



达仁堂

DRT SINCE 1522

TIANJIN PHARMACEUTICAL DA REN TANG
GROUP CORPORATION LIMITED

ANNUAL
REPORT
2022

SUSTAINING
GROWTH
OVERCOMING
CHALLENGES

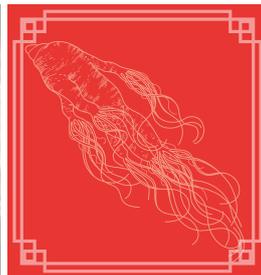
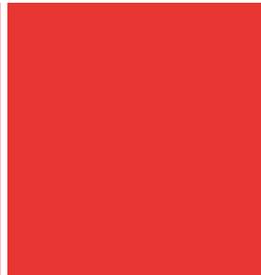
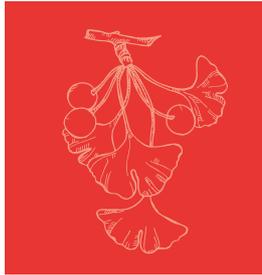
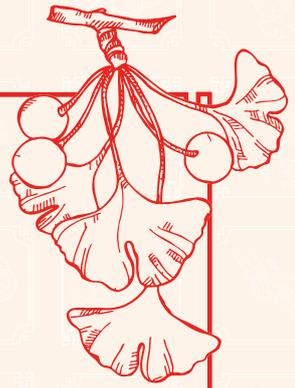


TABLE OF CONTENTS

- 02 CORPORATE INFORMATION
- 03 BRIEF INTRODUCTION OF THE COMPANY
- 05 EQUITY STRUCTURE OF THE COMPANY
- 06 STRUCTURE OF THE COMPANY
- 07 RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS
- 12 WORK REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS
- 25 FINANCIAL REVIEW
- 27 WORK REPORT OF THE BOARD OF SUPERVISORS
- 29 2023-2025 SHAREHOLDER RETURN PLAN OF TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED
- 32 FINANCIAL CONTENTS
- 33 CORPORATE GOVERNANCE STATEMENT
- 156 NOTICE OF ANNUAL GENERAL MEETING
- 162 PROXY FORM
- 167 INFORMATION ON SHAREHOLDING
- 169 PROPOSED RENEWAL OF MANDATE FOR INTERESTED PERSON TRANSACTIONS
- 190 THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY AND THE APPLICATION FOR CHANGES IN THE INDUSTRIAL AND COMMERCIAL REGISTRATION
- 214 SUSTAINABILITY REPORTING



CORPORATE INFORMATION

Name of the Company:	Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited
Registered address:	17 Baidi Road, Nankai District, Tianjin, PRC
Office address:	Da Ren Tang Mansion, 17# Baidi Road, Nankai District, Tianjin, PRC
Post code:	300193
Telephone:	86-22-27020892
Bank of Deposit:	Chengdudao Sub-office, Tianjin Xinhua Sub-branch, the Industrial and Commercial Bank of China
Registry of "S" Shares and Singapore Share Transfer Office:	Boardroom Corporate & Advisory Services Pte. Ltd.
Address of "S" Shares Registrar:	1 Harbourfront Avenue, Keppel Bay Tower #14-07 Singapore 098632
Registry of "A" Shares:	China Securities Depository & Clearing Co., Ltd Shanghai Branch.
Address of "A" Shares Registrar:	188 Yanggao South Road Pudong New District, Shang Hai, China, 200127

AUDITORS:

<i>PRC Auditors:</i>	ShineWing Certified Public Accountants LLP
<i>International Auditors:</i>	RSM Chio Lim LLP

BOARD OF DIRECTORS:

<i>Chairman:</i>	Ms. Zhang Mingrui
<i>Executive Directors:</i>	Mr. Guo Min, Ms. Wang Lei, Mr. Zhou Hong
<i>Non-Executive Directors:</i>	Ms. Mao Weiwen
<i>Independent and Non-executive Directors:</i>	Mr. Liew Yoke Pheng Joseph, Ms. Li Qing, Mr. Zhu Haifeng
<i>Secretary to the Board:</i>	Mr. Wong Gang (Singapore), Ms. Jiao Yan

SUPERVISORY COMMITTEE:

<i>Chairman:</i>	Mr. Wang Yuanxi
<i>Supervisors:</i>	Mr. Xing Jianhua, Ms. Guo Xiumei

SENIOR EXECUTIVES:

<i>General Manager:</i>	Ms. Wang Lei
<i>Deputy General Manager:</i>	Mr. Zhang Jian
<i>Deputy General Manager and Chief Engineer:</i>	Mr. Zhou Hong
<i>Deputy General Manager:</i>	Mr. Wang Xin
<i>Deputy General Manager (Chief Accountant):</i>	Ms. Niu Shengfang
<i>Chief Production Officer (CPO):</i>	Mr. Zhang Yu

AUDIT COMMITTEE:

<i>Chairman:</i>	Mr. Liew Yoke Pheng Joseph
<i>Members:</i>	Ms. Li Qing, Mr. Zhu Haifeng

STRATEGY COMMITTEE:

<i>Chairman:</i>	Ms. Zhang Mingrui
<i>Members:</i>	Mr. Guo Min, Ms. Wang Lei, Mr. Zhu Haifeng

NOMINATION COMMITTEE:

<i>Chairman:</i>	Ms. Li Qing
<i>Members:</i>	Mr. Zhu Haifeng, Mr. Guo Min

REMUNERATION COMMITTEE:

<i>Chairman:</i>	Mr. Zhu Haifeng
<i>Members:</i>	Mr. Liew Yoke Pheng Joseph, Ms. Mao Weiwen

BRIEF INTRODUCTION OF THE COMPANY

Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited) (“**Da Ren Tang Group**” or the “**Company**”) is the core pharmaceutical manufacturing arm of Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) (“**Tianjin Pharmaceutical Holdings**” or “**TPH**”). Boasting a long history, the Company is a national high- and new-tech enterprise featuring innovation in Chinese traditional medicine. It was listed on the Singapore Exchange Securities Trading Limited in 1997 and on the Shanghai Stock Exchange in 2001.

With green Chinese traditional medicine as its core business, Da Ren Tang Group is equipped with a complete industry chain, product chain and talent chain integrating production, management and scientific research. Its business covers a number of areas including research, development and manufacturing of Chinese herbal medicines, proprietary Chinese medicines, chemical raw materials and preparations and nutritional and health products as well as pharmaceutical commerce. The Company has twenty-six (26) branches, twenty-five (25) wholly-owned and controlled subsidiaries or entities, and nine (9) investees. Its two (2) major business segments, Chinese medicine industry and pharmaceutical commerce, are complementary to each other, laying a solid foundation for the steady development of the Company and allowing

Da Ren Tang Group to rank among quality listed companies in recent years. Da Ren Tang (达仁堂), Le Ren Tang (乐仁堂), Long Shun Rong (隆顺榕) and other time-honoured Chinese brands and trademarks under Da Ren Tang Group have all won the title of “Famous Chinese Trademark”, and the “Song Bai” (松柏) brand of the Sixth Chinese Medicine Plant, an iconic modern Chinese medicine enterprise, has also been awarded the title of “Famous Chinese Trademark”. The Company has thus become a leading enterprise in the protection of time-honoured Chinese brands.

Upholding the development philosophy of “inheriting the essence of Chinese medicine development and caring for healthy and quality life” and the corporate spirit of “inheritance and innovation”, Da Ren Tang Group is devoted to innovative research, development and manufacturing of general-purpose, good-quality, high-efficiency and quick-acting medicines with innovation in Chinese traditional medicine playing a commanding role in its business development ideas. It has obtained certificates of approval for 599 medicines belonging to 22 types of preparations. Two (2) of which are China’s treasure-class Chinese traditional medicines. Suxiao Jiuxin Wan (速效救心丸) which was invented by Professor Zhang Chengui, senior consultant of Da Ren Tang Group and honorary director of its technology centres as well as a famous expert in Chinese medicine preparations in China is a national



BRIEF INTRODUCTION OF THE COMPANY

classified variety. In addition, Jing Wan Hong (京万红) is a national confidential variety. The Company has five (5) product varieties being Chinese medicines protected by the State, 114 product varieties being exclusively produced by the Company, 75 product varieties being included in the National Essential Medicine Catalogue, 601 product varieties being processed Chinese medicine and 223 product varieties being covered by national medical insurance. Da Ren Tang Group has a nationwide marketing network and many of its quality products, enjoying a high reputation, are exported to over twelve (12) countries and regions around the world.

The Company has one national-level enterprise technology centre, five (5) municipality-level enterprise technology centres, one (1) municipality-level modern technological engineering centre on Chinese medicine and a key enterprise laboratory as well as postdoctoral workstations approved by the Ministry of Personnel. It has 402 patents, 256 of which are invention patents. It has six (6) famous Chinese trademarks, namely Da Ren Tang, Le Ren Tang, Long Shun Rong, Song Bai, Jing Wan Hong and Bi Qi (痹祺), as well as four (4) national-level and nine (9) Tianjin-level representative intangible cultural heritage projects. After years of practices and explorations, the Company has integrated and optimised the world's most advanced Chinese medicine equipment and technology to form an integrated modern Chinese medicine development platform unique to Da Ren Tang Group. It implements the GAP, GLP, GCP, GMP and GSP series of standards on a full scale and carries out quality control throughout the process to ensure the safety and efficacy of its products.



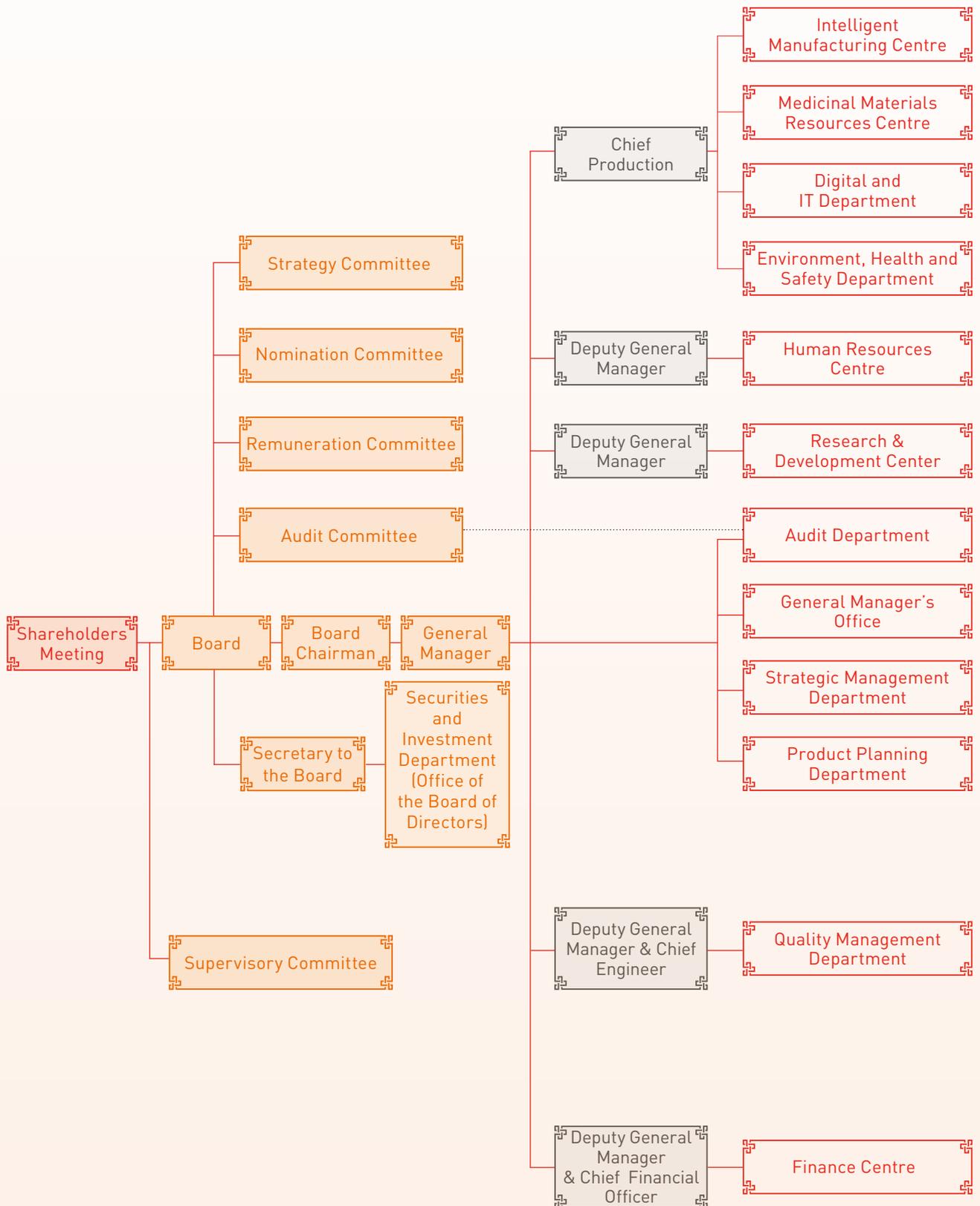
Da Ren Tang Group has always dedicated its career to healthcare, harmony, integrity and responsibility, resolutely marching towards the strategic positioning of being the “promoter of a sound China, guardian of national health and leader in scientific Chinese medicine”. In the market environment, the Company actively establishes and intensifies the awareness of social responsibility and the concept of sustainable development, vigorously optimising the supply chain and streamlining business operations, continuously improving efficiency and saving resources, balancing stakeholders’ expectation and long-term sustainable development planning, strictly complying with the laws and regulations of countries and regions where it operates, adhering to environmental protection, abiding by social morality and business ethics, and earnestly integrating social responsibility and sustainable development into the ordinary course of business. It will always be the Company’s conscious pursuit in its development process to uphold the good traditions of the Chinese people, observe the objective law of business development, and promote harmony between business development and social progress.



EQUITY STRUCTURE OF THE COMPANY



STRUCTURE OF THE COMPANY



RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS

DIRECTORS

The particulars of our Directors as at 31 December 2022 are as follows:

Name	Age	Address	Designation
Ms. Zhang Mingrui	47	1018 Jinkai Ave, Yubei District, Chongqing, PRC	Chairman of Board of Directors and Non-Executive and Non-Independent Director
Mr. Guo Min	51	28B, 1 Banshan Mui Road, Hong Kong	Executive Director
Ms. Wang Lei	51	6-201 Shuijun Apartment, Nankai District, Tianjin, PRC	Executive Director
Mr. Wang Mai	52	2-1-302 Huimingyuan Apartment, Heping District, Tianjin, PRC	Executive Director
Mr. Zhou Hong	52	3-4-101 Yibo li, Hongqiao District, Tianjin, PRC	Executive Director
Ms. Mao Weiwen	48	109-508, Bawei Road, Hedong District, Tianjin, PRC	Non-Executive and Non-Independent Director
Mr. Liew Yoke Pheng Joseph	66	6 Clementi Loop #02-18 Singapore 129814	Independent and Non-Executive Director
Ms. Li Qing	55	1019-1020 Luneng International Center Apartment, Nankai District, Tianjin, PRC	Independent and Non-Executive Director
Mr. Zhu Haifeng	38	26 Duchess Road #03-02 Singapore 269029	Independent and Non-Executive Director



RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS

Information on the business and working experience of our Directors is set out below: –

Ms. Zhang Mingrui, born in November 1975, holds a Bachelor's Degree in Finance from Guiyang University of Finance and Economics (formerly known as Guiyang College of Finance and Economics), a Master of Business Administration Degree from Chongqing University and an Executive Master of Business Administration Degree from Hongkong University of Science and Technology. From January 2006 to March 2011, she held the position of General Manager of Taiji Group Sales Company (太极集团销售总公司). From March 2011 to May 2021, she served as Executive Deputy General Manager of Taiji Group Co., Ltd. (太极集团有限公司). Ms. Zhang had been a director of Chongqing Taiji Industry (Group) Co., Ltd. (重庆太极实业(集团)股份有限公司) from May 2017 to July 2021. She had also served as Deputy General Manager of Chongqing Taiji Industry (Group) Co., Ltd. (重庆太极实业(集团)股份有限公司) for the period from May 2021 to July 2021. Since July 2021, Ms. Zhang has been working in TPH (being the controlling shareholder of the Company).

Mr. Guo Min, born in September 1971, holds a Master of Business Administration Degree from Cheung Kong Graduate School of Business and a Doctor of Business Administration Degree from Arizona State University. Mr. Guo Min has been a director of Shenzhen Angel Drinking Industry Group Co., Ltd. (深圳安吉尔饮水产业集团有限公司) since March 2005 and has served as Honorary Chairman of Shenzhen Ming Foundation (深圳市铭基金公益基金会) since September 2017. Since 21 October 2020, Mr. Guo Min has been a director of Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司). Since 26 March 2021, he has been the chairman of the board of directors, and legal representative, of TPH (being the controlling shareholder of the Company).

Ms. Wang Lei, a Chinese national born in August 1971, is a senior engineer and holds a master's degree and a doctorate degree in engineering. Ms. Wang joined the Company since July 1993 and has successively worked in Darentang Pharmaceutical Factory, the Planning Office of the Chinese Patent Medicine Department of the Company, the Industrial Department of the Company, and Lerentang Pharmaceutical Factory. Between May 2013 and June 2013, she was a member of the Supervisory Committee of the Company, and from June 2014 to March 2018, she successively served as Deputy General Manager and General Manager of the Company. Ms. Wang was appointed a Director of the Company for the period from May 2015 to May 2018. Since March 2018, she successively served as

Executive Deputy General Manager, General Manager and Deputy Chairman of Jingwanhong Pharmaceutical. From January 2022 to August 2022, Ms. Wang worked as Deputy General Manager of TPH Marketing Management Center, and since August 2022, she has been serving as General Manager of the Company.

Mr. Wang Mai, born in August 1970, is an economist and holds a postgraduate and doctorate degree. From September 2004 to August 2014, he was appointed as the vice manager and manager of Tianjin Tianfa Pharmaceutical Import & Export Co., Ltd. From October 2006 to June 2017, he was appointed as the vice manager and manager of USA Dasheng Trading Technology Co., Ltd. From November 2010 to December 2012, he was appointed as the vice manager and board secretary of Tianjin Tianyao Pharmaceutical Co., Ltd. From December 2012 to December 2013, he was appointed as the general manager assistant of Tianjin Pharmaceutical Company. From December 2012 to August 2014, he was appointed as the manager of Tianyao Medicine Sales Co., Ltd. of the Tianjin Jinyao Group. From December 2013 to June 2016, he was appointed as the vice manager of the enterprise management department of Tianjin Pharmaceutical Company. Since June 2017, he holds office as the chairman of the Union and the director of the organization department of the Company.

Mr. Zhou Hong, born in July 1970, a senior engineer (senior title) and holds a Ph.D. degree in engineering. For the period from July 1992 to December 2007, he successively held the positions as Sales Executive, Deputy Director of Factory Workshop, Director of Factory Workshop, Leader of the technical process and Head of the Technology Department of Tianjin Zhong Xin Pharmaceutical Factory #6. From December 2007 to January 2010, he held the position of Deputy Director of Tianjin Zhong Xin Pharmaceutical Factory #6. From January 2010 to July 2011, he was promoted to the Executive Deputy Director of Tianjin Zhong Xin Pharmaceutical Factory #6. From July 2011 to October 2017, he was Director and Deputy Secretary to the Party Committee of Tianjin Zhong Xin Pharmaceutical Factory #6. From December 2012 to March 2019, he served as Employee Director of the Company. From February 2017 to August 2017, he was an assistant to the General Manager of the Company. From October 2017 to present, he is working as Deputy General Manager and Chief Engineer of the Company. Mr. Zhou has been a Director of the Company since 15 May 2019.

Ms. Mao Weiwēn, a Chinese national born in May 1974, is a senior economist and a certified human resource professional (level 1). Ms. Mao obtained a postgraduate degree in organisation and human resource management from the University of Hong Kong and a MBA degree from Lingnan University. From May 1996 to April 2001, she served as the Secretary to the Youth League Committee of Shanghai Municipal Pharmaceutical Company Limited (上海市医药有限公司). Between April 2001 and March 2009, Ms. Mao successively served as Manager of the Customer Service Department of the Sales Headquarters as well as Manager and Secretary to the Communist Party of China Branch of the Shanghai-West Branch of Shanghai Pharmaceutical Co., Ltd. (上海市医药股份有限公司), Assistant General Manager and Office Director of Shanghai Pharma Co., Ltd. (上药控股有限公司), and General Manager of Shanghai Pharmaceutical Logistics Center Co., Ltd. (上海医药物流中心有限公司). From March 2009 to February 2014, she served as the General Manager of the Human Resources Department of Shanghai Pharmaceutical Holdings Co., Ltd. (上海医药集团股份有限公司) and from March 2014 to May 2021, she was appointed as a Director and Executive Vice President of Shanghai Shengyuan Group (上海盛源集团). During the period from May 2021 to December 2021, Ms. Mao worked as the Human Resources Director of TPH (the Controlling Shareholder of the Company as at the Latest Practicable Date) and since December 2021, she has been working as the Chief Human Resources Officer of TPH (being the controlling shareholder of the Company).

Mr. Liew Yoke Pheng Joseph, born in May 1956, is a Singaporean. He graduated from Nanyang University, Singapore with a Bachelor of Commerce (Accountancy). Mr. Liew obtained his Singapore Certified Public Accountant (CPA) qualification in 1983 and became a Certified Information Systems Auditor (CISA) in 1992. He also obtained his Certified Fraud Examiner (CFE) qualification in 1998. Mr. Liew has been a fellow of the Association of Chartered Certified Accountants (ACCA) since 2006 and a fellow of the Institute of Singapore Chartered Accountants (ISCA) since 2013. He is also a member of the Singapore Institute of Directors. He is fluent in Mandarin, Cantonese and English.

Mr. Liew has extensive experience in corporate strategy management, and in particular, is a professional in the fields of information technology, corporate governance, finance and accounting. He has held senior management positions in many large multinational companies in the PRC and Singapore. Currently, Mr. Liew is the Executive Director and Chief Executive Officer of Hoe Leong Corporation LTD. (listed on SGX Mainboard), the Lead Independent Director and Chairman of the Audit Committee of Grand Venture Technology Limited (listed on SGX Catalist) and a director of Lew Foundation and Char Yong Foundation.

Ms. Li Qing, born in March 1967, is a member of the Communist Party of China. She is a first-rate lawyer and holds a Master of Law degree. Since 2017, she has served as part-time legal consultant of Tianjin Municipal People's Government. Since 2016, she has been an expert member of the Rule of Law Think Tank of Tianjin Municipal People's Government, Chairman of the Supervisory Committee of Tianjin Lawyers Association, a National Excellent Lawyer, and a Leading Foreign-related Talent of the National Lawyers Association. Since July 1988, she has been a lawyer and founding partner of Tianjin TEDA Law Firm (天津泰达律师事务所律师). She held appointments as an Independent Director of Yunda Technology Co., Ltd. (云大科技股份有限公司) from September 2004 to September 2007, as an Independent Director of Tianjin Motianmo Technology Co., Ltd. (天津膜天膜科技股份有限公司) since January 2018 and as an Independent Director of Tianjin Real Estate Development (Group) Co., Ltd. (天津市房地产发展(集团)股份有限公司) since May 2020, respectively.

Mr. Zhu Haifeng, a Singaporean born in 1984, is a Chartered Financial Analyst (CFA) and holds a master's degree in management science and engineering from Stanford University as well as a bachelor's degree in electrical engineering from Cornell University. Mr. Zhu has diverse experience in management consulting and the financial and technology industries. He is currently the Director of Long-term Planning in Shopee Singapore, and his prior roles include Operating Partner at Yincubator (a tech venture capital/incubator), Principal at Boston Consulting Group and Vice President of JPMorgan.

RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS

SUPERVISOR

The particulars of members of our Supervisory Committee as at 31 December 2022 are as follows:-

Name	Age	Address	Designation
Mr. Wang Yuanxi	44	2-1-603 Wanrun Apartment, Dongli District, Tianjin, PRC	Chairman of the Supervisory Committee
Mr. Xing Jianhua	52	1-10-2-901 Huaxiang Hongye Xingyuan Apartment, Fengtai District, Beijing, PRC	Supervisor
Ms. Guo Xiumei	40	16-1-1502 Wantong Xinxinyuan Apartment Binhai District, Tianjin, PRC	Supervisor

The business and working experience of our supervisors are as follows:-

Mr. Wang Yuanxi, born in January 1978, is an economist. Mr. Wang obtained his bachelor degree of chemical engineering from Tianjin University of Science and Technology and his MBA from Tianjin University. From July 2002 to September 2008, he successively served as a staff of Tianjin Tianyao Pharmaceutical Co., Ltd., Tianjin Jinyao Group Co., Ltd. and Tianjin Pharmaceutical Group Co., Ltd. From September 2008 to December 2013, he successively held the positions as Deputy Director of the Board of Director Office and the President Office of Tianjin Jinyao Group Co., Ltd., and Deputy Director of the Board of Director Office and the Manager Office of Tianjin Pharmaceutical Group Co., Ltd. Mr. Wang was appointed as Deputy Director, and then was promoted as Director, of the General Manager Office of Tianjin Pharmaceutical Holdings Co., Ltd. for the period from December 2013 to August 2019. He was appointed as a Director of Tianjin Pharmaceutical Group International Holdings Co., Ltd. since October 2017, Party Branch Secretary and Executive Director of Tianjin Pharmaceutical Group Sales Co., Ltd. since May 2018 and Director of the Party Committee Office and Director of the Board of Director Office of TPH (being the controlling shareholder of the Company) since August 2019.

Mr. Xing Jianhua, born in August 1971, holds a Bachelor's Degree in Engineering and a Master of Accounting Degree. From March 2014 to February 2018, he held concurrent positions as Deputy General Manager and Chief Accountant of CGNPC Uranium Resources Co., Ltd. (中广核铀业发展有限公司). From February 2018 to May 2021, he served as Person-in-charge of Finance of China Xiongan Group Co., Ltd. (中国雄安集团有限公司). Since May 2021, Mr. Xing has been appointed as Chief Financial Officer of TPH (being the controlling shareholder of the Company).

Ms. Guo Xiumei, born in January 1982, is an Assistant Engineer and holds a bachelor degree. From September 2006 to July 2016, Ms. Guo was the employee in the Liquid and Packaging Workshop of Long Shun Rong Pharmaceutical Factory of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "Company"). From July 2016 to April 2018, she was the Integrated Workshop Supervisor and held a concurrent post of Vice Chairman of the Labour Union of Long Shun Rong Pharmaceutical Factory of the Company. From December 2018 to present, she holds a concurrent post of Vice Chairman of the Labour Union of the Company.



MANAGEMENT

The particulars of our key management personnel as at 31 December 2022 are as follows:-

Name	Age	Address	Designation
Ms. Wang Lei	51	6-201 Shuijun Apartment, Nankai District, Tianjin, PRC	General Manager
Mr. Zhang Jian	59	5-A-403 Changshou Apartment House Rongye Ave, Heping District, Tianjin PRC	Deputy General Manager
Mr. Zhou Hong	52	3-4-101 Yibo li, Hongqiao District, Tianjin, PRC	Deputy General Manager and Chief Engineer
Mr. Wang Xin	52	1-5-1502 Qianhuayuan Apartment, Hebei District, Tianjin, PRC	Deputy General Manager
Ms. Niu Shengfang	48	Tianfang Meiyu Apartment, Weijinnan Road, Xiqing District, Tianjin PRC	Deputy General Manager
Mr. Zhang Yu	49	2-1-2506 Longting Jiayuan Apartment, Chengxiangdong Road, Nankai District, Tianjin PRC	Chief Production Officer

The business and working experience of our key management personnel are as follows:-

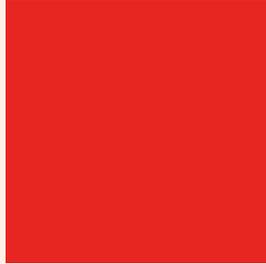
Mr. Zhang Jian, born in March 1963, is an associate chief physician and holds a bachelor degree. From October 1983 to September 2000, he successively served as staff member of Tianjin Medicinal Materials Group ("TMMG"), Director of Sales Department and Deputy General Manager of Patent Medicine Branch of TMMG and Manager of the Patent Medicine Department of TMMG. From September 2000 to October 2001, he served as Manager of Patent Medicine Department and Deputy Manager of Chinese Patent Medicine Department of the Company. From October 2001 to August 2007, he served as Secretary to the Party Committee and Executive Deputy General Manager of the sales company of the Company. From August 2007 to February 2010, he successively held the positions of Secretary to the Party Committee and General Manager of the sales company of the Company. From March 2008 to June 2009, he was General Manager of the pharmaceutical marketing company of the Company. Mr. Zhang has served as Deputy General Manager of the Company since April 2008.

Mr. Wang Xin, born in October 1970, graduated from Tianjin Traditional Chinese Medicine College (currently known as Tianjin University of Traditional Chinese Medicine), majoring in Traditional Chinese Medicine and holds a bachelor degree and is also a senior engineer (senior title). From July 1993 to November 2011, he successively held the positions as Minister of Technology Department, Minister of Production Department, Director of Technical Quality Centre, Chief Engineer, Executive Deputy Director, Director and Deputy Secretary of Communist Party of China (the "CPC") of Tianjin Long Shun Rong Pharmaceutical Factory. From November 2011 to present, he is the General Manager and Deputy Secretary of Party Branch of CPC of Medicine Co. of the Company. From September 2015 to September 2018, he held the position as the General Manager of Tianjin Darentang (Bozhou) Chinese Medicine Co., Ltd. From

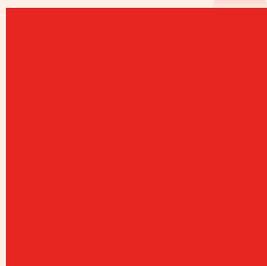
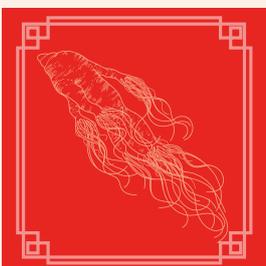
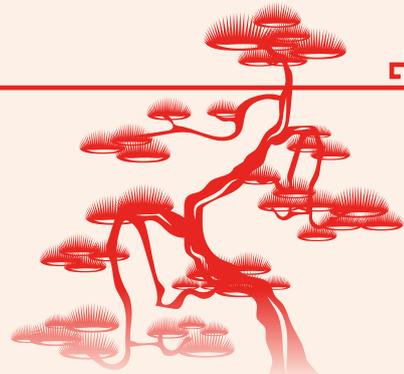
March 2017 to present, he holds the position of Minister of Medicine Department of the Company. From August 2017 to July 2019, he is Assistant General Manager of the Company, and holds concurrent position as Minister of the Department of Administrative Affairs of the Company. He has been served as Deputy General Manager of the Company since July 2019.

Ms. Niu Shengfang, born in July 1974, graduated from Tianjin University of Finance and Economics and holds a bachelor degree and a master degree in accounting. She is also a senior accountant. From August 1995 to September 2000, she was the head of the Finance Department of Tianjin Kangcheng Steel Structure Engineering Co., Ltd. From September 2000 to December 2009, she successively held the positions of Principal Staff Member and Deputy Section Chief of the Planning and Finance Department, Director of the Finance Department and Deputy Chief Accountant of Tianjin Central Pharmaceutical Co., Ltd. From December 2009 to October 2010, Ms. Niu served as Deputy Director of the Finance Department and Delegate Chief Financial Officer of the Company. Between July 2010 and January 2019, she successively served as Deputy Director and Director of the Audit Department of the Company. From January 2019 to present, she is working as Deputy Chief Accountant of the Company.

Mr. Zhang Yu, born in September 1973, holds a Master of Engineering Degree and is a senior engineer. From July 1995 to May 2019, Mr. Zhang worked for the Company's Le Ren Tang Pharmaceutical Factory, where he successively served as Regional Manager of the Sales Branch, Head of the Science and Technology Quality Department, Production Director, Assistant to the Factory Director and Chief Engineer. From May 2019 to March 2022, Mr. Zhang served as Deputy Director of the Operation Management Department and Deputy Director of the Production Operation Department of TPH (being the controlling shareholder of the Company).



WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS



WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS,

In 2022, as the report of 20th CPC National Congress has drawn an industry blueprint for "promoting the preservation and innovative development of TCM", Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited was devoted to the innovation of Chinese medicine, further enhancing its unparalleled reputation. At the critical time for corporate reform and development, all of us made best efforts to pursue changes to respond to our strategic arrangements in eight aspects, and they are "marketing focus, organization optimization, platform integration, talent motivation, effective innovation, cost control and loss minimization, digital empowerment, and cultural synergy". We joined hands with our partners to achieve common development based on mutual trust. Based on advice and encouragement from our shareholders, we attached great importance to market demands, and took solid steps to advance changes and integrations. With the business flywheel effect and the improving business matrix, we are on our way to open a new chapter for future development.

I. Economic Performance in 2022

(I) Development in accordance with strategic plan

During the reporting period, with TPH's mixed ownership reform as an opportunity, the Company further optimized its "14th Five-Year Plan" based on higher standards, streamlined industrial chains, developed market transformation plan, and carefully formulated and implemented various business plans in 2022.



1. Further improvement of business matrix to implement the "1+5" strategic plan

"1" represents strengthening the leading role of brand and building Da Ren Tang brand, identifying the segment for sub-brands, maintaining the integrity and innovation of the time-honored brands, and leading the development of the Company by utilizing the Company's brand resources. On May 18, 2022, the Company changed its Chinese name from "天津中新药业集团股份有限公司" to "津药达仁堂集团股份有限公司" (the "New Chinese Name"), and its English name from "Tianjin Zhong Xin Pharmaceutical Group Corporation Limited" to "Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited" (the "New English Name"). On May 26, its ticker in China's A-share market was changed to Da Ren Tang. Trademark registration, change of subsidiaries names and brand release were carried out successively. With a focus on Da Ren Tang brand, the Company further enhanced its brand competitiveness in an all-around way and positioned itself as "traditional Chinese medicine with inheritance and innovation". The chairman attended Xi Pu Hui (hosted by the China Health Ecology Organization) with new brand log and serial packaging design to expand the Company's industry influence.

"5" refers to the five industry development goals. The first goal is to promote the development of green TCM. The second goal is to strengthen premium medicinal slices business to consolidate TCM slices resources and build a GAP base. The third goal is to establish the premium chain store system of Da Ren Tang Drug Store System. The fourth goal is to build a chain brand with TCM

WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

characteristics by integrating medical care and health preservation boasting genuine medicinal materials and exquisite medical skills. The fifth goal is to focus on the layout of the health products and functional products which involve the use of food as medicine, consolidate the Company's brands and resources in an effort to meet the people's needs for health services.

"+" refers to Da Ren Tang is the master brand to lead the Company's development, empowering five industries related to traditional Chinese medicine.

With coordinated development between brand and business, and reasonable planning for current period and the medium term, the "1+5" strategic plan will navigate Da Ren Tang through its industry development in the medium and long term.

2. Giving priorities to core products to implement the strategic planning of "three cores and nine wings"

The Company's Chinese patent medicine segment centers on the business lines of "three cores and nine wings". The "first core" represents the drugs for cardio-cerebrovascular diseases. While taking Suxiao Jiuxin Wan (速效救心丸) as the bellwether, the Company made every effort to build a product matrix (including Shu Nao Xin Di Wan (舒脑欣滴丸), Tongmai Yangxin Wan (通脉养心丸) and Shenfu Qiangxin Wan (参附强心丸)) to achieve synergies and provided solutions for various cardiovascular diseases. The "second core" represents the skin wound repair products. With Jing Wan Hong Ruan Gao (京万红软膏) as the key product, the Company strengthened the wound repair brand, and explored the expansion of its presence in the functional skin-care market. The "third Core" represents the premium TCM under the century-old brand "Da Ren Tang". The "nine wings" refers to the development of specialty product lines (the respiratory disease drugs represented by Qingyan Di Wan (清咽滴丸), the digestive disease drugs represented by Wei Chang An Wan (胃肠安丸), the rheumatic disease drugs represented by Bi Qi Capsule (痹祺胶囊), the urinary disease drugs represented by Long Qing Pian (癃清片), the gynecology and pediatrics disease drugs represented by Wuji Baifeng Pian (乌鸡白凤片), and the tumor drugs represented by Zi Long Jin Pian (紫龙金片).

Given the leading role in the product lifecycle planning, the Company made great efforts to pursue the growth of "three cores and nine wings" in the short-medium term to realize well-designed resource integration.



Based on the strategy, the Company took a holistic approach towards the value chain, from organization optimization to human resources improvement, from industrial planning to product planning, from production factors supply to lean production, from scientific research project establishment to market expansion, to optimize all work processes step by step.

(III) Carrying out organizational reshaping to start a new journey

Under the corporate governance framework, the Company continuously optimized its organizational structure. With platform integration, professional talent team building, flat operation, centralized management and global sharing, the Company optimized the operation-oriented organizational system. The functions of industrial and commercial sectors and business lines such as supply, production, sales and research witnessed were more clearly defined, leading to stronger business synergy.

1. Integrating marketing platforms

In accordance with the principles of stability first, synergy among varieties, innovation & breakthrough and professional development, the Company took a market-oriented approach, integrated marketing efforts, and built a quick response marketing system. The Company integrated sales companies, marketing companies, Da Ren Tang sales forces and Jing Wan Hong (京万红) sales forces to realize separation of production from sales. At present, the sales company (Jinxin platform) is responsible for cardiovascular, respiratory and digestive

product lines of on medical and retail channels. The marketing platform (Jinle platform) is in charge of medical specialties product lines such as rheumatic bone pain, urology, tumor, chronic obstructive pulmonary disease, gynecology & pediatrics; Da Ren Tang sales company (Jinda platform) is responsible for managing product lines such as premium TCM and medicinal liquor series; Jing Wan Hong sales force (Jinmei platform) is responsible for product lines such as wound repair and endocrine on medical and retail channels. Besides, the Company established the Business Marketing Department to manage the operation of generic drug products in 2022. It integrated the international department for overseas markets, and set up an e-commerce department targeting the fourth terminal. Up till now, all sales platforms have completed product line adjustments and organizational structure construction, entering a phase of fast development. At the beginning of 2023, the Company established Healthcare Technology Industry Development Branch of "Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited" to manage all sales platforms.

2. Construction of industrial center

In 2022, the Company integrated existing industrial resources and set up a medicinal material resource center to coordinate upstream medicinal materials and slices business; It established an intelligent manufacturing center to promote lean management of industrial manufacturing. According to the principle of "integrating resources, focusing on making breakthroughs, and openness and cooperation", Tianjin Pharmaceutical Da Ren Tang Research Institute is responsible for the management of research and development resources. The Company implemented the asset restructuring plan of drug distribution, and established Tianjin Zhongxin Medicine Co., Ltd. as a subsidiary in order to consolidate the commercial sector. The Company continuously introduced, revised and improved supporting systems in all aspects to promote process optimization.

3. Organizational restructuring

The Company continued to advance the staffing, fixation of posts and the definition of responsibilities, improved management system, optimized business process, and streamlined the functions of departments and offices. The operation and management departments of the Company headquarters were reduced from 14 to 12. Current institutional setup is as follows: Securities and Investment Department (Directors



Board Office), General Manager's Office, Strategic Management Department, Medicinal Materials Center, Intelligent Manufacturing Center, Finance Center, Human Resources Center, Quality Management Department, EHS Department, Product Planning Department, Digital and IT Department and Audit Department. The aim is to build headquarters into a "empowerment center" and a "service center" to fully meet the needs of strategic development.

Moreover, the Company continued to improve the human resource management system, and optimized the remuneration and incentive mechanism and performance appraisal mechanism so as to reflect its culture in which the Company values high performance and puts strivers first. The Company carried out job competition, introduced management and business talents at all levels including senior executives, and provided guidance to subordinate enterprises on organizational restructuring. We made great efforts to develop "talents with five qualities" (i.e., learning ability, market awareness, professionalism, dedication, and compatibility). The Company constantly fought against selfish departmentalism, bureaucracy and formalism, created a culture of "down-to-earth and ownership", and built a positive environment of "clearly-defined indicators for everyone".

(III) Enhancing the drivers for industry development

As Chinese patent medicine is the core business of the Company. The Company integrated resources, and improved R&D, supply, production and marketing across the industry chain to promote the transformation of the Group from executive management to business management and control, continuously enhance industry growth drivers and competitive edges.

WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS



1. Scientific research and innovation gained momentum

Scientific research is the driver for the Company's business growth. In 2022, the Company took a patient-oriented approach to focus on clinical value, continued to polish existing products, and made plans for the upgrading of quality standards for major products. It continuously improved drug safety, improved treatment experience, enhanced convenience, and improved the vitality of the life cycle of the drugs. The Company invested RMB151 million for research and development in 2022. The three product varieties of Qingfei Xiaoyan Wan (清肺消炎丸), Long Qing Pian (癃清片) and Shenfu Qiangxin Wan (参附强心丸) exclusively produced by the Company were included into the "Clinical Application Guidelines for the Treatment of TCM Predominant Diseases"; Suxiao Jiuxin Wan (速效救心丸) was included into the "Guidelines for Diagnosis and Treatment of Diabetic Cardiomyopathy" for TCM prevention and management of diabetes under precision medicine model. Suxiao Jiuxin Wan (速效救心丸) was also included into "Consensus of TCM and Western Experts on the Emergency Diagnosis and Treatment of Patients with Low Responsiveness or Resistance to Nitrate Medications". As the only recommended drug, Suxiao Jiuxin Wan (速效救心丸) is recommended for the treatment of patients with nitrate drug resistance. Wei Chang An Wan (胃肠安丸) was included into two Pediatric expert consensus, the "Expert Consensus on the Diagnosis and Treatment of Functional Dyspepsia in Children with Integrated Chinese and Western Medicine" and the "Expert Consensus on Prevention and Treatment of Diarrhea in children with Integrated Chinese and Western medicine"; Long Qing Pian (癃清片) was included

into the "Guidelines for Clinical Application of Chinese Patent Medicine in the Treatment of Chronic Prostatitis (2021)". The interim results of the project of "Prospective Real-world Study of Zi Long Jin Pian (紫龙金片) in the Treatment of Non-small Cell Lung Cancer" were officially released. According to the research results, Zi Long Jin Pian (紫龙金片) can improve the average survival of lung cancer patients by 10.9 months. BuFei Granules (补肺颗粒) is in Phase II clinical trial with statistical analysis of experimental data underway. The Company conducted nine scientific research projects in terms of clinical application, pharmacology, pharmacokinetics and quality enhancement. We also carried out a study on the replacement of antelope's horn with Qingfei Xiaoyan Wan (清肺消炎丸).

The Company continued to strengthen its exchanges and cooperation with scientific research institutes, participated in the construction of chest pain center at prefecture-level city, promoted the establishment of national medical center with the First Affiliated Hospital of Tianjin University of Traditional Chinese Medicine, and reached a strategic cooperation with Haihe TCM Laboratory; The Company organized the kick-off meeting of "Evidence-based medicine research program of Biq Qi Capsule (痹祺胶囊) in the treatment of lumbar disc herniation" hosted by the Expert Committee on Bone Injuries of Chinese Association of the Integration of Traditional and Western Medicine, and continued to follow up the "Study on Clinical Efficacy Observation and Safety Re-evaluation of Biq Qi Capsule (痹祺胶囊) after Marketing". "Study on the Clinical Efficacy of Jing Wan Hong Ruan Gao (京万红软膏) in the Treatment of Diabetic Foot Ulcer and Improvement of Wound Microenvironment" was included as an important





sub-project into the "Study on Key Prevention and Treatment Technologies and Scheme Optimization on Metabolic Diseases with Integrated Traditional Chinese and Western Medicine".

In 2022, the Company achieved the phrased target of the 33 projects including "Study on the Material Basis of the Inhibition Effect of Qingyan Di Wan (清咽滴丸) on Key Proteolytic Enzymes of Coronavirus". The Company published 13 papers on SCI and Chinese core journals, promoted 45 patent applications, and obtained 40 patents licensing. Gliclazide Modified Release Tablets (格列齐特缓释片) were approved with consistency evaluation on generic drug quality and efficacy. In the segment of big health, two health foods, healthcare food, "Da Ren Tang Ziziphus Spinosae Seed and Ganoderma Capsule (达仁堂牌酸枣仁灵芝胶囊)" and "Da Ren Tang Dendrobium Officinale and Rhodiola Tablet (达仁堂牌铁皮石斛红景天片)" were approved. The Company's project of "Theoretical Establishment of TCM Quality Mark and Key Technology Innovation and Application" won the first prize of Tianjin Science and Technology Progress Award.

2. Increasing efficiency in marketing and sales

In 2022, the Company rolled out various marketing initiatives with a focus on the following aspects: resource integration, brand enhancement, strengthening the leading role of academic activities, giving priorities to major products, empowering sales terminals, and reshaping the product value chain. The Company took a holistic approach to implement the strategies in respect of the "three cores and nine wings" at the Company level.

The Company boasts a nationwide marketing network coverage, with sales channels such as medical market, retail place, the third terminal and online channels. As the old Chinese saying goes, in a boat race, those who row the hardest will win. In 2022, all platforms have achieved the set goals of change and adjustment, and steadily pursued business indicators.

The sales Company made every effort to build a systematic and standardized management system of "standardized channels, fair prices and terminal sales" to continuously empower channels and terminals and inject confidence into the full product value chain. The Company fully promoted separate management of medical market and retail place, enabling retail growth driven by medical market development and double-driver business expansion. On the medical side, with the "China Heart • Healthy Living" as the goal, the Company partnered with thousands of hospitals in 2022, hosted hundreds of academic conferences to set examples for hospitals and departments. The Company invited other parties from all terminals to jointly promote Suxiao Jiuxin Wan (速效救心丸) and brought changes to the business distribution outlets. At the retail end, the Company continued to optimize the quality of chain cooperation of Suxiao Jiuxin Wan (速效救心丸) (180 pills), focused on nationwide chains, empowered top-tier chains at provincial level, and strengthened terminal marketing through the leading role of academic activities, professional trainings, innovative display, incentive to shop assistants, sales competitions, group purchase, experiential marketing, chronic disease management, membership activities and public service activities. The Company carried out the "New Marketing Activities of Suxiao Jiuxin Wan (速效救心丸)- Kick-off Meeting of Strategic Cooperation at Provincial level" to standardize channel management for initial distributors at provincial level, and managed secondary distributors based on the rule of "standardized channels + marketing activities", and conducted targeted marketing for chain stores and single stores. The sales of Suxiao Jiuxin Wan (速效救心丸) increased by RMB230 million in 2022 with terminal sales up by RMB500 million; "package project" with Suxiao Jiuxin Wan (速效救心丸) as the core product was fully carried out to drive the growth of other products.

WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS



The marketing company developed a medical academic system targeting the medical segment, and developed a hierarchical terminal management concept of "distributor sales are terminal sales". With enhanced financial control, the platform saw increased margin; The Company built partnership with over 100 TCM centers on premium TCM business, and widely carried out staff training and popular science education. The marketing platform successfully conducted first cooperation with hospitals on Niu Huang Qingxin Wan (牛黄清心丸). The Company promoted the signing of a strategic cooperation agreement with retail chain pharmacies, and successfully built partnership with chain stores in northwest China as the first cooperation of varieties. It resumed the sales of Qinggong Shoutao Wan (清宫寿桃丸), with sales revenue increasing by 288.7% YoY. Jing Wan Hong (京万红) sales force conducted targeted marketing to reduce inventory and held brand academic activities for promotion. We launched a new pack for Jing Wan Hong (京万红) (20g) product with social inventory gradually remaining at reasonable level. We conducted a first-time cooperation with hospitals on Jinqi Jiang Tang Pian (金芪降糖片), leading to a sales increase of 20% YoY. Jinqi Jiang Tang Pian (金芪降糖片) was listed as one of the common drugs of Chinese families.

The Sales and Distribution Business Unit made every effort to explore the third terminal market for general TCM drug, and established a partner model of "multi-variety, multi-channel and multi-mode" at provincial level. The sales volume of the 13 activated sleep varieties increased by 1018% YoY. The Company established an E-commerce Department to promote the self-operated product coverage on JD.COM, Tmall, Douyin and Xiaohongshu to expand sales channels and product accessibility.

3. Coordinated reform of medicinal material system

In 2022, in accordance with the principle of "cost reduction, quality control and supply guarantee", the Company set up a medicinal materials center to focus on the management of GAP medicinal material base, centralized procurement and strategic reserve. It aimed to promote the transformation of business model, and strengthen the supply guarantee in the Company and income generation from external sources.

The Company developed the Management System for Centralized TCM Procurement of in Tianjin Da Ren Tang to promote centralized procurement of TCM materials; It also formulated documents

such as "Management System for the Construction of TCM Bases" to promote the normalization, standardization and industrialization of TCM manufacturing. The Company accomplished the construction of production quality management system and traceability management system across the manufacturing process. In 2022, the Company expanded the construction of GAP base for medicinal materials such as ligustici, lonicera japonica and schisandra chinensis, and promoted the brand requirements of "Sulphur-free processing, no aflatoxin contamination, pollution-free and whole-process traceability" and extended GAP inspection during the standardized production process. Base enterprises carried out production in strict accordance with the planting management system, technical manufacturing regulations and standard operating procedures formulated by the Company to strive for the goal of "safety, effectiveness, stability, controllability and traceability".

The Company promoted the integration of medicinal materials, further facilitated the integrated operation of medicinal slices factories in Tianjin, Bozhou and Anguo. It enhanced the synergy and intensiveness of the medicinal slices industry, optimized the process flow and logistics, and improved turnover efficiency.

4. Cost reduction and quality improvement based on intelligent manufacturing

The Company strengthened the belief in "using the prices as the leading indicator, costs as the basis, and profits as the goal" throughout the Group. It identified manufacturing costs, tracked and monitored unit cost changes of key products, detected abnormal situations and made early warning and adjustment on a timely basis. The Company streamlined the value chains of all products, developed manufacturing and marketing processes, formulated the "Coordinated Management System of Production and Marketing", and carried out normal and centralized procurement across the supply chain. Industrial production was carried out according to the rule of costs reduction and efficiency enhancement. The Company implemented reasonable scheduling, scientific manufacturing scheduling, and energy-saving projects to improve energy efficiency. The Company launched 58 projects to tap the potential for efficiency improvement, achieved goods results in lowering procurement cost and energy consumption per unit output and increased hour utilization rate and turnover efficiency in 2022.

To meet patients' demand for drugs, the Company took various measures to ensure production and made great efforts to increase production, reduce lead time, optimize production cycle, increase guaranteed supply to ensure the quality and stable supply of drugs.

The Company also carried out quality control and spot inspection, internal audit and supervision, safety inspection and fire inspection in a regular and institutionalized manner. We systematically streamlined key internal control processes and control points of key businesses to guard against operational risks.

In 2022, the Company spared no efforts to achieve better results and set the sail for a new journey. Business objectives of the reporting period were successfully realized. Besides, the Party building work and business development were deeply integrated, fulfilling the 11 targeted party building responsibilities and 12 targeted responsibilities for building a fine Party culture and a corruption-free Party.

II. The improving corporate governance structure provides effective assurance for the interests of shareholders.

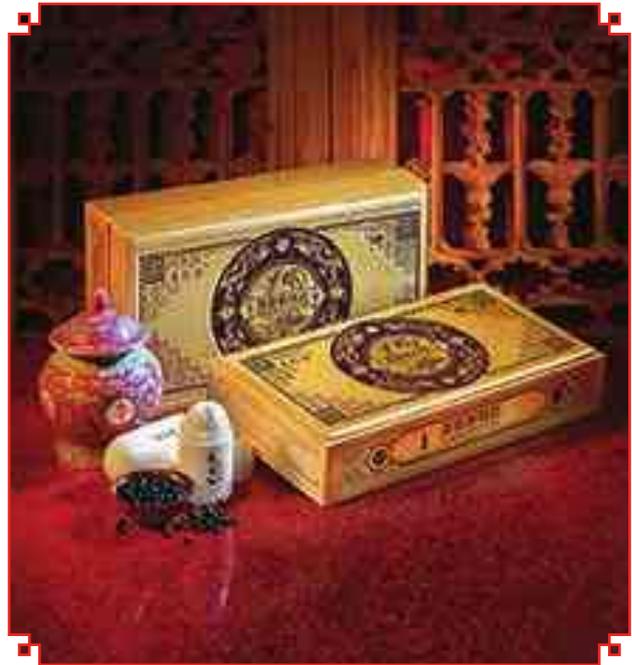
The Company is a listed Company with shares issued on both the Singapore Exchange and the Shanghai Stock Exchange. It is subject to the regulatory governance of both exchanges in Singapore and Shanghai as well as the national laws and regulations of China and Singapore. The Company has always regulated governance in strict accordance with the Articles of Association, the Rules of Procedures of the General Meeting of Shareholders, the Rules of Procedures of Meetings of the Board of Directors, the Rules of Procedures of Meetings of the Supervisory Committee and other regulations and policies. In 2022, the Company's convening of and decision making at the general meetings of shareholders, meetings of the board of directors and meetings of the supervisory committee were in compliance with relevant laws and regulations. The Company has effectively safeguarded the legitimate rights and interests of all shareholders, especially minority shareholders, from different perspectives.

The Company is committed to enhancing the quality of the listed Company and improving the level of corporate governance for a gradual optimization and standardization of operations. The Company has commenced a series of work in accordance with the relevant requirements of the China

WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

Securities Regulatory Commission, the Shanghai Stock Exchange and the Singapore Exchange. The Company has continued to carry out publicity activities on the protection of investors. The "Online 2021 Annual Results Presentation", "2022 Interim Results Presentation" and "2022Q3 Results Presentation" have been held on the Internet in May 2022, September 2022 and November 2022, respectively. The management communicated with investors on the operating results, profit distribution and other aspects of the Company, allowing investors and potential investors to promptly and fully gain an understanding of the Company's business trends, thereby showing that the Company has a good corporate image. To safeguard the shareholders' right to investment returns, the Company reviewed and approved the 2021 profit distribution plan at the 2021 Annual General Meeting of Shareholders, under which "a cash dividend of RMB5.0 (including taxes) for every ten shares held will be distributed to all shareholders based on the total share capital as at 31 December 2021" with the aim of paying back investors with practical actions. In 2022, the Company continued to focus on strengthening the management of insiders, and carried out insider filing and registration work and confidentiality notification work in accordance with the Insider Management Policy of the Company. In working on the annual report in 2022, both the independent directors and the audit committee carried out the audit work in accordance with relevant policies. To sum up, in 2022, various rules and policies of the Company were effectively followed.

Based on the principles of more over less and stringency over leniency, the Company has made information disclosure in compliance with the requirements of the regulatory authorities in China and Singapore. In 2022, the Company followed the Information Disclosure Management Policy in carrying out information disclosure work, achieving the truthfulness, accuracy, timeliness and completeness of the information announced, and ensuring the consistency of information disclosed at home and abroad. At the same time, the Company was open to visits and consultations by investors. Compliant and adequate disclosure of information has enabled the Company to strengthen communication with investors, foster the understanding and recognition of the Company among investors, maintain good relations with investors, and establish a positive image of the Company in the market.



III. Profit distribution in 2022

The Company plans to distribute cash dividends from the profits of 2022. Details of the profit distribution plan are as follows: "A cash dividend of RMB11.20 (including taxes) for every ten shares held will be distributed to all shareholders based on the total share capital as at the record date for equity-based distribution of dividends."

IV. Significant legal dispute

Currently, the Company is not engaged in any significant legal disputes.

V. Performance of interested person transaction contracts

In 2022, the Company had interested person transactions on the purchase and sale of goods and services with Tianjin Pharmaceutical Holdings Co., Ltd. and its enterprises and other related companies

All of the aforesaid interested person transactions were conducted normally and there was no interested person transaction detrimental to the interests of the Company. The Company engaged in interested person transactions in the amount of more than S\$100,000 as follows:

In RMB1,000

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)		Aggregate value of all interested person transactions conducted during the financial year under review under a shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)	
		12-month Period ended 31 December 2022	12-month Period ended 31 December 2021	12-month Period ended 31 December 2022	12-month Period ended 31 December 2021
		RMB'000	RMB'000	RMB'000	RMB'000
Tianjin Pharmaceutical Group Finance Co., Ltd. (天津医药集团财务有限公司) ("TPGF")	Subsidiary of Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), the controlling shareholder of the Company	The interest payable on the credit facilities provided by TPGF:			
		1,400	1,186	0	0
Total		1,400	1,186	0	0

Note: As at 31 December 2022, the Company had deposits with TPGF amounting to RMB590,758,200.

VI. Priorities in 2023

The year 2023 marks the first year to implement the principles of the 20th CPC National Congress, and the crucial year for the Company to continuously implement its "14th Five-Year Plan". Da Ren Tang will firmly implement the Company's development strategy, demonstrate its outstanding track record, release the vitality of reform, strive to be a leader in innovative TCM, and build itself into the most valuable modern green TCM enterprise in China. With green TCM as the strategic positioning, the Company will continue to push forward the "1+5" strategic plan, and will act in practical manner in terms of "brand influence, product appeal and service capability", "Focus on Three Areas" ("Focus on Resource, Focus on Primary Business and Focus on Primary Products"), and "Enhancements in Three Aspects (Enhancing Income, Profitability and Brand)". We will take concrete actions to ensure the implementation of all work, and promote sound development of the key varieties of "three cores and nine wings" so as to serve end patients with quality services, thus achieving higher-quality development. In 2023, the Company will focus on the following aspects:

1. Strengthening brand building to enhance the leadership role of brand

With "Da Ren Tang" as the master brand to empower all marketing activities, the Company will explore segmentation positioning of sub-brands such as Long Shun Rong (隆顺榕), Le Ren Tang (乐仁堂) and Jing Wan Hong (京万红) to accurately target customers, build brand matrix, enhance brand depth, expand brand influence, strengthen brand synergy and achieve brand empowerment.

In 2023, the Company will introduce new brand management practice and expand the brand communication scope, enhance brand's online and offline exposure, and continuously promote its long track record to strengthen positive image of our brands.



WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

2. Making great efforts on marketing through various platforms

The Company will fully promote the "three cores and nine wings" in patent medicine market to improve both quality and quantity. It will implement the "Pride Project" of Tianjin Pharmaceutical Group to lay a solid foundation for core businesses and improve profitability and expense amortization level. The Company will carry out the "Treasure-class medicine Plan" to tap the potential of products with exclusive or distinctive therapeutic edges and build a diversified product matrix; and will carry out the "green seedling program" to cultivate potential varieties and make preparations for future development.

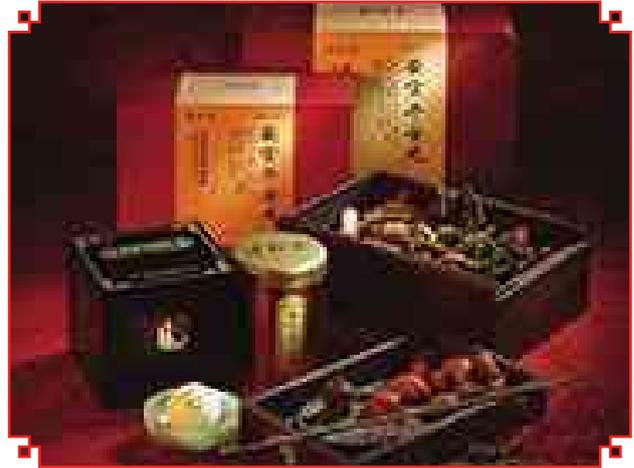
The Company will enhance orderly marketing, standardize the price system and promote innovative marketing. We will fully empower the sales terminal on various platforms to build a promotion team for professional brands and channels, to achieve the goal of serving patients, empowering channels and terminals.

The Company will explore multi-terminal sales platforms, expand commercial & specialized hospital and internet medical services, and commercial medicinal & retail services. With Tianjin as the pilot, it will explore business transformation, strengthen e-commerce platform and explore the fourth terminal market. We will formulate an overseas strategy to enhance brand and business, with an aim to give the leadership role of marketing into full play to empower quality and efficiency growth across the industrial chain.

3. Diligently carrying out academic activities to promote scientific and technological innovations

The Company will take a customer-oriented approach to accelerate innovation by optimizing scientific research organizations, introducing more high-level talents, actively participating in national and municipal scientific and technological innovation projects, and deepening technical cooperation relationship with universities and research institutes. The Company will introduce chief scientists and research leaders in the TCM sector, and conduct the incentive mechanism reform for scientific research to further motivate researchers.

With a focus on clinical value, the Company will develop new TCM drugs by various means such as combination of disease with syndrome, special



drugs for specific diseases or syndrome TCM. It will develop TCM compound preparations based on classic ancient prescriptions, and transform TCM preparations of medical institutions to new TCM drugs, thus enriching the product portfolio. The Company will promote the scientific research projects of Suxiao Jiuxin Wan (速效救心丸), carry out research on pharmacoeconomics and evidence-based medical research, real-world research, and secondary development of large varieties such as effective TCM substances and basic research on pharmacology and toxicology. It will continue to deepen the cooperation with Haihe TCM Laboratory, promote the co-establishment of encephalopathy laboratory with Academician Tian Jinzhou, and launch the "Chinese Brain" product (including Qinggong Shoutao Wan (清宫寿桃丸)) research and development plan. We will establish a medical laboratory for wound repair and regeneration in cooperation with Academician Fu Xiaobing, and develop functional regenerative medicine products. We will also engage high-end think tanks to lead our development in terms of innovations.

The Company will build product clusters of big health products and develop a new development pattern for big health products.

4. Enhancing source control to optimize the supply system

The Company will carry out process re-engineering for medicinal materials, establish a sound and centralized TCM procurement system and a professional team of varieties experts. A corporate guarantee system will be developed to guarantee supply and control quality and cost for genuine medicinal materials to ensure high quality



and reasonable price from the source. We will strengthen the construction of ligustici GAP base, continue to expand the scale of and varieties in GAP base, promote the "Sulphur-free processing, no aflatoxin contamination, pollution-free and whole-process traceability" and the extended GAP inspection to improve the drug traceability system of Da Ren Tang. We will also make strategic reserve for key medicinal materials as needed.

The Company will strengthen business synergy with intelligent manufacturing processes to achieve cost reduction, quality control and supply guarantee; expand medicinal materials operations, and develop premium TCM slices to explore more sources for income and profit.

5. **Enhancing intelligent manufacturing to promote cost reduction and quality improvement**

In accordance with the principle of "quality-oriented, cost first, intelligent manufacturing and green development", the Company will continue to promote process reengineering, focus on the five major aspects of supply chain, optimize production process, control costs and make detailed plan, enhance quality control and maintain EHS security.

The Company will improve management capability to set an example for the Group. Manufacturing resources will be integrated across the park,

and efforts will be made to promote reasonable distribution of drug forms to strike a balance between demand and production capacity. The Company will carry out cost composition analysis, introduce concept of lean management and working methods of value stream to lower operating costs. Further, the Company will upgrade digital and intelligent technologies, strengthen coordinated optimization of production factors, and reshape the value chain to enhance product competitiveness.

The Company will establish a life-cycle quality management system for products across the whole process (including GAP, GMP, GSP and GVP) to accelerate the construction of a public inspection platform and optimize internal quality auditing. With a focus on problem-solving and risk prevention, it will establish a quality responsibility system with top leaders taking accountability to clearly define corporate responsibilities.

6. **Applying digital and intelligent technologies to empower digital transformation**

Under the guidance of "accelerating innovation-driven development and transformation", "promoting high-end and intelligent industry development" and the basic principles of "giving full play to the leading role of innovation" and "persisting in systematic promotion" of the National 14th Five-year Plan for the Development

WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

of the Pharmaceutical Industry, the Company formulated the overall strategy on information upgrading and digital transformation in its 14th Five-year Plan. The Company aims to complete a series of key projects in 2023, including vigorously introducing science and technology management talents and assembling a digital information innovation team; The integration and upgrading of management platform for industrial marketing supply chain; the project of digital information platform construction for intelligent manufacturing base of dropping pills; top-down design of the Group's digital transformation and implementation of quick-win marketing digital projects. These projects aim to continuously improve scientific and technological innovation and market-oriented operation capabilities, implement the strategic planning, organizational structure and business model of the Group after the mixed-ownership reform and to realize digital empowerment and release the market value of products and brands.

7. Pursuing cultural synergy to unlock organizational efficacy

In 2023, the Company will further enhance corporate culture, actively practice the Group's core values of "love, quality and strength", and strengthen the leading role of the "five modernizations" and develop a corporate culture of entrepreneurship and unity. We will strive to build "party building culture, corporate culture, clean culture, efficiency-oriented culture and service culture" with Da Ren Tang characteristics, and continue to promote the construction of spiritual civilization and to gather cultural consensus and drive growth.

Under the framework of corporate governance, the Company will take a market-oriented approach, and continue to optimize the existing organizational structure of Da Ren Tang in order to improve the management system, engage in business process reengineering, and effectively develop a new management model for scientific management and market competition. We will integrate management resources for Business lines, carry out large-scale integration, and improve research, supply, manufacturing and sales across the industrial chain to achieve the transformation from executive management to business management and control.

The Company will improve the staffing, fixation of posts and definition of corresponding responsibilities, and the performance appraisal mechanism, reflecting our culture in which the Company values high performance and puts strivers first. We will make great efforts to develop "talents with five qualities" (i.e., learning ability, market awareness, professionalism, dedication, and compatibility). We will carry out talent selection and reserve for the Company, and will provide more trainings through business school and online marketing classes to constantly enhance the expertise of Da Ren Tang employees.

8. Strictly adhering to compliance requirements to shoulder social responsibilities

The Company will continue to care about employees, and attach great importance to occupational health, production safety, environmental protection, social responsibility and ESG.

In 2023, we will embark on a new journey with new aspirations. All Tianjin Pharmaceutical Da Ren Tang Group members will forge ahead with concerted efforts, strive to become a leading enterprise within the Group under the principle of "marketing focus, organization optimization, platform integration, talent motivation, effective innovation, cost control and loss minimization, digital empowerment, and cultural synergy". The Company will ramp up efforts to make new achievements in the new year, lead the innovative TCM development and build a modern green TCM enterprise with highest value.

FINANCIAL REVIEW

A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business.

The financial performance of the Group is not significantly affected by any of the seasonality or cyclicity of interim operations.

(A) REVENUE:

The Group's revenue for the financial year ended 31 December 2022 ("FY2022") was approximately RMB8,249 million, an increase of approximately RMB1,342 million, or 19%, as compared to RMB6,907 million for the financial year ended 31 December 2021 ("FY2021"). The increase in revenue as compared to the corresponding period last year was primarily because of the increase in sales revenue from major product categories.

(B) GROSS PROFIT MARGIN:

The Group's gross profit in FY2022 increased by approximately 19% from approximately RMB2,693 million in FY2021 to approximately RMB3,217 million in FY2022. The gross profit margin 39% in FY2022 which remains the same amount in FY2021.

(C) OTHER GAINS:

Other gains in FY2022 were approximately RMB102 million, an increase of approximately RMB33 million over the previous corresponding period. The increase is mainly due to acquisition gain on previously held interest in the associate NewScen Coast of RMB72.01 million, offset by decrease in investment income of RMB22.29 million from investment in financial assets, and decrease in gain from disposal of fixed assets of RMB9.72 million.

(D) MAJOR EXPENSES:

- (i) Marketing and Distribution costs in FY2022 was approximately RMB1,969 million, an increase of approximately RMB413 million or 27% over the previous corresponding period due to the year-on-year increase in sales revenue.
- (ii) Research and Development costs in FY2022 were approximately RMB153 million, a decrease of approximately RMB8 million or 5% over the previous corresponding period due to lower outlay for research and development projects.
- (iii) Administrative expenses in FY2022 were approximately RMB388 million, a decrease of approximately RMB1 million which remained largely unchanged from the previous year.

(iv) Finance costs in FY2022 increased by approximately RMB11 million from approximately RMB2 million to approximately RMB13 million which is mainly due to increase in discounted bills interests.

(v) Other losses in FY2022 increased by approximately RMB50 million.

(E) SHARE OF PROFITS OF ASSOCIATED COMPANIES:

The Group's share of profits of associated companies in FY2022 was approximately RMB197 million, an increase of approximately RMB11 million or 6% over the previous corresponding period.

(F) TOTAL COMPREHENSIVE INCOME:

The Group's total comprehensive income (net of tax) in FY2022 was approximately RMB879 million, an increase of approximately RMB85 million or 10% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in FY2022 was approximately RMB862 million, an increase of approximately RMB93 million or 12% over the previous corresponding period. This was mainly due to increase in sales.

(G) MAJOR CHANGES IN STATEMENT OF FINANCIAL POSITIONS:

As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately RMB2,883 million, which is an increase of approximately RMB599 million, or 26% over the balance as at 31 December 2021. The Group's borrowings as at 31 December 2022 amounted to RMB253 million which is an increase of approximately RMB223 million over the balance as at 31 December 2021.

Trade and other receivables increased by approximately 38% or RMB774 million to approximately RMB2,785 million as at 31 December 2022. Trade receivables increased by approximately RMB754 million.

Inventories were approximately RMB1,429 million as at 31 December 2022, which is a decrease of approximately RMB96 million, or 6% over the balance as at 31 December 2021.

Other current assets decreased by approximately 11% to approximately RMB108 million as at 31 December 2022.

Investment in associates of the Group increased by 4% to approximately RMB760 million.

Property, plant and equipment decreased by approximately RMB22 million to approximately RMB1,462 million.

FINANCIAL REVIEW

(H) CHANGE IN CASH FLOW POSITION:

In FY2022, the Group recorded net cash inflow from operating activities of approximately RMB621 million which has decreased by RMB196 million as compared to FY2021. The decrease was mainly due to cash received for the sale of products and provision of services increased in FY2022. The main factor contributing to the year-on-year increase in cash payments is the rise in cash payments for purchasing goods and receiving services.

Cash inflow from investing activities was approximately RMB44 million in FY2022 which has increased by RMB321 million as compared to FY2021. The increase was mainly due to decrease in proceeds used in acquisition of financial assets. The year-on-year increase in net cash inflows from the collection of investments and payments for investments is mainly due to higher amounts of cash received from divestments and cash payments for investments.

Cash outflow from financing activities was approximately RMB237 million in FY2022 which has decreased by RMB8 million as compared to FY2021. The decrease is mainly due to an increase of RMB169.71 million in cash received from borrowings and repayments of debt. Additionally, there was an increase of RMB155.09 million in cash payments for dividends compared to the same period last year.

Significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As a critical component of China's pharmaceutical industry and a significant national industry, the traditional Chinese medicine (TCM) industry has sustained consistent growth in market size despite the uncertainties in the post-pandemic economic and market environment. The TCM industry is poised for substantial growth opportunities in the future, underpinned by numerous favorable factors. In recent years, the state and government have issued supportive TCM policies more intensively, and the ongoing medical and health system reform has continued to deepen. The National Healthcare Security Administration, the State Administration of Traditional Chinese Medicine, and other departments have released several policy documents to enhance the reform of medical treatment, healthcare, and pharmaceuticals. These policies have facilitated the gradual implementation of industry standards and TCM implementation rules. The recent publication of the "Special Regulations for Registration Management of Chinese Medicine" in February 2023 is expected to further catalyze the TCM industry's inheritance and innovation. As a national treasure of China, TCM will play an increasingly important role in the construction of a healthy China, particularly in the prevention and treatment of common diseases, frequent diseases, chronic diseases, difficult and complex diseases, and major infectious diseases, leveraging its unique and remarkable features of efficacy and cost-effectiveness.

The Company proactively adapts to the evolving industry landscape and prepares for forthcoming challenges under the auspices of national policies and opportunities. In 2022, the Company rebranded itself, upgraded its marketing resources, focused on industrial marketing, deepened its market penetration, stimulated sales growth, optimized its organizational structure, improved management efficiency, lowered costs and increased efficiency, promoted production and sales coordination, ensured market supply, strengthened scientific research and innovation, refined operational and management control, and demonstrated the Company's social responsibility and commitment during the pandemic. The Company generated an operating income of RMB8.25 billion, representing a YoY increase of 19%, and a net profit attributable to the parent company of RMB860 million, representing a YoY increase of 12% in 2022.



WORK REPORT OF THE BOARD OF SUPERVISORS

DEAR SHAREHOLDERS,

In 2022, in accordance with the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Code of Corporate Governance for Listed Companies of China, the relevant laws and regulations of Singapore and the provisions of the Articles of Association, the Board of Supervisors of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited conscientiously carried out their duties and responsibilities to safeguard the interests of shareholders and the Company and performed their work with reasonable care, diligence and initiation following the principle of good faith.

In 2022, the board of supervisors held a total of four meetings, at which the 2021 Annual Report, 1Q2022 Report, 2022 Interim Report, 3Q2022 Report, 2021 Profit Distribution Plan of the Company, 2021 Internal Control Assessment Report of the Company, Resolution on the Company's Write-off of Assets and Allocation of Provisions for Impairment of Assets in 2021, and the Resolution on Continuing Utilization of Part of the Idle Proceeds to Temporarily Replenish the Company's Working Capital were considered. At the same time, the members of the board of supervisors attended meetings of

the board of directors, the annual shareholders' general meeting, and the extraordinary general meeting(s), etc. during the year to exercise supervision of the Company's operations according to the law.

The board of supervisors is of the view that the Company's board of directors was capable of carrying out regulated operations and making reasonable business decisions in strict accordance with the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the SGX Rulebook, the Articles of Association as well as other legal and regulatory requirements. As a result, internal controls have been strengthened and improved. In carrying out their duties, the Company's directors and senior management personnel were neither in breach of any laws and regulations and the Articles of Association, nor did they cause any damage to the interests of the Company. The Company's board of directors had given full play to the role of independent directors, while paying attention to the protection of the legitimate rights and interests of minority shareholders. In 2022, the Company continued to focus on strengthening insider management work to ensure that the registration of insider files and the notification of confidentiality obligations were properly done in accordance



WORK REPORT OF THE BOARD OF SUPERVISORS

with the Insider Management System. In accordance with the instructions and requirements of the Circular on Further Implementing Matters Concerning Cash Dividends of Listed Companies of the China Securities Regulatory Commission, the Company further reinforced the sense of return to shareholders and established a well-designed, sustainable and stable profit distribution policy aiming at safeguarding the legitimate rights and interests of investors. The 2021 profit distribution plan and cash dividend plan were successfully implemented in June 2022. Prices of interested person transactions carried out between the Company and the interested persons through regular trade were fair and reasonable and the development of contracts on interested person transactions was rational and legitimate without damaging the interests of the listed company. The Company's decision-making and review procedures for matters concerning the use of proceeds were in compliance with the laws and regulations. There were no cases of changes or covert changes in the use of proceeds and damage to the interests of the Company and all shareholders, particularly the interests of minority shareholders.

The board of supervisors of the Company has inspected and examined the Company's financial systems and conditions and is of the view that the Company's 2022 financial report has truly and accurately reflected the Company's financial position and operating results. The audit opinions issued by ShineWing Certified Public Accountants and RSM Chio Lim LLP for the Company in accordance with the China Accounting Standards and the International Financial Reporting Standards respectively as well as the evaluation of the matters involved were objective and fair.

The board of supervisors is of the view that, in 2022, the Company was better in achieving the established targets and maintained stable performance. At the same time, the overall quality of the Company's operations was significantly improved, which has laid a solid foundation for the Company's sustainable development. We believe that, under the leadership of the board of directors and with the efforts of the management, the Company would certainly make greater progress in 2023 and give better returns to shareholders.



2023-2025 SHAREHOLDER RETURN PLAN OF TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (the “**Company**”), actively fulfils the social responsibilities of public companies and attaches great importance to a reasonable return on shareholders’ investment while achieving its own rapid development. In accordance with relevant provisions of the *Guidelines No.3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies* (《上市公司监管指引第3号—上市公司现金分红》) and the *Notice on Further Implementing Matters concerning Cash Dividends of Listed Companies* (《关于进一步落实上市公司现金分红有关事项的通知》) issued by the China Securities Regulatory Commission (中国证券监督管理委员会) (the “**CSRC**”), the *Guidelines No. 1 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies – Standardised Operations* (《上海证券交易所上市公司自律监管指引第1号—规范运作》) and the *Articles of Association of the Company* (the “**Articles of Association**”), a shareholder return plan (the “**Plan**”) for the next three (3) years (2023 – 2025) is hereby formulated by the board of directors of the Company. The details are set out below.

I. Consideration factors of the Plan

With the focus on long-term sustainable development and comprehensively taking into account factors including the Company’s actual business developments, shareholders’ requirements and objectives, social capital costs and external financing environments, a sustained, stable and scientific return plan and mechanism for investors is established by the Company to ensure the continuity and stability of its profit distribution policy.

II. Principles of the Plan

Subject to compliance with relevant provisions relating to profit distribution laws and regulations as well as the Articles of Association, the Plan is formulated after fully considering and listening to the opinions of independent directors, supervisors and public shareholders, and balancing the Company’s short-term interests and long-term developments according to its actual business developments and capital needs to ensure the continuity and stability of the Company’s profit distribution policy.

III. 2023 – 2025 shareholder return plan

1. Profit distribution method

The Company may use cash, stock, a combination of cash and stock or other means permitted by law to distribute dividends. If the conditions for cash dividends are met, the Company shall distribute profits in the form of cash dividends; where conditions allow, the Company may distribute interim dividends according to its actual operating circumstances.

2. Conditions for the Company to distribute profits in the form of cash dividends

- (1) The Company’s net profit for the year or half year is positive and not less than RMB0.05 per share.
- (2) The distributable profits realised by the Company during the year (i.e., the remaining after-tax profits of the Company after making up for losses and setting aside funds for the statutory and discretionary common reserve funds according to law) are positive.
- (3) The Company’s net cash flow and cash flows from operating activities for the year are positive.
- (4) When the Company distributes its annual profits, a standard unqualified audit report on the Company’s financial reports for that year shall be issued by an auditing institution.
- (5) The Company has no significant investment plans or major cash outlays¹ (excluding fundraising projects) within the next twelve (12) months.

3. Cash dividend policy

- (1) The Company shall maintain the continuity and stability of its profit distribution policy. In principle, the profits to be distributed by the Company each year shall not be less than the net operating cash flow realised in that year or fifteen per cent. (15%) of the distributable profits realised in that year, whichever is lesser. If the conditions for cash dividends are met, the Company shall distribute profits in the form of cash

¹ “Significant investment plans or major cash outlays” refer to the aggregate amount of expenditures in major projects such as foreign investments, asset acquisitions or equipment purchases that are planned by the Company within the next twelve (12) months will reach or exceed five per cent. (5%) of the Company’s latest audited net tangible assets.

2023-2025 SHAREHOLDER RETURN PLAN OF TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

dividends. The specific distribution ratio shall be drawn up by the board of directors according to the Company's operating conditions and shall be submitted to the general meeting of shareholders for review and decision.

- (2) When the Company publicly offers securities in accordance with the *Measures for the Administration of Securities Offering by Listed Companies* (《上市公司证券发行管理办法》), the requirement that "the cumulative profit distributed in cash in the last three (3) years shall not be less than thirty per cent. (30%) of the annual average distributable profits realised by the Company in those three (3) years" shall be met.
- (3) Any distributable profit that is not distributed in a given year is retained and available for distribution in subsequent years.
- (4) The Company's profit distribution shall not exceed the scope of its accumulated distributable profits and shall not damage the Company's ability to continue its operation.

4. Time for distributing cash dividends

Subject to compliance with the profit distribution principles and ensuring the normal operation and long-term development of the Company, when the conditions for cash dividends are met, the Company will, in principle, distribute cash dividends once a year. The Company may distribute interim cash dividends according to profitability and capital needs.

5. Conditions for distributing stock dividends

If the board of directors is of the view that the scale of the Company's assets, operations and so forth does not match the size of the Company's share capital, the Company may distribute profits in the form of stock dividends under the premise that the distribution of cash dividends referred to above has been implemented. The specific dividend payout ratio shall be submitted to the Company's general meeting of shareholders for review and decision after being considered and passed by the board of directors.

6. Decision making of the profit distribution plan

- (1) The board of directors proposes a profit distribution plan every year according to the Company's profitability, capital

requirements and shareholder return plan and the provisions of the Articles of Association, which will be submitted to the general meeting of shareholders for consideration and approval after being considered and passed by the board of directors. Independent directors shall express their independent opinions on the profit distribution plan. In examining the specific plan for cash dividends, the board of directors shall carefully study and demonstrate the timing, conditions, minimum proportion, and other matters concerning the Company's distribution of cash dividends, and independent directors shall express clear opinions. The Company shall strengthen the awareness of shareholder return, and take every three (3) years as a cycle, formulate a shareholder return plan within the cycle after comprehensively considering the Company's profitability, capital needs, development goals, reasonable shareholder returns and other factors, to define the specific dividend arrangement and format over a three-year period, the cash dividend plan, the intervals and other details.

The board of directors shall comprehensively consider the industry characteristics, the development stage, the Company's business model and profitability, and other factors including whether the Company has any major capital outlays and arrangements, which are classified into the following situations, and propose a differentiated cash dividend policy according to the procedures provided for in the Articles of Association:

- (i) When the Company which is in the mature stage of development without having any major capital outlays and arrangements distributes its profits, the proportion of cash dividends in this profit distribution shall be eighty per cent. (80%) minimum;
- (ii) When the Company which is in the mature stage of development having major capital outlays and arrangements distributes its profits, the proportion of cash dividends in this profit distribution shall be forty per cent. (40%) minimum;
- (iii) When the Company which is in the growing stage of development having major capital outlays and arrangements distributes its profits,

the proportion of cash dividends in this profit distribution shall be twenty per cent. (20%) minimum;

In the case where the Company is in a stage of development which cannot be easily classified while having major capital outlays and arrangements, it may be handled in accordance with the provisions of the preceding paragraph.

- (2) If profits have been achieved for the year but the board of directors has not proposed a profit distribution plan, the board of directors shall specify the reasons for not distributing dividends as well as the use of funds that are retained in the Company not for the purpose of distributing dividends in the annual report of that year. Independent directors shall express their independent opinions in this regard and the Company shall make a disclosure.
- (3) The board of supervisors shall supervise the implementation of the Company's profit distribution policy and shareholder return plan by the board of directors and management and their decision-making procedures.

7. Decision-making process in the profit distribution policy

- (1) In accordance with relevant regulations of the CSRC, the Shanghai Stock Exchange (the "SSE") and the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Company shall formulate and revise its profit distribution policy based on the interests of shareholders, paying attention to the protection of investor interests and the provision of a stable return to investors, which shall be fully demonstrated by the board of directors. When the Company formulates and revises its profit distribution policy, independent directors shall express their independent opinions. When reviewing the specific plan for distributing stock dividends and profits, the board of directors shall take into consideration the Company's growth, dilution of net assets per share and other true and reasonable factors.
- (2) If there is the need for the Company to adjust its profit distribution policy according to its capital needs in terms of production and operation, major investment, development planning and other respects, the adjusted profit distribution policy may not violate any

relevant regulations of the CSRC, the SSE and the SGX-ST. Proposals for adjustment of the profit distribution policy reviewed by the board of directors, the board of supervisors and the general meeting of shareholders shall be passed by more than half of the directors, more than half of the independent directors, more than half of the supervisors, and shareholders (including proxies) attending the general meeting holding more than two-thirds of the voting rights, respectively. The general meeting of shareholders shall, when considering any proposals submitted by the board of directors concerning the formulation and revision of the profit distribution policy, effectively protect the rights of public shareholders to participate in the general meeting, and may actively communicate and conduct exchanges with shareholders, especially small and medium shareholders, through telephone, facsimile, company website, mailing, reception visit and other channels.

IV. Formulation of future return plans and related decision-making mechanisms

The Plan shall be prepared by the board of directors based on the Company's profitability, capital needs and development stage, taking into account the opinions of shareholders (especially public shareholders) and independent directors, and shall be submitted to the general meeting of shareholders for consideration after being considered and passed by the board of directors.

The Company shall review the Shareholder Return Plan for the Next Three Years (《未来三年股东回报规划》) at least once every three (3) years, and make appropriate and necessary changes to the profit distribution policy being implemented by the Company based on the opinions of shareholders (especially public shareholders) and independent directors to determine the shareholder return plan for that period.

V. Mechanism for the coming into force of the Plan

The Plan shall be implemented commencing from the date of consideration and approval by shareholders at the general meeting.

Board of Directors
Tianjin Pharmaceutical Da Ren Tang
Group Corporation Limited
30 March 2023

FINANCIAL CONTENTS

- 33** CORPORATE GOVERNANCE STATEMENT
- 64** STATEMENT BY DIRECTORS
- 66** INDEPENDENT AUDITORS' REPORT
- 72** CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
- 73** STATEMENTS OF FINANCIAL POSITION
- 74** STATEMENTS OF CHANGES IN EQUITY
- 76** CONSOLIDATED STATEMENT OF CASH FLOWS
- 78** NOTES TO THE FINANCIAL STATEMENTS
- 156** NOTICE OF ANNUAL GENERAL MEETING
- 162** PROXY FORM
- 167** INFORMATION ON SHAREHOLDING
- 169** PROPOSED RENEWAL OF MANDATE FOR INTERESTED PERSON TRANSACTIONS
- 214** SUSTAINABILITY REPORTING



CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “**Board**”) and the management (the “**Management**”) of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited) (the “**Company**”, and together with its subsidiaries, the “**Group**”) subscribe fully to the importance of practising high standards of corporate governance and recognise that the principles and provisions contained in the Code of Corporate Governance 2018 (the “**Code**”) represent best practices and the pursuit of which would enhance the standard of corporate governance. Pursuant to Rule 710 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), this Corporate Governance Statement outlines the main corporate governance practices that were in place during the financial year ended 31 December 2022 (“**FY2022**”), with specific references made to the Code. Throughout the FY2022, the Company has complied with the principles and substantially with the provisions of the Code. Where there are any deviations from the provisions of the Code, appropriate explanations have been provided. A summary of disclosures describing the Company’s corporate governance practices with specific reference to the disclosure requirements in the principles and provisions of the Code is also provided on pages 62 and 63.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1

Role of the Board

The Board’s primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises Management. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for Management and monitoring the achievement of these goals. In particular, the Board is also responsible for the following:

- (i) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interest and the Company’s assets;
- (ii) ensuring that necessary resources are in place for the Company to meet its strategic objectives;
- (iii) establishing and maintaining a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and company performance;
- (iv) identifying key stakeholder groups and recognizing that their perceptions affect the Company’s reputation, and ensuring transparency and accountability to key stakeholder groups;
- (v) constructively challenging the Management and reviewing its performance;
- (vi) setting the Company’s values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and
- (vii) considering sustainability issues as part of its strategic formulation.

In the course of carrying out their duties and responsibilities, all Directors are expected to consider at all times the interests of the Company. For FY2022, the Board is satisfied that all Directors have indeed discharged their duties objectively and sufficiently.

CORPORATE GOVERNANCE STATEMENT

The Company has formulated a set of guidelines named the “Internal Responsibility System (内部问责制度)” (the “**Internal Responsibility System**”) in accordance with the relevant provisions of the applicable laws, regulations, normative documents including the *Company Law of the People’s Republic of China* (《中华人民共和国公司法》) (2018 Revision), as well as the Articles of Association of the Company, for the purposes of further enhancing the corporate governance of the Company, improving the internal restraints and accountability mechanism and enhancing the decision-making and operating management capabilities of the Company. The Internal Responsibility System had been approved at the annual general meeting (“**AGM**”) of the Company held on 15 May 2015 for the financial year ended 31 December 2014.

The guidelines contained in the Internal Responsibility System apply to the directors of the Company (the “**Directors**”), supervisors, senior managers and other relevant persons of the Company (including those of the Company’s subsidiaries and branches) and set out a system for holding the aforementioned persons accountable for the acts that cause serious adverse effects or serious adverse consequences to the Company as a result of intentional or gross negligence within the scope of their duties. The accountability matters under the Internal Responsibility System include, amongst others, the aforementioned persons (i) being investigated for criminal liability by the judicial authority due to violation of the relevant laws and regulations on securities and futures; (ii) being subject to administrative penalty measures or decisions of denial of market access imposed by the regulatory authorities due to violation of the relevant laws and regulations on securities and futures; (iii) divulging the insider information of the Company, conducting insider trading by taking advantage of the insider information of the Company, or recommending others to conduct insider trading by taking advantage of such insider information, or cooperating with others in manipulating the trading prices of the Company’s shares; (iv) dealing in the Company’s shares in violation of applicable laws and rules; and (v) committing falsification, or making false report or concealing report of safety accident, major cases and other significant emergencies, causing significant losses to the properties of the Company and the safety of the personnel of the Company. Pursuant to the Internal Responsibility System, an Internal Accountability Committee (内部问责委员会) shall be responsible for the implementation of the Internal Responsibility System within the Company, and the accountability measures include, but are not limited to, inspection order, circulation of a notice of criticism, warning, demerit, probation, removal from the post, withholding of bonuses, fines, suspension from the duty, demotion, removal from the post, dismissal or termination of employment contract.

Board Processes

To facilitate the execution of its responsibilities, the Board has established a number of Board Committees including a Strategy Committee, an Audit Committee, a Nomination Committee and a Remuneration Committee. These Board Committees function within defined written terms of reference and operating procedures which clearly set out the composition, authority, duties and accountabilities of each Board Committee (including reporting back to the Board) and are reviewed as and when necessary to ensure their continued relevance. The principal functions/responsibilities of each Board Committee are further elaborated in the relevant sections of this Corporate Governance Statement below.

The appointment of the Board Committee members is carried out carefully to ensure that the Board Committees comprise Directors with the appropriate qualifications and skills, to maximise the effectiveness of the relevant Board Committee. A Board composition matrix is used to assess whether the core competencies, skills and experiences of a potential candidate complements those of the existing Directors to ensure that as a group, the Board Committees will have the appropriate balance to support the long-term success of the Company. Board Committee appointments require the approval of the Board.

CORPORATE GOVERNANCE STATEMENT

The full Board holds four (4) scheduled quarterly meetings each year. In addition, it holds such additional meetings as are necessary to consider any matters that require the Board's attention. To facilitate efficient discharge of the Board's business, the Articles of Association of the Company provide for the Board and its Board Committees to decide on matters by way of circular resolution. The Articles of Association of the Company also provides for Board members to participate in meetings via telephone or video conferencing. If a Director is unable to attend a Board or Board Committee meeting, the Director may nevertheless provide his/her comments to the Chairman of the Board or relevant Board Committee Chairman separately.

Matters Requiring Board Approval

The Directors have identified a number of areas for which the Board has direct responsibility for decision-making. In this relation, there are internal guidelines adopted by the Group which govern the matters that require the Board's approval. Amongst others, the Board meets for the following matters:

- to review and approve of quarterly and annual results and earnings announcements;
- to review and approve of annual report and accounts;
- to consider the declaration of dividends;
- convening of shareholders' meetings;
- to review and approve of corporate strategies;
- to review and approve of material acquisitions and disposals exceeding two per cent. (2%) of the Group's net tangible assets ("NTA") value; and
- to review and approve of any material investment and/or borrowing exceeding two per cent. (2%) of the Group's NTA.

The above reserved matters requiring the Board's approval are clearly communicated to Management in writing. All other matters are delegated to Board Committees or to the Management whose actions are reported to and monitored by the Board.

Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

Access to Information

Directors are furnished with complete, adequate and updated information concerning the Group by the Management in a timely and orderly fashion, in order to keep them informed of the operations and performance of the Group as well as the decisions and actions of the Management. In respect of budgets, sufficient disclosure and explanation will be provided to the Board if there is any material variance between the projection and the actual results. All Directors have unrestricted access to the Management and records. Board papers containing information on matters to be discussed are prepared for each meeting of the Board and are normally circulated a week in advance of each meeting. All the independent directors of the Company (the "**Independent Directors**") have access to all levels of senior executives in the Group, and are at liberty to speak to other employees to seek additional information if they so require.

CORPORATE GOVERNANCE STATEMENT

The secretaries to the Board (the “**Board Secretaries**”) are responsible to ensure that established procedures and all relevant statutes and regulations which are applicable to the Company are complied with. The Board Secretaries assist the Chairman of the Board to ensure good information flows within the Board and its Board Committees and between Management and non-executive Directors, as well as facilitating orientation and assisting with professional development as required. The Board Secretaries also assist the Chairman of the Board, the Chairman of each Board Committee and Management in the development of the agendas for the various Board and Board Committee meetings. The Board Secretaries attend all Board and Board Committee meetings and assist to ensure coordination and liaison between the Board, the Board Committees and Management. All Directors have separate and independent access to the Board Secretaries, whose appointment and removal are subject to the Board’s approval as a whole.

Each Director has the right to seek independent legal and other professional advice, at the Company’s expense, concerning any aspect of the Group’s operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Meetings held in FY2022

During FY2022, the Board held nine (9) meetings and the Company held two (2) general meetings (comprising the AGM for the financial year ended 31 December 2021 (“**FY2021**”) and an extraordinary general meeting (“**EGM**”) for FY2022), and the Directors’ attendance at these meetings are as follows:

Name of Director	Number of Board meetings held during the Director’s term of office in FY2022		Number of general meetings held during the Director’s term of office in FY2022	
	Attendance		Attendance	
Zhang Mingrui	9	9	2	2
Guo Min	9	9	2	2
Mao Weiwen ¹	0	0	0	0
Wang Lei ²	0	0	0	0
Wang Mai ³	9	9	2	2
Zhou Hong	9	9	2	1
Liew Yoke Pheng Joseph	9	9	2	2
Li Qing	9	9	2	2
Zhu Haifeng ⁴	0	0	0	0
Wong Gang ⁵	9	9	2	2
Zhang Ping ⁶	7	7	1	0
Li Yan ⁷	4	4	1	1

Notes:

- Ms. Mao Weiwen was appointed as a Non-Executive and Non-Independent Director with effect from 30 December 2022.
- Ms. Wang Lei was appointed as an Executive Director with effect from 30 December 2022.
- Mr. Wang Mai ceased to be an Executive Director with effect from 29 March 2023.
- Mr. Zhu Haifeng was appointed as an Independent and Non-Executive Director with effect from 30 December 2022.
- Mr. Wong Gang ceased to be an Independent and Non-Executive Director with effect from 30 December 2022.
- Mr. Zhang Ping ceased to be a Non-Executive and Non-Independent Director with effect from 27 October 2022.
- Ms. Li Yan ceased to be an Executive Director and General Manager of the Company with effect from 22 August 2022.

