

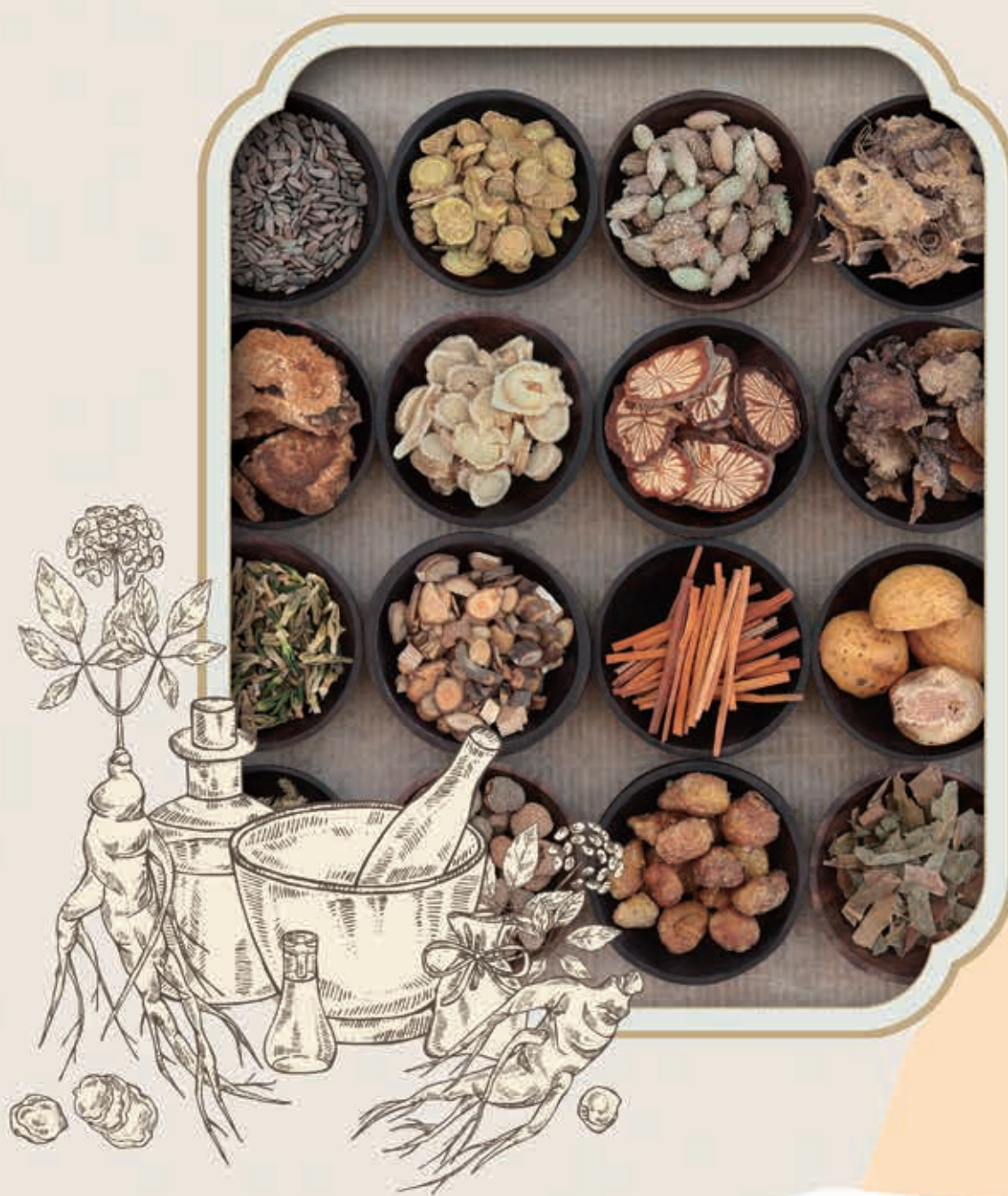


中新药业

ZHONGXIN PHARMACEUTICALS

TIANJIN ZHONG XIN PHARMACEUTICAL
GROUP CORPORATION LIMITED

ANNUAL REPORT 2020



INVESTED IN YOUR
WELLNESS



TABLE OF CONTENTS

01	CORPORATE INFORMATION
02	BRIEF INTRODUCTION OF THE COMPANY
04	EQUITY STRUCTURE OF THE COMPANY
05	STRUCTURE OF THE COMPANY
06	RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS
12	WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS
24	FINANCIAL REVIEW
26	WORK REPORT OF THE BOARD OF SUPERVISORS
28	FINANCIAL CONTENTS
29	CORPORATE GOVERNANCE STATEMENT
153	NOTICE OF ANNUAL GENERAL MEETING
158	PROXY FORM
163	INFORMATION ON SHAREHOLDING
165	PROPOSED RENEWAL OF MANDATE FOR INTERESTED PERSON TRANSACTIONS
187	SUSTAINABILITY REPORTING

CORPORATE INFORMATION

Name of the Company: Tianjin Zhong Xin Pharmaceutical Group Corporation Limited
Registered address: 17 Baidi Road, Nankai District, Tianjin, PRC
Office address: Zhong Xin 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: 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623
Registry of A-shares: China Securities Depository & Clearing Co., Ltd Shanghai Branch.
Address of "A" Shares Registrar: 188 Yanggao South Road Pudong New District, Shanghai, China, 200127

AUDITORS:

PRC Auditors: ShineWing Certified Public Accountants

International Auditors: RSM Chio Lim LLP

BOARD OF DIRECTORS:

Chairman: Mr. Li Liquan

Executive Directors: Ms. Li Yan, Mr. Wang Mai, Mr. Zhou Hong

Non-Executive Directors: Mr. Tang Tiejun, Mr. Zhang Ping

Independent and Non-executive Directors: Mr. Qiang Zhiyuan, Mr. Wong Gang, Mr. Liew Yoke Pheng Joseph

Secretary to the Board: Mr. Wong Gang (Singapore), Ms. Jiao Yan

SUPERVISORY COMMITTEE:

Chairman: Mr. Wang Yuanxi

Supervisors: Mr. Zhao Zhibin, Ms. Guo Xiumei

SENIOR EXECUTIVES:

General Manager: Ms. Li Yan

Deputy General Manager: Mr. Zhang Jian

Deputy General Manager and Chief Engineer: Mr. Zhou Hong

Deputy General Manager: Mr. Wang Xin

Deputy General Manager (Chief Accountant): Ms. Niu Shengfang

AUDIT COMMITTEE:

Chairman: Mr. Qiang Zhiyuan

Members: Mr. Wong Gang, Mr. Liew Yoke Pheng Joseph

STRATEGY COMMITTEE:

Chairman: Mr. Li Liquan

Members: Ms. Li Yan, Mr. Qiang Zhiyuan

NOMINATION COMMITTEE:

Chairman: Mr. Liew Yoke Pheng Joseph

Members: Mr. Wong Gang, Mr. Tang Tiejun

REMUNERATION COMMITTEE:

Chairman: Mr. Wong Gang

Members: Mr. Liew Yoke Pheng Joseph, Mr. Zhang Ping

BRIEF INTRODUCTION OF THE COMPANY



Tianjin Zhong Xin Pharmaceutical Group Corporation Limited ("Zhong Xin Pharmaceutical" or the "Company") is the core pharmaceutical manufacturing arm of Tianjin Pharmaceutical Holdings Co., Ltd. ("Tianjin Pharmaceutical Holdings"). 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 in 1997 and on the Shanghai Stock Exchange in 2001.

With green Chinese traditional medicine as its core business, Zhong Xin Pharmaceutical 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 25 branches, 18 wholly-owned and controlled subsidiaries or entities, and 14 investees. Its two major business lines, Chinese medicine industry and pharmaceutical commerce, are complementary to each other, laying a solid foundation for the steady development of the Company and allowing Zhong Xin Pharmaceutical to mark its position 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 Zhong Xin Pharmaceutical have all won the title of "Famous Chinese Trademark". 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", Zhong Xin Pharmaceutical 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 499 medicines belonging to 18 types of preparations. Two 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 Zhong Xin Pharmaceutical and honorary director of its technology centres as well as a famous expert in Chinese medicine preparations in China is a national classified variety. In addition, Jing Wan Hong (京万红) is a national confidential variety. The Company has five product varieties being Chinese medicines protected by the State, 99 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 216 product varieties being covered by national medical insurance. Zhong Xin Pharmaceutical has a nationwide marketing network and many of its quality products, enjoying a high

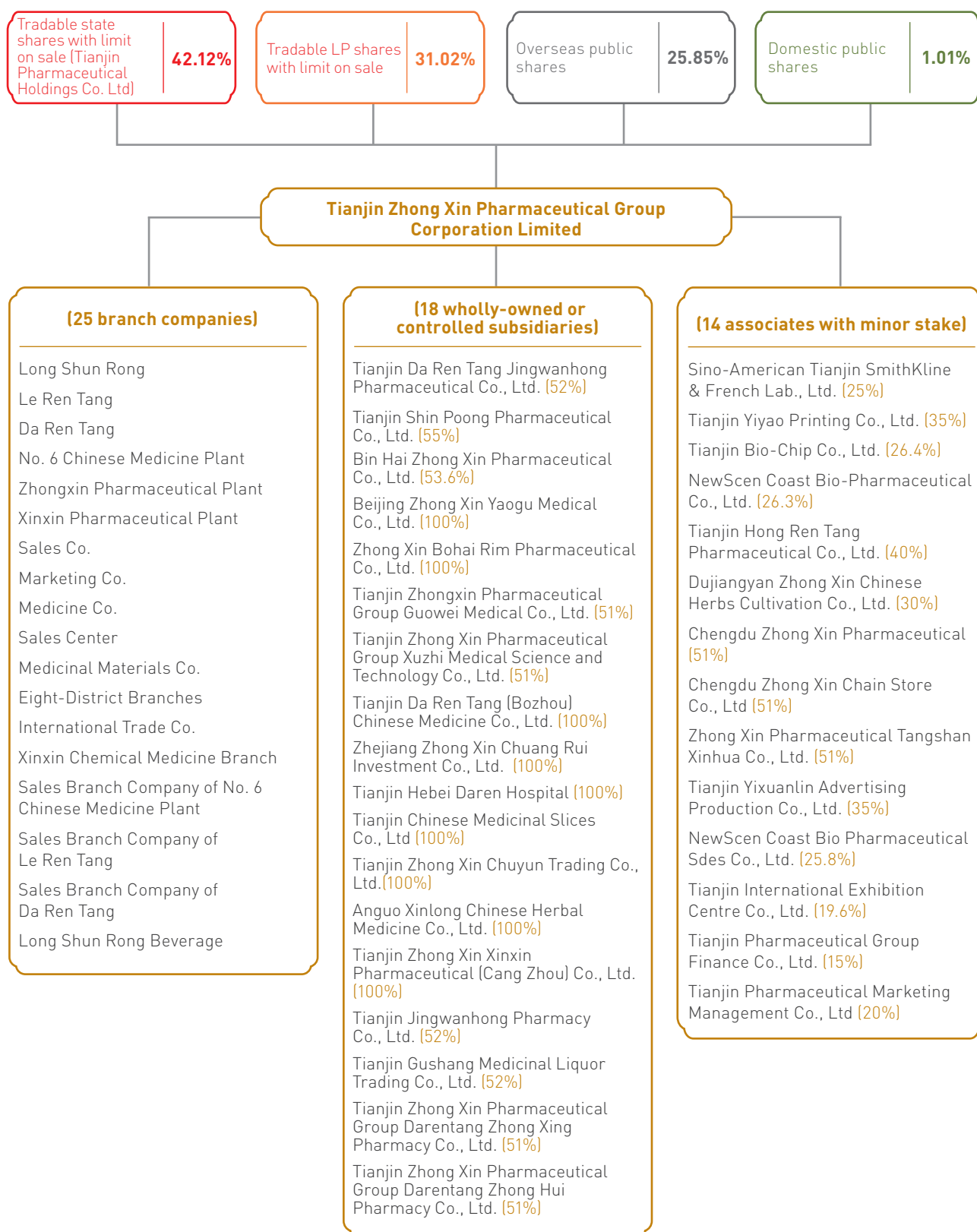
reputation, are exported to over 17 countries and regions around the world.

The Company has one national-level enterprise technology centre, five municipality-level enterprise technology centres, one 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 324 patents, 228 of which are invention patents. It has six 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 national-level and nine Tianjin-level representative intangible cultural heritage projects. After years of practices and explorations, the Company has integrated and optimised

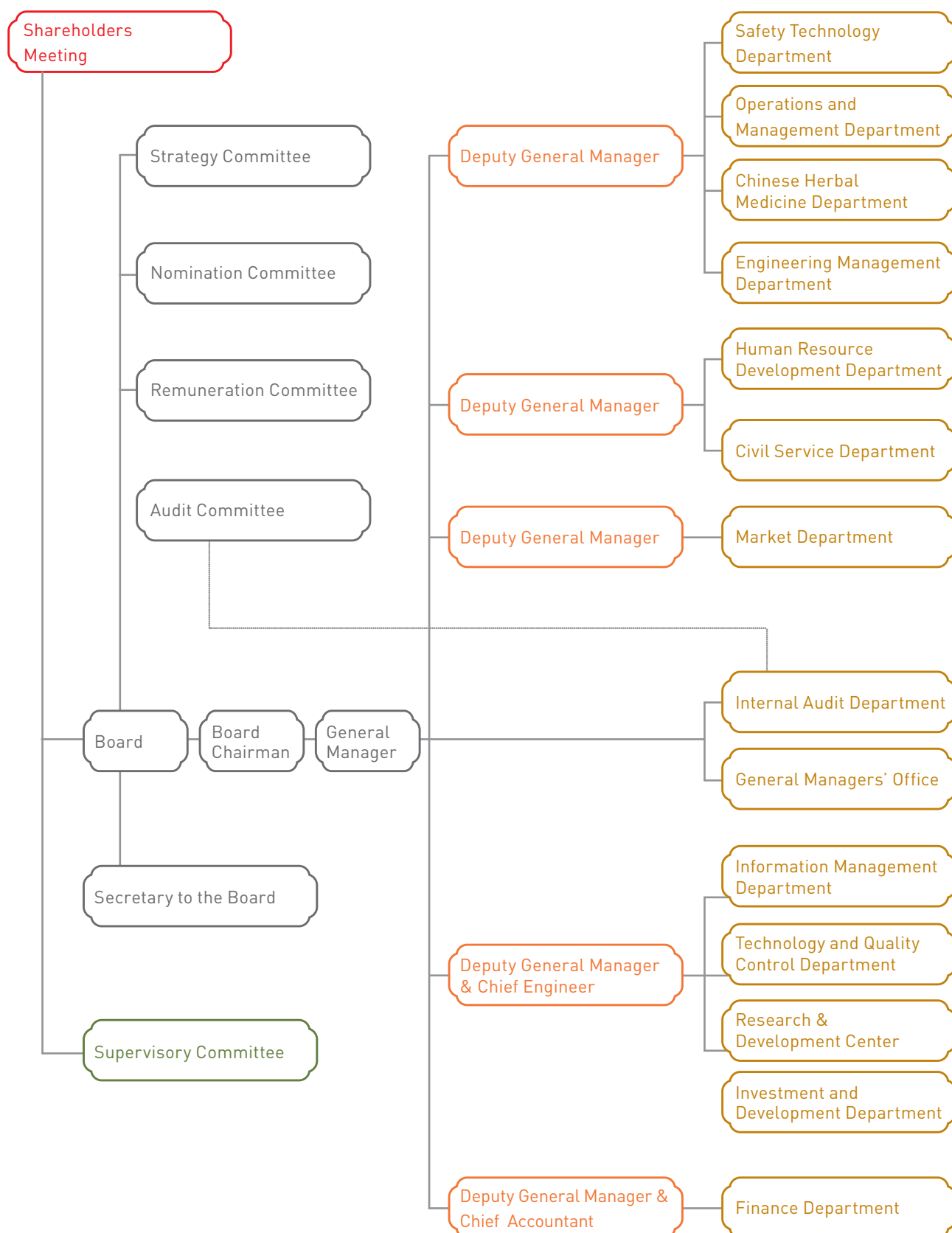
the world's most advanced Chinese medicine equipment and technology to form an integrated modern Chinese medicine development platform unique to Zhong Xin Pharmaceutical. It implements the GAP, GLP, GCP, GMP and GSP series of standards on a full scale and carries out quality control throughout the process to ensure the safety and efficacy of its products.

