

ANNEXURE DATED 28 APRIL 2023

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

**THE PROPOSED FINANCIAL SERVICES AGREEMENT TO BE ENTERED INTO BETWEEN
TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED AND TIANJIN
PHARMACEUTICAL GROUP FINANCE CO., LTD. (天津医药集团财务有限公司) AS AN
INTERESTED PERSON TRANSACTION AND ALL TRANSACTIONS ARISING THEREFROM**

Independent Financial Adviser in relation to
the Proposed IPT (as defined herein)



RHB Bank Berhad

(UEN S99FC5710J)
(Incorporated in Malaysia)
(196501000373 (6171-M))

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DEFINITIONS

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

“2021 2 nd EGM”	:	The 2 nd EGM of the Company in 2021 held on 10 December 2021
“2023 AGM”	:	The AGM of the Company to be held on Monday, 15 May 2023 at 1:30 p.m. at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, a video conferencing at Library 1 & 2, Level 8, 1 Pickering Street, Great Eastern Centre, Singapore 048659 for S-Share Shareholders in Singapore)
“A-Shares”	:	Ordinary shares issued by the Company under the PRC Company Law, comprising shares issued to natural and legal persons in the PRC and which are denominated in RMB and listed on the SSE
“A-Share Shareholders”	:	Holders of A-Shares
“AGM” or “Annual General Meeting”	:	An annual general meeting of the Company
“Agreement 2023”	:	A financial service agreement proposed to be entered into between the Company and TPGF for the provision by TPGF to the Company of the Financial Services for the Term, which shall be based on substantially the same terms as that are set out in the Prior Agreements, save for the changes to the limits of the transaction value as further elaborated in Section 2.8.7 of this Annexure
“Annexure”	:	This annexure dated 28 April 2023 to the Notice of AGM
“Articles” or “Articles of Association”	:	The articles of association of the Company, as amended, supplemented and/or modified from time to time
“Associate”	:	(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
- “Associated Company”* : A company in which at least twenty per cent. (20%) but not more than fifty per cent. (50%) of its shares are held by the Company or the Group
- “Audit Committee”* : The audit committee of the Company as at the date of this Annexure, comprising Mr. Liew Yoke Pheng Joseph, Ms. Li Qing and Mr. Zhu Haifeng
- “Board” or “Board of Directors”* : The board of Directors of the Company from time to time
- “Business Scope”* : Refers to the business activities of TPGF as at the Latest Practicable Date as set out in the Financial Licence (金融许可证) issued by the CBIRC, Tianjin Office to TPGF which are:
- (a) absorbing deposits from the member entities of the TPH Group (吸收成员单位存款)¹;
 - (b) handling loans for the member entities of the TPH Group (办理成员单位贷款);
 - (c) handling discounting of negotiable instruments² for the member entities of the TPH Group (办理成员单位票据贴现);
 - (d) handling fund settlement, receipt and payment for the member entities of the TPH Group (办理成员单位资金结算与收付);

¹ **“absorbing deposits from the member entities of the TPH Group (吸收成员单位存款)”** means pursuant to the deposit business services (including, but not limited to, current deposits, time deposits, negotiated deposits and call deposits) provided by TPGF to the member entities of the TPH Group, the respective member entity of the TPH Group has opened/will open a deposit account with TPGF and deposit the funds in such account.

² **“discounting of negotiable instruments (票据贴现)”** is a standard credit product that can be provided by banks in the PRC, through which an enterprise (as the holder) may take the negotiable instruments received by it to a bank/non-bank financial institution for discounting, and the financial institution will pay the balance to the enterprise (as the holder) after deducting the interests from the face value of such negotiable instruments in a one-off manner. Generally speaking, for discounting of negotiable instruments, the interest rate will be significantly lower than that of ordinary working capital loans. TPGF handles the discounting of negotiable instruments business in accordance with the common practice in the banking industry in the PRC.

		<p>(e) providing entrusted loans, bond underwriting, non-financial letter of guarantee, financing consulting, credit authentication and related consulting and agency services to member entities of the TPH Group (提供成员单位委托贷款、债券承销、非融资性保函、财务顾问、信用鉴证及咨询代理业务);</p> <p>(f) engaging in inter-bank borrowings (从事同业拆借);</p> <p>(g) handling acceptance of negotiable instruments for the member entities of the TPH Group (办理成员单位票据承兑); and</p> <p>(h) engaging in securities (other than shares/stocks) investment (除股票投资以外类有价证券投资)</p>
<i>“CBIRC”</i>	:	China Banking and Insurance Regulatory Commission (中国银行保险监督管理委员会)
<i>“CBIRC, Tianjin Office”</i>	:	China Banking and Insurance Regulatory Commission, Tianjin Office (中国银行保险监督管理委员会天津监管局)
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Centre”</i>	:	National Inter-bank Funding Centre (全国银行间同业拆借中心)
<i>“Company”</i>	:	Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited
<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> <p>(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</p> <p>(ii) in fact exercises control over the Company</p>
<i>“CSRC”</i>	:	China Securities Regulatory Commission (中国证券监督管理委员会)
<i>“Directors”</i>	:	The directors of the Company from time to time, and <i>“Director”</i> shall be constructed accordingly
<i>“EGM” or “Extraordinary General Meeting”</i>	:	An extraordinary general meeting of the Company

<i>“Financial Services”</i>	:	The financial services including settlement and intermediary business services, deposit business services and credit business services (such as providing loans to the Company) to be provided by TPGF under the Agreement 2023, as further elaborated in Section 2.8.3 of this Annexure
<i>“FY” or “Financial Year”</i>	:	Financial year ended or, as the case may be, ending 31 December
<i>“FY2019”</i>	:	Financial year ended 31 December 2019
<i>“FY2022”</i>	:	Financial year ended 31 December 2022
<i>“Group”</i>	:	The Company and its Subsidiaries
<i>“IFA Letter”</i>	:	The letter dated 28 April 2023 from the IFA in relation to the Proposed IPT, as set out in Schedule 1 of this Annexure
<i>“Independent Financial Adviser” or “IFA”</i>	:	RHB Bank Berhad, through its Singapore branch, the independent financial adviser in relation to the Proposed IPT
<i>“Independent Shareholders”</i>	:	Shareholders who are not TPH and its Associates ³
<i>“Interested Directors”</i>	:	Ms. Zhang Mingrui, Mr. Guo Min 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"> (a) a Director, chief executive officer, or Controlling Shareholder of the Company; or (b) an Associate of any such Director, chief executive officer, or Controlling Shareholder
<i>“Interested Person Transaction” or “IPT”</i>	:	A transaction proposed to be entered into between the Company, its Subsidiaries or Associated Companies, or any of them with Interested Persons
<i>“Latest Practicable Date”</i>	:	The latest practicable date prior to the dispatch of this Annexure, being 17 April 2023
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST, as amended, modified and/or supplemented from time to time
<i>“Listing Rule”</i>	:	The main board rules of the SGX-ST, as amended, modified and/or supplemented from time to time

³ For the avoidance of doubt, each of the Interested Directors, Ms. Niu Shengfang and Mr. Xing Jianhua does not hold any Shares in the Company as at the Latest Practicable Date.

<i>“LPR”</i>	:	Loan prime rate
<i>“Non-Interested Directors”</i>	:	The directors who are deemed independent for the purposes of making a recommendation to Shareholders in relation to the Proposed IPT, namely, all the Directors except the Interested Directors
<i>“Notice of AGM”</i>	:	The notice of the 2023 AGM dated 28 April 2023
<i>“NTA”</i>	:	Net tangible assets
<i>“PBOC”</i>	:	People’s Bank of China
<i>“PRC”</i>	:	People’s Republic of China
<i>“PRC Company Law”</i>	:	The Company Law of the PRC (2018 Revision) (《中华人民共和国公司法》(2018年修订)), as amended, modified and/or supplemented from time to time
<i>“Prior Agreement #1”</i>	:	The financial service agreement dated 30 December 2016 that was entered into between the Company and TPGF, pursuant to which TPGF shall provide certain financial services to the Company until 30 June 2017
<i>“Prior Agreement #2”</i>	:	The financial service agreement dated 1 July 2017 that was entered into between the Company and TPGF, pursuant to which TPGF shall provide certain financial services to the Company until 30 June 2020
<i>“Prior Agreement #3”</i>	:	The financial service agreement dated 1 July 2020 that was entered into between the Company and TPGF, pursuant to which TPGF shall provide certain financial services to the Company until 30 June 2023
<i>“Prior Agreements”</i>	:	Prior Agreement #1, Prior Agreement #2 and Prior Agreement #3 collectively
<i>“Proposed IPT”</i>	:	The proposed entry into the Agreement 2023 by the Company with TPGF as an Interested Person Transaction and all transactions arising therefrom, as further elaborated in Section 2 of this Annexure
<i>“Proxy Form”</i>	:	The proxy form in respect of the 2023 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>“Relevant Period”</i>	:	The current financial year beginning 1 January 2023 up to the Latest Practicable Date

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

<i>“Shareholders”</i>	:	Registered holders of Shares (comprising A-Share Shareholders and S-Share Shareholders) except that where the registered holder is CDP, the term <i>“Shareholders”</i> in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited
<i>“Shares”</i>	:	Ordinary shares in the capital of the Company, comprising A-Shares and S-Shares
<i>“SSE”</i>	:	Shanghai Stock Exchange
<i>“Subsidiaries”</i>	:	The subsidiaries (as determined in accordance with the laws of the PRC) of the Company, and <i>“Subsidiary”</i> shall be constructed accordingly
<i>“Substantial Shareholder”</i>	:	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
<i>“Supervisors”</i>	:	The supervisors of the Company from time to time
<i>“Supervisory Committee”</i>	:	The supervisory committee of the Company from time to time and as at the date of this Circular, comprising Mr. Wang Yuanxi (Chairman of the Supervisory Committee), Mr. Xing Jianhua (Supervisor) and Ms. Guo Xiumei (Employee Supervisor). The Supervisory Committee is responsible for, amongst others, supervising the acts of Directors and senior managerial personnel in performing their duties of the Company, and putting forward proposals of dismissing the Directors and senior managerial personnel who act against the laws, administrative regulations, the Articles of Association or resolutions of the general meeting of Shareholders, and such other functions and responsibilities as provided in the Articles of Association
<i>“Term”</i>	:	The period of three (3) years from 1 July 2023 to 30 June 2026
<i>“TPGF”</i>	:	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
<i>“TPH”</i>	:	Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), the Controlling Shareholder of the Company as at the Latest Practicable Date
<i>“TPH Group”</i>	:	TPH and its subsidiaries and associated companies

Currencies, units and others

“RMB”	:	Renminbi, the lawful currency of the PRC
“S\$”	:	Singapore Dollars, being 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 word defined under the Listing Manual, the SFA or any modification thereof and not otherwise defined in this Annexure shall have the same meaning assigned to it under the Listing Manual or the SFA, 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.

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.

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

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

Board of Directors

Ms. Zhang Mingrui

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

Mr. Guo Min

(Executive Director)

Ms. Wang Lei

(Executive Director)

Mr. Zhou Hong

(Executive Director)

Ms. Mao Weiwen

(Non-Executive and Non-Independent Director)

Mr. Liew Yoke Pheng Joseph

(Lead Independent and Non-Executive Director)

Ms. Li Qing

(Independent and Non-Executive Director)

Mr. Zhu Haifeng

(Independent and Non-Executive Director)

Registered Office

17 Baidi Road,
Nankai District,
Tianjin, the PRC

28 April 2023

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

Dear Sir/Madam

**THE PROPOSED FINANCIAL SERVICES AGREEMENT TO BE ENTERED INTO BETWEEN
TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED AND TIANJIN
PHARMACEUTICAL GROUP FINANCE CO., LTD. (天津医药集团财务有限公司) AS AN
INTERESTED PERSON TRANSACTION AND ALL TRANSACTIONS ARISING THEREFROM**

1. INTRODUCTION

The Company has issued the Notice of AGM on 28 April 2023. Reference is made to Resolution 12 relating to the Proposed IPT.

The purpose of this Annexure is to provide Shareholders with information pertaining to, and to seek Shareholders' approval for, the Proposed IPT, at the forthcoming 2023 AGM to be held on Monday, 15 May 2023 at 1:30 p.m. at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, a video conferencing at Library 1 & 2, Level 8, 1 Pickering Street, Great Eastern Centre, Singapore 048659 for S-Share Shareholders in Singapore). The Notice of AGM and the attached Proxy Form have been, or will be, made available to Shareholders on the same day as the date of this Annexure on the SGXNET and the Company's website at www.jydr.com.cn.

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.

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

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

2. THE PROPOSED IPT

2.1 Information on TPGF and TPH Group

2.1.1 Information on TPGF

On 23 April 2015, the Company duly convened its 4th Board meeting for the financial year ended 31 December 2015, and the Board considered and approved the proposed incorporation of TPGF. The Company, on 23 April 2015, announced that the Company had entered into a joint venture agreement with the other four (4) shareholders of TPGF as at the Latest Practicable Date (as listed below) pursuant to which, TPGF shall be incorporated to provide financial services within its business scope as approved by the CBIRC, Tianjin Office. Please refer to the announcements made by the Company on 23 April 2015 for further details in relation to the foregoing.

Subsequently, TPGF was incorporated as a limited liability company in the PRC on 14 September 2016. As a non-bank financial institution approved by the CBIRC, Tianjin Office, TPGF was established to provide financial services under its business scope to the member entities in the TPH Group (including the Company). TPGF will set up cash pooling in banks to provide channels for financing and lower the cost of financing for the member entities in the TPH Group (including the Company). This will optimise the use of surplus funds of the member entities in the TPH Group (including the Company).