CORPORATE GOVERNANCE STATEMENT

Directors' Orientation and Training

All the new Directors to be appointed by the Company are required to sign a Directors' Declaration and Undertaking setting out the duties (including his/her role as an executive, non-executive and/or independent Director) and obligations expected of a director of the Company, including the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, restrictions on dealings in the Company's securities and the disclosure of price-sensitive and trade-sensitive information. The Nomination Committee has overall oversight to ensure that new Directors are aware of their duties and obligations. The Company will also provide comprehensive training and orientation programmes for any newly appointed director to the Board so that new Directors are acquainted with the business, strategic plans and corporate governance practices of the Company. Where appropriate, such new Directors will also receive training in areas relating to accounting, legal and other industry-related topics. The Company's new Directors are also invited to visit the Group's operational facilities and to meet with the Management to gain a more in-depth understanding of the Group's business and operations.

As the Company places great value in promoting continuing education, the Directors are encouraged to participate in discussions with, or seminars or presentations conducted by, professionals to keep themselves updated on the latest changes and developments concerning the Group and keep abreast of the latest regulatory changes. In addition, new Directors who have no prior experience as a director of an issuer listed on the SGX-ST will undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST within one (1) year from the date of his/her appointment to the Board. The Company will also have all its Directors undergo training on sustainability matters as prescribed by the SGX-ST.

The Company believes that it is for the betterment of the Group if the Directors are kept updated and well-informed. As such, all costs arising from the aforementioned training activities are borne by the Company.

The shareholders of the Company approved the appointments of (i) Mr. Guo Min as a Director of the Company at the Company's EGM held on 6 September 2021, (ii) Ms. Zhang Mingrui as a Director of the Company at the Company's EGM held on 10 December 2021, (iii) Ms. Mao Weiwen, Ms. Wang Lei and Mr. Zhu Haifeng as Directors of the Company at the Company's EGM held on 30 December 2022, respectively.

As each of Mr. Guo Min, Ms. Zhang Mingrui, Ms. Mao Weiwen and Mr. Zhu Haifeng (the "**First-time Directors**") had no prior experience as a director of an issuer listed on the SGX-ST, they are required to undergo the mandatory training as prescribed by the SGX-ST pursuant to Rule 210(5)(a) of the Listing Manual. As disclosed on page 10 of the Company's circular dated 20 August 2021 and in the announcement on the appointment of Mr. Guo Ming made by the Company on 6 September 2021, on page 12 of the Company's circular dated 25 November 2021 and in the announcement on the appointment of Ms. Zhang Mingrui made by the Company on 10 December 2021, on page A-4 of the Company's circular dated 15 December 2022 and in the announcement on the appointment of Ms. Mao Weiwen made by the Company on 30 December 2022, as well as on page A-12 of the Company's circular dated 15 December 2022 and in the announcement on the appointment of Mr. Zhu Haifeng made by the Company on 30 December 2022, respectively, the Company will arrange for each of the First-time Directors to attend training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST, in accordance with Rule 210(5)(a) and Practice Note 2.3 of the Listing Manual. However, due to the ongoing restrictions in connection with the COVID-19 pandemic and their respective work arrangements/commitment, the First-time Directors have not had the opportunity to attend the relevant training, and will endeavour to do so once it is expedient to do so.

CORPORATE GOVERNANCE STATEMENT

BOARD MATTERS

Board Composition and Guidance Principle 2

Board Composition

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company. As at 31 December 2022, the Board comprised four (4) Executive Directors, two (2) Non-Executive and Non-Independent Directors, and three (3) Independent and Non-Executive Directors. The participation of the Directors in the various Board Committees during FY2022 are as follows:

Name of Director	Appointed on	Date of last re-election	Board	Audit Committee	Strategy Committee	Remuneration Committee	Nomination Committee
Directors in service as at 31 December 2022							
Zhang Mingrui	10 December 2021	N.A.	Chairman and Non-Executive and Non-Independent Director		M		M
Guo Min	6 September 2021	N.A.	Executive Director	C			
Mao Weiwen	30 December 2022	N.A.	Non-Executive and Non-Independent Director			M	
Wang Lei	30 December 2022	N.A.	Executive Director		M		
Wang Mai ¹	12 March 2019	N.A.	Executive Director				
Zhou Hong	15 May 2019	N.A.	Executive Director				
Liew Yoke Pheng Joseph	5 June 2020	N.A.	Lead Independent and Non-Executive Director	C		M	
Li Qing	17 May 2021	N.A.	Independent and Non-Executive Director	M			C
Zhu Haifeng	30 December 2022	N.A.	Independent and Non-Executive Director	M	M	C	M
Directors who left service as at 31 December 2022							
Zhang Ping ²	30 September 2019	N.A.	Non-Executive and Non-Independent Director			M	
Li Yan ³	5 June 2020	N.A.	Executive Director and General Manager		M		
Wong Gang ⁴	15 May 2019	N.A.	Lead Independent and Non-Executive Director	M		C	M

CORPORATE GOVERNANCE STATEMENT

Notes:

1. Mr. Wang Mai ceased to be an Executive Director with effect from 29 March 2023.
2. Mr. Zhang Ping ceased to be a Non-Executive and Non-Independent Director with effect from 27 October 2022.
3. Ms. Li Yan ceased to be an Executive Director and General Manager of the Company with effect from 22 August 2022.
4. Mr. Wong Gang ceased to be an Independent and Non-Executive Director with effect from 30 December 2022.

Board Diversity

The Company recognises and embraces the benefits of diversity on the Board, and views diversity at the Board as an essential element in supporting the Company in the pursuit of its strategic and business objectives and its sustainable development. The Company has in place a board diversity policy which endorses the principles to maintain diversity on board composition, as well as to ensure effective decision-making and governance of the company.

The Board, through the Nomination Committee, has robust processes in reviewing and assessing the size and composition of the Board and succession planning, taking into consideration the age, skills-set, knowledge, experience, background, gender, tenure, independence of Directors and other relevant factors. The composition of the Board is determined in accordance with the following principles:-

- a majority of the Board members shall be independent or non-executive directors;
- the Board should have enough directors to serve on various committees of the Board so that each member will be able to fully discharge his/her responsibilities; and
- the Board should comprise members with varied core competencies in management experience, strategic planning, accounting and finance, and industry knowledge, and diverse backgrounds and experience needed for effective Board performance.

During FY2022, Ms. Mao Weiwen, Ms. Wang Lei and Mr. Zhu Haifeng were appointed onto the Board of the Company. Ms. Mao Weiwen brings to the Board extensive human resources management experience, Ms. Wang Lei brings to the Board extensive senior management experience in the pharmaceutical industry, and Mr. Zhu Haifeng brings to the Board diverse experience in management consulting and the financial and technology industries. The aforesaid three (3) appointments will contribute significantly to the diversity of skills-set, industrial and geographical experience, gender and age.

The Directors' ages range from the thirties to sixties, and they have served on the Board for various tenures. The Board consists of members with established track records in business leadership and professional experience and expertise in pharmaceutical industry, finance, legal, business management, human resources, management consulting and the financial and technology industries. The Board recognises the importance and value of gender diversity and it presently includes four (4) female Directors.

Taking into account *inter alia* the nature and scope of the Group's operations, the requirements of the Group's businesses and the need to avoid undue disruptions from changes to the composition of the Board and its Board Committees, the Nomination Committee and the Board are of the view that the current size of the Board is appropriate for the time being for facilitation of effective decision-making on the part of the Board and each Board Committee. In addition, the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group as each Director brings to the Board an independent perspective based on his/her training and professional expertise to enable the Board to make balanced and well-considered decisions. The profile of each of the Directors is disclosed in the "Resumes of Directors, Supervisors and Senior Managers – Directors" section of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

The composition of the Board is reviewed on an annual basis by the Nomination Committee to ensure that the Board is of the appropriate size and comprises directors who as a group provide the appropriate balance and mix of skills, knowledge, expertise, experience and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. Keeping in mind the need for Board diversity, in identifying director nominees, the Nomination Committee will consider all aspects of board diversity including but not limited to gender, age, ethnicity, language, and other relevant factors, in addition to skills, background and experiences and taking into consideration the Company's business model and any specific requirements. These diverse range of attributes, experience, expertise and perspectives together with the Company's strategic objectives, business activities and shareholding structure, will be considered in order to maintain an optimum mix of diversity, skills, knowledge, experience and expertise in the Board.

Taking into consideration the requirements of the China Securities Regulatory Commission (中国证券监督管理委员会) (the "CSRC"), the Shanghai Stock Exchange (the "SSE") and the SGX-ST, in particular, Provision 2.2 of the Code which requires Independent Directors to make up a majority of the Board where the Chairman of the Board is not independent (as per the Company's current case), the Board will use its best endeavours to meet the requirement for Independent Directors to make up a majority of the Board. Nevertheless, even though Independent Directors do not make up a majority of the Board, the Board is of the view that as:-

- (i) one-third of the Board comprises Independent Directors, and all Board Committees (except for the Strategy Committee) are chaired by Independent Directors, and all or a majority of the members of each Board Committee (except for the Strategy Committee) are Independent Directors, who demonstrate a strong level of independence and judgement in discharging their duties and responsibilities as Independent Directors, and provide impartial and autonomous views;
- (ii) the Lead Independent Director or other Independent Director may, as and when he/she deems necessary and appropriate, call and lead meetings without the presence of Management;
- (iii) Non-Executive Directors make up a majority of the Board, which serves to reinforce management accountability, and which is adequate to ensure that there is an appropriate balance or power within the Board even though Independent Directors do not make up a majority of the Board; and
- (iv) as disclosed under Principle 1 of this Corporate Governance Statement, the Board conducts regular scheduled meetings on a quarterly basis to keep the Board updated on the Group's financial position and business activities, and the overall business environment in which the Group engages. Where the Board or the Board Committees' approval is required for important and critical matters concerning the Group, the inputs and approval of all Directors or Board Committee members (as the case may be) would be sought, whether through meetings held by electronic means or the passing of Board resolutions.

Accordingly, there is presently an appropriate level of independence and diversity of thought and background in the composition of the Board to enable the Board to make decisions in the best interests of the Company.

To enable the Company to reach its diversity objectives and targets, the Company intends to establish and implement the following measures:

- maintain a list of potential director candidates who satisfy the selection criteria set out in the internal guidelines for selection and appointment of independent directors of the Company as well as the principles set out in the Company's board diversity policy.

CORPORATE GOVERNANCE STATEMENT

- identify potential director candidates through a number of sources including directors' contacts, industry partners, professional associations and through the Board Appointment Services of the Singapore Institute of Directors; and
- encourage Directors to provide feedback on the composition of the Board, as part of the annual evaluations of the performance and effectiveness of the Board and Board Committees.

Board Independence

From 1 January 2022 to 30 December 2022, the Board had three (3) independent members: Mr. Wong Gang, Mr. Liew Yoke Pheng Joseph and Ms. Li Qing. Mr. Zhu Haifeng was appointed as an Independent and Non-Executive Director with effect from 30 December 2022 to replace Mr. Wong Gang as an Independent Director of the Company. Accordingly, Independent Directors make up one-third of the Board as at 31 December 2022. The criterion of independence is based on the definition given in Rule 210(5) of the Listing Manual and the circumstances set out in Provision 2.1 of the Code. The Board considers an "independent" director as one who is independent in conduct, character and judgement, and has no relationship (whether familial, business, financial, employment, or otherwise) with the Company, its related companies, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company. For the avoidance of doubt, notwithstanding that Mr. Wong Gang is also the Secretary to the Board, his responsibilities as Secretary to the Board will not interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment with a view to the best interest of the Company.

Pursuant to Section 3.5.6 of the "Guidelines No.1 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies-Standardised Operations" (《上海证券交易所上市公司自律监管指引第1号--规范运作》) promulgated by the SSE, an independent director cannot serve on the board of a listed company for more than six (6) consecutive years.

Prior to 11 January 2023, pursuant to Rule 210(5)(d)(iii) of the Listing Manual, a director will not be independent if he has been a director for an aggregate period of more than nine (9) years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the issuer, and associates of such directors and chief executive officer. Such resolutions may remain in force until the earlier of the following:- (X) the retirement or resignation of the director; or (Y) the conclusion of the third (3rd) annual general meeting of the Company following the passing of the resolutions.

On and from 11 January 2023, pursuant to the amendments to Rule 210(5)(d) of the Listing Manual with effect on and from 11 January 2023 (including new Rule 210(5)(d)(iv) of the Listing Manual which provides that a director will not be independent if he has been a director of the issuer for an aggregate period of more than nine (9) years (whether before or after listing) and Transitional Practice Note 4 (Transitional Arrangements Regarding The Tenure Limit For Independent Directors) of the Listing Manual), during the period from 11 January 2023 to the date of an issuer's annual general meeting for the financial year ending on or after 31 December 2023 (the "Transitional Period"), a director (whether independent, executive or non-executive) who has served on the board of an issuer for an aggregate period of nine (9) years can remain as independent directors so long as they meet the requirements in Rules 210(5)(d)(i) and 210(5)(d)(ii) of the Listing Manual, and Rule 210(5)(d)(iii) of the Listing Manual does not apply during the Transitional Period including for directors who are re-appointed during this Transitional Period. However, such a person must resign from the board or be designated as a non-independent director no later than at the annual general meeting of the issuer for the financial year ending on or after 31 December 2023.

CORPORATE GOVERNANCE STATEMENT

There is presently no Independent Director who has served beyond nine (9) years since the date of his/her first appointment to the Board.

Board Guidance

The Board and the Management believe that an effective and robust Board is fundamental to good corporate governance. As such, the Board members continually engage in open and constructive discussions and debate and the Board, in particular its Independent Directors and/or Non-Executive Directors are updated and kept well informed of the Company's business and the industry in which such business operates. This enables the Directors to offer new perspectives and insights and specifically, facilitates the Independent Directors and/or the Non-Executive Directors ability to constructively challenge and help develop proposals on strategy.

In addition, the Independent Directors and/or the Non-Executive Directors also review the performance of the Management in achieving pre-determined goals and objectives and monitor the reporting of the Management's performance. To ensure that the Independent Directors and/or the Non-Executive Directors are well supported by accurate, complete, and timely information, the Independent Directors and/or the Non-Executive Directors have unrestricted access to Management. Regular formal and/or informal meetings will be held (if required) for Management to brief Directors on prospective transactions and potential developments in the early stages, before formal Board approval is sought. Board papers are normally provided to Directors not less than a week in advance of the meeting to afford the Directors sufficient time to review the Board papers prior to the meeting. Whenever necessary, the Independent Directors and/or the Non-Executive Directors will also meet privately without the presence of the Management. The chairman of such meetings provides feedback to the Board and/or Chairman of the Board as appropriate.

BOARD MATTERS

Chairman and Chief Executive Officer

Principle 3

The Group keeps the roles of the Chairman of the Board and Chief Executive Officer (or its equivalent rank, i.e. the General Manager) separate. In this regard, there is a clear written division of responsibilities between the Chairman of the Board and the Chief Executive Officer (or its equivalent rank i.e. the General Manager), which ensures that there is a balance of power and authority at the top of the Group and that no one individual has unfettered powers of decision-making.

The Chairman of the Board is responsible for leading the Board in mapping the strategic direction of the Group. For this purpose, he/she strives to foster a culture of openness and debate within Board members, maintain open channels of communication with the Management, and monitor the implementation and execution of the Board's decisions and directions. The Chairman of the Board also approves the agendas for the Board meetings and ensures adequate amount of time is set aside for thorough discussion of each agenda item. Ms. Zhang Mingrui is the Chairman of the Board. She was appointed as a Non-Executive and Non-Independent Director of the Company on 10 December 2021, and was elected as Chairman of the Board on 28 December 2021.

CORPORATE GOVERNANCE STATEMENT

The responsibilities of the General Manager of the Company include, amongst others, overseeing the Group's overall operations, general management, investment, business development and strategic planning. During FY2022 and up to 22 August 2022, Ms. Li Yan, an Executive Director of the Company, was the General Manager of the Company. Ms. Wang Lei, an Executive Director of the Company, was appointed to substitute Ms. Li Yan as the General Manager of the Company on 22 August 2022, and continued as the General Manager of the Company during FY2022. Ms. Wang Lei has over 20 years' experience in the pharmaceutical industry.

The Chairman of the Board and the General Manager are not related.

To promote effective communication with shareholders of the Company, the Chairman of the Board also ensures that there is constructive and meaningful dialogue between the shareholders, the Board and the Management at AGMs or other general meetings of the Company.

With the full support of the Directors, the Board Secretaries and the Management, the Chairman of the Board also takes charge in ensuring that the Company achieves and maintains high standards of corporate governance.

The Chairman of the Board is assisted by the General Manager's Executive Meeting. Members attending the General Manager's Executive Meeting for FY2022 include (i) Ms. Li Yan (ii) General Manager Ms. Wang Lei, (iii) Deputy General Manager Mr. Zhang Jian, (iv) Deputy General Manager and Chief Engineer Mr. Zhou Hong, (v) Deputy General Manager Mr. Wang Xin, (vi) Chief Financial Officer (or its equivalent rank i.e. the Chief Accountant) Ms. Niu Shengfang and (vii) Chief Production Officer (CPO) Mr. Zhang Yu. The General Manager's Executive Meeting is responsible for the day-to-day running of the Group as well as the exercise of control over the quality, quantity and timeliness of information flow between the Board and the Management.

Three (3) out of nine (9) Directors are Independent Directors. All major decisions made by the Chairman of the Board are reported to and subject to review by the Board. His/her performance and appointment to the Board are reviewed by the Nomination Committee and his/her remuneration package is reviewed by the Remuneration Committee. The Board believes that the existing governance structure involving the delegation of certain functions and authority to several Board Committees, and the fact that these Committees (other than the Strategy Committee) comprised a majority of Independent Directors and each of them is chaired by an Independent Director, would provide for a balance of power and authority within the Board.

Lead Independent Director

In view that the Chairman of the Board is not an Independent Director, the Board has appointed Mr. Wong Gang as Lead Independent Director with effect from 17 May 2021 to head and coordinate the activities of the Independent Directors, including but not limited to Independent Directors' meetings. Following the cessation of Mr. Wong Gang as an Independent and Non-Executive Director of the Company with effect from 30 December 2022, Mr. Liew Yoke Pheng Joseph was appointed as Lead Independent and Non-Executive Director of the Company with effect from 30 December 2022. Shareholders have access to the Lead Independent Director where they have concerns and for which contact through the normal channels of the Chairman of the Board, the Management or the Supervisory Committee of the Company has failed to resolve concerns or is inadequate or inappropriate.

The Independent Directors, led by the Lead Independent Director, will meet amongst themselves without the presence of the other Directors and Management where necessary, and the Lead Independent Director will provide any suggestion or feedback to the Chairman of the Board after such meetings.

CORPORATE GOVERNANCE STATEMENT

BOARD MATTERS

Board Membership

Principle 4

Board Committees

To assist the Board in the execution of its duties, the Board has delegated specific functions to the following committees:

Strategy Committee

The Strategy Committee was established in 2002. During FY2022 and up to 30 December 2022, the Strategy Committee was chaired by Mr. Guo Min and its other members were Ms. Li Yan and Ms. Li Qing. Ms. Li Yan ceased to be an Executive Director and General Manager of the Company with effect from 22 August 2022. As at the date of this Corporate Governance Statement, the Strategy Committee is chaired by Ms. Zhang Mingrui and its other members are Mr. Guo Min, Ms. Wang Lei and Mr. Zhu Haifeng. The Strategy Committee is entrusted with the conduct of the Group's business and affairs, in line with the overall strategy set by the Board. The Strategy Committee meets periodically and at such other times where necessary.

The number of the Strategy Committee meetings held and attendance during FY2022 were as follows:

Name of Director/Executive	Appointment	Number of meetings held	Attendance
Guo Min ¹	Executive Director	1	1
Li Yan ²	Executive Director	1	1
Li Qing ¹	Independent and Non-Executive Director	1	1
Zhang Mingrui ¹	Non-Independent and Non-Executive Director	0	0
Wang Lei ³	Executive Director	0	0
Zhu Haifeng ⁴	Independent and Non-Executive Director	0	0

Notes:

- Pursuant to the proposed adjustments to the composition of the respective Board Committees approved at the Board meeting held on 9 January 2023, Ms. Zhang Mingrui substituted Mr. Guo Min as Chairman of the Strategy Committee, and Ms. Li Qing ceased to be a member of the Strategy Committee.
- Ms. Li Yan ceased to be an Executive Director and General Manager of the Company with effect from 22 August 2022.
- Ms. Wang Lei was appointed as an Executive Director and a member of the Strategy Committee with effect from 30 December 2022.
- Mr. Zhu Haifeng was appointed as an Independent and Non-Executive Director and a member of the Strategy Committee with effect from 30 December 2022.

Audit Committee

The Audit Committee was established in 1997. During FY2022 and up to 30 December 2022, the Audit Committee was chaired by Mr. Liew Yoke Pheng Joseph and its other members were Mr. Wong Gang and Ms. Li Qing. Mr. Wong Gang ceased to be an Independent and Non-Executive Director with effect from 30 December 2022. As at the date of this Corporate Governance Statement, the Audit Committee is chaired by Mr. Liew Yoke Pheng Joseph and its other members are Ms. Li Qing and Mr. Zhu Haifeng. All the members of the Audit Committee are Independent and Non-Executive Directors of the Company. None of the members of the Audit Committee who was a former partner

CORPORATE GOVERNANCE STATEMENT

or director of the Company's existing auditing firms, RSM Chio Lim LLP and ShineWing Certified Public Accountants (collectively, the "External Auditors"), within the past two (2) years, or who holds any financial interests in the External Auditors. Notwithstanding that Provision 10.2 of the Code which requires at least two (2) members, including the audit committee chairman, have recent and relevant accounting or related financial management expertise or experience, as Mr. Liew Yoke Pheng Joseph, the Audit Committee Chairman, is a Certified Public Accountant, Mr. Wong Gang has been a partner at Shook Lin & Bok LLP since 2002, Ms. Li Qing has been a lawyer and founding partner of Tianjin TEDA Law Firm since July 1988 and Mr. Zhu Haifeng is a Chartered Financial Analyst (CFA), the members of the Audit Committee collectively have relevant accounting or related financial expertise, the Board is satisfied that the members of the Audit Committee are appropriately qualified to discharge their responsibilities.

During FY2022, the Audit Committee carried out the following functions:

- reviewed the audit plans and scope of audit examination of the external auditors;
- reviewed with the external auditors their findings arising from the audit and making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditor, and the remuneration and terms of engagement of the external auditor;
- reviewed internal audit findings and internal audit plan;
- reviewed the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;
- reviewed the annual and quarterly financial statements and the draft earnings announcements before their submission to the Board for approval;
- reviewed the significant financial reporting issues and judgements (if any) so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- reviewed the assurance from the Chief Executive Officer (or its equivalent rank i.e. the General Manager) and the Chief Financial Officer (or its equivalent rank i.e. the Chief Accountant) on the financial records and financial statements;
- reviewed interested person transactions;
- reviewed the adequacy and effectiveness of the Company's internal control and risk management systems; and
- reviewed the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

The Audit Committee has full access to and co-operation of the Management, and has full discretion to invite any Director or executive officer of the Company to attend its meeting. The Audit Committee also has power to conduct or authorise investigations into any matters within its scope of responsibility. The Audit Committee is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses will be borne by the Company.

The Audit Committee has conducted a review of the annual audit plan prepared by the External Auditors and the audit work performed for FY2022 by the External Auditors and the Company confirms that it is in compliance with Rules 712 and 716 of the SGX-ST Listing Manual for FY2022. The Audit Committee and the Board have satisfied themselves that the appointment of different auditing firms for certain of the Company's associated companies would not compromise the standard and effectiveness of the audit of the Group. The Audit Committee also conducts

CORPORATE GOVERNANCE STATEMENT

a review to ensure the independence of the external auditors annually. During FY2022, the Company has agreed to pay an aggregate of approximately RMB2,960,000 to the External Auditors for their provision of audit services, and an aggregate of approximately RMB800,000 to the External Auditors for their provision of other non-audit services. The Audit Committee, having reviewed the range and value of non-audit services performed by the External Auditors, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors.

In FY2022, the Audit Committee had three (3) meetings with the External Auditors, without the presence of the Management, to discuss any issues or observations arising from the audit, including the level of cooperation rendered by the Management to the External Auditors. The Audit Committee also had three (3) meetings with the internal auditors, without the presence of the Management, during FY2022.

The Audit Committee takes measures to keep abreast of the changes to accounting standards and issues which have impact on financial statements, by participating in trainings conducted by professionals or external consultants.

The number of Audit Committee meetings held and attendance during FY2022 were as follows:

Name of Director/Executive	Appointment	Number of meetings held	Attendance
Liew Yoke Pheng Joseph	Lead Independent and Non-Executive Director ¹	6	6
Wong Gang ¹	Independent and Non-Executive Director	6	6
Li Qing	Independent and Non-Executive Director	6	6
Zhu Haifeng ²	Independent and Non-Executive Director	0	0

Notes:

1. Mr. Wong Gang ceased to be an Independent and Non-Executive Director with effect from 30 December 2022, and following the cessation of Mr. Wong Gang as a Director of the Company, Mr. Liew Yoke Pheng Joseph was appointed as Lead Independent and Non-Executive Director of the Company with effect from 30 December 2022.
2. Mr. Zhu Haifeng was appointed as an Independent and Non-Executive Director and a member of the Audit Committee with effect from 30 December 2022.

Nomination Committee

The Nomination Committee was established in 2002. During FY2022 and up to 30 December 2022, the Chairman of the Nomination Committee was Ms. Li Qing, and the other members were Mr. Wong Gang and Ms. Zhang Mingrui. Mr. Wong Gang who had been appointed as Lead Independent Director with effect from 17 May 2021 and was a member of the Nomination Committee before he ceased to be an Independent and Non-Executive Director with effect from 30 December 2022. As at the date of this Corporate Governance Statement, the Nomination Committee is chaired by Ms. Li Qing, and the other members are Mr. Zhu Haifeng and Mr. Guo Min. With reference to Provision 4.2 of the Code requiring that the lead independent director (if any) is a member of the Nomination Committee, even though Mr. Liew Yoke Pheng Joseph has been appointed as Lead Independent Director, he is not a member of the Nominating Committee. The Board is of the view that Mr. Liew Yoke Pheng Joseph is the most suitable choice for the role of the Lead Independent Director as he is the most experienced amongst all the Independent Directors.

CORPORATE GOVERNANCE STATEMENT

The responsibilities of the Nomination Committee are to determine the criteria for identifying suitable candidates and reviewing nominations for the appointment and re-appointment of Directors to the Board and Board Committees. As part of the process, the Nomination Committee will evaluate the factors including the relevant background, skills and experience of the proposed Director as prescribed under the Company's board diversity policy and other relevant factors as may be determined by the Nomination Committee, to ensure that his/her skills and experience are a good fit for the Board's existing attributes and requirements.

The Nomination Committee is also charged with the function of recommending a framework for evaluating the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution of the Chairman of the Board and each individual Director to the effectiveness of the Board. The Nomination Committee will also carry out such evaluation and present its findings and recommendations to the Board. In addition to the foregoing, the Nomination Committee will also make recommendations to the Board on other relevant matters pertaining to *inter alia* board succession plans for Directors, in particular, the appointment and/or replacement of the Chairman of the Board, the Chief Executive Officer (or its equivalent rank i.e. the General Manager) and key management personnel, and the review of training and professional development programmes for the Board.

Pursuant to Article 156 of the Articles of Association of the Company, the tenure of an Independent Director shall be three (3) years which may be extended upon re-election, with a maximum term of no more than six (6) years. The Board, the Supervisory Committee, or shareholders who, singly or jointly, hold more than one per cent. (1%) issued shares of the Company, may nominate candidates for appointment as Independent Directors, following which the Nomination Committee will review these nominated candidates for suitability and the shareholders in a general meeting shall make the final decision on the appointment of such candidates as Independent Directors. Directors are required immediately report any changes in their external appointments, including any corporate developments relating to their external appointments, which may affect their independence.

The Nomination Committee has not set a limit on the maximum number of listed company board representations which Directors may hold, as it is of the view that such a limit is not meaningful. Notwithstanding the foregoing, formal written guidelines have been instituted to address issues relating to competing time commitments when Directors serve on multiple boards in various companies. The contributions of each Director should be assessed based on the specific circumstances applicable to him/her, such as whether he/she has a full-time vocation or other responsibilities, his/her capabilities, and his/her appointment in the Company. The Nomination Committee will assess each Director on a regular basis to ensure that he/she is adequately carrying out his/her duties as a Director. Specific considerations are also given to each Director's attendance, responsibility, contributions and individual capabilities. Following the review, if necessary, the Chairman of the Board will act on the results of the performance evaluation, and, in consultation with the Nomination Committee, propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

When there is a need for a new appointment of a Director to the Board, the senior management personnel, the Board Secretaries and the human resources department of the Company will work together to ensure that the necessary preparatory work is completed, and the required materials are prepared, before the Nomination Committee meets to discuss the suitability of the list of potential candidates. The Nomination Committee will review the composition and range of knowledge, expertise, skills and attributes of the Board and Board Committees. The Nomination Committee will thereafter make its recommendations to the Board including appointments to the appropriate Board Committee(s) after matching the candidates' skills-set to the needs of each Board Committee. The Board, taking into account the views of the Nomination Committee, will consider if its Directors meet the criteria under the board

CORPORATE GOVERNANCE STATEMENT

diversity policy and possess the necessary competencies to govern the Company effectively. Upon the Board's approval, the Company will seek its shareholders' approval at a general meeting of the Company. If required, the Nomination Committee may engage an external consultant who provides professional advisory services to assist the Nomination Committee in arriving at a decision. The Nomination Committee also ensures that new Directors are aware of their duties and obligations (including the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, restrictions on dealings in the Company's securities and the disclosure of price-sensitive and trade-sensitive information) as directors of the Company.

In addition, the Nomination Committee also performs the following functions:

- determine on an annual basis, and as and when circumstances require, whether a Director is independent in accordance with the requirements under the Listing Manual, while taking into consideration the relevant provisions in the Code as elaborated under Principle 2 of this Corporate Governance Statement; and
- identify gaps in the mix of skills, experience and other qualities required for an effective Board, and where appropriate, nominate or recommend suitable candidates to fill the gaps. When this occurs, the members of the Nomination Committee, together with the Chairman of the Board, would conduct interviews on prospective candidates. Subsequently, those that are shortlisted are formally considered by the Nomination Committee for appointment to the Board.

The number of Nomination Committee meetings held and attendance during FY2022 were as follows:

Name of Director/Executive	Appointment	Number of meetings held	Attendance
Li Qing	Independent and Non-Executive Director	4	4
Wong Gang ¹	Independent and Non-Executive Director	4	4
Zhang Mingrui ²	Non-Executive and Non-Independent Director	4	4
Guo Min ²	Executive Director	0	0
Zhu Haifeng ³	Independent and Non-Executive Director	0	0

Notes:

1. Mr. Wong Gang ceased to be an Independent and Non-Executive Director with effect from 30 December 2022.
2. Pursuant to the proposed adjustments to the composition of the respective Board Committees approved at the Board meeting held on 9 January 2023, Ms. Zhang Mingrui ceased to be a member of the Nomination Committee, and Mr. Guo Min was appointed as a member of the Nomination Committee.
3. Mr. Zhu Haifeng was appointed as an Independent and Non-Executive Director and a member of the Nomination Committee with effect from 30 December 2022.

Remuneration Committee

The Remuneration Committee was established in 2002. During FY2022 and up to 30 December 2022, the Remuneration Committee was chaired by Mr. Wong Gang, and the other members are Mr. Liew Yoke Pheng Joseph and Mr. Zhang Ping. Mr. Wong Gang ceased to be an Independent and Non-Executive Director with effect from 30 December 2022, and Mr. Zhang Ping ceased to be a Non-Executive and Non-Independent Director with effect from 27 October 2022. As at the date of this Corporate Governance Statement, the Remuneration Committee is chaired by Mr. Zhu Haifeng and its other members are Mr. Liew Yoke Pheng Joseph and Ms. Mao Weiwen.

CORPORATE GOVERNANCE STATEMENT

The Remuneration Committee reviews and make recommendations to the Board on remuneration policies and packages for all Directors and key executives, both in terms of a framework of remuneration, and the specific remuneration packages for each Director and key executive. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind. The Remuneration Committee's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. If necessary, the Remuneration Committee will engage appropriate external consultants to provide expert advice on executive compensation. When this is the case, the Remuneration Committee will ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of such remuneration consultants.

Annual reviews of the compensation of the Directors and key executives are carried out by the Remuneration Committee to ensure that the remuneration of the Executive Directors and senior management are commensurate with their performance and value-add to the Group, giving due regard to the financial and commercial health and business needs of the Group. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company. No Director has or will be involved in deciding his or her own remuneration.

The Remuneration Committee also reviews the Company's obligations arising in the event of termination of the Chief Executive Officer's (or its equivalent rank i.e. the General Manager's) and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The number of Remuneration Committee meetings held and attendance during FY2022 were as follows:

Name of Director/Executive	Appointment	Number of meetings held	Attendance
Wong Gang ¹	Independent and Non-Executive Director	1	1
Liew Yoke Pheng Joseph	Independent and Non-Executive Director	1	1
Zhang Ping ²	Non-Executive and Non-Independent Director	1	1
Zhu Haifeng ³	Independent and Non-Executive Director	0	0
Mao Weiwen ⁴	Non-Executive and Non-Independent Director	0	0

Notes:

1. Mr. Wong Gang ceased to be an Independent and Non-Executive Director with effect from 30 December 2022.
2. Mr. Zhang Ping ceased to be a Non-Executive and Non-Independent Director with effect from 27 October 2022.
3. Mr. Zhu Haifeng was appointed as an Independent and Non-Executive Director and substituted Mr. Wong Gang as the Chairman of the Remuneration Committee with effect from 30 December 2022.
4. Ms. Mao Weiwen was appointed as a Non-Executive and Non-Independent Director and a member of the Remuneration Committee with effect from 30 December 2022.

Alternate Directors

As at 31 December 2022, the Company had no alternate directors on its Board.

CORPORATE GOVERNANCE STATEMENT

BOARD MATTERS

Board Performance

Principle 5

With regard to the performance evaluation process undertaken by the Nomination Committee for FY2022, the Nomination Committee had conducted an assessment of Board performance based on numerous financial criteria such as the return on equity of the Group, etc. and other non-financial criteria such as *inter alia* the Board's input to strategy, and the level of engagement with the Management. Such criteria employed by the Nomination Committee are comparable with industry peers and have not changed from year to year. Key areas for improvement or suggestions are then raised to the Board for discussion.

For FY2022, the Board and the Nomination Committee are of the view that the Board and its Board Committees have operated effectively, and the Chairman of the Board and each Director had contributed to the overall effectiveness of the Board.

The Nomination Committee did not utilise any external facilities to assess the performance of the Board, any Board Committee or the Directors.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6

Level and Mix of Remuneration

Principle 7

Disclosure of Remuneration

Principle 8

The Group's remuneration policy is to provide compensation packages at market rates which reward good performance and attract, retain and motivate managers and directors to provide good stewardship of the Company and key management personnel, to successfully manage the Company for the long term.

The Remuneration Committee reviews and make recommendations to the Board on (i) a framework of remuneration (including termination terms) for the Board and key Management personnel; and (ii) the specific remuneration packages for each Director (including the Chairman of the Board)) and the key Management personnel. As a principle, the Chairman of the Board, or any Board member will recuse themselves from discussions relating to their respective compensation, terms and conditions of service, and performance reviews. The remuneration of executive Directors and key Management personnel are based on the performance of the Group and their respective individual performance, and the remuneration of non-executive Directors (including all Independent Directors) takes into account factors such as effort, time spent and respective responsibilities of the Directors. The Directors' remuneration (including the Director's fees to be paid to the Independent Directors) is reviewed annually against peer companies to ensure its competitiveness and the quantum of the fees will only be paid upon approval of the shareholders at each AGM.

CORPORATE GOVERNANCE STATEMENT

The Directors' and Chief Executive Officer's (or its equivalent rank, i.e. the General Manager's) remuneration is set out below in bands of S\$250,000:

	Salary %	Bonus %	Termination, Retirement and Post- employment benefits %	Other Benefits %	Total %
Below S\$250,000					
Executive Directors					
Guo Min ¹	-	-	-	-	-
Wang Lei ^{2 6}	100	-	-	-	100
Wang Mai ³	100	-	-	-	100
Zhou Hong	100	-	-	-	100
Non-Executive and Non-Independent Directors					
Zhang Mingrui ⁴	-	-	-	-	-
Mao Weiwen ⁵	-	-	-	-	-
S\$250,000 and above, but below S\$750,000					
Chief Executive Officer (or its equivalent rank, i.e. the General Manager)					
Li Yan ⁶	100	-	-	-	100

Notes:

1. No remuneration was paid to Mr. Guo Min for FY2022 by the Company.
2. Ms. Wang Lei was appointed as an Executive Director with effect from 30 December 2022. She was appointed as the General Manager of the Company on 22 August 2022, and continued as the General Manager of the Company during FY2022.
3. Mr. Wang Mai ceased to be an Executive Director with effect from 29 March 2023.
4. No remuneration was paid to Ms. Zhang Mingrui for FY2022 by the Company.
5. Ms. Mao Weiwen was appointed as a Non-Executive and Non-Independent Director with effect from 30 December 2022, and no remuneration was paid to Ms. Mao Weiwen for FY2022 by the Company.
6. Ms. Li Yan ceased to be an Executive Director and General Manager of the Company with effect from 22 August 2022. As mentioned above, Ms. Wang Lei was appointed as the General Manager of the Company on 22 August 2022, and substituted Ms. Li Yan as the General Manager of the Company from 22 August 2022.

Notwithstanding the requirement in Provision 8.1(a) of the Code to disclose the amounts and breakdown of remuneration of each individual director and the Chief Executive Officer, the remuneration of each individual Director and the Chief Executive Officer (or its equivalent rank i.e. the General Manager) is not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in.

CORPORATE GOVERNANCE STATEMENT

The directors' fees paid to the Independent Directors of the Company for FY2022 are set out below:

Name of Director	Salary	Bonus	Directors' fees	Total
Liew Yoke Pheng Joseph	0	0	S\$55,000	S\$55,000
Wong Gang ¹	0	0	S\$55,000	S\$55,000
Li Qing	0	0	RMB60,000	RMB60,000
Zhu Haifeng ²	0	0	0	0

Notes:

1. Mr. Wong Gang ceased to be an Independent and Non-Executive Director with effect from 30 December 2022.
2. Mr. Zhu Haifeng was appointed as an Independent and Non-Executive Director with effect from 30 December 2022.

Details of remuneration paid to the top five (5) key executives (who are not Directors or the Chief Executive Officer (or its equivalent rank i.e. the General Manager)) of the Group for FY2022 are set out below:

Name of Executive	*Total Remuneration
Li Yong	RMB1,040,300
Zhang Jian	RMB1,055,300
Wang Xin	RMB1,062,800
Niu Shengfang	RMB1,055,300
Zhang Yu	RMB321,500

A breakdown of the level and mix of remuneration of the top five (5) key executives (who are not Directors or Chief Executive Officer (or its equivalent rank i.e. the General Manager)) is as follows:

	Salary %	Bonus %	Termination, Retirement and Post-employment benefits %	Other Benefits %	Total %
Below S\$250,000					
Li Yong	100	-	-	-	100
Zhang Jian	100	-	-	-	100
Wang Xin	100	-	-	-	100
Niu Shengfang	100	-	-	-	100
Zhang Yu	100	-	-	-	100

The aggregate total remuneration paid to or accrued to the top five (5) key executives (who are not Directors or Chief Executive Officer (or its equivalent rank, i.e. the General Manager)) amounted to RMB4,535,200.

There are no employees of the Company who are substantial shareholders of the Company, or are immediate family members of a Director or the Chief Executive Officer (or its equivalent rank i.e. the General Manager) or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during FY2022.

Pursuant to an EGM of the Company held on 2 December 2019, the shareholders of the Company approved, *inter alia*, the adoption of the 2019 Restricted A-Share Incentive Scheme (2019年A股限制性股票计划) (the "**Scheme**") of the Company which was established to further improve the long-term incentive mechanism of the Company, attract

CORPORATE GOVERNANCE STATEMENT

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 of directors 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 circular dated 15 November 2019 issued by the Company for further details on the Scheme, and the announcements made by the Company on SGXNET on 9 December 2019, 8 January 2020, 17 February 2020, 6 July 2020, 17 July 2020, 28 July 2020, 14 August 2020, 27 October 2021, 13 August 2021, 10 January 2023 and in relation to the events in connection with the Scheme.

The aggregate number of Restricted A-Shares (as defined under the Scheme) held by the Directors under the Scheme as at 31 December 2022 are set out below:

Name of Director	Aggregate number of Restricted A-Shares (as defined under the Scheme) held as at 31 December 2022
Li Yan ¹	70,000
Wang Mai ²	70,000
Zhou Hong	70,000

Notes:

- Ms. Li Yan ceased to be an Executive Director with effect from 22 August 2022. For the avoidance of doubt, the 70,000 Restricted A-Shares are still held by Ms. Li Yan notwithstanding that she has ceased to be a Director of the Company.
- Mr. Wang Mai ceased to be an Executive Director with effect from 29 March 2023. For the avoidance of doubt, the 70,000 Restricted A-Shares are still held by Mr. Wang Mai notwithstanding that he has ceased to be a Director of the Company.

The Company adopts a remuneration policy for Executive Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance.

The Remuneration Committee is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9

Audit Committee

Principle 10

To enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects, the Management provides all members of the Board with management accounts and such explanation and information on a quarterly basis, and as and when the Board may require such information from time to time.

In addition, the Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the SSE and the SGX-ST, and will establish written policies in this relation, if appropriate.

CORPORATE GOVERNANCE STATEMENT

In presenting the quarterly and annual financial statements and earnings announcements to shareholders, it is the aim of the Board to provide the shareholders with sufficient information that would enable shareholders to have a balanced and understandable assessment of the Group's financial position and prospects.

Internal Audit

The effectiveness of the internal control systems and procedures is monitored by the Management and progressively reviewed by the Audit Committee and the role of an internal audit function is to assist the Audit Committee in such review. The Audit Committee receives the audit findings and recommendations made by the Group's internal audit function and external auditors and deliberate on the treatment of such findings and recommendations. Subsequently, the internal audit function carries out follow-up actions to ensure that the implementation of decisions made by the Audit Committee are timely and appropriate, and internal audit reports are submitted at regular intervals to the Audit Committee for their review. The Audit Committee ensures that the internal audit function is adequately resourced and has appropriate standing within the Company.

The internal audit function is carried out by the Group's internal audit department which reports to the Audit Committee and the Board. The internal audit department has unfettered access to all of the Company's documents, records, properties and personnel, including access to the Audit Committee.

As the in-house internal audit department is treated similarly with the other departments in the Company, the Audit Committee does not deliberate nor approve the hiring, removal, evaluation and compensation of the head of the internal audit department. Nevertheless, the internal audit department is staffed by persons who are suitably qualified and experienced.

For FY2022, the head of the internal audit department of the Company was Mr. Yang Yongfu (杨永富) ("**Mr. Yang**") from January 2022 to September 2022. Mr. Yang holds a Bachelor's Degree in Statistics and a Master's Degree in Business Administration, and is also a Senior Accountant. In addition, Mr. Yang also serves as the Risk Prevention and Control Manager of the Company. Mr. Yang has successively held positions in the subordinate enterprises of the Company and has rich working experience. In particular, he has been involved in the processes of enterprise preparation, operation and development, mergers and liquidation of different enterprises, and also has many years of experience working in the internal audit department of the Company. Mr. Yang reports to the Board and the Audit Committee on a quarterly basis on behalf of the internal audit department, and the Board and the Audit Committee believe that Mr. Yang meets the requirements of his position in terms of knowledge accumulation, professional skills, management capability and relevance of experience.

Since October 2022 and up to the date of this Corporate Governance Report, the head of the internal audit department of the Company is Ms. Hou Wei (侯薇) ("**Ms. Hou**"). Ms. Hou is a Senior Accountant and International Certified Internal Auditor. From April 2006 to July 2010, Ms. Hou served as the Deputy Director of the audit department of the Company. From July 2010 to October 2017, she successively served as the Deputy Director and Director of the economic operation department of the Company. From October 2017 to October 2022, Ms. Hou served as the Deputy Secretary to the Party Branch of Tianjin Xinfeng Pharmaceutical Co., Ltd. (天津新丰制药有限公司). Since October 2022, Ms. Hou has been the head of the internal audit department of the Company. Ms. Hou reports/will report to the Board and the Audit Committee on a quarterly basis on behalf of the internal audit department, and the Board and the Audit Committee believe that Ms. Hou meets the requirements of her position in terms of knowledge accumulation, professional skills, management capability and relevance of experience.

CORPORATE GOVERNANCE STATEMENT

In carrying out the internal audit function, it is ensured that the principles set out in the *Basic Rules for Internal Control of Enterprises* (《企业内部控制基本规范》), *Guidelines on the Application of Internal Control* (《企业内部控制应用指引》), *Guidelines for the Evaluation of Enterprise Internal Control* (《企业内部控制评价指引》), and the *Guidelines for Internal Control of Enterprises* (《企业内部控制审计指引》) are adhered to. In addition, the internal audit procedures are also in accordance with the external auditor's requirements, as well as relevant accounting standards.

The Audit Committee reviews the adequacy and effectiveness of the Group's internal audit function annually. For FY2022, the Audit Committee is of the view that the Group's internal audit function is independent, effective and adequately resourced.

Internal Controls and Risk Management

The Board is responsible for the overall internal control framework, which also encompasses risk management, and oversees the Management in the design, implementation and monitoring of such systems. The Board recognises that no cost-effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. In terms of risk management, the Board determines the Company's levels of risk tolerance and put in place appropriate risk management policies to address potential issues. The Company will ensure that through the review of the findings of the internal audit and of the external auditors, and such other reviews and examinations as are considered necessary from time to time, in any case, at least annually, the Board seeks to ascertain the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems.

On a day-to-day basis, the Company has a corporate management department which develops the relevant rules and regulations relating to internal controls that are applicable to all the various departments in the Company, and also supervises the processes conducted by these departments. This is in addition to the internal audit department which, as mentioned above, conducts the internal review and is expected to inform the Audit Committee regularly on the progress of the internal audit. The Supervisory Committee is also involved in the process as it supervises all matters relating to the internal control framework and ultimately, the Board oversees the entire system that is in place.