Zhong Xin Pharmaceutical has always dedicated its development to healthcare, harmony, integrity and responsibility, moving 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, optimising the supply chain and streamlining business operations, 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 responsibility and business ethics, and integrating social responsibility and sustainable development into the ordinary course of business. It is the Company's 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 are as follows:

Name	Age	Address	Current Occupation
Mr. Li Liqun	60	9-2-302 Huaxin Apartment Huachang Ave, Hedong District, Tianjin PRC	Chairman of Board of Directors
Ms. Li Yan	51	2-2-504 Yuejin li, Hongqiao District, Tianjin, PRC	Executive Director
Mr. Wang Mai	50	2-1-302 Huimingyuan Apartment Heping District Tianjin, PRC	Executive Director
Mr. Zhou Hong	50	3-4-101 Yibo li, Hongqiao District, Tianjin, PRC	Executive Director
Mr. Tang Tiejun	50	Jinchuanxi li, Nankai District, Tianjin, PRC	Non-Executive Director
Mr. Zhang Ping	51	3-4-601 Yunsong li, Nankai District, Tianjin, PRC	Non-Executive Director
Mr. Qiang Zhiyuan	64	#25 Zhujiang Road, Hexi District, Tianjin, PRC	Independent and Non-Executive Director
Mr. Wong Gang	50	38 Jalan Novena, Singapore 308656	Independent and Non-Executive Director
Mr. Liew Yoke Pheng Joseph	64	6 Clementi Loop #02-18 Singapore 129814	Independent and Non-Executive Director

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

Mr. Li Liqun had previously held the following positions: deputy secretary of the Party Committee and the No. 101 workshop supervisor of Tianjin Pharmaceutical Company, General Manager and Deputy Secretary of the Party Committee of Tianjin Tianyao Pharmaceutical Co., Ltd, Chairman of the board of Tianjin Wanning Health Products Co., Ltd, Chairman of the board of Tianjin Gesibao Medicine Industry Co., Ltd, Secretary of the Party Committee, secretary of the Disciplinary Committee and Chairman of the Union of Tianjin Jinyao Group Co., Ltd, Secretary of the Party Committee, Secretary of the Disciplinary Committee and Chairman of the Union of Tianjin Pharmaceuticals Group Co., Ltd, Deputy Chairman of the board of Lier Chemical Co., Ltd. From December 2013 to November 2015, he was appointed as Chairman of the board of Tianjin Tianyao Pharmaceutical Co., Ltd. From December 2015 to August 2017, he was appointed as employee supervisor and Chairman of the board of supervisors of the Company. Since September 2015, he holds office as Secretary of the Party Committee of the Company.

Ms. Li Yan, born in July 1969, graduated from the School of Traditional Chinese Medicine of China Pharmaceutical University, majoring in Identification of Traditional Chinese Medicine. She holds a Master's degree in Business Administration, is a senior engineer and licensed pharmacist. From July 1992 to April 2004, she successively held the positions as Technical Cadre, Deputy Head of the Quality Department, Deputy Director of the Factory Director's Office, Director of the International Pharmaceutical Exchange Department, Director of the Planning Department, Director of the Factory Director's Office, Assistant to the Factory Director, and Deputy Factory Director of Company's Le Ren Tang Pharmaceutical Factory. From April 2004 to April 2008, she was appointed as Deputy Director of the Industrial Management Department and Director of the Economic Operation Department of the Company. From November 2007 to May 2008, Ms. Li served as Secretary of the Party Committee and Deputy General Manager of the Pharmaceutical Marketing Company of the Company. From May 2008 to October 2009, she was appointed as

DIRECTORS

Deputy Director of the Economic Coordination Department of Tianjin Pharmaceutical Holdings Co., Ltd. From October 2009 to July 2012, Ms. Li was Executive Deputy General Manager of Tianjin Lisheng Pharmaceutical Co., Ltd. ("**Tianjin Lisheng**"). From July 2012 to June 2017, she successively served as Secretary of the Party Committee, and Chairman and General Manager of Tianjin Taihe Pharmaceutical Co., Ltd. From November 2016 to May 2017, she re-joined Tianjin Lisheng and assumed role of Deputy General Manager. From May 2017 to January 2020, she was appointed as Deputy Secretary of the Party Committee and Chairman of the Labour Union of Tianjin Lisheng, while from October 2017 to February 2020, she was also appointed as Chairman of the Board of Supervisors of Tianjin Lisheng. From September 2018 to August 2019, she served as Vice Chairman of Tianjin Xinneitian Pharmaceutical Co., Ltd. From December 2017 to January 2020, she was a Director of Tianjin Ledun Traditional Chinese Medicine Co., Ltd. Ms. Li was appointed as General Manager of the Company on 17 February 2020. Ms. Li has been a Director of the Company since 5 June 2020.

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 Assistant General Manager of Tianjin Pharmaceutical Company. From December 2012 to August 2014, he was appointed as Manager of Tianyao Medicine Sales Co., Ltd. of Tianjin Jinyao Group. From December 2013 to June 2016, he was appointed as 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. Wang has been a Director of the Company since 12 March 2019.

Mr. Zhou Hong, born in July 1970, is 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 No. 6 Chinese Medicine Plant. From December 2007 to January 2010, he held the position of Deputy Director of Tianjin Zhong Xin Pharmaceutical No. 6 Chinese Medicine Plant. From January 2010 to July 2011, he was promoted to the Executive Deputy Director of Tianjin Zhong Xin Pharmaceutical No. 6 Chinese Medicine Plant. From July 2011 to October 2017, he was Director and Deputy Secretary to the Party Committee of Tianjin Zhong Xin Pharmaceutical No. 6 Chinese Medicine Plant. 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.



RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS

DIRECTORS

Mr. Tang Tiejun, born in April 1970, is a Senior Politician and holds a Master Degree from the Party School of the Communist Party of China of Tianjin Committee. From September 1989 to March 1998, he was an Officer of the Youth Committee in Tianjin Chemical Industry Bureau Technical School, Tianjin Chemical Industry Bureau, Tianjin Chemical Industry Corporation and Tianjin Bohai Chemical Industry Group Corporation. For the period from March 1998 to May 2014, he successively held the posts of Deputy Secretary, Secretary to the Youth Committee, Deputy Director, Director of the Publicity Department, and held a concurrent of Secretary to the Party Committee and Chairman of the Labour Union of Tianjin Bohai Chemical Industry Group Corporation. From June 2010 to August 2013, he was a Member of the County Party Committee, Deputy County Chief (Division-Head level) of Jomda County, Tibet. From May 2014 to March 2019, he held positions as Director of the Publicity Department, Deputy Chairman of the Labour Union, Director of Organization Department, Head of the United Front Work Department and Assistant to the General Manager of Tianjin Bohai Chemical Industry Group Co., Ltd. From March 2019 to present, he was appointed as Deputy Secretary to the Party Committee and Chairman of the Labour Union of Tianjin Pharmaceutical Holdings Co., Ltd. Mr. Tang has been a Director of the Company since 30 September 2019.

Mr. Zhang Ping, born in June 1969, is a Senior Engineer and holds a Bachelor Degree in Chemical Pharmaceutical Engineering from East China University of Science and Technology, a Master Degree in Business Administration from Tianjin University of Finance and Economics and a PhD in Business Administration from Nankai University. For the period from August 1991 to August 1997, he held the positions as Technical Researcher and Deputy Secretary to the Youth Committee of Tianjin Pharmaceutical Research Institute. From August 1997 to November 2006, he was successively appointed as Principal Staff Member of Organization Department, Deputy Secretary, Secretary to the Youth Committee, Director of Modernization of Traditional Chinese Medicine Department and a Supervisor of the Board of Supervisor of Tianjin Pharmaceutical Holdings Co., Ltd., and concurrently held office as Assistant to the General Manager of the Company for the period from March 2002 to November 2006. From November 2006 to October 2012, he was appointed as Deputy General Manager and Chief Engineer of the Company. For the period from November 2006 to November 2009, he also held position as Director of Tianjin Zhong Xin Pharmaceutical Factory, and for the period from December 2007 to December 2012, he was also a Director of the Company. From July 2010 to August 2013, he was a Member of the County Party Committee, Deputy County Chief of Qamdo County, Tibet. From June 2018 to June 2019, he served temporary position as Deputy District Mayor of Ninghe District, Tianjin. Since August 2013, he was appointed as Chief Engineer of Tianjin Pharmaceutical Holdings Co., Ltd. From February 2015 to present, he is holding a position of Member of the Party Committee of Tianjin Pharmaceutical Holdings Co., Ltd. Mr. Zhang has been a Director of the Company since 30 September 2019.



Mr. Qiang Zhiyuan, born of Chinese nationality in April 1956, obtained a PhD in management (accounting), and is a professor at Tianjin University of Finance and Economics, a member of the American Management Association and China Market Association, the Vice President of Tianjin Science Research Association, a senior management consultant registered with the Certified Management Consultant (CMC). He was also the former Director and former Deputy Director of economics research centre of Tianjin University of Finance and Economics, the Vice President, President and Vice Chairman of Tianjin Northern Talent Co., Ltd. From June 2009 to May 2014, he worked as the Dean in Graduate School of Modern Economics Management of Tianjin University of Finance and Economics. From August 2007 to December 2013, he was appointed as Independent Director in Tianjin Lisheng Pharmaceutical Co., Ltd. From June 2014 to June 2016, he worked as a Professor in Graduate School of Modern Economics Management of Tianjin University of Finance and Economics. Since July 2016, he has served as a Professor (retired) at Tianjin University of Finance and Economics. From 15 May 2015 to present, he has been the Independent Director of the Company.

Mr Wong Gang, born of Singaporean nationality in September 1970, graduated from the National University of Singapore in 1995 with Bachelor of Law (Honours) and was admitted as Advocate and Solicitor to the Supreme Court of Singapore in 1996 and joined Shook Lin & Bok LLP, a law firm in Singapore. He was a partner at Shook Lin & Bok LLP since 2002, Head of Shook Lin & Bok LLP's China practice group and has advised multinational corporations and Singapore companies on cross border transactions in China, as well as on public offerings of securities in Singapore by companies from China, Hong Kong and South-East Asia.

From May 2008 to May 2014, he was appointed as Independent Director in the Company. He is currently the Independent Director of JEP Holdings Ltd (listed on SGX Catalist). Mr. Wong has been a Director of the Company since 15 May 2019.

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 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 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. Mr. Liew has been a Director of the Company since 5 June 2020.



RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS

SUPERVISOR

The particulars of members of our Supervisory Committee are as follows:–

Name	Age	Address	Current Occupation
Mr. Wang Yuanxi	42	2-1-603 Wanrun Apartment, Dongli District, Tianjin PRC	Chairman of the Supervisory Committee
Mr. Zhao Zhibin	41	Wanke Chengshi Garden Apartment, Hebei District, Tianjin PRC	Supervisor
Ms. Guo Xiumei	38	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 Holdings 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 Holdings 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 Tianjin Pharmaceutical Holdings Co., Ltd. since August 2019.

Mr. Zhao Zhibin, born in March 1979, holds a bachelor's degree and is a Senior Policy Advisor. From July 2001 to June 2008, Mr. Zhao was an employee of Tianjin Zhong Xin Pharmaceutical No. 6 Chinese Medicine Plant. From June 2008 to June 2013, he was a senior staff member of the Labour Union of Tianjin Pharmaceutical Holdings Co., Ltd. From June 2013 to December 2013, he was a principal staff member of the Labour Union of Tianjin Pharmaceutical Holdings Co., Ltd. From December 2013 to December 2014, he was the assistant to the Vice Chairman of the Labour Union of Tianjin Pharmaceutical Holdings Co., Ltd. From December 2014 to present, he is the Vice Chairman of the Labour Union of Tianjin Pharmaceutical Holdings Co., Ltd.

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 are as follows:–

Name	Age	Address	Current Occupation
Ms. Li Yan	51	2-2-504 Yuejin Li Hongqiao District Tianjin, PRC	General Manager
Mr. Zhang Jian	57	5-A-403 Changshou Apartment House Rongye Ave, Heping District, Tianjin PRC	Deputy General Manager
Mr. Zhou Hong	50	3-4-101 Yibo li, Hongqiao District, Tianjin, PRC	Deputy General Manager and Chief Engineer
Mr. Wang Xin	50	1-5-1502 Qianhuayuan Apartment, Hebei District, Tianjin, PRC	Deputy General Manager
Ms. Niu Shengfang	46	Tianfang Meiyu Apartment, Weijinnan Road, Xiqing District, Tianjin PRC	Deputy General Manager and Chief Accountant

The business and working experience of our key management personnel (other than for Ms. Li Yan and Mr. Zhou Hong, which are set out at pages 6 and 7 above) 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 was 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. 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 Chief Accountant of the Company and served as Deputy General Manager of the Company since November 2019.

WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS



DEAR SHAREHOLDERS,

In 2020, Zhong Xin Pharmaceutical implemented the spirit of Xi Jinping's thought on socialism with Chinese characteristics for a new era, the 19th National Congress, and the Fifth Plenary Session of the 19th Central Committee of the Communist Party of China. On the back of the impact of the COVID-19 pandemic externally and the continuous deepening of the comprehensive "Double Hundred Action" reform internally, the Company upheld the "Quality Zhong Xin" core values and called on all employees to unite and overcome difficulties, adhering to improving quality and efficiency as the core, and constructing major projects, breaking through sales market defenses, controlling costs throughout the process, tackling critical issues on the quality of scientific research, and refining and optimizing management as the focuses, solidly pushing forward the tasks of the year, thus successfully fulfilling the tasks on economic indicators for the year.

I. With the deepening of scientific marketing and the strengthening of internal management and control, the quality of economic operations was steadily improved.

(1) Quickening the transformation of marketing models to promote the improvement of sales capabilities

1. Publicity and promotion pathways were expanded with online promotion as a starting point. The Company launched two live online conferences of a learning forum "combining Chinese and Western medicines"



for cardiovascular doctors, which was viewed by more than 20,000 people. The Company organized the Tongmai Yangxin Wan (通脉养心丸) Online National Love Action Lecture, and carried out 13 live broadcasts, with 120,000 members of the cardiovascular team being taught. Online thematic lectures such as "Lecture on the Application of Chinese Patent Medicines" and "Special Lecture on Scrofula" were held. Online academic seminars on the "Chinese Expert Consensus on Suxiao Jiuxin Wan (速效救心丸)" were carried out. In cooperation with online medical platforms such as "120ask", "miaoshou" and "chunyuyisheng", the Company provided free online consultation and contactless drug delivery service.

2. Incremental sales in the medical segment were driven with developing end users as a starting point. The Company was actively engaged in the qualifications swap filing work with respect to the hospital specifications of Niu Huang Qingxin Wan (牛

黄清心丸), and actively carried out promotions targeting end users. Cumulative sales revenue for the year was RMB94.65 million, representing a year-on-year increase of 241%. The Company carried out end-user sales activities, departmental meetings, salon meetings and others on Tongmai Yangxin Wan at 147 graded hospitals in five provinces and cities to announce the latest scientific research results of the drug. The Company expanded the coverage of Longqing Pian (癃清片) at the primary-level market, and developed 19 tertiary hospitals, 72 secondary hospitals, and 141 primary hospitals throughout the year. The Company carried out multi-faceted academic promotion of Wei Chang An Wan (胃肠安丸), successfully developing a number of large-scale graded hospitals, and successfully putting the for-kids Wei Chang An Wan on the network for procurement.

3. The foundation for an incremental increase in products

WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

was solidified with academic promotion as a starting point. The sales companies designed the “Chinese Expert Consensus on the Treatment of Coronary Heart Disease by Suxiao Jiuxin Wan” promotion plan, promoted it through medical departmental meetings, large academic conferences and other activities targeting end users, and selected end users at hospitals in Tianjin with sluggish incremental growth rates in the past to carry out case collection to promote medication regimens for the treatment of angina pectoris, and improve the overall awareness of Suxiao Jiuxin Wan among clinicians. Throughout the year, the marketing companies launched a total of 28 national and regional academic conferences, more than 2,000 training and educational activities, and more than 1,000 health lectures and activities.

4. Retail market growth was achieved with building channels as a starting point. The Sixth Chinese Medicine Plant carried out in-depth strategic convergence of major customers, and formulated marketing strategy based on “one customer, one policy”, successfully achieving the target annual sales revenue of more than RMB10 million from chain single products. Da Ren Tang (达仁堂) established a professional key-account sales team for Angong Niu Huang Wan (安宫牛黄丸) and made a layout for the battles of the Awakening of Insects, Summer Solstice, Dragon Boat

Festival, Frost Fall and Winter Solstice in advance. Cumulative sales revenue for the year was RMB83.39 million, representing a year-on-year increase of 235%. The sales companies launched the sales project on Suxiao Jiuxin Wan as “a carry-on item for people aged over 40”, as a result, sales to end users in Shuyu, Shandong increased by 61% year on year, and sales to end users in Tongfang, Qingdao increased by 50% year on year.

