each such guarantee agreement will have a term of one (1) year from its date of execution⁷.
Guarantee Amount	:	<p>The total guarantee amount required for all credit facilities to be obtained by TJZX Medicine is RMB1,880 million⁸. Based on their respective equity interests in Taiping Medicine, the proportionate guarantees to be provided by the Company and TPH are as follows:</p> <ul style="list-style-type: none">• the Company: up to RMB815 million• TPH: up to RMB1,065 million

6 Under the Proposed TJZX Medicine Guarantee, the terms of the guarantee do not require the banks to first claim payment from either of the guarantors before claiming from the other. The banks retain the right to pursue claims against both guarantors. In practice, in the event that TJZX Medicine is unable to fulfil its repayment obligations, the banks are expected to initiate claims against TPH and the Company (as guarantors) in proportion to their respective equity interests in the parent company of TJZX Medicine (i.e. Taiping Medicine).

7 For example, if a guarantee agreement is entered into on 13 May 2026, it will expire on 12 May 2027. As long as the commencement date of such guarantee falls between the date of approval (i.e. 15 May 2025, being the date of the 2025 AGM, assuming the Proposed TJZX Medicine Guarantee is approved at the 2025 AGM) and 14 May 2026, the guarantee will be considered valid.

8 Please refer to Section 2.2.2(b) of this Annexure for the key financial information of TJZX Medicine, and Section 2.4 of this Annexure for the details relating to its ability to meet its repayment obligations under the proposed credit facilities.

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Please refer to the table below for a detailed breakdown of the guarantee amounts to be provided by the Company and TPH.

- Guarantee Scope : The guarantee covers all amounts due or payable by TJZX Medicine under the principal credit facility agreements, including interest, compound interest, penalty interest, liquidated damages, compensation for losses, and all other costs and expenses incurred in enforcing or recovering payment from TJZX Medicine
- Guarantee Form : The shareholders of Taiping Medicine, being the parent company of TJZX Medicine, shall provide proportionate guarantees based on their respective equity interests in Taiping Medicine. Specifically:
- the Company shall assume guarantee obligations in proportion to its 43.35% equity interest in Taiping Medicine
 - TPH shall assume guarantee obligations in proportion to its 56.65% equity interest in Taiping Medicine

The following table provides a detailed breakdown of the guarantee amounts allocated to the Company and TPH for each credit facility to be obtained by TJZX Medicine:

No.	Name of Bank	Total Guarantee Required (RMB million)	TPH's Guarantee Amount ⁽¹⁾ (RMB million)	The Company's Guarantee Amount ⁽¹⁾ (RMB million)
1.	Bank of China (中国银行)	400	226.6	173.4
2.	Shanghai Pudong Development Bank (浦发银行)	400	226.6	173.4
3.	China Merchants Bank (招商银行)	300	170.0	130.1
4.	Agricultural Bank of China (农业银行)	230	130.3	99.7
5.	China Minsheng Bank (民生银行)	200	113.3	86.7
6.	Industrial Bank Co., Ltd. (兴业银行)	200	113.3	86.7

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No.	Name of Bank	Total Guarantee Required (RMB million)	TPH's Guarantee Amount ⁽¹⁾ (RMB million)	The Company's Guarantee Amount ⁽¹⁾ (RMB million)
7.	China CITIC Bank (中信银行)	150	85.0	65.0
Total		1,880	1,065	815

Note(s):

(1) The amounts presented in this column have been rounded to one (1) decimal place.

For the avoidance of doubt, the Company will proceed with the Proposed TJZX Medicine Guarantee only after obtaining approval from the Independent Shareholders. As at the Latest Practicable Date, the Company has not entered into any agreements with the banks listed above in relation to the Proposed TJZX Medicine Guarantee. Copies of the relevant draft template guarantee agreements proposed to be entered into between the Company and the banks in respect of the Proposed TJZX Medicine Guarantee 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 from the date of this Annexure up to and including the date of the 2025 AGM. Shareholders should note that these are draft templates only and may be subject to changes following final negotiations between the Company and the relevant banks, save for the principal terms set out above. The Company will update Shareholders in the event of any material changes to the terms of the Proposed TJZX Medicine Guarantee, including, but not limited to, the principal terms set out above.

2.4 Rationale for, and Benefits of, the Proposed Guarantees

The core businesses of Taiping Medicine and TJZX Medicine are centred on the pharmaceutical commercial segment, which requires substantial working capital for daily operations. The Proposed Guarantees primarily aim to continue the existing guarantee arrangements for TJZX Medicine while also supporting the daily operational funding needs and future growth of the restructured pharmaceutical commercial segment following the completion of the Proposed Capital Injection.

Both companies engage in pharmaceutical product sales, logistics and distribution, and pharmaceutical supply chain solutions, with operations spanning multiple sectors, including healthcare, commercial distribution, retail terminals, and medical devices. They have established long-term and stable collaborations with nearly 10,000 pharmaceutical manufacturers domestically and internationally. Their sales network covers all sixteen (16) districts of Tianjin, serving various medical institutions, private hospitals, clinics, and retail pharmacies. In addition, they possess strong distribution networks and channel advantages in the Tianjin region, reinforcing their competitive position.

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In view of the scale and stability of their operations, as well as the steady revenue streams generated from pharmaceutical distribution, the Company believes that both Taiping Medicine and TJZX Medicine are financially well-positioned to support their operations and meet their financing obligations under the Proposed Guarantees, for the following reasons:

- (a) Taiping Medicine maintained a stable operational performance, with several key operating indicators improving year-on-year. In particular, its return on equity increased from 5.0% in 2023 to 6.31% in 2024, reflecting stronger profitability and an enhanced ability to generate returns. As at 31 December 2024, Taiping Medicine recorded a current ratio of approximately 1.15 and a quick ratio of approximately 1.01, indicating sound liquidity and relatively low financial risk. In terms of cash flow, net cash generated from operating activities for 2024 amounted to approximately RMB118 million. The aforementioned financial figures of Taiping Medicine exclude those of TJZX Medicine. Given the capital-intensive nature of the pharmaceutical wholesale and retail industry, occasional short-term liquidity pressure may arise. Nevertheless, Taiping Medicine has maintained steady cash inflows from product sales, which are sufficient to meet its debt repayment obligations as they fall due.
- (b) TJZX Medicine similarly demonstrated a healthy financial profile. Based on the key financial information set out in Section 2.2.2(b) of this Annexure, its current ratios for the past three (3) years were approximately 1.190, 1.193 and 1.201, respectively. This steady improvement reflects an enhancement in TJZX Medicine's short-term debt repayment capacity, with current assets consistently exceeding current liabilities and indicating improved liquidity. In terms of cash flow, TJZX Medicine recorded cash receipts of approximately RMB3.478 billion from the sale of goods and provision of services in 2024, and net cash generated from operating activities amounted to approximately RMB223 million in the same year. For 2025, TJZX Medicine projects a revenue growth of approximately 3%, which is expected to provide a solid financial foundation for the repayment of both short-term and long-term borrowings. Being in the same capital-intensive pharmaceutical wholesale and retail industry as Taiping Medicine, TJZX Medicine also faces occasional short-term liquidity pressure, which is not uncommon in the sector. Nonetheless, the steady inflow of funds from product sales continues to serve as a reliable source of repayment for bank loans as they fall due.

Accordingly, based on the historical financial performance and projected revenue growth, the Company is of the view that, as at the Latest Practicable Date, both Taiping Medicine and TJZX Medicine have the financial capability to meet their respective repayment obligations under the proposed credit facilities.

Considering that the Proposed Guarantees will be provided by TPH and the Company in proportion to their respective equity interests in Taiping Medicine and TJZX Medicine, and that the Company's total liabilities under the Proposed Guarantees will be capped at RMB2,462.3 million, the Board (excluding the Interested Directors) is of the view that the Proposed Guarantees are commercially beneficial to the Company and the Group, and in the interests of the Company and its Shareholders.

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2.5 Total Amount of External Guarantees and Amount of Overdue Guarantees

As at the Latest Practicable Date, the total amount of external guarantees provided by the Company and its controlled subsidiaries (as defined in accordance with the laws of the PRC) amounts to RMB523,817,300, all of which are guarantees provided by the Company for TJZX Medicine under the Company's Proportionate Guarantee, representing approximately 6.68% of the latest audited net assets of the Company attributable to equity holders of the Company, which was approximately RMB7,843,594,000 as at 31 December 2024.

The aggregate guarantee amount of up to RMB2,462.3 million pursuant to the Proposed Guarantees accounts for approximately 31.39% of the latest audited net assets of the Company attributable to equity holders of the Company, which was approximately RMB7,843,594,000 as at 31 December 2024.

As at the Latest Practicable Date, the Company has no overdue external guarantees.

2.6 Proposed Guarantees as Interested Person Transactions

2.6.1 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:

- (i) the value of such transaction is equal to or exceeds five per cent. (5%) of the Group's latest audited NTA; or
- (ii) 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.

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:

- (i) 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;

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- (ii) 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;
- (iii) 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
- (iv) 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.

2.6.2 Entity at Risk and Interested Persons

The Company is considered an "entity at risk" for the purposes of Chapter 9 of the Listing Manual in relation to the Proposed Guarantees.

As at the Latest Practicable Date,

- (i) TPH holds 42.99% of the issued share capital of the Company and is therefore considered a Controlling Shareholder. As a result, TPH and its associates are regarded as "interested persons" for the purposes of Chapter 9 of the Listing Manual; and
- (ii) TPH holds 56.65% equity interest in Taiping Medicine, which in turn holds 100% of the equity interest in TJZX Medicine. Consequently, both Taiping Medicine and TJZX Medicine are regarded as associates of TPH and are therefore considered "interested persons" under Chapter 9 of the Listing Manual, notwithstanding that the Company also holds 43.35% equity interest in Taiping Medicine.

Accordingly, each of the Proposed Taiping Medicine Guarantee and the Proposed TJZX Medicine Guarantee constitutes an interested person transaction under Chapter 9 of the Listing Manual.

2.6.3 Shareholders' Approval for the Proposed Guarantees

Based on the latest audited consolidated financial statements of the Group for FY2024, the Group's latest audited NTA as at 31 December 2024 is approximately RMB7,756,004,000.