To ensure that the internal controls and risk management systems in place are not undermined as a result of mismanagement, the Company has developed internal regulations (including the Internal Responsibility System) to hold any of the Directors, supervisors, senior management or other relevant employees of the Company personally liable, and to subject the relevant person(s) to corresponding punitive measures, in the event that there are any serious adverse effects or consequences to the Company as a result of any intentional misconduct or gross negligence by such person(s).

The Board had received assurance from the Chief Executive Officer (or its equivalent rank i.e. the General Manager) and Chief Financial Officer (or its equivalent rank i.e. the Chief Accountant) that the financial records as at 31 December 2022 have been properly maintained and the financial statements for FY2022 give a true and fair view of the Company's operations and finances, and assurance from the Chief Executive Officer (or its equivalent rank, i.e. the General Manager) and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

CORPORATE GOVERNANCE STATEMENT

After taking into account the above factors, various management controls put in place, as well as the assistance/services rendered to the Company by both its internal and external auditors, the Board is of the view that the present internal controls of the Group, including financial, operational, compliance and information technology controls, and risk management systems, are adequate and effective for the nature and the size of the Group's operations and business. The Audit Committee similarly concurs with the views of the Board on the adequacy and effectiveness of the present internal controls of the Group, including financial, operational, compliance and information technology controls, and risk management systems, to address its risk areas.

Whistleblowing Policy

The Company has put in place a whistleblowing policy which sets out the procedures for a whistleblower to make a report to the issuer on misconduct or wrongdoing relating to the Company and its officers.

Whistleblowers have direct access to the Discipline Inspection Committee (纪律监察委员会) of the Company, an independent function designated by the Company to investigate whistleblowing reports made in good faith, to raise concerns about possible improprieties, suspected corruption, bribery, embezzlement, or other matters within the Group. The Company is committed to ensuring protection of whistleblowers who have acted in good faith against reprisal, or detrimental or unfair treatment. The Company will ensure that the identity of whistleblowers will be kept confidential as far as practicable, unless the disclosure is required by law or regulatory authorities.

The Audit Committee, to whom the Discipline Inspection Committee (纪律监察委员会) reports, is responsible for oversight and monitoring of whistleblowing. The Audit Committee, which is responsible for oversight and monitoring of whistleblowing, also reviews the whistleblowing policy from time to time and ensures that suitable arrangements are in place for concerns raised to be independently investigated, and for the appropriate follow-up action to be taken.

The Company publicly discloses, and clearly communicates to its employees, the existence of the whistleblowing policy and procedures for raising such concerns through the Collaborative Management Systems (OA System) of the Company (公司协同管理平台OA系统) (the "OA System"). All employees of the Company have the access to the OA System to peruse the relevant rules and policies (including the whistleblowing policy) of the Company.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholders Rights and Conduct of General Meetings

Principle 11

Engagement with Shareholders

Principle 12

Communication with Shareholders

The Company does not practice selective disclosure. In line with the continuous disclosure obligations prescribed in the Listing Manual, the Board's policy is that all shareholders should have equal and timely access to all major developments that can reasonably be expected to have a material impact on the Group. Further, in disclosing any information to shareholders, the Company makes reasonable endeavours to be as forthcoming as possible, and avoid boilerplate disclosures, where appropriate.

CORPORATE GOVERNANCE STATEMENT

The following information is communicated to shareholders on a timely basis through SGXNET and the website of the SSE:

- quarterly and annual results, and the annual report;
- notices of and explanatory memoranda for AGMs and EGMs (also advertised in newspapers);
- press releases on major developments of the Group; and
- other disclosures as required under the Listing Manual of the SGX-ST and the listing rules of the SSE.

Shareholders in Singapore are encouraged to attend the Company's AGM held in the People's Republic of China (the "PRC") via video conferencing and/or other electronic means. The AGM is the principal forum for dialogue with shareholders. The notice of the AGM is issued to shareholders at least 45 days before the meeting in accordance with the requirements of the SSE and the Articles of Association of the Company. Additional information will be provided in explanatory notes or in a circular on items of special business. The Board welcomes questions from shareholders on performance and operations of the Group. Where possible, all the Directors will attend the general meetings of the Company. In particular, the Chairmen of the Audit, Remuneration and Nomination Committees are normally available at the meeting to answer those questions relating to the work of the respective Board Committees. External auditors and/or advisers of the Company are also present at such general meetings to assist the Directors to address shareholders' queries, if necessary.

The Company provides for separate resolutions on each distinct issue at general meetings (including but not limited to AGMs). To encourage greater transparency in the voting process and in compliance with the Listing Manual, the Company conducts electronic poll voting for shareholders holding "A" Shares (the "A-Share Shareholders"), and manual poll voting for shareholders holding "S" Shares (the "S-Share Shareholders"), for all resolutions proposed at the general meetings (save for resolutions relating to the election of directors or supervisors at all general meetings subsequent to the Company's AGM held on 16 May 2022 where the Article of Association of the Company was amended to allow the Company to carry out cumulative voting for resolutions relating to the election of directors or supervisors at its general meetings in accordance with the requirements of PRC laws). Shareholders are adequately informed of the rules governing general meetings of shareholders, including the voting procedures in place. An independent scrutineer is also appointed to tally and validate the votes that are cast at the general meetings. The poll voting results showing the respective percentages for and against each resolution are immediately presented to shareholders after the votes are tallied and these results are also announced on SGXNET in a timely fashion after the general meetings. The Company will publish minutes of general meetings on SGXNET and/or its corporate website as soon as practicable. The minutes will record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and the Management.

Due to the COVID-19 pandemic, the SGX-ST had issued an announcement on "Extension of Temporary Legislative Relief for Conduct of General Meetings via Electronic Means Beyond 30 June 2021" on 7 April 2021, which provides the issuers may continue to utilise the published checklist relating to guidelines for listed entities on the conduct of general meetings amid the evolving COVID-19 (the "SGX Checklist") that was first jointly issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and Singapore Exchange Regulation on 13 April 2020 and updated on 27 April 2020, 22 June 2020, 1 October 2020 and 4 February 2022. SGX-ST had further, on 15 December 2022, released a news release noting that the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings) Orders (Orders) are intended to be revoked from 1 July 2023 and stating all issuers' general meetings conducted from the date of the revocation of the Order (i.e. from 1 July 2023) will have to return to the physical mode, and that between 15 December 2022 till 1 July 2023, listed issuers may continue to utilise the SGX Checklist on the conduct of general meetings.

CORPORATE GOVERNANCE STATEMENT

Accordingly, the Company had held its AGM for FY2021 on 16 May 2022 (the “**2022 AGM**”) as well as its EGM for FY2022 on 30 December 2022 (the “**2022 1st EGM**”) respectively in consideration of the SGX Checklist. In particular, in view of the COVID-19 pandemic, (i) for the 2022 AGM, the S-Share Shareholders in Singapore were required to appoint the chairman of the general meeting as their proxies as physical attendance was not permitted at the 2022 AGM, and (ii) for the 2022 1st EGM, the S-Share Shareholders in Singapore were allowed to attend the 2022 1st EGM via video conferencing as per the Company’s past practice pre-COVID. The votes of the S-Share Shareholders in Singapore were tallied with the votes of the A-Share Shareholders in the PRC. In accordance with the SGX Checklist, the minutes of each of the 2022 AGM and the 2022 1st EGM were announced on SGXNET on 10 June 2022 and 28 January 2023, respectively.

The Articles of Association of the Company currently allows a shareholder entitled to attend and vote at general meetings to appoint one or more persons (who need not also be shareholders) to act as their proxies and to attend and vote in such general meetings on their behalf.

The Company is not implementing absentia voting methods until security and other relevant issues relating to *inter alia* authentication of votes cast by such methods are satisfactorily straightened out.

In order to solicit shareholders’ views, the Company also holds conferences on online platforms from time to time, where shareholders may log on to attend and participate. The Company also has a dedicated and committed Investor Relations team that engages with institutional investors, if necessary, and addresses investors’ queries as and when such queries are directed to the team. The Company also maintains a current corporate website to communicate and engage with stakeholders. Shareholders and investors are also provided with investor relations contacts on the “Queries from Shareholders (股东咨询)” page under the “Investor Relationship (投资者关系)” section of the Company’s corporate website at www.jydr.com.cn.

Dividend Policy

The Board considers that it is imperative to balance the Group’s needs with the need to encourage shareholder loyalty. Accordingly, taking into account various factors such as the Group’s cash flow and financial position, capital needs, and possible expansion plans, the Board will determine the frequency and appropriate amount of dividends to be declared in any financial year. Any dividend payment will be communicated to shareholders in a timely manner.

At the AGM for the financial year ended 31 December 2019 (“**FY2019**”), the shareholders of the Company had approved the proposed “Scheme on Return of Investment to Shareholders from 2020 to 2022” (the “**Shareholder Return Plan**”). In particular, pursuant to the Shareholder Return Plan, the conditions for the Company to distribute profits in the form of cash dividends are as follows:

- (1) the Company’s net profit for the year or half year is positive and not less than RMB0.05 per share;
- (2) the distributable profits realized by the Company during the year (i.e., the remaining after-tax profits of the Company after making up for losses and setting aside funds for the statutory and discretionary common reserve funds according to law) are positive;
- (3) the Company’s net cash flow and cash flows from operating activities for the year are positive;

CORPORATE GOVERNANCE STATEMENT

- (4) when the Company distributes its annual profits, a standard unqualified audit report on the Company's financial reports for that year shall be issued by an auditing institution; and
- (5) the Company has no significant foreign investment plans or major cash outlays¹ (excluding fundraising projects) within the next twelve (12) months.

Further details on the Shareholder Return Plan can be found on pages 28 to 31 of the Company's annual report for FY2019, which was uploaded on SGXNET on 21 May 2020.

Pursuant to the *Regulatory Guideline No. 3 for Listed Companies - Distribution of Cash Dividends by Listed Companies (2022 Revision)* (《上市公司监管指引第3号 — 上市公司现金分红》(2022年修订)) promulgated by the CSRC, the *Guidelines No. 1 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies - Standardised Operations* (《上海证券交易所上市公司自律监管指引第1号 — 规范运作》) promulgated by the SSE, and other relevant laws and regulations, Article 224 of the Articles of Association of the Company was amended pursuant to a resolution passed by shareholders of the Company in an EGM held on 18 August 2014 to (i) state explicitly that when the conditions for distributing profits through cash dividends are met, the Company shall distribute profits through cash dividends; and (ii) set out the procedure and requisite contents of a scheme on return of investment to shareholders. More information on the foregoing can be found in the circular to shareholders dated 1 August 2014.

MANAGING STAKEHOLDER RELATIONSHIPS

Engagement with Stakeholders

Principle 13

The Company adopts an inclusive approach by considering and managing the needs and interests of key stakeholders of the Company. Stakeholder engagement is the first key step in determining issues that are material to the Company, giving insight into the perspective of its stakeholders and what they deem important in the context of their partnership with the Company. The Company engages and gathers feedback from a diverse range of stakeholders with the aim of improving its performance and driving long-term value creation.

The Company's key stakeholders include customers and consumers, employees, suppliers, government and industry/standards association, community, investors and shareholders.

The Company has conducted effective communication with all key stakeholders, actively solicited their needs and opinions, and also participated in industry and government seminars to keep abreast of any material issues that the stakeholders are concerned about. The Company defines key stakeholders as a group that has a significant impact on the Group's operations or is affected by the Group's operations. Please refer to the section titled "Stakeholder Engagement" in the Sustainability Report which will be/has been published in May 2023 for further details in relation to key stakeholders of the Company and how the Company communicate with them.

¹ Significant investment plans or major cash outlays refer to the aggregate amount of expenditures in major projects such as foreign investments, asset acquisitions or equipment purchases that are planned by the Company within the next (12) twelve months will reach or exceed five per cent. (5%) of the Company's latest audited net tangible assets.

CORPORATE GOVERNANCE STATEMENT

ADDITIONAL INFORMATION

Dealings in Securities

In line with Rule 1207(19) of the Listing Manual, the Company has in place a policy on dealings in securities. The Directors and employees are prohibited from securities dealings whilst they are in possession of price-sensitive information. The Company issues regular circulars to its Directors, principal officers and relevant officers who have access to unpublished material price-sensitive information to remind them of the aforesaid prohibition and the requirement to report their dealing in shares of the Company.

The Company, its Directors and employees are also prohibited from dealing in the securities of the Company during the period commencing two (2) weeks prior to the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year and one (1) month before the announcement of the Company's financial statements for the full financial year.

Directors and employees of the Group are observed not to deal in the Company's shares on short-term consideration and when he or she is in possession of unpublished price-sensitive information relating to the Group. They are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

Compliance with existing best practices guide of the Singapore Exchange

The Board confirms that for the financial year ended 31 December 2022, the Company has complied with the principal corporate governance recommendations set out in the Best Practices Guide issued by the SGX-ST.

Disclosure Regarding Company's Relationship with Tianjin SASAC

Up to March 2021, Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) ["TPH"], the controlling shareholder of the Company, was ultimately owned by the State-owned Assets Supervision and Administration Commission of Tianjin Municipal People's Government (天津市人民政府国有资产监督管理委员会) ["Tianjin SASAC"] through its wholly-owned subsidiaries, Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海国有资产经营管理有限公司) ["Bohai State-owned Assets Management"] and Tianjin Tsinlien Investment Holding Co., Ltd. (天津津联投资控股有限公司).

Notwithstanding the foregoing, under the laws of Singapore, Tianjin SASAC was not considered a controlling shareholder of the Company. Pursuant to the *Law of the People's Republic of China on the State-Owned Assets of Enterprises* (《中华人民共和国企业国有资产法》), the State Council of the PRC (the "State Council") and the local people's governments shall, in accordance with laws and administrative regulations, perform respectively the contributor's functions for state-invested enterprises and enjoy the contributor's rights and interests on behalf of the state. In this relation, the state-owned assets supervision and administration bodies established by the local people's governments according to the provisions of the State Council shall perform the contributor's functions for state-invested enterprises on behalf of and upon the authorisation of the corresponding people's government. Accordingly, the establishment and responsibilities of Tianjin SASAC are based on, and subject to, the PRC laws,

CORPORATE GOVERNANCE STATEMENT

rules and regulations and Tianjin SASAC did not influence decisions on the financial and operating policies of the Company in normal circumstances. As such, under the Securities and Futures Act 2001 of Singapore and the Listing Manual, Tianjin SASAC was not considered to be able to exercise “control” over the Company and was therefore, not a controlling shareholder of the Company under Singapore laws. In this relation, Tianjin SASAC and its associates were also not considered interested persons of the Company and hence, the interested person transaction requirements under the Listing Manual do not apply to them.

As announced by the Company on SGXNET on 26 March 2021 (the “**26 March 2021 Announcement**”) in relation to the update on the Proposed Mix-ownership Reform (as defined in the 26 March 2021 Announcement):

- [1] As previously announced on 20 December 2020 by the Company, during the public tender-for-sale (公开挂牌出让) in relation to the proposed transfer by Bohai State-owned Assets Management of 67% of its equity interest in TPH (the “**Proposed Transfer**”), Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司) (the “**Purchaser**”) had been confirmed as the transferee under the Proposed Transfer. Further, on 19 March 2021, the Company announced that it had been notified by the Purchaser that, as at 19 March 2021, the Purchaser had completed the payment of the consideration for the acquisition of 67% equity interest in TPH (the “**Acquisition**”) in accordance with the sale and purchase agreement entered into between the Purchaser and Bohai State-owned Assets Management on 19 December 2020.
- [2] Tianjin Property Rights Exchange (天津产权交易中心) had issued a “Transaction Certificate for Transfer of State-owned Assets” (国有产权交易凭证) in relation to the Proposed Transfer.
- [3] Further, the Company has been notified that, on 26 March 2021, TPH had completed the industrial and commercial modification registration formalities in relation to the Acquisition.

Accordingly, the equity interest held by Bohai State-owned Assets Management in TPH had reduced from 100% to 33%, and the Purchaser holds 67% equity interest in TPH presently.

As further announced in the 26 March 2021 Announcement, as stated in the announcement dated 30 December 2020 made by the Company in relation to, *inter alia*, the supplemental announcement on the “No Actual Controller” statement, the actual controller (as determined in accordance with the laws of the PRC) of the Company was Tianjin SASAC prior to the Acquisition, and following the completion of the Acquisition, the indirect controlling shareholder of the Company will be changed to the Purchaser, and the Company will have no actual controller (as determined in accordance with the laws of the PRC) since the Purchaser does not have an actual controller (as determined in accordance with the laws of the PRC). Currently, the Purchaser is the indirect controlling shareholder of the Company (as defined under Singapore laws).

CORPORATE GOVERNANCE STATEMENT

SUMMARY OF DISCLOSURES OF CODE OF CORPORATE GOVERNANCE 2018 (THE CODE)

This summary of disclosures describes the Company's corporate governance practices with specific reference to the disclosure requirements in the principles and provisions of the Code.

Principles and Provisions of the Code	Page reference in the Company's annual report for FY2022	Principles and Provisions of the Code	Page reference in the Company's annual report for FY2022
BOARD MATTERS		Board Membership	
The Board's Conduct of Affairs		Principle 4	
Principle 1		4.1	Pages 46 to 48
1.1	Pages 33 and 34	4.2	Page 46
1.2	Page 37	4.3	Pages 47 and 48
1.3	Page 35	4.4	Page 48
1.4	Pages 34 and 35, 38 and 39, 44 to 49	4.5	Pages 37, 47 and 48
1.5	Pages 36, 44, 46, 48 and 49	Board Performance	
1.6	Pages 35 and 36	Principle 5	
1.7	Pages 35 and 36	5.1	Pages 47 and 50
Board Composition and Guidance		5.2	Page 50
Principle 2		REMUNERATION MATTERS	
2.1	Pages 41 and 42	Procedures for Developing Remuneration Policies	
2.2	Page 40	Principle 6	
2.3	Page 38	6.1	Page 49
2.4	Pages 38 to 41	6.2	Page 48
2.5	Page 43	6.3	Page 49
Chairman and Chief Executive Officer		6.4	Page 49
Principle 3			
3.1	Pages 42 and 43		
3.2	Pages 42 and 43		
3.3	Page 43		

CORPORATE GOVERNANCE STATEMENT

Principles and Provisions of the Code	Page reference in the Company's annual report for FY2022	Principles and Provisions of the Code	Page reference in the Company's annual report for FY2022
Level and Mix of Remuneration		SHAREHOLDER RIGHTS AND ENGAGEMENT	
Principle 7		Shareholder Rights and Conduct of General Meetings	
7.1	Pages 49, 50 and 53	Principle 11	
7.2	Pages 49 and 50	11.1	Page 57
7.3	Pages 49 and 50	11.2	Page 57
Disclosure on Remuneration		11.3	Page 57
Principle 8		11.4	Page 58
8.1	Pages 51 and 52	11.5	Page 57
8.2	Page 52	11.6	Pages 58 and 59
8.3	Pages 52 and 53	Engagement with Shareholders	
ACCOUNTABILITY AND AUDIT		Principle 12	
Risk Management and Internal Controls		12.1	Page 57
Principle 9		12.2	Page 58
9.1	Page 55	12.3	Page 58
9.2	Page 55	MANAGING STAKEHOLDERS RELATIONSHIPS	
Audit Committee		Engagement with Stakeholders	
Principle 10		Principle 13	
10.1	Page 45	13.1	Page 59
10.2	Pages 44 and 45	13.2	Page 59
10.3	Page 45	13.3	Page 58
10.4	Page 54		
10.5	Page 46		

STATEMENT BY DIRECTORS

The directors are pleased to present the consolidated financial statements of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (the “Company”) and its subsidiaries (collectively, the “Group”) and the statement of financial position and statement of changes in equity of the Company for the reporting year ended 31 December 2022.

The Company, formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited, changed its name to its present name with effective from 18 May 2022.

1. Opinion of the directors

In the opinion of the directors:

- (a) The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (b) At the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

The directors of the Company in office at the date of this statement are:

Zhang Mingrui

Guo Min

Wang Lei

(appointed on 30 December 2022)

Zhou Hong

Mao Weiwen

(appointed on 30 December 2022)

Liew Yoke Pheng, Joseph

Li Qing

Zhu Haifeng

(appointed on 30 December 2022)

STATEMENT BY DIRECTORS

3. Directors' interests in shares and debentures

The interests of directors who held office at the end of the reporting year in shares, debentures, warrants and share options in the Company, or of related corporations, are as follows:

Name of director in which interests are held	Direct interest	
	At beginning of year	At end of year
	<u>Restricted circulating A-shares</u>	
Wang Mai	70,000	70,000
Zhou Hong	70,000	70,000

The directors' interests as at 21 January 2023 were the same as those at the end of the reporting year.

4. Arrangements to enable directors to acquire benefits by means of acquisition of shares and debentures

Neither at the end of, nor at any time during the reporting year, was the Company a party to arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

5. Options

During the reporting year, no option to take up unissued shares of the Company or any other body corporate in the Group was granted.

At the end of the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at end of the reporting year.

On behalf of the directors

.....
Zhang Mingrui
Director

.....
Wang Lei
Director

30 March 2023

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited) (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of net realisable value of inventories

Please refer to note 2C on the relevant accounting policy, note 2D on critical judgements, assumptions and estimation uncertainties, and note 21 on inventories.

The Group is principally engaged in the manufacture and sale of traditional Chinese and Western medicine in the People's Republic of China. The Group's inventories are measured at lower of cost and estimated net realisable value. The carrying amount as at 31 December 2022 was RMB1,429,452,000, representing 14% of the Group's total assets. During the reporting year ended 31 December 2022, the Group wrote down inventories amounting to RMB36,122,000.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

Key audit matters (Cont'd)

Assessment of net realisable value of inventories (Cont'd)

The assessment of net realisable value of inventories involves a significant degree of management's judgement. To this end, management took into consideration a number of factors, including physical deterioration, functional and economic obsolescence, age of the inventories, prevailing market conditions in the pharmaceutical industry and historical write-down experience.

In response to this risk, our audit approach included, amongst others, the following:

- We reviewed the Group's policy for inventories write-down and performed procedures to assess management's rationale and determination of net realisable value of inventories;
- We tested management's computation of the amount of inventories written down and written back;
- We tested the net realisable value of inventories by analysing selling prices and gross profit margins for major products;
- For inventories approaching expiry dates and have been written down, we reviewed the historical sales of these items to assess whether the write-down was appropriate; and
- We assessed the adequacy of disclosures made in the financial statements.

Assessment of impairment of trade receivables

Please refer to note 2C on the relevant accounting policy, note 2D on critical judgements, assumptions and estimation uncertainties, and note 22 on trade and other receivables.

As set out in note 22 to the financial statements, the Group's trade receivables amounted to RMB2,724,582,000 as at 31 December 2022, representing 27% of the Group's total assets. The allowance for impairment of trade receivables is estimated by management through the application of judgement and use of subjective assumptions.

The expected credit losses ("ECL") are recognised from initial recognition and are based on the lifetime ECL for trade receivables. The assessment requires management to develop methodologies involving the use of significant judgements. In estimating the ECL, the Group developed a matrix that took into account historical credit loss experience for trade receivables and, where relevant, incorporated forward-looking information that reflected management's view of potential future economic conditions (including the impact of the COVID-19 pandemic).

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

Key audit matters (Cont'd)

Assessment of impairment of trade receivables (Cont'd)

In response to this risk, our audit approach included, amongst others, the following:

- We reviewed the allowance methodologies developed by the Group and assessed management's assumptions and estimates, in particular, the historical observed default rates of trade receivables grouped based on shared credit risk characteristics and those relating to forward-looking information (if any); and
- We assessed the adequacy of the loss allowance recorded at end of the reporting year and the disclosures made in the financial statements.

Purchase price allocation ("PPA") arising from acquisition of subsidiary

Please refer to note 2C on the relevant accounting policy, note 2D on critical judgements, assumptions and estimation uncertainties, and note 17B on acquisition of subsidiary.

On 30 September 2022, the Company acquired additional 5,735,899 shares in its associate, NewScen Coast Bio-Pharmaceutical Co., Ltd. ["NewScen Coast"] (天津中新科炬生物制药股份有限公司), for a consideration of approximately RMB51,623,000, representing 21.56% of the equity interests of NewScen Coast (the "Acquisition"). Prior to the Acquisition, the Company held approximately 26.29% of the equity interests in NewScen Coast. Upon completion of the Acquisition, the Company held approximately 47.85% of the equity interests in, and also obtained control over, NewScen Coast, resulting in the latter becoming a subsidiary of the Company on 30 September 2022.

Management engaged an external valuer to assist with the PPA and, based on this, the Group recognised a gain on re-measurement of fair value of the previously-held equity interests in NewScen Coast of RMB72,010,000 and goodwill of RMB104,264,000.

We have identified the Acquisition as a key audit matter because the process of PPA required significant management judgement and estimation by the Group.

As part of our audit procedures, we reviewed the sale and purchase agreement and other related documents to evaluate the appropriateness of Group's accounting of the Acquisition. In addition, with the assistance of our internal valuation specialists, we reviewed the PPA, including the following:

- Assessed the appropriateness of the methodology and assumptions applied in the valuation of acquired identifiable assets and liabilities;
- Tested the integrity of inputs used in management's projected cash flows. To this end, we also challenged the growth rates and discount rates used in the computations by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with management and the external valuer;
- Assessed the reasonableness of the fair value of the Group's previously-held interest in NewScen Coast; and
- Assessed the accuracy of the calculation of goodwill.

We also assessed the adequacy of the disclosures in respect of the Acquisition in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

Key audit matters (Cont'd)

Assessment of impairment of goodwill

Please refer to note 2C on the relevant accounting policy, note 2D on critical judgements, assumptions and estimation uncertainties, and note 16A on goodwill.

As at 31 December 2022, the goodwill arising from the aforementioned Acquisition amounted to RMB104,264,000. Management is required to perform an impairment assessment of the carrying amount of this goodwill at least annually. Goodwill is impaired if the carrying amount of the cash generating unit ("CGU"), including the goodwill, exceeds the recoverable amount. Management determined the recoverable amount of the CGU based on the value-in-use method and an impairment loss on goodwill of RMB19,571,000 was recognised. This involved significant management judgement and estimation in projecting the CGU's revenue growth rates, discount rate and terminal value.

With assistance of our internal valuation specialists, we performed the following audit procedures:

- Challenged management's estimates and assumptions used in the determination of value-in use;
- Assessed the appropriateness of management's valuation methodology, valuation models and the unobservable inputs of those models;
- Compared the discount rates to available market observable data including market and country risk premiums and any asset-specific risk premium; and
- Performed sensitivity analysis of the key assumptions and key drivers of the cash flow forecasts for the CGU and considered the likelihood of such changes arising.

We also assessed the related disclosures on key assumptions applied in determining the recoverable amounts of the CGU.

Other information

Management is responsible for the other information. The other information comprises the information included in the statement by directors and the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

Auditors' responsibilities for the audit of the financial statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

RSM Chio Lim LLP
Public Accountants and Chartered Accountants

8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095

30 March 2023

Partner-in-charge: Adrian Tan Khai-Chung
Appointment since reporting year ended
31 December 2021

ShineWing Certified Public Accountants
(Special General Partnership)

9/F, Block A, Fuhua Mansion
No. 8 Chaoyangmen Beidajie
Dongcheng District
Beijing 100027
People's Republic of China

30 March 2023

Partner-in-charge: Jiang Bin
Appointment since reporting year ended
31 December 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	4	8,249,250	6,907,544
Cost of sales		(5,032,282)	(4,214,548)
Gross profit		3,216,968	2,692,996
Interest income	5	56,125	50,483
Other income and gains	6	102,385	69,844
Marketing and distribution expenses		(1,969,265)	(1,556,447)
Research and development expenses		(153,147)	(161,052)
Administrative expenses		(388,355)	(388,769)
Finance costs	7	(13,158)	(1,909)
Other losses	6	(67,977)	(17,937)
Share of results of equity-accounted associates		196,613	185,597
Profit before tax		980,189	872,806
Income tax expense	9	(106,931)	(85,929)
Profit for the year		873,258	786,877
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value changes on equity investments measured at fair value through other comprehensive income ("FVTOCI"), net of tax	26C	(944)	2,323
Share of other comprehensive income from equity-accounted associates, net of tax	26A	6,995	5,111
Total other comprehensive income for the year		6,051	7,434
Total comprehensive income for the year		879,309	794,311
Profit for the year attributable to:			
– Owners of the Company		861,794	769,143
– Non-controlling interests		11,464	17,734
		873,258	786,877
Total comprehensive income for the year attributable to:			
– Owners of the Company		867,845	776,577
– Non-controlling interests		11,464	17,734
		879,309	794,311
Earnings per share			
Earnings per share currency unit		RMB	RMB
Basic and diluted	10	1.11	0.99

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	1,461,594	1,483,273	987,931	1,047,816
Investment properties	13	14,099	15,177	13,321	14,349
Right-of-use assets	14	2,994	3,054	-	-
Land use rights	15	204,021	182,638	152,096	156,907
Intangible assets	16	172,802	20,270	17,257	18,568
Investments in subsidiaries	17	-	-	1,536,265	535,525
Investments in associates	18	760,193	729,660	760,193	729,660
Other financial assets	19	41,272	11,081	321	11,081
Deferred tax assets	9	208,352	154,605	179,689	140,059
Other assets	20	46,210	42,333	40,550	40,067
Total non-current assets		2,911,537	2,642,091	3,687,623	2,694,032
Current assets					
Inventories	21	1,429,452	1,525,089	785,984	1,391,957
Trade and other receivables	22	2,785,117	2,011,319	2,337,302	1,941,982
Other financial assets	19	40,615	484,464	-	374,829
Other assets	20	107,736	120,940	14,377	103,188
Cash and cash equivalents	23	2,882,524	2,283,181	2,075,925	2,055,683
Total current assets		7,245,444	6,424,993	5,213,588	5,867,639
Total assets		10,156,981	9,067,084	8,901,211	8,561,671
EQUITY AND LIABILITIES					
Equity					
Share capital	24	773,443	773,443	773,443	773,443
Share premium		1,228,740	1,228,740	1,228,740	1,228,740
Retained earnings		4,372,462	3,890,250	4,275,060	3,818,874
Other reserves	26	176,564	504,077	559,241	553,504
Equity attributable to owners of the Company		6,551,209	6,396,510	6,836,484	6,374,561
Non-controlling interests		30,493	149,352	-	-
Total equity		6,581,702	6,545,862	6,836,484	6,374,561
Non-current liabilities					
Deferred tax liabilities	9	8,818	4,212	-	4,212
Trade payables	27	10,091	12,445	9,005	12,297
Lease liabilities	28	871	1,572	-	-
Other financial liabilities	29	151,300	-	123,310	-
Other liabilities	30	100,513	101,124	55,379	66,757
Total non-current liabilities		271,593	119,353	187,694	83,266
Current liabilities					
Income tax payable		93,280	9,530	76,138	-
Trade and other payables	27	2,885,422	2,145,133	1,516,835	1,896,456
Lease liabilities	28	4,097	1,597	-	-
Other financial liabilities	29	101,639	30,000	80,531	-
Other liabilities	30	219,248	215,609	203,529	207,388
Total current liabilities		3,303,686	2,401,869	1,877,033	2,103,844
Total liabilities		3,575,279	2,521,222	2,064,727	2,187,110
Total equity and liabilities		10,156,981	9,067,084	8,901,211	8,561,671

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

Group	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other reserves			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current year							
At 1 January 2022	773,443	1,228,740	3,890,250	504,077	6,396,510	149,352	6,545,862
Changes in equity							
Total comprehensive income for the year	-	-	861,794	6,051	867,845	11,464	879,309
Dividends (note 11A)	-	-	(386,721)	-	(386,721)	-	(386,721)
Distributions to non-controlling interests (note 11B)	-	-	-	-	-	(14,965)	(14,965)
De-recognition of equity instruments at FVTOCI	-	-	7,139	(7,139)	-	-	-
Acquisition of non-controlling interests without change in control (note 17C)	-	-	-	(323,976)	(323,976)	(126,024)	(450,000)
Acquisition of subsidiary (note 17B)	-	-	-	(9,274)	(9,274)	10,666	1,392
Share-based payments (note 25)	-	-	-	6,825	6,825	-	6,825
At 31 December 2022	<u>773,443</u>	<u>1,228,740</u>	<u>4,372,462</u>	<u>176,564</u>	<u>6,551,209</u>	<u>30,493</u>	<u>6,581,702</u>
Previous year							
At 1 January 2021	773,643	1,229,980	3,353,080	486,491	5,843,194	141,484	5,984,678
Changes in equity							
Total comprehensive income for the year	-	-	769,143	7,434	776,577	17,734	794,311
Repurchase and cancellation of Restricted A-Shares	(200)	(1,240)	-	-	(1,440)	-	(1,440)
Dividends (note 11A)	-	-	(231,973)	-	(231,973)	-	(231,973)
Distributions to non-controlling interests (note 11B)	-	-	-	-	-	(9,866)	(9,866)
Share-based payments (note 25)	-	-	-	10,152	10,152	-	10,152
At 31 December 2021	<u>773,443</u>	<u>1,228,740</u>	<u>3,890,250</u>	<u>504,077</u>	<u>6,396,510</u>	<u>149,352</u>	<u>6,545,862</u>

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

<u>Company</u>	Share capital RMB'000	Share premium RMB'000	Retained earnings RMB'000	Other reserves RMB'000	Total equity RMB'000
Current year					
At 1 January 2022	773,443	1,228,740	3,818,874	553,504	6,374,561
Changes in equity					
Total comprehensive income for the year	-	-	835,768	6,051	841,819
Dividends (note 11A)	-	-	(386,721)	-	(386,721)
De-recognition of equity instruments at FVTOCI	-	-	7,139	(7,139)	-
Share-based payments (note 25)	-	-	-	6,825	6,825
At 31 December 2022	<u>773,443</u>	<u>1,228,740</u>	<u>4,275,060</u>	<u>559,241</u>	<u>6,836,484</u>
Previous year					
At 1 January 2021	773,643	1,229,980	3,278,987	536,706	5,819,316
Changes in equity					
Total comprehensive income for the year	-	-	771,860	7,434	779,294
Repurchase and cancellation of Restricted A-Shares	(200)	(1,240)	-	-	(1,440)
Dividends (note 11A)	-	-	(231,973)	-	(231,973)
Non-cash contribution to subsidiary	-	-	-	(788)	(788)
Share-based payments (note 25)	-	-	-	10,152	10,152
At 31 December 2021	<u>773,443</u>	<u>1,228,740</u>	<u>3,818,874</u>	<u>553,504</u>	<u>6,374,561</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	2022 RMB'000	2021 RMB'000
<u>Cash flows from operating activities</u>		
Profit before tax	980,188	872,806
Adjustments for:		
Interest income	(56,125)	(50,483)
Interest expense	13,158	1,909
Gain on re-measurement of fair value of previously-held equity interest in associate	(72,010)	-
Investment income on debts instruments at amortised cost	(5,597)	(27,888)
Share of results from equity-accounted associates	(196,613)	(185,597)
Depreciation and amortisation of property, plant and equipment, investment property, right-of-use assets, land use rights, intangible assets and other non-current assets	120,669	117,794
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	(671)	(10,389)
Impairment loss on property, plant and equipment, receivables and write-down of inventories	38,798	17,937
Impairment loss on goodwill	19,571	-
Share-based payments	6,825	10,152
Operating cash flows before changes in working capital	848,193	746,241
Inventories	58,873	(47,401)
Trade and other receivables	(737,508)	(7,421)
Other assets	5,216	(19,147)
Trade and other payables	694,948	271,731
Cash restricted in use	(170,991)	-
Other liabilities	3,028	(33,406)
Net cash flows from operations	701,759	910,597
Income tax paid	(80,638)	(93,177)
Net cash flows from operating activities	621,121	817,420
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment, intangible assets and land use rights	(107,902)	(156,949)
Proceeds from disposals of property, plant and equipment and intangible assets	1,488	28,713
Acquisition of subsidiary, net of cash acquired (note 17B)	(47,611)	-
Acquisition of additional equity interests in subsidiary (note 17C)	(450,000)	-
Acquisition of other financial assets	(80,000)	(349,920)
Proceeds from disposals of other financial assets	464,924	15,000
Interest income received	89,871	37,700
Dividend income from associates and other financial assets measured at FVTOCI	173,075	148,586
Net cash flows from/(used in) investing activities	43,845	(276,870)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	2022 RMB'000	2021 RMB'000
Cash flows from financing activities		
Increase in loans and borrowings	205,645	-
Repayments of loans and borrowings	(35,935)	-
Repurchase of Restricted A-Shares	-	(1,349)
Dividends paid	(385,954)	(230,858)
Distributions to non-controlling interests	(14,965)	(9,866)
Interest expense paid	(1,480)	(1,186)
Repayment of lease liabilities	(3,931)	(1,369)
Payment of short term lease expenses	-	(75)
Net cash flows used in financing activities	(236,620)	(244,703)
Net increase in cash and cash equivalents	428,346	295,847
Cash and cash equivalents at beginning of year	2,283,181	1,987,334
Effect of foreign exchange rate changes on cash and cash equivalents	6	-
Cash and cash equivalents at end of year (note 23A)	2,711,533	2,283,181

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

1. GENERAL

Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (津药达仁堂集团股份有限公司) (formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited) (the “Company”) is incorporated in the People’s Republic of China (“PRC”) as a joint stock limited company.

The Company, formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited, changed its name to its present name on 22 April 2022.

The Company is listed both on the Singapore Exchange Securities Trading Limited (“SGX”) and the Shanghai Stock Exchange (“SSE”).

The financial statements comprise those of the Company and its subsidiaries and associates (collectively, the “Group”). All financial information, which are presented in Chinese Renminbi (“RMB”), have been rounded to the nearest thousand (“RMB’000”), unless otherwise indicated.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the Company are the production and sale of traditional Chinese medicine, western medicine, healthcare products and investment holding.

The principal activities of the subsidiaries and associates are disclosed in notes 17 and 18 to the financial statements, respectively.

The registered office of the Company is located at 17 Baidi Road, Nankai District, Tianjin 300193, PRC. The principal place of the Company’s operation is in Tianjin, PRC.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) and the related interpretations to IFRS (“IFRIC”) as issued by the International Accounting Standards Board (“IASB”) and the IFRS Interpretations Committee as appropriate for for-profit oriented entities.

The statutory financial statements, prepared by the directors in accordance with the China Corporate Accounting Standards (“CAS”), are audited by ShineWing Certified Public Accountants (Special General Partnership) whose audit report dated 30 March 2023 expressed an unmodified opinion on those financial statements.

The differences between the financial statements of the Group and of the Company prepared in accordance with IFRS and CAS are disclosed in note 37.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Basis of preparation (Cont'd)

Historical cost convention

The financial statements have been prepared under the historical cost convention, except where IFRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2D.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2022 and the results of all subsidiaries for the reporting year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction where the difference between consideration transferred and book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the subsidiaries are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Basis of preparation (Cont'd)

Segment reporting

The Group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

2B. New or amended accounting standards and interpretations adopted

The Group has adopted all of the new or amended IFRS and IFRIC issued by the IASB that are mandatory for the current reporting year. Any new or amended IFRS and IFRIC that are not yet mandatory have not been early adopted.

2C. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, and modifications), net of any related taxes and excluding any amounts collected on behalf of third parties. For each contract with a customer, the Group:

- Identifies the contract with a customer;
- Identifies the performance obligations in the contract;
- Determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- Allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- Recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Other income

Rental income

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income

Dividend income from equity instrument is recognised when the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

Employee benefits

The Group contributes to a pension scheme in the PRC under which it pays fixed contributions into a defined contribution retirement scheme organised by the local municipal government for eligible employees, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding reporting years. Contributions to the pension scheme are charged to profit or loss as they fall due.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to their present value.

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur.

A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Share-based payments

The Company offers Restricted A-Share Incentive Scheme (the "Scheme") (equity-settled share-based compensation) to its directors, members of senior management, members of middle-level management and core personnel that the Company considers should be motivated (excluding supervisors, non-executive directors and independent directors).

Under the terms of the Scheme, the employees are entitled to purchase the shares at grant price, which is less than the market price of the Company's shares on the grant date, and the purchase price must be paid immediately upon acceptance of the offer. All shares purchased are not transferable during the vesting period.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Share-based payments (Cont'd)

The cost of the Scheme with employees are measured at fair value on grant date. The fair value is measured by reference to market price of the shares on grant date and the impact of any non-market vesting conditions. The cost of the Scheme is charged to profit or loss over the vesting period of the Scheme, with a corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vested, with a corresponding adjustment to equity.

If equity-settled awards are modified, as a minimum, an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If the Scheme is cancelled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is accounted for as an acceleration of vesting; therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

Foreign currency translation

The financial statements are presented in RMB, which is the functional and presentation currency of the Company and all its subsidiaries and associates.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The interest expense is calculated using the effective interest method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- (i) When the deferred tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- (ii) When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Earnings per share (Cont'd)

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's and the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's and the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives. The useful lives and rates of residue values of these assets are as follows:

	<u>Useful lives</u>	<u>Rate of residual value</u>
Buildings	7 – 35 years	4 – 10%
Plant and machinery	3 – 15 years	4 – 10%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Property, plant and equipment (Cont'd)

The gain or loss arising from the de-recognition of an item of property, plant and equipment is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Investment property

Investment property is property owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs, the cost model is used to measure the investment property, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value less costs to sell. For disclosure purposes, the fair values are determined periodically on a systematic basis at least once yearly by management.

Depreciation is calculated on a straight-line basis over estimated useful lives ranging from 30 to 35 years.

Right-of-use assets

A right-of-use asset ("ROU asset") is recognised at the commencement date of a lease. The ROU asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

ROU assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. ROU assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a ROU asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Land use rights

The land use rights are for the land in the PRC where the factories occupied by the Group are situated. The carrying amounts are amortised on a straight-line basis over the lease periods ranging from 40 to 50 years.

Intangible assets other than goodwill

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Research and development

Research expenditure are expensed when incurred. Development costs are typically internally generated intangible assets. Costs incurred in relation to individual projects are capitalised only when the future economic benefit of the project is probable and the following main conditions are met:

- (i) The development costs can be measured reliably;
- (ii) The technical feasibility of the product has been ascertained; and
- (iii) There is intention of management to complete the intangible asset and use or sell it.

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The amortisable amount of an intangible asset with finite useful life is allocated on a straight-line basis over the best estimate of its useful life from the point at which the asset is ready for use as follows:

Production technology	-	10 – 30 years
Patents	-	10 years
Software	-	3 – 10 years
Trademarks	-	10 years
Development costs	-	5 years

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the Company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Associates

Associates are entities over which the Group have significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's and the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's and the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Associates (Cont'd)

The Group and the Company discontinue the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with the financial reporting standard on financial instruments. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under the financial reporting standard on business combinations. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

For business combinations achieved in stages, any equity interest held in the acquiree is re-measured immediately before achieving control at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with the financial reporting standard on business combinations (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with the financial reporting standard on business combinations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Goodwill (Cont'd)

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost (weighted average method) and net realisable value. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

Recognition and de-recognition of financial instruments

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Recognition and de-recognition of financial instruments (Cont'd)

At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets

(i) Financial asset classified as measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

(ii) Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI")

A debt asset instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL, that is (a): the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets are not reclassified subsequent to their initial recognition, except when, and only when, the reporting entity changes its business model for managing financial assets (expected to be rare and infrequent events). The previously recognised gains, losses, or interest cannot be restated. When these financial assets are derecognised, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial asset that is an equity investment measured at FVTOCI

On initial recognition of an equity investment that is not held for trading, an irrevocably election may be made to present subsequent changes in fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis. Fair value changes are recognised in OCI but dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. The gain or loss that is presented in OCI includes any related foreign exchange component arising on non-monetary investments (e.g., equity instruments). On disposal, the cumulative fair value changes are not recycled to profit or loss but remain in reserves within equity. The weighted average or specific identification method is used when determining the cost basis of equities being disposed of.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Classification and measurement of financial assets (Cont'd)

- (iv) Financial asset classified as measured at FVTPL

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities

Financial liabilities are classified as at FVTPL in either of the following circumstances:

- (i) The liabilities are managed, evaluated and reported internally on a fair value basis; or
- (ii) The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, on demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. For the consolidated statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group and the Company has transferred the goods or services to the customer.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Significant accounting policies (Cont'd)

Lease liabilities (Cont'd)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

New accounting standards and interpretations not yet mandatory or early adopted

A number of new standards, interpretations and amendments to standards were issued by IASB and IFRS Interpretations Committee. These new or amended standards and interpretations will only be effective for future reporting years and earlier application is permitted. However, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following applicable new accounting standards and interpretations are not expected to have a significant impact on the consolidated financial statements.

New accounting standards and interpretations	Effective date for periods beginning on or after
Presentation of Financial Statements – amendment relating to Classification of Liabilities as Current or Non-current	1 January 2024
Definition of Accounting Estimates – Amendments to IFRS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to	1 January 2023

2D. Critical judgements, assumptions and estimation uncertainties

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2D. Critical judgements, assumptions and estimation uncertainties (Cont'd)

Assessment of write-down of inventories

The assessment of write-down of inventories requires a degree of estimation and judgement. The level of write-down is assessed by taking into account recent sales experience, ageing of inventories, other factors that affect inventory obsolescence and subsequent events. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at end of reporting year is disclosed in note 21.

Assessment of impairment of trade receivables

The assessment of expected credit losses ("ECL") requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. In measuring ECL, management considers all reasonable and supportable information such as the Group's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic conditions (including the impact of the COVID-19 pandemic). The carrying amounts may change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at end of reporting year. The carrying amount is disclosed in note 22.

Assessment of impairment of non-current assets (except for goodwill)

An assessment is made at end of each reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is determined based on fair value less cost to sell method and value-in-use calculations. The value-in-use calculations require the use of estimates. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the assets of the Group at end of the year affected by this assumption was RMB95,917,000 (2021: RMB90,590,000).

Assessment of impairment of investments in subsidiaries

Where an subsidiary is in net equity deficit and or has suffered losses, a test is made whether the investment in the investee has suffered any impairment loss. This measurement requires significant judgement. An estimate is made of the future profitability of the subsidiary, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of the assets of the Company at end of reporting year affected by this assumption was RMB855,626,000 (2021: RMB231,820,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2D. Critical judgements, assumptions and estimation uncertainties (Cont'd)

Purchase price allocation ("PPA") arising from acquisition of subsidiary

As set out in note 17, during the year, the Group obtained control over an associate, Newscen Coast Bio-Pharmaceutical Co., Ltd. (津中新科炬生物制药股份有限公司) ("NewScen Coast"), following which NewScen Coast became a subsidiary of the Group. Based on the PPA performed, the Group recognised in profit or loss a gain on re-measurement of fair value of the previously-held equity interests in NewScen Coast of RMB72,010,000 and goodwill of RMB104,264,000.

PPA requires significant management judgement. Consideration has to be given in determining the assumptions that underlie the initial acquisition accounting such as fair value of consideration paid and fair value of assets acquired and liabilities assumed.