As at the Latest Practicable Date, TPGF has a registered capital of RMB500 million, and is located at 3-2-501/502 & 3-3-501 Ronghe Square, No. 168 Fourth West Road, Tianjin Airport Economic Zone (天津市空港经济区西四道168号融和广场 3-2-501、502; 3-3-501). Mr. Xing Jianhua (辛建华) is the legal representative of TPGF as at the Latest Practicable Date. The principal activity of TPGF as at the Latest Practicable Date is to provide the following financial services as set out in the Financial Licence (金融许可证) issued by the CBIRC, Tianjin Office to TPGF (the “**Business Scope**”):

- (a) absorbing deposits from the member entities of the TPH Group (吸收成员单位存款);
- (b) handling loans for the member entities of the TPH Group (办理成员单位贷款);
- (c) handling discounting of negotiable instruments for the member entities of the TPH Group (办理成员单位票据贴现);
- (d) handling fund settlement, receipt and payment for the member entities of the TPH Group (办理成员单位资金结算与收付);
- (e) providing entrusted loans, bond underwriting, non-financial letter of guarantee, financing consulting, credit authentication and related consulting and agency services⁴ to member entities of the TPH Group (提供成员单位委托贷款、债券承销、非融资性保函、财务顾问、信用鉴证及咨询代理业务);

⁴ For the avoidance of doubt, TPGF only provides financial services (including the financing consulting, credit authentication and related consulting and agency services) to member entities of the TPH Group (including the Company), not to other clients.

- (f) engaging in inter-bank borrowings (从事同业拆借);
- (g) handling acceptance of negotiable instruments for the member entities of the TPH Group (办理成员单位票据承兑); and
- (h) engaging in securities (other than shares/stocks) investment (除股票投资以外类有价证券投资).

As at the Latest Practicable Date, the shareholdings in TPGF are in the following proportions:

No.	Name of shareholders	Equity contribution (RMB)	Shareholding proportion
1.	TPH	250,000,000	50%
2.	The Company	75,000,000	15%
3.	Tianjin Yaoye Group Co., Ltd. (天津药业集团有限公司)	75,000,000	15%
4.	Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生制药股份有限公司)	75,000,000	15%
5.	Tianjin Jin Yi Investment Guarantee Co., Ltd. (天津金益投资担保有限责任公司)	25,000,000	5%
Total		500,000,000	100%

As stated above, TPH (the Controlling Shareholder of the Company as at the Latest Practicable Date) holds 50% equity interest in TPGF as at the Latest Practicable Date. Accordingly, TPGF is a Subsidiary and an Associate of TPH. Therefore, TPH and TPGF are Interested Persons and the Proposed IPT constitutes an Interested Person Transaction.

In accordance with the provisions of the PRC Company Law and the articles of association of TPGF, the Company had nominated Ms. Niu Shengfang (牛胜芳), the head of the finance department of the Company as at the Latest Practicable Date, as a director of TPGF. The Company believes this arrangement where shareholder(s) nominate director(s) to the board of directors of the finance company is a common practice in the finance industry in the PRC.

In addition, Mr. Xing Jianhua (辛建华), a Supervisor of the Company, is also the legal representative of TPGF and Chief Financial Officer of TPH as at the Latest Practicable Date. Mr. Xing Jianhua was appointed as a Supervisor of the Company at the 2021 2nd EGM with effect from the date of the 2021 2nd EGM. Mr. Xing Jianhua shall perform his duty as a Supervisor of the Company in line with the Articles of Association. Pursuant to Article 179 of the Articles of Association, the Supervisory Committee has the following functions and powers, including: (i) examine the regular reports of the Company prepared by the Board, and also give written opinions of examination; (ii) check financial affairs of the Company; (iii) supervise the acts of Directors and senior managerial personnel in performing their duties of the Company, and put forward proposals of dismissing the Directors and senior managerial personnel who act against the laws, administrative regulations, the Articles of Association or resolutions of the general meeting of Shareholders; (iv) request Directors and senior managerial personnel to make corrections when their acts are detrimental to the interests of the Company; (v) submit motions on convening EGMs, and call and chair general meetings of Shareholders when the Board does not perform its duty of calling and chairing general meetings of Shareholders as stipulated by the PRC Company Law; (vi) submit motions to the general meeting of Shareholders; (vii) file lawsuits against Directors and senior managerial personnel as stipulated under Article 152 of the PRC Company Law; (viii) conduct investigations in case of finding abnormal circumstances in the Company's

operations; if necessary, appoint accounting firms, law firms, and other specialised organisations to assist its work, and the costs thereof are borne by the Company; and (ix) other functions and powers as authorised by the general meeting of Shareholders. Please refer to the Company's circular dated 25 November 2021 for further details in relation to the appointment of Mr. Xing Jianhua as a Supervisor of the Company, and the announcement dated 10 December 2021 made by the Company in relation to the poll results of the 2021 2nd EGM.

Notwithstanding the appointment of Ms. Niu Shengfang as a director of TPGF, Mr. Xing Jianhua as the legal representative of TPGF and Chief Financial Officer of TPH, and each Interested Director (i.e., Ms. Zhang Mingrui, Mr. Guo Min and Ms. Mao Weiwen) being a key management personnel in TPH as at the Latest Practicable Date, the Company believes that this will not affect the independence of the Proposed IPT for the following reasons:

- (i) even though Ms. Niu Shengfang represents the Company on the board of directors of TPGF, the Company holds only fifteen (15%) voting rights in TPGF as at the Latest Practicable Date (as mentioned above) and hence, Ms. Niu Shengfang will not be able to influence the board of directors of TPGF. Further, the pricing basis and policies for the Financial Services to be provided by TPGF under the Agreement 2023 are set out clearly in the Agreement 2023 (as set out in Section 2.8.4 of this Annexure) which have been reviewed and approved by the Audit Committee, and the actual transactions arising therefrom (if any) will be approved by Ms. Niu Shengfang and carried out by the personnel from the Company's finance department in accordance with the said pricing basis and policies. Save for the foregoing arrangement which the Company believes it is a common practice in the finance industry in the PRC where shareholder(s) nominate director(s) to the board of directors of a finance company, the Company will ensure that the head of the finance department of the Company has no interest in, or relationship to, the TPH Group (whether directly or indirectly);
- (ii) Mr. Xing Jianhua, as a member of the Supervisory Committee of the Company whose responsibilities include, *inter alia*, supervising the acts of the Directors and senior managerial personnel in performing their duties of the Company, is not involved in the day-to-day operations and management of the Company nor will he be involved in the decision-making procedures in relation to the Proposed IPT;
- (iii) the Interested Directors shall, in accordance with the listing rules of the SSE, abstain from voting at the Board meeting in respect of the resolution approving the Proposed IPT and shall not act as proxies or otherwise for voting at the Board meeting in respect of the aforesaid resolution;
- (iv) the Proposed IPT is a related party transaction under the PRC laws including the listing rules of the SSE and an Interested Person Transaction under the Listing Manual, which shall, in accordance with the regulations of the CSRC and the SSE, as well as the Listing Manual, be approved by Shareholders at a general meeting of the Company, where the interested Shareholders shall abstain from voting, and such transaction will only take effect upon it being approved by a majority of Independent Shareholders; and
- (v) the Company compares the conditions/terms offered by other financial institutions and by TPGF before arriving at its decision as to engage which institution for its specific financial needs.

Save for the foregoing, there are no common members in the board and management of the Company, TPGF and TPH (the Controlling Shareholder of the Company as at the Latest Practicable Date).

2.1.2 Information on the TPH Group

The TPH Group comprises listed companies such as the Company and Tianjin Tianyao Pharmaceutical Co., Ltd. (天津天药药业股份有限公司), as well as non-listed companies, of which, 83 legal person entities and 62 branches within the TPH Group have made use of the financial services provided by TPGF under the business scope of TPGF.

2.2 Prior Agreements and Agreement 2023

On 29 December 2016, the Company announced that it proposed to enter into a financial services agreement (the “**Prior Agreement #1**”) with TPGF, pursuant to which TPGF shall provide several financial services, including settlement and intermediary business services, deposit business services and credit business services (such as providing loans to the Company), from the date of the Prior Agreement #1 until 30 June 2017.

On 14 April 2017, the Company announced that it proposed to enter into a financial services agreement (the “**Prior Agreement #2**”) with TPGF, pursuant to which TPGF shall provide several financial services including settlement and intermediary business services, deposit business services and credit business services (such as providing loans to the Company) for a period of three (3) years from the effective date of the Prior Agreement #2. The entry into the Prior Agreement #2 and the transactions contemplated thereunder were subject to approval from Shareholders, pursuant to the requirements of Chapter 9 of the Listing Manual. Please refer to the Company’s circular dated 15 June 2017 for more information on the terms of the Prior Agreement #2, including the scope of the financial services provided to the Company, as well as the pricing basis and policies. The resolution relating to the entry into the Prior Agreement #2 was passed by the Shareholders at an EGM of the Company held on 30 June 2017.

On 17 April 2020, the Company announced that it proposed to enter into a financial services agreement (the “**Prior Agreement #3**”, together with Prior Agreement #1 and Prior Agreement #2, the “**Prior Agreements**”) with TPGF, based on substantially the same terms as that set out in the Prior Agreement #1 and the Prior Agreement #2 for a period of three (3) years from the effective date of Prior Agreement #3. For the avoidance of doubt, the scope of the financial services provided under the Prior Agreement #3, as well as the pricing basis and policies were largely similar to those provided under the Prior Agreement #1 and the Prior Agreement #2. A key difference between the terms of the Prior Agreement #3 and the Prior Agreement #1 and the Prior Agreement #2 is that under the Prior Agreement #3, the pricing of credit business services, such as loans and bill discounting, provided by TPGF to the Company was determined with reference to the LPR published by the Centre (as authorised by the PBOC), on the other hand, under the Prior Agreement #1 and the Prior Agreement #2, the pricing of credit business services, such as loans, bills acceptance and discounted bills, provided by TPGF to the Company was to be determined with reference to the benchmark rate and rediscount rate announced by the PBOC. The entry into Prior Agreement #3 and the transactions contemplated thereafter were subject to approval from Shareholders, pursuant to the requirements of Chapter 9 of the Listing Manual. Please refer to the annexure dated 21 May 2020 to the notice of AGM for FY2019 (as set out on pages 187 to 224 of the Company’s annual report for FY2019) for more information on the terms of the Prior Agreement #3, including the scope of the financial services provided to the Company, as well as the pricing basis and policies. The resolution relating to the entry into Prior Agreement #3 was passed at the AGM of the Company held on 5 June 2020.

As the tenure of the Prior Agreement #3 will be expiring on 30 June 2023, the Company intends to enter into a new financial services agreement with TPGF, based on substantially the same terms as that set out in the Prior Agreements, save for the changes to the limits of the transaction value as further elaborated in Section 2.8.7 of this Annexure (the “**Agreement 2023**”). For the avoidance of doubt, the scope of the Financial Services proposed to be provided under the Agreement 2023, as well as the pricing basis and policies, shall be largely similar to those provided under the Prior Agreements. The tenure for the Agreement 2023 is proposed to be from 1 July 2023 to 30 June 2026 (the “**Term**”). The Company had on 31 March 2023 announced that it proposes to enter into the Agreement 2023 with TPGF.

As the value of the Proposed IPT for the Term is an aggregate of **RMB1,672.5 million**⁵, representing approximately 25.76% of the Group’s latest audited NTA of RMB6,493,593,000 as at 31 December 2022, the Proposed IPT is subject to Shareholders’ approval pursuant to the requirements of Chapter 9 of the Listing Manual. More details on the foregoing is set out in Section 2.3 below.

The scope of the Financial Services provided under the Prior Agreements and the Agreement 2023 are largely similar. However, there are changes to the limits of the transaction value as further elaborated in Section 2.8.7 of this Annexure. Further, the tenure of the Prior Agreements and the Agreement 2023 are different as the Prior Agreement #1 has expired on 30 June 2017, the Prior Agreement #2 has expired on 30 June 2020, and the Prior Agreement #3 will expire on 30 June 2023. The Prior Agreement #3 will be superseded by the Agreement 2023, which shall commence after obtaining Shareholders’ approval for the Proposed IPT.

2.3 Requirements of Chapter 9 of Listing Manual

As disclosed in Section 2.1.1 of this Annexure, TPH (the Controlling Shareholder of the Company as at the Latest Practicable Date) holds 50% equity interest in TPGF as at the Latest Practicable Date. Accordingly, TPGF is a Subsidiary and an Associate of TPH. Therefore, TPH and TPGF are Interested Persons and the Proposed IPT constitutes an Interested Person Transaction.

Pursuant to Listing Rule 906, shareholders’ approval (in addition to an immediate announcement) is required where:

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

Interested person transactions below \$100,000 each are to be excluded. However, pursuant to Listing Rule 906(4), while transactions below \$100,000 are not normally aggregated under Listing Rule 906(2), 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 Listing Rule 902.

⁵ Please refer to Section 2.3 of this Annexure for the calculation of RMB1,672.5 million, and Sections 2.7 and 2.8 of this Annexure for the basis for the charges for each of the Financial Services to be provided under the Agreement 2023.

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

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

Based on the audited accounts of the Group for FY2022, the Group's latest audited NTA was RMB6,493,593,000 as at 31 December 2022. Given that the value of a transaction is the amount at risk to the issuer and in the case of borrowing of funds from an Interested Person, the value of the transaction is the interest payable on the borrowing, and 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. Consequently, the amount at risk of the Proposed IPT to the Company for the Term is an aggregate of **RMB1,672.5 million**⁶, representing approximately 25.76% of the latest audited NTA of the Group of RMB6,493,593,000 as at 31 December 2022, the Proposed IPT is an Interested Person Transaction which exceeds the five per cent. (5%) threshold mentioned above. Consequently, the Proposed IPT is subject to the approval of Shareholders.