The total amount at risk to the Company in respect of the Proposed Guarantees is RMB2,462.3 million (being the Company's maximum liability under the Proposed Guarantees), representing approximately 31.75% of the Group's latest audited NTA. This amount comprises:

- (i) RMB1,647.3 million (being the Proposed Taiping Medicine Guarantee), representing approximately 21.24% of the Group's latest audited NTA; and
- (ii) RMB815 million (being the Proposed TJZX Medicine Guarantee), representing approximately 10.51% of the Group's latest audited NTA.

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As the value of each of the Proposed Taiping Medicine Guarantee and the Proposed TJZX Medicine Guarantee exceeds five per cent. (5%) of the Group's latest audited NTA, both Proposed Guarantees are subject to the approval of the Independent Shareholders pursuant to Rule 906 of the Listing Manual.

2.6.4 Current and On-going Interested Person Transactions

(a) Other Interested Person Transactions with Taiping Medicine

Save for the Proposed Taiping Medicine Guarantee, which is pending approval from the Independent Shareholders at the 2025 AGM, there are no other interested person transactions (excluding transactions below S\$100,000) entered into by the Company with Taiping Medicine for the current financial year beginning 1 January 2025 up to the Latest Practicable Date.

(b) Other Interested Person Transactions with TJZX Medicine

Save for:

- (i) the Company's Proportionate Guarantee which had been approved by the Independent Shareholders at the Company's EGM held on 29 October 2024; and
- (ii) the Proposed TJZX Medicine Guarantee, which is pending approval from the Independent Shareholders at the 2025 AGM,

there are no other interested person transactions (excluding transactions below S\$100,000) entered into by the Company with TJZX Medicine for the current financial year beginning 1 January 2025 up to the Latest Practicable Date.

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

Save for:

- (i) the financial services agreement entered into between the Company and TPGF, which was approved by the Independent Shareholders at the Company's AGM held on 15 May 2023⁹;
- (ii) the Company's Proportionate Guarantee, which was approved by the Independent Shareholders at the Company's EGM held on 29 October 2024; and
- (iii) the transactions pursuant to the 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 by the Independent Directors at the Company's AGM held on 15 May 2024,

there are no other interested person transactions (excluding transactions below S\$100,000 and the Proposed Guarantees, which are pending approval from the Independent Shareholders at the 2025 AGM) entered into by, on the one hand, the Company, its subsidiaries and/or Associated Companies, which are considered an "entity at risk" within the meaning of Rule 904(2) of the Listing Manual and, on the other hand, TPH and/or its associates for the current financial year beginning 1 January 2025 up to the Latest Practicable Date.

⁹ 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.

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

Accordingly, the current total value of all interested person transactions (excluding the Proposed Guarantees, which are pending approval from the Independent Shareholders at the 2025 AGM) entered into by, on the one hand, the Company, its subsidiaries and/or Associated Companies, which are considered an “entity at risk” within the meaning of Rule 904(2) of the Listing Manual and, on the other hand, TPH and/or its associates for the current financial year beginning 1 January 2025 up to the Latest Practicable Date, is approximately RMB639,620,508.79, representing approximately 8.25% of the Group’s latest audited NTA of RMB7,756,004,000 as at 31 December 2024.

2.6.5 All Related Party Transactions in the Past Twelve (12) Months

In accordance with the laws of the PRC, 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 RMB18,224,770.02, representing approximately 0.23% of the Company’s latest audited net assets attributable to equity holders of the Company;
- (ii) the Company’s capital contribution of RMB150 million to TPGF on a pro rata basis¹⁰, representing approximately 1.91% of the Company’s latest audited net assets attributable to equity holders of the Company;
- (iii) the Company’s capital injection of RMB493,617,700 into Taiping Medicine¹¹, representing approximately 6.29% of the Company’s latest audited net assets attributable to equity holders of the Company; and
- (iv) the Company’s 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) for a consideration of RMB1,758,755,555.56¹², representing approximately 22.42% of the Company’s latest audited net assets attributable to equity holders of the Company;

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

10 Please refer to the Company’s announcement dated 6 September 2024 for further information on its capital contribution to TPGF.

11 Please refer to the 14 October 2024 Circular and the Company’s announcement dated 29 October 2024 for further information on the Proposed Capital Injection.

12 Please refer to the Company’s circular dated 7 November 2024 and its announcement dated 22 November 2024 for further information on the disposal.

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2.6.6 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 Proposed Guarantees, as interested person transactions, are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. A copy of the IFA Letter is set out in **Schedule 1** of this Annexure. Shareholders are advised to read the IFA Letter carefully and in its entirety.

The following is an extract from paragraph 6 of the IFA Letter and should be read in conjunction with, and interpreted in the full context of, the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated. **Shareholders are advised to carefully read and consider the key considerations relied upon by the IFA in arriving at its opinion.**

“6. OPINION

In arriving at our opinion in respect of the Proposed Guarantees as interested person transactions, 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 Guarantees;*
- (b) the other salient terms of the Proposed Guarantees;*
- (c) the proportionate amount of the Proposed Guarantees;*
- (d) the provision of previous guarantees for TJZX Medicine;*
- (e) in comparison with the Reference Transactions:*
 - (i) save for one (1) Reference Transaction involving Samko Timber which was announced on 26 April 2022, the rest of the Reference Transactions are categorized as interested person transactions;*
 - (ii) with regards to those Reference Transactions that are categorised as interested person transactions, the corporate guarantees were provided in proportion to the company's respective equity interest held in the recipient entities; and*
 - (iii) for illustrative purposes only, notwithstanding that the Proposed Guarantees as a percentage of the Company's NTA of 31.82% exceeds the maximum of 16.90% of the Reference Transactions, the Company's total amount of corporate guarantees as a percentage of NTA, after taking into consideration the Proposed Guarantees, of 38.44%, is below the mean and median of 54.93% and 64.72% respectively, and is within the range of the Reference Transactions; and*
- (f) other relevant considerations as set out in paragraph 5.6 of this Letter.*

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 Proposed Guarantees as interested person transactions are on normal commercial terms and are not prejudicial to the interests of the Company and the minority Shareholders.”

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2.6.7 Audit Committee's Statement

Having considered, amongst others, the terms, rationale for, and benefit of, the Proposed Guarantees, as well as the IFA's opinion as set out in the IFA Letter in **Schedule 1** of this Annexure, the Audit Committee concurs with the IFA's opinion and is of the view that the Proposed Guarantees are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. Accordingly, the Audit Committee's opinion on the Proposed Guarantees does not differ from that of the IFA.

2.6.8 Abstention from Voting

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

Accordingly, TPH will abstain, and has undertaken to ensure that its associates will abstain, from voting on the resolutions in respect of the Proposed Guarantees at the 2025 AGM. In addition, TPH shall, and has undertaken to ensure that its associates shall, not accept nomination as proxies or otherwise participate in voting on the aforesaid resolutions at the 2025 AGM unless specific instructions have been given in the proxy instrument on how the relevant Shareholders wish to vote.

The Company will disregard any votes cast on the resolutions in respect of the Proposed Guarantees by TPH and its associates.

3. 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	% ⁽¹⁾	No of Shares	% ⁽¹⁾
Directors				
Wang Lei	—	—	—	—
Guo Min	—	—	—	—
Zhou Hong	23,800 ⁽²⁾	0.003	—	—
Shang Mingjie	—	—	—	—
Mao Weiwen	—	—	—	—
Xing Jianhua	—	—	—	—
Yeo Guat Kwang	—	—	—	—
Liew Yoke Pheng Joseph	—	—	—	—
Zhong Ming	—	—	—	—
Substantial Shareholder(s)				
TPH	325,855,528	42.31	5,265,000 ⁽³⁾	0.68

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Notes:

- (1) Based on the total issued share capital of 770,094,356 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..

4. DIRECTORS' RECOMMENDATIONS

As at the Latest Practicable Date,

- (i) Mr. Guo Min is a director of TPH;
- (ii) Ms. Wang Lei is the legal representative and a senior management member of TPH, and a director of Taiping Medicine;
- (iii) Mr. Xing Jianhua is a senior management member of TPH and a director of Taiping Medicine; and
- (iv) Ms. Mao Weiwen is a senior management member of TPH.

Accordingly, they have abstained from voting on the board resolutions in respect of the Proposed Guarantees and will also abstain from making any recommendation to the Independent Shareholders on the Proposed Guarantees.

4.1 The Proposed Taiping Medicine Guarantee

The Non-Interested Directors, having considered, amongst others, the terms of, the rationale for, and benefit of, the Proposed Taiping Medicine Guarantee, the IFA's opinion as set out in the IFA Letter, and the Audit Committee's statement as set out in Section 2.6.7 of this Annexure, are of the opinion that the Proposed Taiping Medicine Guarantee is in the interests of the Company and its Shareholders as a whole. Therefore, the Non-Interested Directors (excluding Mr. Guo Min, Ms. Wang Lei, Mr. Xing Jianhua and Ms. Mao Weiwen, who shall abstain from making a recommendation for the reasons set out above) recommend that the Independent Shareholders **VOTE IN FAVOUR** of the resolution in relation to the Proposed Taiping Medicine Guarantee as set out in the Notice of AGM.

4.2 The Proposed TJZX Medicine Guarantee

The Non-Interested Directors, having considered, amongst others, the terms of, the rationale for, and benefit of, the Proposed TJZX Medicine Guarantee, the IFA's opinion as set out in the IFA Letter, and the Audit Committee's statement as set out in Section 2.6.7 of this Annexure, are of the opinion that the Proposed TJZX Medicine Guarantee is in the interests of the Company and its Shareholders as a whole. Therefore, the Non-Interested Directors (excluding Mr. Guo Min, Ms. Wang Lei, Mr. Xing Jianhua and Ms. Mao Weiwen, who shall abstain from making a recommendation for the reasons set out above) recommend that the Independent Shareholders **VOTE IN FAVOUR** of the resolution in relation to the Proposed TJZX Medicine Guarantee as set out in the Notice of AGM.

In making the above recommendations, the Directors have not had regard to any general or specific investment objectives, financial situations, risk profiles, tax positions, or particular needs or constraints of any individual Shareholder or specific group of Shareholders. As different Shareholders have varying investment profiles and objectives, the Directors recommend that any Shareholder requiring specific

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advice regarding his or her investment portfolio should consult a stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser(s) immediately.