Assessment of impairment of goodwill

Goodwill is assessed annually for impairment. The annual impairment assessment is material and the process is complex and highly judgemental and is based on assumptions that are affected by expected future market or economic conditions. As a result, judgement is required in evaluating the assumptions and methodologies used by management, in particular, those relating to forecasted revenue growth rates, terminal growth rate and discount rate. Disclosures about goodwill are included in note 16A on intangible assets, which explains that small changes in the key assumptions used could give rise to further impairment of the goodwill balance in the future. Actual outcomes could vary from these estimates.

Income tax

The Group recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised if it is probable that the Group will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the Group expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgemental and not susceptible to precise determination. The income tax and deferred tax amounts are disclosed in note 9.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

The international financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3A. Members of a group

As at 31 December 2022, Tianjin Pharmaceutical Holdings Co., Ltd (天津市医药集团有限公司) (“Tianjin Pharmaceutical Holdings”) and Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司) (“Jinhushen”) are the Company’s immediate parent company and ultimate parent company, respectively. Tianjin Pharmaceutical Holdings and Jinhushen are incorporated in the PRC.

Related companies in these financial statements include members of the ultimate parent company’s group of companies. Associates also include those that are associates of the parent company and/or related companies.

3B. Related companies

There are transactions and arrangements between the Group and its subsidiaries and associates and the effects of these on the basis determined between the parties are reflected in these financial statements. The related company balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intra-group transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

Significant related company transactions

In addition to transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Group	
	2022 RMB'000	2021 RMB'000
Sale of goods and services to associates	1,309	2,859
Purchase of goods and services from associates	(98,686)	(76,365)
Interest income from associate	9,054	6,626
Interest expense to associate capitalised in construction in progress	(1,400)	(1,186)
Rental income from associates	-	220
Proceeds from sale of investment property to associate [#]	-	12,652

[#] Net book value of investment property sold to associate is RMB10,308,000.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

3B. Related companies (Cont'd)

Significant related company transactions (Cont'd)

Movements in other receivables from and other payables to related companies are as follows:

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Associates</u>				
At beginning of year	27,822	30,269	27,822	30,269
Amounts paid out and settlement of liabilities on behalf of associates	1,242	449	1,242	449
Amounts paid in and settlement on behalf of the Group and the Company	(15,303)	(2,896)	(15,303)	(2,896)
At end of year	13,761	27,822	13,761	27,822

Presented in statements of financial position as follows:

Other receivables (note 22)	17,561	27,861	17,561	27,861
Other payables (note 27)	(3,800)	(39)	(3,800)	(39)
	13,761	27,822	13,761	27,822

3C. Related parties other than related companies

All members of the ultimate parent company's group of companies other than the Company's subsidiaries and associates are considered related parties in these financial statements.

There are transactions and arrangements between the Group and its related companies and the effects of these on the basis determined between the parties are reflected in these financial statements. The related company balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Significant related party transactions

In addition to transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Group	
	2022 RMB'000	2021 RMB'000
Sale of goods and services to related parties	226,194	148,547
Purchase of goods and services from related parties	(383,609)	(201,345)
Rental expenses to related parties	(3,753)	(3,051)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

3C. Related parties other than related companies (Cont'd)

Significant related party transactions (Cont'd)

Movements in other receivables from and other payables to related parties are as follows:

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Related parties</u>				
At beginning of year	(804)	(107)	(802)	(104)
Amounts paid out and settlement of liabilities on behalf of related parties	31,815	8,889	31,815	8,889
Amounts paid in and settlement on behalf of the Group and the Company	(17,233)	(9,586)	(7,362)	(9,587)
At end of year	<u>13,778</u>	<u>(804)</u>	<u>23,651</u>	<u>(802)</u>

Presented in statements of financial position as follows:

Other receivables (note 22)	26,690	-	26,690	-
Other payables (note 27)	(12,912)	(804)	(3,039)	(802)
	<u>13,778</u>	<u>(804)</u>	<u>23,651</u>	<u>(802)</u>

3D. Key management compensation

	Group	
	2022 RMB'000	2021 RMB'000
Salaries and other short-term employee benefits	<u>10,281</u>	<u>10,952</u>

The above amount is included under employee benefits expense. Included in the above amount is the following item:

	Group	
	2022 RMB'000	2021 RMB'000
Remuneration of directors of the Company	<u>5,152</u>	<u>5,381</u>

Further information about remuneration of individual directors is provided in the report on corporate governance statement in the annual report. Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

3E. Assets held in trust by related parties

Titles to properties and land use rights

At end of reporting year, the legal titles of certain properties and land use rights of the Group are held by related parties (see notes 12, 13 and 15). These properties and land use rights were transferred to the Group under a restructuring exercise during the early days of its operations. Management considers the beneficial interests of these assets for which the titles have not been obtained to rest with the Group and there are no circumstances that affect the Group's rights to such interests. Management has obtained confirmations from the related parties that the beneficial interests of these properties and land use rights belong to the Group, and does not foresee any difficulties in obtaining these titles when the need arises. The carrying amounts of these affected assets are disclosed in notes 12, 13 and 15.

Titles to other financial assets

At end of reporting year, the legal titles of certain other financial assets of the Group are held by a related party (see note 19). These other financial assets were transferred to the Group under a restructuring exercise during the early days of its operations. Management considers the beneficial interests of these other financial assets for which the titles have not been obtained to rest with the Group and there are no circumstances that affect the Group's rights to such interests. Management has obtained confirmations from the related party that the beneficial interests of these other financial assets belong to the Group, and does not foresee any difficulties in obtaining the titles when the need arises. The carrying amounts of the relevant other financial assets are disclosed in note 19.

4. REVENUE

4A. Revenue classified by type of goods or services

	Group	
	2022 RMB'000	2021 RMB'000
Sale of goods	8,231,380	6,892,216
Rental and service income	17,870	15,328
	8,249,250	6,907,544

4B. Revenue classified by timing of revenue recognition

	Group	
	2022 RMB'000	2021 RMB'000
Point in time	8,231,380	6,892,216
Over time	17,870	15,328
	8,249,250	6,907,544

All the contracts are less than 12 months. The customers are retailers and wholesalers. A small portion of the goods are exported.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

5. INTEREST INCOME

	Group	
	2022 RMB'000	2021 RMB'000
Interest income from banks and financial institutions	56,125	50,483

6. OTHER INCOME AND GAINS/(LOSSES)

	Group	
	2022 RMB'000	2021 RMB'000
Allowance for impairment of trade receivables (note 22)	(9,223)	(4,893)
Allowance for impairment of other receivables – reversal/(loss) (note 22)	6,727	(2,703)
Impairment of goodwill (note 16A)	(19,571)	-
Impairment of property, plant and equipment	(180)	-
Reversal of employment termination benefits	8,092	11,877
Investment income on other financial assets at amortised cost	5,597	27,888
Foreign currency exchange (losses)/gains	(2,436)	688
Gain on re-measurement of fair value of previously-held equity interest in an associate (note 17B)	72,010	-
Government grants and subsidies	5,646	9,296
Write-down of inventories (note 21)	(36,122)	(10,341)
Gain on disposal and write-off of property, plant and equipment, investment properties and intangible assets	671	10,389
Waiver of payables	10	8,247
Penalties	(445)	-
Others	3,632	1,459
	34,408	51,907

Presented in consolidated statement of profit or loss as:

Other income and gains	102,385	69,844
Other losses	(67,977)	(17,937)
	34,408	51,907

7. FINANCE COSTS

	Group	
	2022 RMB'000	2021 RMB'000
Interest expense on borrowings	10,121	-
Interest expense on lease liabilities	154	102
Imputed interest on accrued retirement and termination benefits	2,883	1,807
	13,158	1,909

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2022 RMB'000	2021 RMB'000
Salaries and bonuses	748,332	679,184
Contributions to defined contribution plans and other welfare	133,669	130,940
Post-employment benefits	102,642	99,706
Termination benefits	8,560	965
Share-based payments (note 25)	6,825	10,152
	1,000,028	920,947

Employee benefits expense is charged as follows:

	Group	
	2022 RMB'000	2021 RMB'000
Cost of sales	318,595	306,276
Marketing and distribution expenses	381,747	331,543
Research and development expenses	47,122	51,994
Administrative expenses	244,968	231,134
	992,432	920,947

9. INCOME TAX

9A. Components of tax expense recognised in profit or loss

	Group	
	2022 RMB'000	2021 RMB'000
<u>Current tax</u>		
Current tax expense	163,300	79,039
Adjustments in respect of prior years	28	(3,985)
	163,328	75,054
<u>Deferred tax</u>		
Deferred tax expense	(56,681)	10,875
Adjustments in respect of prior years	284	-
	(56,397)	10,875
	106,931	85,929

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

9. INCOME TAX (CONT'D)

9A. Components of tax expense recognised in profit or loss (Cont'd)

The income tax expense varied from the amount determined by applying the PRC statutory corporate tax rate of 25% (2021: 25%) to profit before tax as a result of the following differences:

	Group	
	2022 RMB'000	2021 RMB'000
Profit before tax	980,189	872,806
Less: Share of results of equity-accounted associates	(196,613)	(185,597)
	783,576	687,209
Income tax at statutory rate	195,894	171,802
Effect of concessionary tax rate at 15%	(62,686)	(54,976)
Other tax incentives	(18,181)	(4,717)
Non-deductible items	5,100	1,125
Non-taxable items	(36,019)	(33,346)
Unrecognised deferred tax assets	21,637	9,461
Adjustments in respect of prior years – current tax	28	(3,985)
Adjustments in respect of prior years – deferred tax	284	-
Others	874	565
	106,931	85,929

The Company and two subsidiaries (2021: one subsidiary) qualify for the New and High Technology Enterprise Status in the PRC and enjoy a preferential corporate tax rate of 15% (2021: 15%) whereas other subsidiaries are subject to the statutory corporate tax rate of 25% (2021: 25%).

Dividends payable to “S” shareholders are subject to withholding tax at 10% (2021: 10%) payable to the tax authority of the PRC.

Dividends payable to “A” shareholders are subject to the differential tax rates set out in the Tax Law of the PRC.

9B. Deferred tax recognised in profit or loss

	Group	
	2022 RMB'000	2021 RMB'000
Deferred income	(40)	407
Contract liabilities	7,291	6,477
Accruals and allowances	(60,998)	3,991
Government grants	(2,934)	-
	(56,681)	10,875

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

9. INCOME TAX (CONT'D)

9C. Deferred tax recognised in other comprehensive income

	Group	
	2022 RMB'000	2021 RMB'000
Financial assets at FVTOCI (note 26C)	(1,427)	410

9D. Deferred tax in statements of financial position

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Deferred tax assets</u>				
Deferred income	5,977	5,937	5,977	5,937
Contract liabilities	12,645	19,936	12,645	19,936
Accruals and allowances	189,730	128,732	161,067	114,186
	<u>208,352</u>	<u>154,605</u>	<u>179,689</u>	<u>140,059</u>

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Deferred tax liabilities</u>				
Fair value changes on equity investments at FVTOCI	-	(1,278)	-	(1,278)
Government grants	-	(2,934)	-	(2,934)
Arising from fair value adjustments on property, plant and equipment, land use rights and intangible assets as a result of acquisition of subsidiary (note 17B)	(8,818)	-	-	-
	<u>(8,818)</u>	<u>(4,212)</u>	<u>-</u>	<u>(4,212)</u>

Deferred tax assets are recognised to the extent that realisation of related tax benefits through future taxable profits is probable.

9E. Unrecognised deferred tax assets

<u>Group</u>	2022		2021	
	Gross amount RMB'000	Tax effect RMB'000	Gross amount RMB'000	Tax effect RMB'000
Deferred income	20,029	3,004	19,565	4,450
Tax losses carried forward	161,282	40,320	97,488	24,372
Accruals and allowances	72,611	15,765	48,312	8,630
	<u>253,922</u>	<u>59,089</u>	<u>165,365</u>	<u>37,452</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

9. INCOME TAX (CONT'D)

9E. Unrecognised deferred tax assets (Cont'd)

At end of year, the Group did not recognise deferred tax assets relating to certain subsidiaries as future profits are not probable against which the deductible temporary differences can be utilised.

The unutilised tax losses expiring in the following years are as follows:

Group	Unutilised tax losses		Unrecognised deferred tax assets	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Expire in 2024	30,326	30,326	7,582	7,582
Expire in 2025	30,646	30,646	7,662	7,662
Expire in 2026	36,516	36,516	9,128	9,128
Expire in 2027	63,794	-	15,948	-
	161,282	97,488	40,320	24,372

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the reporting year.

	Group	
	2022	2021
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	861,794	769,143
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares	773,443	773,609

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective reporting years.

11. DIVIDENDS

11A. Dividends to owners of the Company

	Rate per share			
	2022	2021	2022	2021
	RMB	RMB	RMB'000	RMB'000
Group and Company				
Dividends approved	0.50	0.30	386,721	231,973

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

11. DIVIDENDS (CONT'D)

11A. Dividends to owners of the Company (Cont'd)

On 30 March 2022, the directors proposed a final dividend of RMB386,721,000 on the basis of RMB5.00 for every 10 shares in the capital of the Company. This dividend is subject to approval of shareholders at the next annual general meeting and has not been included as liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at end of reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

11B. Distributions to non-controlling interests

Interim dividends amounting to RMB14,965,000 (2021: RMB9,866,000) were paid by certain subsidiaries to their non-controlling shareholders.

12. PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	<u>Buildings</u> RMB'000	<u>Plant and machinery</u> RMB'000	<u>Construction in progress</u> RMB'000	<u>Total</u> RMB'000
<u>Cost</u>				
At 1 January 2021	1,374,047	1,001,057	285,013	2,660,117
Additions	3,618	23,256	115,678	142,552
Disposals/written-off	(2,245)	(49,805)	-	(52,050)
Reclassifications	118	56,306	(69,066)	(12,642)
Other adjustments	(19,796)	20,174	-	378
At 31 December 2021	1,355,742	1,050,988	331,625	2,738,355
Additions	3,414	11,697	46,085	61,196
Acquisition of subsidiary (note 17B)	15,396	14,763	-	30,159
Disposals/written-off	(10,226)	(18,488)	-	(28,714)
Reclassifications	4,515	39,344	(43,859)	-
At 31 December 2022	1,368,841	1,098,304	333,851	2,800,996
<u>Accumulated depreciation and impairment loss</u>				
At 1 January 2021	577,075	625,989	-	1,203,064
Depreciation for the year	44,690	60,547	-	105,237
Disposals/written-off	(933)	(46,225)	-	(47,158)
Reclassifications	(6,705)	-	-	(6,705)
Other adjustments	5	639	-	644
At 31 December 2021	614,132	640,950	-	1,255,082
Depreciation for the year	41,260	62,749	-	104,009
Disposals/written-off/impairment	(6,586)	(13,103)	-	(19,689)
At 31 December 2022	648,806	690,596	-	1,339,402
<u>Carrying value</u>				
At 1 January 2021	796,972	375,068	285,013	1,457,053
At 31 December 2021	741,610	410,038	331,625	1,483,273
At 31 December 2022	720,035	407,708	333,851	1,461,594

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Buildings RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
<u>Cost</u>				
At 1 January 2020	1,129,303	799,768	115,917	2,044,988
Additions	-	14,200	95,825	110,025
Disposals/written-off	(2,318)	(64,165)	-	(66,483)
Reclassifications	52	55,294	(67,988)	(12,642)
Other adjustments	(19,795)	19,775	-	(20)
At 31 December 2021	1,107,242	824,872	143,754	2,075,868
Additions	-	8,349	63,041	71,390
Disposals/written-off	(10,226)	(70,274)	(5,425)	(85,925)
Reclassifications	3,084	36,063	(39,147)	-
At 31 December 2022	1,100,100	799,010	162,223	2,061,333
<u>Accumulated depreciation and impairment loss</u>				
At 1 January 2020	491,281	518,152	-	1,009,433
Depreciation for the year	35,937	45,558	-	81,495
Disposals/written-off	(938)	(55,449)	-	(56,387)
Reclassifications	(6,705)	-	-	(6,705)
Other adjustments	(22)	238	-	216
At 31 December 2021	519,553	508,499	-	1,028,052
Depreciation for the year	33,124	40,884	-	74,008
Disposals/written-off	(6,583)	(22,075)	-	(28,658)
At 31 December 2022	546,094	527,308	-	1,073,402
<u>Carrying value</u>				
At 1 January 2020	638,022	281,616	115,917	1,035,555
At 31 December 2021	587,689	316,373	143,754	1,047,816
At 31 December 2022	554,006	271,702	162,223	987,931

Allocation of depreciation expense:

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Cost of sales	58,001	54,250	45,396	37,602
Distribution expenses	417	335	53	62
Research and development expenses	7,593	10,451	6,077	9,214
Administrative expenses	37,998	40,201	22,482	34,617
	104,009	105,237	74,008	81,495

Titles to certain buildings of the Group and the Company with carrying value of approximately RMB42,380,000 and RMB33,220,000, respectively (2021: RMB45,834,000 and RMB36,205,000, respectively) at end of reporting year were held in the names of certain related parties. Please refer to note 3E for greater details.

Certain construction in progress was pledged to secure the loan from an associate (note 29).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

13. INVESTMENT PROPERTIES

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Cost</u>				
At beginning of the year	34,131	38,511	32,310	36,690
Disposals/written-off	-	(15,447)	-	(15,447)
Reclassifications	-	11,067	-	11,067
At end of the year	34,131	34,131	32,310	32,310
<u>Accumulated depreciation</u>				
At beginning of the year	18,954	16,999	17,961	16,056
Depreciation for the year	1,078	871	1,028	821
Disposals/written-off	-	(5,621)	-	(5,621)
Reclassifications	-	6,705	-	6,705
At end of the year	20,032	18,954	18,989	17,961
<u>Carrying value</u>				
At beginning of the year	15,177	21,512	14,349	20,634
At end of the year	14,099	15,177	13,321	14,349
<u>Fair value</u>				
Fair value at end of year	205,303	210,629	192,998	197,334
Rental and service income	8,477	9,016	7,092	7,576
Direct operating expenses	905	596	856	546

The depreciation expense is charged to cost of sales.

All investment properties of the Group are located in Tianjin, PRC. These properties are leased out under operating leases. Please also see note 32 on operating lease income commitments.

There are no restrictions on the realisability of investment properties or remittance of income and proceeds of disposal.

The fair value is estimated by management based on the use of inputs other than quoted prices observable for the assets or liability, either directly or indirectly. The valuation technique used is the comparison of market evidence of recent transaction prices for similar properties. Management had obtained the market information from publicly available sources based on recent transactions in the vicinity of the investment properties held by the Group and the Company. The fair value is regarded as Level 3 for fair value measurement as the valuation includes inputs for the assets that are based on comparison with market evidence of recent transaction prices for similar properties. The observable inputs and range (weighted average) is from RMB12,800 to RMB36,900 (2021: RMB13,900 to RMB36,000) per square metre.

Titles to certain investment properties of the Group and the Company with carrying value of approximately RMB5,036,000 (2021: RMB5,326,000) at end of reporting year were held in the names of certain related parties. Please refer to note 3E for greater details.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

14. RIGHT-OF-USE ASSETS

Group	Shop premises RMB'000
<u>At cost</u>	
At 1 January 2020	4,597
Additions	1,727
At 31 December 2021	6,324
Additions	1,673
At 31 December 2022	7,997
<u>Accumulated depreciation</u>	
At 1 January 2020	1,988
Depreciation for the year	1,282
At 31 December 2021	3,270
Depreciation for the year	1,733
At 31 December 2022	5,003
<u>Carrying value</u>	
At 1 January 2020	2,609
At 31 December 2021	3,054
At 31 December 2022	2,994

The leases are for shop premises. The lease contracts are usually for fixed periods of 3 to 5 with no extension options. Lease terms contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

15. LAND USE RIGHTS

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Cost</u>				
At beginning of year	282,776	282,776	247,068	247,067
Additions	27,500	-	-	-
Acquisition of subsidiary (note 17B)	1,859	-	-	-
At end of year	312,135	282,776	247,068	247,067
<u>Accumulated amortisation</u>				
At beginning of year	100,138	94,487	90,161	85,323
Amortisation for the year	7,976	5,651	4,811	4,837
At end of year	108,114	100,138	94,972	90,160
<u>Carrying value</u>				
At beginning of year	182,638	188,289	156,907	161,744
At end of year	204,021	182,638	152,096	156,907

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

15. LAND USE RIGHTS (CONT'D)

The amortisation expense is charged to administrative expenses.

The land use rights are for land in the PRC. Certain titles of land use rights of the Group and the Company with carrying value of RMB1,034,000 (2021: RMB1,100,000) at end of reporting year were held in the names of certain related parties. Please refer to note 3E for greater details.

In addition, a land use right of the Company with carrying value of RMB51,960,000 (2021: RMB53,045,000) is in the process of ownership transfer.

16. INTANGIBLE ASSETS

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Goodwill (notes 16A and 17B)	84,693	-	-	-
Other intangible assets (note 16B)	88,109	20,270	17,257	18,568
	172,802	20,270	17,257	18,568

16A. Goodwill

	Group	
	2022 RMB'000	2021 RMB'000
<u>Cost</u>		
At beginning of year	-	-
Acquisition of subsidiary (note 17B)	104,264	-
At end of year	104,264	-
<u>Impairment loss</u>		
At beginning of year	-	-
Impairment loss recognised under other losses (note 6)	19,571	-
At end of year	19,571	-
<u>Carrying value</u>		
At beginning of year	-	-
At end of year	84,693	-

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing at end of reporting year. An impairment loss is the amount by which the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount of the CGU is the higher of its fair value less costs of disposal or its value-in-use.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

16. INTANGIBLE ASSETS (CONT'D)

16A. Goodwill (Cont'd)

This CGU above represents Newscen Coast (note 17B). The recoverable amount of the CGU has been measured based on value-in-use method. The value-in-use was measured by management using discounted cash flow method (Level 3).

At end of year, the carrying amount of the CGU was lower than its recoverable amount by RMB19,571,000, and this impairment loss was allocated to goodwill.

The quantitative information about the value-in-use measurement using significant unobservable inputs for the CGU are as follows:

	Range	
	2022	2021
Revenue growth rates ⁽ⁱ⁾	15.16% to 41.82%	N.A.
Terminal growth rates ⁽ⁱⁱ⁾	0%	N.A.
Discount rates ⁽ⁱⁱⁱ⁾	12.47%	N.A.
Cash flow forecasts ⁽ⁱ⁾	5 years	N.A.

(i) Estimated based on historical trends and most recent financial budgets and plans approved by management.

(ii) Estimated based on industry growth forecasts and not exceeding average long-term growth rate for the relevant markets.

(iii) Estimated using pre-tax discount rates that reflect current market assessments at the risks specific to the CGU.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the CGU at end of reporting year, assuming if all other assumptions were held constant.

If actual revenue growth rates for each of the years in management's forecasts had been one percentage point less favourable than management's estimates, the recoverable amount of the CGU would have decreased by approximately RMB33,317,000, resulting in an increase in impairment loss by approximately RMB15,942,000.

If the discount rate applied to management's discounted cash flows had been higher by one percentage point, the recoverable amount of the CGU would have decreased by approximately RMB4,709,000, resulting in an increase in impairment loss by approximately RMB2,253,000.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

16. INTANGIBLE ASSETS (CONT'D)

16B. Other intangible assets

Group	Production	Patents	Trademarks	Software	Development	Total
	technology				costs	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>At cost</u>						
At 1 January 2021	9,817	1,778	1,760	25,220	1,512	40,087
Additions	-	-	-	2,263	4,720	6,983
Disposals/written-off	-	(78)	-	(482)	(1,512)	(2,072)
Reclassifications	-	-	-	1,575	-	1,575
At 31 December 2021	9,817	1,700	1,760	28,576	4,720	46,573
Additions	-	-	-	552	6,282	6,834
Acquisition of subsidiary (note 17B)	52,000	-	12,000	229	-	64,229
Disposals/written-off	-	-	-	(481)	-	(481)
Reclassifications	-	-	-	1,301	-	1,301
At 31 December 2022	61,817	1,700	13,760	30,177	11,002	118,456
<u>Accumulated amortisation</u>						
At 1 January 2021	7,844	1,375	1,760	13,374	-	24,353
Amortisation for the year	168	400	-	1,925	-	2,493
Disposals/written-off	-	(78)	-	(465)	-	(543)
At 31 December 2021	8,012	1,697	1,760	14,834	-	26,303
Amortisation for the year	2,286	50	300	2,273	-	4,909
Disposals/written-off	-	-	-	(481)	-	(481)
Reclassifications	-	(230)	-	(154)	-	(384)
At 31 December 2022	10,298	1,517	2,060	16,472	-	30,347
<u>Carrying value</u>						
At 1 January 2021	1,973	403	-	11,846	1,512	15,734
At 31 December 2021	1,805	3	-	13,742	4,720	20,270
At 31 December 2022	51,519	183	11,700	13,705	11,002	88,109

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

16. INTANGIBLE ASSETS (CONT'D)

16B. Other intangible assets (Cont'd)

Company	Production	Patents	Trademarks	Software	Development	Total
	technology				costs	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>At cost</u>						
At 1 January 2021	8,997	1,778	1,760	23,146	-	35,681
Additions	-	-	-	1,458	4,720	6,178
Disposals/written-off	-	(78)	-	(482)	-	(560)
Reclassifications	-	-	-	1,575	-	1,575
At 31 December 2021	8,997	1,700	1,760	25,697	4,720	42,874
Additions	-	-	-	110	6,282	6,392
Disposals/written-off	-	-	-	(11,377)	-	(11,377)
Reclassifications	-	-	-	160	-	160
At 31 December 2022	8,997	1,700	1,760	14,590	11,002	38,049
<u>Accumulated amortisation</u>						
At 1 January 2021	7,363	1,376	1,760	12,137	-	22,636
Amortisation for the year	100	400	-	1,713	-	2,213
Disposals/written-off	-	(78)	-	(465)	-	(543)
At 31 December 2021	7,463	1,698	1,760	13,385	-	24,306
Amortisation for the year	100	50	-	1,271	-	1,421
Disposals/written-off	-	(230)	-	(4,705)	-	(4,935)
At 31 December 2022	7,563	1,518	1,760	9,951	-	20,792
<u>Carrying value</u>						
At 1 January 2021	1,634	402	-	11,009	-	13,045
At 31 December 2021	1,534	2	-	12,312	4,720	18,568
At 31 December 2022	1,434	182	-	4,639	11,002	17,257

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022 RMB'000	2021 RMB'000
Equity interests at cost	1,601,281	559,708
Less: Allowance for impairment	(65,016)	(24,183)
	1,536,265	535,525
<u>Movements in cost</u>		
At beginning of year	559,708	522,611
Additions	1,046,573	37,097
De-registration	(5,000)	-
At end of year	1,601,281	559,708
<u>Movements in allowance for impairment</u>		
At beginning of year	24,183	24,183
Impairment loss charge to profit or loss	40,833	-
At end of year	65,016	24,183

17A. Subsidiaries held by the Group

The subsidiaries held by the Group are as follows:

Name of subsidiary	Principal activities	Cost		Effective interests held by the Group	
		2022 RMB'000	2021 RMB'000	2022 %	2021 %
<i>Held by the Company</i>					
Tianjin Da Ren Tang (Bozhou) Chinese Medicine Co., Ltd. (“Tianjin Da Ren Tang Bozhou”) (天津达仁堂(亳州)中药饮片有限公司) ^(a)	Manufacture and sale of Chinese medicine	-	180,014	-	100
Beijing Zhong Xin Yaogu Medical Co., Ltd. (达仁堂(北京)医药科技有限公司)	Wholesale and retail sale of medicine	11,000	11,000	100	100
Tianjin Zhong Xin Chuyun Trading Co., Ltd. (天津中新楚运贸易有限公司)	Logistics, stocks, services, equipment installation and processing of medicine	6,999	6,999	100	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

17A. Subsidiaries held by the Group (Cont'd)

Name of subsidiary	Principal activities	Cost		Effective interests held by the Group	
		2022 RMB'000	2021 RMB'000	2022 %	2021 %
<i>Held by the Company (Cont'd)</i>					
Zhong Xin Bohai Rim Pharmaceutical Co., Ltd. ("Zhong Xin Bohai Rim") (天津中新药业集团环渤海药业有限公司) ^(b)	Wholesale and retail sale of medicine, biochemical pharmaceutical products and daily use products	-	5,000	-	100
Zhejiang Zhong Xin Chuang Rui Investment Co., Ltd. (浙江中新 创睿投资有限公司)	Investment holding	60,000	60,000	100	100
Tianjin Hebei Daren Hospital ("Daren Hospital") (天津河北 达仁医院) ^(c) (note 17D)	Operation of hospital	17,050	17,050	100	100
Darentang (Tianjin) Traditional Chinese Medicine Decoction Pieces Co., Ltd. ("Tianjin Chinese Medicinal Slices") (达仁堂(天津)中药饮片有限公 司) (note 17D)	Manufacture and sale of Chinese pharmaceutical products and biological products	293,115	113,100	100	100
Tianjin Zhong Xin Xinxin Pharmaceutical (Cang Zhou) Co., Ltd. (天津中新药业集团新 新(沧州)制药有限公司)	Manufacture and sale of Chinese pharmaceutical products and biological products	50,000	50,000	100	100
Tianjin Shin Poong Pharmaceutical Co., Ltd. (天津新丰制药有限公司) (note 17D)	Manufacture and sale of western pharmaceutical products	41,315	41,315	55	55
Bin Hai Zhong Xin Pharmaceutical Co., Ltd. (天津中新药业滨海有限公司) ^(d)	Sale of Chinese pharmaceutical products and biological products	-	10,500	-	54

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

17A. Subsidiaries held by the Group (Cont'd)

Name of subsidiary	Principal activities	Cost		Effective interests held by the Group	
		2022 RMB'000	2021 RMB'000	2022 %	2021 %
<i>Held by the Company (Cont'd)</i>					
Tianjin Da Ren Tang Jingwanhong Pharmaceutical Co., Ltd. ("Da Ren Tang Jingwanhong") (天津达仁堂京 万红药业有限公司) (note 17C)	Manufacture and sale of Chinese pharmaceutical products and biological products	463,072	13,072	100	52
Tianjin Zhong Xin Pharmaceutical Group Guowei Medical Co., Ltd. (天津中新药 业集团国卫医药有限公司) ^(d)	Wholesale and retail sale of medicine	-	8,950	-	51
Tianjin Zhong Xin Pharmaceutical Group Xuzhi Medical Science and Technology Co., Ltd. ("Tianjin Zhong Xin Pharmaceutical Group Xuzhi") (天津中新药业 集团旭志医药科技有限公司) ^(d)	Sale of Chinese pharmaceutical products and biological products	-	5,611	-	51
Tianjin Zhongxin Medicine Research Institute Co., Ltd ("Tianjin Zhongxin Research Institute") (中新药业研究院有 限公司)	Provision of medicine inspection and testing services	32,097	32,097	100	100
Tianjin Hebei Da Ren Tang Hospital Co., Ltd. ("Da Ren Tang Hospital") (天津河北达仁 堂医院有限公司) ^(d)	Hospital	11,750	5,000	100	100
Tianjin Zhongxin Medicine Co., Ltd. ("TJZX Medicine") (天津中 新医药有限公司) ^(d)	Wholesale of pharmaceutical products	520,060	-	100	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

17A. Subsidiaries held by the Group (Cont'd)

Name of subsidiary	Principal activities	Cost		Effective interests held by the Group	
		2022 RMB'000	2021 RMB'000	2022 %	2021 %
<i>Held by the Company (Cont'd)</i>					
NewScen Coast (天津中新科炬生物制药股份有限公司) (note 17B)	Manufacture and sale of biological medicine	94,823	-	56.65	-
Tianjin Pharmaceutical Da Ren Tang Hongkong Development Limited ("Da Ren Tang HK") (津药达仁堂香港发展有限公司) ^(e)	Dormant	-	-	100	-
Tianjin Pharmaceutical Da Ren Tang Group Singapore Development Limited ("Da Ren Tang Singapore") (津药达仁堂新加坡发展有限公司) ^(e)	Dormant	-	-	100	-
		1,601,281	559,708		
<i>Held by Tianjin Chinese Medicinal Slices</i>					
Anguo Xinlong Chinese Herbal Medicine Co., Ltd. (安国新隆商贸有限公司)	Pharmaceutical consultancy	10,340	10,340	100	100
Tianjin Da Ren Tang (Bozhou) Chinese Medicine Co., Ltd (天津达仁堂(亳州)中药饮片有限公司)	Manufacture and sale of Chinese medicine	180,014	-	100	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

17A. Subsidiaries held by the Group (Cont'd)

Name of subsidiary	Principal activities	Cost		Effective interests held by the Group	
		2022 RMB'000	2021 RMB'000	2022 %	2021 %
<i>Held by Da Ren Tang Jingwanhong</i>					
Tianjin Jingwanhong Pharmacy Co., Ltd. (天津京万红大药房有限公司)	Wholesale and retail sale of medicine, biochemical pharmaceutical products and daily use products	1,000	1,000	100	52
Tianjin Jingwanhong Health Industry Development Co., Ltd. (天津京万红健康产业发展有限公司)	Wholesale and retail sale of medicine, biochemical pharmaceutical products	500	500	100	52
<i>Held by TJZX Medicine</i>					
Bin Hai Zhong Xin Pharmaceutical Co., Ltd. (天津中新药业滨海有限公司) ⁽⁴⁾	Sale of Chinese pharmaceutical products and biological products	10,500	-	54	-
Tianjin Zhong Xin Pharmaceutical Group Guowei Medical Co., Ltd. (天津中新药业集团国卫医药有限公司) ⁽⁴⁾	Wholesale and retail sale of medicine	8,950	-	51	-
Tianjin Zhong Xin Pharmaceutical Group Xuzhi Medical Science and Technology Co., Ltd. ("Tianjin Zhong Xin Pharmaceutical Group Xuzhi") (天津中新药业集团旭志医药科技有限公司) ⁽⁴⁾	Sale of Chinese pharmaceutical products and biological products	5,611	-	51	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

17A. Subsidiaries held by the Group (Cont'd)

Name of subsidiary	Principal activities	Cost		Effective interests held by the Group	
		2022 RMB'000	2021 RMB'000	2022 %	2021 %
<i>Held by Tianjin Zhong Xin Pharmaceutical Group Xuzhi</i>					
Tianjin Zhong Xin Pharmaceutical Group Darentang Zhong Xing Pharmacy Co., Ltd. (天津中新药业集团达仁堂中兴大药房有限公司)	Wholesale and retail sale of medicine, biochemical pharmaceutical products and daily use products	200	200	51	51
Tianjin Zhong Xin Pharmaceutical Group Darentang Zhong Hui Pharmacy Co., Ltd. (天津中新药业集团达仁堂中惠大药房有限公司)	Wholesale and retail sale of medicine, biochemical pharmaceutical products and daily use products	200	200	51	51
<i>Held by NewScen Coast</i>					
NewScen Coast Bio Pharmaceutical Sales Co., Ltd. ("NewScen Coast Sales") (天津中新科炬生物制品销售有限公司)	Wholesale and retail sale of biological medicine	980	-	55.52	-

(a) During the year, the Company transferred the entire equity interest it held in a wholly-owned subsidiary, Tianjin Da Ren Tang Bozhou, to another wholly-owned subsidiary, Tianjin Chinese Medicinal Slices (the "Transfer"). Upon completion of the Transfer, Da Ren Tang Bozhou became a direct wholly-owned subsidiary of Tianjin Chinese Medicinal Slices and an indirect subsidiary of the Company.

(b) Zhong Xin Bohai Rim, a wholly-owned subsidiary, was deregistered with effect from 28 February 2022.

(c) The operating licence of Daren Hospital, a wholly-owned subsidiary, was terminated with effect from 28 February 2021. The subsidiary is currently dormant.

(d) During the current reporting year, the Company injected additional capital of RMB6,750,000 and RMB520,060,000 into Da Ren Tang Hospital and TJZX Medicine, respectively.

(e) The Company incorporated Da Ren Tang Hong Kong and Da Ren Tang Singapore on 15 November 2022 and 24 November 2022, respectively. The capital of these entities have not yet been paid-up and there is no commitment for the Company to contribute the paid up capital to these entities. The two subsidiaries are currently dormant.

(f) During the year, the Company transferred the entire equity interest it held in subsidiaries, Bin Hai Zhong Xin Pharmaceutical, Tianjin Zhong Xin Pharmaceutical Group Guowei and Tianjin Zhong Xin Pharmaceutical Group Xuzhi to another wholly-owned subsidiary, TJZX Medicine (the "Transfer"). Upon completion of the Transfer, these subsidiaries became direct subsidiary of TJZX Medicine and indirect subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

17A. Subsidiaries held by the Group (Cont'd)

All subsidiaries are registered in the PRC and audited by ShineWing Certified Public Accountants (Special General Partnership), except for NewScen Coast, which is audited by Da Hua Certified Public Accountants.

The Audit Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditing firm of NewScen Coast would not compromise the standard and effectiveness of the audit of the Group.

17B. Acquisition of subsidiary

Prior to 30 September 2022, the Company held approximately 26.29% of the equity interests in Newscen Coast and has classified it as an associate.

On 30 September 2022, the Company acquired additional 5,735,899 shares in NewScen Coast for a cash consideration of approximately RMB51,623,000, representing 21.56% of the equity interests in NewScen Coast (the "Acquisition"). The acquisition was made given the prospects of the vitro diagnosis segment of the pharmaceutical industry which is the segment that NewScen Coast operates in. Upon completion of the Acquisition, the Company held approximately 47.85% of the equity interests in, and also obtained control over the operating and financing activities and decisions of NewScen Coast through control of the board of directors of NewScen Coast. Accordingly, NewScen Coast became a subsidiary of the Company.

The Acquisition was accounted for using by the acquisition method of accounting.

Consideration transferred

	<u>RMB'000</u>
Cash paid	51,623

Effect on cash flows of the Group

	<u>RMB'000</u>
Cash paid	51,623
Less: Cash and cash equivalents in subsidiary acquired	(4,012)
Cash outflow on acquisition	<u>47,611</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

17B. Acquisition of subsidiary (Cont'd)

Identifiable assets acquired and liabilities assumed

	<u>RMB'000</u>
Property, plant and equipment	30,159
Land use rights	1,859
Intangible assets	64,229
Trade and other receivables	22,596
Inventories	16,680
Other assets	6,859
Cash and cash equivalents	4,012
Trade and other payables	(58,101)
Bank borrowings	(43,108)
Current tax	(1,865)
Deferred tax liabilities	(8,818)
Lease liabilities	(3,903)
Other liabilities	(9,637)
Non-controlling interests	555
	<u>21,517</u>
Identifiable net assets acquired by the Group at 47.85%	10,296
Non-controlling interests at 51.25%	11,221
	<u>21,517</u>

Goodwill

	<u>RMB'000</u>
Total consideration transferred	51,623
Fair value of previously-held equity interests	62,937
Fair value of identifiable net assets acquired	(10,296)
Goodwill	<u>104,264</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

17B. Acquisition of subsidiary (Cont'd)

Gain on re-measurement of fair value of previously-held equity interests

	<u>RMB'000</u>
Fair value of 26.29% equity interests	62,937
Carrying value of 26.29% equity interests	-
Transfer from capital reserve [#] (note 26A)	<u>9,073</u>
	<u>72,010</u>

The Group's capital reserve of RMB9,073,000 arose from the restructuring of shareholding structure of NewScen Coast during the earlier years when NewScen Coast was an associate of the Group.

On 27 October 2022, the Company acquired additional 5,400,000 shares in NewScen Coast for a cash consideration of RMB43,200,000 via NewScen Coast's private placement, following which the equity interests held by the Company in NewScen Coast increased to 56.65%. This change in ownership interest in NewScen Coast did not result in change in control of NewScen Coast. The adjustment to the carrying amounts of the Group and the non-controlling interest as a result of this change of ownership interest is insignificant.

17C. Acquisition of non-controlling interest without change in control

On 10 November 2022, the Company acquired the remaining 48% of the equity interests held by a non-controlling shareholder in a subsidiary, Da Ren Tang Jingwanhong, for a cash consideration of RMB450,000,000. Upon completion of this acquisition, Da Ren Tang Jingwanhong became a wholly-owned subsidiary of the Company. The carrying amount of the non-controlling interest at date of acquisition was approximately RMB126,024,000. The difference between the change in non-controlling interest balance and the consideration paid, amounting to RMB323,976,000, was recognised in capital reserve (note 26A).

17D. Impairment of investments in subsidiaries

An allowance for impairment of RMB7,133,000 has been made for the Company's investment in Tianjin Chinese Medicinal Slices in previous years. There was no indication of further impairment of the subsidiary.

Full allowance for impairment was made for the Company's investment in Daren Hospital in the previous year as the subsidiary was in a capital deficit position.

An allowance for impairment of RMB40,833,000 was made for the Company's investment in Tianjin Shin Poong Pharmaceutical Co., Ltd. during the year, as the subsidiary is in a loss-marking and capital deficit position.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

17E. Material subsidiaries with non-controlling interests

The summarised financial information of subsidiaries with non-controlling interests that are material to the Group, not adjusted for percentage ownership held by the Group, are as follows:

	Group	
	2022 RMB'000	2021 RMB'000
<u>Da Ren Tang Jingwanhong and its subsidiaries</u>		
Profit for the year allocated to non-controlling interests of the subsidiaries	18,428	18,791
Accumulated non-controlling interests of subsidiaries at end of reporting year	-	121,996
Current assets	319,924	313,417
Non-current assets	94,355	51,654
Current liabilities	(137,165)	(101,652)
Non-current liabilities	(8,776)	(9,260)
Revenue	458,449	400,373
Profit for the year	44,180	39,147
Total comprehensive income	44,180	39,147
Increase in operating cash flows	25,918	10,982
Net increase/(decrease) in cash and cash equivalents	20,635	(13,790)

18. INVESTMENTS IN ASSOCIATES

	Group and Company	
	2022 RMB'000	2021 RMB'000
Equity interests, at cost	513,540	513,540
Less: Allowance for impairment	(14,220)	(14,220)
Share of post-acquisition results, net of dividends received	242,204	218,666
Share of other equity items of associates	18,669	11,674
	760,193	729,660
<u>Movements in carrying value</u>		
At beginning of year	729,660	687,538
Share of results for the year	196,613	185,597
Share of other comprehensive income, net of tax	6,995	5,111
Dividends received	(173,075)	(148,586)
At end of year	760,193	729,660

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

18. INVESTMENTS IN ASSOCIATES (CONT'D)

The associates held by the Group are as follows:

Name of associate	Principal activities	Effective interests held by the Group	
		2022 %	2021 %
<i>Held by the Company</i>			
Tianjin Hong Ren Tang Pharmaceutical Co., Ltd. ("Hong Ren Tang") (天津宏仁堂药业有限公司) ^(a)	Manufacture and sale of pharmaceutical products	40	40
Sino-American Tianjin SmithKline & French Lab., Ltd. ("Tianjin SmithKline & French") (中美天津史克制药有限公司) ^(b)	Manufacture and sale of western medicine and biochemical products	25	25
Tianjin Yiyao Printing Co., Ltd. ("Yiyao Printing") (天津宜药印务有限公司) ^(a)	Packing of medical and other products and printing of paper for packaging purposes	35	35
NewScen Coast Bio-Pharmaceutical Co., Ltd. ("NewScen Coast") (天津中新科炬生物制药有限公司) ^(d)	Manufacture and sale of biological medicine	-	26
Tianjin Bio-Chip Co., Ltd. (天津生物芯片技术有限责任公司) ^(c)	Development and sale of biological products	26	26
Tianjin International Exhibition Centre Co., Ltd. ("Tianjin International Exhibition Centre") (天津国展中心股份有限公司) ^(c)	Marketing, conference and exhibition services	20	20
Tianjin Pharmaceutical Group Finance Co., Ltd. ("Tianjin Pharmaceutical Group Finance") (天津医药集团财务有限公司) ^(a)	Financial services	15	15
Tianjin Pharmaceutical Marketing Management Co., Ltd. (天津医药集团营销管理有限公司) ^(c)	Marketing, conference and exhibition services	20	20
Dujiangyan Zhong Xin Chinese Herbs Cultivation Co., Ltd. (都江堰市中新中药材种植有限公司) ^(c)	Cultivation and processing of Chinese herbs	30	30

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

18. INVESTMENTS IN ASSOCIATES (CONT'D)

Name of associate	Principal activities	Effective interests held by the Group	
		2022	2021
		%	%
<i>Held by Yiyao Printing</i>			
Tianjin Yixuanlin Advertising Production Co., Ltd. (天津市艺轩林广告制作有限公司) ^(a)	Advertising and promotion services	35	35
<i>Held by NewScen Coast</i>			
NewScen Coast Sales (天津中新科炬生物制药产品销售有限公司) ^(d)	Wholesale and retail sale of biological medicine	-	25.8

All associates of the Group are registered in the PRC.

(a) Audited by ShineWing Certified Public Accountants in the PRC.

(b) Audited by Deloitte Hua Yong Certified Public Accountants in the PRC.

(c) Not significant to the Group; auditors not appointed as at end of reporting year.

(d) With effect from 30 September 2022, NewScen Coast became a subsidiary (note 17B).

The Audit Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditing firms of certain associates would not compromise the standard and effectiveness of the audit of the Group.

18A. Material associates

There are associates that are considered material to the Group and the Company. The summarised financial information of each of the material associate and the amounts (and not the Group's and the Company's share of those amounts) based on the financial statements of the associates are set out below. These are adjusted to reflect adjustments made by the Group when using the equity method.

	Group and Company	
	2022	2021
	RMB'000	RMB'000
<u>Hong Ren Tang</u>		
Current assets	157,309	147,152
Non-current assets	511,569	413,773
Current liabilities	(104,122)	(51,378)
Non-current liabilities	(120,689)	(116,207)
Net assets of associate	444,067	393,340
Equity interest	40%	40%
Proportion of the Group's and the Company's interest in associate	177,627	157,336
Goodwill	92,336	92,336
Carrying amount of interest in associate	269,963	249,672
Dividends received from associate	(20,000)	(24,000)
Revenue	380,173	402,352
Profit for the year	82,816	85,095
Other comprehensive income for the year	17,910	13,397
Total comprehensive income for the year	100,726	98,492

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

18. INVESTMENTS IN ASSOCIATES (CONT'D)

18A. Material associates (Cont'd)

	Group and Company	
	2022	2021
	RMB'000	RMB'000
<u>Tianjin SmithKline & French</u>		
Current assets	1,874,200	1,849,345
Non-current assets	445,237	480,126
Current liabilities	(1,216,804)	(1,328,420)
Non-current liabilities	(8,973)	(3,161)
Net assets of associate	1,093,660	997,890
Proportion of the Group's and the Company's interest in the associate	25%	25%
Carrying amount of interest in associate	273,415	249,473
Dividends received from associate	(152,295)	(119,096)
Revenue	2,973,004	2,761,879
Profit for the year	705,071	610,009
Total comprehensive income for the year	705,071	610,009

18B. Aggregate for all non-material associates

There are associates that are considered not material to the Group and the Company. The summarised financial information of all non-material associates and the aggregate amounts (and not the Group's and the Company's share of those amounts) based on the financial statements of the associates are set out below. These are adjusted to reflect adjustments made by the Group and the Company when using the equity method.