5. Market development was facilitated with brand promotion as a starting point. In 2020, the brand of Suxiao Jiuxin Wan was given exposure a total of 233 million times throughout the year, and the total number of interactions on the whole network through the year was 114 million times, thus the brand exposure was enhanced. The “Integration

– Traditional Chinese and Tibetan Medicine Cultural Exhibition” co-sponsored with Tianjin Intangible Cultural Heritage Center and the Changdu Tibetan Hospital of Tibet expanded the presence and reputation of Da Ren Tang. The “Ancestral Formula of Le Family Generations on Pills, Powder, Ointment and Pellets” which was identified by experts as the manuscript of Le Fengming in the 45th year of Emperor Kangxi’s reign (1706) further deepened the historical and cultural depth of the “Da Ren Tang” brand. The Company participated in publicity activities such as the “2020 Chinese Independent Brands Cloud Expo” event, the Internet celebrity live broadcast competition, and the Nearby Fighters, to promote the brand history and culture of Zhong Xin Pharmaceutical. The Company undertook the first



“Zhong Xin Pharmaceutical Cup”, a nationwide traditional Chinese medicine skills competition, and close to a hundred Chinese herbal medicine experts from various provinces and cities in China competed projecting a good brand image of the Company.

6. Innovative marketing tactics were explored with seeking newness and change as a starting point. For Wuji Baifeng Pian (乌鸡白凤片), the Company joined hands with “Mango TV”, “Sister Riding the Wind and Waves” and TouTiao on promotions online, and carried out cross-border cooperation with the leading antique photography brand “Panzi” and local publicity with “Spiritual Wealth Club” offline, achieving good publicity results on online-offline integration. For Suxiao Jiuxin Wan, the Company promoted “combined medications” in retail channels, selling it as “a carry-on item for high-risk groups” as the starting point, and the sales from chain members increased significantly year on year. The commercial segment took advantage of the short delivery radius of the community network to increase the volume of cold-chain varieties delivered. In 2020, a year-on-year increase of 44.55% in net sales was achieved. Giving full play to their operating advantages, the medicinal materials companies deep-plowed sales channels outside the system to actively build the “Tianjin Medicinal Materials” brand, recording a year-on-year increase of 17.78% in sales outside the system.



(2) Strengthening the Company's internal management and control to enhance management efficiency

Adhering to the “improvement of quality and efficiency” as the starting point, the Company was actively engaged in a variety of work including operating assets, advancing projects, reducing cost and enhancing efficiency, managing finances, teaming talents, and ensuring safety and environmental protection, to promote the development of lean management.

1. Cost control was strengthened for vigorous saving and potential tapping. Leveraging on the fund pool advantages as the settlement center, the Company constantly refined its capital management, squeezing funds deposited to the utmost extent and carrying out risk-free cash management of the funds, thus achieving an annual income of over RMB30 million. The Company strengthened cost supervision and management by formulating cost control indicators for key varieties, regularly holding cost analysis meetings and other means, as a result the cumulative aggregate

cost through the year was lower than the budgeted total cost. The Company carried out ten cost reduction projects at the corporate level, and reduced cost by more than RMB5.3 million through measures such as packaging materials improvement, procurement cost reduction, energy saving and consumption reduction, and loss rate reduction. A smart energy management center for Zhong Xin Pharmaceutical was built to realize and manage energy saving through statistical analysis of energy consumption data. The Company organized and promoted online purchasing of “non-production materials” to improve procurement efficiency and reduce procurement costs, with more than 2,000 purchase orders made throughout the year, resulting in comparable savings of more than RMB200,000 in procurement costs.

2. Talent teams were formed to promote employee vitality. In April 2020, annuity accounts for the Company and its subordinate enterprises were formally opened and first payments were successfully made. With the

WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

official launch of the corporate annuity, employee enthusiasm was further mobilized. Taking the initiative to cope with new changes in recruitment approaches, the Company strengthened communication with recruitment platforms and key institutions. In 2020, more than 70 people were recruited, all of them with at least a bachelor's degree. The Company achieved remarkable results in the training of high-end talents. One staff successfully applied for the national-level candidateship for the Hundred, Thousand and Ten Thousand Talents Project, and one staff successfully applied for the candidateship for the third batch of Tianjin Outstanding Talents. The Company organized and carried out special training on "Duty Performance Capabilities of Professional Managers", special training on "Shaping the Professional Spirit of Middle Managers", and induction training to enhance awareness towards market orientation and improve employees' professional skills.

3. Risk management and control was strengthened to improve safety. The Company convened seven corporate production safety meetings, and formulated and implemented 24 production safety work plans and documents. Ten rounds of safety inspections and hidden danger investigations and management were carried out, which realized the immediate rectification of hidden dangers detected, thus improving the safety of corporate

operations. The Company implemented a dual prevention mechanism for risk management and control, formulating work plans and designing the "one picture, one manual" contents to implement hierarchical risk management and control. The Company completed auditing work such as self-assessment of internal control, special audit on financial revenues and expenditures, and special audit on informatization, identifying defects and implementing rectification. The Company formulated administrative measures on the legal review of major corporate decisions, rules and regulations, and revised the corporate system on legal dispute cases and headquarters' contract management to consolidate the institutional basis for managing legal affairs, thus enhancing the Company's ability to resist risks. Adopting the mode of self-inspection + mutual inspection, a special inspection on the prevention and control of marketing risks was carried out for seven companies to sort out issues in terms of system construction, agreement signing, business processes and other aspects, and rectification was strictly implemented.

II. With the corporate governance structure becoming more complete, the interests of shareholders were effectively protected.

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 2020, 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 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 Company held an "Online 2019 Annual Results Presentation" in the form of a network meeting in April and June 2020, respectively. The management communicated with investors on

the operating performance, profit distribution and other circumstances of the Company, allowing investors and potential investors to timely 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 2019 profit distribution plan at the 2019 Annual General Meeting of Shareholders, under which "a cash dividend of RMB3.0 (including taxes) for every ten shares held, amounting to cash dividends of RMB231,810,922.80 (including taxes), will be distributed to all shareholders based on the total share capital of 772,703,076 shares as at the record date for the implementation of the profit distribution" with the aim of paying back investors with practical actions. The Company's cash dividends for the year accounted for 37.06% of the net profit attributable to owners of the parent in the Company's 2019 consolidated statement. In 2020, 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 2020, both the independent directors and the audit committee carried out the audit work in accordance with relevant policies. To sum up, in 2020, 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 done a good job in disclosing information in compliance with the requirements of the regulatory authorities in China and Singapore. In 2020, 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 welcomes investors' visits and consultations. 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. The penetration of the "Three-System Reform" facilitated the Company to develop with high quality.

In 2020, the Company continued to implement the comprehensive

"Double Hundred Action" reform, constantly stepping up efforts for reform and continuously quickening the pace of reform. The Company's reform measures and results were successfully included into the Samples for Reform - Collection of Cases of "Double Hundred Action" State-owned Enterprise Reform (《改革样本—国企改革“双百行动”案例集》) by the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council. The Company was also invited to participate in the special press conference "Deepening the Double Hundred Action and Moving towards a Well-off Society" of the SASAC held by the Information Office of the Tianjin Municipal Government. In 2020, the Company vigorously promoted market-oriented recruitment to improve its market-oriented operating mechanism. For all the management of the 12 subordinate enterprises, the Company has ensured that professional managers are selected and appointed and the "Three Books and Two Measures" are signed, and conducted biannual work reporting and appraisal work for professional managers of the subordinate enterprises to examine their business results and point out the deficiencies. An appointment system has been implemented for the middle administrative personnel of both the Company's headquarters and the subordinate enterprises. The Company sees an increasing degree of marketization, and a significantly strengthened awareness of marketization among its cadres and employees, thus the vitality of its enterprise development has been enhanced.

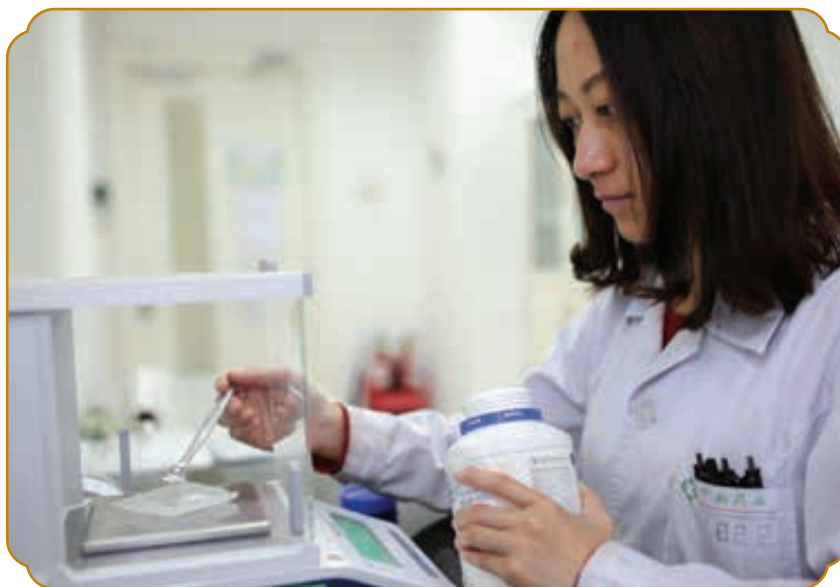


WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

IV. Adhering to innovation in leading the future, the capabilities supported by scientific research were strengthened.

Adhering to an innovation-driven strategy, the Company accelerates product development centering on the principal business. In 2020, the Company invested RMB126.49 million in science and technology, with one item approved for production, one item approved for generic consistency, 30 new patents authorized, and 11 new trademarks registered. Tongmai Yangxin Wan has entered the Guidelines for the Diagnosis and Treatment of Stable Angina Pectoris in Coronary Heart Disease (《冠心病稳定型心绞痛中医诊疗指南》), the “Clinical Re-evaluation Study of Qinggong Shoutao Wan (清宫寿桃丸)” won the second prize of Tianjin Science and Technology Progress Awards, and the “Post-launch Re-evaluation Project for Wei Chang An Wan” won the third prize of Tianjin Science and Technology Progress Awards.

1. The top-level design was intensified for implementing scientific research planning. Relying on the Company’s top-level design solution for core products, 50 scientific research directions were sorted out, and 34 scientific research projects have been initiated and moved into implementation. Based on the criteria of good clinical efficacy and great market potential, the Company’s exclusive pediatric drugs have been analyzed and screened, and project research has been initiated. Currently,



the research and development of new dosage forms of Xiaoe Shubiao Wan (小儿疏表丸) and Qingfei Xiaoyan Wan (清肺消炎丸) for children have been started. In cooperation with the Tianjin University of Traditional Chinese Medicine, a special committee has been established to look for alternative solutions to endangered medicinal materials taking antelope horns as an entry point, providing guarantee for the continued expansion of key varieties such as Qingfei Xiaoyan Wan. With the “Study on the Correlation Between the Characteristic Components of Xuangui Di Wan (玄归滴丸) and the Extract Rate” as a starting point, the Company has established a cooperative relationship with the Macau University of Science and Technology, which has laid the foundation for improving the level of product quality control and building a platform for the industry, the academies and the research institutes.

2. Quality management was strengthened for ensuring the fulfillment of responsibility by the main entity. A third-party high-standard consulting agency was introduced to conduct special enterprise quality audits to improve and optimize the Company’s quality management systems and documents, standardize key areas and management processes such as commissioned production, adverse drug reactions, computerized systems, and major quality issues reporting, to ensure the fulfillment of responsibility on enterprise quality by the main entity so as to improve the level of quality risk prevention and control. The Company increased the number of “tea reagents” production licenses, and developed the “Qinggan Yin” (清感饮) product from production process regulations, quality standards to production transformation, giving full play to its corporate responsibility and professional advantages, and ensuring that the quality of the “Qinggan Yin” series of tea reagents is reliable, thus meeting the anti-

epidemic needs in Tianjin. In accordance with the requirements of the 2020 version of the Chinese Pharmacopoeia, the Company plan ahead to establish its centralized inspection platform for pesticide residues and heavy metals in Chinese medicinal materials and Chinese herbal medicines so as to control the quality of medicinal materials at the source and reduce quality inspection costs.

3. Attention was paid to the protection of property rights for building a strong protection system. The Company perfected the establishment of its intellectual property management system, laying a solid foundation for the implementation of intellectual property standards for key enterprises within its system. The Company completed the acceptance of subjects in the patent promotion project by the National Intellectual Property Administration, and completed and passed the annual supervision and review on the implementation of the intellectual property management system. The work on advancing the patent layout strategy for key varieties was carried out to consolidate the core competitive advantages of products; The Company continued to push forward the registration of its new logos and trademarks, having ten graphic trademarks entering the preliminary review stage or obtaining the trademark registration certificate. The Company has completed the protection and renewal work for traditional Chinese medicine varieties, namely Zilong Jin Pian (紫龙金片), Shunaoxin Di Wan (舒脑欣滴丸) and Zhihai Chuanbei Pipa Di Wan (治咳川贝枇杷滴丸).

V. Jobs were actively created with endogenous talents training being promoted.

The training center of Zhong Xin Pharmaceutical has always taken the strategic goal of being "an ideal development platform for employees" as its working and planning direction, providing the foundation and guarantee for building a high-quality and high-standard talent team. While continuously increasing the reserve and stock of high-end talents, the Company further promotes team building to revitalize the existing talents. Leveraging the training center, taking job competence as the core, and aiming at providing the enterprise with guaranteed talents, the Company has built five major vocational training platforms for employees, namely management, professional skills, marketing, production operation, and scientific research, providing continuous and systematic training courses for employees of various positions so as to speed up their growth in the Company. Throughout 2020, altogether 710 training sessions were conducted, with a total of 7,319 hours of class and 25,529 people attended. The training covered all kinds of personnel including R&D, technology, quality, production front line, marketing, and management.

In 2020, Mao Yuquan from a medicinal material company of Zhong Xin Pharmaceutical was elected as a national labor model, Du Ruifeng from a pharmaceutical factory of Da Ren Tang was elected as a labor model in Tianjin, and Zhong Xin Pharmaceutical Jianmin Pharmacy was elected as a collective labor model in Tianjin.

The Company is actively engaged in job creation and relocates employees of enterprises in

difficulties in an appropriate manner. Channels such as online platforms, offline job fairs and professional headhunting are opened up and a comprehensive screening of talents by professional nature, personal quality, examination and evaluation has been strictly implemented to tap high-quality and high-potential talents in the industry with high matching degree, constructing a scientific and reasonable human resources allocation system. In 2020, the Company had 74 new employees.

VI. Profit distribution in 2020

The Company plans to distribute cash dividends from the profits of 2020. Details of the profit distribution plan are as follows: "A cash dividend of RMB3.0 (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 the implementation of the profit distribution."

VII. Significant legal disputes

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

VIII. Performance of interested person transaction contracts

In 2020, the Company had interested person transactions on the purchase and sale of goods and services with Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) and its subordinate 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 was engaged in interested person transactions in the amount of more than S\$100,000 as follows:

WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS



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 SGX 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 SGX Listing Manual (excluding transactions less than S\$100,000)	
		2020	2019	2020	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) ("TPH")	Controlling shareholder of the Company	Additional payment to TPH for upsize of land area of land use right: 6,757	–	–	–
Tianjin Pharmaceutical Group Finance Co., Ltd (天津医药集团财务有限公司) ("TPGF")	Subsidiary of TPH, the controlling shareholder of the Company	The interest payable on the credit facilities provided by TPGF: 1,267	1,460	–	–
Total		8,024	1,460	–	–

Note: As at 31 December 2020, the Company had deposits with TPGF amounting to RMB594,659,000.