5. ANNUAL GENERAL MEETING

The 2025 AGM, notice of which has been, or will be, made available to Shareholders on the same date as this Annexure via SGXNET and on the Company's website at www.jydr.com.cn, will be held at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, via video conferencing at RNN Conference Centre, GB Building, 143 Cecil Street, Level 11, #11-03, Singapore 069542 for S-Share Shareholders in Singapore) on Thursday, 15 May 2025 at 1:30 p.m. for the purpose of considering and, if thought fit, passing the resolutions (with or without modifications) as set out in the Notice of AGM.

S-Share Shareholders may participate in the 2025 AGM via the video conferencing at RNN Conference Centre, GB Building, 143 Cecil Street, Level 11, #11-03, Singapore 069542 for S-Share Shareholders in Singapore by:

- (a) attending the 2025 AGM in person;
- (b) submitting substantial and relevant questions relating to the resolutions to be tabled for approval at the 2025 AGM, in advance of, or at, the 2025 AGM; and/or
- (c) voting at the 2025 AGM (i) themselves; or (ii) through their duly appointed proxy(ies).

Details of the submission of questions and voting at the 2025 AGM by Shareholders (including S-Share Shareholders) are set out in the Notice of AGM.

6. ACTION TO BE TAKEN BY S-SHARE SHAREHOLDERS

S-Share Shareholders who wish to vote but are unable to attend the 2025 AGM and instead wish to appoint a proxy(ies) to attend and vote at the 2025 AGM 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 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632, or (ii) email at srs.proxy@boardroomlimited.com, no later than **1:30 p.m. on Tuesday, 13 May 2025**.

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 2025 AGM should they subsequently decide to do so. In such event, the appointment of the proxy(ies) for the 2025 AGM will be deemed to be revoked upon the S-Share Shareholder's attendance at the 2025 AGM in person, and the Company reserves the right to refuse to admit any person(s) appointed under the Proxy Form to the 2025 AGM.

A S-Share Shareholder who intends to attend the 2025 AGM must be registered in the Register of Members or, if 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 2025 AGM.

LETTER TO SHAREHOLDERS

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Annexure (save in respect of the IFA Letter as set out in **Schedule 1** of this Annexure) and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Annexure constitutes full and true disclosure of all material facts about the Proposed Guarantees and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Annexure misleading.

Where information in this Annexure has been extracted from published or otherwise publicly available sources or obtained from a named source (including information extracted from the IFA Letter as set out in **Schedule 1** of this Annexure), 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 Annexure in its proper form and context.

8. CONSENT

The IFA, Novus Corporate Finance Pte. Ltd., has given and has not before the date of this Annexure withdrawn its written consent to the issue of this Annexure with the inclusion of its name, the IFA Letter (as set out in **Schedule 1** of this Annexure) and all references thereto, in the form and context in which they appear in this Annexure.

9. 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 from the date of this Annexure up to and including the date of the 2025 AGM:

- (a) the relevant draft template guarantee agreements as mentioned in Section 2.3 of this Annexure;
- (b) the Articles of Association of the Company;
- (c) the annual report of the Company for FY2024;
- (d) the IFA Letter; and
- (e) the letter of consent issued by the IFA as described in Section 8 of this Annexure.

Yours faithfully

For and on behalf of the Directors of

Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited

Wang Lei

Chairman of the Board

SCHEDULE 1 – 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

30 April 2025

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

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

Dear Sirs,

INDEPENDENT FINANCIAL ADVICE PURSUANT TO RULE 921(4)(A) OF THE LISTING MANUAL IN RESPECT OF THE PROPOSED GUARANTEES (AS DEFINED HEREIN)

*Unless otherwise defined or the context otherwise requires, all terms defined in the annexure to the notice of the 2025 AGM dated 30 April 2025 (the “**Annexure**”) issued by the Company to shareholders of the Company (the “**Shareholders**”) shall have the same meanings herein.*

1. INTRODUCTION

On 11 September 2024, the board of directors of the Company (the “**Board**” or the “**Directors**”) announced the proposed capital injection into Tianjin Pharmaceutical Group Taiping Medicine Co., Ltd. (“**Taiping Medicine**”), a then wholly-owned subsidiary of Tianjin Pharmaceutical Holdings Co., Ltd. (“**TPH**”), the controlling Shareholder, through the transfer of the 100% equity interest in the registered capital of Tianjin Zhongxin Medicine Co., Ltd., (“**TJZX Medicine**”), a then wholly-owned subsidiary of the Company, to Taiping Medicine, in consideration of a 43.35% equity interest in the increased registered capital of Taiping Medicine (the “**Proposed Capital Injection**”). To effect the Proposed Capital Injection, the Company had, on the same day, entered into a capital injection agreement with TPH in relation to the Proposed Capital Injection.

On 26 December 2024, the Directors announced the completion of the Proposed Capital Injection, and accordingly, TJZX Medicine ceased to be a wholly-owned subsidiary of the Company and became a wholly-owned subsidiary of Taiping Medicine. Consequently, Taiping Medicine is now an associated company of the Company, and is jointly held by the Company and TPH, with equity interests of 43.35% and 56.65%, respectively. Please refer to paragraph 4.1 of this Letter (as defined herein) for the background of the Proposed Capital Injection.

On 28 March 2025, the Company had announced that subject to, among others, Shareholders’ approval being obtained at the annual general meeting to be convened on 15 May 2025 (the “**2025 AGM**”), the Company is proposing to provide proportionate guarantees for Taiping Medicine and TJZX Medicine in connection with the credit facilities to be obtained,

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corresponding to the Company's and TPH's respective shareholdings in both entities. As at the Latest Practicable Date, the Company holds a 43.55% equity interest in Taiping Medicine, which, in turn, wholly owns TJZX Medicine. The remaining 56.45% equity interest in Taiping Medicine is held by TPH. Taiping Medicine and TJZX Medicine intend to apply for credit facilities of an aggregate of approximately RMB3.8 billion and RMB1.88 billion respectively (collectively, the "**Credit Facilities**") from multiple financial institutions. In proportion to the Company's direct and indirect shareholding interests in Taiping Medicine and TJZX Medicine, the Company intends to provide guarantees of up to RMB1,647.3 million for Taiping Medicine (the "**Proposed Taiping Medicine Guarantee**") and up to RMB815 million for TJZX Medicine (the "**Proposed TJZX Medicine Guarantee**", and together with the Proposed Taiping Medicine Guarantee, the "**Proposed Guarantees**").

As at the Latest Practicable Date, (i) TPH is the sole controlling Shareholder and holds 331,120,528 shares, representing approximately 42.99% of the issued share capital of the Company, and (ii) TPH holds 56.65% equity interest in Taiping Medicine, which in turn holds 100% of the equity interest in TJZX Medicine. Accordingly, Taiping Medicine and TJZX Medicine are regarded as associates of TPH, and TPH, Taiping Medicine and TJZX Medicine are each regarded as an "interested person" under Chapter 9 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Company itself is considered an "entity at risk" for the purposes of Chapter 9 of the Listing Manual in relation to the provision of the Proposed Guarantees.

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 total amount at risk to the Company in respect of the Proposed Guarantees is approximately RMB2,462.3 million, being the maximum liability of the Company under the Proposed Guarantees. This comprises (i) approximately RMB1,647.3 million being the Proposed Taiping Medicine Guarantee and representing approximately 21.24% of the Group's latest audited NTA, and (ii) approximately RMB815 million being the Proposed TJZX Medicine Guarantee and representing approximately 10.51% of the Group's latest audited NTA. Accordingly, the total amount at risk to the Company arising from the Proposed Guarantees represents approximately 31.75% of the Group's latest audited NTA of approximately RMB7,756,004,000 as at 31 December 2024. Accordingly, each of the Proposed Guarantees is an interested person transaction whose value exceeds 5.0% of the Group's latest audited NTA and is subject to the approval of independent Shareholders pursuant to Rule 906 of the Listing Manual, which will be sought at the 2025 AGM.

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 Proposed Guarantees as interested person transactions, are on normal commercial terms and are 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 Proposed Guarantees as interested person transactions, 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 Annexure which will contain, *inter alia*, the terms and conditions of the Proposed Guarantees and the recommendation of the Directors who are deemed to be independent for the purposes of making a recommendation on the Proposed Guarantees, namely, all the Directors except for Mr. Guo Min, Ms. Wang Lei, Mr. Xing Jianhua and Ms. Mao Weiwen (the "**Non-Interested Directors**").

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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 Proposed Guarantees as interested person transactions.

We were neither a party to the negotiations entered into by the Company in relation to the Proposed Guarantees nor were we involved in the deliberations leading up to the decision of the Directors to undertake the Proposed Guarantees. Accordingly, we do not, by this Letter, warrant the merits of the Proposed Guarantees other than to express an opinion on whether Proposed Guarantees as interested person transactions are on normal commercial terms and are 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 Proposed Guarantees. 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 Annexure 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 Annexure) 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 Proposed Guarantees, TPH, Taiping Medicine, TJZX Medicine and the Group, 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 Proposed Guarantees, the Company and/or the Group stated in the Annexure to be inaccurate, incomplete or misleading in any material respect. The Directors collectively and individually accept responsibility accordingly.

For the purpose of assessing the Proposed Guarantees and reaching our conclusion thereon, we have not conducted a comprehensive independent review of the business, operations or financial condition of Taiping Medicine, TJZX Medicine, the Company and/or the Group. We have also not relied upon any financial projections or forecasts in respect of Taiping Medicine, TJZX Medicine, the 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 Taiping Medicine, TJZX Medicine, the Company and/or the Group in connection with our opinion in this Letter.

We are not required to, and have not made, any independent evaluation or appraisal of the assets and liabilities of Taiping Medicine, TJZX Medicine, the Company and/or the Group. As such, we will be relying on the disclosures and representations made by the Company on the

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value of the assets, liabilities and profitability of Taiping Medicine, TJZX Medicine, the Company and/or the Group. We have also not been furnished with any 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 17 April 2025 (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 Proposed Guarantees 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 Annexure (other than this Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Annexure (other than this Letter).