	Group and Company	
	2022	2021
	RMB'000	RMB'000
Loss for the year	(60,404)	(6,661)
Other comprehensive loss	(349)	(182)
Total comprehensive loss	(60,753)	(6,843)
Net assets of associates	1,008,281	1,074,164

There are no significant restrictions on the ability of the major associates to transfer funds to the Group and the Company in the form of cash dividends.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

19. OTHER FINANCIAL ASSETS

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Equity shares at FVTOCI (note 19A)	321	11,081	321	11,081
Debt instruments at amortised cost (note 19B)	81,566	484,464	-	374,829
	81,887	495,545	321	385,910
Presented in statements of financial position as:				
Other financial assets, non-current	41,272	11,081	321	11,081
Other financial assets, current	40,615	484,464	-	374,829
	81,887	495,545	321	385,910

19A. Equity shares at FVTOCI

	Group and Company	
	2022 RMB'000	2021 RMB'000
Quoted equity shares (note 19A1)	-	10,611
Unquoted equity shares (note 19A2)	321	470
	321	11,081

19A1. Quoted equity shares at FVTOCI

	Group and Company	
	2022 RMB'000	2021 RMB'000
<u>Fair value</u>		
At beginning of year	10,611	7,042
Changes in fair value (note 26C)	(2,222)	3,569
Disposals	(1,250)	-
Gain on disposal included in OCI (note 26C)	(7,139)	-
At end of year	-	10,611

A summary of significant industry concentrations within the investment portfolio are as follows:

	Fair value hierarchy	Group and Company	
		2022 RMB'000	2021 RMB'000
Energy	1	-	9,955
Transportation and shipping	1	-	656
		-	10,611

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

19. OTHER FINANCIAL ASSETS (CONT'D)

19A. Equity shares at FVTOCI (Cont'd)

19A1. Quoted equity shares at FVTOCI (Cont'd)

Fair values of quoted equity shares in corporations are derived based on quoted prices in active markets of the SSE and the Shenzhen Stock Exchange in the PRC.

During the year, the Group disposed the entire quoted equity shares as these investments no longer coincided with its investment strategy. The accumulated fair value changes of RMB7,139,000 was directly transferred to retained earnings from fair value reserve (note 26C).

There were no transfers between the fair value hierarchies during the year.

19A2. Unquoted equity shares at FVTOCI

	Group and Company	
	2022	2021
	RMB'000	RMB'000
<u>Fair value</u>		
At beginning of year	470	1,306
Changes in fair value (note 26C)	(149)	(836)
At end of year	<u>321</u>	<u>470</u>

A summary of significant industry concentrations within the investment portfolio are as follows:

	Fair value hierarchy	Group and Company	
		2022	2021
		RMB'000	RMB'000
Pharmaceutical	3	<u>321</u>	<u>470</u>

There were no transfers between the fair value hierarchies during the year.

For fair value measurements categorised within Level 3 of the fair value hierarchy, a description of the valuation techniques and information about significant unobservable inputs used in the fair value measurement are as follows:

<u>Unquoted equity shares</u>	<u>Valuation technique</u>	<u>Unobservable input</u>	<u>Range</u>
Pharmaceutical	Net asset value	Not applicable	Not applicable

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

19. OTHER FINANCIAL ASSETS (CONT'D)

19A. Equity shares at FVTOCI (Cont'd)

19A3. Sensitivity analysis for price risk of equity shares at FVTOCI

The equity shares in corporations are exposed to market price risk arising from uncertainties about future values of the investment securities.

Sensitivity analysis

	Group and Company	
	2022	2021
	RMB'000	RMB'000
A hypothetical 10% increase in market index of quoted equity shares would have an effect on fair value of:	-	1,061
A hypothetical 10% increase in net asset value to unquoted equity interest would have an effect on fair value of:	32	47

For similar price decreases in fair value of the above equity shares in corporations, there would be comparable impacts in the opposite direction.

The quoted equity shares and unquoted equity interest in corporations are denominated in the Company's functional currency which is RMB.

The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

19B. Debt instruments at amortised cost

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Principal amounts	80,000	454,920	-	349,920
Interest receivables	1,566	29,544	-	24,909
	81,566	484,464	-	374,829
<u>Movements during the year</u>				
At beginning of year	484,464	107,963	374,829	-
Additions	80,000	349,920	-	349,920
Accretion in amortised cost	1,566	26,581	-	24,909
Redemption	(484,464)	-	(374,829)	-
At end of year	81,566	484,464	-	374,829

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

19. OTHER FINANCIAL ASSETS (CONT'D)

19B. Debt instruments at amortised cost (Cont'd)

A summary of the principal amounts of the debt instruments are as follows:

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Deposits held by bank with fixed interest rate of 4.2% per annum and matured on 2 April 2022, with settlement of interest on monthly basis	-	30,000	-	-
Deposits held by bank with fixed interest rate of 4.2% per annum and matured on 2 April 2022, with settlement of interest on yearly basis	-	35,000	-	-
Deposits held by bank with fixed interest rate of 4.2% per annum and matured on 29 March 2022, with settlement of interest upon maturity	-	40,000	-	-
Bond held by financial institution with fixed rates of 5.8% and matured on 20 January 2022, with settlement of interest upon maturity	-	349,920	-	349,920
Deposits held by bank with fixed interest rate of 2.3% per annum and maturing on 30 March 2023, with settlement of interest on monthly basis	20,000	-	-	-
Deposits held by bank with fixed interest rate of 1.95% per annum and maturing on 25 April 2025, with settlement of interest on monthly basis	20,000	-	-	-
Deposits held by bank with fixed interest rate of 2.9% per annum and maturing on 30 March 2024, with settlement of interest on monthly basis	20,000	-	-	-
Deposits held by bank with fixed interest rate of 3.55% per annum and maturing on 8 April 2025, with settlement of interest on monthly basis	10,000	-	-	-
Deposits held by bank with fixed interest rate of 3.55% per annum and maturing on 14 April 2025, with settlement of interest on monthly basis	10,000	-	-	-
	80,000	454,920	-	349,920

The debt instruments at amortised cost are subject to the ECL model under the standard on financial instruments. The debt instruments are considered to have low credit risk as they are held by reputable financial institutions and no loss allowance is recognised at end of reporting year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

20. OTHER ASSETS

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Prepayments	117,739	104,071	51,411	84,934
Income tax recoverable	239	13,200	-	13,195
Value-added taxes recoverable	35,968	46,002	3,516	45,126
	153,946	163,273	54,927	143,255
Presented in statements of financial position as:				
Other assets, non-current	46,210	42,333	40,550	40,067
Other assets, current	107,736	120,940	14,377	103,188
	153,946	163,273	54,927	143,255

21. INVENTORIES

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Raw materials	452,103	573,708	423,253	544,005
Work-in-progress	143,813	147,471	128,860	138,368
Finished goods	833,536	803,910	233,870	709,584
	1,429,452	1,525,089	785,983	1,391,957

Inventories are stated after write-down to net realisable values. Movements in allowance for write-down are as follows:

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
At beginning of year	47,012	40,444	36,617	33,970
Charged to profit or loss included in other losses (note 6)	36,122	10,341	12,041	6,348
Written-off	(18,683)	(3,773)	(5,428)	(3,701)
At end of year	64,451	47,012	43,230	36,617
Changes in inventories of finished goods and work-in-progress	(25,968)	2,092	485,223	20,355
Raw materials, consumables and goods for resale recognised as expenses	2,227,831	3,486,364	3,737,148	3,149,285

There are no inventories pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Trade receivables</u>				
Bills receivable	578,369	433,592	445,152	399,488
Outside parties	2,260,367	1,649,775	400,827	1,293,731
Subsidiaries	-	-	140,876	184,379
Associates	4,758	4,937	2,648	4,937
Related parties	35,586	26,125	16,835	26,125
Less: Allowance for impairment				
- ECL allowance on specific credit-impaired debtors	(10,203)	(6,350)	(1,300)	(3,236)
- ECL allowance assessed on portfolio of debtors	(144,295)	(137,494)	(59,700)	(128,219)
	<u>2,724,582</u>	<u>1,970,585</u>	<u>945,338</u>	<u>1,777,205</u>
<u>Other receivables</u>				
Outside parties	55,880	67,978	1,345,929	160,016
Subsidiaries	-	-	31,938	22,263
Associates (note 3)	17,561	27,861	17,561	27,861
Related parties (note 3)	26,690	-	26,690	-
Less: ECL allowance on specific credit-impaired debtors	(39,596)	(55,105)	(30,154)	(45,363)
	<u>60,535</u>	<u>40,734</u>	<u>1,391,964</u>	<u>164,777</u>
	<u>2,785,117</u>	<u>2,011,319</u>	<u>2,337,302</u>	<u>1,941,982</u>

Trade receivables

The ECL of trade receivables are based on the simplified approach to measuring ECL which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets except for those individual debtors which were identified to have significant increase in credit risk since its date of initial recognition and credit impaired individually. The trade debtors are grouped based on shared credit risk characteristics and the days past due for measuring ECL. The allowance matrix is based on historical observed default rates (over a period of 36 months) over expected life of the trade receivables and is adjusted for forward-looking estimates including impact of the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

22. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables (Cont'd)

Movements in allowance for ECL of trade receivables are as follows:

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
At beginning of year	143,844	138,951	131,455	125,603
Impairment loss/(reversal)	9,223	4,893	(66,642)	5,852
Written-off	(12,893)	-	(3,813)	-
Others	14,324	-	-	-
At end of year	154,498	143,844	61,000	131,455

Trade receivables are written-off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analysed. The ageing of balances subject to portfolio assessment are as follows:

	Group			Company		
	Gross amount RMB'000	ECL rate %	Loss allowance RMB'000	Gross amount RMB'000	ECL rate %	Loss allowance RMB'000
<u>2022</u>						
Within 1 year	2,108,454	0.14	2,936	359,374	0.13	467
1 – 2 years	42,443	19	8,212	539	20	108
2 – 3 years	5,847	31	1,815	-	50	-
Over 3 years	133,764	98	131,332	59,125	100	59,125
	<u>2,290,508</u>		<u>144,295</u>	<u>419,038</u>		<u>59,700</u>
<u>2021</u>						
Within 1 year	1,528,996	0.13	1,990	1,187,329	0.13	1,543
1 – 2 years	11,060	20	2,212	10,919	20	2,184
2 – 3 years	2,277	50	1,138	2,277	50	1,139
Over 3 years	132,154	100	132,154	123,353	100	123,353
	<u>1,674,487</u>		<u>137,494</u>	<u>1,323,878</u>		<u>128,219</u>

There is no concentration of credit risk with respect to trade receivables as there are a large number of customers.

Included in bill receivables were approximately RMB69,608,000 (2021: RMB334,395,000) that were secured for bills payables (note 27).

Bill receivables which was graded as low risk individually are considered to have low credit risk as these bill receivables were written by reputable financial institutions in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

22. TRADE AND OTHER RECEIVABLES (CONT'D)

Other receivables

Other receivables can be graded for credit risk individually. At inception, they are recorded net of expected 12-month credit losses. At each reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at reporting date (based on the modified cash flows). Adjustment to loss allowance is made for any increase or decrease in credit risk. At end of reporting year, a loss allowance is recognised at an amount equal to lifetime ECL if there has been a significant increase in credit risk since initial recognition including impact of the COVID-19 pandemic.

Movements in allowance for ECL of other receivables are as follows:

<u>2022</u>	12-month ECL RMB'000	Lifetime ECL - assessed on individual debtors RMB'000	Total RMB'000
<u>Group</u>			
At beginning of year	27,967	27,138	55,105
Impairment reversal	(1,815)	(4,912)	(6,727)
Written-off	(8,613)	(169)	(8,782)
At end of year	<u>17,539</u>	<u>22,057</u>	<u>39,596</u>
<u>Company</u>			
At beginning of year	18,493	26,870	45,363
Impairment loss/(reversal)	(15,150)	-	(15,150)
Written-off	(59)	-	(59)
At end of year	<u>3,284</u>	<u>26,870</u>	<u>30,154</u>
<u>2021</u>			
<u>Group</u>			
At beginning of year	25,236	27,166	52,402
Impairment loss/(reversal)	2,731	(28)	2,703
At end of year	<u>27,967</u>	<u>27,138</u>	<u>55,105</u>
<u>Company</u>			
At beginning of year	18,337	26,898	45,235
Impairment loss/(reversal)	156	(28)	128
At end of year	<u>18,493</u>	<u>26,870</u>	<u>45,363</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Not restricted in use	2,711,533	2,283,181	2,075,295	2,055,683
Cash pledged for bank facilities [#]	170,991	-	-	-
	2,882,524	2,283,181	2,075,295	2,055,683

Pertains to restricted bank balances that include security deposits to cover bills payable (note 27) with maturity dates within 3 months from end of reporting year.

The rate of interest for the cash on short-term bank deposits range from 0.35% to 2.35% (2021: 0.35% to 2.35%) per annum.

The bank balances of the Group and the Company include placement of deposits with an associate company amounting to RMB570,758,195 (2021: RMB591,615,000) and RMB208,139,000 (2021: RMB469,383,000), respectively.

23A. Cash and cash equivalents in statement of cash flows

	Group	
	2022 RMB'000	2021 RMB'000
Amount as shown above	2,882,524	2,283,181
Less: Cash pledged for bank facilities	(170,991)	-
	2,711,533	2,283,181

23B. Reconciliation of liabilities arising from financing activities

	At beginning of year RMB'000	Cash flows RMB'000	Non-cash changes		At end of year RMB'000
			Interest expenses RMB'000	Others RMB'000	
2022					
Lease liabilities	3,169	(3,931)	154	5,576 ^(a)	4,968
Other financial liabilities	30,000	169,710	10,121	43,108 ^(d)	252,939
Interest payable	35	(1,480)	-	1,701 ^(c)	256
Dividends payable	15,725	(385,954)	-	387,825 ^(b)	17,596
Total liabilities from financing activities	48,929	(221,655)	10,275	438,210	275,759

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

23. CASH AND CASH EQUIVALENTS (CONT'D)

23B. Reconciliation of liabilities arising from financing activities (Cont'd)

	At beginning of year RMB'000	Cash flows RMB'000	Non-cash changes		At end of year RMB'000
			Interest expenses RMB'000	Others RMB'000	
<u>2021</u>					
Lease liabilities	2,710	(1,369)	102	1,726 ^(a)	3,169
Other financial liabilities	30,000	-	-	-	30,000
Interest payable	37	(1,186)	-	1,184 ^(c)	35
Dividends payable	14,610	(230,858)	-	231,973 ^(b)	15,725
Total liabilities from financing activities	<u>47,357</u>	<u>(233,413)</u>	<u>102</u>	<u>234,883</u>	<u>48,929</u>

(a) Being additional lease liabilities and from acquisition of a subsidiary (Note 17B).

(b) Mainly pertains to final dividend proposed and approved for the year.

(c) Capitalisation of borrowing costs into construction in progress.

(d) From acquisition of a subsidiary (Note 17B).

24. SHARE CAPITAL

	Group and Company		
	Number of ordinary share issued		Share capital RMB'000
	A-Shares	S-Shares	
At 1 January 2021	573,643,076	200,000,000	773,643
Repurchase and cancellation of shares under 2019 Restricted A-Share Incentive Scheme	(200,000)	-	(200)
At 31 December 2021, 1 January 2022 and 31 December 2022	<u>573,443,076</u>	<u>200,000,000</u>	<u>773,443</u>

	Group and Company	
	Number of ordinary share issued	Share capital RMB'000
<u>A-Shares</u>		
Circulating shares	565,868,076	565,868
Restricted circulating shares	7,575,000	7,575
	<u>573,443,076</u>	<u>573,443</u>
<u>S-Shares</u>		
Circulating shares	200,000,000	200,000
	<u>773,443,076</u>	<u>773,443</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

24. SHARE CAPITAL (CONT'D)

All S-Shares and A-Shares rank pari passu in all aspects. The par value of these shares is RMB1. These shares are fully paid and carry one vote each and have no right to fixed income. The holders of these shares are entitled to receive dividends when declared by the Company. All shares carry one vote per share without restrictions at meetings of the Company.

In 1997, the Company issued 100,000,000 S-Shares for listing on the SGX. On 9 May 2002, the Company issued 40,000,000 A-Shares for listing on the SSE.

On 10 July 2015, the Company carried out a share placement exercise and issued 29,564,356 A-Shares with par value of RMB1 for cash at RMB28.28 each on the SSE.

The restricted circulating shares originated from legal person shares which were issued following the conversion of the Company from a state-owned enterprise to a company limited by shares. Legal person shares are restricted in trading. Pursuant to a share reform exercise approved by the Company's shareholders on 10 July 2006, Tianjin Pharmaceutical Holdings Co., Ltd., the former controlling shareholder of the Company, and the other holders of non-circulating legal person shares collectively offered 2.8 shares for every 10 circulating A-Shares to the circulating "A" shareholders registered as at 19 July 2006.

On 30 October 2020, 100,000 restricted circulating shares were repurchased or cancelled by the Company in accordance with the relevant provisions of the 2019 Restricted A-Share Incentive Scheme. The repurchase and cancellation were completed on 30 October 2020.

On 9 December 2020 and 6 July 2021, the Company granted additional 3,930,000 and 940,000 restricted circulating shares to employees, respectively, under the 2019 Restricted A-Share Incentive Scheme as disclosed in note 25. These shares were registered on 7 January 2020 and 27 July 2020.

On 12 August 2021, 200,000 restricted circulating shares were repurchased and cancelled by the Company in accordance with the relevant provisions of the 2021 Restricted A-Share Incentive Scheme. The repurchase was completed on 30 October 2021 and cancellation was completed in 18 November 2021.

The restricted circulating shares cannot be sold in the market for a restricted period.

Capital management

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

24. SHARE CAPITAL (CONT'D)

Capital management (Cont'd)

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
<u>Net debt</u>		
All current and non-current borrowings including leases	257,907	33,169
Less: Cash and cash equivalents	<u>(2,882,524)</u>	<u>(2,283,181)</u>
	-	-
<u>Adjusted capital</u>		
Total equity	<u>6,581,702</u>	<u>6,545,862</u>
Debt-to-adjusted capital ratio	Not meaningful	Not meaningful

25. SHARE-BASED PAYMENTS

2019 Restricted A-Share Incentive Scheme

The 2019 Restricted A-Share Incentive Scheme (the "Scheme") was approved at an Extraordinary General Meeting on 2 December 2019. The Scheme is administered by the board of directors. The Remuneration Committee is responsible for formulating and revising the Scheme while the Supervisory Committee and the Independent Directors act as the supervisory body for the Scheme.

The Scheme was established to improve the long-term incentive mechanism of the Company, attract and retain outstanding talents, motivate key personnel of the Company, and align the interests of the shareholders and the Company with individual interests of members of the management team so that all parties will make joint efforts for the long-term development of the Company.

The incentive instruments to be issued under the Scheme are ordinary shares in the share capital of the Company denominated in RMB and listed on the SSE, which are subject to such restrictions as set out in the Scheme ("Restricted A-Shares") only.

The Scheme is centred on the accomplishment of specific pre-determined performance objectives and service conditions, which is the prerequisite for the contingent award of fully paid Shares. The reward structure allows the Company to target specific performance objectives and incentivise the participants of the Scheme (the "Participants") to put in their best efforts to achieve these targets.

Participants who were eligible to participate in the Scheme include directors, members of senior management, members of the management team of the Company that the board of directors 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). The participants under the Scheme do not include supervisors, non-executive directors and independent directors, and also do not include controlling shareholders of the Company and their associates, directors and employees of the Company's associated companies, and directors and employees of the Company's parent company and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

25. SHARE-BASED PAYMENTS (CONT'D)

2019 Restricted A-Share Incentive Scheme (Cont'd)

There shall be no restriction on the eligibility of any participant to participate in any other share option or share incentive schemes implemented or to be implemented by the Company or another company within the Group.

The aggregate number of Restricted A-Shares proposed to be granted to the participants under the Scheme shall be no more than 5,012,500 Restricted A-Shares, among which, the number of Initial Granted Restricted A-Shares shall be 4,010,000 Restricted A-Shares, representing approximately 80% of the total number of Restricted A-Shares proposed to be granted under the Scheme, while the balance number of Restricted A-Shares proposed to be reserved shall be 1,002,500 Restricted A-Shares, representing approximately 20% of total number of Restricted A-Shares proposed to be granted under the Scheme.

The number of Restricted A-Shares to be granted to any one participant under the Scheme shall not exceed 1% of total issued share capital of the Company prior to submission of the Scheme for consideration at the Extraordinary General Meeting held on 2 December 2019. The total number of Restricted A-Shares to be granted under the Scheme, when added to the number of shares issued and/or issuable in respect of all shares, options or awards granted under any other share incentive scheme of the Company for the time being in force (if any), shall not exceed 10% of total issued share capital of the Company from time to time.

The final number of Restricted A-Shares awarded will depend on the achievement of pre-determined targets set for each release arrangement set out below:

<u>Release arrangement</u>	<u>Release period</u>	Proportion of Restricted A-Shares to be released as percentage of total number of Restricted A-Shares to be granted under the Scheme
First release period	Commencing on first trading day after expiry of 24-month lock-up period from date of completion of registration of Restricted A-Shares, and ending on last trading day of 36-month period from date of completion of registration of Restricted A-Shares	33%
Second release period	Commencing on first trading day after expiry of 36-month lock-up period from date of completion of registration of Restricted A-Shares, and ending on last trading day of 48-month period from date of completion of registration of Restricted A-Shares	33%
Third release period	Commencing on first trading day after expiry of 48-month lock-up period from date of completion of registration of Restricted A-Shares, and ending on last trading day of 60-month period from date of completion of registration of Restricted A-Shares	34%

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

25. SHARE-BASED PAYMENTS (CONT'D)

2019 Restricted A-Share Incentive Scheme (Cont'd)

Restricted A-Shares granted to participants under the Scheme shall not be transferred or used as security or for repayment of debts during the relevant lock-up periods and shall be repurchased and cancelled by the Company if the release condition is not met.

Activities under the Scheme

On 9 December 2019 and 6 July 2021, the Company granted 3,930,000 and 940,000 Restricted Shares to employees at a grant price of RMB7.20 and RMB8.89, respectively. These Restricted Shares were registered on 7 January 2021 and 27 July 2021, respectively.

Details of Restricted A-Shares granted under the Scheme since commencement up to 31 December 2022 are as follows:

<u>Participants</u>	<u>Aggregate Restricted A-Shares outstanding at 1 January 2021</u>	<u>Restricted A-Shares granted during the year</u>	<u>Restricted A-Shares repurchased and cancelled during the year</u>	<u>Restricted A-Shares vested and released during the year</u>	<u>Aggregate Restricted A-Shares outstanding at 31 December 2021</u>
Li Yan	70,000	-	-	-	-
Wang Mai	70,000	-	-	-	70,000
Zhou Hong	70,000	-	-	-	70,000
Other participants ^(b)	4,560,000	-	(200,000) ^(a)	-	4,360,000
	<u>4,770,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>4,570,000</u>

<u>Participants</u>	<u>Aggregate Restricted A-Shares outstanding as at 1 January 2022</u>	<u>Restricted A-Shares granted during the year</u>	<u>Restricted A-Shares repurchased and cancelled during the year</u>	<u>Restricted A-Shares vested and released during the year</u>	<u>Aggregate Restricted A-Shares outstanding at 31 December 2022</u>
Wang Mai	70,000	-	-	-	70,000
Zhou Hong	70,000	-	-	-	70,000
Other participants ^(b)	4,360,000	-	-	-	4,360,000
	<u>4,570,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,570,000</u>

(a) 200,000 Restricted A-shares have been repurchased and cancelled by the Company in accordance with the relevant provisions of the Scheme.

(b) Consists of management team, leading-level scientific research experts, core personnel for scientific research and technology and members of core management team of subordinate enterprises of the Company.

No participant has received 5% or more of total number of Restricted A-Shares available under the Scheme.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

25. SHARE-BASED PAYMENTS (CONT'D)

Accounting for the Scheme

Under the Scheme, directors and employees receive remuneration in the form of shares of the Company as consideration for services rendered. Restricted A-Shares are granted conditionally and the final number of Restricted A-Shares awarded will depend on the achievement of pre-determined targets.

The cost of the Scheme with employees are measured at fair value on grant date. The fair value is measured by reference to market price of the shares on grant date and the impact of any non-market vesting conditions. The cost of the Scheme is charged to profit or loss over the vesting period of the Scheme, with a corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vesting, with a corresponding adjustment made in equity.

	Group and Company	
	2022	2021
	RMB'000	RMB'000
<u>Share-based compensation reserve</u>		
At beginning of year	20,414	10,262
Expense recognised in administrative expenses (note 8)	6,825	10,152
At end of year	27,239	20,414

26. OTHER RESERVES

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Capital reserve (note 26A)	(286,624)	39,631	123,269	116,274
Statutory common reserve (note 26B)	436,750	436,750	436,750	436,750
Fair value reserve (note 26C)	(8,405)	(322)	(8,405)	(322)
Merger reserve (note 26D)	7,604	7,604	(19,612)	(19,612)
Share-based compensation reserve (note 25)	27,239	20,414	27,239	20,414
	176,564	504,077	559,241	553,504

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

26. OTHER RESERVES (CONT'D)

26A. Capital reserve

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
At beginning of year	39,631	34,520	116,274	111,951
Share of changes in other reserves of associates	6,995	5,111	6,995	5,111
Acquisition of subsidiary (note 17B)	(9,073)	-	-	-
Acquisition of non-controlling interests without change in control (note 17C)	(323,976)	-	-	-
Non-cash contribution to subsidiary	-	-	-	(788)
Others	(201)	-	-	-
At end of year	<u>286,624</u>	<u>39,631</u>	<u>123,269</u>	<u>116,274</u>

26B. Statutory common reserve

	Group and Company	
	2022 RMB'000	2021 RMB'000
At beginning and end of year	<u>436,750</u>	<u>436,750</u>

Under the regulations of the PRC, the Company and its subsidiaries are required to set up a statutory reserve which represents a non-distributable reserve made at a rate of 10% of net profit after tax until the reserve reaches 50% of the registered capital in accordance with their Articles of Association. The transfer to this reserve must be made before payment of dividends to shareholders. At end of reporting year, the Group's and the Company's statutory common reserves have reached the limit of 50% of the registered capital and no further transfer was made during the reporting year.

The statutory common reserve can only be used to set off against losses, to expand the entities' production operations or to increase its share capital. The Company and its subsidiaries may convert its statutory common reserve into share capital provided the remaining balance of such reserve is not less than 25% of the share capital.

The Company and certain subsidiaries may transfer a portion of its net profit to the statutory welfare reserve in accordance with their Articles of Association, as recommended by directors and approved by shareholders.

The statutory welfare reserve can only be used for the collective welfare of the employees of the Company and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

26. OTHER RESERVES (CONT'D)

26C. Fair value reserve

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
At beginning of year	(322)	(2,645)	(322)	(2,645)
Fair value changes on equity investments measured at FVTOCI	(2,371)	2,733	(2,371)	2,733
Deferred tax thereon (note 9C)	1,427	(410)	1,427	(410)
	(944)	2,323	(944)	2,323
Transfers to retained earnings on disposal of equity investments measured at FVTOCI	(7,139)	-	(7,139)	-
At end of year	(8,405)	(322)	(8,405)	(322)

26D. Merger reserve

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
At beginning and end of year	7,604	7,604	(19,612)	(19,612)

The merger reserve arises from the effects of business combination between entities under common control.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Trade payables</u>				
Bills payable	681,563	643,887	110,042	643,887
Outside parties	688,695	588,094	177,452	474,543
Accrued termination benefits	19,948	22,773	15,731	22,597
Accrued employee benefits	196,204	121,729	158,313	101,389
Subsidiaries	-	-	30,289	24,951
Associates	6,352	2,178	5,814	2,090
Related parties	29,280	8,340	26	2,580
	1,622,042	1,387,001	497,667	1,272,037
<u>Other payables</u>				
Outside parties	1,135,588	719,461	902,284	581,839
Other taxes payables	103,575	34,548	82,507	21,534
Dividend payable	17,596	15,725	17,596	15,725
Subsidiaries	-	-	18,947	16,777
Associates (note 3)	3,800	39	3,800	39
Related parties (note 3)	12,912	804	3,039	802
	1,273,471	770,577	1,028,173	636,716
	2,895,513	2,157,578	1,525,840	1,908,753

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

27. TRADE AND OTHER PAYABLES (CONT'D)

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Presented in statements of financial position as:				
Non-current	10,091	12,445	9,005	12,297
Current	2,885,422	2,145,133	1,516,835	1,896,456
	<u>2,895,513</u>	<u>2,157,578</u>	<u>1,525,840</u>	<u>1,908,753</u>

The bills payable are secured by pledges of bill receivables of the Group and of the Company (note 22).

Termination benefits are payable when employment is terminated by the Group before official retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

28. LEASE LIABILITIES

	Group	
	2022 RMB'000	2021 RMB'000
Lease liabilities, current	4,097	1,597
Lease liabilities, non-current	871	1,572
	<u>4,968</u>	<u>3,169</u>

Movements of lease liabilities are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	3,169	2,710
Additions	1,673	1,726
Acquisition of a subsidiary (note 17B)	3,903	-
Accretion of interest	154	102
Repayments	(3,931)	(1,369)
At end of year	<u>4,968</u>	<u>3,169</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

29. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Current</u>				
Bank loans (unsecured)				
– Bank loan A	80,531	–	80,531	–
– Bank loan B	4,878	–	–	–
– Bank loan C	6,000	–	–	–
Bank loan (secured)	10,230	–	–	–
Loans from associate (secured)	–	30,000	–	–
	101,639	30,000	80,531	–
<u>Non-current</u>				
Bank loans (unsecured)				
– Bank loan D	21,492	–	21,492	–
– Bank loan E	3,468	–	3,468	–
– Bank loan F	8,496	–	8,496	–
– Bank loan G	1,497	–	1,497	–
– Bank loan H	3,917	–	3,917	–
– Bank loan I	4,918	–	4,918	–
– Bank loan J	22,377	–	22,377	–
– Bank loan K	28,606	–	28,606	–
– Bank loan L	28,539	–	28,539	–
Loans from associate (secured)	27,990	–	–	–
	151,300	–	123,310	–
	252,939	30,000	203,841	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

29. OTHER FINANCIAL LIABILITIES (CONT'D)

Terms and conditions of outstanding loans and borrowings are as follows:

	Interest rate per annum		Year of maturity	
	2022	2021	2022	2021
Bank loans (unsecured)				
- Bank loan A	2.65%	-	December 2023	-
- Bank loan B	4.45%	-	March 2023	-
- Bank loan C	5.70%	-	May 2023	-
- Bank loan D	2.70%	-	June 2025	-
- Bank loan E	2.70%	-	June 2025	-
- Bank loan F	2.70%	-	July 2025	-
- Bank loan G	2.65%	-	June 2025	-
- Bank loan H	2.70%	-	August 2025	-
- Bank loan I	2.70%	-	October 2025	-
- Bank loan J	2.70%	-	November 2025	-
- Bank loan K	2.70%	-	November 2025	-
- Bank loan L	2.70%	-	December 2025	-
Bank loans (secured)	5.00%	-	April 2023	-
Loans from associate (secured)	3.68%	4.04%	February 2024	August 2022

Loans from an associate of RMB27,990,000 (2021: RMB30,000,000) were secured by pledges of legal mortgages over a subsidiary's land use rights of RMB25,163,000 (2021: RMB26,430,000) (see note 15).

30. OTHER LIABILITIES

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Contract liabilities (note 30A)	219,075	215,609	203,529	207,388
Deferred income	59,876	59,147	34,847	39,582
Advance payments received	36,688	38,028	20,532	27,175
Others, current	173	-	-	-
Others, non-current	3,949	3,949	-	-
	319,761	316,733	258,908	274,145
Presented in statements of financial position as:				
Non-current	100,513	101,124	55,379	66,757
Current	219,248	215,609	203,529	207,388
	319,761	316,733	258,908	274,145

Deferred income represents grants from government and other third parties.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

30. OTHER LIABILITIES (CONT'D)

30A. Contract liabilities

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Contract liabilities	219,075	215,609	203,529	207,388

Contract liabilities relate primarily to advance considerations received from, and volume rebates to, customers.

Significant changes in contract liabilities balances during the year are as follows:

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at beginning of year	78,563	69,254	72,699	59,064
Advance consideration received, excluding amounts recognised as revenue during the year	127,622	82,705	114,434	74,484
Provision for rebates to customers	87,310	132,904	87,310	132,904

Transaction price allocated to remaining performance obligations are as follows:

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Expected to be recognised within one year	131,764	84,035	116,219	75,710

31. CAPITAL COMMITMENTS

Estimated amounts committed at end of reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2022 RMB'000	2021 RMB'000
Contractual obligations to purchase and construct	180,009	219,231

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

32. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

At end of reporting year, total of future minimum lease receivables commitments under non-cancellable operating leases are as follows:

	Group	
	2022 RMB'000	2021 RMB'000
Not later than one year	5,744	8,856
Later than one year and not later than two years	3,430	5,781
Later than two years and not later than three years	2,816	2,284
Later than three years	1,624	593

Operating lease income commitments are for the investment properties (note 13).

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

33A. Categories of financial assets and liabilities

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Financial assets</u>				
Financial assets at amortised cost	5,749,207	4,778,964	4,413,227	4,372,494
Financial assets at FVTOCI	321	11,081	321	11,081
	<u>5,749,528</u>	<u>4,790,045</u>	<u>4,413,548</u>	<u>4,383,575</u>
<u>Financial liabilities</u>				
Financial liabilities at amortised cost	<u>3,153,420</u>	<u>2,190,747</u>	<u>1,729,681</u>	<u>1,908,753</u>

Further quantitative disclosures are included throughout these financial statements.

33B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, and price risk exposures. Management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

33B. Financial risk management (Cont'd)

The guidelines include the following:

- (i) Minimise interest rate, credit and market risks for all kinds of transactions; and
- (ii) Maximise use of "natural hedge": favouring as much as possible natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk;
- (iii) All financial risk management activities are carried out and monitored by senior management staff; and
- (iv) All financial risk management activities are carried out following market practices.

There have been no changes to the exposures to risk, the objectives, policies and processes for managing the risk and the methods used to measure the risk.

33C. Fair value of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

33D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counter-parties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For ECL on financial assets, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-one loss is recorded equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 23 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

33E. Liquidity risk

The following table analyses the financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at end of reporting year:

<u>Group</u>	<u>Less than 1 year RMB'000</u>	<u>2 – 5 years RMB'000</u>	<u>Total RMB'000</u>
<u>2022</u>			
Gross borrowings commitments	104,097	161,706	265,803
Lease liabilities	4,159	873	5,032
Trade and other payables	2,885,422	10,091	2,895,513
	<u>2,993,678</u>	<u>172,670</u>	<u>3,166,348</u>
<u>2021</u>			
Gross borrowings commitments	31,212	-	31,212
Lease liabilities	1,669	1,590	3,259
Trade and other payables	2,145,133	12,445	2,157,578
	<u>2,178,014</u>	<u>14,035</u>	<u>2,192,049</u>
<u>Company</u>			
	<u>Less than 1 year RMB'000</u>	<u>2 – 5 years RMB'000</u>	<u>Total RMB'000</u>
<u>2022</u>			
Gross borrowings commitments	82,642	132,581	215,223
Trade and other payables	1,516,835	9,005	1,525,840
	<u>1,599,477</u>	<u>141,586</u>	<u>1,741,063</u>
<u>2021</u>			
Trade and other payables	1,896,456	12,297	1,908,753
	<u>1,896,456</u>	<u>12,297</u>	<u>1,908,753</u>

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. At end of reporting year, no claims on the financial guarantees are expected to be payable.

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is approximately 45 days. The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

In order to meet such cash commitments, the operating activities are expected to generate sufficient cash inflows. In addition, the financial assets are held for which there is a liquid market and that are readily available to meet liquidity needs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

33F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate.

The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Financial assets</u>				
Fixed rate	81,566	484,464	-	374,829
Floating rate	2,711,533	2,283,181	2,075,295	2,055,683
	<u>2,793,099</u>	<u>2,767,645</u>	<u>2,075,295</u>	<u>2,430,512</u>
<u>Financial liabilities</u>				
Fixed rate	251,939	30,000	203,841	-

The floating rate debt obligations are with interest rates that are re-set regular intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Financial assets</u>				
A hypothetical variation in floating interest rates by 100 basis points with all other variables held constant would increase/decrease pre-tax profit for the year by:	27,115	22,831	20,753	20,557

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on profit or loss. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

33G. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, i.e., in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in non-functional currency:

<u>Group</u>	2022	2021
	USD	USD
	RMB'000	RMB'000
<u>Financial assets</u>		
Cash and cash equivalents	36	-
Trade and other receivables	7,837	-
	<u>7,873</u>	<u>-</u>
<u>Financial liabilities</u>		
Trade and other payables	25,925	18,039
	<u>(18,052)</u>	<u>(18,039)</u>

Sensitivity analysis: The effect on pre-tax profit is not significant.

33H. Equity price risk

There are investments in equity shares or similar instruments. As a result, such investments are exposed to both currency risk and market risk arising from uncertainties about future values of the investment securities. The fair values of these assets and sensitivity analysis are disclosed in note 19.

34. ITEMS IN PROFIT OR LOSS

The following charges have been included in administrative expenses:

	Group	
	2022	2021
	RMB'000	RMB'000
Audit fees to independent auditors of the Company	3,700	2,900
Other fees to independent auditors of the Company	860	860
	<u>4,560</u>	<u>3,760</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL INFORMATION BY OPERATING SEGMENTS

Disclosure of information regarding operating segments, products and services, the geographical areas, and the major customers are made as required by IFRS 8 *Operating Segments*. This disclosure standard has no impact on the reported results or financial position of the Group.

For management purposes the Group is segregated into the Chinese medicine and Western medicine major strategic operating segments.

- (i) Chinese medicine: Manufacturer of Chinese pharmaceutical products which are under brands owned by the Group; and
- (ii) Western medicine: Manufacturer of western pharmaceutical products through cooperation with foreign companies.

Any item that does not fall within the above two categories is grouped under unallocated. Other than the information disclosed below, other information is not available and the cost to develop it would be excessive.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment's operating results is as follows:

	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000
<u>2022</u>			
Chinese medicine	5,652,053	2,663,598	2,988,455
Western medicine	1,783,068	1,625,324	157,744
Unallocated	814,129	743,360	70,769
	<u>8,249,250</u>	<u>5,032,282</u>	<u>3,216,968</u>
<u>2021</u>			
Chinese medicine	4,669,541	2,292,889	2,376,652
Western medicine	1,595,779	1,329,588	266,191
Unallocated	642,224	592,071	50,153
	<u>6,907,544</u>	<u>4,214,548</u>	<u>2,692,996</u>

Other than the information disclosed above, no reconciliation of the reportable segments' profit or loss and assets and liabilities to the Group's profit or loss and assets and liabilities, respectively, are disclosed as these are unallocated.

There are no customers with revenue transactions of over 10% of the revenue of the Group.

The Group operates predominantly in the PRC. As a result, segmental information by geographical areas is not meaningful.

The non-current assets of the Group are located in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

36. EVENTS AFTER END OF REPORTING YEAR

On 10 January 2023, the Company announced its approved plan to subscribe for additional 6,600,000 new shares in NewScen Coast by way of private placement, at an issue price of RMB8.00 per share, for an aggregate consideration of RMB52,800,000. Upon completion of this subscription, the Company's shareholdings in NewScen Coast will increase from 56.65% to 64.06%. The subscription has yet to be completed at the date of these financial statements.

37. RECONCILIATION TO CAS

Differences between the financial statements prepared in accordance with IFRS and CAS are as follows:

	As reported in statutory financial statements prepared under CAS RMB'000	Reconciliation RMB'000	As reported in financial statements prepared under IFRS RMB'000
<u>Group</u>			
<u>2022</u>			
<u>Current liabilities</u>			
Trade and other payables	2,915,170	(29,748) ^(a)	2,885,422
<u>Equity</u>			
Treasury shares	(29,748)	29,748 ^(a)	-
Share premium	-	1,228,740 ^(b)	1,228,740
Retained earnings	4,263,714	108,748 ^(b)	4,372,462
Other reserves	1,514,052	(1,337,488) ^(b)	176,564
<u>2021</u>			
<u>Current liabilities</u>			
Trade and other payables	2,177,166	(32,033) ^(a)	2,145,133
<u>Equity</u>			
Treasury shares	(32,033)	32,033 ^(a)	-
Share premium	-	1,228,740 ^(b)	1,228,740
Retained earnings	3,781,502	108,748 ^(b)	3,890,250
Other reserves	1,841,565	(1,337,488) ^(b)	504,077

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

37. RECONCILIATION TO CAS (CONT'D)

	As reported in statutory financial statements prepared under CAS RMB'000	Reconciliation RMB'000	As reported in financial statements prepared under IFRS RMB'000
<u>Company</u>			
<u>2022</u>			
<u>Current liabilities</u>			
Trade and other payables	1,546,583	(29,748) ^(a)	1,516,835
<u>Equity</u>			
Treasury shares	(29,748)	29,748 ^(a)	-
Share premium	-	1,228,740 ^(b)	1,228,740
Retained earnings	4,244,060	31,000 ^(b)	4,275,060
Other reserves	1,818,981	(1,259,740) ^(b)	559,241
<u>2021</u>			
<u>Current liabilities</u>			
Trade and other payables	1,928,489	(32,033) ^(a)	1,896,456
<u>Equity</u>			
Treasury shares	(32,033)	32,033 ^(a)	-
Share premium	-	1,228,740 ^(b)	1,228,740
Retained earnings	3,787,874	31,000 ^(b)	3,818,874
Other reserve	1,813,244	(1,259,740) ^(b)	553,504

The reconciliations set out above are summarised as follows:

- (a) Difference in accounting treatment for the Scheme prepared in accordance with IFRS and CAS; CAS requires the Company to recognise treasury shares based on its obligation on share buyback; and
- (b) Reclassification of retained earnings and share premium in accordance with IFRS.

There is no difference in respect of total comprehensive income and net assets of the Group and of the Company at end of reporting year.

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTE FOR SHAREHOLDERS:

The Company had previously given notice of the AGM (as defined below) on 31 March 2023 in compliance with Article 69 of the Articles of Association of the Company and the listing rules of the Shanghai Stock Exchange which requires the Company to issue a written notice 45 days in advance of a shareholders' meeting.

This revised Notice of AGM, which is given in compliance with the listing rules of the Singapore Exchange Securities Trading Limited, supersedes the version announced by the Company on 31 March 2023.

Printed copy of the Company's annual report for FY2022 (as defined below) (which includes the printed copies of this revised Notice of AGM) will be sent to S-Shareholders 14 days before the AGM. The said annual report and this Notice of AGM will also be made available on the SGXNET and on the Company's website at www.jydr.com.cn. S-Shareholders and investors are advised to check the SGXNET regularly for updates.

NOTICE IS HEREBY GIVEN that the annual general meeting (the "AGM" or "Annual General Meeting") for the financial year ended 31 December 2022 ("FY2022") of the Company 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 People's Republic of China (the "PRC") 300193. Concurrently, a video conferencing at Library 1 & 2, Level 8, 1 Pickering Street, Great Eastern Centre, Singapore 048659 for holders of S-Shares (the "S-Share Shareholders") in Singapore.

The agenda for the meeting shall be as follows:

1. To consider and approve the Chairman's Report for FY2022. **(Resolution 1)**
2. To consider and approve the Board of Directors' Report for FY2022. **(Resolution 2)**
3. To consider and approve the Supervisory Committee's Report for FY2022. **(Resolution 3)**
4. To consider and approve the Financial Report and Audit Report for FY2022 audited by ShineWing Certified Public Accountants LLP (信永中和会计师事务所) and RSM Chio Lim LLP and reviewed by the Audit Committee of the Company. **(Resolution 4)**
5. To consider and approve the scheme of profit distribution policy of the Company for FY2022. **(Resolution 5)**

The Board has recommended to declare dividends of an aggregate amount of RMB866,256,245.12 on the basis of RMB11.20 (inclusive of taxes) for every 10 shares in the capital of the Company. The proposed dividend is payable in respect of 773,443,076 issued ordinary shares in the capital of the Company as at 31 December 2022.
6. To consider and approve the remuneration of S\$55,000 for independent director Mr. Wong Gang for FY2022 (specifically, for the period from 1 January 2022 to 30 December 2022). **(Resolution 6)**
7. To consider and approve the remuneration of S\$55,000 for independent director Mr. Liew Yoke Pheng Joseph for FY2022. **(Resolution 7)**
8. To consider and approve the remuneration of RMB60,000 for independent director Ms. Li Qing for FY2022. **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

9. To consider and approve the aggregate remuneration for directors of the Company for FY2022. **(Resolution 9)**
10. To consider and approve the aggregate remuneration for members of the Supervisory Committee for FY2022. **(Resolution 10)**
11. To consider and approve the proposed renewal of the shareholders' mandate for the interested person transactions: **(Resolution 11)**
- (a) such approval given in the shareholders' mandate for the interested person transactions (the "**Shareholders' Mandate**") shall, unless revoked or varied by the Company in a general meeting, continue in force until the next annual general meeting of the Company; and
- (b) the Directors and/or any of them are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he/she may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the Shareholders' Mandate and/or this Resolution.
- (See Explanatory Note A)*
12. To consider and approve the proposed financial services agreement to be entered into between the Company 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. **(Resolution 12)**
- (See Explanatory Note B)*
13. To consider and approve the proposed "Scheme on Return of Investment to Shareholders from 2023 to 2025". **(Resolution 13)**
- (See Explanatory Note C)*
14. To consider and approve the proposed lines of credit granted to the Company up to an aggregate limit of RMB10,350 million. **(Resolution 14)**
- (See Explanatory Note D)*
15. To consider and approve the proposed provision of guarantee for an amount of up to RMB1,900 million by the Company for Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司). **(Resolution 15)**
- (See Explanatory Note E)*

NOTICE OF ANNUAL GENERAL MEETING

16. To consider and approve the proposed continuous provision of an entrusted loan (委托贷款) of RMB1,200 million by the Company to Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司). **(Resolution 16)**

(See Explanatory Note F)

17. To consider and approve the proposed amendments to the Articles of Association of the Company and the application for changes in the industrial and commercial registration. **(Resolution 17)**

(See Explanatory Note G)

By Order of the Board

Jiao Yan
Secretary to the Board of Directors
28 April 2023

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- A. Please refer to the annexure to the Notice of AGM relating to the proposed renewal of the shareholders' mandate for the interested person transactions for further details on this Resolution 11.
- B. Please refer to the annexure to the Notice of AGM relating to the proposed financial services agreement to be entered into between the Company 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 for further details on this Resolution 12.
- C. Please refer to the Appendix A to the announcement dated 31 March 2023 in relation to, *inter alia*, resolutions passed at the 2nd Board meeting for the financial year ending 31 December 2023 ("FY2023") (the "31 March 2023 Board Resolutions Announcement") for further details on this Resolution 13.
- D. Please refer to the 31 March 2023 Board Resolutions Announcement for further details on this Resolution 14.
- E. Please refer to the Appendix B to the 31 March 2023 Board Resolutions Announcement for further details on this Resolution 15.
- F. Please refer to the Appendix C to the 31 March 2023 Board Resolutions Announcement for further details on this Resolution 16.
- G. Pursuant to Article 103 of the Company Law of the PRC (2018 Revision) (《中华人民共和国公司法》[2018年修订]) (the "PRC Company Law"), where any resolution is proposed to be passed by shareholders of a company on proposed amendments to the articles of association of the company, it shall be passed by the shareholders representing more than two-thirds (2/3) of the voting rights held by the shareholders attending at the general meeting.