2.4 Previous Interested Person Transactions with TPGF

Save for the transactions made pursuant to the Prior Agreement #3 (which had been approved by Shareholders at the AGM of the Company held on 5 June 2020), over the past twelve (12) months immediately preceding the Latest Practicable Date, the Company did not have any other Interested Person Transactions with TPGF.

For the Relevant Period (i.e., the current financial year beginning 1 January 2023 up to the Latest Practicable Date), save for the transactions made pursuant to the Prior Agreement #3 (which had been approved by Shareholders at the AGM of the Company held on 5 June 2020), there are no other Interested Person Transactions (excluding transactions less than S\$100,000) that were or are proposed to be entered into by the Company with TPGF. As such, the current total value of all Interested Person Transactions with TPGF for the Relevant Period is approximately RMB585.17 million⁷. This amount is within the limit of RMB681 million under the Prior Agreement #3 approved by the Shareholders at the AGM of the Company held on 5 June 2020. Please refer to the annexure date 21 May 2020 to the notice of AGM for FY2019 (as set out on pages 187 to 224 of the Company's annual report for FY2019) for further details on the Prior Agreement #3.

⁶ RMB1,672.5 million = RMB15 million (the maximum services fees payable by the Company for three (3) years) + RMB157.5 million (the estimated maximum interest payable on the credit facilities granted to the Company for three (3) years) + RMB1,500 million (the maximum daily balance in the Company's deposit account with TPGF, including interest)

⁷ For the period from 1 January 2023 to the Latest Practicable Date, the current total value of all Interested Person Transactions with TPGF is approximately RMB585.17 million, which comprise the deposit of RMB582.06 million, interest accruable on deposit of RMB2.76 million and interest payable on credit facilities of RMB0.35 million.

2.5 Other Interested Person Transactions

For the Relevant Period (i.e., the current financial year beginning 1 January 2023 up to the Latest Practicable Date), there are no Interested Person Transactions (excluding transactions less than S\$100,000) entered into with TPH and/or its Associates that are conducted under the general shareholders' mandate obtained by the Company pursuant to Listing Rule 920.

Accordingly, the current total value of all Interested Person Transactions (excluding Interested Person Transactions less than S\$100,000) entered into between the Company, its Subsidiaries and Associates and all Interested Persons for the Relevant Period is approximately RMB585.17 million⁸ (namely, the transactions made pursuant to the Prior Agreement #3 which had been approved by Shareholders at the AGM of the Company held on 5 June 2020), representing approximately 9.01% of the Group's latest audited NTA of RMB6,493,593,000 as at 31 December 2022.

2.6 Rationale for the Proposed IPT

As stated in Section 2.1.1 of this Annexure, TPGF is a non-bank financial institution approved by the CBIRC, Tianjin Office, and is established to provide financial services under its business scope to the member entities in the TPH Group (including the Company). TPGF will set up cash pooling in banks to provide channels for financing and lower the cost of financing for the member entities in the TPH Group (including the Company). This will optimise the use of surplus funds of the member entities in the TPH Group (including the Company).

As a financial institution, TPGF strictly follows the requirements of the CBIRC and prudently conducts its financial business. Accordingly, TPGF strictly implements the regulatory requirements and indicators of the CBIRC for the industry, strictly controls its capital adequacy ratio and level of liabilities, maintains good liquidity, and ensures that the funding needs of all member entities in the TPH Group are met. At the same time, in accordance with the requirements of Article 14 of the *Administrative Measures on Finance Companies of Enterprise Groups (Order of China Banking and Insurance Regulatory Commission No. 6 of 2022)* (《企业集团财务公司管理办法》(中国银行保险监督管理委员会令2022年第6号)) issued by the CBIRC on 13 October 2022 and taking effect from 13 November 2022, the sixth (6th) paragraph of Article 18 of the articles of association of TPGF clearly provides "*Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), as the parent company of TPGF, promises to increase the corresponding capital according to the actual need to solve the payment difficulties in the emergency situation of TPGF's payment difficulties*". This is to ensure that TPGF can satisfy the funding needs of the member entities in the TPH Group.

Further, TPGF will ensure that the Company has access to funding as:

- (i) TPGF will keep abreast of the demand for short-term funds by the Company in a timely manner and will reserve sufficient funds through fund budget management;

⁸ For the period from 1 January 2023 to the Latest Practicable Date, the current total value of all Interested Person Transactions (excluding interested person transactions less than S\$100,000) entered into between the Company, its Subsidiaries and Associates and all Interested Persons is approximately RMB585.17 million, which comprise the current total value of all Interested Person Transactions with TPGF of approximately RMB585.17 million.

- (ii) TPGF will also analyse the capital characteristics of each member entity within the TPH Group, and based on such characteristics, will reserve sufficient funds to ensure the use of funds required by each member entity within the TPH Group (including the Company) after earmarking a certain level of safety provisions;
- (iii) TPGF will hold onto a certain amount of other liquid assets that can be encashed at any time, such as time deposits that can be released at any time and bank acceptance bills that can be rediscounted at any time, to ensure that the aforementioned assets can be encashed in a timely manner to satisfy any funding needs of the member entities within the TPH Group;
- (iv) TPGF has deposited the statutory deposit reserves and excess deposit reserves in the PBOC, which may be used to solve its liquidity requirements at any time;
- (v) TPGF is required to adhere to certain liquidity requirements of the PRC's regulatory authorities. For example, the CBIRC stipulates that the liquidity ratio shall not be less than twenty-five (25%) and the statutory deposit reserve ratio shall not be less than five per cent. (5%); and
- (vi) TPGF may obtain short-term liquidity funds through inter-bank borrowing up to a limit of RMB500 million, and the term of borrowing is seven (7) days.

If TPGF still faces a liquidity crisis after employing the abovementioned methods, TPH shall provide funds to meet the liquidity demand of TPGF. This is provided in the *Administrative Measures on Finance Companies of Enterprise Groups* (《企业集团财务公司管理办法》) and has also been enshrined in the articles of association of TPGF, as stated above.

In addition, by way of obtaining the loans from TPGF, the Group will receive long-term financing support as well as competitive financing costs. The pricing basis and policies for the Financial Services to be provided by TPGF under the Agreement 2023 are set out clearly in the Agreement 2023 (as set out in Section 2.8.4 of this Annexure) which have been reviewed and approved by the Audit Committee, and the actual transactions arising therefrom (if any) will be carried out by the personnel from the Company's finance department in accordance with the said pricing basis and policies. In this regard, since the signing of the Prior Agreement #3 in July 2020, the terms under which the Company had obtained loans from TPGF have not been higher than those offered by the other financial institutions in the PRC in the same period⁹.

Furthermore, the deposit services provided by TPGF will enhance the management of funds of the Company and improve the Company's efficiency in the use of available funds. The management of funds is enhanced as:

- (i) there is security of funds as TPGF provides safe and efficient online banking services to the member entities in the TPH Group, and these member entities can monitor the changes in the funds deposited in their accounts with TPGF at any time;

⁹ As at the end of FY2022, the total loans obtained by the Group from TPGF were RMB38.22 million comprising:

- (i) RMB27.99 million which was provided to the Company's wholly-owned subsidiary, Tianjin Zhongxin Xinxin Pharmaceutical (Cang Zhou) Co., Ltd. (天津中新药业集团新新(沧州)制药有限公司) ("**Xinxin Pharmaceutical**"). During the period of preparation for the establishment of Xinxin Pharmaceutical, other financial institutions were not able to provide loans to Xinxin Pharmaceutical due to its failure to meet the lending conditions and accordingly, only TPGF can provide the loans to Xinxin Pharmaceutical; and
- (ii) RMB10.23 million which was obtained by NewScen Coast Bio-Pharmaceutical Co., Ltd. (天津中新科炬生物制药股份有限公司) ("**NewScen Coast**") before the acquisition of 21.56% equity interest in NewScen Coast by the Company (the "**Acquisition**") in 2022 and was taken over by the Company following the Acquisition.

- (ii) funds payment can be made and settled efficiently as any payment made by the Company for its branches can be realised through the internal transfer function of TPGF's online banking system, which is efficient and convenient; and
- (iii) TPGF can provide credit support to the Company within a short period of time¹⁰, and this can reduce the Company's need to maintain a certain amount of reserves from time to time.

The settlement and intermediary business services¹¹ provided by TPGF will facilitate to attain better efficiency and convenience in settlement between the Company and the other member entities of the TPH Group, as well as speed up the Company's capital turnover.

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

2.7 Total amount of Financial Services to be provided under the Agreement 2023

Under the Agreement 2023, the total amount of the Financial Services to be provided by TPGF to the Company for the Term shall not exceed **RMB3,172.5 million**, which is the aggregate of (i) the maximum services fees¹² payable by the Company for the Term (i.e., RMB15 million, amounting to approximately 0.23% of the Group's latest audited NTA of RMB6,493,593,000 as at 31 December 2022), (ii) the maximum daily balance in the deposit account with TPGF (including interest) (i.e., RMB1,500 million, amounting to approximately 23.10% of the Group's latest audited NTA of RMB6,493,593,000 as at 31 December 2022), (iii) the maximum daily balance of credit facilities granted to the Company (excluding interest) (i.e., RMB1,500 million, amounting to approximately 23.10% of the Group's latest audited NTA of RMB6,493,593,000 as at 31 December 2022) and (iv) the estimated maximum interest payable on such credit facilities for the Term (i.e., RMB157.5 million, amounting to approximately 2.43% of the Group's latest audited NTA of RMB6,493,593,000 as at 31 December 2022).

The individual limits were arrived at based on the legal and voluntary principles and the principle of mutual benefits, and after taking into consideration the following factors:

- (i) the maximum services fees payable by the Company of up to **RMB5 million** per annum was determined based on the Company's needs for such banking services during the Term and the estimated costs and expenses that may be incurred by TPGF in providing such banking services;

¹⁰ TPGF, as a non-bank financial institution, which was established to provide financial services to the member entities in the TPH Group, is more familiar with the businesses and operations of the member entities in the TPH Group than other financial institutions in the market; meanwhile, the review and approval processes of TPGF are faster and more convenient thus TPGF can provide funding support at a faster speed.

¹¹ "settlement and intermediary business services" including, but not limited to, draft, collection and acceptance, consignment collection, exchange, provision of balance of payment and settlement service, and collection and payment of various types of payments. The transactions to be conducted between the Company and TPGF will be within the scope of the Agreement 2023, and the Company will be able to dispose the Company's bank deposits with TPGF freely at the will of the Company, without the control of TPGF. TPGF, as a non-bank financial institution, shall freely carry out its settlement business according to deposit and/or withdrawal needs. When a member entity of the TPH Group has a funding need, it is allowed to determine by such member entity itself, and TPGF will unconditionally satisfy such need.

¹² "service fees" refer to the fees for providing the financial services by TPGF to the Company, including account management fees, UKEY use fees, settlement handling fees and inquiry fees etc.

- (ii) the maximum daily balance in the Company's deposit account with TPGF (including interest) of up to **RMB1,500 million** (amounting to approximately 52% of the Company's current cash on hand of approximately RMB2,882 million as at 31 December 2022) was arrived at based on the average bank deposits made by the Company of approximately RMB2,600 million, and deducting for the restricted cash of approximately RMB780 million, of which, RMB420 million is the raised funds which can only be utilised according to the requirements of the CSRC, and RMB360 million is the security deposits for handling acceptance bills as required by the bank and the fixed bank deposits made by the Company;
- (iii) the maximum daily balance of credit facilities of up to **RMB1,500 million** (excluding interest) is in line with the maximum daily balance in the Company's deposit account with TPGF (including interest) of RMB1,500 million¹³; and
- (iv) the estimated maximum interest payable on the credit facilities granted to the Company of up to **RMB52.5 million** per annum was arrived at based on the estimated balance of the loans of RMB1,500 million and with reference to the average interest rate on the loans of the Company and its subsidiaries of approximately 3.5% per annum¹⁴.

2.8 Main terms of the Agreement 2023

2.8.1 Principles of Cooperation

Each party is legally authorised to enter into the Agreement 2023 and has entered into the Agreement 2023 on a voluntary basis for its own commercial benefit.

2.8.2 Condition Precedent

The Agreement 2023 is conditional upon all approvals being granted by or obtained from, *inter alia*, the Shareholders of the Company in a general meeting.

2.8.3 Financial Services

Pursuant to the Business Scope as set out in the Financial Licence (金融许可证) issued by the CBIRC, Tianjin Office to TPGF, TPGF shall provide the following Financial Services to the Company:

- (a) settlement and intermediary business services, including, but not limited to, draft, collection and acceptance, consignment collection, exchange, provision of balance of payment and settlement service, and collection and payment of various types of payments. The Company has opened/will open a settlement account with TPGF, which provides collection and payment services in accordance with the Company's

¹³ For the avoidance of doubt, the maximum daily balance of credit facilities of up to RMB1,500 million (excluding interest) refers to the amount of outstanding loans extended to the Company during any day which cannot exceed RMB1,500 million and is different from the maximum daily balance in the Company's deposit account with TPGF (including interest) of RMB1,500 million. As a non-bank financial institution approved by the CBIRC, Tianjin Office, the size of the loans which TPGF may provide is limited by the size of the deposits and capital it receives. Accordingly, the maximum limit of credit facilities that may be given is aligned with the maximum amount of funds that could be deposited with TPGF. However, whether TPGF grants credit facilities is not contingent on whether deposits have been made in the account with TPGF. For illustration purposes, if the Company does not have any funds deposited with TPGF on a certain day, TPGF would still be able to provide loans of up to RMB1,500 million to the Company, if liquidity permits.