IX. Priorities in 2021

2021 is the first year of the “14th Five-Year Plan”. The Company will continue to study and implement the spirit of Xi Jinping’s thought on socialism with Chinese characteristics for a new era and the Fifth Plenary Session of the 19th Central Committee of the Communist Party of China, and adhering to the “Quality Zhong Xin” core value concept, promote Party building, marketing, technological innovation, scientific management and control and other priorities to ensure that all tasks are detailed, implemented, and in place, thus allowing the Company to develop with a higher quality. In 2021, the Company will focus on the following aspects:

1. Plan and design well to improve marketing capabilities. With improving operational efficiency as a starting point, the Company will make reasonable adjustment to its marketing organizational framework and appraisal methods. The Company will refine product planning solutions for major varieties, optimize end-user product data, and benchmark market data and models on competing products for accurate product positioning. Product structures and sales policies will be purposefully and strategically adjusted to improve profitability. Giving full play to the advantages of the industry-commerce connection, the Company will focus on increasing the coverage of generic drugs in Tianjin to improve the market coverage rate.
2. Strengthen marketing management to improve operational quality. The Company will reinforce the appraisal and management of agents and CSO companies, and strengthen the introduction and withdrawal mechanisms. The Company will improve its budget management capabilities, tighten budget management, and strengthen rigid constraints on selling expense budgets adhering to the principle of matching input to output to improve cost-effectiveness. The Company will fully promote the launch of a marketing management information platform to accurately manage selling expenses, realizing the support to sales business in terms of management and decision making. With net sales to end users as the orientation, the Company will strictly assess business personnel to eliminate regional managers with the poorest performance.
3. Strengthen process management to ensure marketing compliance. In gradually changing from managing results to managing processes, the Company will supervise companies to improve relevant operation management systems, implement in strict accordance with the policy, and standardize marketing behaviors for a stronger ability to resist risk. The Company will pay attention to industry policies and guard against risks, starting with key issues such as fiscal and taxation compliance, pharmaceutical representatives recording, anti-monopoly investigations, and centralized drug procurement, to predict business risks and take precautions, thus ensuring compliance.
4. Straighten out brand relationships for accurate brand positioning. With the help of a third-party professional consulting company, the Company will analyze, sort out, and demonstrate brand relationships, determine brand positioning, and identify the points of effort so as to build a brand system that suits its high-quality development needs. The Company will increase efforts on brand building and intensively explore and utilize the Company’s brand resources giving full play to the value of the “time-honored” brand to expand market layout and enhance brand value.
5. Expand communication channels to increase brand influence. The Company will build Nankai Store, Hexi Store, Hongqiao Store, Heping Store and other “Da Ren Tang” brand pharmacies to initially form a pattern in which there is one store in each of the six districts of the city. The Company will upgrade “Tianjin Pharmaceutical Exhibition Hall” and “Nature and Humanities Exhibition Hall”, two exhibition halls featuring the culture of traditional Chinese medicine in an effort to combine pharmacies with cultural tourism, and set up Da Ren Tang Industrial Park Store to achieve the connection of medicinal materials, patent medicines, and brands. The Company will continue to deepen the reputation of branded drugs represented by “Suxiao Jiuxin Wan”, and screen representative OTC product brand drugs to expand brand influence.

WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

6. Integrate innovative resources to accelerate the output of results. In accordance with the requirements of the development planning of the Chinese medicine segment, the Company will construct four major research platforms, namely "precision clinical research", "flavoring technology", "preparation technology" and "quality standards research". Focusing on key varieties in six major therapeutic areas, the Company will conduct new product research and development and secondary development work with respect to accurate clinical positioning and obtaining high-quality evidence-based medical evidence. 107 scientific research projects are planned to be carried out throughout the year. The Company will implement well the establishment of Zhang Chengui's studio and academician workstation, and strengthen cooperation with the academician team, giving full play to the effect driven by experts and academicians.

7. Strengthen quality management and control to ensure product quality. The Company will conscientiously implement the new version of the Pharmaceutical Administration Law and its supporting laws and regulations, continuously improving the Company's quality management system construction. With GMP/GSP internal audit, follow-up inspection, and unannounced inspection as starting points, the Company will supervise, assist and promote enterprises to implement the responsibility for

quality as the main entity. Work on the prevention and control of quality risks will continue to be promoted. The Company will further promote the construction of a drug traceability system to strengthen quality management throughout the product life cycle. Preparations for TGA certification will be made to ensure timely submission of application materials as required.

8. Improve management capabilities to promote the protection of rights. The building of intellectual property management teams will be strengthened and special training will be conducted to enhance its professional management capabilities. The Company will promote the implementation of standards to continue to cultivate one to two enterprises with a complete intellectual property management system. Focus on the scientific research progress and scientific and technological achievements for the key varieties, the Company will continue to implement its patent layout protection strategy and trademark layout strategy, further strengthen the daily monitoring of intellectual property rights, and innovate monitoring methods to protect the legitimate rights and interests of the Company.

9. Use information-based methods to improve management efficiency. The Company will develop a three-year plan for IT construction to achieve digital transformation. The Company

will ensure that the budgeting and marketing systems are well implemented at Zhong Xin enterprises to bring into play the data analysis and supervisory functions of the marketing and production systems. The Company will improve the effectiveness of office collaboration, and form a traceable standardized process for the investigation, research and streamlining of functional departments with focus on running office processes involving cross-organizational, cross-departmental, routine, and regular collection of reports online to deepen the use of the OA platform.

10. Strengthen risk management and control to build strong wind-break dams. The Company will carry out audit work on special contract matters, sales business, informatization and engineering projects to identify business risks, as well as review and audit work on the rectification of audit issues. The Company will actively put into practice the Measures for the Administration of Contracts (《合同管理办法》), the Administrative Measures for the Legal Review of Major Decisions (《重大决策法律审核管理办法》), the Administrative Measures for the Legal Review of Rules and Regulations (《规章制度法律审核管理办法》) and the Policy for the Administration of Legal Dispute Cases (《法律纠纷案件管理制度》) to ensure that high-quality audits and checks with respect to the Company's major decisions, rules and regulations,

and litigation cases are conducted on the legal affairs and lawyers front to reduce operating risks, thus guarding the enterprise for steady development. The Company will refine corresponding assessment indicators and step up management efforts in terms of raw material procurement, production management, inventory management, accounts receivable management and other aspects to reduce risk of loss and improve the efficiency of inventory and capital turnover.

11. Guard the safety bottom line to ensure production safety. The Company will investigate the fire protection system of its enterprises and regulate their fire safety work to further improve the Company's fire safety management level. The management of basic information concerning safety, fire protection, environmental protection, and occupational health will be strengthened and a letter of responsibility will be signed level by level. The Company will continue to implement the work on "Three-Year Action and Special Action for Remediation", carrying out safety inspections and the investigation and governance of hidden dangers within the Company's system, increasing efforts on safety inspection, identifying hidden dangers, and supervising the implementation of hidden dangers rectification.

In 2020, the Company achieved a steady progress in various tasks. In 2021, with implementing the "Healthy China" strategy and the important plan of "Inheriting and Developing Traditional Chinese Medicine" continuing to be its goal, the Company will implement the "Quality Zhong Xin" development concept, continuously deepen the awareness of social responsibility and the concept of sustainable development, optimize the supply chain, simplify business operations, continuously improve efficiency and save resources, oversee long-term planning taking into consideration both stakeholders' expectations and sustainable development, strictly abide by the laws and regulations of the countries and regions in which the Company's business is involved, remain committed to protecting the environment, and observe social and business ethics, thus effectively integrating social responsibility and sustainable development into the Company's daily course of business, promoting the harmonious unity of corporate development and social progress, and constantly creating a new situation for the Company's scientific development.

FINANCIAL REVIEW

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

(A) REVENUE:

The Group's revenue for the financial year ended 31 December 2020 ("FY2020") was approximately RMB6,604 million, a decrease of approximately RMB390 million, or 6%, as compared to RMB6,994 million for the financial year ended 31 December 2019 ("FY2019").

(B) GROSS PROFIT MARGIN:

The Group's gross profit in FY2020 decreased by 13% from approximately RMB2,881 million in FY2019 to approximately RMB2,518 million. Gross profit margin decreased from 41% in FY2019 to 38% in FY2020.

(C) OTHER OPERATING INCOME:

Other income and gains in FY2020 were approximately RMB67 million, an increase of approximately RMB16 million over the previous year, which was RMB52 million. The increase was mainly due to more government subsidies during the year.

(D) MAJOR EXPENSES:

- (i) Marketing and Distribution costs in FY2020 was approximately RMB1,458 million, a decrease of approximately RMB371 million, or 20% over the previous year. The decrease was in line with the decrease in revenue.
- (ii) Research and Development costs in FY2020 increased by approximately RMB16 million, to approximately RMB149 million. This was mainly due to higher outlay for research and development projects.

- (iii) Administrative expenses in FY2020 decreased by approximately RMB5 million, from approximately RMB363 million in FY2019 to approximately RMB359 million. The decrease was mainly due to lower repair and maintenance expenses.

- (iv) Finance costs in FY2020 decreased by approximately RMB5 million or 66% from approximately RMB7 million to approximately RMB2 million. The decrease was in line with the decrease of borrowings.

- (v) Other losses in FY2020 decreased by approximately RMB19 million, from approximately RMB48 million in FY2019 to approximately RMB29 million. The decrease was due to lower impairment losses.

(E) SHARE OF RESULTS OF ASSOCIATED COMPANIES:

The Group's share of results of associated companies in FY2020 decreased by RMB23 million, or 13%, from approximately RMB174 million in FY2019 to approximately RMB151 million. This was mainly due to the decrease in profits of Sino-American Tianjin Smithkline & French Lab., Ltd in FY 2020 as compared to FY2019.

(F) TOTAL COMPREHENSIVE INCOME:

The Group's total comprehensive income (net of tax) in FY2020 was approximately RMB659 million, an increase of 3% over the previous year. The profit attributable to owners of the Company (net of tax) in FY2020 was approximately RMB662 million, an increase of approximately RMB36 million, or 6%, from FY2019.

(G) MAJOR CHANGES IN STATEMENT OF FINANCIAL POSITION:

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB1,987 million, which is an increase of approximately RMB508 million, or 34% over previous year. The Group's borrowings as at 31 December 2020 amounted to approximately RMB30 million which was consistent with 31 December 2019.

Trade and other receivables amounted to approximately RMB2,007 million at 31 December 2020, which is an increase of approximately RMB199 million, or 11% over previous year. Bills receivables increased by approximately RMB34 million. Trade receivables increased by approximately RMB140 million. Other receivables increased by approximately RMB25 million. Inventories decreased by 7% to approximately RMB1,488 million.

Other current assets decreased by approximately 42% or RMB88 million to approximately RMB121 million as at 31 December 2020.

Investments in associates increased by approximately RMB30 million to approximately RMB688 million due to new associates.

Property, plant and equipment increased by approximately RMB93 million or 7% to RMB1,457 million. This was mainly due to increase in construction in progress.

(H) CHANGES IN CASH FLOW POSITION:

In FY2020, the Group recorded net cash inflow from operating activities of approximately RMB643 million which has increased by RMB163 million as compared to FY2019. The increase was mainly due to lower cash outflows from operations.

Cash inflow from investment activities was approximately RMB102 million in FY2020 compared to cash outflow of RMB86 million in FY2019. This was mainly contributed by higher returns from investments.

Cash outflow from financing activities was approximately RMB237 million in FY2020 compared to cash outflow of RMB370 million in FY2019. The decrease in cash outflow in FY2020 mainly due to higher repayment of borrowings in FY2019.

A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any know factors or events that may affect the group in the next reporting period and the next 12 months.

With the global spread of the Covid-19 pandemic and the complex and evolving external environment, China's economy has become the only major economy in the world to achieve positive economic growth in 2020.

In the fight against the Covid-19 pandemic, Chinese medicine has demonstrated its unique advantages and achieved improved world recognition. This has led to further consolidation of the reform and development of Chinese medicine.

On October 29, 2020, the Fifth Plenary Session of the 19th Central Committee of the Communist Party of China reviewed and approved the "Recommendations of the Central Committee of the Communist Party of China on Formulating the Fourteenth Five-Year Plan for National Economic and Social Development and the Long-term Goals for 2035." This emphasized the equal importance of both Chinese and Western medicine and promote the development of Chinese medicine.



In December 2020, the State Food and Drug Administration's "Implementation on Promoting the Inheritance, Innovation and Development of Traditional Chinese Medicines" pointed out that deepening reforms comply with the system of review and approval of traditional Chinese medicines. With the series of support and implementation policies, the Chinese medicine industry will embark on a new development path and period.

Faced with the challenges of the pandemic as well as the opportunities presented by state policies, the Company focuses on improving quality and efficiency, and places emphasis on innovation and development.

In prevention and control of the pandemic, the Company has carried out in-depth "Three system reforms" by promoting market-based recruitment, improving market-driven operations, streamlining roles and responsibilities, and optimizing the corporate governance. The Company also embarked on innovative marketing through online promotion, consumer development, academic promotion, establishing sales channels, brand promotion to promote continuing sales growth.

To be the leading edge in innovation, the Company accelerates its product development, achieves evaluation consistency of generic drugs, and enhance scientific research capabilities.

In improving efficiency and effectiveness, the Company continues to strengthen its internal management and control, asset utilization, project advancement, cost reduction and efficiency enhancement, financial management, talent development, and safety and environmental protection.

In 2020, while revenue of the Group decreased by 6% year-on-year, the net profit attributable to the parent increased by 6% year-on-year, and the operating performance continues to be good.

WORK REPORT OF THE BOARD OF SUPERVISORS



DEAR SHAREHOLDERS,

In FY2020, 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 Zhongxin Pharmaceutical 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 2020, the board of supervisors held a total of seven meetings at which the 2019 annual report, 1Q2020 report, 2020 interim report, 3Q2020 report, 2019 Profit Distribution Plan of the Company, 2019 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 2019, Resolution on the Company's Grant of the Reserved Restricted A-Shares to the Participants under the Scheme and the Related Equity Interest Incentives and other matters were considered. At the same time, the board of supervisors attended meetings of the board of directors, the annual shareholders' general meeting, 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 directors were capable of carrying out regulated operations and making reasonable business decisions in strict accordance with the Company Law, the Securities Law, the Shanghai Stock Exchange's Rules

Governing the Listing of Stocks, the Singapore Exchange's Listing Manual, 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 not 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, paying attention to the protection of the legitimate rights and interests of minority shareholders. In 2020, 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 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 reinforced the sense of return to shareholders and established a scientific, sustainable and stable profit distribution policy aiming at safeguarding the legitimate rights and interests of investors. The 2019 profit distribution plan and cash dividend programme was successfully implemented in June 2020. Prices of related transactions carried out between the Company and the related parties through regular trade were fair and reasonable and the development of contracts on related 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 we believe that the Company's 2020 financial report has truly and accurately reflected the Company's financial conditions 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 FY2020, the Company

was better in achieving the established targets and a stable performance was maintained. 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 2021 and give better returns to shareholders.

Wang Yuanxi
Chairman of Board of Supervisors



FINANCIAL CONTENTS

29	CORPORATE GOVERNANCE STATEMENT
53	STATEMENT BY DIRECTORS
59	INDEPENDENT AUDITORS' REPORT
64	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
65	STATEMENTS OF FINANCIAL POSITION
67	STATEMENTS OF CHANGES IN EQUITY
69	CONSOLIDATED STATEMENT OF CASH FLOWS
71	NOTES TO THE FINANCIAL STATEMENTS
153	NOTICE OF ANNUAL GENERAL MEETING
158	PROXY FORM
163	INFORMATION ON SHAREHOLDING
165	PROPOSED RENEWAL OF MANDATE FOR INTERESTED PERSON TRANSACTIONS
187	SUSTAINABILITY REPORTING

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “**Board**”) and management of 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 guidelines 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 statement outlines the main corporate governance practices that were in place during the financial year ended 31 December 2020 (“**FY2020**”), with specific references made to the Code.

BOARD MATTERS

Role of the Board of Directors

The Board’s primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises executive 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:

- (a) 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;
- (b) Ensuring that necessary resources are in place for the Company to meet its strategic objectives;
- (c) 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;
- (d) Identifying key stakeholder groups and recognizing that their perceptions affect the Company’s reputation, and ensuring transparency and accountability to key stakeholder groups;
- (e) Constructively challenging the management of the Company and reviewing its performance;
- (f) Setting the Company’s values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and
- (g) 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 FY2020, the Board is satisfied that all Directors have indeed discharged their duties objectively and sufficiently.

The Company has formulated a set of guidelines named the “Internal Responsibility System” (内部问责制度) in accordance with the relevant provisions of the applicable laws, regulations, normative documents including the Company Law of the People’s Republic of China (“**PRC**”), as well as the Articles of Association of the Company, for the purposes of further

CORPORATE GOVERNANCE STATEMENT

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. Such guidelines had been approved at the annual general meeting of the Company held on 15 May 2015.

The guidelines contained in the Internal Responsibility System applies to Directors, Supervisors, Senior Managers and other relevant persons of the Company (including its subsidiaries and branches) and sets 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

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 clearly defined written terms of reference and operating procedures, which are reviewed as and when necessary.

The full Board holds 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 Company's Articles of Association 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.

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 2% of the Group's net tangible assets ("NTA") value; and
- to review and approve of any material investment and/or borrowing exceeding 2% of the Group's NTA.

All other matters are delegated to Board Committees or to the executive 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.

CORPORATE GOVERNANCE STATEMENT

Access to Information

Directors are furnished with 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 and the decisions and actions of the executive management. In respect of budgets, sufficient disclosure and explanation will be provided to the Board if there are any material variance between the projection and the actual results. All Directors have unrestricted access to the Company's 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 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.