Accordingly, Resolution 17 shall be approved by more than two-thirds (2/3) of the voting rights held by the Shareholders attending at the AGM in accordance with the PRC Company Law. Please refer to the annexure to the Notice of AGM regarding the proposed amendments to the Articles of Association of the Company for further details on Resolution 17.

Notes:

1. The AGM 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), pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings of Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. AGM documents. Printed copies of the Company's annual report for the financial year ended 31 December 2022 enclosing, *inter alia*, the annexures to this Notice of AGM containing information on Resolution 11 relating to the proposed renewal of the shareholders' mandate for the interested person transactions and on Resolution 17 relating to the proposed amendments to the Articles of Association of the Company (the "Annual Report 2022") (which includes the printed copies of this Notice of AGM and the proxy form in respect of the AGM (the "Proxy Form")), as well as the printed copies of the annexure to this Notice of AGM containing information on Resolution 12 relating to the proposed financial services agreement to be entered into between the Company 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 transaction arising therefrom (the "IPT Annexure"), will be sent to S-Share Shareholders 14 days before the AGM. The Annual Report 2022, this Notice of AGM and the Proxy Form, as well as the IPT Annexure, have also been, or will also be made available on the SGXNET and on the Company's website at www.jydr.com.cn. S-Share Shareholders and investors are advised to check the SGXNET and/or the Company's website at www.jydr.com.cn regularly for updates.
3. Shareholders' questions and answers. S-Share Shareholders and duly appointed proxy or proxies will be able to attend the AGM in person and ask questions relating to the resolutions to be tabled for approval at the AGM.

However, S-Share Shareholders are encouraged to raise their questions (if any) as early as possible in advance of the AGM by **1:30 p.m. on Saturday, 13 May 2023** and can submit substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM, in advance of the AGM, in the following manner:

- (a) by email to drt600329@163.com; or
- (b) by post to the Company's S-Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632.

NOTICE OF ANNUAL GENERAL MEETING

S-Share Shareholders who submit questions in advance of the AGM should provide their full name, address, contact number, email address and the manner in which they hold Shares (if you hold Shares directly, please provide your account number with The Central Depository (Pte) Limited; otherwise, please state if you hold your Shares through the Central Provident Fund Investment Scheme ("CPF") or the Supplementary Retirement Scheme ("SRS") or other Relevant Intermediary), for our verification purposes. "Relevant Intermediary" means (a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore (the "SFA") and who holds shares in that capacity; or (c) the CPF Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

The Company will endeavour to answer all substantial and relevant questions in relation to the resolutions to be tabled for approval at the AGM prior to, or at the AGM. **Where substantially similar questions are received, the Company may consolidate such questions and consequently not all questions may be individually addressed.**

The Company will also publish the minutes of the AGM which will include substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM and the responses from the Board and/or management of the Company to such questions on the SGXNET and on the Company's website at www.jydr.com.cn within one (1) month after the date of the AGM.

4. **Voting.** A Shareholder (whether individual or corporate, including Relevant Intermediaries) entitled to attend and vote at the AGM is entitled to appoint one (1) or more persons (who need not also be Shareholder(s)) to act as his/her/its proxy(ies) to attend and vote on his/her/its behalf at the AGM. Where a Shareholder appoints more than one (1) proxy, the appointment shall be deemed to be alternative unless he/she/it specifies the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy.

If the appointor is a corporation, the instrument of proxy must be executed under seal or the hand of its duly authorised officer of attorney.

A S-Share Shareholder (whether individual or corporate) can also choose to appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory. The Chairman of the AGM, as proxy, need not be a Shareholder of the Company. Where a S-Share Shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. In the absence of specific instructions, the appointment of the Chairman of the AGM as his/her/its proxy for that resolution will be treated as invalid.

Where a S-Share Shareholder (whether individual or corporate) appoints one (1) or more persons (other than the Chairman of the AGM) as his/her/its proxy(ies), he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. In the absence of specific instructions, the proxy(ies) may vote or abstain from voting on those resolutions at his/her discretion.

The Proxy Form has been or will be made available on the SGXET and may also be accessed at the Company's website at www.jydr.com.cn.

An investor who holds Shares under the CPF ("CPF Investor") and/or the SRS ("SRS Investor") (as may be applicable) and wishes to vote should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least **seven (7)** working days before the date of the AGM (i.e., by **5:00 p.m. on Wednesday, 3 May 2023**). The Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

The duly completed Proxy Form must be submitted by the S-Share Shareholders to the Company in the following manner:

- (a) if submitted by post, be lodged with the Company's S-Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632; or
- (b) if submitted electronically, via email to the Company's S-Shares Registrar at agm.teame@boardroomlimited.com,

in either case, by no later than **1:30 p.m. on Saturday, 13 May 2023**.

S-Share Shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.

The completion and return of the instrument appointing a proxy(ies) by a Shareholder does not preclude such Shareholder from attending, speaking and voting in person at AGM if such Shareholder subsequently decides to do so. The appointment of the proxy(ies) for the AGM will be deemed to be revoked if the Shareholder attends the AGM in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy(ies) to the AGM.

NOTICE OF ANNUAL GENERAL MEETING

5. Pursuant to the Articles of Association of the Company, a holder of tradable domestic A-Shares with limiting conditions for sale shall notify the Company in writing not less than 20 days prior to the AGM of his or her intention to attend the AGM. Accordingly, a holder of tradable domestic A-Shares with limiting conditions for sale who is planning to attend the AGM must give a written notice to the Company no later than 19 April 2023.
6. The AGM in Tianjin, PRC is expected to last for half a day and all accommodation and other expenses incurred by a Shareholder or his/her/its proxy(ies) in connection with his/her/its attendance at the AGM shall be borne by that Shareholder.
7. As the COVID-19 situation continues to evolve, the Company may be required to change its arrangements in Singapore at short notice. S-Share Shareholders and investors should check SGXNET and/or our corporate website at www.jydr.com.cn for the latest updates on the status of the AGM.
8. The Company thanks all Shareholders for their understanding and cooperation to hold the AGM in line with appropriate safe distancing measures amidst the COVID-19 pandemic.
9. **Personal data privacy:** By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Shareholder of the Company (1) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the purpose of (i) the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and (ii) the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (2) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (3) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

PROXY FORM

TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

(Formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited)
(Incorporated in the People's Republic of China)
(Company Registration No.: 91120000103100784F)
(the "Company")

ANNUAL GENERAL MEETING PROXY FORM

(You are advised to read the notes below before completing this form)

IMPORTANT

- The annual general meeting (the "AGM" or "Annual General Meeting") of the Company 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), pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings of Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
- Printed copies of the Company's annual report for the financial year ended 31 December 2022 enclosing, *inter alia*, the annexures to the revised notice of AGM dated 28 April 2023 (the "Notice of AGM") containing information on Resolution 11 relating to the proposed renewal of the shareholders' mandate for the interested person transactions and on Resolution 17 relating to the proposed amendments to the Articles of Association of the Company (the "Annual Report 2022") (which includes the printed copies of the Notice of AGM and this proxy form in respect of the AGM (the "Proxy Form")), as well as the printed copies of the annexure to the Notice of AGM containing information on Resolution 12 relating to the proposed financial services agreement to be entered into between the Company 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 transaction arising therefrom (the "IPT Annexure"), will be sent to the holders of S-Shares (the "S-Share Shareholders") 14 days before the AGM. The Annual Report 2022, the Notice of AGM and this Proxy Form, as well as the IPT Annexure, have also been, or will also be made available on the SGXNET and on the Company's website at www.jydr.com.cn. S-Share Shareholders and investors are advised to check the SGXNET and/or the Company's website at www.jydr.com.cn regularly for updates.
- A S-Share Shareholder (whether individual or corporate) can choose to appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory. The Chairman of the AGM, as proxy, need not be a Shareholder of the Company. Where a S-Share Shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. In the absence of specific instructions, the appointment of the Chairman of the AGM as his/her/its proxy for that resolution will be treated as invalid.
- Where a S-Share Shareholder (whether individual or corporate) appoints one (1) or more persons (other than the Chairman of the AGM) as his/her/its proxy(ies), he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. In the absence of specific instructions, the proxy(ies) may vote or abstain from voting on those resolutions at his/her discretion.
- An investor who holds Shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) and wishes to vote should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least **seven (7)** working days before the date of the AGM (i.e., by **5:00 p.m. on Wednesday, 3 May 2023**). The Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- Personal Data Privacy:** By submitting this Proxy Form, the S-Share Shareholders accepts and agrees to the personal data privacy terms set out in the Company's Notice of AGM dated 28 April 2023.
- Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of a proxy(ies) by a S-Share Shareholder to attend, speak and vote on his/her/its behalf at the AGM.

PROXY FORM

TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

(Formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited)

(Incorporated in the People's Republic of China)

(Company Registration No.: 91120000103100784F)

(the "Company")

ANNUAL GENERAL MEETING PROXY FORM

*I/We, _____ (Name)

with NRIC/Passport/Company Registration Number _____

of _____ (Address)

being a member/members* of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (the "Company"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing whom, the Chairman of the Annual General Meeting ("AGM") as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at 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) and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for, against or abstain from the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* (save where the Chairman of the AGM has been appointed as proxy) may vote or abstain from voting at his/her discretion.

(Voting will be conducted by poll. If you wish to exercise all your votes "For", "Against" or to "Abstain" from voting, please indicate your vote with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll. Where the Chairman of the AGM is appointed as proxy, and in the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.)

PROXY FORM

No.	Resolutions	For	Against	Abstain
1.	To consider and approve the Chairman's Report for FY2022.			
2.	To consider and approve the Board of Directors' Report for FY2022.			
3.	To consider and approve the Supervisory Committee's Report for FY2022.			
4.	To consider and approve the Financial Report and Audit Report for FY2022 audited by ShineWing Certified Public Accountants LLP (信永中和会计师事务所) and RSM Chio Lim LLP and reviewed by the Audit Committee of the Company.			
5.	To consider and approve the scheme of profit distribution policy of the Company for FY2022. The Board has recommended to declare dividends of an aggregate amount of RMB866,256,245.12 on the basis of RMB11.20 (inclusive of taxes) for every 10 shares in the capital of the Company. The proposed dividend is payable in respect of 773,443,076 issued ordinary shares in the capital of the Company as at 31 December 2022.			
6.	To consider and approve the remuneration of S\$55,000 for independent director Mr. Wong Gang for FY2022 (specifically, for the period from 1 January 2022 to 30 December 2022).			
7.	To consider and approve the remuneration of S\$55,000 for independent director Mr. Liew Yoke Pheng Joseph for FY2022.			
8.	To consider and approve the remuneration of RMB60,000 for independent director Ms. Li Qing for FY2022.			
9.	To consider and approve the aggregate remuneration for directors of the Company for FY2022.			
10.	To consider and approve the aggregate remuneration for members of the Supervisory Committee for FY2022.			
11.	To consider and approve the proposed renewal of the shareholders' mandate for the interested person transactions. (a) such approval given in the shareholders' mandate for the interested person transactions (the " Shareholders' Mandate ") shall, unless revoked or varied by the Company in a general meeting, continue in force until the next annual general meeting of the Company; and (b) the Directors and/or any of them are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he/she may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the Shareholders' Mandate and/or this Resolution.			

PROXY FORM

No.	Resolutions	For	Against	Abstain
12.	To consider and approve the proposed financial services agreement to be entered between the Company 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.			
13.	To consider and approve the proposed "Scheme on Return of Investment to Shareholders from 2023 to 2025".			
14.	To consider and approve the proposed lines of credit granted to the Company up to an aggregate limit of RMB10,350 million.			
15.	To consider and approve the proposed provision of guarantee for an amount of up to RMB1,900 million by the Company for Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司).			
16.	To consider and approve the proposed continuous provision of an entrusted loan (委托贷款) of RMB1,200 million by the Company to Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司).			
17.	To consider and approve the proposed amendments to the Articles of Association of the Company and the application for changes in the industrial and commercial registration.			
	Other agenda to be resolved in the General Meeting shall include any agenda proposed by a shareholder in accordance with Article 70 of the Articles of Association, which states: "When the Company is to hold an annual General Meeting, shareholders holding 3% or more of the voting shares of the Company shall be entitled to propose new motions in writing to the Company. The Company shall include in the agenda of the General Meeting those motions, the subject matter of which, are required to be decided by shareholders in General Meeting."			

*Delete as appropriate

Dated this _____ day of _____ 2023.

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

PROXY FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.

2. A Shareholder (whether individual or corporate, including (as defined in the Notice of AGM) entitled to attend and vote at the AGM is entitled to appoint one (1) or more persons (who need not also be Shareholder(s)) to act as his/her/its proxy(ies) to attend and vote on his/her/its behalf at the AGM. Where a Shareholder appoints more than one (1) proxy, the appointment shall be deemed to be alternative unless he/she/it specifies the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy.

If the appointor is a corporation, the instrument of proxy must be executed under seal or the hand of its duly authorised officer of attorney.

A S-Share Shareholder (whether individual or corporate) can also choose to appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory. The Chairman of the AGM, as proxy, need not be a Shareholder of the Company. Where a S-Share Shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. In the absence of specific instructions, the appointment of the Chairman of the AGM as his/her/its proxy for that resolution will be treated as invalid.

Where a Shareholder (whether individual or corporate), appoints one (1) or more persons (other than the Chairman of the AGM) as his/her/its proxy(ies), he/she/it must give specific instructions as to voting, or abstentions from voting, in the instrument appointing a proxy(ies). In the absence of specific instructions, the proxy(ies) may vote or abstain from voting on those resolutions at his/her discretion.

3. An investor who holds Shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) and wishes to vote should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least **seven (7)** working days before the date of the AGM (i.e., by **5:00 p.m.** on **Wednesday, 3 May 2023**). This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

4. The duly completed Proxy Form must be submitted by the S-Share Shareholders to the Company in the following manner:

(a) if submitted by post, be lodged with the Company's S-Share Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632; or

(b) if submitted electronically, via email to the Company's S-Share Registrar at agm.teame@boardroomlimited.com,

in either case, by no later than **1:30 p.m.** on **Saturday, 13 May 2023**.

S-Share Shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.

5. The completion and return of the instrument appointing a proxy(ies) by a Shareholder do not preclude such Shareholder from attending, speaking and voting in person at the AGM if such Shareholder subsequently decides to do so. The appointment of the proxy(ies) for the AGM will be deemed to be revoked if the Shareholder attends the AGM in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy(ies) to the AGM.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointer, is not shown to have Shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by the Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Shareholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 28 April 2023.

INFORMATION ON SHAREHOLDING

Registered Capital: RMB773,443,076

Class of Shares: Ordinary shares of RMB1.00 each (of which 573,443,076 shares are Domestic Investment Shares and 200,000,000 shares are Foreign Investment Shares)

Voting Rights: one vote per share

Foreign Shareholder's Information as at 31 March 2023

Range of Shareholdings	No. Of Shareholders	%	No. Of Shares	%
1 – 99	2	0.10	15	0.00
100 – 1,000	94	4.63	65,600	0.03
1,001 – 10,000	1,312	64.66	6,458,635	3.23
10,001 – 1,000,000	599	29.52	32,679,633	16.34
1,000,001 AND ABOVE	22	1.08	160,796,117	80.40
Total	2,029	100.00	200,000,000	100.00

Foreign Substantial Shareholders as at 31 March 2023

The Company has not received any notice of change of substantial shareholding of the "S" shares.

The percentage of shareholding held in the hands of public pursuant to Rule 1207(9)(e) is 25.86%, and the Company hereby confirms that Rule 723 has been complied with.

Domestic Substantial Shareholders as at 31 March 2023

Name	Direct Interests		Deemed Interests	
	No. of Shares	%	No. of Shares	%
TPH	325,855,528	42.13	5,265,000 ⁽¹⁾	0.68

Note:

- (1) Pursuant to Section 4 of the Securities and Futures Act 2001 of Singapore, 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.

INFORMATION ON SHAREHOLDING

Major Foreign Shareholder's List as at 31 March 2023

	Name	No. Of Shares	%
1	ABN AMRO CLEARING BANK N.V.	46,837,800	23.42
2	PHILLIP SECURITIES PTE LTD	27,031,704	13.52
3	RAFFLES NOMINEES(PTE) LIMITED	19,564,628	9.78
4	DBS NOMINEES PTE LTD	18,743,240	9.37
5	CITIBANK NOMS SPORE PTE LTD	11,896,851	5.95
6	TAN TOH HEAH OR TAN SWEE TECK MICHAEL	3,700,000	1.85
7	DBS VICKERS SECURITIES (S) PTE LTD	3,525,800	1.76
8	BANK OF CHINA NOMINEES PTE LTD	3,211,100	1.61
9	MORGAN STANLEY ASIA (S) SEC PTE LTD	3,131,500	1.57
10	HSBC (SINGAPORE) NOMINEES PTE LTD	2,854,494	1.43
11	DB NOMINEES (SINGAPORE) PTE LTD	2,574,300	1.29
12	UOB KAY HIAN PTE LTD	2,310,200	1.16
13	OCBC SECURITIES PRIVATE LTD	2,075,300	1.04
14	LEONG CHAO SEONG	1,965,400	0.98
15	KUEK SIAW KIA @ QUEK SHIEW POH	1,755,500	0.88
16	LU ZU LIANG	1,574,700	0.79
17	NG HAK HONG	1,508,800	0.75
18	TAN SWEE TECK MICHAEL	1,470,000	0.74
19	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,462,100	0.73
20	MAYBANK SECURITIES PTE. LTD.	1,457,000	0.73
	Total	158,650,417	79.35

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 report 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

PROPOSED RENEWAL OF MANDATE FOR INTERESTED PERSON TRANSACTIONS

CONTENTS

DEFINITIONS	171
1. INTRODUCTION	176
2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	177
3. DIRECTORS' RESPONSIBILITY STATEMENT	178
4. DOCUMENTS FOR INSPECTION	178
APPENDIX A	179

DEFINITIONS

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

- "2023 AGM"* : The annual general meeting 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 Shanghai Stock Exchange
- "A-Share Shareholders"* : Holders of A-Shares
- "AGM" or "Annual General Meeting"* : An annual general meeting of the Company
- "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:
- (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 at discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more;
- (b) In relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more

<i>“Associated Company”</i>	:	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, and <i>“Associated Companies”</i> shall be constructed accordingly
<i>“Audit Committee”</i>	:	The audit committee of the Company, comprising Mr. Liew Yoke Pheng Joseph, Ms. Li Qing and Mr. Zhu Haifeng, as at the date of this Annexure
<i>“Board” or “Board of Directors”</i>	:	The board of directors of the Company as at the date of this Annexure
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<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>	:	A person who: (i) holds directly or indirectly fifteen per cent. (15%) or more of the total voting rights in the Company; or (ii) in fact exercises control over the Company
<i>“Directors”</i>	:	The directors of the Company as at the date of this Annexure
<i>“FY” or “Financial Year”</i>	:	Financial year ended or, as the case may be, ending 31 December
<i>“FY2022”</i>	:	Financial year ended 31 December 2022
<i>“Group”</i>	:	The Company, its Subsidiaries and Associated Companies
<i>“Independent Director”</i>	:	The Directors that are deemed independent for the purposes of making the recommendation in paragraph 2.9 of Appendix A to this Annexure, namely, all the Directors except Ms. Zhang Mingrui, Mr. Guo Min and Ms. Mao Weiwen
<i>“Interested Persons”</i>	:	A Director, chief executive officer or Controlling Shareholder of the Company or an associate of such Director, chief executive officer or Controlling Shareholder, and <i>“Interested Person”</i> shall be constructed accordingly
<i>“Interested Person Transaction” or “IPT”</i>	:	A transaction proposed to be entered into between the Company or any of its Subsidiaries or Associated Companies with an Interested Person
<i>“Latest Practicable Date”</i>	:	The latest practicable date prior to the despatch 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>"Notice of AGM"</i>	:	The notice of the 2023 AGM dated 28 April 2023
<i>"NTA"</i>	:	Net tangible assets
<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>"Proposed Renewal"</i>	:	The proposed renewal of the existing Shareholders' Mandate, which is subject to Shareholders' approval at the 2023 AGM, details of which are set out under Appendix A to this Annexure
<i>"Proxy Form"</i>	:	The proxy form in respect of the 2023 AGM
<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
<i>"securities accounts"</i>	:	The securities accounts maintained with CDP, but not including the securities accounts maintained with a Depository Agent

“SFA”	:	The Securities and Futures Act 2001 of Singapore, as amended, modified and/or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares (comprising A-Share Shareholders and S-Share Shareholders) except that where the registered holder is CDP, the term “Shareholders” 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
“Shareholders’ Mandate”	:	A general mandate pursuant to Chapter 9 of the Listing Manual permitting the Company, its Subsidiaries and Associated Companies or any of them to enter into certain types of recurrent transactions of a revenue and trading nature or those necessary for day-to-day operations with specified classes of the Company’s Interested Persons
“Shares”	:	Ordinary shares in the capital of the Company, comprising A-Shares and S-Shares
“Subsidiaries”	:	The subsidiaries (as determined in accordance with the laws of the PRC) of the Company, and “Subsidiary” shall be constructed accordingly
“Substantial Shareholder”	:	A person who has an interest or interests in one (1) or more voting Shares (excluding treasury shares) in the Company, and the total votes attached to that Share, or those Shares, represent not less than five per cent. (5.0%) of the total votes attached to all the voting Shares (excluding treasury shares) in the Company
“TPH”	:	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
“TPH Group”	:	TPH and its subsidiaries and associated companies
“TPH Sales and Marketing Branch Office”	:	The Sales and Marketing Branch Office of TPH (天津市医药集团有限公司营销分公司) which is not an independent legal entity and does not have the ability to sue or be sued in its own name
“TYPS”	:	Tianjin Yiyao Printing Services Co., Ltd. (天津宜药印务有限公司) (formerly known as Tianjin Medicinal Products Packaging and Printing Company), an associate of TPH as at the Latest Practicable Date

Currencies, units and others

“RMB”	:	Renminbi, the lawful currency of the PRC
“US\$”	:	United States Dollars, the lawful currency of the United States of America
“%” or “per cent.”	:	Percentage or per centum

The terms “**Depositor**”, “**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, the SFA or any modification thereof, as the case may be.

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 RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS**1. INTRODUCTION**

- 1.1 The Company has issued the Notice of AGM on 28 April 2023.
- 1.2 Resolution 11 in the Notice of AGM relates to the proposed renewal of the Shareholders' Mandate for Interested Persons Transactions (the "**Proposed Renewal**") to authorise the Company, its Subsidiaries and Associated Companies or any of them to continue to enter into transactions with the TPH Group in compliance with Chapter 9 of the Listing Manual.
- 1.3 The purpose of this Annexure is to provide Shareholders with information pertaining to, and to seek Shareholders' approval for, the Proposed Renewal 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.

2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

2.1 Directors' and Substantial Shareholders' interests in Shares

The details of the Directors' and Substantial Shareholders' interests 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.

- 2.2 TPH will abstain, and has undertaken to ensure that its respective associates will abstain, from voting at the 2023 AGM, in respect of the Shares held by them respectively, on Resolution 11 relating to the Proposed Renewal. TPH will also not, and has undertaken to ensure that its respective associates will also not, accept nomination as proxies or otherwise for voting at the 2023 AGM in respect of Resolution 11, unless specific instructions have been given in the proxy instrument on how the relevant Shareholders wish their votes to be cast for Resolution 11.
- 2.3 Each of Ms. Zhang Mingrui, Mr. Guo Min and Ms. Mao Weiwen is a key management personnel in TPH. Accordingly, they will abstain from making any recommendation to Shareholders on the Proposed Renewal.
- 2.4 As at the Latest Practicable Date, save as disclosed in this Annexure, none of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Proposed Renewal other than through their respective shareholdings in the Company (if any).

3. DIRECTORS' RESPONSIBILITY STATEMENT

- 3.1 The Directors collectively and individually accept full responsibility for the accuracy of the information given in 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 Renewal, the Company and its Subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Annexure misleading.
- 3.2 Where information in the 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 the Annexure in its proper form and context.

4. 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 Articles of Association of the Company; and
- (b) the annual report of the Company for FY2022.

Yours faithfully

For and on behalf of the Directors

Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited

Zhang Mingrui

Chairman of the Board

APPENDIX A

THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR TRANSACTIONS WITH INTERESTED PERSONS OF THE COMPANY

1. INTRODUCTION

TPH holds approximately 42.81% equity interest in the issued and paid-up capital of the Company as at the Latest Practicable Date. As such, the TPH Group is deemed to be Interested Persons (as defined under Chapter 9 of the Listing Manual) in any Interested Person Transaction between the Group and the TPH Group.

The Company had, at its AGM for the financial year ended 31 December 2021 held on 16 May 2022, sought and obtained approval from its Shareholders for a general mandate to enable the Company, its Subsidiaries and its Associated Companies, or any of them, to enter into certain types of recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations with the TPH Group.

Accordingly, it is proposed that the resolution relating to the renewal of the Shareholders' Mandate be tabled to Shareholders for approval at the 2023 AGM, in order to authorise the Company, its Subsidiaries and its Associated Companies, or any of them to continue to enter into transactions with the TPH Group in compliance with Chapter 9 of the Listing Manual. The purpose of this Annexure is to provide Shareholders with the relevant information pertaining to the proposed renewal of the Shareholders' Mandate.

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries or associated companies proposes to enter into with an interested person of the listed company.

Interested Person Transactions that the Company were involved in for FY2022 are detailed on page 21 of the Company's annual report for FY2022.

2. PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Requirements of Chapter 9 of Listing Manual

Under Chapter 9 of the Listing Manual, where an entity at risk¹ proposes to enter into a transaction with interested persons of the issuer, shareholders' approval and/or an immediate announcement is required in respect of that transaction if its value is equal to or exceeds certain financial thresholds.

Pursuant to Rule 906 of the Listing Manual, 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

¹ Under the Listing Manual, an "entity at risk" means:

- (i) the listed company;
- (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
- (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "listed group"), or the listed group and its interested person(s), has control over the associated company.

- (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, the Listing Manual provides that while transactions below S\$100,000 are not normally aggregated under Chapter 9 of the Listing Manual, the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one transaction.

In interpreting the term “**same interested person**” for the purpose of aggregation in Rules 905, 906 and 907 of the Listing Manual, the following applies:

- (a) Transactions between (a) an entity at risk and a primary interested person; and (b) an entity at risk and an associate of that primary interested person, are deemed to be transactions between an entity at risk with the same interested person.
- (b) Transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person.

If an interested person (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested person and have audit committees whose members are completely different.

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

- (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.

2.2 Classes of Interested Persons under the Shareholders' Mandate

The Shareholders' Mandate, if renewed, will apply to the following classes of Interested Persons:

- (a) TPH (including the TPH Sales and Marketing Branch Office), which is a Controlling Shareholder with 42.81% shareholdings in the Company as at the Latest Practicable Date;
- (b) Associates (being wholly-owned subsidiaries) of TPH as at the Latest Practicable Date comprising, amongst others:
 - (i) Tianjin Pharmaceutical Group Taiping Medicine Co., Ltd. (天津医药集团太平医药有限公司);
 - (ii) Tianjin Pharmaceutical Group Jin Yi Tang Chain Co., Ltd. (天津医药集团津一堂连锁股份有限公司) (formerly known as Tianjin Pharmaceutical Group Chain Co., Ltd.);
 - (iii) Tianjin Haoda Medical Device Co., Ltd. (天津市浩达医疗器械有限公司);
 - (iv) Tianjin Taiping Zhenhua Pharmacy Co., Ltd. (天津太平振华大药房有限公司);
 - (v) Tianjin Taiping Jizhou Pharmaceutical Co., Ltd. (天津市蓟州太平医药有限公司);
 - (vi) Tianjin Taiping Ninghe District Pharmaceutical Co., Ltd. (天津市宁河区太平医药有限公司);
 - (vii) Tianjin Jincao Pharmaceutical Co., Ltd. (天津市金草药业有限公司);
 - (viii) Tianjin Pharmaceutical Group Jian Kang Da Medical Apparatus and Instruments Co., Ltd. (天津医药集团众健康达医疗器械有限公司);
 - (ix) Tianjin Medical Apparatus and Instruments Factory Co., Ltd. (天津市医疗器械厂有限公司);
 - (x) Tianjin Kang Dun Bao Medical Polyurethane Technology Co., Ltd. (天津市康盾宝医用聚氨酯技术有限公司);
 - (xi) Tianjin Zhong Jian Ai and Medical Technology Co., Ltd. (天津众健爱和医疗科技有限公司);
 - (xii) Tianjin Yiyao Medicine Co., Ltd. (天津市谊耀药业有限公司);
 - (xiii) Tianjin Traditional Chinese Medicine Machinery Co., Ltd. (天津市中药机械厂有限公司);
 - (xiv) Tianjin Taiping Xinhua Medical Apparatus and Instruments Co., Ltd. (天津太平新华医疗器械有限公司); and
 - (xv) Tianjin Taiping Bai Shi Kang Medical Apparatus and Instruments Co., Ltd. (天津太平百时康医疗器械有限公司);

- (c) Associates (other than wholly-owned subsidiaries) of TPH as at the Latest Practicable Date comprising, amongst others:
- (i) Tianjin Yiyao Printing Services Co., Ltd. (天津宜药印务有限公司) (formerly known as Tianjin Medicinal Products Packaging and Printing Company) (“**TYPS**”), which is 65% owned by TPH;
 - (ii) Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生制药股份有限公司), which is 50.93% owned by TPH;
 - (iii) Tianjin Central Pharmaceutical Co., Ltd. (天津市中央药业有限公司), which is 50.93% owned by TPH;
 - (iv) Tianjin Taiping Xiangyun Pharmaceutical Co., Ltd. (天津市太平祥云医药有限公司), which is 50% owned by TPH;
 - (v) Hebei De Ze Long Pharmaceutical Co., Ltd. (河北德泽龙医药有限公司), which is 54.99% owned by TPH;
 - (vi) Tianjin Pharmaceutical Research Institute Co., Ltd. (天津药物研究院有限公司), which is 35% owned by TPH;
 - (vii) Tianjin Institute Of Pharmaceutical Research Medicine Co., Ltd. (天津药物研究院药业有限责任公司), which is 35% owned by TPH;
 - (viii) Tianjin Jinyao Pharmaceutical Co., Ltd. (天津金耀药业有限公司), which is 62% owned by TPH;
 - (ix) Tianjin Tianyao Pharmaceutical Co., Ltd. (天津天药药业股份有限公司), which is 50.58% owned by TPH;
 - (x) Tianjin Tianyao Pharmaceutical Technology Co., Ltd. (天津天药医药科技有限公司), which is 62% owned by TPH;
 - (xi) Tianjin Jinyao Group Sales Co., Ltd. (天津金耀集团天药销售有限公司), which is 90% owned by TPH;
 - (xii) Tianjin Jinyao Logistics Co., Ltd. (天津金耀物流有限公司), which is 62% owned by TPH;
 - (xiii) Tianjin Wanning Health Products Co., Ltd. (天津万宁保健品有限公司), which is 91.19% owned by TPH; and
 - (xiv) Tianjin Jinyao Amino Acid Co., Ltd. (天津金耀氨基酸有限公司), which is 62% owned by TPH.

2.3 Categories of Interested Person Transactions

The transactions with the TPH Group that will be covered by the Shareholders' Mandate, if renewed, and the benefits to be derived therefrom are set out below:

2.3.1 Supply of Raw Materials

The "Supply of Raw Materials" contracts between the Group and the following Interested Persons for a period of three (3) years up to 30 June 2025:

- (a) Tianjin Pharmaceutical Group Jin Yi Tang Chain Co., Ltd. (天津医药集团津一堂连锁 股份有限公司); and
- (b) Tianjin Jinyao Pharmaceutical Co., Ltd. (天津金耀药业有限公司).

The terms of these contracts⁽¹⁾ will be in effect only upon the Company obtaining Shareholders' approval for such Interested Person Transactions in the relevant time period during which the Shareholders' Mandate is valid. The Group has no obligation under these contracts should Shareholders' approval not be obtained for the renewal of the Shareholders' Mandate at the 2023 AGM or any subsequent renewal.

Note:

- (1) These contracts do not set the volume and price of raw materials to be provided to the Interested Persons. However, it is provided for in the respective contract that the transactions with the respective Interested Person would be carried out on normal commercial terms and would not be detrimental to the interest of the Company and its minority Shareholders. Please refer to the Company's announcement dated 30 March 2022 for further details on these contracts.

2.3.2 Sale and Purchase of Medicinal Products

The "Sale and Purchase of Medicinal Products" contracts⁽¹⁾⁽²⁾ between the Group and the following Interested Persons for a period of three (3) years up to 30 June 2025:

- (a) Tianjin Pharmaceutical Group Taiping Medicine Co., Ltd. (天津医药集团太平医药有限公司);
- (b) Tianjin Pharmaceutical Group Jin Yi Tang Chain Co., Ltd. (天津医药集团津一堂连锁股份有限公司);
- (c) Tianjin Haoda Medical Device Co., Ltd. (天津市浩达医疗器械有限公司);
- (d) Tianjin Taiping Zhenhua Pharmacy Co., Ltd. (天津太平振华大药房有限公司);
- (e) Tianjin Taiping Jizhou Pharmaceutical Co., Ltd. (天津市蓟州太平医药有限公司);
- (f) Tianjin Taiping Ninghe District Pharmaceutical Co., Ltd. (天津市宁河区太平医药有限公司);
- (g) Tianjin Jincao Pharmaceutical Co., Ltd. (天津市金草药业有限公司);
- (h) Tianjin Pharmaceutical Group Jian Kang Da Medical Apparatus and Instruments Co., Ltd. (天津医药集团众健康达医疗器械有限公司);
- (i) Tianjin Medical Apparatus and Instruments Factory Co., Ltd. (天津市医疗器械厂有限公司);

- (j) Tianjin Kang Dun Bao Medical Polyurethane Technology Co., Ltd. (天津市康盾宝医用聚氨酯技术有限公司);
- (k) Tianjin Zhong Jian Ai and Medical Technology Co., Ltd. (天津众健爱和医疗科技有限公司);
- (l) Tianjin Yiyao Medicine Co., Ltd. (天津市谊耀药业有限公司);
- (m) Tianjin Traditional Chinese Medicine Machinery Co., Ltd. (天津市中药机械厂有限公司);
- (n) Tianjin Taiping Xinhua Medical Apparatus and Instruments Co., Ltd. (天津太平新华医疗器械有限公司);
- (o) Tianjin Taiping Bai Shi Kang Medical Apparatus and Instruments Co., Ltd. (天津太平百时康医疗器械有限公司);
- (p) Tianjin Lisheng Pharmaceutical Co. Ltd. (天津力生制药股份有限公司);
- (q) Tianjin Central Pharmaceutical Co., Ltd. (天津市中央药业有限公司);
- (r) Tianjin Taiping Xiangyun Pharmaceutical Co., Ltd. (天津市太平祥云医药有限公司);
- (s) Hebei De Ze Long Pharmaceutical Co., Ltd. (河北德泽龙医药有限公司);
- (t) Tianjin Pharmaceutical Research Institute Co., Ltd. (天津药物研究院有限公司);
- (u) Tianjin Institute Of Pharmaceutical Research Medicine Co., Ltd. (天津药物研究院药业有限责任公司);
- (v) Tianjin Jinyao Pharmaceutical Co., Ltd. (天津金耀药业有限公司);
- (w) Tianjin Tianyao Pharmaceutical Co., Ltd. (天津天药药业股份有限公司);
- (x) Tianjin Tianyao Pharmaceutical Technology Co., Ltd. (天津天药医药科技有限公司);
- (y) Tianjin Jinyao Group Sales Co., Ltd. (天津金耀集团天药销售有限公司);
- (z) Tianjin Jinyao Logistics Co., Ltd. (天津金耀物流有限公司);
- (aa) Tianjin Wanning Health Products Co., Ltd. (天津万宁保健品有限公司); and
- (bb) Tianjin Jinyao Amino Acid Co., Ltd. (天津金耀氨基酸有限公司).

The terms of these contracts will be in effect only upon the Company obtaining Shareholders' approval for such Interested Person Transactions in the relevant time period during which the Shareholders' Mandate is valid. The Group has no obligation under these contracts should Shareholders' approval not be obtained for the renewal of the Shareholders' Mandate at the 2023 AGM or any subsequent renewal.

Notes:

- (1) The Group's business operations are separated into two (2) main categories, namely production and retail. Under the production arm, the Group produces medicinal products under its own brand. Under the retail arm, the Group: (a) sells the medicinal products under its own brand to wholesalers (including the Interested Persons); and (b) purchases medicinal products under other brands from distributors and in turn on-sells these to other wholesalers (including the Interested Persons).

Accordingly, the Group may produce and sell medicinal products under its own house brand to the Interested Persons and/or third parties. On the other hand, the Group may also purchase medicinal products from the Interested Persons and/or third parties. These medicinal products are mainly traditional Chinese medicines and pharmaceutical chemicals (化学药).

- (2) These contracts state that if discounts are given to unrelated third parties by the Interested Persons for purchases (the "Unrelated Parties Discount"), the Interested Persons will accordingly give discounts (that are not lower than the Unrelated Parties Discount) to the Group for similar transactions.

The contracts do not set the volume and price of products to be provided to and/or purchased from the Interested Persons. However, it is provided for in the respective contract that the transactions with the respective Interested Person would be carried out on normal commercial terms and would not be detrimental to the interest of the Company and its minority Shareholders. Please refer to the Company's announcement dated 30 March 2022 for further details on these contracts.

2.3.3 Packaging materials and services from TYPS

The Group obtains its packaging materials and services from TYPS. The contract between the Group and TYPS is for a period of three (3) years up to 30 June 2025. The terms of this contract will be in effect only upon the Company obtaining Shareholders' approval for such Interested Person Transactions in the relevant time period during which the Shareholders' Mandate is valid. The Group has no obligation under this contract should Shareholders' approval not be obtained for the renewal of the Shareholders' Mandate at the 2023 AGM or any subsequent renewal. The packaging services are for traditional Chinese medicine. The contract does not set the volume and price of products and services to be purchased from TYPS. However, it is provided for in the contract that the transactions with the respective Interested Person would be carried out on normal commercial terms and would not be detrimental to the interest of the Company and its minority Shareholders. Please refer to the Company's announcement dated 30 March 2022 for further details on this contract.

2.4 Rationale for and Benefits of the Shareholders' Mandate

The Shareholders' Mandate will give the Group the flexibility to enter into transactions with the TPH Group in the ordinary course of the Group's business without the need to seek Shareholders' approval each time. It is likely that such transactions will occur and could arise at any time and from time to time. Given that the transactions would be entered into on normal commercial terms, the Directors are of the view that it will be beneficial to the Group to transact or continue to transact with the TPH Group. The Group sources and sells supplies and products from the Interested Persons at favourable prices as compared to available market rates of similar products. By transacting with these Interested Persons, the Group is able to secure favourable prices for its supplies and manufactured products and optimise other factors such as quality of goods and suitability of time schedules.

The Shareholders' Mandate will also enhance the Group's ability to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the Group into such transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

2.5 Guidelines and Review Procedures for Interested Person Transactions

To ensure that the Interested Person Transactions are carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company has put in place the following procedures for the review and approval of Interested Person Transactions under the Shareholders' Mandate:-

- (a) When purchasing products or services from an Interested Person, quotations or market rates (wherever possible or available) will be obtained from the Interested Person and at least two (2) other unrelated parties in respect of substantially similar types of transactions. The Deputy Distribution General Manager of the Domestic Trade (Business) Department of the Group (who has no interest, directly or indirectly, in the transaction) will approve the purchase after reviewing these quotations or market rates, taking into account all pertinent factors including, but not limited to, pricing (including discounts, if any, accorded for bulk purchases as well as the credit terms offered), quality of the products or services and terms of delivery and track record, to ensure that the interests of the minority Shareholders are not disadvantaged.
- (b) When selling products or services to an Interested Person, the prices and terms of at least two (2) other successful sales of similar products to third parties or market rates (wherever possible or available) will be examined for comparison. The Deputy Distribution General Manager of the Domestic Trade (Business) Department of the Group (who has no interest, directly or indirectly, in the transaction) will approve the sales after reviewing these prices and terms or market rates, taking into account all pertinent factors including, but not limited to, price, government pricing regulations, quality and quantity of products, terms of delivery and credit worthiness of the customers, to ensure that the interests of minority Shareholders are not disadvantaged.
- (c) Interested Person Transactions will not be approved unless:-
 - (i) they are in accordance with the usual industry practice and business policies of the Group;
 - (ii) the pricing and terms of the Interested Person Transactions are not, in transactions where the Group purchases goods and/or obtains services from Interested Persons, less favourable to the Group than those available in other substantially similar types of transactions between the Group and unrelated third parties. The Company takes into consideration, primarily, pricing, terms of the contracts with the Interested Persons as stated in paragraph 2.3 of Appendix A to this Annexure, the availability, suitability and quality of the products and services and promptness of delivery of such products and services; and
 - (iii) the pricing and terms of the Interested Person Transactions are not, in transactions where the Group sells goods to Interested Persons, more favourable to the Interested Person than those extended to unrelated third parties for substantially similar types of transactions, after taking into consideration factors (where applicable) such as, but not limited to, pricing, the contracts with the Interested Persons as stated in paragraph 2.3 of Appendix A to this Annexure, the availability, suitability and quality of the products to be sold, terms of delivery and the creditworthiness of the customers.

- (d) In the event that it is not possible to obtain market rates or quotations from unrelated third parties (for example, where there are no suppliers for certain goods or for a specified quantity which the Group requires or if the product or service is proprietary) to determine whether the terms of the Interested Person Transactions are more or less favourable than that of the aggregate terms quoted by unrelated third parties, factors such as the quality of goods, standard of services and terms of delivery and, where applicable, discounts accorded for bulk purchases, will be taken into, and given due and proper consideration.
- (e) Where the prevailing market rates or prices are not available due to the nature of the products to be sold (for instance, if there are no other purchasers or customers for similar products, or if the products is proprietary), the terms of supply will, where applicable, be in accordance with the Group's usual business practices and pricing policies, consistent with the usual margin of the Group for the same or substantially similar types of transaction with unrelated third parties.
- (f) All transactions in the excess of \$100,000 each will be summarised and presented to the Audit Committee and external auditors of the Company for review of whether the transactions are in accordance with the contractual terms and conditions and in accordance with the Company's policies and procedures, and are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The Company's external auditors will review such transactions as part of its regular audit. Furthermore, the Company's internal audit department will also conduct review of the transactions, and submit its findings to the Audit Committee.
- (g) The Audit Committee shall review all Interested Person Transactions, 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 procedures outlined in this paragraph 2.5. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee. The Audit Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers or valuers to provide additional information pertaining to the transaction under review. In the event that a member of the Audit Committee is interested in any Interested Person Transaction, he shall abstain from participating in the review of that particular transaction.
- (h) Pursuant to Rule 920(1)(a) of the Listing Manual:-
 - (i) disclosure will be made in the annual report of the Company, giving details of the aggregate value of all Interested Person Transactions conducted with Interested Persons pursuant to the respective Shareholders' Mandate during the financial year under review (in the form set out in Rule 907 of the Listing Manual) and in the annual reports for the subsequent financial years during which the respective Shareholders' Mandate is in force, as required by the provisions of the Listing Manual; and
 - (ii) announcements will be made with regard to the aggregate value of transactions conducted pursuant to the respective Shareholders' Mandate for the financial periods which the Company is required to report on, pursuant to Rule 705 of the Listing Manual, within the time required for the announcement of such report (in the form set out in Rule 907 of the Listing Manual).

- (i) If, arising from the Audit Committee's periodic reviews, the Audit Committee is of the view that the procedures have become inappropriate or are insufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders, or in the event of any amendment to Chapter 9 of the Listing Manual, it will consult with the Board and take such actions as it deems proper, including modifying or implementing such additional policies and procedures as may be necessary, and the Company shall submit the revised policies and procedures to Shareholders for a fresh mandate.

2.6 Validity Period of the Shareholders' Mandate

If approved at the 2023 AGM, the Shareholders' Mandate will take effect from the date of the passing of the resolution to be proposed at the 2023 AGM and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the subsequent AGM. The renewal of the Shareholders' Mandate has to be made in accordance with, and in the manner prescribed by, the rules in the Listing Manual, and such other laws and regulations as may, for the time being, be applicable. It shall also be subject to satisfactory review by the Audit Committee and advisers of the continued requirements of the Shareholders' Mandate and the procedures for the transactions.

2.7 Disclosure to Shareholders

Pursuant to Rule 920(1)(a) of the Listing Manual, the Company will disclose the Shareholders' Mandate and the aggregate value of the Interested Person Transactions conducted pursuant to the Shareholders' Mandate in the annual report of the Company for the current financial year, and in the annual reports for the subsequent financial years during which the Shareholders' Mandate is in force. In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the Shareholders' Mandate for the financial periods which it is required to report on (pursuant to Rule 705 of the Listing Manual) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.

2.8 Audit Committee's Statement

The Audit Committee has reviewed the terms of the proposed Shareholders' Mandate and is satisfied and of the view that:

- (a) the review procedures for the Interested Person Transactions concerning the TPH Group (including the methods for determining the transaction price) have not changed since the last Shareholders' approval granted on 16 May 2022; and
- (b) the review procedures for the Interested Person Transactions concerning the TPH Group (including the methods for determining the transaction price) as well as the reviews to be made periodically by the Audit Committee in relation thereto, are adequate to ensure that the Interested Person Transactions concerning the TPH Group will be transacted on arm's length basis and on normal commercial terms and will not be on terms or conditions that would be prejudicial to the interests of the Company and/or its minority Shareholders.

However, in the event the Audit Committee is subsequently no longer of this view, the Company shall obtain a fresh mandate from the Shareholders for the Interested Person Transactions concerning the TPH Group based on new guidelines and/or review procedures.

2.9 Directors' Recommendation

Having considered, *inter alia*, the terms, rationale and benefits of the proposed renewal of the Shareholders' Mandate as set out in this Appendix A, the Independent Directors believe that the renewal of the Shareholders' Mandate is in the interest of the Company and recommend that Shareholders vote in favour of the Resolution 11 (as set out in the Notice of AGM) relating to the proposed renewal of the Shareholders' Mandate.