¹⁴ This is calculated based on the loan prime rate ("LPR") for 1-year (i.e., by reducing 15 base points down from the LPR for 1-year loan of approximately 3.65% as of the end of February 2023). For Shareholders' reference only, as of the end of February 2023, the LPR for 1-year loan is approximately 3.65%, and the LPR for loans with tenure of five (5) years or more is 4.3%. There is presently no LPR for loans with a tenure of three (3) years.

instructions, as well as other ancillary services relating to the settlement business services. The maximum services fees which TPGF can charge for the provision of all settlement and intermediary business services shall not be higher than the fees charged by TPGF to other third parties for similar type of services for the same period and shall not exceed RMB5 million per annum;

- (b) deposit business services, including, but not limited to, current deposits, time deposits, negotiated deposits, call deposits. The Company has opened/will open a deposit account with TPGF and deposit the funds in such account. The maximum daily balance in the deposit account (including interest) shall not exceed RMB1,500 million; and
- (c) credit business services, including, but not limited to, working capital loan, fixed asset loan, project loan, bill acceptance and discounting business.

In accordance with the PRC laws, regulations and policies, and the requirements of the CBIRC as well as TPGF's own operating and credit policies, TPGF shall use its best endeavors to meet the Company's funds demands, and shall design the scientific and reasonable financing plans for the Company as well as comprehensive credit and discounted bills services and other credit services. The maximum daily balance of credit facilities (excluding interest) provided by TPGF during the Term shall not be more than RMB1,500 million. The aggregate amount of interest payable on the credit facilities shall not be more than RMB52.5 million per annum, which shall be accrued from 1 January to 31 December in the same year.

2.8.4 Pricing Basis and Policies

- (a) TPGF provides the deposit service for the Company. The deposit interest rate shall be determined with reference to the interest rates published by the PBOC for the same type of deposits¹⁵ with the same duration which are effective at the time when the Company makes the deposits and shall not be lower than the interest rates offered by other domestic financial institutions for the same type of deposits with the same duration which is effective at the time when the Company makes the deposits.
- (b) The pricing of credit business services, such as loans and bill discounting, provided by TPGF to the Company will be determined with reference to the LPR published by the Centre¹⁶ (as authorised by the PBOC) which is effective at the time when the Company obtains funds under the credit facilities granted to the Company by TPGF. The interest rates and fee rates charged by TPGF for the credit facilities granted to the Company shall not be higher than the interest rates and fee rates the Company can

¹⁵ As of the end of February 2023, the benchmark interest rates for RMB deposits for financial institutions as stipulated by the PBOC are as follows:

(1)	current deposits	:	0.35%
(2)	term deposits (3 months)	:	1.10%
	term deposits (6 months)	:	1.30%
	term deposits (1 year)	:	1.50%
	term deposits (2 years)	:	2.10%
	term deposits (3 years)	:	2.75%
(3)	installment time deposits (1 year)	:	1.10%
	installment time deposits (3 years)	:	1.30%
(4)	agreement deposits	:	1.15%
(5)	call deposits (1-day notice)	:	0.80%
	call deposits (7-day notice)	:	1.35%

¹⁶ The website of the Centre can be accessed from <http://www.chinamoney.com.cn/english/>.

obtain from other domestic financial institutions for the same period which is effective at the time when the Company intends to obtain funds under the credit facilities granted to the Company by TPGF.

- (c) The pricing in relation to the funds settlement service, the opening of electronic banking acceptance drafts, agency service and other intermediary business services provided by TPGF to the Company will be determined with reference to market rates which are effective at the time when the funds settlement takes place¹⁷. The rates charged by TPGF for such settlement and intermediary business services provided to the Company shall not be higher than the rates the Company can obtain from other domestic financial institutions in the PRC.
- (d) The above fee rates and interest rates refer to the market rates quoted by other financial institutions in the PRC under prevailing market conditions, without taking into account special rates such as policy lending rates or government subsidised rates. The Audit Committee is entitled to reject the quotations provided by TPGF and choose to engage the other financial institutions to provide financial services to the Company in the best interest of the Company and its minority shareholders.

2.8.5 Principles of Financial Services

- (a) TPGF will provide the Financial Services to the Company within the boundaries of the business scope approved by the CBIRC, Tianjin Office and based on the broad principles as set out in Sections 2.8.1 and 2.8.5 of this Annexure and terms of the Agreement 2023 as set out in this Section 2.8 of this Annexure, but the precise details of the Financial Services to be provided will be specified in other agreements¹⁸ and signed and approved by TPGF and the Company.
- (b) The Financial Services to be provided by TPGF under the Agreement 2023 shall be extended to the Group.
- (c) When TPGF is providing the Financial Services, it may require the Company to provide corresponding security according to the actual situation and business demand. For the avoidance of doubt, the Company had not been required to provide any security in connection with the provision of the financial services by TPGF since the signing of the Prior Agreements. In any case, should the Company be required to provide any security in connection with the provision of the Financial Services by TPGF under the Agreement 2023, this will be a related party transaction under the PRC laws including the listing rules of the SSE and an Interested Person Transaction under the Listing Manual, the Company will be required to obtain Shareholders' approval prior to the provision of such security.

¹⁷ There are many different types of intermediary business services, each of which is priced differently.

¹⁸ This term is also contained in the Prior Agreements. For the provision of each financial service pursuant to the Agreement 2023, a specific contract needs to be entered into between TPGF and the Company, and the terms of such contract shall be in accordance with regulatory and market management requirements. For example, for opening an account, the parties will need to execute *inter alia* an "Application for Opening (Change) Corporate Settlement Account" (《开立(变更)单位结算账户申请书》); for deposits, the parties will need to execute *inter alia* a "Corporate Deposit Agreement" (《单位协定存款协议》) and "Agreement on Administration of RMB Internal Settlement Accounts" (《人民币内部结算账户管理协议》); and for loans, the parties will need to execute *inter alia* a "Credit Line Contract" (《授信额度合同》), a "Working Capital Loan Contract" (《流动资金借款合同》) and a "Fixed Asset Loan Contract" (《固定资产借款合同》). For the avoidance of doubt, the broad principles and the terms of the Agreement 2023 (being similar to a framework agreement) shall guide and regulate the general principles and amounts of financial services to be provided by TPGF to the Company, though these may not be replicated in full in each specific contract to be entered into between TPGF and the Company subsequently.

2.8.6 Modification and Termination of the Agreement 2023

The Agreement 2023 will be effective upon signing by the parties and satisfaction of the condition precedent (as set out in Section 2.8.2 of this Annexure), and shall be valid from 1 July 2023 to 30 June 2026.

The parties to the Agreement 2023 shall not modify and terminate the Agreement 2023 without prior written agreement reached by all parties.

2.8.7 Key differences between the terms of the Agreement 2023 and the Prior Agreements

Key differences between the terms of the Agreement 2023 and the Prior Agreement 2020 are the changes to the limits of the transaction value as follows:

- (i) the amount of the maximum services fees payable by the Company is proposed to be increased from up to RMB3 million to RMB5 million per annum¹⁹;
- (ii) the amount of the maximum daily balance in the Company's deposit account with TPGF (including interest) is proposed to be increased from up to RMB600 million to RMB1,500 million;
- (iii) the amount of the maximum daily balance of credit facilities is proposed to be increased from up to RMB600 million to RMB1,500 million (excluding interest); and
- (iv) the amount of the estimated maximum interest payable on the credit facilities granted to the Company is proposed to be increased from up to RMB24 million to RMB52.5 million per annum²⁰.

The increase in the limits of the transaction value under the Agreement 2023 as set out above is mainly based on the following considerations: (i) with the development and growth of the Company's business, the cash and cash equivalents of the Company are constantly increasing and had reached approximately RMB2,882 million as at the end of FY2022; and (ii) as compared with other financial institutions, TPGF is able to provide the Company with more efficient, convenient and competitive services, such as the handling charges for external payment for the Company would be reduced or waived, and offering the Company deposit interest rates at a maximum floating ratio within the framework of the deposit interest rate pricing benchmark of the PBOC. Therefore, the Company intends to develop a more comprehensive and in-depth business cooperation with TPGF.

Save for the foregoing, there is no substantive difference in the terms of the Agreement 2023 and the Prior Agreements.

¹⁹ The amount of the maximum services fees payable by the Company is proposed to be increased from up to RMB3 million to RMB5 million per annum mainly due to the increase in the amount of the maximum daily balance in the Company's deposit account with TPGF and the amount of the maximum daily balance of credit facilities granted to the Company. At present, the fees for providing the financial services to the Company by TPGF, including account management fees, UKEY use fees, settlement handling fees and inquiry fees etc. The aforementioned service fees had been waived by TPGF for the financial services provided under the Prior Agreements.

²⁰ The amount of the estimated maximum interest payable on the credit facilities granted to the Company is proposed to be increased from up to RMB24 million to RMB52.5 million per annum mainly due to the increase in the amount of the maximum daily balance of credit facilities which is proposed to be increased from up to RMB600 million to RMB1,500 million (excluding interest).

2.9 Review procedures in relation to the Proposed IPT

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

- (a) settlement and intermediary business services and credit business services: The Group will obtain quotations from TPGF and at least two (2) other unrelated financial institutions in respect of substantially similar types of transactions for comparison whenever the Group intends to obtain funds under the credit facilities granted to the Company by TPGF. The head of the finance department of the Company, being Ms. Niu Shengfang as at the Latest Practicable Date (or such person appointed to such capacity from time to time), will review the quotations and approve the transaction provided that the quotation offered by TPGF is not less favourable than those offered by unrelated third parties and that overall the terms are in accordance with the usual industry practice and business policies of the Group, as well as the pricing basis and policies as set out in the Agreement 2023.
- (b) deposit business services: The Group will obtain interest rates from at least two (2) other unrelated financial institutions in respect of substantially similar types of deposits for comparison whenever the Group intends to make new deposits, and in the event that the interest rates are adjusted by the PBOC, the interest rates for comparison will be re-examined. The head of the finance department of the Company, being Ms. Niu Shengfang as at the Latest Practicable Date (or such person appointed to such capacity from time to time), will review the interest rates and approve the transaction provided that the interest rates offered by TPGF are not less favourable than those offered by unrelated third parties and that overall the terms are in accordance with the usual industry practice and business policies of the Group, as well as the pricing basis and policies as set out in the Agreement 2023.

As disclosed in Section 2.1.1 of this Annexure, notwithstanding the appointment of Ms. Niu Shengfang as a director of TPGF, Mr. Xing Jianhua as the legal representative of TPGF and Chief Financial Officer of TPH, and each Interested Director being a key management personnel in TPH as at the Latest Practicable Date, the Company believes that this will not affect the independence of the Proposed IPT for the following reasons:

- (i) even though Ms. Niu Shengfang represents the Company on the board of directors of TPGF, the Company holds only fifteen per cent. (15%) voting rights in TPGF as at the Latest Practicable Date (as mentioned above) and hence, Ms. Niu Shengfang will not be able to influence the board of directors of TPGF. Further, as mentioned above, the pricing basis and policies for the Financial Services to be provided by TPGF under the Agreement 2023 are set out clearly in the Agreement 2023 (as set out in Section 2.8.4 of this Annexure) which have been reviewed and approved by the Audit Committee, and the actual transactions arising therefrom (if any) will be approved by Ms. Niu Shengfang and carried out by the personnel from the Company's finance department in accordance with the said pricing basis and policies. Save for the foregoing arrangement which the Company believes it is a common practice in the finance industry in the PRC where shareholder(s) nominate director(s) to the board of directors of a finance company, the Company will ensure that the head of the finance department of the Company has no interest in, or relationship to, the TPH Group (whether directly or indirectly);

- (ii) Mr. Xing Jianhua, as a member of the Supervisory Committee of the Company whose responsibilities include, *inter alia*, supervising the acts of the Directors and senior managerial personnel in performing their duties of the Company, is not involved in the day-to-day operations and management of the Company nor will he be involved in the decision-making procedures in relation to the Proposed IPT;
- (iii) the Interested Directors shall, in accordance with the listing rules of the SSE, abstain from voting at the Board meeting in respect of the resolution approving the Proposed IPT and shall not act as proxies or otherwise for voting at the Board meeting in respect of the aforesaid resolution;
- (iv) the Proposed IPT is a related party transaction under the PRC laws including the listing rules of the SSE and an Interested Person Transaction under the Listing Manual, which shall, in accordance with the regulations of the CSRC and the SSE, as well as the Listing Manual, be approved by Shareholders at a general meeting of the Company, where the interested Shareholders shall abstain from voting, and such transaction will only take effect upon it being approved by a majority of Independent Shareholders; and
- (v) the Company compares the conditions/terms offered by other financial institutions and by TPGF before arriving at its decision as to engage which institution for its specific financial needs.

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

- (i) All transactions in excess of S\$100,000 each and all the transactions (regardless of the amount) made pursuant to the Agreement 2023 will be summarised and presented to the Audit Committee for review, at least on a quarterly basis, to ensure that they are carried out at arm's length basis and on normal commercial terms and in accordance with the Group's procedures for Interested Person Transactions. For the avoidance of doubt, all trades under one (1) agreement are considered as one (1) transaction. Such review shall include the examination of the transaction and its supporting documents or such other data and all non-quantitative factors deemed necessary by the Audit Committee. The Audit Committee will, when it deems fit, have the right to require the appointment of independent sources, advisers or valuers to provide additional information pertaining to the transaction under review. In the event that a member of the Audit Committee is interested in any Interested Person Transaction, he/she shall abstain from participating in the review of that particular transaction.
- (ii) The Company's internal audit department will arrange to conduct a special audit on the Company's use of funds on an annual basis, and will review the implementation of the Agreement 2023 and the supplementary agreements (if any) entered into between the Company and TPGF in connection therewith, and submit its findings to the Audit Committee.
- (iii) The Company's external auditors will also review Interested Person Transactions as part of its regular audit.
- (iv) Furthermore, the Company will disclose the aggregate value of the transactions arising from the Proposed IPT in the form set out in Listing Rule 907 in the Company's quarterly/full year financial statement and its annual report.