Our opinion in respect of the Proposed Guarantees as interested person transactions, as set out in paragraph 6 of this Letter, should be considered in the context of the entirety of this Letter and the Annexure.

3. INFORMATION ON THE 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.

3.2 Information on TPH, Taiping Medicine and TJZX Medicine

The details of the TPH, Taiping Medicine and TJZX Medicine are set out in Section 2.2 of the Annexure, the key information of which has been extracted and reproduced in italics below for ease of reference:

“2.2.1 Corporate Information

(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

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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.

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) and Tianjin Guoyu Enterprise Management Co., Ltd. (天津国宇企业管理有限公司), holding 67% and 33%, respectively;*
- (iii) the board of directors of TPH comprises Mr. Feng Huang (冯煌) (chairman), Mr. Zhang Wang (张旺) (vice chairman), Mr. Guo Min (郭珉) (vice chairman), Mr. Jiang Kai (蒋恺), Mr. Jia Wei (贾伟), Mr. Luo Xuan (罗譔), Mr. Wang Dong (王东), Mr. Wang Guanghua (王光华), and Mr. Xue Yangxue (徐阳雪); and*
- (iv) the legal representative of TPH is Ms. Wang Lei (王磊).*

(b) Information on Taiping Medicine

Taiping Medicine, a limited liability company incorporated in the PRC on 29 September 1994, is one of the leading pharmaceutical logistics companies in Tianjin. It serves as the flagship enterprise in TPH's commercial and retail segments. Taiping Medicine operates across several sectors, including medical, commercial, retail and medical devices. Taiping Medicine has a broad business scope and is principally engaged in the commercial distribution of Chinese proprietary medicines, chemical raw materials and their preparations, antibiotics, biological products, diagnostic medicines, anesthetics and medical devices. It offers more than 9,000 product categories. For full details of Taiping Medicine's business scope, please refer to the IPT Announcement.

As at the Latest Practicable Date,

- (i) Taiping Medicine has a registered capital of RMB1,000 million, with its shareholders being TPH and the Company, holding 56.65% and 43.35%, respectively;*
- (ii) the board of directors of Taiping Medicine comprises Mr. Xing Jianhua (幸建华) (chairman), Mr. Xue Chao (薛超), Ms. Wang Lei (王磊), Mr. Huang*

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Zhiyong (黄志勇), and Ms. Zou Yan (邹燕); and

(iii) the legal representative of Taiping Medicine is Mr. Xue Chao (薛超).

(c) Information on TJZX Medicine

TJZX Medicine, a limited liability company incorporated in the PRC on 24 August 2021, is principally engaged in the sale of pharmaceutical products, logistics and distribution, as well as the provision of pharmaceutical supply chain solutions. Its main products include Chinese proprietary medicines, Chinese herbal decoction pieces, chemical drug preparations, biological products, medical consumables, medical devices, and nutritional supplements. As at the Latest Practicable Date, TJZX Medicine operates through fourteen (14) branch offices and three (3) subsidiaries under a regional management structure. Its sales network covers medical institutions, private hospitals, clinics, and retail pharmacies across all sixteen (16) districts of Tianjin. For full details of TJZX Medicine's business scope, please refer to the IPT Announcement.

As at the Latest Practicable Date,

- (i) *TJZX Medicine is a wholly-owned subsidiary of Taiping Medicine;*
- (ii) *TJZX Medicine has a registered capital of RMB520 million;*
- (iii) *the sole director of TJZX Medicine is Mr. Xiao Jiannan (肖健男); and*
- (iv) *the legal representative of TJZX Medicine is Mr. Xiao Jiannan (肖健男).*

2.2.2 Key Financial Information

(a) Taiping Medicine

The key financial information of Taiping Medicine, based on the consolidated financial statements of Taiping Medicine and its subsidiaries (unless otherwise stated), is set out below:

Items	As at 31 December 2022 (audited) (RMB'000)	As at 31 December 2023 (audited) (RMB'000)	As at 31 December 2024 (audited) (RMB'000)	As at 31 December 2024 (excluding TJZX Medicine) (unaudited) (RMB'000)
<i>Total assets</i>	3,642,312.9	4,121,622.8	6,695,198.3	4,735,300.9
<i>Total liabilities</i>	3,137,181.6	3,624,997.4	5,707,641.7	3,766,850.7
<i>Total current assets</i>	3,488,846.5	3,990,922.3	6,486,776.9	4,164,267.4

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Total current liabilities	3,115,716.2	3,603,731.0	5,526,641.9	3,608,734.2
Net assets	505,131.3	496,625.4	987,556.6	968,450.2
Items	January to December 2022 (audited) (RMB'000)	January to December 2023 (audited) (RMB'000)	January to December 2024 (audited) (RMB'000)	January to December 2024 (excluding TJZX Medicine) (unaudited) (RMB'000)
Revenue	4,777,606.7	5,260,919.5	8,363,812.4	5,698,283.4
Net profit/(loss)	6,208.9	25,090.4	(7,376.1)	31,403.6

(b) TJZX Medicine

The key financial information of TJZX Medicine, based on the consolidated financial statements of TJZX Medicine and its subsidiaries, is set out below:

Items	As at 31 December 2022 (audited) (RMB'000)	As at 31 December 2023 (audited) (RMB'000)	As at 31 December 2024 (audited) (RMB'000)
Total assets	2,951,538.9	2,744,358.6	2,396,521.1
Total liabilities	2,432,800.0	2,258,989.3	1,960,145.2
Total current assets	2,879,165.0	2,679,812.0	2,341,863.7
Total current liabilities	2,420,143.5	2,247,219.3	1,937,261.9
Net assets	518,738.9	485,369.3	436,375.9
Items	January to December 2022 (audited) (RMB'000)	January to December 2023 (audited) (RMB'000)	January to December 2024 (audited) (RMB'000)
Revenue	3,356,568.6	3,724,300.8	3,063,674.8
Net profit/(loss)	(27,540.8)	(33,369.6)	(38,779.7)

”

4. THE PROPOSED GUARANTEES

The background, principal terms and details of the Proposed Guarantees are set out in Sections 2.1, 2.3, 2.4 and 2.5 of the Annexure. **We recommend that the Non-Interested Directors advise the minority Shareholders to read these sections of the Annexure very carefully.**

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4.1 Background to the Proposed Guarantees

The following information on the background of the Proposed Guarantees has been extracted from Section 2.1 of the Annexure 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 Annexure:

“2.1 Background

2.1.1 The Asset Restructuring and the Company’s Previous Guarantees for TJZX Medicine

As announced by the Company on 17 December 2021, the Company proposed to undertake an asset restructuring of its pharmaceutical commercial segment (or pharmaceutical circulation business segment) (医药商业板块). The restructuring involved (i) the transfer of the Company’s seventeen (17) branch offices and four (4) subsidiaries (including four (4) retail pharmacies operated as branch offices of these subsidiaries) in the pharmaceutical commercial segment to a newly incorporated wholly-owned subsidiary of the Company (i.e. TJZX Medicine), and (ii) the establishment of new branch offices under TJZX Medicine, so as to form a pharmaceutical commercial enterprise integrating channel distribution, sales and retail (i.e. the Asset Restructuring). The Asset Restructuring was also aimed at enabling the independent operation of the Company’s pharmaceutical commercial segment and pharmaceutical industrial segment (医药工业板块). The Asset Restructuring was completed on or around 1 April 2022.

To ensure that TJZX Medicine meets its funding requirements for its daily operations and to facilitate the orderly continuation and replacement (接续置换) of its subsisting entrusted loans following the Asset Restructuring, the Company has been providing guarantees annually from 2022 to 2024 for TJZX Medicine, which was then a wholly-owned subsidiary of the Company, as follows:

- (i) up to RMB500 million for one (1) year, which was approved by Shareholders at the Company’s AGM held on 16 May 2022;*
- (ii) up to RMB1,900 million for one (1) year, which was approved by Shareholders at the Company’s AGM held on 15 May 2023; and*
- (iii) up to RMB1,900 million for one (1) year (i.e. the Subsisting Guarantee), which was approved by Shareholders at the Company’s AGM held on 15 May 2024.*

2.1.2 The Company’s Proportionate Guarantee for TJZX Medicine following the Proposed Capital Injection

On 10 September 2024, the Company convened its 5th Board meeting for FY2024, where the Board considered and approved, amongst others, the proposed capital injection of RMB493,617,700 into Taiping Medicine by the Company through the transfer of the 100% equity interest in TJZX Medicine to Taiping Medicine (i.e. the Proposed Capital Injection). The Proposed Capital Injection was part of the Company’s strategic plan to streamline its business and focus on its core pharmaceutical industrial segment. Given the continued losses and high receivables in the pharmaceutical commercial segment, the Company believes that divesting this segment will enhance the Group’s financial performance, with the consolidated financial statements thereafter primarily reflecting the financial metrics from the pharmaceutical industrial segment. The Proposed Capital Injection also resolved the issue of competition within the same

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industry between the Company and its Controlling Shareholder (i.e. TPH), and is aligned with the long-term interests of the Company and its Shareholders.

Pursuant to the capital injection agreement in relation to the Proposed Capital Injection, the Company shall assume a proportionate liability equal to 43.35% of the Subsisting Guarantee for TJZX Medicine (i.e. RMB823,650,000), in proportion to its equity interest in Taiping Medicine upon completion of the Proposed Capital Injection (i.e. the Company's Proportionate Guarantee).

As stated in the 14 October 2024 Circular, following the completion of the Proposed Capital Injection, TJZX Medicine will become a wholly-owned subsidiary of Taiping Medicine, which, in turn, will be jointly held by TPH and the Company with 56.65% and 43.35% equity interests, respectively. As a result:

- (i) the Subsisting Guarantee (including the Company's Proportionate Guarantee) will be classified as a related-party guarantee under the SSE Listing Rules; and
- (ii) the Company's Proportionate Guarantee will constitute an interested person transaction under Chapter 9 of the Listing Manual, with a transaction value exceeding five per cent. (5%) of the Group's latest audited NTA.

Accordingly, the Company submitted the Company's Proportionate Guarantee, together with the Proposed Capital Injection, for Independent Shareholders' approval at the 2024 1st EGM, which were duly obtained.

The Proposed Capital Injection was completed on or around 25 December 2024.