The secretaries to the Board ("**Board Secretaries**") attend all Board meetings and are responsible to ensure that established procedures and all relevant statutes and regulations which are applicable to the Company are complied with. 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 2020

During FY2020, the Board had held 9 meetings and the Company had held 2 general meetings (comprising the annual general meeting and 1 extraordinary general meeting), 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 FY2020		Number of general meetings held during the director's term of office in FY2020	
		Attendance		Attendance
Li Liquan	9	9	2	2
Li Yan ¹	9	9	1	1
Wang Mai	9	9	2	2
Zhou Hong	9	9	2	2
Tang Tiejun	9	9	2	2
Zhang Ping	9	9	2	2
Wong Gang	9	9	2	2
Liew Yoke Pheng Joseph ²	5	5	1	1
Qiang Zhiyuan	9	9	2	2
Timothy Chen Teck Leng ³	4	4	1	1
Yu Hong ⁴	1	1	0	0

Notes:

1. Ms. Li Yan was appointed as an Executive Director with effect from 5 June 2020.
2. Mr. Liew Yoke Pheng Joseph was appointed as an Independent and Non-Executive Director with effect from 5 June 2020.
3. Mr. Timothy Chen Teck Leng ceased to be an Independent and Non-Executive Director with effect from 5 June 2020.
4. Ms. Yu Hong ceased to be an Executive Director with effect from 22 January 2020.

CORPORATE GOVERNANCE STATEMENT

Training of Directors

A formal letter of appointment setting out the duties and obligations expected of a director of the Company is provided to every new director. 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 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.

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.

Board Composition and Balance

Presently, the Board comprises 4 Executive Directors, 2 Non-Executive Directors, and 3 Independent Directors. The participation of the Directors in the various Board Committees are as follows:

Name of Director	Appointed on	Date of last re-election	Board	Audit Committee	Strategy Committee	Remuneration Committee	Nomination Committee
Li Liquan	10 October 2017	30 September 2020	Chairman		Chairman		
Li Yan	5 June 2020	N.A.	Executive Director		Member		
Wang Mai	12 March 2019	N.A.	Executive Director				
Zhou Hong	15 May 2019	N.A.	Executive Director				
Tang Tiejun	30 September 2019	N.A.	Non-Executive Director				Member
Zhang Ping	30 September 2019	N.A.	Non-Executive Director			Member	
Qiang Zhi Yuan	15 May 2015	15 May 2018	Lead Independent and Non-Executive Director	Chairman	Member		
Wong Gang	15 May 2019	N.A.	Independent and Non-Executive Director	Member		Chairman	Member
Liew Yoke Pheng Joseph	5 June 2020	N.A.	Independent and Non-Executive Director	Member		Member	Chairman

CORPORATE GOVERNANCE STATEMENT

Name of Director	Appointed on	Date of last re-election	Board	Audit Committee	Strategy Committee	Remuneration Committee	Nomination Committee
Former Directors							
Yu Hong ¹	15 May 2018	N.A.	Executive Director		Member		
Timothy Chen Teck Leng ²	15 May 2014	15 May 2017	Lead Independent and Non-Executive Director	Chairman		Member	

Notes:

1. Ms. Yu Hong ceased to be an Executive Director with effect from 22 January 2020.
2. Mr. Timothy Chen Teck Leng ceased to be an Independent and Non-Executive Director with effect from 5 June 2020.

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 Board is 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. In addition, the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group as each Director with his/her special contributions brings to the Board an independent and objective perspective to enable balanced and well considered decisions to be made. The Board recognises the importance and value of gender diversity and it presently includes a female Director.

The profile of each of the Directors is disclosed in the "Resumes of Directors, Supervisors and Senior Managers – Directors" section of this Annual Report. In addition, the Director(s) proposed for appointment, re-election or re-appointment at the forthcoming annual general meeting ("AGM") is set out in the notice of AGM dated 30 March 2021, and information relating to them as required under Appendix 7.4.1 of the Listing Manual is set out at the end of this report, in accordance with Rule 720(6) of the Listing Manual.

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.

The composition of the Board is reviewed on an annual basis by the Nomination Committee to ensure that the Board has the appropriate mix of expertise and experience. Keeping in mind the need for Board diversity, in identifying director nominees, the Nomination Committee will consider factors such as gender, age, ethnicity and other relevant factors, in addition to skills, background and experiences.

Taking into consideration the requirements of the China Securities Regulatory Committee, Shanghai Stock Exchange (the "SSE") and the SGX-ST, the Board will use its best endeavours to meet the requirement for Independent Directors to make up a majority of the Board. Even though Independent Directors do not make up a majority of the Board, the

CORPORATE GOVERNANCE STATEMENT

Board is of the view that there is 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 as Non-Executive Directors make up a majority of the Board, and the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group.

Independent Members of the Board of Directors

The Board of Directors has 3 independent members: Mr. Qiang Zhiyuan, Mr. Wong Gang and Mr. Liew Yoke Pheng Joseph. Accordingly, Independent Directors make up one-third of the Board. The criterion of independence is based on the definition given in Rule 210(5) of the Listing Manual and the Code. The Board considers an “independent” director as one who 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 of Directors, his responsibilities as Secretary to the Board of Directors will not interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgment with a view to the best interest of the Company.

Pursuant to Article 14 under the *Guidelines of Filing and Training for Independent Director in the Listed Companies* (《上市公司独立董事备案及培训工作指引》) promulgated by the SSE in 2010, an independent director cannot serve on the board of a listed company for more than 6 consecutive years. Accordingly, there is progressive renewal of the Board.

There is presently no independent director who has served beyond nine (9) years since the date of his first appointment to the Board.

Board Guidance

The Board and 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 Non-Executive Directors, are updated and kept well informed of the Company’s business and the industry in which such business operate. This enables the Directors to offer new perspectives and insights and specifically, facilitates Independent and/or Non-Executive Directors to constructively challenge and help develop proposals on strategy.

In addition, the Independent and/or Non-Executive Directors also review the performance of management in achieving pre-determined goals and objectives and monitor the reporting of the management’s performance. Whenever necessary, the Independent and/or Non-Executive Directors will also meet privately without the presence of management.

Chairman and Chief Executive Officer

The Group keeps the roles of the Chairman and Chief Executive Officer separate. In this regard, there is a clear division of responsibilities between the Chairman and the Chief Executive Officer, 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.

CORPORATE GOVERNANCE STATEMENT

Mr Li Liquan is the Executive Chairman of the Board. The Executive Chairman is responsible for leading the Board in mapping the strategic direction of the Group. For this purpose, he strives to foster a culture of openness and debate within Board members, maintain open channels of communication with management, and monitor the implementation and execution of the Board's decisions and directions. The Executive Chairman 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. Li Yan¹ was appointed as the General Manager on 17 February 2020, and was the General Manager of the Company during FY2020. She has over 20 years' experience in the pharmaceutical industry. Ms. Li Yan's responsibilities during her term of office as General Manager included overseeing the Group's overall operations, general management, investment, business development and strategic planning. The Chairman and the General Manager are not related.

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

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

The Executive Chairman is assisted by the General Manager's Executive Meeting. Members attending the General Manager's Executive Meeting for FY2020 include: General Manager Ms. Li Yan², Deputy General Manager Mr. Zhang Jian, Deputy General Manager and Chief Engineer Mr. Zhou Hong, Deputy General Manager Mr. Wang Xin, Deputy General Manager Mr. Ni Zhengguo³ and Deputy General Manager (Chief Account) Ms. Niu Shengfang. 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 management.

3 out of 9 Directors are Independent Directors. All major decisions made by the Executive Chairman are reported to and subject to review by the Board. His performance and appointment to the Board is reviewed by the Nomination Committee and his 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 Executive Chairman is part of the management team, and the Chairman is not an Independent Director, the Board has appointed Mr. Qiang Zhiyuan as Lead Independent Director to head and coordinate the activities of the Independent Directors, including but not limited to Independent Directors' meetings. Shareholders have access to the Lead Independent Director where they have concerns and for which contact through the normal channels of the Executive Chairman or Chief Accountant or the Supervisory Board has failed to resolve or is inappropriate.

¹ With effect from 17 February 2020, Ms. Li Yan had assumed the role of General Manager within the Company.

² *Ibid.*

³ Mr. Ni Zhengguo ceased to be Deputy General Manager with effect from 29 January 2021.

CORPORATE GOVERNANCE STATEMENT

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

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. The Strategy Committee is currently chaired by Mr. Li Liquan and its other member are Ms. Li Yan and Mr. Qiang Zhiyuan. 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 Committee meets periodically and at such other times where necessary.

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

Name of director/executive	Appointment	Number of meetings held	Attendance
Li Liquan	Executive Chairman	1	1
Li Yan ¹	Executive Director	1	1
Qiang Zhiyuan	Lead Independent Director	1	1

Note:

1. Ms. Li Yan was appointed as an Executive Director with effect from 5 June 2020.

Audit Committee

The Audit Committee was established in 1997. It is presently chaired by Mr. Qiang Zhiyuan and its other members are Mr. Wong Gang and Mr. Liew Yoke Pheng Joseph. Mr. Timothy Chen Teck Leng was the chairman of the Audit Committee before he ceased to be an Independent and Non-Executive Director with effect from 5 June 2020. All the members of the Audit Committee are Independent and Non-Executive Directors of the Company. None of the members of the Audit Committee were previous partners or directors of the Company's existing auditing firms, RSM Chio Lim LLP and ShineWing Certified Public Accountants. As 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 the year, 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;

CORPORATE GOVERNANCE STATEMENT

- 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 and the Chief Accountant on the financial records and financial statements;
- reviewed interested person transactions; and
- reviewed the adequacy and effectiveness of the Company's internal control and risk management systems.

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 and the Company confirms that it is in compliance with Rules 712 and 716 of the SGX-ST Listing Manual for FY2020. 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 a review to ensure the independence of the external auditors annually. During the year under review, the Company has agreed to pay an aggregate of approximately RMB2,900,000 to the external auditors for their provision of audit services, and an aggregate of approximately RMB900,000 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, RSM Chio Lim LLP and ShineWing Certified Public Accountants, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

In 2020, the Audit Committee had 4 meetings with the external auditors, without the presence of management, to discuss any issues or observations arising from the audit, including the level of cooperation rendered by the management to the auditors. The Audit Committee also had 3 meetings with the internal auditors, without the presence of management, during FY2020.

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.

CORPORATE GOVERNANCE STATEMENT

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

Name of director/executive	Appointment	Number of meetings held	Attendance
Qiang Zhiyuan	Lead Independent Director	6	6
Wong Gang	Independent Director	6	6
Liew Yoke Pheng Joseph ¹	Independent Director	2	2
Timothy Chen Teck Leng ²	Lead Independent Director	4	4

Notes:

1. Mr. Liew Yoke Pheng Joseph was appointed as an Independent and Non-Executive Director with effect from 5 June 2020.
2. Mr. Timothy Chen Teck Leng ceased to be an Independent and Non-Executive Director with effect from 5 June 2020.

Nomination Committee

The Nomination Committee was established in 2002. The Chairman of the Nomination Committee is presently Mr. Liew Yoke Pheng Joseph, and the other members are Mr. Wong Gang and Mr. Tang Tiejun. Even though Mr. Qiang Zhiyuan has been appointed as Lead Independent Director, he is not a member of the Nomination Committee. The Board is of the view that Mr. Qiang is the most suitable choice for the role of Lead Independent Director as he is the most experienced amongst all the Independent Directors.

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. As part of the process, the Nomination Committee will evaluate the relevant background, skills and experience of the proposed Director, 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 and the contribution of the Executive Chairman 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 Executive Chairman, 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 3 years which may be extended upon re-election, with a maximum term of no more than 6 years. The Board, the Supervisory Board, or shareholders who, singly or jointly, hold more than 1% issued share 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.

The Nomination Committee has not set a limit on the maximum number of listed company board representations which Directors may hold, as 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,

CORPORATE GOVERNANCE STATEMENT

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 their attendance, responsibility, contributions and individual capabilities. Following the review, if necessary, the Executive Chairman 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. For FY2020, the Board is of the view that the Board and its Board Committees have operated effectively, and the Executive Chairman and each Director had contributed to the overall effectiveness of the Board.

When there is a need for a new appointment of a Director to the Board, the senior management personnel, 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 decision made by the Nomination Committee in such meetings will then be put forward to the Board for its consideration. If required, the Nomination Committee may engage the professional advisory services of an external consultant 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 as directors of the Company.

With regard to the performance evaluation process undertaken by the Nomination Committee for FY2020, 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 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.

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; 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 Executive Chairman, 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 the year were as follows:

Name of director/executive	Appointment	Number of meetings held	Attendance
Liew Yoke Pheng Joseph ¹	Independent Director	1	1
Wong Gang	Independent Director	3	3
Tang Tiejun	Non-Executive Director	1	1
Qiang Zhiyuan ²	Lead Independent Director	1	1

Notes:

1. Mr. Liew Yoke Pheng Joseph was appointed as an Independent and Non-Executive Director with effect from 5 June 2020. Pursuant to the 6th Board meeting held on 13 August 2020, the Board resolved that Mr. Liew Yoke Pheng Joseph shall substitute Mr. Qiang Zhiyuan as the Chairman of the Nomination Committee.
2. Pursuant to the 6th Board meeting held on 13 August 2020, the Board resolved that Mr. Liew Yoke Pheng Joseph shall substitute Mr. Qiang Zhiyuan as the Chairman of the Nomination Committee.

CORPORATE GOVERNANCE STATEMENT

Remuneration Committee

The Remuneration Committee was established in 2002. The Remuneration Committee is presently chaired by Mr. Wong Gang, and the other members are Mr. Liew Yoke Pheng Joseph and Mr. Zhang Ping. Mr. Timothy Chen Teck Leng was previously a member of the Remuneration Committee before he ceased to be an Independent and Non-Executive Director with effect from 5 June 2020.

The Remuneration Committee reviews and approves recommendations on remuneration policies and packages for all Directors and key executives. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind. The 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 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. 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 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 the year were as follows:

Name of director/executive	Appointment	Number of meetings held	Attendance
Wong Gang	Independent Director	1	1
Liew Yoke Pheng Joseph ¹	Independent Director	0	0
Zhang Ping	Non-Executive Director	1	1
Timothy Chen Teck Leng ²	Lead Independent Director	1	1

Notes:

1. Mr. Liew Yoke Pheng Joseph was appointed as an Independent and Non-Executive Director with effect from 5 June 2020.
2. Mr. Timothy Chen Teck Leng ceased to be an Independent and Non-Executive Director with effect from 5 June 2020.

Alternate Directors

The Company has no alternate directors on its Board.

CORPORATE GOVERNANCE STATEMENT

REMUNERATION MATTERS

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, within the constraints that a state-owned enterprise like the Company is subject to.

The Remuneration Committee determines the remuneration packages for the Executive Chairman and the Executive Directors based on the performance of the Group, and the Independent Directors are paid Directors' fees, determined by the full Board based on the effort, time spent and responsibilities of the Independent Directors. The amount of Directors' fees is subject to approval of the shareholders at each AGM.

The Executive Directors' remuneration are set out below in bands of S\$250,000:

	Salary %	Bonus %	Termination, Retirement and Post-employment benefits %	Other Benefits %	Total %
Below S\$250,000					
Li Liquan	100	–	–	–	100
Li Yan ¹	100	–	–	–	100
Wang Mai	100	–	–	–	100
Zhou Hong	100	–	–	–	100
Yu Hong ²	100	–	–	–	100
S\$250,000 and above, but below S\$750,000					
–	–	–	–	–	–

Notes:

- Ms. Li Yan was appointed as an Executive Director with effect from 5 June 2020.
- Ms. Yu Hong ceased to be an Executive Director with effect from 22 January 2020.

The remuneration of each individual Executive Director 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.

The directors' fees paid to the Independent Directors of the Company for FY2020 are set out below:

Name of Director	Salary	Bonus	Directors' fees	Total
Qiang Zhiyuan	–	–	RMB60,000	RMB60,000
Wong Gang	–	–	S\$55,000	S\$55,000
Liew Yoke Pheng Joseph ¹	–	–	S\$32,100	S\$32,100
Timothy Chen Teck Leng ²	–	–	S\$25,000	S\$25,000

Notes:

- Mr. Liew Yoke Pheng Joseph was appointed as an Independent and Non-Executive Director with effect from 5 June 2020.
- Mr. Timothy Chen Teck Leng ceased to be an Independent and Non-Executive Director with effect from 5 June 2020.