The Independent Directors, in rendering their recommendation, have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio, should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.

2.10 Abstention from voting

TPH, which holds 42.81% of the shareholdings in the Company as at the Latest Practicable Date, will abstain, and has undertaken to ensure that its respective associates will abstain, from voting at the 2023 AGM in respect of the resolution relating to the proposed renewal of the Shareholders' Mandate as it is, in relation to the said one transaction or many transactions, an Interested Person as defined under the Listing Manual. It will also not, and has undertaken to ensure that its respective associates will 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 such resolution.

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 AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY AND
THE APPLICATION FOR CHANGES IN THE INDUSTRIAL AND COMMERCIAL REGISTRATION**

CONTENTS

DEFINITIONS	192
1. INTRODUCTION.....	198
2. THE 2023 1 ST PROPOSED AOA AMENDMENTS	199
3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	211
4. DIRECTORS' RECOMMENDATION	212
5. ANNUAL GENERAL MEETING	212
6. ACTION TO BE TAKEN BY S-SHARE SHAREHOLDERS	212
7. DIRECTORS' RESPONSIBILITY STATEMENT.....	213
8. DOCUMENT FOR INSPECTION	213

DEFINITIONS

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

- "1st Proposed Repurchase"* : The proposed repurchase and cancellation of 70,000 Restricted A-Shares, as further elaborated in Section 2.1.1(c) of this Annexure
- "2nd Proposed Repurchase"* : The proposed repurchase and cancellation of 30,000 Restricted A-Shares, as further elaborated in Section 2.1.1(f) of this Annexure
- "3rd Proposed Repurchase"* : The proposed repurchase and cancellation of 200,000 Restricted A-Shares, as further elaborated in Section 2.1.1(i) of this Annexure
- "4th Proposed Repurchase"* : The proposed repurchase and cancellation of 3,193,000 Restricted A-Shares, as further elaborated in Section 2.1.1(l) of this Annexure
- "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)
- "2017 Proposed AOA Amendments"* : Collectively, (i) the proposed amendments to Article 1 of the then Articles of Association to allow the Party Constitution to be one of the legal bases of the Articles of Association; (ii) the proposed insertion of new Article 9 in the Articles of Association so as to entrench the requirement to set up a Party Committee (with sufficient staffing and funding); (iii) the proposed amendments to Article 69 so as to lower the minimum eligibility threshold for Shareholders to propose new resolutions at the general meetings of the Company for alignment with the PRC Company Law; and (iv) the proposed insertion of a new Chapter (i.e., Chapter 11) in the Articles of Association which includes new Articles 121, 122, 123 and 124 concerning the work principles, responsibilities and rules of procedures of the Party Committee, as further described in Section 2.1.2(a) of this Annexure
- "2020 Proposed AOA Amendments"* : The proposed amendments to Article 19 of the Articles of Association (which sets out a brief description of the changes to the registered capital of the Company over the years) and Article 22 of the Articles of Association (which sets out the registered capital of the Company) in relation to the amendment and update of the registered share capital details of the Company as a consequence of several corporate events which took place between December 2019 and August 2020 in connection with the adoption and implementation of the Scheme, as further elaborated in Sections 2.1.1(a) to 2.1.1(g) of this Annexure

- "2021 Proposed AOA Amendments"* : The proposed amendments to Article 19 of the Articles of Association (which sets out a brief description of the changes to the registered capital of the Company over the years) and Article 22 of the Articles of Association (which sets out the registered capital of the Company) in relation to the amendment and update of the registered share capital details of the Company as a consequence of the corporate event(s) which took place between August 2020 and August 2021 in connection with the adoption and implementation of the Scheme, as further elaborated in Sections 2.1.1(i), 2.1.1(j) and 2.1.1(k) of this Annexure
- "2023 1st Proposed AOA Amendments"* : The proposed amendments to Article 19 of the Articles of Association (which sets out a brief description of the changes to the registered capital of the Company over the years) and Article 22 of the Articles of Association (which sets out the registered capital of the Company) in relation to the amendment and update of the registered share capital details of the Company as a consequence of the corporate event(s) which took place between August 2021 and January 2023 in connection with the adoption and implementation of the Scheme, as further elaborated in Sections 2.1.1(l) and 2.3, as well as Chapter 11 of the Articles of Association (which includes Articles 121, 122, 123 and 124 concerning the work principles, responsibilities and rules of procedures of the Party Committee), as further elaborated in Sections 2.1.2 and 2.3 of this Annexure
- "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 Shanghai Stock Exchange
- "A-Share Shareholders"* : Holders of A-Shares
- "Acquisition"* : The acquisition of 67% equity interest in TPH held by the Vendor by the Purchaser
- "AGM" or "Annual General Meeting"* : An annual general meeting of the Company
- "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, modified and/or supplemented from time to time
- "Board" or "Board of Directors"* : The board of Directors of the Company from time to time
- "CDP"* : The Central Depository (Pte) Limited
- "Company"* : 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>	:	A person who: (i) holds directly or indirectly fifteen per cent. (15%) or more of the total voting rights in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (ii) in fact exercises control over the Company
<i>“Directors”</i>	:	The directors of the Company from time to time
<i>“EGM” or “Extraordinary General Meeting”</i>	:	An extraordinary general meeting of the Company
<i>“FY” or “Financial Year”</i>	:	Financial year ended or, as the case may be, ending 31 December
<i>“FY2017”</i>	:	Financial year ended 31 December 2017
<i>“FY2019”</i>	:	Financial year ended 31 December 2019
<i>“FY2020”</i>	:	Financial year ended 31 December 2020
<i>“FY2021”</i>	:	Financial year ended 31 December 2021
<i>“FY2023”</i>	:	Financial year ending 31 December 2023
<i>“Grant of Reserved Restricted A-Shares”</i>	:	The grant of a total number of 940,000 Adjusted Initial Granted Restricted A-Shares to 26 participants of the Scheme on 6 July 2020. Please refer to the announcements made by the Company on the SGXNET on 6 July 2020 for further details
<i>“Group”</i>	:	The Company and its Subsidiaries
<i>“Initial Grant”</i>	:	The grant of a total number of 3,930,000 Adjusted Initial Granted Restricted A-Shares to 115 participants of the Scheme on 9 December 2019. Please refer to the announcements made by the Company on the SGXNET on 9 December 2019 for further details
<i>“Initial Granted Restricted A-Shares”</i>	:	The initial tranche of 4,010,000 Restricted A-Shares proposed and approved to be granted under the Scheme. Please refer to the Company’s circular dated 15 November 2019 for further details
<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 Rules"</i>	:	The main board rules of the SGX-ST, as amended, modified and/or supplemented from time to time
<i>"Notice of AGM"</i>	:	The notice of the 2023 AGM dated 28 April 2023
<i>"Party"</i>	:	Communist Party of the PRC
<i>"Party Committee"</i>	:	Party committee of the Company, being the Party organisation set out within the Company
<i>"Party Constitution"</i>	:	The Constitution of the Party
<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>"Proposed Mixed-ownership Reform"</i>	:	The mixed-ownership reform proposed by TPH (the Company's Controlling Shareholder as at the Latest Practicable Date) in October 2018, in order to effectively implement the general planning of the Tianjin Municipal Committee of the Communist Party of China, Tianjin Municipal People's Government and Tianjin SASAC on promoting the reform of state-owned enterprises, which had been completed in March 2021, as further elaborated in Section 2.1.2(b) of this Annexure
<i>"Proxy Form"</i>	:	The proxy form in respect of the 2023 AGM
<i>"Purchaser"</i>	:	Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司)
<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>"Reserved Restricted A-Shares"</i>	:	The Restricted A-Shares granted under the Scheme excluding the Initial Granted Restricted A-Shares
<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

- “S-Share Shareholders”* : Holders of S-Shares
- “Scheme”* : 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
- “Securities Accounts”* : The securities account maintained with CDP, but not including the securities accounts maintained with a Depository Agent
- “SFA”* : The Securities and Futures Act 2001 of Singapore, as amended, modified and/or supplemented from time to time
- “SGXNET”* : Singapore Exchange Network, the corporate announcement system maintained by the SGX-ST for the submission of information and announcements by listed companies
- “SGX-ST”* : Singapore Exchange Securities Trading Limited
- “Shareholders”* : Registered holders of Shares (comprising A-Share Shareholders and S-Share Shareholders) except that where the registered holder is CDP, the term *“Shareholders”* 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
- “Shares”* : Ordinary shares in the capital of the Company, comprising A-Shares and S-Shares
- “Subsidiaries”* : The subsidiaries (as determined in accordance with the laws of the PRC) of the Company, and *“Subsidiary”* shall be constructed accordingly

“Substantial Shareholder”	:	A person who has an interest or interests in one (1) or more voting Shares (excluding treasury shares) in the Company, and the total votes attached to that Share, or those Shares, represent not less than five per cent. (5.0%) of the total votes attached to all the voting Shares (excluding treasury shares) in the Company
“Supervisors”	:	The supervisors of the Company from time to time
“Supervisory Committee”	:	The supervisory committee of the Company from time to time
“Tianjin SASAC”	:	State-owned Assets Supervision and Administration Commission of Tianjin Municipal People’s Government (天津市人民政府国有资产监督管理委员会)
“TPH”	:	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
“Vendor”	:	Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海国有资产经营管理有限公司) (being 100% controlling shareholder of TPH then)

Currencies, units and others

“RMB”	:	Renminbi, the lawful currency of the PRC
“US\$”	:	United States Dollars, the lawful currency of the United States of America
“%” or “per cent.”	:	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 AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY (THE "2023 1ST PROPOSED AOA AMENDMENTS") AND THE APPLICATION FOR CHANGES IN THE INDUSTRIAL AND COMMERCIAL REGISTRATION

1. INTRODUCTION

The Company has issued the Notice of AGM on 28 April 2023. Reference is made to Resolution 17 relating to the 2023 1st Proposed AOA Amendments.

The purpose of this Annexure is to provide Shareholders with information pertaining to, and to seek Shareholders' approval for, the 2023 1st Proposed AOA Amendments, 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 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 2023 1st Proposed AOA Amendments.

2. THE 2023 1ST PROPOSED AOA AMENDMENTS

2.1 Background

2.1.1 Proposed amendments to Articles 19 and 22 of the Articles of Association

Prior to the EGM of the Company held on 2 December 2019, the Company's registered capital was RMB768,873,076. As a consequence of the following corporate events which took place between December 2019 and January 2022, the Company's registered capital will be changed to RMB770,250,076:

- (a) On 2 December 2019, the Company duly convened its 2nd EGM in 2019 (the "2019 2nd EGM"), and the Shareholders at the 2019 2nd EGM considered and approved the proposed adoption of the Scheme. The Scheme involves the issuance of Restricted A-Shares to eligible participants¹, and purports to further establish and 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. The incentive instruments issued under the Scheme were Restricted A-Shares only, and no S-Shares were issued or will be issued under the Scheme. Please refer to the Company's circular dated 15 November 2019 for further details of the Scheme, and the announcement dated 2 December 2019 made by the Company in relation to the poll results of the 2019 2nd EGM.
- (b) On 9 December 2019:
 - (i) the Company duly convened its 10th Board meeting for FY2019, and the Board considered and approved the proposed adjustments to the list of participants proposed to participate in the initial grant of the Initial Granted Restricted A-Shares and the number of Initial Granted Restricted A-Shares to be granted to them under the Scheme; and
 - (ii) a total of 3,930,000 Restricted A-Shares were granted to the participants of the Scheme. Accordingly, the total number of shares in the capital of the Company increased from 768,873,076 shares to 772,803,076 shares, and the registered capital of the Company increased from RMB768,873,076 to RMB772,803,076.

Please refer to the announcements made by the Company on 9 December 2019 for further details on the foregoing.

¹ "eligible participants" refers to 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).

- (c) On 17 February 2020, the Company duly convened its 2nd Board meeting and 1st Supervisory Committee meeting for FY2020, and the Board and the Supervisory Committee considered and approved the proposed repurchase and cancellation of some of the Restricted A-Shares granted but not yet released from the lock-up requirements under the Scheme. As stated in the announcement made by the Company on 17 February 2020 in relation to repurchase and cancellation of some of the Restricted A-Shares granted under the Scheme (the “**1st Proposed Repurchase Announcement**”), “According to the provisions in (B) (Changes in Personal Situation of the Participants) under Chapter 13 (Unusual Changes to the Company and the Participants) in the “2019 Restricted A-Share Incentive Scheme” (2019年A股限制性股票计划), ‘upon the employment relationship is discharged or terminated due to objective reasons including job transfer, removal from office, retirement, death or loss of civil capacity, the Restricted A-Shares granted to such Participant which have yet been released from the lock-up requirements shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period when repurchasing.’” As one (1) of the participants of the Scheme was no longer eligible to participate in the Scheme due to her resignation from the Company, the Company had proposed to repurchase and cancel all of the 70,000 Restricted A-Shares granted to her but not yet released from the lock-up requirements under the Scheme (the “**1st Proposed Repurchase**”). As further stated in the 1st Proposed Repurchase Announcement, the repurchase price of the 1st Proposed Repurchase shall be RMB7.20 per Restricted A-Share plus the applicable interests as calculated at the benchmark interest rate for deposits during the same period when repurchasing, and the total amount paid by the Company for the 1st Proposed Repurchase was RMB504,000, plus the corresponding interests as calculated at the benchmark interest rate for deposits during the same period when repurchasing, which was paid by the Company with its own funds to such participant from whom the Restricted A-Shares were repurchased. Please refer to the announcements (including the 1st Proposed Repurchase Announcement) made by the Company on 17 February 2020 for further details on the foregoing.
- (d) On 6 July 2020, the Company duly convened its 5th Board meeting for FY2020, and the Board considered and approved the proposed grant of a total number of 940,000 Reserved Restricted A-Shares to the participants under the Scheme. Please refer to the announcements made by the Company on 6 July 2020 for further details on the foregoing.
- (e) On 27 July 2020, the Company completed the procedures for the registration of a total number of 940,000 Reserved Restricted A-Shares granted under the Grant of Reserved Restricted A-Shares. As the Company had not completed the 1st Proposed Repurchase then, the total number of shares in the capital of the Company increased from 772,803,076 shares to 773,743,076 shares, and the registered capital of the Company increased from RMB772,803,076 to RMB773,743,076.
- (f) On 13 August 2020, the Company duly convened its 6th Board meeting and 5th Supervisory Committee meeting for FY2020, and the Board and the Supervisory Committee considered and approved the proposed adjustment to the repurchase price of the Restricted A-Shares granted under the Scheme and the 2nd repurchase and cancellation of some of the Restricted A-Shares granted but not yet released from the lock-up requirements under the Scheme, as well as the proposed amendments to the Articles of Association of the Company (i.e., the 2020 Proposed AOA Amendments) and application for changes in the industrial and commercial registration. As stated in the announcement made by the Company on 14 August 2020 in relation to adjustment to the repurchase price of the Restricted A-Shares granted under the Scheme and the 2nd repurchase and cancellation of some of the Restricted A-Shares granted but not yet released from the lock-up requirements (the “**2nd Proposed Repurchase Announcement**”), “According to the provisions in (B) (Changes in Personal Situation of the Participants) under Chapter 13

*(Unusual Changes to the Company and the Participants) in the “2019 Restricted A-Share Incentive Scheme” (2019年A股限制性股票计划), ‘upon the employment relationship is discharged or terminated due to objective reasons including job transfer, removal from office, retirement, death or loss of civil capacity, the Restricted A-Shares granted to such Participant which have yet been released from the lock-up requirements shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period when repurchasing.’” As one (1) of the participants of the Scheme was no longer eligible to participate in the Scheme due to such participant’s resignation from the Company, the Company had proposed to repurchase and cancel all of the 30,000 Restricted A-Shares granted to such participant but not yet released from the lock-up requirements under the Scheme (the “**2nd Proposed Repurchase**”). As further announced in the 2nd Proposed Repurchase Announcement, as the Company has completed the dividend distribution for FY2019, the repurchase price of the 2nd Proposed Repurchase shall be adjusted to RMB6.90 per Restricted A-Share plus the applicable interests as calculated at the benchmark interest rate for deposits during the same period when repurchasing, and the total amount paid by the Company for the 2nd Proposed Repurchase was RMB207,000, plus the corresponding interests as calculated at the benchmark interest rate for deposits during the same period when repurchasing, which was paid by the Company with its own funds to such participant from whom the Restricted A-Shares were repurchased. Please refer to the announcements (including the 2nd Proposed Repurchase Announcement) made by the Company on 14 August 2020 for further details on the foregoing.*

- (g) On 30 September 2020, the Company duly convened its 1st EGM in 2020 (the “**2020 1st EGM**”), and the Shareholders at the 2020 1st EGM considered and approved the 2020 Proposed AOA Amendments in relation to the amendments to Articles 19 and 22 of the Articles of Association. Please refer to the Company’s circular dated 15 September 2020 for further details of the 2020 Proposed AOA Amendments, and the announcement dated 30 September 2020 made by the Company in relation to the poll results of the 2020 1st EGM.
- (h) On or around 30 October 2020, the Company completed the 1st Proposed Repurchase and the 2nd Proposed Repurchase. Upon completion of the 1st Proposed Repurchase and the 2nd Proposed Repurchase, the total number of shares in the capital of the Company was reduced from 773,743,076 shares to 773,643,076 shares, and the registered capital of the Company was also reduced from RMB773,743,076 to RMB773,643,076. Please refer to the announcement dated 27 October 2020 made by the Company for further details on the foregoing.
- (i) On 12 August 2021, the Company duly convened its 6th Board meeting and 3rd Supervisory Committee meeting for FY2021, and the Board and the Supervisory Committee considered and approved the proposed 2nd adjustment to the repurchase price of the Restricted A-Shares granted under the Scheme and the 3rd repurchase and cancellation of some of the Restricted A-Shares granted but not yet released from the lock-up requirements, as well as the proposed amendments to the Articles of Association of the Company (i.e., the 2021 Proposed AOA Amendments) and application for changes in the industrial and commercial registration. As stated in the announcement made by the Company on 13 August 2021 in relation to 2nd adjustment to the repurchase price of the Restricted A-Shares granted under the Scheme and the 3rd repurchase and cancellation of some of the Restricted A-Shares granted but not yet released from the lock-up requirements (the “**3rd Proposed Repurchase Announcement**”), “*According to the provisions in (B) (Changes in Personal Situation of the Participants) under Chapter 13 (Unusual Changes to the Company and the Participants) in the “2019 Restricted A-Share Incentive Scheme” (2019年A股限制性股票计划), ‘upon the employment relationship is discharged or terminated due to objective*

reasons including job transfer, removal from office, retirement, death or loss of civil capacity, the Restricted A-Shares granted to such Participant which have yet been released from the lock-up requirements shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period when repurchasing.” Given that five (5) of the participants who have been granted the Restricted A-Shares under the Initial Grant are no longer eligible to participate in the Scheme (the “**Five Participants**”), of which, three (3) were due to their retirement and two (2) (including the former Deputy General Manager, Mr. Ni Zhenguo) are due to their resignation from the Company because of job changes, the Company had proposed to repurchase and cancel all of the 200,000 Restricted A-Shares granted to the Five Participants but not yet released from the lock-up requirements under the Scheme (the “**3rd Proposed Repurchase**”). As further stated in the 3rd Proposed Repurchase Announcement, as the Company has completed the dividend distribution for FY2020, the repurchase price of the 3rd Proposed Repurchase shall be adjusted to RMB6.60 per Restricted A-Share plus the applicable interests as calculated at the benchmark interest rate for deposits during the same period when repurchasing, and the total amount paid by the Company for the 3rd Proposed Repurchase was RMB1,320,000 plus the corresponding interests as calculated at the benchmark interest rate for deposits during the same period when repurchasing, which was paid by the Company with its own funds to such participants from whom the Restricted A-Shares were repurchased. Please refer to the announcements (including the 3rd Proposed Repurchase Announcement) made by the Company on 13 August 2021 for further details on the foregoing.

- (j) On or around 18 November 2021, the Company completed the 3rd Proposed Repurchase. Upon completion of the 3rd Proposed Repurchase, the total number of shares in the capital of the Company was reduced from 773,643,076 shares to 773,443,076 shares, and the registered capital of the Company was also reduced from RMB773,643,076 to RMB773,443,076. Please refer to the announcement dated 15 November 2021 made by the Company for further details on the foregoing.
- (k) On 10 December 2021, the Company duly convened its 2nd EGM in 2021 (the “**2021 2nd EGM**”), and the Shareholders at the 2021 2nd EGM considered and approved the 2021 Proposed AOA Amendments in relation to the amendments to Articles 19 and 22 of the Articles of Association. Please refer to the Company’s circular dated 25 November 2021 for further details of the 2021 Proposed AOA Amendments, and the announcement dated 10 December 2021 made by the Company in relation to the poll results of the 2021 2nd EGM.
- (l) On 9 January 2023, the Company duly convened its 1st Board meeting and 1st Supervisory Committee meeting for FY2023, and the Board and the Supervisory Committee considered and approved the proposed 3rd adjustment to the repurchase price of the Restricted A-Shares granted under the Scheme and the 4th repurchase and cancellation of some of the Restricted A-Shares granted but not yet released from the lock-up requirements, as well as the proposed amendments to the Articles of Association of the Company (i.e., the 2023 1st Proposed AOA Amendments) and application for changes in the industrial and commercial registration. As stated in the announcement made by the Company on 10 January 2023 in relation to 3rd adjustment to the repurchase price of the Restricted A-Shares granted under the Scheme and the 4th repurchase and cancellation of some of the Restricted A-Shares granted but not yet released from the lock-up requirements (the “**4th Proposed Repurchase Announcement**”), “According to the provisions in (B) (Changes in Personal Situation of the Participants) under Chapter 13 (Unusual Changes to the Company and the Participants) in the “2019 Restricted A-Share Incentive Scheme” (2019年A股限制性股票计划), ‘upon the employment relationship is discharged or terminated due to objective reasons including job transfer, removal from office, retirement, death or loss of civil capacity, the Restricted A-Shares granted

to such Participant which have yet been released from the lock-up requirements shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period when repurchasing.” (i) Given that the Company has failed to meet the performance targets for releasing the Restricted A-Shares granted under the Scheme from the lock-up requirements for the first and second Release Periods, the Company had proposed to repurchase and cancel an aggregate of 2,673,000 Restricted A-Shares granted but not yet released from the lock-up requirements under the Scheme due to the said reason, and (ii) given that fourteen (14) of the participants who have been granted the Restricted A-Shares are no longer eligible to participate in the Scheme (the “**Fourteen Participants**”), of which ten (10) were due to retirement and four (4) were due to their resignation from the Company because of job changes, the Company had proposed to repurchase and cancel all of the 520,000 Restricted A-Shares granted to the Fourteen Participants but not yet released from the lock-up requirements under the Scheme (collectively, the “**4th Proposed Repurchase**”). As further announced in the 4th Proposed Repurchase Announcement, as the Company has completed the dividend distribution for FY2021, under the 4th Proposed Repurchase, the repurchase price of the Restricted A-Shares granted under the Initial Grant and the Grant of Reserved Restricted A-Shares shall be adjusted to RMB6.10 per Restricted A-Share and RMB8.09 per Restricted A-Share respectively, plus the applicable interests as calculated at the benchmark interest rate for deposits during the same period when repurchasing, and the total amount to be paid by the Company for the 4th Proposed Repurchase will be RMB20,711,896 plus the corresponding interests as calculated at the benchmark interest rate for deposits during the same period when repurchasing, which will be paid by the Company with its own funds to such participants from whom the Restricted A-Shares were repurchased. Please refer to the announcements (including the 4th Proposed Repurchase Announcement) made by the Company on 10 January 2023 for further details on the foregoing.

As at the Latest Practicable Date, the Company has not yet completed the 4th Proposed Repurchase. Upon completion of the 4th Proposed Repurchase, the total number of shares in the capital of the Company will be reduced from 773,443,076 shares to 770,250,076 shares, and the registered capital of the Company will also be reduced from RMB773,443,076 to RMB770,250,076.

2.1.2 Proposed amendments to Chapter 11 of the Articles of Association

(a) The 2017 Proposed AOA Amendments

On 26 December 2017, the Company duly convened its 12th Board meeting for FY2017, and the Board considered and approved the proposed amendments to the Articles of Association of the Company in relation to, *inter alia*, insertion of a new Chapter (i.e., Chapter 11) into the then Articles of Association which includes new Articles 121, 122, 123 and 124 concerning the work principles, responsibilities and rules of procedures of the Party Committee (i.e., the 2017 Proposed AOA Amendments). The proposed new Article 121 sets out in greater detail the composition requirements of the Party Committee; the proposed new Article 122 provides the principal duties to be performed by the Party Committee; the proposed new Article 123 entrenches the requirement for the Board and senior management of the Company to consider the views put forth by the Party Committee in respect of important matters of the Company before arriving at a final decision; and the proposed new Article 124 sets out the mode of decision-making to be employed by the Party Committee, and the procedural requirements thereto. Please refer to the announcement made by the Company on 26 December 2017 for further details on the foregoing.

On 12 February 2018, the Company duly convened its 1st EGM in 2018 (the “**2018 1st EGM**”), and the Shareholders at the 2018 1st EGM considered and approved the 2017 Proposed AOA Amendments. Please refer to the Company’s circular dated 26 January 2018 for further details of the 2017 Proposed AOA Amendments, and the announcement dated 12 February 2018 made by the Company in relation to the poll results of the 2018 1st EGM.

(b) The Proposed Mixed-ownership Reform

On 9 October 2018, the Company announced that TPH (the Controlling Shareholder of the Company as at the Latest Practicable Date) had proposed to carry out a mixed-ownership reform in order to effectively implement the general planning of the Tianjin Municipal Committee of the Communist Party of China, Tianjin Municipal People’s Government and Tianjin SASAC on promoting the reform of state-owned enterprises (the “**Proposed Mixed-ownership Reform**”).

On 28 September 2020, the Company announced that Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海国有资产经营管理有限公司) (being 100% controlling shareholder of TPH then) (the “**Vendor**”) will commence the process of officially disclosing the information relating to the proposed transfer of 67% of its equity interest in TPH (the “**Proposed Transfer**”) on the website of Tianjin Property Rights Exchange (天津产权交易中心) on 29 September 2020.

On 20 December 2020, the Company announced that during the public tender-for-sale (公开挂牌出让) in relation to the Proposed Transfer, Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司) (the “**Purchaser**”) was the only successful bidder upon the end of the bidding and had been confirmed as the transferee of the Proposed Transfer, and the Purchaser had, on 19 December 2020, entered into a sale and purchase agreement (the “**SPA**”) with the Vendor in relation to the acquisition of 67% equity interest in TPH held by the Vendor (the “**Acquisition**”).

On 22 December 2020, the Company announced that the Vendor had received the official reply from Tianjin SASAC and pursuant to which, Tianjin SASAC agreed to the indirect transfer of shares of the Company involved in the Mixed-ownership Reform.

On 1 February 2021, the Company announced that the State Administration for Market Regulation (国家市场监督管理总局) (“**SAMR**”) had issued its decision that no further review will be conducted on the Acquisition by SAMR.

On 26 March 2021, the Company announced that TPH has completed the industrial and commercial modification registration formalities in relation to the Acquisition. Accordingly, the equity interest held by the Vendor will be reduced from 100% to 33%, and the Purchaser will hold 67% equity interest in TPH.

Please refer to the announcements made by the Company on SGXNET on 9 October 2018, 15 June 2020, 28 September 2020, 20 December 2020, 22 December 2020, 1 February 2021 and 26 March 2021 for further details on the Proposed Mixed-ownership Reform, the Proposed Transfer and the foregoing events which are available on the SGXNET.

2.2 Rationale

2.2.1 Proposed amendments to Articles 19 and 22 of the Articles of Association

Following several events in connection with the Scheme as described in Section 2.1.1 of this Annexure above, the registered capital of the Company has changed. Accordingly, the Company is required in accordance with the requirements of PRC law to amend and update the registered share capital numbers in the Articles of Association as a result of the various corporate events. The Company will be updating Article 19 of the Articles of Association, which sets out a brief description of the changes to the registered capital of the Company over the years, as well as Article 22 of the Articles of Association, which sets out the registered capital of the Company, to reflect the foregoing. The proposed amendments to Articles 19 and 22 of the existing Articles of Association are set out in Section 2.3 of this Annexure below.

2.2.2 Proposed amendments to Chapter 11 of the Articles of Association

The Party Committee of the Company (being the Party organisation set out within the Company) carries out its work based on the requirements of the next higher Party organisation (i.e., the Party committee of TPH (being the Party organisation set out within TPH)). Therefore, the provisions in the Articles of Association relating to the Party organisation shall be based on those in the articles of association of TPH.

Upon completion of the Proposed Mixed-ownership Reform as stated in Section 2.1.2(b) above, TPH had amended the provisions in its articles of association relating to its Party organisation. Since the Party Committee of the Company is a subordinate Party organisation of TPH's Party organisation, the Company is required to make amendments to the provisions in the Articles of Association relating to its Party organisation.

Accordingly, the Company proposes to make amendments to Chapter 11 of the existing Articles of Association as set out in Section 2.3 of this Annexure below. As the proposed amendments to Chapter 11 of the existing Articles of Association are the corresponding amendments to the duty scope of the Party organisation set out within the Company following the amendments to the provisions in TPH's articles of association relating to the duty scope of the Party organization set out within TPH (being the next higher Party organization), compared with the original duty scope of the Party organisation as set out in Chapter 11 of the existing Articles of Association, there is no material change to the management of the Company including its production and operation as well as corporate governance.

2.3 Amendments to the Articles of Association

The amendments proposed to be made to Article 19, Article 22 and Chapter 11 of the existing Articles of Association are set out below (with amendments in **bold**, underline and ~~deletions in strikethrough~~).

Before the 2023 1 st Proposed AOA Amendments	After the 2023 1 st Proposed AOA Amendments
<p>Article 19 Shareholders of the Company approved a proposed bonus issue (the "Bonus Issue") of an aggregate 369,654,360 new ordinary shares in the capital of the Company by way of capitalisation of the Company's share premium, on 14 May 2010. Details of the Bonus Issue are as follows: 'Based on the audited financial report of the company for the financial year ended 31 December 2009 (prepared in accordance with the PRC accounting standards) audited by RSM China Certified Public Accountants, the Company's share premium is RMB783,780,650. On the basis of an aggregate 369,654,360 shares in the capital of the Company as at 20 April 2010, the Company decides to offer 10-for-10 Bonus Issue, through which RMB369,654,360 of the Company's share premium will be capitalised into the Company's registered capital, and RMB576,081,016 will be remained in the share premium account of the Company'. Upon completion of the Bonus Issue, the Company has an issued share capital in aggregate of 739,308,720 shares, comprising 539,308,720 ordinary shares issued by the Company under the companies law promulgated by the PRC to natural and legal persons in the PRC, and which are denominated in renminbi, which represent 72.95% of the total registered and paid-up capital of the Company, and 200,000,000 ordinary shares issued by the Company to natural and legal persons in countries other than PRC, which represents 27.05% of the total registered and paid-up capital of the Company.</p> <p>The proposed placement of A-Shares was approved in the Extraordinary General Meeting of the Company on 18 August 2014. The placement of 29,564,356 A-shares has been registered with China Securities Depository and Clearing (Shanghai) Corporation Limited on 10 July 2015. After the completion of the placement as mentioned above, the temporary capital structure of the Company is that there are 768,873,076 ordinary shares, 568,873,076 ordinary shares of which are held by the A-shares holders, accounting for 73.99% of the total number of ordinary shares issued by the Company, and there are 200,000,000 ordinary shares which are held by S-shares holders, accounting for 26.01% of the total number of ordinary shares issued by the Company.</p>	<p>Article 19 Shareholders of the Company approved a proposed bonus issue (the "Bonus Issue") of an aggregate 369,654,360 new ordinary shares in the capital of the Company by way of capitalisation of the Company's share premium, on 14 May 2010. Details of the Bonus Issue are as follows: 'Based on the audited financial report of the company for the financial year ended 31 December 2009 (prepared in accordance with the PRC accounting standards) audited by RSM China Certified Public Accountants, the Company's share premium is RMB783,780,650. On the basis of an aggregate 369,654,360 shares in the capital of the Company as at 20 April 2010, the Company decides to offer 10-for-10 Bonus Issue, through which RMB369,654,360 of the Company's share premium will be capitalised into the Company's registered capital, and RMB576,081,016 will be remained in the share premium account of the Company'. Upon completion of the Bonus Issue, the Company has an issued share capital in aggregate of 739,308,720 shares, comprising 539,308,720 ordinary shares issued by the Company under the companies law promulgated by the PRC to natural and legal persons in the PRC, and which are denominated in renminbi, which represent 72.95% of the total registered and paid-up capital of the Company, and 200,000,000 ordinary shares issued by the Company to natural and legal persons in countries other than PRC, which represents 27.05% of the total registered and paid-up capital of the Company.</p> <p>The proposed placement of A-Shares was approved in the Extraordinary General Meeting of the Company on 18 August 2014. The placement of 29,564,356 A-shares has been registered with China Securities Depository and Clearing (Shanghai) Corporation Limited on 10 July 2015. After the completion of the placement as mentioned above, the temporary capital structure of the Company is that there are 768,873,076 ordinary shares, 568,873,076 ordinary shares of which are held by the A-shares holders, accounting for 73.99% of the total number of ordinary shares issued by the Company, and there are 200,000,000 ordinary shares which are held by S-shares holders, accounting for 26.01% of the total number of ordinary shares issued by the Company.</p>

The 2nd extraordinary general meeting of the Company held on 2 December 2019 and the 10th Board meeting held on 9 December 2019 for the financial year ended 31 December 2019 considered and approved relevant proposals relating to the 2019 Restricted A-Share Incentive Scheme (the "Scheme") respectively. The procedures for the registration of Restricted A-Shares under the Initial Grant were completed on 7 January 2020, and the total number of shares in the capital of the Company increased to 772,803,076 shares accordingly. The 5th Board meeting held on 6 July 2020 for the financial year ended 31 December 2020 considered and approved the proposed grant of the Reserved Restricted A-Shares to the participants under the Scheme. The procedures for the registration of Restricted A-Shares under the Grant of Reserved Restricted A-Shares were completed on 27 July 2020, and the total number of shares in the capital of the Company increased to 773,743,076 shares accordingly.

The 2nd Board meeting held on 17 February 2020, the 6th Board meeting held on 13 August 2020 for the financial year ended 31 December 2020 and the 6th Board meeting held on 12 August 2021 for the financial year ending 31 December 2021 considered and approved the 1st proposed repurchase and cancellation, the 2nd proposed repurchase and cancellation and the 3rd proposed repurchase and cancellation of Restricted A-Shares granted but not yet released from the lock-up requirements under the Scheme respectively (the "Repurchase"). Upon completion of the Repurchase, the capital structure of the Company is as follows: there are 773,443,076 ordinary shares, of which, 573,443,076 ordinary shares are held by the A-shares holders, accounting for 74.14% of the total number of ordinary shares issued by the Company, and 200,000,000 ordinary shares are held by S-shares holders, accounting for 25.86% of the total number of ordinary shares issued by the Company.

The 2nd extraordinary general meeting of the Company held on 2 December 2019 and the 10th Board meeting held on 9 December 2019 for the financial year ended 31 December 2019 considered and approved relevant proposals relating to the 2019 Restricted A-Share Incentive Scheme (the "Scheme") respectively. The procedures for the registration of Restricted A-Shares under the Initial Grant were completed on 7 January 2020, and the total number of shares in the capital of the Company increased to 772,803,076 shares accordingly. The 5th Board meeting held on 6 July 2020 for the financial year ended 31 December 2020 considered and approved the proposed grant of the Reserved Restricted A-Shares to the participants under the Scheme. The procedures for the registration of Restricted A-Shares under the Grant of Reserved Restricted A-Shares were completed on 27 July 2020, and the total number of shares in the capital of the Company increased to 773,743,076 shares accordingly.

The 2nd Board meeting held on 17 February 2020, ~~and~~ the 6th Board meeting held on 13 August 2020 for the financial year ended 31 December 2020, ~~and~~ the 6th Board meeting held on 12 August 2021 for the financial year ~~ended ending~~ 31 December 2021 ~~and the 1st Board meeting held on 9 January 2023 for the financial year ending 31 December 2023~~ considered and approved the 1st proposed repurchase and cancellation, the 2nd proposed repurchase and cancellation, ~~and~~ the 3rd proposed repurchase and cancellation ~~and the 4th proposed repurchase and cancellation~~ of Restricted A-Shares granted but not yet released from the lock-up requirements under the Scheme respectively (the "Repurchase"). Upon completion of the Repurchase, the capital structure of the Company is as follows: there are ~~773,443,076~~ **770,250,076** ordinary shares, of which, ~~573,443,076~~ **570,250,076** ordinary shares are held by the A-shares holders, accounting for ~~74.14%~~ **74.03%** of the total number of ordinary shares issued by the Company, and 200,000,000 ordinary shares are held by S-shares holders, accounting for ~~25.86%~~ **25.97%** of the total number of ordinary shares issued by the Company.

Article 22 The registered capital of the Company is RMB773,443,076.

Article 22 The registered capital of the Company is **RMB770,250,076** ~~RMB773,443,076~~.

CHAPTER 11 PARTY COMMITTEE

Article 121 The Company shall establish a Party committee of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (hereinafter referred to as the "Party Committee"), which shall include one Party secretary, one deputy secretary, and other Party members. The qualified members of the Party Committee, by way of legal procedures, are entitled to be elected as the members of the Board of Directors, Board of Supervisors or senior management. The members of the Board of Directors, Board of Supervisors or senior management, by way of the relevant procedures, are also entitled to be elected as the members of the Party Committee. The Company shall also establish a disciplinary committee, which shall include one disciplinary secretary and other members.

Article 122 The Party Committee shall perform the following duties in accordance with the Party Constitution:

- (i) supervise the implementation of any policies of the Party, the Party central committee and higher Party organisation's work arrangement;
- (ii) strengthen the leadership and supervision regarding the selection of candidates, adhere to the combined principles of the Party assuming the responsibility for cadres affairs, the Board of Directors legally selecting the members of the management, and the management legally appointing new staff;
- (iii) study, discuss and comment on the Company's important matters relating to its reform, development, stability, major business management and the vital interests of its employees, as well as support the General Meeting, the Board of Directors, the Board of Supervisors and the senior management to perform their duties according to the laws, and support the work of the trade union;
- (iv) assume a comprehensive and strict management of the main responsibilities of the Party, as well as lead the Company's ideological and political work, united front work, spiritual civilisation construction work, corporate culture work, trade union, the communist youth league and other groups work. The Party Committee shall also lead and guide the construction of the Party's working style and ensure a clean & honest administration, and support the disciplinary committee to perform its supervisory responsibility;

CHAPTER 11 PARTY ORGANISATION COMMITTEE

Article 121 The Company shall establish a Party committee of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (hereinafter referred to as the "Party Committee") in accordance with the Party Constitution. The funds for carrying out the activities of the Party organisation shall be included in the budget of the Company and disbursed from the management fees of the Company. ~~which shall include one Party secretary, one deputy secretary, and other Party members. The qualified members of the Party Committee, by way of legal procedures, are entitled to be elected as the members of the Board of Directors, Board of Supervisors or senior management. The members of the Board of Directors, Board of Supervisors or senior management, by way of the relevant procedures, are also entitled to be elected as the members of the Party Committee. The Company shall also establish a disciplinary committee, which shall include one disciplinary secretary and other members.~~

Article 122 The election of the secretary, deputy secretary and members of the Party Committee of the Company shall be subject to approval by the next higher Party organisation in accordance with the Party Constitution. ~~The Party Committee shall perform the following duties in accordance with the Party Constitution:~~

- ~~(i) supervise the implementation of any policies of the Party, the Party central committee and higher Party organisation's work arrangement;~~
- ~~(ii) strengthen the leadership and supervision regarding the selection of candidates, adhere to the combined principles of the Party assuming the responsibility for cadres affairs, the Board of Directors legally selecting the members of the management, and the management legally appointing new staff;~~

<p>(v) strengthen the construction of Party organisations and Party members at the grassroots level of the Company, fully play the militant bastions role of the Party in the basic units of society and play the exemplary and vanguard role of Party members, as well as unite and lead the staff and workers to actively participate in the reform and development of the Company;</p> <p>(vi) other important matters within the work scope of the Party Committee.</p> <p>Article 123 In relation to the important matters of the Company, the Board of Directors and the senior management of the Company shall consider the views of the Party Committee prior to carrying out the decision-making procedures.</p> <p>Article 124 The Party Committee's discussion shall be conducted in the form of a meeting. Notice of such meeting shall be given, and the convening and the voting procedures shall be in accordance with the relevant provisions of the Party.</p>	<p>(iii) study, discuss and comment on the Company's important matters relating to its reform, development, stability, major business management and the vital interests of its employees, as well as support the General Meeting, the Board of Directors, the Board of Supervisors and the senior management to perform their duties according to the laws, and support the work of the trade union;</p> <p>(iv) assume a comprehensive and strict management of the main responsibilities of the Party, as well as lead the Company's ideological and political work, united front work, spiritual civilisation construction work, corporate culture work, trade union, the communist youth league and other groups work. The Party Committee shall also lead and guide the construction of the Party's working style and ensure a clean & honest administration, and support the disciplinary committee to perform its supervisory responsibility;</p> <p>(v) strengthen the construction of Party organisations and Party members at the grassroots level of the Company, fully play the militant bastions role of the Party in the basic units of society and play the exemplary and vanguard role of Party members, as well as unite and lead the staff and workers to actively participate in the reform and development of the Company;</p> <p>(vi) other important matters within the work scope of the Party Committee.</p> <p>Article 123 <u>The functions and powers of the Party Committee are as follows: In relation to the important matters of the Company, the Board of Directors and the senior management of the Company shall consider the views of the Party Committee prior to carrying out the decision-making procedures.</u></p> <p><u>(i) to act as the political nucleus to ensure and supervise the implementation of the Party's and the state's guidelines and policies in the Company;</u></p>
---	--

	<p>(ii) <u>to support the General Meeting, the Board of Directors, the Supervisory Committee and general managers in exercising their powers and performing their duties in compliance with applicable laws, and to participate in the decision-making on major issues of the Company;</u></p> <p>(iii) <u>to support the work of the congresses of representatives of workers and fully motivate workers' enthusiasm for work and participation with wholeheartedly reliance on the workers;</u></p> <p>(iv) <u>to strengthen the self-construction of Party organisation, lead the Company's ideological and political work and cultural and ethical progress, as well as improve and lead mass organisations including trade unions and the Communist Youth League and provide necessary supports for their work; and</u></p> <p>(v) <u>to consider and discuss other matters which shall be decided by the Party Committee of the Company.</u></p> <p>Article 124 The Party Committee's discussion shall be conducted in the form of a meeting. Notice of such meeting shall be given, and the convening and the voting procedures shall be in accordance with the relevant provisions of the Party.</p>
--	---

Save for the above amendments, and the corresponding adjustments to the numbering of the Articles after the original Article 124 of the existing Articles of Association, the other provisions of the Articles of Association of the Company shall remain unchanged.

2.4 Compliance with requirements under Rule 730(2) of the Listing Manual

The 2023 1st Proposed AOA Amendments are consistent with the listing rules set out in the Listing Manual prevailing at the time of amendment and at the current time.

2.5 Application for changes in the industrial and commercial registration

Subject to Shareholders' approval for the 2023 1st Proposed AOA Amendments being obtained at the 2023 AGM, the Company shall submit an application to the Tianjin Administration for Market Regulation (天津市市场监督管理委员会) to update the industrial and commercial registration details pertaining to the Company.

2.6 Voting threshold

Pursuant to Article 103 of the PRC Company Law, where any resolution is proposed to be passed by shareholders of a company on proposed amendments to the articles of association of the company, it shall be passed by the shareholders representing more than two-thirds (2/3) of the voting rights held by the shareholders attending at the general meeting.

Accordingly, the resolution relating to the 2023 1st Proposed AOA Amendments shall be approved by more than two-thirds (2/3) of the voting rights held by the Shareholders attending at the 2023 AGM, in accordance with the PRC Company Law.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The details of the Directors' and Substantial Shareholders' interest in the Shares as at the Latest Practicable Date are set out below:-

	Direct Interest		Deemed Interest	
	No of Shares	% ⁽¹⁾	No of Shares	% ⁽¹⁾
Directors				
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.

As at the Latest Practicable Date, saved as disclosed in this Annexure, none of the Directors or Substantial Shareholders have any interest, direct or indirect, in the 2023 1st Proposed AOA Amendments other than through their respective shareholdings in the Company (if any).

4. DIRECTORS' RECOMMENDATION

Having considered, amongst others, the rationale for, and the terms, of the 2023 1st Proposed AOA Amendments, the Directors are of the opinion that the 2023 1st Proposed AOA Amendments is in the interests of the Company and the Shareholders as a whole. Therefore, the Directors recommend that the Shareholders vote in favour of the resolution in relation to the 2023 1st Proposed AOA Amendments to be proposed at the 2023 AGM, as set out in the Notice of AGM.

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. 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 2023 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.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in 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 2023 1st Proposed AOA Amendments, the Company and its Subsidiaries, 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.

8. DOCUMENT FOR INSPECTION

A copy of the Articles of Association of the Company 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.

Yours faithfully

For and on behalf of the Board of Directors of

Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited

Zhang Mingrui

Chairman of the Board

SUSTAINABILITY REPORTING

Da Ren Tang Group upholds the highest possible standards of responsible, sustainable and socially aware business practices. We are committed to instilling sustainability in our corporate culture and improving the economic, environmental and social wellbeing of our stakeholders. We prudently balance economic viability with sustainability and social progress for future generations.

As a responsible corporate citizen that takes pride in supplying pharmaceutical products of high quality and safety standards, we have always prioritised product health and safety. We regularly review our quality control policies and manufacturing practices, and strictly comply with industrial regulations to ensure that our drugs are safe for patients.

Other than producing and distributing responsibly, we also deliver and market our products ethically. Our business activities strictly comply with national and industrial standards on product marketing, labelling and advertising, and establish stringent marketing guidelines to ensure that we do not transgress important ethical and legal boundaries.

We believe that product research and development is key to the sustainability of our business. We invest significantly in our product development, facilities and equipment to supply efficacious pharmaceutical products to our customers.

The Group has assigned a Sustainability task force to oversee sustainability reporting, to monitor our sustainability performance and the implementation of our sustainability policies and measures. We endeavour to streamline our business operations to improve efficiency and conserve resources.

Below is a summary table of the key topics that are relevant to the Group and our stakeholders.

Economic	Environmental	Social
Indirect Economic Impacts	Energy Water Emissions Effluents and Waste	Customer Health and Safety Marketing and Labelling Occupational Health and Safety Diversity and Equal Opportunity

More information on the Group's efforts on sustainability management in FY2022 can be found in the Tianjin Pharmaceutical Da Ren Tang Group's 2022 Sustainability Report which will be published in May 2023.

This page has been intentionally left blank

This page has been intentionally left blank



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

17 Baidi Road, Nankai District,
Tianjin, PRC