As at the Latest Practicable Date, the actual amount of guarantee provided by the Company for TJZX Medicine under the Company's Proportionate Guarantee is approximately RMB523,817,300, remaining in effect until 13 May 2026, which is the originally set expiration date of the Subsisting Guarantee.

2.1.3 The Proposed Guarantees

The core businesses of Taiping Medicine and TJZX Medicine are centred on the pharmaceutical commercial segment, which requires substantial working capital for daily operations. Their operational funding needs are mainly met through financing from financial institutions. Taiping Medicine and TJZX Medicine intend to apply for credit facilities of RMB3.8 billion¹ and RMB1.88 billion from banks, respectively. Accordingly, both Taiping Medicine and TJZX Medicine are requesting their shareholders to provide proportionate guarantees based on their respective shareholdings to secure the credit facilities from the banks. To support their respective working capital requirements, enhance capital utilisation efficiency, and reduce financing costs, TPH and the Company propose to provide proportionate guarantees for Taiping Medicine and TJZX Medicine based on their respective equity interests in both entities.

Specifically, the Company proposes to provide:

¹ The credit facilities of RMB3.8 billion applied for by Taiping Medicine are consistent with the credit facilities it has applied for in the past. Prior to the Proposed Capital Injection, TPH, as the sole shareholder of Taiping Medicine, had been providing guarantees for such credit facilities. Following the Proposed Capital Injection, and in view of the Company becoming a 43.35% shareholder of Taiping Medicine, the Company is now requested to provide guarantees for Taiping Medicine in proportion to its equity interest.

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- (i) *a guarantee of up to RMB1,647.3 million for Taiping Medicine (i.e. the Proposed Taiping Medicine Guarantee); and*
- (ii) *a guarantee of up to RMB815 million² for TJZX Medicine (i.e. the Proposed TJZX Medicine Guarantee),*

each in proportion to its equity interests in Taiping Medicine and TJZX Medicine, respectively.

As mentioned above, following the completion of the Proposed Capital Injection, TJZX Medicine ceased to be a wholly-owned subsidiary of the Company and became a wholly-owned subsidiary of Taiping Medicine, which, as at the Latest Practicable Date, is jointly held by TPH and the Company with 56.65% and 43.35% equity interests, respectively. As such, each of the Proposed Taiping Medicine Guarantee and the Proposed TJZX Medicine Guarantee constitutes an interested person transaction under Chapter 9 of the Listing Manual. Furthermore, as the value of the Proposed Taiping Medicine Guarantee represents approximately 21.24% of the Group's latest audited NTA, and the value of the Proposed TJZX Medicine Guarantee represents approximately 10.51% of the Group's latest audited NTA, both Proposed Guarantees exceed five per cent (5%) of the Group's latest audited NTA and are therefore subject to Independent Shareholders' approval under Rule 906(1) of the Listing Manual. Please refer to Section 2.6 of this Annexure for further details."

4.2 Principal Terms of the Proposed Guarantees

The following information on the Proposed Guarantees has been extracted from Section 2.3 of the Annexure 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 Annexure:

"2.3 Principal Terms of the Proposed Guarantees

(a) The Proposed Taiping Medicine Guarantee

- | | | |
|-----------------------|----------|--|
| <i>Guarantee Type</i> | <i>:</i> | <i>Joint and several liability guarantee (连带责任担保)³</i> |
| <i>Guarantee Term</i> | <i>:</i> | <i>The guarantee liability period under the Proposed Taiping Medicine Guarantee is as follows:</i> <ul style="list-style-type: none">• <i>within one (1) year from the date of approval at the 2025 AGM, the Company may enter into one or</i> |

² For the avoidance of doubt, the proposed total guarantee amount of RMB1.88 billion to be applied by TJZX Medicine, of which the Company's proportionate guarantee is up to RMB 815 million, is not in addition to the Company's Proportionate Guarantee, but a continuation of it (which remains in effect until 13 May 2026). The proposed amount reflects the total anticipated guarantee needs of TJZX Medicine for the financial year ending 31 December 2025, and is slightly lower than the RMB1.9 billion guarantee previously provided by the Company for TJZX Medicine, which was then a wholly-owned subsidiary of the Company, for each of 2023 and 2024.

³ Under the Proposed Taiping Medicine Guarantee, the terms of the guarantee do not require the banks to first claim payment from either of the guarantors before claiming from the other. The banks retain the right to pursue claims against both guarantors. In practice, in the event that Taiping Medicine is unable to fulfil its repayment obligations, the banks are expected to initiate claims against TPH and the Company (as guarantors) in proportion to their respective equity interests in Taiping Medicine.

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more guarantee agreements with the relevant banks; and

- each such guarantee agreement will have a term of one (1) year from its date of execution⁴.*

Guarantee Amount : The total guarantee amount required for all credit facilities to be obtained by Taiping Medicine is RMB3,800 million⁵. Based on their respective equity interests in Taiping Medicine, the proportionate guarantees to be provided by the Company and TPH are as follows:

- the Company: up to RMB1,647.3 million*
- TPH: up to RMB2,152.7 million*

Please refer to the table below for a detailed breakdown of the guarantee amounts allocated to the Company and TPH.

Guarantee Scope : The guarantee covers all amounts due or payable by Taiping Medicine under the principal credit facility agreements, including interest, compound interest, penalty interest, liquidated damages, compensation for losses, and all other costs and expenses incurred in enforcing or recovering payment from Taiping Medicine

Guarantee Form : The shareholders of Taiping Medicine shall provide proportionate guarantees based on their respective equity interests in Taiping Medicine. Specifically:

- the Company shall assume guarantee obligations in proportion to its 43.35% equity interest in Taiping Medicine*
- TPH shall assume guarantee obligations in proportion to its 56.65% equity interest in Taiping Medicine*

The following table provides a detailed breakdown of the guarantee amounts allocated to the Company and TPH for each credit facility to be obtained by Taiping Medicine:

⁴ For example, if a guarantee agreement is entered into on 13 May 2026, it will expire on 12 May 2027. As long as the commencement date of such guarantee falls between the date of approval (i.e. 15 May 2025, being the date of the 2025 AGM, assuming the Proposed Taiping Medicine Guarantee is approved at the 2025 AGM) and 14 May 2026, the guarantee will be considered valid.

⁵ Please refer to Section 2.2.2(a) of this Annexure for the key financial information of Taiping Medicine, and Section 2.4 of this Annexure for the details relating to its ability to meet its repayment obligations under the proposed credit facilities.

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No.	Name of Bank	Total Guarantee Required (RMB million)	TPH's Guarantee Amount ⁽¹⁾ (RMB million)	The Company's Guarantee Amount ⁽¹⁾ (RMB million)
1.	Bank of China (中国银行)	400	226.6	173.4
2.	Agricultural Bank of China (农业银行)	200	113.3	86.7
3.	Bank of Communications (交通银行)	500	283.3	216.8
4.	China Merchants Bank (招商银行)	200	113.3	86.7
5.	Shanghai Pudong Development Bank (浦发银行)	400	226.6	173.4
6.	China CITIC Bank (中信银行)	150	85.0	65.0
7.	China Minsheng Bank (民生银行)	400	226.6	173.4
8.	China Guangfa Bank (广发银行)	200	113.3	86.7
9.	Industrial Bank Co., Ltd. (兴业银行)	300	170.0	130.1
10.	Ping An Bank (平安银行)	250	141.6	108.4
11.	Huaxia Bank (华夏银行)	50	28.3	21.7
12.	China Bohai Bank (渤海银行)	500	283.3	216.8
13.	The Export-Import Bank of China (进出口银行)	250	141.6	108.4
Total		3,800	2,152.7	1,647.3

Note(s):

(1) The amounts presented in this column have been rounded to one (1) decimal place.

For the avoidance of doubt, the Company will proceed with the Proposed Taiping Medicine Guarantee only after obtaining approval from the Independent Shareholders. As at the Latest Practicable Date, the Company has not entered into any agreements with the banks listed above in relation to the Proposed Taiping Medicine Guarantee. Copies of the relevant draft template guarantee agreements proposed to be entered into between the Company and the banks in respect of the Proposed Taiping Medicine Guarantee 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 from the date of this Annexure up to and including the date of the 2025 AGM. Shareholders should note that these are draft templates only and may be subject to changes following final negotiations between the Company and the relevant banks, save for the principal terms set out above. The Company will update Shareholders in the event of any material changes to the terms of the Proposed Taiping Medicine Guarantee including, but not limited to, the principal terms as set out above.

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(b) The Proposed TJZX Medicine Guarantee

Guarantee Type	:	Joint and several liability guarantee (连带责任担保) ⁶
Guarantee Term	:	<p>The guarantee liability period under the Proposed TJZX Medicine Guarantee is as follows:</p> <ul style="list-style-type: none">• within one (1) year from the date of approval at the 2025 AGM, the Company may enter into one or more guarantee agreements with the relevant banks; and• each such guarantee agreement will have a term of one (1) year from its date of execution⁷.
Guarantee Amount	:	<p>The total guarantee amount required for all credit facilities to be obtained by TJZX Medicine is RMB1,880 million⁸. Based on their respective equity interests in Taiping Medicine, the proportionate guarantees to be provided by the Company and TPH are as follows:</p> <ul style="list-style-type: none">• the Company: up to RMB815 million• TPH: up to RMB1,065 million <p>Please refer to the table below for a detailed breakdown of the guarantee amounts to be provided by the Company and TPH.</p>
Guarantee Scope	:	The guarantee covers all amounts due or payable by TJZX Medicine under the principal credit facility agreements, including interest, compound interest, penalty interest, liquidated damages, compensation for losses, and all other costs and expenses incurred in enforcing or recovering payment from TJZX Medicine

⁶ Under the Proposed TJZX Medicine Guarantee, the terms of the guarantee do not require the banks to first claim payment from either of the guarantors before claiming from the other. The banks retain the right to pursue claims against both guarantors. In practice, in the event that TJZX Medicine is unable to fulfil its repayment obligations, the banks are expected to initiate claims against TPH and the Company (as guarantors) in proportion to their respective equity interests in the parent company of TJZX Medicine (i.e. Taiping Medicine).