CORPORATE GOVERNANCE STATEMENT

Details of remuneration paid to the executives (who are not Directors) of the Group for FY2020 are set out below:

Name of executive	*Total Remuneration
Li Yong	RMB1,065,200
Zhang Jian	RMB1,065,200
Wang Xin	RMB982,500
Ni Zhengguo	RMB1,054,100
Niu Shengfang	RMB892,400

A breakdown of the level and mix of remuneration of the top 5 key executives is as follows:

	Salary %	Bonus %	Termination, Retirement and Post-employment benefits %	Other Benefits %	Total %
Li Yong	100	–	–	–	100
Zhang Jian	100	–	–	–	100
Wang Xin	100	–	–	–	100
Ni Zhengguo	100	–	–	–	100
Niu Shengfang	100	–	–	–	100

The aggregate total remuneration paid to or accrued to the top 5 key executives amounted to RMB5,059,400.

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 a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year.

Pursuant to an extraordinary general meeting 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 (the “**Scheme**”). 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 and 14 August 2020 in relation to the events in connection with the Scheme.

On 6 July 2020, Ms. Li Yan was granted 70,000 Restricted A-Shares at the grant price of RMB8.89 for each Restricted A-Share pursuant to the Scheme. The aggregate number of Restricted A-Shares held by the directors under the Scheme as at 31 December 2020 are set out below:

Name of Director	Aggregate number of Restricted A-Shares held as at 31 December 2020
Li Liqun	70,000
Li Yan	70,000
Wang Mai	70,000
Zhou Hong	70,000

CORPORATE GOVERNANCE STATEMENT

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

To enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects, 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.

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 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.

The head of the internal audit department of the Company is Mr. Yang Yongfu. He 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,

CORPORATE GOVERNANCE STATEMENT

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.

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 FY2020, 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 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 Board of Supervisors are 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 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 and Chief Accountant that the financial records as at 31 December 2020 have been properly maintained and the financial statements for FY2020 give a true and fair view of the Company's operations and finances and regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

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

CORPORATE GOVERNANCE STATEMENT

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.

The Company has put in place a whistle-blowing policy whereby the staff can have direct access to the Discipline Inspection Committee to raise concerns about possible improprieties, suspected corruption, bribery, embezzlement, or other matters within the Group. The Audit Committee reviews the whistle-blowing policy 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.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Communication with Shareholders

The Company does not practise selective disclosure. In line with the continuous disclosure obligations prescribed in the listing rule of the SGX-ST, 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.

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 annual general meetings and extraordinary general meetings (also advertised in newspapers);
- press releases on major developments of the Group; and
- other disclosures as are required under the listing rules of the SGX-ST and the listing rules of the SSE.

Shareholders in Singapore are encouraged to attend the Company's video conference of the AGM held in the PRC. The AGM is the principal forum for dialogue with shareholders. The notice of the AGM is despatched to shareholders at least 45 days before the meeting, in accordance with the requirements of the SSE. 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 meeting. 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 meeting 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 rules of the SGX-ST, the Company conducts electronic poll voting for Shareholders holding "A" Shares, and manual poll

CORPORATE GOVERNANCE STATEMENT

voting for Shareholders holding “S” Shares, for all resolutions proposed at the general meetings. 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 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 meeting. 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 Management.

Due to the Covid-19 pandemic in 2020, the SGX-ST had issued an announcement on “Additional Guidance on the Conduct of General Meetings During Safe Management Period” on 13 April 2020, which sets out a checklist to guide listed entities on the conduct of general meetings during the period when safe management measures are in place (“**SGX Checklist**”). Accordingly, the Company had conducted its annual general meeting held on 5 June 2020 (“**2020 AGM**”) and its extraordinary general meeting held on 30 September 2020 (“**2020 EGM**”) in consideration of the SGX Checklist. In particular, in view of the Covid-19 pandemic, shareholders in Singapore were required to appoint the chairman of the general meeting as their proxies as physical attendance was not permitted, and their votes were tallied with the votes of the shareholders in PRC. The 2020 AGM and 2020 EGM were conducted by way of electronic means, in accordance with the SGX Checklist. The minutes of the 2020 AGM and 2020 EGM were announced on SGXNET on 30 June 2020 and 16 October 2020 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 under the “**股东咨询**” page of the Company’s corporate website at <http://www.zhongxinp.com/>.

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 2020 AGM, the shareholders of the Company had approved the proposed “Scheme on Return of Investment to Shareholders from 2020 to 2022” (“**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

CORPORATE GOVERNANCE STATEMENT

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; (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 outlays (excluding fundraising projects) within the next twelve months. 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 months will reach or exceed 5% of the Company's latest audited net tangible assets. Further details on the Shareholder Return Plan can be found on pages 28 to 31 of the Company's annual report for the financial year ended 31 December 2019, which was uploaded on SGXNET on 21 May 2020.

Pursuant to the issuance or amendment of *Guideline No. 3 – Issuance of Cash Dividends by Listed Companies promulgated by CSRC* (《上市公司監管指引第3號-上市公司現金分紅》), *Guideline for the Issuance of Cash Dividends by Listed Companies* (《上市公司現金分紅指引》) 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 in an extraordinary general meeting 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.

DEALINGS IN SECURITIES

In line with Chapter 12, 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 prohibition and to remind them of the requirement to report their dealing in shares of the Company.

The Directors and employees are also prohibited from dealing in the securities of the Company during the period commencing two weeks prior to the announcement of the Company's financial statements for each of the first three quarters of its financial year and one 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 the 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 of Directors confirms that for the financial year ended 31 December 2020, the Company has complied with the principal corporate governance recommendations set out in the Best Practices Guide issued by the SGX-ST.

CORPORATE GOVERNANCE STATEMENT

INFORMATION AS REQUIRED UNDER APPENDIX 7.4.1 OF THE LISTING MANUAL

At the Company's forthcoming annual general meeting on 17 May 2021, the following resolution will be tabled for shareholders' approval, amongst others:

- (i) To consider and approve the appointment of Ms. Li Qing as independent director of the Company.

Accordingly, in accordance with Rule 720(6) of the Listing Manual, information on the above individual as required under Appendix 7.4.1 of the Listing Manual is set out hereunder.

- (1) Information on Ms. Li Qing

<i>Date of Appointment</i>	Subject to shareholders' approval of her appointment
<i>Date of last re-appointment (if applicable)</i>	
<i>Name of person</i>	Li Qing
<i>Age</i>	54
<i>Country of principal residence</i>	China
<i>The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)</i>	Approve of the decision
<i>Whether appointment is executive, and if so, the area of responsibility</i>	Duties as an Independent and Non-executive Director of the Company
<i>Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)</i>	Independent and Non-executive Director
<i>Professional qualifications</i>	A first-rate lawyer and holds a Master of Law degree
<i>Working experience and occupation(s) during the past 10 years</i>	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). 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.

CORPORATE GOVERNANCE STATEMENT

Shareholding interest in the listed issuer and its subsidiaries	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	NIL
Conflict of interest (including any competing business)	NIL
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Subject to shareholders' approval of her appointment
Other Principal Commitments* Including Directorships * "Principal Commitments" has the same meaning as defined in the Code of Corporate Governance 2018	
Past (for the last 5 years)	NIL
Present	<ul style="list-style-type: none"> Independent Director of Tianjin Motianmo Technology Co., Ltd. (天津膜天膜科技股份有限公司) since January 2018 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
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No

CORPORATE GOVERNANCE STATEMENT

(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-	
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No

CORPORATE GOVERNANCE STATEMENT

(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	No. The Company will arrange for Ms. Li to attend training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable.

CORPORATE GOVERNANCE STATEMENT

DISCLOSURE REGARDING COMPANY'S RELATIONSHIP WITH TIANJIN SASAC

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 天津市人民政府国有资产监督管理委员会 (State-owned Assets Supervision and Administration Commission of Tianjin Municipal People's Government) ("**Tianjin SASAC**") through its wholly-owned subsidiaries, 天津渤海国有资产经营管理有限公司 (Tianjin Bohai State-owned Assets Management Co., Ltd.) and 天津联投资控股有限公司 (Tianjin Tsinlien Investment Holding Co., Ltd.). Notwithstanding the foregoing, under the laws of Singapore, Tianjin SASAC is 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 ("**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, PRC laws, rules and regulations and Tianjin SASAC does not influence decisions on the financial and operating policies of the Company in normal circumstances. As such, under the Securities and Futures Act (Chapter 289) of Singapore and the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), Tianjin SASAC is not considered to be able to exercise "control" over the Company and is therefore, not a controlling shareholder of the Company. In this relation, Tianjin SASAC and its associates are also not considered interested persons of the Company and hence, the interested person transaction requirements under the listing rules of the SGX-ST do not apply to them.

As announced by the Company on SGXNET on 26 March 2021:

- (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 of 67% of its equity interest in TPH (the "**Proposed Transfer**") by 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**"), 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 of the Proposed Transfer. Further, on 19 March 2021, the Company announced that, it has been notified by the Purchaser that, as at 19 March 2021, the Purchaser has 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 has completed the industrial and commercial modification registration formalities in relation to the Acquisition.

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

STATEMENT BY DIRECTORS

The directors are pleased to present the consolidated financial statements of Tianjin Zhong Xin Pharmaceutical 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 2020.

1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying consolidated financial statements of the Group and 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 2020 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:

Li Liquan	
Li Yan	(Appointed on 5 June 2020)
Liew Yoke Pheng, Joseph	(Appointed on 5 June 2020)
Qiang Zhiyuan	
Tang Tiejun	
Wang Mai	
Wong Gang	
Zhang Ping	
Zhou Hong	

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 directors in which interests are held	Direct interest	
	At beginning of the year/date of appointment	At end of the year
Li Liquan	–	70,000
Li Yan	–	70,000
Wang Mai	–	70,000
Zhou Hong	–	70,000

The directors' interests as at 21 January 2021 were the same as those at the end of the reporting year.

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

Except as disclosed under the "Option" section of this statement, 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

2019 Restricted A-Share Incentive Scheme (the "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 shall be responsible for formulating and revising the Scheme while the Supervisory Committee and the Independent Directors shall act as the supervisory body for the Scheme.

The Scheme is established to 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 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 to be issued under the Scheme are ordinary shares in the share capital of the Company denominated in Renminbi and listed on the Shanghai Stock Exchange, which are subject to such restrictions as set out in the Scheme ("Restricted A-Shares") only.

STATEMENT BY DIRECTORS

5. Options (Cont'd)

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

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 to put in their best efforts to achieve these targets.

The 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.

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 the 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 the total issued share capital of the Company prior to the 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 the total issued share capital of the Company from time to time.

STATEMENT BY DIRECTORS

5. Options (Cont'd)

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

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

Release arrangement	Release Period	Proportion of Restricted A-Shares to be released as a percentage of the total number of Restricted A-Shares to be granted under the Scheme
First Release Period	Commencing on the first trading day after expiry of the 24-month lock-up period from the date of completion of the registration of the Restricted A-Shares, and ending on the last trading day of the 36-month period from the date of completion of the registration of the Restricted A-Shares	33%
Second Release Period	Commencing on the first trading day after expiry of the 36-month lock-up period from the date of completion of the registration of the Restricted A-Shares, and ending on the last trading day of the 48-month period from the date of completion of the registration of the Restricted A-Shares	33%
Third Release Period	Commencing on the first trading day after expiry of the 48-month lock-up period from the date of completion of the registration of the Restricted A-Shares, and ending on the last trading day of the 60-month period from the date of completion of the registration of the Restricted A-Shares	34%

Restricted A-Shares granted to the 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.

STATEMENT BY DIRECTORS

5. Options (Cont'd)

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

During the reporting year, no option to take up unissued shares of the Company or any other body corporate in the Group except for the following:

The details of the Restricted A-Shares granted under the Scheme since its commencement up to 31 December 2020 were as follows:

Participants	Aggregate Restricted A-Shares outstanding as at 1 January 2020	Restricted A-Shares granted during the year	Restricted A-Shares repurchased and cancelled during the year	Restricted A-Shares vested and released during the year	Aggregate Restricted A-Shares outstanding as at 31 December 2020
Li Liquan	70,000	–	–	–	70,000
Li Yan	–	70,000	–	–	70,000
Wang Mai	70,000	–	–	–	70,000
Zhou Hong	70,000	–	–	–	70,000
Other Participants ^(b)	3,720,000	870,000	(100,000) ^(a)	–	4,490,000
	<u>3,930,000</u>	<u>940,000</u>	<u>(100,000)</u>	<u>–</u>	<u>4,770,000</u>

(a) 100,000 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 the total number of the Restricted A-Shares available under the Scheme.

Except for the above, during the reporting year, no other option to take up unissued shares of the Company or its subsidiaries was granted; and 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.

STATEMENT BY DIRECTORS

6. Independent auditors

RSM Chio Lim LLP and ShineWing Certified Public Accountants have expressed their willingness to accept re-appointment.

On behalf of the directors

.....
Li Liquan
Director

29 March 2021

.....
Li Yan
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of 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 2020, 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 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 2020 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

Key audit matters (Cont'd)

(a) Impairment assessment of trade receivables

Please refer to Notes 2C, 2D and 22 to the financial statements for the relevant accounting policy and key assumptions used in assessing the impairment of trade receivables.

Trade receivables of the Group are significant as at the end of the reporting year. The allowance for impairment of trade receivables is estimated by management through the application of judgement and use of subjective assumptions. Any impairment of significant receivables could have material impact to the Group's and the Company's profit or loss.

The estimate of impairment allowance is based on the historical trend of trade receivables, which includes analysis of the age of these receivables, credit worthiness of the profile of the customers and historical default rates.

For the samples selected, our audit procedures included, but were not limited to: (a) assessing the recoverability of the significant aged debts by discussing with management, checking subsequent collections and corroborating to the historical payment records; (b) assessing whether disclosures in respect of the credit risk of trade receivables is appropriate; and (c) evaluating the qualitative adjustment to the allowance and challenging the key assumptions in determining the allowance.

Based on the audit procedures performed, we found management's assessment to be consistent with the results of our procedures.

(b) Assessment of allowance for impairment of inventories

Please refer to Notes 2C, 2D and 21 to the financial statements for the relevant accounting policy and key assumptions used in assessing the impairment of inventories.

The Group is principally engaged in the manufacturing and sale of traditional Chinese and western medicine in the People's Republic of China. Inventories of the Group are significant as at the end of the reporting year. The cost of inventories may not be recoverable in full if those inventories are damaged, or if they become obsolete, or if their selling prices have declined. The allowance for impairment of inventories is estimated by management through the application of judgement and use of subjective assumptions.

The estimate of allowance for obsolete inventories is based on the age of the inventories, prevailing market conditions in the pharmaceutical industry and historical allowance experience which requires management's judgement, including judgement in the areas relating to inventory allowance based on forecast inventory usage. This methodology relies upon assumptions made in determining appropriate allowance percentages for each categories of inventory.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

Key audit matters (cont'd)

(b) Assessment of allowance for impairment of inventories (cont'd)

For the samples selected, our audit procedures included, but were not limited to: (a) checking the net realisable value of the inventories by comparing cost to subsequent selling prices; (b) reviewing the inventory turnover days and aging of the inventories to assess if there were any significant build up of aged inventories and assessing the reasonableness of the allowance for inventory obsolescence; (c) obtaining assurance over the appropriateness of management's assumptions applied in calculating the value of inventory allowances by assessing the Group's inventory allowance policy, as well as inventory turnover calculations including the impact of demand from government procurement policy for pharmaceuticals and expectations for future sales; and (d) assessing whether disclosures in respect of the impairment allowance of inventory is appropriate.

Based on the audit procedures performed, we found management's assessment to be consistent with the results of our procedures.

