

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED
(Company Registration No.: 91120000103100784F)
(Incorporated in the People's Republic of China)

EXTENSION OF TIME FOR TIANJIN PHARMACEUTICAL HOLDINGS CO., LTD. (天津市医药集团有限公司) TO FULFILL ITS UNDERTAKING

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

The Board refers to the previous announcements of the Company dated 7 January 2015, 28 April 2015, 11 January 2016, 19 September 2017, 21 September 2017 and 13 November 2018, as well as the circular dated 25 September 2017 and the circular dated 13 December 2018 (the “**Prior Announcements and Circulars**”) in relation to, amongst others, the non-compete undertakings by the controlling shareholder of the Company, Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) (“**TPH**”).

Unless otherwise defined, all capitalised terms used and not defined herein shall bear the same meanings ascribed to them in the Prior Announcements and Circulars.

The Board wishes to announce that the Company has received a notice from TPH requesting for an extension of time to fulfil its undertaking (as set out below) by 31 December 2024 (the “**Proposed Extension**”). On 25 October 2021, the Company duly convened its 9th Board meeting and 5th supervisory committee (the “**Supervisory Committee**”) meeting for the financial year ending 31 December 2021 (“**FY2021**”), and the Board and the Supervisory Committee considered and approved the Proposed Extension. Pursuant to the *Guideline No. 4 for the Supervision of Listed Companies – Commitments and Fulfillment of Commitments of the Actual Controllers, Shareholders, Affiliates and Acquirers of Listed Companies as Well as the Listed Companies* (《上市公司监管指引第四号—上市公司实际控制人、股东、关联方、收购人以及上市公司承诺及履行》) (the “**Guideline No.4**”) issued by the China Securities Regulatory Commission (“**CSRC**”), the details of the Proposed Extension are announced and set out below.

1. PROPOSED EXTENSION

1.1 Details of the Previous Undertaking

As part of the approval process for the Proposed Placement, TPH had previously undertaken that, in relation to the Company's sales business segment, TPH undertakes to transfer (either via share or asset sales) (“**Transfer**”) its subsidiaries that are in this segment to the Company or independent third parties by 31 December 2021, so as to ensure that TPH will no longer be in control of such subsidiaries (the “**Previous Undertaking**”).

1.2 Rationale for the Proposed Extension

At present, the subsidiary of TPH which is in the Company's sales business segment is Tianjin Pharmaceutical Group Taiping Medicine Co., Ltd. (天津医药集团太平医药有限公司) (“**TPG**”).

Taiping"). As TPG Taiping has been incorporated for a long period of time, it has a large business volume, many branch offices and a complex composition of personnel and assets. Further, TPG Taiping is also subject to various historical issues (the "**Historical Issues**") in relation to, *inter alia*, the write-off of receivables and the allocated land and the adjustment of its business process, and more time is needed to address these Historical Issues.

In addition, given that TPH has just completed the reform of state-owned enterprises pursuant to the general planning of the Tianjin Municipal Committee of the Communist Party of China, Tianjin Municipal People's Government and the State-owned Assets Supervision and Administration Commission of Tianjin Municipal People's Government (the "**Mixed-ownership Reform**") in March 2021, and its actual controller has changed. TPG Taiping's business positioning and profitability are still difficult to meet the conditions for it being injected into the Company (i.e., the Transfer). In the meantime, the conditions for TPH to transfer its shareholding in TPG Taiping to independent third parties has also not been met. It is difficult for TPH to fulfil its obligations under the Previous Undertaking by 31 December 2021. Therefore, in order to protect the interests of minority shareholders, TPH has requested for an extension of time to fulfil its obligations under the Previous Undertaking by 31 December 2024.

1.3 Further details on the Proposed Extension

(a) Information on TPG Taiping

TPG Taiping was incorporated on 29 September 1994 and its current registered capital is RMB411,445,920. The legal representative of TPG Taiping is Mr. Tian Gang. The business scope of TPG Taiping includes the wholesale trading of Chinese medicine, Chinese herbal medicine, Chinese medicine Pieces, chemical raw materials and their preparations, antibiotics, biochemical drugs, biological products (including in vitro diagnostic drugs), narcotic drugs, the first class of psychotropic drugs, the second category of psychotropic drugs, protein assimilation agents, peptide hormones, and pharmaceutical products precursor chemicals, as well as the wholesale trading of health foods. TPG Taiping mainly engages in pharmaceutical professional promotion, marketing and agency.