2.10 IFA's opinion

Pursuant to Chapter 9 of the Listing Manual, RHB Bank Berhad, through its Singapore branch, has been appointed as the IFA to opine on whether the Proposed IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its Shareholders. The IFA Letter is set out in Schedule 1 of this Annexure. Shareholders are advised to read the IFA Letter carefully.

The following is an extract from Sections 6 and 7 of the IFA Letter and should be read in conjunction with, and interpreted in, the full context of the IFA Letter. All terms and expression used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated. Shareholders should read and consider carefully the key considerations relied upon by the IFA, in arriving at its advice.

“6. EVALUATION OF THE PROPOSED IPT

6.1 Rationale for the Proposed IPT

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed IPT or the future prospects of the Group in view of the Proposed IPT. Nevertheless, we have reviewed the rationale for the Proposed IPT as set out in Section 2.6 of the Annexure and reproduced in italics below for your reference. Shareholders are advised to read the information carefully.

“2.6 Rationale for the Proposed IPT

As stated in Section 2.1.1 of this Annexure, TPGF is a non-bank financial institution approved by the CBIRC, Tianjin Office and is established to provide financial services under its business scope to the member entities in the TPH Group (including the Company). TPGF will set up cash pooling in banks to provide channels for financing and lower the cost of financing for the member entities in the TPH Group (including the Company). This will optimise the use of surplus funds of the member entities in the TPH Group (including the Company).

As a financial institution, TPGF strictly follows the requirements of the CBIRC and prudently conducts its financial business. Accordingly, TPGF strictly implements the regulatory requirements and indicators of the CBIRC for the industry, strictly controls its capital adequacy ratio and level of liabilities, maintains good liquidity, and ensures that the funding needs of all member entities in the TPH Group are met. At the same time, in accordance with the requirements of Article 14 of the Administrative Measures on Finance Companies of Enterprise Groups (Order of China Banking and Insurance Regulatory Commission No. 6 of 2022) (《企业集团财务公司管理办法》(中国银行保险监督管理委员会令2022年第6号)) issued by the CBIRC on 13 October 2022 and taking effect from 13 November 2022, the sixth (6th) paragraph of Article 18 of the articles of association of TPGF clearly provides “Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), as the parent company of TPGF, promises to increase the corresponding capital according to the actual need to solve the payment difficulties in the emergency situation of TPGF's payment difficulties”. This is to ensure that TPGF can satisfy the funding needs of the member entities in the TPH Group.

Further, TPGF will ensure that the Company has access to funding as:

- (i) TPGF will keep abreast of the demand for short-term funds by the Company in a timely manner and will reserve sufficient funds through fund budget management;*
- (ii) TPGF will also analyse the capital characteristics of each member entity within the TPH Group, and based on such characteristics, will reserve sufficient funds to ensure the use of funds required by each entity within the TPH Group (including the Company) after earmarking a certain level of safety provisions;*
- (iii) TPGF will hold onto a certain amount of other liquid assets that can be encashed at any time, such as time deposits that can be released at any time and bank acceptance bills that can be rediscounted at any time, to ensure that the aforementioned assets can be encashed in a timely manner to satisfy any funding needs of the member entities within the TPH Group;*
- (iv) TPGF has deposited the statutory deposit reserves and excess deposit reserves in the PBOC which may be used to solve its liquidity requirements at any time;*
- (v) TPGF is required to adhere to certain liquidity requirements of the PRC's regulatory authorities. For example, the CBIRC stipulates that the liquidity ratio shall not be less than twenty-five per cent. (25%) and the statutory deposit reserve ratio shall not be less than five per cent. (5%); and*
- (vi) TPGF may obtain short-term liquidity funds through inter-bank borrowing up to a limit of RMB500 million, and the term of borrowing is seven (7) days.*

If TPGF still faces a liquidity crisis after employing the abovementioned methods, TPH shall provide funds to meet the liquidity demand of TPGF. This is provided in the Administrative Measures on Finance Companies of Enterprise Groups (《企业集团财务公司管理办法》) and has also been enshrined in the articles of association of TPGF, as stated above.

In addition, by way of obtaining the loans from TPGF, the Group will receive long-term financing support as well as competitive financing costs. The pricing basis and policies for the Financial Services to be provided by TPGF under the Agreement 2023 are set out clearly in the Agreement 2023 (as set out in Section 2.8.4 of this Annexure) which have been reviewed and approved by the Audit Committee, and the actual transactions arising therefrom (if any) will be carried out by the personnel from the Company's finance department in accordance with the said pricing basis and policies. In this regard, since the signing of the Prior Agreement #3 in July 2020, the terms under which the Company had obtained loans from TPGF have not been higher than those offered by the other financial institutions in the PRC in the same period⁹.

Furthermore, the deposit services provided by TPGF will enhance the management of funds of the Company and improve the Company's efficiency in the use of available funds. The management of funds is enhanced as:

- (i) *there is security of funds as TPGF provides safe and efficient online banking services to the member entities in the TPH Group, and these member entities can monitor the changes in the funds deposited in their accounts with TPGF at any time;*
- (ii) *funds payment can be made and settled efficiently as any payment made by the Company for its branches can be realised through the internal transfer function of TPGF's online banking system, which is efficient and convenient; and*
- (iii) *TPGF can provide credit support to the Company within a short period of time¹⁰, and this can reduce the Company's need to maintain a certain amount of reserves from time to time.*

The settlement and intermediary business¹¹ services provided by TPGF will facilitate to attain better efficiency and convenience in settlement between the Company and the other member entities of the TPH Group, as well as speed up the Company's capital turnover.

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

6.2 Pricing Basis

We note from Sections 2.8.3 and 2.8.4 of the Annexure that TPGF shall provide the following services to the Company at the interest rates or fee rates determined in the following manner (without taking into account special rates such as policy lending rates or government subsidised rates):

- (a) *deposit business services whereby the deposit interest rate offered by TPGF shall be determined with reference to the interest rates published by the PBOC for the same type of deposits with the same duration which are effective at the time when the Company makes the deposits and shall not be lower than the interest rates offered by other domestic financial institutions for the same type of deposits with the same duration which is effective at the time when the Company makes the deposits;*
- (b) *credit business services, such as loans and bill discounting, whereby the interest rates and fee rates charged by TPGF for the credit facilities granted to the Company shall be determined with reference to the loan prime rate published by the Centre (as authorised by the PBOC) which is effective at the time when the Company intends to obtain funds under the credit facilities granted to the Company by TPGF. The interest rates and fee rates charged by TPGF for the credit facilities granted to the Company shall not be higher than the interest rates and fee rates that the Company can obtain from other domestic financial institutions for the same period which is effective at the time when the Company intends to obtain funds under the credit facilities granted to the Company by TPGF; and*
- (c) *settlement and intermediary business services whereby the rates charged by TPGF will be determined with reference to market rates which are effective at the time when the funds settlement takes place and shall not be higher than the rates the Company can obtain from other domestic financial institutions in the PRC.*

6.3 Review Procedures

We further note from Section 2.9 of the Annexure that the Proposed IPT shall be reviewed and approved by the head of the finance department of the Company (or such person appointed to such capacity from time to time), provided that the interest rates and/or quotations, as the case may be, offered by TPGF are not less favourable when compared with those offered by at least two other unrelated financial institutions in respect of substantially similar types of transactions and that overall the terms are in accordance with the usual industry practice and business policies of the Group, as well as the pricing basis and policies as set out in the Agreement 2023.

In addition, the Proposed IPT will also be subject to the guidelines and review procedures that the Group has adopted for any Interested Person Transaction undertaken by the Group, where applicable, including but not limited to: (a) review by the Audit Committee on a quarterly basis; (b) special audit by the Company's internal audit department on the Company's use of funds on an annual basis; (c) review by the Company's external auditors as part of its regular audit; and (d) disclosure of the aggregate value of the transactions arising from the Proposed IPT in the format as required in Listing Rule 907 in the Company's quarterly / full year financial statement and its annual report.

Shareholders are advised to read Section 2.9 of the Annexure carefully.

6.4 Other Considerations

We note from Section 2.1.1 of the Annexure that the head of the finance department of the Company, Ms. Niu Shengfang, is also a director of TPGF nominated by the Company and that Mr. Xing Jianhua, a Supervisor of the Company, is also the legal representative of TPGF and Chief Financial Officer (“CFO”) of TPH as at the Latest Practicable Date. The Interested Directors, Ms. Zhang Mingrui, Mr. Guo Min and Ms. Mao Weiwen, are key management personnel of TPH.

Notwithstanding the above, the Company believes that this will not affect the independence of the Proposed IPT for the reasons stated in Section 2.1.1 and Section 2.9 of the Annexure.

We have considered the Company's views and the following factors and believe that the above will not affect the determination of the terms under the Agreement 2023 to be on normal commercial terms and not prejudicial to the Company and its minority Shareholders:—

- (a) although Ms Niu Shengfang is a representative of the Company on the board of directors of TPGF, the Company holds only 15% voting rights in TPGF as at the Latest Practicable Date and hence, the Company will not be able to influence the board of directors of TPGF (through Ms Niu Shengfang as a director of TPGF). Further, the pricing basis and policies for the Financial Services to be provided by TPGF under the Agreement 2023 are set out clearly in the Agreement 2023 (as set out in Section 2.8.4 of the Annexure) which have been reviewed and approved by the Audit Committee, and the actual transactions arising therefrom (if any) will be approved by Ms. Niu Shengfang and carried out by the personnel from the Company's finance department in accordance with the said pricing basis and policies. Save for the foregoing arrangement which the Company believes is a common practice in the finance industry in the PRC where shareholder(s) nominate director(s) to the board of directors of a finance company, the Company will ensure that head of the finance department of the Company has no interest in, or relationship to, the TPH Group (whether directly or indirectly);*

- (b) *Mr Xing Jianhua, a member of the Supervisory Committee of the Company and a legal representative of TPGF and CFO of TPGF as at the Latest Practicable Date, is not involved in the day-to-day operations and management of the Company; nor will he be involved in the decision-making procedures in relation to the Proposed IPT;*
- (c) *the Interested Directors shall abstain from voting at the Board meeting and shall not act as proxies or otherwise for voting at the Board meeting in respect of the resolution approving the Proposed IPT;*
- (d) *the Proposed IPT will be subject to approval by Independent Shareholders and will only take effect upon it being approved by a majority of Independent Shareholders;*
- (e) *the terms of the Agreement 2023 provide that the interest rates or fees (as the case may be) shall not higher than those that the Company can obtain from other domestic financial institutions in the PRC;*
- (f) *the transactions pursuant to the Agreement 2023 shall be reviewed and approved by the head of the finance department of the Company (or such person appointed to such capacity from time to time), provided that the interest rates and/or quotations, as the case may be, offered by TPGF are not less favourable when compared with those offered by at least two other unrelated financial institutions in respect of substantially similar types of transactions and that overall the terms are in accordance with the usual industry practice and business policies of the Group, as well as the pricing basis and policies as set out in the Agreement 2023; and*
- (g) *the Proposed IPT will be subject to the guidelines and review procedures that the Group has adopted for any Interested Person Transaction undertaken by the Group, including but not limited to, review by the Audit Committee on a quarterly basis, special audit by the Company's internal audit department on an annual basis, review by the Company's external auditors as part of its regular audit and the disclosure requirements under the Listing Manual.*

7. RECOMMENDATION

In arriving at our opinion in respect of the Proposed IPT, we have reviewed, inter alia, the proposed Agreement 2023 and documents in relation to the Prior Agreements and made reasonable enquiries with the Management. We have taken into account the factors which we consider would have a significant bearing on our assessment as set out in the earlier sections, including (i) rationale for the Proposed IPT; (ii) pricing basis for the services to be provided under the Agreement 2023; (iii) reviewing procedures; and (iv) the factors stated in paragraph 6.4 of this Letter.

*Having regard to the considerations set out in this Letter and the information available to us as at the Latest Practicable Date, we are of the opinion that, if the pricing basis as set out in paragraph 6.2(a) to 6.2(c) of this Letter and detailed in Section 2.8.4 of the Annexure and the review procedures as set out in paragraph 6.3 of this Letter and detailed in Section 2.9 of the Annexure are adhered to, the Proposed IPT is on normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders. **We therefore advise the Non-Interested Directors to recommend that Independent Shareholders vote in favour of the Proposed IPT to be proposed at the 2023 AGM to be convened.***

The Non-Interested Directors should note that our recommendation is based upon market, economic, industry, monetary and other conditions prevailing and information made available to us as at the Latest Practicable Date.