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 auditors' 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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

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:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) 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.
- (e) 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.
- (f) 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

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

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

29 March 2021

Partner-in-charge: Ng Thiam Soon
Effective from year ended 31 December 2016

ShineWing Certified Public Accountants
Certified Public Accountants

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

29 March 2021

Partner-in-charge: Luo Jun
Effective from year ended 31 December 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	4	6,603,652	6,993,882
Cost of sales		(4,086,048)	(4,112,388)
Gross profit		2,517,604	2,881,494
Interest income	5	28,072	14,896
Dividend income		1,447	2,361
Other income and gains	6	67,439	51,606
Marketing and distribution expenses		(1,457,878)	(1,829,060)
Research and development expenses		(149,202)	(133,361)
Administrative expenses		(358,552)	(363,325)
Finance costs	7	(2,509)	(7,281)
Other losses	6	(29,007)	(47,895)
Share of profits from equity-accounted associates		150,644	173,710
Profit before income tax		768,058	743,145
Income tax expense	9	(88,396)	(107,786)
Profit, net of tax		679,662	635,359
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Fair value gain on equity investments measured at FVTOCI, net of tax	26C	5,756	532
Share of other comprehensive (loss)/income from equity-accounted associates, net of tax	26A	(26,313)	3,722
Total other comprehensive (loss)/income, net of tax		(20,557)	4,254
Total comprehensive income for the year		659,105	639,613
Profit, net of tax attributable to:			
Owners of the Company		661,705	625,569
Non-controlling interests		17,957	9,790
		679,662	635,359
Total comprehensive income for the year attributable to:			
Owners of the Company		641,148	629,823
Non-controlling interests		17,957	9,790
		659,105	639,613
Earnings per share			
Earnings per share currency unit		RMB	RMB
Basic and diluted	10	0.86	0.81

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
	Notes	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment	12	1,457,053	1,363,795	1,035,555	1,007,797
Investment properties	13	21,512	22,547	20,634	21,618
Right-of-use assets	14	2,609	3,603	–	–
Land use rights	15	188,289	157,997	161,744	130,638
Intangible assets	16	15,734	17,575	13,045	14,700
Investments in subsidiaries	17	–	–	498,428	473,528
Investments in associates	18	687,538	657,906	687,538	657,906
Other financial assets	19	116,311	249,003	8,348	142,712
Deferred tax assets	9	165,480	183,804	150,376	167,119
Other assets	20	25,259	52,197	22,415	22,254
Total non-current assets		2,679,785	2,708,427	2,598,083	2,638,272
<u>Current assets</u>					
Inventories	21	1,487,715	1,594,558	1,344,912	1,469,193
Trade and other receivables	22	2,007,426	1,808,588	1,918,755	1,640,338
Other financial assets	19	–	43,525	–	–
Other assets	20	121,127	208,639	104,942	254,950
Cash and cash equivalents	23	1,987,334	1,479,441	1,791,009	1,290,160
Total current assets		5,603,602	5,134,751	5,159,618	4,654,641
Total assets		8,283,387	7,843,178	7,757,701	7,292,913

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
	Notes	2020	2019	2020	2019
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY AND LIABILITIES					
Equity					
Share capital	24	773,643	768,873	773,643	768,873
Share premium		1,229,980	1,198,817	1,229,980	1,198,817
Retained earnings		3,353,080	2,881,174	3,278,987	2,798,064
Other reserves	26	486,491	539,310	536,706	589,525
Equity attributable to owners					
of the Company		5,843,194	5,388,174	5,819,316	5,355,279
Non-controlling interests		141,484	135,032	-	-
Total equity		5,984,678	5,523,206	5,819,316	5,355,279
<u>Non-current liabilities</u>					
Deferred tax liabilities	9	3,802	8,939	3,802	8,939
Trade payables	27	30,659	37,390	30,507	37,211
Other financial liabilities	28	30,000	30,000	-	-
Lease liabilities	14	1,710	2,710	-	-
Other liabilities	29	103,471	83,725	67,618	47,043
Total non-current liabilities		169,642	162,764	101,927	93,193
<u>Current liabilities</u>					
Income tax payable		10,492	59,366	1,760	49,638
Trade and other payables	27	1,870,907	1,732,580	1,598,324	1,437,421
Lease liabilities	14	1,000	962	-	-
Other liabilities	29	246,668	364,300	236,374	357,382
Total current liabilities		2,129,067	2,157,208	1,836,458	1,844,441
Total liabilities		2,298,709	2,319,972	1,938,385	1,937,634
Total equity and liabilities		8,283,387	7,843,178	7,757,701	7,292,913

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

Group	<----- Attributable to owners of the Company ----->						Non-Controlling Interests
	Total Equity RMB'000	Total RMB'000	Share Capital RMB'000	Share Premium RMB'000	Retained Earnings RMB'000	Other Reserves RMB'000	
Current year							
Opening balance at 1 January 2020	5,523,206	5,388,174	768,873	1,198,817	2,881,174	539,310	135,032
Changes in equity							
Issuance of shares under Restricted A-Share Incentive Scheme	36,653	36,653	4,870	31,783	-	-	-
Repurchase and cancellation of Restricted A-Shares	(720)	(720)	(100)	(620)	-	-	-
Total comprehensive income for the year	659,105	641,148	-	-	661,705	(20,557)	17,957
Appropriation of statutory common reserve (Note 26B)	-	-	-	-	(420)	420	-
Transfers from equity instruments at FVTOCI reserve	-	-	-	-	42,432	(42,432)	-
Dividends paid (Note 11A)	(231,811)	(231,811)	-	-	(231,811)	-	-
Distribution to non-controlling interests (Note 11B)	(11,505)	-	-	-	-	-	(11,505)
Share-based payments (Note 25)	9,750	9,750	-	-	-	9,750	-
Closing balance at 31 December 2020	5,984,678	5,843,194	773,643	1,229,980	3,353,080	486,491	141,484
Previous year							
Opening balance at 1 January 2019	5,054,397	4,926,991	768,873	1,198,817	2,426,722	532,579	127,406
Changes in equity							
Total comprehensive income for the year	639,613	629,823	-	-	625,569	4,254	9,790
Appropriation of statutory common reserve (Note 26B)	-	-	-	-	(1,965)	1,965	-
Dividends paid (Note 11A)	(169,152)	(169,152)	-	-	(169,152)	-	-
Distribution to non-controlling interests (Note 11B)	(2,164)	-	-	-	-	-	(2,164)
Share-based payments (Note 25)	512	512	-	-	-	512	-
Closing balance at 31 December 2019	5,523,206	5,388,174	768,873	1,198,817	2,881,174	539,310	135,032

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

<u>Company</u>	<u>Total Equity RMB'000</u>	<u>Share Capital RMB'000</u>	<u>Share Premium RMB'000</u>	<u>Retained Earnings RMB'000</u>	<u>Other Reserves RMB'000</u>
Current year					
Opening balance at 1 January 2020	5,355,279	768,873	1,198,817	2,798,064	589,525
Changes in equity					
Issuance of shares under Restricted A-Share Incentive Scheme	36,653	4,870	31,783	-	-
Repurchase and cancellation of Restricted A-Shares	(720)	(100)	(620)	-	-
Total comprehensive income for the year	650,165	-	-	670,722	(20,557)
Appropriation of statutory common reserve (Note 26B)	-	-	-	(420)	420
Transfers from equity instruments at FVTOCI reserve	-	-	-	42,432	(42,432)
Dividends paid (Note 11A)	(231,811)	-	-	(231,811)	-
Share-based payments (Note 25)	9,750	-	-	-	9,750
Closing balance at 31 December 2020	<u>5,819,316</u>	<u>773,643</u>	<u>1,229,980</u>	<u>3,278,987</u>	<u>536,706</u>
Previous year					
Opening balance at 1 January 2019	4,895,331	768,873	1,198,817	2,344,847	582,794
Changes in equity					
Total comprehensive income for the year	628,588	-	-	624,334	4,254
Dividends paid (Note 11A)	(169,152)	-	-	(169,152)	-
Appropriation of statutory common reserve (Note 26B)	-	-	-	(1,965)	1,965
Share-based payments (Note 25)	512	-	-	-	512
Closing balance at 31 December 2019	<u>5,355,279</u>	<u>768,873</u>	<u>1,198,817</u>	<u>2,798,064</u>	<u>589,525</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Profit before income tax	768,058	743,145
Adjustments for:		
Interest income	(28,072)	(14,896)
Interest expense	2,509	7,281
Dividend income	(1,447)	(2,361)
Gain on maturity and disposal of financial assets	(3,930)	(6,723)
Investment income on debts instruments at amortised cost	(4,389)	(3,241)
Share of profits from equity-accounted associates	(150,644)	(173,710)
Depreciation and amortisation of property, plant and equipment, investment property, right-of-use assets, land use rights, intangible assets and other assets	113,554	101,238
Gain on disposal of property, plant and equipment, intangible assets and other non-current assets	(6,621)	(29,163)
Impairment losses on receivables and inventories	5,429	25,906
Share-based payments	9,750	512
Fair value changes on investments at FVTPL	-	3,307
Operating cash flows before changes in working capital	704,197	651,295
Inventories	110,957	(292,565)
Trade and other receivables	(225,549)	(62,401)
Other assets	111,744	(40,302)
Trade and other payables	166,221	230,256
Cash restricted in use	38	11,981
Other liabilities	(97,886)	123,141
Net cash flows from operations	769,722	621,405
Income tax paid	(126,373)	(140,812)
Net cash flows from operating activities	643,349	480,593
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(189,162)	(205,615)
Proceeds from disposals of property, plant and equipment and intangible assets	6,769	38,346
Acquisition of associate	(1,000)	-
Acquisition of financial assets	(34,473,715)	(71,552,594)
Proceeds from disposals of financial assets	34,502,007	71,454,541
Proceeds from unquoted bonds	13,758	-
Interest income received	35,874	23,988
Dividends income received from associates and equity investments at FVTOCI	207,313	155,440
Net cash flows from/(used in) investing activities	101,844	(85,894)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
Cash flows from financing activities		
Advances received for issuance of Restricted Shares	8,357	28,296
Proceeds from new borrowings	-	130,000
Repurchase of Restricted A-Shares	(697)	-
Dividends paid	(230,769)	(168,331)
Distribution to non-controlling interests	(11,209)	(2,164)
Interest expense paid	(1,839)	(5,022)
Repayments of borrowings	-	(352,000)
Repayment of lease liabilities	(1,105)	(1,141)
Net cash flows used in financing activities	(237,262)	(370,362)
Net increase in cash and cash equivalents	507,931	24,337
Cash and cash equivalents, beginning balance	1,479,403	1,455,066
Cash and cash equivalents, ending balance (Note 23A)	1,987,334	1,479,403

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

1. GENERAL

Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the “Company”) is incorporated in the People’s Republic of China as a joint stock limited company. The Company is listed on the Singapore Exchange Securities Trading Limited and the Shanghai Stock Exchange.

The financial statements for the reporting year ended 31 December 2020 comprise those of the Company, its subsidiaries (the “Group”) and the Group’s interests in associates. All financial information presented in Chinese Renminbi (“RMB”) have been rounded to the nearest thousand (“RMB’000”), unless when 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 are disclosed in Note 17 to the financial statements below.

The registered office of the Company is located at 17 Baidi Road, Nankai District, Tianjin, People’s Republic of China 300193. The principal place of business of the Company is in Tianjin, People’s Republic of China.

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 International Accounting Standards Board (“IASB”) and IFRS Interpretations Committee as appropriate for for-profit oriented entities.

The statutory financial statements prepared by the directors in accordance with the People’s Republic of China Accounting Regulations are audited by ShineWing Certified Public Accountants, whose audit report dated 29 March 2021 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 the People’s Republic of China Accounting Regulations are disclosed in Note 35.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2A. Basis of preparation (cont'd)

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 and the Company'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 2020 and the results of all subsidiaries for the reporting year then ended. The Company and its subsidiaries together are referred to in these financial statements as the Group.

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 the consideration transferred and the 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 2020

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 and the Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the IASB that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations 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 consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. 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 2020

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

2C. Significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

Revenue from contracts with customers (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.

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.

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 entity's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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 People's Republic of China, under which the Group 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 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2C. Significant accounting policies (Cont'd)

Share-based payments

The Company offers 2019 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 plan, the employees are entitled to purchase the shares at grant price, which is less than the market price of the entity's shares on the grant date, and the purchase price must be paid immediately upon acceptance of the offer. All shares purchased by the employees is not transferable during vesting period.

The cost of the Scheme with employees are measured at fair value on the grant date. The fair value is measured by reference to the market price of the shares on grant date and the impact of any non-market vesting conditions. This cost of the Scheme is charged to profit or loss over the vesting period of the Scheme, with the 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 the corresponding adjustment made in 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 as at the date of modification.

If the non-vesting condition is within the control of the Group and of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group and of the Company 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) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2C. Significant accounting policies (Cont'd)

Foreign currency translation

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

Foreign currency transactions

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.

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 income 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2C. Significant accounting policies (Cont'd)

Income tax (Cont'd)

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 the profit attributable to the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2C. Significant accounting policies (Cont'd)

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.

Deferred tax assets and liabilities are always 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 of each part of an item of these assets are as follows:

	Useful life	Residual value
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.

The gain or loss arising from the derecognition 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2C. Significant accounting policies (Cont'd)

Property, plant and equipment (Cont'd)

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 2020

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 People's Republic of China 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

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) therefore it is the intention of management to complete the intangible asset and use or sell it.

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 2020

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 and the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2C. Significant accounting policies (Cont'd)

Associates (Cont'd)

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.

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.

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.

Business combinations

There were no business combinations during the reporting year.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2C. Significant accounting policies (Cont'd)

Financial instruments

Recognition and derecognition 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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)

- (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 (eg, 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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2C. Significant accounting policies (Cont'd)

Contract liabilities

Contract liabilities represent the Group's and the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group and the Company 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.

Provisions

Provisions are recognised when the Group and the Company have a present (legal or constructive) obligation as a result of a past event, it is probable the company 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2C. Significant accounting policies (Cont'd)

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.

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.

<u>Standard name</u>	<u>Effective date for periods beginning on or after</u>
Annual Improvements to IFRS 2018-2020	1 January 2022
References to Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	To be determined

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

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.

Coronavirus ("COVID-19") pandemic

Judgement has been exercised in considering the impacts that COVID-19 pandemic has had, or may have, on the Group based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of COVID-19 pandemic.

Allowance for expected credit loss ("ECL") on trade receivables

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. In measuring the expected credit losses, management considers all reasonable and supportable information such as the reporting entity'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 might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note 22.

Allowance for impairment of inventories

The allowance for impairment of inventories assessment requires a degree of estimation and judgement. The level of the loss allowance is assessed by taking into account the recent sales experience, the 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 the end of the reporting year is disclosed in the Note 21.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

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

Impairment of non-current assets

An assessment is made at the 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 the end of the reporting year affected by the assumption was RMB321 million (2019: RMB218 million).

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 entity 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 entity 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.

Estimation of useful lives of property, plant and equipment

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. 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 property, plant and equipment at the end of the reporting year is disclosed in the Note 12.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

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

Unquoted equity shares at cost through other comprehensive income

Some of the equity shares at cost through OCI are not based fair values as there is significant measurement uncertainty involved in this measurement of fair value. The uncertainty may be caused by insufficient more recent information that is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. Judgement is required to assess whether indicators of such a nature that cost might be the closer proxy fair value. When information about the performance and operations of the investee becomes available after the date of initial recognition and that relevant factors exist, they may indicate that cost might not be representative of fair value. In such cases, the unquoted equity shares is then measured at fair value. The carrying amount is disclosed in the Note 19.

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

The directors of the Company consider Tianjin Pharmaceutical Holdings Co., Ltd (“天津市医药集团有限公司”) and Tianjin Tsinlien Investment Holding Co., Ltd (“天津津联投资控股有限公司”) as the Company’s immediate parent company and ultimate parent company respectively. Tianjin Pharmaceutical Holdings Co., Ltd and Tianjin Tsinlien Investment Holding Co., Ltd are incorporated in the People’s Republic of China. The ultimate controlling party is Tianjin State-owned Assets Supervision and Administration Commission of the State Council.

Subsequent to the completion of mixed-ownership reform of Tianjin Pharmaceutical Holdings Co., Ltd. on 26 March 2021, Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司), a private company incorporated in the People’s Republic of China, became the ultimate parent company of the Company.

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 and/or related companies.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

3B. Related companies transactions

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.

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

	Group	
	2020 RMB'000	2019 RMB'000
Sale of goods to associates	1,101	1,200
Purchase of goods from associates	(69,473)	(76,988)
Interest income from an associate	2,789	-
Interest expense payable to an associate	(1,267)	-
Rental income from an associate	881	881

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

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<u>Associates</u>				
Balance at beginning of the year	29,349	28,896	29,349	28,894
Amounts paid out and settlement of liabilities on behalf of associates	1,215	1,217	1,215	1,219
Amounts paid in and settlement on behalf of the Group and of the Company	(295)	(764)	(295)	(764)
Balance at end of the year	30,269	29,349	30,269	29,349
<u>Presented in the statements of financial position as follows:</u>				
Other receivables (Note 22)	30,309	29,349	30,309	29,349
Other payables (Note 27)	(40)	-	(40)	-
	30,269	29,349	30,269	29,349

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

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.