(b) Progress of work

Since TPH gave the Previous Undertaking, it has been actively pushing forward the Transfer, gradually sorting out and adjusting the assets of TPG Taiping, vigorously resolving the longstanding Historical Issues, enhancing the internal management and control capabilities of TPG Taiping, and actively addressing the issues relating to the land properties of TPG Taiping, so as to procure that TPG Taiping meet the conditions for being injected into the Company (i.e., the Transfer).

Meanwhile, TPH has also engaged with the intended transferee(s) in respect of the potential transfer of TPG Taiping to independent third parties, and cooperated with the third party in carrying out relevant works such as due diligence.

(c) Reasons for the Proposed Extension

TPG Taiping has a high asset-liability ratio and low profitability, and there is a big gap between such indicators and those of the Company. If TPG Taiping is injected into the Company (i.e., the Transfer), it will be detrimental to the interests of the Shareholders of the Company. In addition, as mentioned above, TPH has just completed the Mixed-

ownership Reform in March 2021, and its actual controller has changed. The future development plan of TPH is still under deliberation.

In summary, due to TPG Taiping's high asset-liability ratio and low rate of return on equity, TPG Taiping is currently not qualified to be injected into the Company (i.e., the Transfer) or transferred to independent third parties.

(d) Subsequent plan

TPH will use its best efforts to expedite the Transfer and complete the Transfer by 31 December 2024, by taking the following steps:

- (i) to determine the positioning of TPG Taiping based on TPH's overall development plan, and to further optimise TPG Taiping's asset structure; and
- (ii) to approach potential, and to determine, suitable transferee(s) and to negotiate with such suitable transferee(s) on the Transfer as soon as possible.

1.4 Undertaking after the Proposed Extension

TPH has requested for an extension of time to 31 December 2024 to fulfil the above undertaking. Therefore, TPH will undertake that in relation to Company's sales business segment, TPH undertakes to transfer (either via share or asset sales) its subsidiaries that are in this segment to the Company or independent third parties by 31 December 2024.

2. BOARD APPROVAL

On 25 October 2021, the Company duly convened its 9th Board meeting for FY2021 and the Proposed Extension was considered and approved by 8 directors of the Company, out of the full board of 8 directors. Mr. Guo Min and Mr. Zhang Ping, being the interested directors, have abstained from voting on this resolution, and all 6 non-interested directors and all independent directors of the Company (the "**Independent Directors**") approved this resolution.

3. OPINIONS FROM THE INDEPENDENT DIRECTORS

The Independent Directors are of the view that the Proposed Extension is in compliance with the Guideline No. 4 issued by the CSRC, and the deliberation and decision-making procedures in relation to the Proposed Extension are in compliance with the provisions of relevant laws and regulations including the *Company Law of the People's Republic of China* (《中华人民共和国公司法》) (the "**Company Law**") and the *Listing Rules of Shanghai Stock Exchange* (《上海证券交易所股票上市规则》) (the "**SSE Listing Rules**"), as well as the Articles of Association of the Company. The Proposed Extension will not be prejudicial to the interests of the Company and the minority shareholders of the Company. The Independent Directors agree that the Proposed Extension shall be submitted to a general meeting of the Company for consideration and approval by the shareholders of the Company.

4. OPINIONS FROM THE SUPERVISORY COMMITTEE

The Supervisory Committee is of the view that the Proposed Extension is in compliance with the Guideline No. 4 issued by the CSRC, and the deliberation and decision-making procedures in relation to the Proposed Extension are in compliance with the provisions of relevant laws and regulations including the Company Law and the SSE Listing Rules, as well as the Articles of

Association of the Company. The Proposed Extension will not be prejudicial to the interests of the Company and the minority shareholders of the Company.

5. IMPACT ON THE COMPANY

The Proposed Extension will not have any adverse impact on the Company's operating results, and will not be prejudicial to the interests of the Company and the minority shareholders of the Company.

6. SHAREHOLDERS' APPROVAL

The Proposed Extension will be submitted for shareholders' consideration and approval at a general meeting of the Company to be convened in due course.

By order of the Board

Jiao Yan
Secretary to the Board of Directors
25 October 2021