- 9 *As at the end of FY2022, the total loans obtained by the Group from TPGF were RMB38.22 million comprising:*
- (i) RMB27.99 million which was provided to the Company's wholly-owned subsidiary, Tianjin Zhongxin Xinxin Pharmaceutical (Cang Zhou) Co., Ltd. (天津中新药业集团新新(沧州)制药有限公司) ("Xinxin Pharmaceutical"). During the period of preparation for the establishment of Xinxin Pharmaceutical, other financial institutions were not able to provide loans to Xinxin Pharmaceutical due to its failure to meet the lending conditions and accordingly, only TPGF can provide the loans to Xinxin Pharmaceutical; and*
 - (ii) RMB10.23 million which was obtained by NewScen Coast Bio-Pharmaceutical Co., Ltd. (天津中新科炬生物制药股份有限公司) ("NewScen Coast") before the acquisition of 21.56% equity interest in NewScen Coast by the Company (the "Acquisition") in 2022 and was taken over by the Company following the Acquisition.*
- 10 *TPGF, as a non-bank financial institution, which was established to provide financial services to the member entities in the TPH Group, is more familiar with the businesses and operations of the member entities in the TPH Group than other financial institutions in the market; meanwhile, the review and approval processes of TPGF are faster and more convenient thus TPGF can provide funding support at a faster speed.*
- 11 *"settlement and intermediary business services" including but not limited to draft, collection and acceptance, consignment collection, exchange, provision of balance of payment and settlement service, and collection and payment of various types of payments. The transactions to be conducted between the Company and TPGF will be within the scope of the Agreement 2023, and the Company will be able to dispose the Company's bank deposits with TPGF freely at the will of the Company, without the control of TPGF. TPGF, as a non-bank financial institution, shall freely carry out its settlement business according to deposit and/or withdrawal needs. When a member entity of the TPH Group has a funding need, it is allowed to determine by such member entity itself, and TPGF will unconditionally satisfy such need."*

In summary, having considered the factors set out in the IFA Letter, the IFA is of the view that the Proposed IPT is on normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders.

2.11 Audit Committee's statement

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

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

3.1 Directors' and Substantial Shareholders' interests in Shares

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				
Zhang Mingrui	—	—	—	—
Guo Min	—	—	—	—
Wang Lei	—	—	—	—
Zhou Hong	70,000 ⁽²⁾	0.009	—	—
Mao Weiwen	—	—	—	—
Liew Yoke Pheng Joseph	—	—	—	—
Li Qing	—	—	—	—
Zhu Haifeng	—	—	—	—
Substantial Shareholder(s)				
TPH	325,855,528	42.13	5,265,000 ⁽³⁾	0.68

Notes:

- (1) Based on the total issued share capital of 773,443,076 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.

3.2 Directors' and Substantial Shareholders' interests in the Proposed IPT

As disclosed in Section 2.1.1 of this Annexure, TPH holds 50% equity interest in TPGF as at the Latest Practicable Date. Accordingly, TPGF is a Subsidiary and an Associate of TPH. Therefore, as disclosed in Section 2.3 of this Annexure, TPH and TPGF are Interested Persons in relation to the Proposed IPT.

Each Interested Director (i.e., Ms. Zhang Mingrui, Mr. Guo Min and Ms. Mao Weiwen) is a key management personnel in TPH as at the Latest Practicable Date. Accordingly, they will abstain from making any recommendation to Shareholders on the Proposed IPT.

As at the Latest Practicable Date, save as disclosed in this Annexure, none of the Directors or Substantial Shareholders have any interest, direct or indirect, in the Proposed IPT.

4. DIRECTORS' RECOMMENDATION

Having considered, amongst others, the rationale for, and terms and benefit of, the Proposed IPT, the opinion and advice of the IFA as set out in Schedule 1 of this Annexure, and the opinion of the Audit Committee as set out in Section 2.11 of this Annexure, the Non-Interested Directors are of the opinion that the Proposed IPT is in the interests of the Company and the Shareholders as a whole. Therefore, the Non-Interested Directors (which excludes Ms. Zhang Mingrui, Mr. Guo Min and Ms. Mao Weiwen as they shall abstain from making a recommendation for reasons set out in Section 3.2 of this Annexure) recommend that the Shareholders vote in favour of the resolution set out in the Notice of AGM in relation to the Proposed IPT.

5. ANNUAL GENERAL MEETING

The 2023 AGM, notice of which has been, or will be, made available to Shareholders on the same day as the date of this Annexure on the SGXNET and the Company's website at www.jydr.com.cn, will be held on Monday, 15 May 2023 at 1:30 p.m. at the meeting room of Da Ren Tang Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, a video conferencing at Library 1 & 2, Level 8, 1 Pickering Street, Great Eastern Centre, Singapore 048659 for S-Share Shareholders in Singapore) for the purpose of considering and, if thought fit, passing the resolutions (with or without modifications) as set in the Notice of AGM.

S-Share Shareholders may participate in the 2023 AGM via the video conferencing at Library 1 & 2, Level 8, 1 Pickering Street, Great Eastern Centre, Singapore 048659 for S-Share Shareholders in Singapore by:

- (a) attending the 2023 AGM in person;
- (b) submitting substantial and relevant questions relating to the resolutions to be tabled for approval at the 2023 AGM, in advance of, or at, the 2023 AGM; and/or
- (c) voting at the 2023 AGM (i) themselves; or (ii) through their duly appointed proxy(ies).

Details of the submission of questions and voting at the 2023 AGM by Shareholders (including S-Share Shareholders) are set out in the Notice of AGM.

6. ABSTENTION FROM VOTING

As disclosed in Sections 2.3 and 3.2 of this Annexure, TPGF is a Subsidiary and an Associate of TPH. Accordingly, TPH will abstain, and has undertaken to ensure that its respective Associates will abstain, from voting at the 2023 AGM in respect of the resolution approving the Proposed IPT. In addition, it shall, and has undertaken to ensure that its respective Associates shall, also not accept nomination as proxies or otherwise for voting at the 2023 AGM in respect of the aforesaid resolution unless specific instructions have been given in the proxy instrument on how the relevant Shareholders wish their votes to be cast for the said resolution.

7. ACTION TO BE TAKEN BY S-SHARE SHAREHOLDERS

S-Share Shareholders who wish to vote but who are unable to attend the 2023 AGM and wish to appoint a proxy(ies) to attend and vote at the 2023 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 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632, or (ii) email at agm.teame@boardroomlimited.com, no later than **1:30 p.m. on Saturday, 13 May 2023**.

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 2023 AGM should such S-Shareholder subsequently decide to do so. In such event, the appointment of the proxy(ies) for the AGM will be deemed to be revoked if the S-Share Shareholder attends the 2023 AGM in person, and the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the 2023 AGM.

A S-Share Shareholder who intends to attend the 2023 AGM must be registered in the Register of Members, or where the registered holder is CDP, must be named as a Depositor in the Depository Register, as at a time not earlier than forty-eight (48) hours before the 2023 AGM.

8. 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 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 IPT 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, 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.

9. CONSENT

The IFA has given and has not withdrawn its written consent to the issue of this Annexure with the inclusion of the IFA Letter as Schedule 1 of this Annexure, the IFA Letter, and references to its name, in the form and context in which it appears in this Annexure and the IFA Letter.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected 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 2023 AGM:

- (a) the Agreement 2023;
- (b) the Articles of Association of the Company;
- (c) the annual report of the Company for FY2022;
- (d) the IFA Letter; and
- (e) the letter of consent issued by the IFA as described in Section 9 of this Annexure.

Yours faithfully

For and on behalf of the Directors of

Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited

Zhang Mingrui

Chairman of the Board

SCHEDULE 1

LETTER FROM RHB BANK BERHAD, THROUGH ITS SINGAPORE BRANCH TO TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

28 April 2023

Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited
17 Baidi Road, Nankai District
Tianjin
People's Republic of China

Dear Sirs,

THE PROPOSED FINANCIAL SERVICES AGREEMENT TO BE ENTERED INTO BETWEEN TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED (THE “COMPANY” AND TOGETHER WITH ITS SUBSIDIARIES, THE “GROUP”) AND TIANJIN PHARMACEUTICAL GROUP FINANCE CO., LTD (天津医药集团财务有限公司) (“TPGF”) AS AN INTERESTED PERSON TRANSACTION AND ALL TRANSACTIONS ARISING THEREFROM (“PROPOSED IPT”)

Unless otherwise defined or the context requires otherwise, all terms used herein have the same meanings as defined in the annexure to Shareholders of the Company dated 28 April 2023 (the “Annexure”).

1. INTRODUCTION

On 29 December 2016, the Company announced that it proposed to enter into a financial services agreement (“**Prior Agreement #1**”) with TPGF, pursuant to which TPGF shall provide several financial services, including settlement and intermediary business services, deposit business services and credit business services (such as providing loans to the Company) from date of the Prior Agreement #1 (i.e. 30 December 2016) until 30 June 2017.

Subsequently, the Company, at the extraordinary general meeting held on 30 June 2017 and annual general meeting held on 5 June 2020, sought and obtained the approval of its Shareholders for the Company to enter into the Prior Agreement #2 and the Prior Agreement #3 (each as defined in the Annexure and together with the Prior Agreement #1, referred to as “**Prior Agreements**”) respectively with TPGF, each of which constitutes an interested person transaction as defined in Chapter 9 of the Listing Manual (“**Interested Person Transaction**”).

As the tenure of the Prior Agreement #3 will be expiring on 30 June 2023, the Company announced on 31 March 2023 (“**Proposed IPT Announcement**”) that it proposes to enter into a new financial services agreement with TPGF (“**Agreement 2023**”) for the period of three (3) years from 1 July 2023 to 30 June 2026. There is no substantive difference in the terms of the Agreement 2023 and the Prior Agreement 3, save for the changes to the limits of the transaction value as highlighted in paragraph 1.4.7 of the Proposed IPT Announcement.

As TPGF is a subsidiary of Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) (“TPH” and together with its subsidiaries and associated companies, the “TPH Group”), the Controlling Shareholder of the Company as at the Latest Practicable Date, TPH and TPGF are interested persons and the Proposed IPT constitutes an Interested Person Transaction as defined in Chapter 9 of the Listing Manual.

Pursuant to Listing Rule 909, the value of a transaction is the amount of risk to the issuer and in the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. Consequently, the total value of the Proposed IPT (i.e. the amount at risk to the Company) is estimated to amount to RMB1,672.5 million¹, representing approximately 25.76% of the Group’s latest audited net tangible assets (“NTA”) of approximately RMB6,493.6 million as at 31 December 2022. Accordingly, the Proposed IPT is subject to the approval of the Company’s shareholders who are not interested persons as defined in Chapter 9 of the Listing Manual (“Independent Shareholders”), pursuant to Listing Rule 906.

In connection with the above and pursuant to the requirements of Chapter 9 of the Listing Manual, RHB Bank Berhad, through its Singapore branch (“RHBS”) was appointed by the Company as the independent financial adviser (“IFA”) to advise whether the Proposed IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

This letter (“Letter”) sets out, *inter alia*, our evaluation of the Proposed IPT as an Interested Person Transaction and our opinion thereon. It forms part of the Annexure providing, *inter alia*, details of the Proposed IPT and the recommendations of the Non-Interested Directors in respect thereof.

2. TERMS OF REFERENCE

RHBS has been appointed in accordance with Listing Rule 921(4)(a), as well as to advise only in respect of whether the Proposed IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

RHBS is neither a party to the negotiations or discussions in relation to the Proposed IPT nor were we involved in the deliberations leading up to the decision on the part of the Company to enter into the Proposed IPT. We do not, by this Letter, in any way advise on the merits of the Proposed IPT other than to form an opinion on whether the Proposed IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

Our terms of reference do not require us to evaluate or comment on the strategic, commercial, financial merits or risks (if any) of the Proposed IPT or to compare their relative merits vis-à-vis alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we do not express any opinion on any of the aforesaid.

¹ RMB1,672.5 million = RMB15 million (the maximum services fees payable by the Company for 3 years) + RMB157.5 million (the estimated maximum interest payable on the credit facilities granted to the Company for 3 years) + RMB1,500 million (the maximum daily balance in the Company’s deposit account with TPGF, including interest).

We are not required to and have not made any independent appraisal or valuation of the assets and liabilities of the Company, the Group, TPGF and/or the TPH Group and we have not been furnished with any such appraisal or valuation. Any such evaluation, comment, comparison, consideration, appraisal or valuation remains and is solely the responsibility of the Directors and the management of the Company (“**Management**”), but we may draw upon their views or make comments in respect thereof (to the extent we deem necessary or appropriate and at our sole discretion) in arriving at our opinion as set out in this Letter. We have also relied on information on the Company, the Group, TPGF and/or the TPH Group, including the disclosures and representations made by the Company on the values of the assets and liabilities of the Company, the Group, TPGF and/or the TPH Group stated herein (if any).

For the purpose of our advice and opinion, we have relied on publicly available information collated by us, information set out in the Annexure, and information (including representations, opinions, facts and statements) provided to us by the Directors, Management and the advisers of the Company. We have relied on the assurances of the Directors and Management that they jointly and severally accept full responsibility for the accuracy, truth, completeness and adequacy of such information. They have confirmed to us that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Proposed IPT, the Company, the Group, TPGF and/or the TPH Group have been disclosed to us, that such information is true, complete, accurate and fair in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to or relied upon by us or the facts of or in relation to the Proposed IPT, the Company, the Group, TPGF and/or the TPH Group to be inaccurate, untrue, incomplete, unfair or misleading in any material respect.

We have not independently verified any of the aforesaid information whether written or verbal, and have assumed its accuracy, truth, completeness and adequacy, including without limitation any information on the assets and liabilities of the Company, the Group, TPGF and/or the TPH Group. Accordingly, we cannot and do not represent or warrant (expressly or impliedly), and do not accept any responsibility for the accuracy, truth, completeness or adequacy of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors and the Management to us or in the Annexure have been reasonably made after due and careful inquiry. We have exercised care in reviewing the information which we have relied on, and made such reasonable enquiries and exercised our judgment on the reasonableness of such information as we deemed necessary and have found no reason to doubt the accuracy or reliability of the information.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial conditions of the Company, the Group, TPGF and/or the TPH Group, or to express, and we do not express, any view on the future growth prospects, value and earnings potential of the Company, the Group, TPGF and/or the TPH Group. Such review or comment, if any, remains the responsibility of the Directors and the Management and/or the Group, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. We have not obtained from the Company, the Group, TPGF and/or the TPH Group any projection of the future performance including financial performance of the Company, the Group, TPGF and/or the TPH Group and further, we did not conduct discussions with the Directors, Management, the Group, TPGF and/or the TPH Group on, and did not have access to, any business plan and financial projections of the Company, the Group, TPGF and/or the TPH Group. We also do not express any opinion herein as to the prices

at which the shares of the Company may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after completion of the Proposed IPT.