⁷ For example, if a guarantee agreement is entered into on 13 May 2026, it will expire on 12 May 2027. As long as the commencement date of such guarantee falls between the date of approval (i.e. 15 May 2025, being the date of the 2025 AGM, assuming the Proposed TJZX Medicine Guarantee is approved at the 2025 AGM) and 14 May 2026, the guarantee will be considered valid.

⁸ Please refer to Section 2.2.2(b) of this Annexure for the key financial information of TJZX Medicine, and Section 2.4 of this Annexure for the details relating to its ability to meet its repayment obligations under the proposed credit facilities.

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Guarantee Form : *The shareholders of Taiping Medicine, being the parent company of TJZX Medicine, shall provide proportionate guarantees based on their respective equity interests in Taiping Medicine. Specifically:*

- *the Company shall assume guarantee obligations in proportion to its 43.35% equity interest in Taiping Medicine*
- *TPH shall assume guarantee obligations in proportion to its 56.65% equity interest in Taiping Medicine*

The following table provides a detailed breakdown of the guarantee amounts allocated to the Company and TPH for each credit facility to be obtained by TJZX Medicine:

No.	Name of Bank	Total Guarantee Required (RMB million)	TPH's Guarantee Amount ⁽¹⁾ (RMB million)	The Company's Guarantee Amount ⁽¹⁾ (RMB million)
1.	Bank of China (中国银行)	400	226.6	173.4
2.	Shanghai Pudong Development Bank (浦发银行)	400	226.6	173.4
3.	China Merchants Bank (招商银行)	300	170.0	130.1
4.	Agricultural Bank of China (农业银行)	230	130.3	99.7
5.	China Minsheng Bank (民生银行)	200	113.3	86.7
6.	Industrial Bank Co., Ltd. (兴业银行)	200	113.3	86.7
7.	China CITIC Bank (中信银行)	150	85.0	65.0
Total		1,880	1,065	815

Note(s):

(1) *The amounts presented in this column have been rounded to one (1) decimal place.*

For the avoidance of doubt, the Company will proceed with the Proposed TJZX Medicine Guarantee only after obtaining approval from the Independent Shareholders. As at the Latest Practicable Date, the Company has not entered into any agreements with the banks listed above in relation to the Proposed TJZX Medicine Guarantee. Copies of the relevant draft template guarantee agreements proposed to be entered into between the Company and the banks in respect of the Proposed TJZX Medicine Guarantee 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 from the date of this Annexure up to and including the date of the 2025 AGM. Shareholders should note that these are draft templates only and may be subject to changes following final negotiations between the Company and the relevant banks, save for the principal terms set out above.

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The Company will update Shareholders in the event of any material changes to the terms of the Proposed TJZX Medicine Guarantee, including, but not limited to, the principal terms set out above.”

4.3 Rationale for, and benefits of, the Proposed Guarantees

The following rationale and benefits of the Proposed Guarantees has been extracted from Section 2.4 of the Annexure, 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 Annexure:

“2.4 Rationale for, and Benefits of, the Proposed Guarantees

The core businesses of Taiping Medicine and TJZX Medicine are centred on the pharmaceutical commercial segment, which requires substantial working capital for daily operations. The Proposed Guarantees primarily aim to continue the existing guarantee arrangements for TJZX Medicine while also supporting the daily operational funding needs and future growth of the restructured pharmaceutical commercial segment following the completion of the Proposed Capital Injection.

Both companies engage in pharmaceutical product sales, logistics and distribution, and pharmaceutical supply chain solutions, with operations spanning multiple sectors, including healthcare, commercial distribution, retail terminals, and medical devices. They have established long-term and stable collaborations with nearly 10,000 pharmaceutical manufacturers domestically and internationally. Their sales network covers all sixteen (16) districts of Tianjin, serving various medical institutions, private hospitals, clinics, and retail pharmacies. In addition, they possess strong distribution networks and channel advantages in the Tianjin region, reinforcing their competitive position.

In view of the scale and stability of their operations, as well as the steady revenue streams generated from pharmaceutical distribution, the Company believes that both Taiping Medicine and TJZX Medicine are financially well-positioned to support their operations and meet their financing obligations under the Proposed Guarantees, for the following reasons:

- (a) Taiping Medicine maintained a stable operational performance, with several key operating indicators improving year-on-year. In particular, its return on equity increased from 5.0% in 2023 to 6.31% in 2024, reflecting stronger profitability and an enhanced ability to generate returns. As at 31 December 2024, Taiping Medicine recorded a current ratio of approximately 1.15 and a quick ratio of approximately 1.01, indicating sound liquidity and relatively low financial risk. In terms of cash flow, net cash generated from operating activities for 2024 amounted to approximately RMB118 million. The aforementioned financial figures of Taiping Medicine exclude those of TJZX Medicine. Given the capital-intensive nature of the pharmaceutical wholesale and retail industry, occasional short-term liquidity pressure may arise. Nevertheless, Taiping Medicine has maintained steady cash inflows from product sales, which are sufficient to meet its debt repayment obligations as they fall due.*

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- (b) *TJZX Medicine similarly demonstrated a healthy financial profile. Based on the key financial information set out in Section 2.2.2(b) of this Annexure, its current ratios for the past three (3) years were approximately 1.190, 1.193 and 1.201, respectively. This steady improvement reflects an enhancement in TJZX Medicine's short-term debt repayment capacity, with current assets consistently exceeding current liabilities and indicating improved liquidity. In terms of cash flow, TJZX Medicine recorded cash receipts of approximately RMB3.478 billion from the sale of goods and provision of services in 2024, and net cash generated from operating activities amounted to approximately RMB223 million in the same year. For 2025, TJZX Medicine projects a revenue growth of approximately 3%, which is expected to provide a solid financial foundation for the repayment of both short-term and long-term borrowings. Being in the same capital-intensive pharmaceutical wholesale and retail industry as Taiping Medicine, TJZX Medicine also faces occasional short-term liquidity pressure, which is not uncommon in the sector. Nonetheless, the steady inflow of funds from product sales continues to serve as a reliable source of repayment for bank loans as they fall due.*

Accordingly, based on the historical financial performance and projected revenue growth, the Company is of the view that, as at the Latest Practicable Date, both Taiping Medicine and TJZX Medicine have the financial capability to meet their respective repayment obligations under the proposed credit facilities.

Considering that the Proposed Guarantees will be provided by TPH and the Company in proportion to their respective equity interests in Taiping Medicine and TJZX Medicine, and that the Company's total liabilities under the Proposed Guarantees will be capped at RMB2,462.3 million, the Board (excluding the Interested Directors) is of the view that the Proposed Guarantees are commercially beneficial to the Company and the Group, and in the interests of the Company and its Shareholders."

5. EVALUATION OF THE PROPOSED GUARANTEES

In our evaluation of the Proposed Guarantees as interested person transactions, 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 Guarantees;
- (b) the other salient terms of the Proposed Guarantees;
- (c) the proportionate amount of the Proposed Guarantees;
- (d) the provision of previous guarantees for TJZX Medicine;
- (e) references made to selected past transactions involving the provision of corporate guarantees by companies listed on the SGX-ST; and
- (f) other relevant considerations.

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5.1 Rationale for, and benefits of, the Proposed Guarantees

In relation to the Proposed Guarantees, it is not within our terms of reference to comment or express an opinion on the merits of the Proposed Guarantees or the future prospects of the Group after the Proposed Guarantees.

Nevertheless, we have reviewed the rationale for, and benefits of, the Proposed Guarantees as set out in Section 2.4 of the Annexure, of which the full text has been reproduced in italics in paragraph 4.3 of this Letter above.

5.2 Other salient terms of the Proposed Guarantees

The principal terms of the Proposed Guarantees are set out in Section 2.3 of the Annexure, and key extracts have been reproduced in italics in paragraph 4.2 of this Letter above. Having reviewed the relevant templates of the guarantee agreements (the “**Guarantee Agreements**”) to be entered into between the Company and the respective financial institutions as set out in Section 2.3 of the Annexure (the “**Financing Institutions**”), while we note that each of the Financial Institutions have their own template for the Guarantee Agreements which may vary from each other, we wish to highlight, amongst others, the following similar terms that are contained in the Guarantee Agreements:

- (a) notwithstanding that the term of the Proposed Guarantee for the credit facilities is one (1) year, the guarantee liability period for both the Company and TPH is for a term of three (3) years;
- (b) during the validity period of the Guarantee Agreements, if the Company undertakes any significant corporate actions (including but not limited to, mergers and acquisitions, restructuring, spin-offs, shareholding reforms, proposed entry into joint venture, material disposals of assets, bankruptcy petition or changes in legal status) that may materially affect the Company’s ability to perform the guarantee obligations under the Proposed Guarantees, the Company must (i) notify the relevant Financing Institutions in writing by a requisite amount of time as set by the relevant Financing Institutions immediately or in advance, as the case may be, and (ii) obtain the relevant financial institutions’ prior written consent for proposed transfers and/or leases of any major assets or provision of major assets as securities for other debts that could impact its ability to fulfil guarantee obligations;
- (c) during the validity period of the Guarantee Agreements, the Company shall not provide guarantees to third parties that exceed its guarantee capacity. Based on discussions held with Management, we understand that the Company’s guarantee capacity is assessed by the Financing Institutions based on factors including, but not limited to, the Company’s revenue, profitability, operating cash flow, total assets, net assets, and existing external guarantees. The Company shall ensure compliance with such assessments by the Financing Institutions and provide any necessary documents (including financial statements and information on all external guarantees) regularly or upon request;
- (d) the Company shall be required to notify the Financing Institutions in writing of any material adverse changes that could affect its ability to fulfil its obligations under the Proposed Guarantees. Such include, but are not limited to, (i) significant financial losses, asset impairments, or deterioration its financial condition, (ii) involvement in major litigation, arbitration, or administrative penalties, (iii) major safety or environmental accidents, or (iv) amendments to the Company’s articles of association, changes in business scope, or other significant changes in legal status; and
- (e) the Financing Institutions have the right to deduct funds from the Company’s accounts with the respective Financing Institutions to settle any due debts under the Proposed Guarantee pursuant to the terms set out in the respective guarantee agreements.