Our advice and opinion herein are based upon market, economic, industry, monetary and other conditions prevailing on, and the information provided to us as of the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of, and this Letter does not take into account, any subsequent development after the Latest Practicable Date that may affect our opinion herein.

The Company has been separately advised by its advisers in the preparation of the Annexure (other than this Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Annexure (other than this Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Annexure (other than this Letter).

We have not regarded the general or specific investment objectives, financial situation, tax position, risk profile or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment portfolios and objectives, we would advise the Non-Interested Directors to recommend that any individual Shareholder who may require specific advice in relation to his or her investment portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

This Letter is required under Listing Rule 921(4)(a) as well as for the use and benefit of the Non-Interested Directors and the recommendations made by them to the Independent Shareholders are the responsibility of the Non-Interested Directors. Shareholders should also take note of any announcements relevant to the Proposed IPT which may be released by the Company after the Latest Practicable Date.

3. INFORMATION ON TPGF AND THE TPH GROUP

Information on TPGF and the TPH Group is set out in Sections 2.1.1 and 2.1.2 of the Annexure respectively. Shareholders are advised to read Sections 2.1.1 and 2.1.2 of the Annexure carefully.

3.1 TPGF

Based on the information set out in Section 2.1.1 of the Annexure, we understand that TPGF was a company incorporated on 14 September 2016 pursuant to a joint venture agreement dated 23 April 2015 between the Company and the other four (4) shareholders of TPGF as at the Latest Practicable Date to provide financial services within its business scope as approved by the CBIRC, Tianjin Office.

As at the Latest Practicable Date, TPGF has a registered capital of RMB500 million and provides the following financial services:-

- (a) absorbing deposits from the member entities of the TPH Group (吸收成员单位存款);
- (b) handling loans for the member entities of the TPH Group (办理成员单位贷款);
- (c) handling discounting of negotiable instruments for the member entities of the TPH Group

- (办理成员单位票据贴现);
- (d) handling fund settlement, receipt and payment for the member entities of the TPH Group (办理成员单位资金结算与收付);
- (e) providing entrusted loans, bond underwriting, non-financial letter of guarantee, financing consulting, credit authentication and related consulting and agency services² to member entities of the TPH Group (提供成员单位委托贷款、债券承销、非融资性保函、财务顾问、信用鉴证及咨询代理业务);
- (f) engaging in inter-bank borrowings (从事同业拆借);
- (g) handling acceptance of negotiable instruments for the member entities of the TPH Group (办理成员单位票据承兑); and
- (h) engaging in securities (other than shares/stocks) investment (除股票投资以外类有价证券投资).

As at the Latest Practicable Date, the shareholdings in TPGF are in the following proportions:

No.	Name of shareholders	Equity contribution (RMB)	Shareholding proportion
1.	TPH	250,000,000	50%
2.	The Company	75,000,000	15%
3.	Tianjin Yaoye Group Co., Ltd. (天津药业集团有限公司)	75,000,000	15%
4.	Tianjin Lisheng Pharmaceutical Co. Ltd. (天津力生制药股份有限公司)	75,000,000	15%
5.	Tianjin Jin Yi Investment Guarantee Co., Ltd. (天津金益投资担保有限责任公司)	25,000,000	5%
Total		500,000,000	100%

3.2 TPH Group

Information on the TPH Group is extracted from Section 2.1.2 of the Annexure and set out below in italics for ease of reference.

“2.1.2 Information on the TPH Group

The TPH Group comprises listed companies such as the Company and Tianjin Tianyao Pharmaceutical Co., Ltd. (天津天药药业股份有限公司), as well as non-listed companies, of which, 83 legal person entities and 62 branches within the TPH Group have made use of the financial services provided by TPGF under the business scope of TPGF.”

² For the avoidance of doubt, TPGF only provides financial services (including the financing consulting, credit authentication and related consulting and agency services) to member entities of the TPH Group (including the Company), not to other clients.

4. THE PROPOSED IPT

We note from Section 2.8.3 of the Annexure that TPGF shall provide the following Financial Services to the Company under the Agreement 2023: (i) settlement and intermediary business services; (ii) deposit business services; and (iii) credit business services. Details relating to the total amount of the Financial Services to be provided under the Agreement 2023 and the main terms of the Agreement 2023 are set out in Section 2.7 and Section 2.8 of the Annexure respectively. Shareholders are advised to read the information carefully.

Specifically, information relating to the pricing of the Financial Services is extracted from Section 2.8.4 of the Annexure and set out below in italics for your reference.

"2.8.4 Pricing Basis and Policies

- (a) *TPGF provides the deposit service for the Company. The deposit interest rate shall be determined with reference to the interest rates published by the PBOC for the same type of deposits¹⁵ with the same duration which is effective at the time when the Company makes the deposits and shall not be lower than the interest rates offered by other domestic financial institutions for the same type of deposits with the same duration which is effective at the time when the Company makes the deposits.*
- (b) *The pricing of credit business services, such as loans and bill discounting, provided by TPGF to the Company will be determined with reference to the LPR published by the Centre¹⁶ (as authorised by the PBOC) which is effective at the time when the Company obtains funds under the credit facilities granted to the Company by TPGF. The interest rates and fee rates charged by TPGF for the credit facilities granted to the Company shall not be higher than the interest rates and fee rates the Company can obtain from other domestic financial institutions for the same period which is effective at the time when the Company intends to obtain funds under the credit facilities granted to the Company by TPGF.*

¹⁵ As of the end of February 2023, the benchmark interest rates for RMB deposits for financial institutions as stipulated by the PBOC are as follows:

(1)	current deposits	:	0.35%
(2)	term deposits (3 months)	:	1.10%
	term deposits (6 months)	:	1.30%
	term deposits (1 year)	:	1.50%
	term deposits (2 years)	:	2.10%
	term deposits (3 years)	:	2.75%
(3)	installment time deposits (1 year)	:	1.10%
	installment time deposits (3 years)	:	1.30%
(4)	agreement deposits	:	1.15%
(5)	call deposits (1-day notice)	:	0.80%
	call deposits (7-day notice)	:	1.35%

¹⁶ The website of the Centre can be accessed from <http://www.chinamoney.com.cn/english/>.

- (c) *The pricing in relation to the funds settlement service, the opening of electronic banking acceptance drafts, agency service and other intermediary business services provided by TPGF to the Company will be determined with reference to market rates which is effective at the time when the funds settlement takes place¹⁷. The rates charged by TPGF for such settlement and intermediary business services provided to the Company shall not be higher than the rates the Company can obtain from other domestic financial institutions in the PRC.*
- (d) *The above fee rates and interest rates refer to the market rates quoted by other financial institutions in the PRC under prevailing market conditions, without taking into account special rates such as policy lending rates or government subsidised rates. The Audit Committee is entitled to reject the quotations provided by TPGF and choose to engage the other financial institutions to provide financial services to the Company in the best interest of the Company and its minority shareholders.”*

5. REVIEW PROCEDURES IN RELATION TO THE PROPOSED IPT

We have reviewed the review procedures in relation to the Proposed IPT as set out in Section 2.9 of the Annexure and reproduced in italics below for your reference. Shareholders are advised to read the information carefully.

“2.9 *Review procedures in relation to the Proposed IPT*

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

- (a) *settlement and intermediary business services and credit business services: The Group will obtain quotations from TPGF and at least two (2) other unrelated financial institutions in respect of substantially similar types of transactions for comparison whenever the Group intends to obtain funds under the credit facilities granted to the Company by TPGF. The head of the finance department of the Company, being Ms. Niu Shengfang as at the Latest Practicable Date (or such person appointed to such capacity from time to time), will review the quotations and approve the transaction provided that the quotation offered by TPGF is not less favourable than those offered by unrelated third parties and that overall the terms are in accordance with the usual industry practice and business policies of the Group, as well as the pricing basis and policies as set out in the Agreement 2023.*
- (b) *deposit business services: The Group will obtain interest rates from at least two (2) other unrelated financial institutions in respect of substantially similar types of deposits for comparison whenever the Group intends to make new deposits, and in the event that the interest rates are adjusted by the PBOC, the interest rates for comparison will be re-examined. The head of the finance department of the Company, being Ms. Niu Shengfang as at the Latest Practicable Date (or such person appointed to such capacity from time to time), will review the interest rates and approve the transaction provided that the interest rates offered by TPGF are*

¹⁷ There are many different types of intermediary business services, each of which is priced differently.

not less favourable than those offered by unrelated third parties and that overall the terms are in accordance with the usual industry practice and business policies of the Group, as well as the pricing basis and policies as set out in the Agreement 2023.

As disclosed in Section 2.1.1 of this Annexure, notwithstanding the appointment of Ms. Niu Shengfang as a director of TPGF, Mr. Xing Jianhua as the legal representative of TPGF and Chief Financial Officer of TPH, and each Interested Director being a key management personnel in TPH as at the Latest Practicable Date, the Company believes that this will not affect the independence of the Proposed IPT for the following reasons:

- (i) even though Ms. Niu Shengfang represents the Company on the board of directors of TPGF, the Company holds only fifteen per cent. (15%) voting rights in TPGF as at the Latest Practicable Date (as mentioned above) and hence, Ms. Niu Shengfang will not be able to influence the board of directors of TPGF. Further, the pricing basis and policies for the Financial Services to be provided by TPGF under the Agreement 2023 are set out clearly in the Agreement 2023 (as set out in Section 2.8.4 of this Annexure) which have been reviewed and approved by the Audit Committee, and the actual transactions arising therefrom (if any) will be approved by Ms. Niu Shengfang and carried out by the personnel from the Company's finance department in accordance with the said pricing basis and policies. Save for the foregoing arrangement which the Company believes it is a common practice in the finance industry in the PRC where shareholder(s) nominate director(s) to the board of directors of a finance company, the Company will ensure that the head of the finance department of the Company has no interest in, or relationship to, the TPH Group (whether directly or indirectly);*
- (ii) Mr. Xing Jianhua, as a member of the Supervisory Committee of the Company whose responsibilities include, inter alia, supervising the acts of the Directors and senior managerial personnel in performing their duties of the Company, is not involved in the day-to-day operations and management of the Company nor will he be involved in the decision-making procedures in relation to the Proposed IPT;*
- (iii) the Interested Directors shall, in accordance with the listing rules of the SSE, abstain from voting at the Board meeting in respect of the resolution approving the Proposed IPT and shall not act as proxies or otherwise for voting at the Board meeting in respect of the aforesaid resolution;*
- (iv) the Proposed IPT is a related party transaction under the PRC laws including the listing rules of the SSE and an Interested Person Transaction under the Listing Manual, which shall, in accordance with the regulations of the CSRC and the SSE, as well as the Listing Manual, be approved by Shareholders at a general meeting of the Company, where the interested Shareholders shall abstain from voting, and such transaction will only take effect upon it being approved by a majority of Independent Shareholders; and*
- (v) the Company compares the conditions/terms offered by other financial institutions and by TPGF before arriving at its decision as to engage which institution for its specific financial needs.*

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

- (i) All transactions in excess of S\$100,000 each and all the transactions (regardless of the amount) made pursuant to the Agreement 2023 will be summarised and presented to the Audit Committee for review, at least on a quarterly basis, to ensure that they are carried out at arm's length basis and on normal commercial terms and in accordance with the Group's procedures for Interested Person Transactions. For the avoidance of doubt, all trades under one (1) agreement are considered as one (1) transaction. Such review shall include the examination of the transaction and its supporting documents or such other data and all non-quantitative factors deemed necessary by the Audit Committee. The Audit Committee will, when it deems fit, have the right to require the appointment of independent sources, advisers or valuers to provide additional information pertaining to the transaction under review. In the event that a member of the Audit Committee is interested in any Interested Person Transaction, he/she shall abstain from participating in the review of that particular transaction.*
- (ii) The Company's internal audit department will arrange to conduct a special audit on the Company's use of funds on an annual basis, and will review the implementation of the Agreement 2023 and the supplementary agreements (if any) entered into between the Company and TPGF in connection therewith, and submit its findings to the Audit Committee.*
- (iii) The Company's external auditors will also review Interested Person Transactions as part of its regular audit.*
- (iv) Furthermore, the Company will disclose the aggregate value of the transactions arising from the Proposed IPT in the form set out in Listing Rule 907 in the Company's quarterly/full year financial statement and its annual report."*

6. EVALUATION OF THE PROPOSED IPT

6.1 Rationale for the Proposed IPT

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed IPT or the future prospects of the Group in view of the Proposed IPT. Nevertheless, we have reviewed the rationale for the Proposed IPT as set out in Section 2.6 of the Annexure and reproduced in italics below for your reference. Shareholders are advised to read the information carefully.

“2.6 Rationale for the Proposed IPT

As stated in Section 2.1.1 of this Annexure, TPGF is a non-bank financial institution approved by the CBIRC, Tianjin Office, and is established to provide financial services under its business scope to the member entities in the TPH Group (including the Company). TPGF will set up cash pooling in banks to provide channels for financing and lower the cost of financing for the member entities in the TPH Group (including the Company). This will optimise the use of surplus funds of the member entities in the TPH Group (including the Company).

As a financial institution, TPGF strictly follows the requirements of the CBIRC and prudently conducts its financial business. Accordingly, TPGF strictly implements the regulatory requirements and indicators of the CBIRC for the industry, strictly controls its capital adequacy ratio and level of liabilities, maintains good liquidity, and ensures that the funding needs of all member entities in the TPH Group are met. At the same time, in accordance with the requirements of Article 14 of the Administrative Measures on Finance Companies of Enterprise Groups (Order of China Banking and Insurance Regulatory Commission No. 6 of 2022) (《企业集团财务公司管理办法》〈中国银行保险监督管理委员会令 2022 年第 6 号) issued by the CBIRC on 13 October 2022 and taking effect from 13 November 2022, the sixth (6th) paragraph of Article 18 of the articles of association of TPGF clearly provides “Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), as the parent company of TPGF, promises to increase the corresponding capital according to the actual need to solve the payment difficulties in the emergency situation of TPGF's payment difficulties”. This is to ensure that TPGF can satisfy the funding needs of the member entities in the TPH Group.

Further, TPGF will ensure that the Company has access to funding as:

- (i) TPGF will keep abreast of the demand for short-term funds by the Company in a timely manner and will reserve sufficient funds through fund budget management;*
- (ii) TPGF will also analyse the capital characteristics of each member entity within the TPH Group, and based on such characteristics, will reserve sufficient funds to ensure the use of funds required by each entity within the TPH Group (including the Company) after earmarking a certain level of safety provisions;*
- (iii) TPGF will hold onto a certain amount of other liquid assets that can be encashed at any time, such as time deposits that can be released at any time and bank acceptance bills that can be rediscounted at any time, to ensure that the aforementioned assets can be encashed in a timely manner to satisfy any funding needs of the member entities within the TPH Group;*
- (iv) TPGF has deposited the statutory deposit reserves and excess deposit reserves in the PBOC, which may be used to solve its liquidity requirements at any time;*
- (v) TPGF is required to adhere to certain liquidity requirements of the PRC's regulatory authorities. For example, the CBIRC stipulates that the liquidity ratio shall not be less than twenty-five per cent. (25%) and the statutory deposit reserve ratio shall not be less than five per cent. (5%); and*
- (vi) TPGF may obtain short-term liquidity funds through inter-bank borrowing up to a limit of RMB500 million, and the term of borrowing is seven (7) days.*

If TPGF still faces a liquidity crisis after employing the abovementioned methods, TPH shall provide funds to meet the liquidity demand of TPGF. This is provided in the Administrative Measures on Finance Companies of Enterprise Groups (《企业集团财务公司管理办法》) and has also been enshrined in the articles of association of TPGF, as stated above.

In addition, by way of obtaining the loans from TPGF, the Group will receive long-term financing support as well as competitive financing costs. The pricing basis and policies for the Financial Services to be provided by TPGF under the Agreement 2023 are set out clearly in the Agreement 2023 (as set out in Section 2.8.4 of this Annexure) which have been reviewed and approved by the Audit Committee, and the actual transactions arising therefrom (if any) will be carried out by the personnel from the Company's finance department in accordance with the said pricing basis and policies. In this regard, since the signing of the Prior Agreement #3 in July 2020, the terms under which the Company had obtained loans from TPGF have not been higher than those offered by the other financial institutions in the PRC in the same period⁹.

Furthermore, the deposit services provided by TPGF will enhance the management of funds of the Company and improve the Company's efficiency in the use of available funds. The management of funds is enhanced as:

- (i) there is security of funds as TPGF provides safe and efficient online banking services to the member entities in the TPH Group, and these member entities can monitor the changes in the funds deposited in their accounts with TPGF at any time;
- (ii) funds payment can be made and settled efficiently as any payment made by the Company for its branches can be realised through the internal transfer function of TPGF's online banking system, which is efficient and convenient; and
- (iii) TPGF can provide credit support to the Company within a short period of time¹⁰, and this can reduce the Company's need to maintain a certain amount of reserves from time to time.

The settlement and intermediary business services¹¹ provided by TPGF will facilitate to attain better efficiency and convenience in settlement between the Company and the

⁹ As at the end of FY2022, the total loans obtained by the Group from TPGF were RMB38.22 million, comprising:

- (i) RMB27.99 million which was provided to the Company's wholly-owned subsidiary, Tianjin Zhongxin Xinxin Pharmaceutical (Cang Zhou) Co., Ltd. (天津中新药业集团新新(沧州)制药有限公司) ("Xinxin Pharmaceutical"). During the period of preparation for the establishment of Xinxin Pharmaceutical, other financial institutions were not able to provide loans to Xinxin Pharmaceutical due to its failure to meet the lending conditions and accordingly, only TPGF can provide the loans to Xinxin Pharmaceutical; and
- (ii) RMB10.23 million which was obtained by NewScen Coast Bio-Pharmaceutical Co., Ltd. (天津中新科炬生物制药股份有限公司) ("NewScen Coast") before the acquisition of 21.56% equity interest in NewScen Coast by the Company (the "Acquisition") in 2022 and was taken over by the Company following the Acquisition.

¹⁰ TPGF, as a non-bank financial institution, which was established to provide financial services to the member entities in the TPH Group, is more familiar with the businesses and operations of the member entities in the TPH Group than other financial institutions in the market; meanwhile, the review and approval processes of TPGF are faster and more convenient thus TPGF can provide funding support at a faster speed.

other member entities of the TPH Group, as well as speed up the Company's capital turnover.

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

6.2 Pricing Basis

We note from Sections 2.8.3 and 2.8.4 of the Annexure that TPGF shall provide the following services to the Company at the interest rates or fee rates determined in the following manner (without taking into account special rates such as policy lending rates or government subsidised rates):

- (a) *deposit business services* whereby the deposit interest rate offered by TPGF shall be determined with reference to the interest rates published by the PBOC for the same type of deposits with the same duration which are effective at the time when the Company makes the deposits and shall not be lower than the interest rates offered by other domestic financial institutions for the same type of deposits with the same duration which is effective at the time when the Company makes the deposits;
- (b) *credit business services*, such as loans and bill discounting, whereby the interest rates and fee rates charged by TPGF for the credit facilities granted to the Company shall be determined with reference to the loan prime rate published by the Centre (as authorised by the PBOC) which is effective at the time when the Company intends to obtain funds under the credit facilities granted to the Company by TPGF. The interest rates and fee rates charged by TPGF for the credit facilities granted to the Company shall not be higher than the interest rates and fee rates that the Company can obtain from other domestic financial institutions for the same period which is effective at the time when the Company intends to obtain funds under the credit facilities granted to the Company by TPGF; and
- (c) *settlement and intermediary business services* whereby the rates charged by TPGF will be determined with reference to market rates which are effective at the time when the funds settlement takes place and shall not be higher than the rates the Company can obtain from other domestic financial institutions in the PRC.

6.3 Review Procedures

We further note from Section 2.9 of the Annexure that the transactions pursuant to the Agreement 2023 shall be reviewed and approved by the head of the finance department of the Company (or such person appointed to such capacity from time to time), provided that the interest rates and/or quotations, as the case may be, offered by TPGF are not less favourable when compared with

¹¹ "**settlement and intermediary business services**" including, but not limited to, draft, collection and acceptance, consignment collection, exchange, provision of balance of payment and settlement service, and collection and payment of various types of payments. The transactions to be conducted between the Company and TPGF will be within the scope of the Agreement 2023, and the Company will be able to dispose the Company's bank deposits with TPGF freely at the will of the Company, without the control of TPGF. TPGF, as a non-bank financial institution, shall freely carry out its settlement business according to deposit and/or withdrawal needs. When a member entity of the TPH Group has a funding need, it is allowed to determine by such member entity itself, and TPGF will unconditionally satisfy such need.

those offered by at least two other unrelated financial institutions in respect of substantially similar types of transactions and that overall the terms are in accordance with the usual industry practice and business policies of the Group, as well as the pricing basis and policies as set out in the Agreement 2023.

In addition, the Proposed IPT will also be subject to the guidelines and review procedures that the Group has adopted for any Interested Person Transaction undertaken by the Group, where applicable, including but not limited to: (a) review by the Audit Committee on a quarterly basis; (b) special audit by the Company's internal audit department on the Company's use of funds on an annual basis; (c) review by the Company's external auditors as part of its regular audit; and (d) disclosure of the aggregate value of the transactions arising from the Proposed IPT in the format as required in Listing Rule 907 in the Company's quarterly/full year financial statement and its annual report.

Shareholders are advised to read Section 2.9 of the Annexure carefully.

6.4 Other Considerations

We note from Section 2.1.1 of the Annexure that the head of the finance department of the Company, Ms. Niu Shengfang, is also a director of TPGF nominated by the Company and that Mr. Xing Jianhua, a Supervisor of the Company, is also the legal representative of TPGF and Chief Financial Officer ("**CFO**") of TPH as at the Latest Practicable Date. The Interested Directors, Ms. Zhang Mingrui, Mr. Guo Min and Ms. Mao Weiwen, are key management personnel of TPH.

Notwithstanding the above, the Company believes that this will not affect the independence of the Proposed IPT for the reasons stated in Section 2.1.1 and Section 2.9 of the Annexure.

We have considered the Company's views and the following factors and believe that the above will not affect the determination of the terms under the Agreement 2023 to be on normal commercial terms and not prejudicial to the Company and its minority Shareholders:-

- (a) although Ms Niu Shengfang is a representative of the Company on the board of directors of TPGF, the Company holds only 15% voting rights in TPGF as at the Latest Practicable Date and hence, the Company will not be able to influence the board of directors of TPGF (through Ms Niu Shengfang as a director of TPGF). Further, the pricing basis and policies for the Financial Services to be provided by TPGF under the Agreement 2023 are set out clearly in the Agreement 2023 (as set out in Section 2.8.4 of the Annexure) which have been reviewed and approved by the Audit Committee, and the actual transactions arising therefrom (if any) will be approved by Ms. Niu Shengfang and carried out by the personnel from the Company's finance department in accordance with the said pricing basis and policies. Save for the foregoing arrangement which the Company believes is a common practice in the finance industry in the PRC where shareholder(s) nominate director(s) to the board of directors of a finance company, the Company will ensure that head of the finance department of the Company has no interest in, or relationship to, the TPH Group (whether directly or indirectly);
- (b) Mr. Xing Jianhua, a member of the Supervisory Committee of the Company and a legal representative of TPGF and CFO of TPGF as at the Latest Practicable Date, is not involved in the day-to-day operations and management of the Company; nor will he be involved in the decision-making procedures in relation to the Proposed IPT;

- (c) the Interested Directors shall abstain from voting at the Board meeting and shall not act as proxies or otherwise for voting at the Board meeting in respect of the resolution approving the Proposed IPT;
- (d) the Proposed IPT will be subject to approval by Independent Shareholders and will only take effect upon it being approved by a majority of Independent Shareholders;
- (e) the terms of the Agreement 2023 provide that the interest rates or fees (as the case may be) shall not higher than those that the Company can obtain from other domestic financial institutions in the PRC;
- (f) the transactions pursuant to the Agreement 2023 shall be reviewed and approved by the head of the finance department of the Company (or such person appointed to such capacity from time to time), provided that the interest rates and/or quotations, as the case may be, offered by TPGF are not less favourable when compared with those offered by at least two other unrelated financial institutions in respect of substantially similar types of transactions and that overall the terms are in accordance with the usual industry practice and business policies of the Group, as well as the pricing basis and policies as set out in the Agreement 2023; and
- (g) the Proposed IPT will be subject to the guidelines and review procedures that the Group has adopted for any Interested Person Transaction undertaken by the Group, including but not limited to, review by the Audit Committee on a quarterly basis, special audit by the Company's internal audit department on an annual basis, review by the Company's external auditors as part of its regular audit and the disclosure requirements under the Listing Manual.

7. RECOMMENDATION

In arriving at our opinion in respect of the Proposed IPT, we have reviewed, *inter alia*, the proposed Agreement 2023 and documents in relation to the Prior Agreements and made reasonable enquiries with the Management. We have taken into account the factors which we consider would have a significant bearing on our assessment as set out in the earlier sections, including (i) rationale for the Proposed IPT; (ii) pricing basis for the services to be provided under the Agreement 2023; (iii) reviewing procedures; and (iv) the factors stated in paragraph 6.4 of this Letter.

Having regard to the considerations set out in this Letter and the information available to us as at the Latest Practicable Date, we are of the opinion that, if the pricing basis as set out in paragraph 6.2(a) to 6.2(c) of this Letter and detailed in Section 2.8.4 of the Annexure and the review procedures as set out in paragraph 6.3 of this Letter and detailed in Section 2.9 of the Annexure are adhered to, the Proposed IPT is on normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders. **We therefore advise the Non-Interested Directors to recommend that Independent Shareholders vote in favour of the Proposed IPT to be proposed at the 2023 AGM to be convened.**

The Non-Interested Directors should note that our recommendation is based upon market, economic, industry, monetary and other conditions prevailing and information made available to us as at the Latest Practicable Date.

This Letter is prepared pursuant to Listing Rule 921(4)(a) as well as for the purposes of the Independent Shareholders' consideration of the Proposed IPT. The Non-Interested Directors' recommendations to the Independent Shareholders in respect of the Proposed IPT shall remain their responsibility. Whilst a copy of this Letter may be reproduced in the Annexure, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the 2023 AGM and for the purpose of the Proposed IPT, at any time in any manner without our prior written consent in each specific case.

Yours faithfully
For and on behalf of
RHB Bank Berhad

Goh Ken-Yi
Head
Corporate and Investment Banking

Alvin Soh
Head
Corporate Finance