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Further, Management has explained that according to the approval procedures of financial institutions and guarantors in the PRC, the Company needs to undertake a review and approval process of the relevant guarantee amounts. Upon completion of the review and approval process, both TPH and the Company will finalise and execute the Guarantee Agreements with the Financing Institutions. Thereafter, both Taiping Medicine and TJZX Medicine may apply for the Credit Facilities from the relevant Financing Institutions based on the respective maximum guarantee amounts pursuant to the Guarantee Agreements. The relevant loan documents will then be issued to Taiping Medicine and TJZX Medicine following the approval by the Financing Institutions. Management has represented that any adjustments / changes to the Guarantee Agreements subsequent to obtaining Shareholders' approval at the 2025 AGM will not result in any expansion of the Company's guarantee obligations and liabilities, and that both the Company and TPH will be executing the same versions of the Guarantee Agreements, save for the guarantee amounts which shall be in proportion to their respective equity interests in Taiping Medicine and TJZX Medicine. In the event of any material changes to the terms of the Proposed Guarantees, including but not limited to the principal terms set out in Section 2.3 of the Annexure, the Company will update Shareholders accordingly. On this basis, we note that the terms of the Guarantee Agreements do not appear to be prejudicial to the interests of the minority Shareholders.

5.3 Proportionate amount of the Proposed Guarantees

We note that pursuant to the Proposed Guarantees, each of TPH and the Company will provide guarantees for amounts in proportion to their respective direct and indirect equity interests held in Taiping Medicine and TJZX Medicine (as the case may be) and the terms of the relevant guarantee agreements are equally applied to both the Company and TPH (save for the guarantee amounts).

5.4 Provision of previous guarantees for TJZX Medicine

The Company had provided guarantees to TJZX Medicine in (i) the financial year ended 31 December ("FY") 2022 for amounts up to RMB500.0 million, (ii) FY2023 for amounts up to RMB1,900.0 million, and (iii) FY2024 for amounts of up to RMB1,900.0 million (the "**Subsisting Guarantee**") when TJZX Medicine was a wholly-owned subsidiary of the Company. Following the completion of the Proposed Capital Injection in FY2024, the Company had, after obtaining the minority Shareholders' approval at the extraordinary general meeting of the Company held on 29 October 2024, assumed a proportionate liability equal to 43.35% of the Subsisting Guarantee, or equivalent to approximately RMB823.7 million, in proportion to its equity interest in Taiping Medicine (the "**Proportionate Guarantee**").

As at the Latest Practicable Date, the total amount of external guarantees provided by the Company and its controlled subsidiaries (as defined in accordance with the laws of the PRC) amounted to RMB523,817,300, all of which are guarantees provided by the Company for TJZX Medicine under the Company's Proportionate Guarantee, representing approximately 6.68% of the latest audited net assets of the Company attributable to its equity holders, which was approximately RMB7,843,594,000 as at 31 December 2024. The Proportionate Guarantee will remain in effect until 13 May 2026.

The aggregate guarantee amount of up to RMB2,462.3 million pursuant to the Proposed Guarantees accounts for approximately 31.39% of the latest audited net assets of the Company attributable to its equity holders, which was approximately RMB7,843,594,000 as at 31 December 2024.

Save for the above, we understand from Management that as at the Latest Practicable Date, there are no other guarantees provided by the Group. The Board has confirmed that there have been no past instances of breaches in respect of the Subsisting Guarantee and the Proportionate Guarantee provided by the Company to TJZX Medicine as at the Latest Practicable Date.

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5.5 Reference made to selected past transactions involving the provision of corporate guarantees by companies listed on the SGX-ST

For the purpose of assessing the Proposed Guarantees as interested person transactions, we have considered the guarantee amount to be provided under the Proposed Guarantees as a percentage of the Company's net tangible assets ("**NTA**"), compared with selected similar transactions involving the provision of corporate guarantees which were undertaken and announced by companies (excluding real estate and business trusts) listed on the SGX-ST, that were announced since 1 January 2022 and up to the Latest Practicable Date, and for which information is publicly available (the "**Reference Transactions**").

We wish to highlight that the Reference Transactions set out below are by no means exhaustive. In addition, the guarantee amounts provided vary in different circumstances depending on, *inter alia*, the amount of credit facilities to be obtained, the terms of the credit facilities and requirements of the lenders, the size, nature of business, nature of underlying assets and creditworthiness of both the recipient and the companies providing the corporate guarantee, current market conditions as well as general economic and business sentiments. Further, the Company, Taiping Medicine and TJZX Medicine are not directly comparable to the companies involved in the Reference Transactions in terms of business activities, scale of operations, market capitalisation, geographical spread, accounting policies, financial performance, operating and financial leverage, asset base, risk profile, track record, future prospects and other relevant criteria. As such, any comparison made with respect to the Reference Transactions is intended to serve as an illustrative guide only and each of the Reference Transactions must be judged on its own commercial and financial merits.

Shareholders should note that some of these Reference Transactions are three (3) years old, and as such, such references or observations made herein is necessarily limited. The table below sets out the salient information in relation to the Reference Transactions:

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Guarantor	Date of announcement	Recipient(s)	Transaction type	Transaction summary	Total guarantee amount (million)	Amount guaranteed by company (million)	NTA ⁽¹⁾ (million)	Corporate guarantee provided as a percentage of NTA ⁽²⁾ (%)	Total amount of corporate guarantees provided as at announcement date (million) ⁽³⁾	Total amount of corporate guarantees as a percentage of NTA ⁽⁴⁾ (%)
Fraser and Neave, Limited ("F&N")	11 February 2025	Coffee Concepts (Thailand) Co., Ltd. ("CCT"), an associated company of F&N, whereby F&N's effective interest is 26.42% ⁽⁴⁾	IPT	F&N and the other parties provided a corporate guarantee in proportion to their respective interests in the recipient in respect of credit facilities obtained by the recipient	THB7,498.96 (or approximately S\$299.96) ⁽⁴⁾⁽⁵⁾	THB1,981.08 (or approximately S\$79.24) ⁽⁵⁾	S\$2,864.69	2.77	S\$3,390.18	118.34
Wee Hur Holdings Ltd. ("Wee Hur")	5 July 2024	Active System Development Pte. Ltd., a 60%-owned subsidiary of Wee Hur ("Active System")	IPT	Wee Hur and the other parties provided a corporate guarantee in proportion to their respective interests in the recipient in respect of credit facilities obtained by the recipient	S\$170.75	S\$102.45	S\$606.14	16.90	S\$452.20 ⁽⁶⁾	74.60
H2G Green Limited ("H2G")	1 July 2024	Green Energy Investment Holding Private Limited ("GEIH"), a 50.10%-owned subsidiary of H2G ("Green Energy")	IPT	H2G provided a corporate guarantee for GEIH up to a certain maximum liability ⁽⁸⁾	Not disclosed ⁽⁷⁾	S\$0.75 / S\$0.79 ⁽⁶⁾⁽⁹⁾	S\$14.70	5.13	S\$0.75	5.13
Wee Hur	25 June 2024	Active System Engineering Pte. Ltd.	IPT	Wee Hur and the other parties provided a corporate guarantee in proportion to their respective interests in the recipient in respect of credit facilities obtained by the recipient	S\$55.00	S\$33.00	S\$606.14	5.44	S\$349.75	57.70
Wee Hur	15 November 2023	WH Redfern Trust, a sub-trust of Wee Hur PBSA Fund II ("WFH2")	IPT	Wee Hur and the other parties provided a corporate guarantee in proportion to their respective equity	A\$85,000 (or approximately S\$74.60) ⁽¹⁰⁾	A\$25,500 (or approximately S\$22.38) ⁽¹⁰⁾	S\$490.04	4.57	S\$351.56	71.74

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Guarantor	Date of announcement	Recipient(s)	Transaction type	Transaction summary	Total guarantee amount (million)	Amount guaranteed by company (million)	NTA ⁽¹⁾ (million)	Corporate guarantee provided as a percentage of NTA ⁽²⁾ (%)	Total amount of corporate guarantees provided as at announcement date (million) ⁽³⁾	Total amount of corporate guarantees as a percentage of NTA (%)
		whereby Wee Hur holds 30% unitholding interests in WFH2		interests in the recipient in respect of credit facilities obtained by the recipient						
Singapore Land Group Limited ("Singapore Land")	22 July 2022	United Venture Development (Clementi 1) Pte Ltd, a joint venture company where Singapore Land's wholly-owned subsidiary holds a 20% interest in	IPT	Wee Hur and the other parties provided a corporate guarantee in proportion to their respective equity interests in the recipient in respect of credit facilities obtained by the recipient	S\$100.00	S\$20.00	S\$7,553.51	0.26	S\$155.27	2.06
Samko Timber Limited ("Samko Timber")	26 April 2022	PT Sumbu Graha Sejahtera, a 99.99% owned subsidiary of Samko Timber	Non-IPT	Samko Timber provided a corporate guarantee as the sole guarantor in respect of credit facilities obtained by the recipient	IDR200,000.00	IDR200,000.00	IDR45,173.00	442.74 ⁽¹¹⁾	IDR1,176,854.00	2,605.22 ⁽¹¹⁾
Max								16.90		118.34
Mean								5.85		54.93
Median								4.85		64.72
Min								0.26		2.06
The Company	28 March 2025	Taiping Medicine, a 43.55% owned associated company of the Company; and TJZX Medicine, a wholly-owned subsidiary of Taiping Medicine that is a 43.55%-owned	IPT	The Company will be providing corporate guarantees in proportion with its equity interest in the recipients in respect of credit facilities to be obtained by the recipient	RMB5,680.00	RMB2,462.30	RMB7,737.36 ⁽¹³⁾	31.82	RMB2,974.57	38.44

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Guarantor	Date of announcement	Recipient(s)	Transaction type	Transaction summary	Total guarantee amount (million)	Amount guaranteed by company (million)	NTA ⁽¹⁾ (million)	Corporate guarantee provided as a percentage of NTA ⁽²⁾ (%)	Total amount of corporate guarantees provided as at announcement date (million) ⁽³⁾	Total amount of corporate guarantees as a percentage of NTA (%)
		associated company of the Company								

Notes:

- (1) Based on the respective entities' reporting currencies for the latest financial year as at their respective date of the announcement.
- (2) NTA is derived based on the total equity attributable to owners of the company less intangible assets and goodwill as at the end of the preceding financial year when the transactions were announced by the respective entities.
- (3) Based on the information disclosed in each of the respective entities' annual reports for the most recent financial year as at the date of the announcement. For avoidance of doubt, the total amount of guarantees stated have been adjusted to include the guarantee(s) that were announced.
- (4) Derived based on F&N's shareholding in F&N Retail Connection Co., Ltd ("FNRC") as disclosed in F&N's latest annual report, as well as FNRC's indirect shareholding through Max Asia Food and Beverage (Thailand) Co., Ltd. in CCT as announced on 23 May 2019.
- (5) Based on the exchange rate of approximately 1 Thailand Baht : 25.00 Singapore Dollars, as disclosed in F&N's announcement dated 11 February 2025.
- (6) Adjusted to include the corporate guarantee of S\$33.00 million provided by Wee Hur to Active System Engineering Pte. Ltd. as announced by Wee Hur on 25 June 2024.
- (7) Notwithstanding that H2G's announcement dated 1 July 2024 disclosed that H2G was providing the guarantee in proportion to its shareholding in GEIH, it was unclear whether the remaining shareholder of GEIH had provided guarantees in proportion to their respective equity interests in GEIH and on the same terms.
- (8) Based on the exchange rate of approximately 1 Australian Dollar : 0.908 Singapore Dollar, as disclosed in H2G's announcement dated 5 July 2024.
- (9) Under the terms of the corporate guarantee provided by H2G to Green Energy, the maximum liability of H2G will not exceed the lower of (i) 50.1% of the total monies payable by Green Energy to the financial institution under the credit facility, being up to approximately S\$753,809, together with any additional costs incurred (i.e., legal and other costs and expenses incurred in enforcing or obtaining payment from Green Energy (the "Additional Costs")), or (ii) S\$790,000 payable under the credit facilities, together with the Additional Costs incurred.
- (10) Based on the exchange rate of approximately 1 Australian Dollar : 0.878 Singapore Dollar, as disclosed in Wee Hur's announcement dated 15 November 2023.
- (11) Denotes a statistical outlier, which has been excluded from the computations of max, mean, median, and min values.
- (12) All figures are rounded to two (2) decimal places. Any discrepancy in the listed amounts in the table and the totals thereof are due to rounding differences.
- (13) Computed based on the Company's audited net assets attributable to equity holders, net off intangible assets and goodwill as at 31 December 2024.

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Based on the above, we note the following:

- (a) save for one (1) Reference Transaction involving Samko Timber which was announced on 26 April 2022, the rest of the Reference Transactions are categorised as interested person transactions;
- (b) with regards to those Reference Transactions that are categorised as interested person transactions, the corporate guarantees were provided in proportion to the guarantor's respective equity interest held in the recipient entities; and
- (c) for illustrative purposes only, notwithstanding that the Proposed Guarantees as a percentage of the Company's NTA of 31.82% exceeds the maximum of 16.90% of the Reference Transactions, the Company's total amount of corporate guarantees as a percentage of NTA, after taking into consideration the Proposed Guarantees, of 38.44%, is below the mean and median of 54.93% and 64.72% respectively, and is within the range of the Reference Transactions.

We wish to highlight that the Company, Taiping Medicine and TJZX Medicine are not in the same industry and are not directly comparable to the companies involved in the Reference Transactions in terms of, among others, geographical markets, composition of business activities, type of assets, scale of operations, market or industry size, geographical spread, accounting policies, financial performance, operating and financial leverage, asset base, risk profile, track record, future prospects and other relevant criteria. Further, the list of Reference Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. As such, the Non-Interested Directors should note that any comparison made with respect to the Reference Transactions is intended to serve as a general guide only, and any conclusions drawn from the comparisons may not necessarily reflect the full picture.

5.6 OTHER RELEVANT CONSIDERATIONS

5.6.1 Key financial information of Taiping Medicine and TJZX Medicine

The key financial information of Taiping Medicine and TJZX Medicine is set out in Section 2.2.2 of the Annexure, and reproduced in paragraph 3.2 of this Letter. As at the Latest Practicable Date, based on the financial information of Taiping Medicine and TJZX Medicine for FY2024 that Management has shared with us, we note, among others, that:

Taiping Medicine

- (a) excluding TJZX Medicine, Taiping Medicine had recorded a year-on-year revenue growth of approximately 8.3%, from approximately RMB5.2 billion in FY2023 to approximately RMB5.7 billion in FY2024, as well as an increase of approximately 25.2% in net profit, from approximately RMB25.1 million in FY2023 to approximately RMB31.4 million in FY2024. Net cash inflow from operating activities was approximately RMB340.6 million for FY2024;
- (b) Taiping Medicine has historically maintained positive working capital and net asset positions for the past three (3) years. As at 31 December 2024, it had recorded a working capital of approximately RMB960.1 million, net assets attributable to equity holders of approximately RMB987.5 million and net tangible asset value of approximately RMB954.7 million;
- (c) Taiping Medicine's liquidity ratios (current and quick ratios) as at 31 December 2024 are equal to or exceed 1.0, indicating that the company is able to at least use current

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assets and/or liquid assets to fully pay off its short-term obligations;

TJZX Medicine

- (d) TJZX Medicine had recorded a decrease in revenue of approximately 17.7%, from approximately RMB3.7 billion in FY2023 to approximately RMB3.1 billion in FY2024, as well as an increase of approximately 16.2% in net losses, from approximately RMB33.4 million in FY2023 to approximately RMB38.8 million in FY2024. Notwithstanding, it is noted that TJZX Medicine had recorded approximately RMB3.48 billion in cash receipts from the sale of goods and provision of services, and generated a net cash inflow from operations of approximately RMB222.7 million for FY2024;
- (e) TJZX Medicine has historically maintained positive working capital and net asset positions for the past three (3) years. As at 31 December 2024, it had a working capital of approximately RMB404.6 million, net assets attributable to equity holders of approximately RMB436.4 million, net tangible asset value of approximately RMB453.6 million; and
- (f) TJZX's Medicine's liquidity ratios for the past three (3) financial years have maintained around 1.19 to 1.20, indicating that the company is able to at least use current assets to fully pay off its short-term obligations.

In addition to the financial information presented in the Annexure, and based on the aforementioned, it would appear that Taiping Medicine and TJZX Medicine have a stable financial position and a track record of cash inflows from their product sales which would serve as a steady source of funds to service their debt repayment obligations in respect of the Credit Facilities. This is in addition to other external funding options available to both companies in the form of, but not limited to, new bank loans / borrowings from third parties as a means of re-financing, and if necessary when the need arises, further capital injections from shareholders.

Shareholders should note that that based on the historical financial performance and projected revenue growth of Taiping Medicine and TJZX Medicine, the Company is of the view that, as at the Latest Practicable Date, both companies have the financial capability to meet their respective repayment obligations under the Credit Facilities.

5.6.2 No Inter-conditionality

Shareholders should note that the Proposed Taiping Medicine Guarantee and the Proposed TJZX Medicine Guarantee have been tabled as separate Resolutions 15 and 16 respectively, and are not inter-conditional. Accordingly, in the event that either of these Resolutions are not passed, either of the Proposed Taiping Medicine Guarantee or the Proposed TJZX Medicine Guarantee (as the case may be depending on which Resolution obtains the requisite Shareholders' approval) may still proceed independently, regardless of whether the other is approved or implemented.

5.6.3 Abstention from Voting

We note that, as set out in Section 2.6.8 of the Annexure, TPH will abstain, and has undertaken to ensure that its associates will abstain, from voting at the 2025 AGM on the resolution in respect of the Proposed Guarantees at the 2025 AGM. In addition, TPH shall, and has undertaken to ensure that its associates shall, not accept nomination as proxies or otherwise participate in voting on the aforesaid resolutions at the 2025 AGM unless specific instructions have been given in the proxy instrument on how the relevant Shareholders wish to vote. The Company will disregard any votes cast on the resolutions in respect of the Proposed Guarantees by TPH and its associates.

Additionally, as set out in Section 4 of the Annexure, as at the Latest Practicable Date:

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- (i) Mr. Guo Min is a director of TPH;
- (ii) Ms. Wang Lei is the legal representative and a senior management member of TPH, as well as a director of Taiping Medicine;
- (iii) Mr. Xing Jianhua is a senior management member of TPH and a director of Taiping Medicine; and
- (iv) Ms. Mao Weiwen is a senior management member of TPH.

Accordingly, the aforementioned Directors have abstained from voting on the board resolution in respect of the Proposed Guarantees, and will also abstain from making any recommendation to the Shareholders who are deemed to be independent of TPH and its associates on the Proposed Guarantees.

6. OPINION

In arriving at our opinion in respect of the Proposed Guarantees as interested person transactions, 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 Guarantees;
- (b) the other salient terms of the Proposed Guarantees;
- (c) the proportionate amount of the Proposed Guarantees;
- (d) the provision of previous guarantees for TJZX Medicine;
- (e) in comparison with the Reference Transactions:
 - (i) save for one (1) Reference Transaction involving Samko Timber which was announced on 26 April 2022, the rest of the Reference Transactions are categorized as interested person transactions;
 - (ii) with regards to those Reference Transactions that are categorised as interested person transactions, the corporate guarantees were provided in proportion to the guarantor's respective equity interest held in the recipient entities; and
 - (iii) for illustrative purposes only, notwithstanding that the Proposed Guarantees as a percentage of the Company's NTA of 31.82% exceeds the maximum of 16.90% of the Reference Transactions, the Company's total amount of corporate guarantees as a percentage of NTA, after taking into consideration the Proposed Guarantees, of 38.44%, is below the mean and median of 54.93% and 64.72% respectively, and is within the range of the Reference Transactions; and
- (f) other relevant considerations as set out in paragraph 5.6 of this Letter.

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 Proposed Guarantees as interested person transactions are on normal commercial terms and are not prejudicial to the interests of the Company and the minority Shareholders.

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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 Proposed Guarantees as interested person transactions only. The recommendation made by the Non-Interested Directors to the minority Shareholders in relation to the Proposed Guarantees shall remain the sole responsibility of the Non-Interested Directors.

Whilst a copy of this Letter may be reproduced in the Annexure, 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 2025 AGM and the purpose of the Proposed Guarantees. 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