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

	Group	
	2020 RMB'000	2019 RMB'000
Sale of goods to related parties	107,163	133,732
Purchase of goods from related parties	(168,724)	(261,001)
Interest income from a related party	-	2,386
Interest expense payable to a related party	-	(1,460)
Rental income from a related party	-	262
Rental expenses to related parties	(4,871)	(4,482)

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

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<u>Related parties</u>				
Balance at beginning of the year	(540)	(1,063)	(537)	(398)
Amounts paid out and settlement of liabilities on behalf of related parties	3,779	3,999	3,779	3,337
Amounts paid in and settlement on behalf of the Group and of the Company	(3,346)	(3,476)	(3,346)	(3,476)
Balance at end of the year	(107)	(540)	(104)	(537)
<u>Presented in the statements of financial position as follows:</u>				
Other receivables (Note 22)	74	74	74	74
Other payables (Note 27)	(181)	(614)	(178)	(611)
	(107)	(540)	(104)	(537)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

3D. Key management compensation

	Group	
	2020 RMB'000	2019 RMB'000
Salaries and other short-term employee benefits	10,957	7,955

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

	Group	
	2020 RMB'000	2019 RMB'000
Remuneration of directors of the Company	4,498	4,339

Further information about the 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.

3E. Assets held in trust by related parties

Title to properties and land use rights

As at the end of the reporting year, the legal titles of certain properties and land use rights of the Group and of the Company are held by related parties (see Notes 12, 13 and 15). These properties and land use rights were transferred to the Group and to the Company 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 rest with the Group and with the Company and there are no circumstances that affect the Group's and the Company'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 to the Company does not foresee any difficulties in getting the titles when the need arises. The carrying amounts of these affected assets are disclosed in Notes 12, 13 and 15.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

3E. Assets held in trust by related parties (Cont'd)

Title to investments

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

4. REVENUE

4A. Revenue classified by type of goods or services

	Group	
	2020 RMB'000	2019 RMB'000
Sale of goods	6,590,008	6,974,630
Rental and service income	13,644	17,552
Others	-	1,700
	<u>6,603,652</u>	<u>6,993,882</u>

4B. Revenue classified by timing of revenue recognition

	Group	
	2020 RMB'000	2019 RMB'000
Point in time	6,590,008	6,974,630
Over time	13,644	19,252
	<u>6,603,652</u>	<u>6,993,882</u>

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 2020

5. INTEREST INCOME

	Group	
	2020	2019
	RMB'000	RMB'000
Interest income from banks and financial institutions	28,072	14,896

6. OTHER INCOME AND GAINS AND (OTHER LOSSES)

	Group	
	2020	2019
	RMB'000	RMB'000
Allowance for impairment on other receivables, net of (loss)/reversal	(3,194)	122
Allowance for impairment on trade receivables, net of (loss)/reversal	(6,349)	351
Employment termination benefits	490	(2,888)
Fair value changes on investments at FVTPL	–	(3,307)
Investment income on debts instruments at amortised cost	4,389	3,241
Foreign currency gains/(losses), net	1,735	(473)
Gain on maturity and disposals of financial assets	3,930	6,723
Government grants and subsidies	42,285	10,302
Inventories written down – reversal/(loss)	4,114	(26,378)
Gain on disposal and write-off of property, plant and equipment and intangible assets, net	6,621	29,163
Penalty	(18,100)	(6,547)
Others	2,511	(6,598)
	38,432	3,711
Presented in consolidated statement of profit or loss as:		
Other income and gains	67,439	51,606
Other losses	(29,007)	(47,895)
	38,432	3,711

7. FINANCE COSTS

	Group	
	2020	2019
	RMB'000	RMB'000
Interest expense on borrowings	7	4,677
Interest expense on lease liabilities	143	216
Imputed interest on accrued retirement and termination benefits	2,359	2,388
	2,509	7,281

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

8. EMPLOYEE BENEFIT EXPENSE

	Group	
	2020	2019
	RMB'000	RMB'000
Salaries and bonuses	657,185	640,594
Contributions to defined contribution plans and other welfare	114,646	113,539
Post-employment benefits	22,453	95,902
Termination benefits	9,159	7,179
Share-based payments	9,750	512
	813,193	857,726

The employee benefit expense is charged as follows:

	Group	
	2020	2019
	RMB'000	RMB'000
Cost of sales	220,151	255,442
Marketing and distribution expenses	281,045	338,191
Research and development expenses	49,419	50,286
Administrative expenses	262,577	213,807
	813,193	857,726

9. INCOME TAX

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

	Group	
	2020	2019
	RMB'000	RMB'000
<u>Current tax</u>		
Current tax expense	70,250	155,693
Overadjustments in respect of prior years	(178)	(327)
	70,072	155,366
<u>Deferred tax</u>		
Deferred tax expense/(income)	18,324	(47,580)
	88,396	107,786

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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 People's Republic of China ("PRC") statutory corporate income tax rate of 25% (2019: 25%) to profit before income tax as a result of the following differences:

	Group	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	768,058	743,145
Less: Share of profits from equity-accounted associates	(150,644)	(173,710)
	617,414	569,435
Income tax expense at the above rate	154,354	142,359
Effect of concessionary tax rate at 15%	(43,269)	(32,646)
Other tax incentives	(11,331)	(12,292)
Non-deductible items	6,812	29,174
Non-taxable items	(26,737)	(26,530)
Unrecognised deferred tax assets	8,745	8,048
Overadjustments to tax in respect of prior years	(178)	(327)
	88,396	107,786

The Company qualifies for New and High Technology Enterprise Status in the People's Republic of China and enjoys a preferential corporate income tax rate of 15% (2019: 15%) while most of its subsidiaries are subject to the statutory corporate income tax rate of 25% (2019: 25%).

Dividends payable to "S" shareholders are subject to withholding tax at 10% (2019: 10%) payable to tax authority in the People's Republic of China.

Dividends payable to "A" shareholders are subject to the differential tax rates set out in the Tax Law of People's Republic of China.

9B. Deferred tax recognised in profit or loss

	Group	
	2020	2019
	RMB'000	RMB'000
Deferred income	(3,012)	622
Contract liabilities	16,166	(19,599)
Accruals and allowances	5,170	(31,537)
Government grant	-	2,934
Total deferred tax expense/(income) recognised	18,324	(47,580)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

9. INCOME TAX (CONT'D)

9C. Deferred tax recognised in other comprehensive income

	Group	
	2020	2019
	RMB'000	RMB'000
Financial assets at FVTOCI (Note 26C)	(5,137)	94
	(5,137)	94

9D. Deferred tax balance in the statements of financial position

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Deferred tax assets</u>				
Deferred income	6,344	3,332	6,345	3,332
Contract liabilities	26,413	42,579	26,413	42,579
Accruals and allowances	132,723	137,893	117,618	121,208
	165,480	183,804	150,376	167,119
	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Deferred tax liabilities</u>				
Fair value changes on equity investments at FVTOCI	(868)	(6,005)	(868)	(6,005)
Government grant	(2,934)	(2,934)	(2,934)	(2,934)
	(3,802)	(8,939)	(3,802)	(8,939)

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

9. INCOME TAX (CONT'D)

9E. Unrecognised deferred tax assets

	2020		2019	
	Gross amount RMB'000	Tax effect RMB'000	Gross amount RMB'000	Tax effect RMB'000
Group				
Deferred income	21,050	4,709	22,733	5,002
Tax loss carryforwards	61,161	15,290	134,264	28,844
Accruals and allowances	43,756	7,992	39,919	6,881
	125,967	27,991	196,916	40,727

As at the end of the reporting year, the Group did not recognise deferred tax assets relating to certain subsidiaries as the future profit streams are not probable against which the deductible temporary difference can be utilised.

Included in unrecognised deferred tax assets as at 31 December 2019 was deferred tax assets from Tianjin Long Shun Rong Development Pharmaceutical Co., Ltd. amounting RMB21.5 million. The unutilised tax losses was forfeited due to the merger exercise as disclosed in Note 17B.

The unutilised tax losses are expiring in the following years:

	Unutilised tax losses		Unrecognised deferred tax assets	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Group				
Expire in 31 December 2020	-	22,184	-	5,202
Expire in 31 December 2021	189	32,723	47	6,066
Expire in 31 December 2022	-	25,044	-	5,086
Expire in 31 December 2023	-	23,987	-	5,424
Expire in 31 December 2024	30,326	30,326	7,582	7,066
Expire in 31 December 2025	30,646	-	7,661	-
	61,161	134,264	15,290	28,844

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

10. EARNINGS PER SHARE

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

Diluted 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 plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group	
	2020 RMB'000	2019 RMB'000
Profit for the year attributable to owners of the Company	661,705	625,569
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	773,643	768,873
Effects of dilution		
Restricted shares granted conditionally under the 2019 Restricted A-Share Incentive (Note 25)	-	3,930
Weighted average number of ordinary shares for diluted earnings per share computation	773,643	772,803

11. DIVIDENDS ON EQUITY SHARE

11A. Dividend to owners of the Company

	Rate per share			
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Group and Company				
Dividend paid net of income tax	0.30	0.22	231,811	169,152

On 29 March 2021, the directors had proposed a final dividend of an aggregate amount of RMB232,093,000 (2019: RMB230,662,000) on the basis of RMB3.00 (2019: RMB3.00) 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 a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

11. DIVIDENDS ON EQUITY SHARE (CONT'D)

11B. Dividends to non-controlling interests

Interim exempt (1-tier) dividends totalled RMB11,505,000 (2019: RMB2,164,000) were paid by certain subsidiaries to their non-controlling shareholders.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and Machinery RMB'000	Construction in Progress RMB'000	Total RMB'000
Group				
<u>Cost</u>				
At 1 January 2019	1,090,338	815,742	359,888	2,265,968
Additions	1,537	28,067	226,220	255,824
Disposals/written-off	(7,402)	(21,373)	–	(28,775)
Reclassifications	258,360	124,672	(383,032)	–
At 31 December 2019	1,342,833	947,108	203,076	2,493,017
Additions	3,434	17,728	174,729	195,891
Disposals/written-off	(1,966)	(26,825)	–	(28,791)
Reclassifications	29,746	63,046	(92,792)	–
At 31 December 2020	1,374,047	1,001,057	285,013	2,660,117
<u>Accumulated depreciation and impairment loss</u>				
At 1 January 2019	497,054	569,245	–	1,066,299
Depreciation for the year	40,561	47,978	–	88,539
Disposals/written-off	(5,204)	(20,412)	–	(25,616)
At 31 December 2019	532,411	596,811	–	1,129,222
Depreciation for the year	47,817	52,787	–	100,604
Disposals/written-off	(1,103)	(25,659)	–	(26,762)
Reclassifications	(2,050)	2,050	–	–
At 31 December 2020	577,075	625,989	–	1,203,064
<u>Carrying value</u>				
At 1 January 2019	593,284	246,497	359,888	1,199,669
At 31 December 2019	810,422	350,297	203,076	1,363,795
At 31 December 2020	796,972	375,068	285,013	1,457,053

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

	Buildings RMB'000	Plant and Machinery RMB'000	Construction in Progress RMB'000	Total RMB'000
Company				
<u>Cost</u>				
At 1 January 2019	936,107	672,452	184,222	1,792,781
Additions	1,140	22,247	192,710	216,097
Disposals/written-off	(11,593)	(18,640)	(13,187)	(43,420)
Reclassifications	175,274	73,341	(248,615)	—
At 31 December 2019	1,100,928	749,400	115,130	1,965,458
Additions	1,289	12,416	91,563	105,268
Disposals/written-off	(1,966)	(23,772)	—	(25,738)
Reclassifications	29,052	61,724	(90,776)	—
At 31 December 2020	1,129,303	799,768	115,917	2,044,988
<u>Accumulated depreciation and impairment loss</u>				
At 1 January 2019	430,535	485,087	—	915,622
Depreciation for the year	30,689	34,413	—	65,102
Disposals/written-off	(5,204)	(17,859)	—	(23,063)
At 31 December 2019	456,020	501,641	—	957,661
Depreciation for the year	38,414	37,266	—	75,680
Disposals/written-off	(1,103)	(22,805)	—	(23,908)
Reclassifications	(2,050)	2,050	—	—
At 31 December 2020	491,281	518,152	—	1,009,433
<u>Carrying value</u>				
At 1 January 2019	505,572	187,365	184,222	877,159
At 31 December 2019	644,908	247,759	115,130	1,007,797
At 31 December 2020	638,022	281,616	115,917	1,035,555

Allocation of the depreciation expense:

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Cost of sales	53,077	45,477	35,848	31,025
Distribution expenses	572	657	74	74
Research and development expenses	7,825	7,930	5,879	6,225
Administrative expenses	39,130	34,475	33,879	27,778
	100,604	88,539	75,680	65,102

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

Titles to certain buildings of the Group and the Company with carrying value of approximately RMB80 million and RMB40 million respectively (2019: RMB85 million and RMB41 million) as at the end of the reporting year were held in the name of certain related parties. See Note 3E "Assets held in trust by related parties".

In addition, title of building for a subsidiary with carrying value of RMB76 million, which was completed in 2020, is in the process of registration.

13. INVESTMENT PROPERTIES

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Cost</u>				
At beginning and at end of the year	38,511	38,511	36,690	36,690
<u>Accumulated depreciation</u>				
At beginning of the year	15,964	14,929	15,072	14,088
Depreciation for the year	1,035	1,035	984	984
At end of the year	16,999	15,964	16,056	15,072
<u>Carrying value</u>				
At beginning of the year	22,547	23,582	21,618	22,602
At end of the year	21,512	22,547	20,634	21,618
<u>Fair value</u>				
Fair value at end of the year	204,319	212,027	192,433	200,117
Rental and service income	7,687	8,996	6,435	7,556
Direct operating expenses	1,091	1,035	1,041	985

The depreciation expense is charged to cost of sales.

- (a) All investment properties of the Group are located in Tianjin, People's Republic of China. These properties are leased out under operating leases. Also see Note 31 on operating lease income commitments.
- (b) There are no restrictions on the realisability of investment properties or the remittance of income and proceeds of disposal.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

13. INVESTMENT PROPERTIES (CONT'D)

- (c) The fair value is estimated by the management based on the use of inputs other than quoted prices included within the 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. The management had obtained the market information from the publicly available website 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 (2019: Level 3) for fair value measurement as the valuation includes inputs for the asset that are based on comparison with market evidence of recent transaction prices for similar properties. The observable inputs and range (weighted average) is RMB9,200 to RMB34,400 (2019: RMB10,500 to RMB34,600) per square metre.
- (d) Titles to certain investment properties of the Group and the Company with carrying value of approximately RMB6.5 million (2019: RMB6.8 million) as at the end of the reporting year were held in the name of certain related parties. See Note 3E "Assets held in trust by related parties".

14. RIGHT-OF-USE ASSETS AND LEASES LIABILITIES

The right-of-use assets and lease liabilities in the statements of financial position. The movements are as follows:

	Office building RMB'000	Lease liabilities RMB'000
Group		
<u>At cost</u>		
At 1 January 2019	4,597	4,597
Accretion of interest	-	216
Repayments of lease liabilities	-	(1,141)
At 31 December 2019	4,597	3,672
Accretion of interest	-	143
Repayments of lease liabilities	-	(1,105)
At 31 December 2020	4,597	2,710
<u>Accumulated depreciation</u>		
At 1 January 2019	-	-
Depreciation for the year	(994)	-
At 31 December 2019	(994)	-
Depreciation for the year	(994)	-
At 31 December 2020	(1,988)	-
<u>Carrying value</u>		
At 1 January 2019	4,597	4,597
At 31 December 2019	3,603	3,672
At 31 December 2020	2,609	2,710

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

14. RIGHT-OF-USE ASSETS AND LEASES LIABILITIES (CONT'D)

Lease liabilities are presented in the statements of financial position as follows:

	2020 RMB'000	2019 RMB'000
Lease liabilities, current	1,000	962
Lease liabilities, non-current	1,710	2,710
	2,710	3,672

The leases are for shops. The lease contracts are usually for fixed periods of 4 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	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<u>Cost</u>				
At beginning of the year	246,926	246,926	211,217	211,217
Additions	35,850	–	35,850	–
At the end of the year	282,776	246,926	247,067	211,217
<u>Accumulated amortisation</u>				
At beginning of the year	88,929	83,630	80,579	76,093
Amortisation for the year	5,558	5,299	4,744	4,486
At the end of the year	94,487	88,929	85,323	80,579
<u>Carrying value</u>				
At beginning of the year	157,997	163,296	130,638	135,124
At end of the year	188,289	157,997	161,744	130,638

The amortisation expense is charged to administrative expenses.

The land use rights are for land in the People's Republic of China. Certain titles of land use rights of the Group and the Company with carrying value of RMB1.2 million (2019: RMB20.5 million) as at the end of the reporting year were held in the name of certain related parties. See Note 3E "Assets held in trust by related parties".

In addition, a land use right of the Company with carrying value of RMB54 million is in the process of ownership transfer. The additional costs of the transfer is RMB35.9 million.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

16. INTANGIBLE ASSETS

	Production Technology RMB'000	Patents RMB'000	Trademarks RMB'000	Software RMB'000	Development Cost RMB'000	Total RMB'000
Group						
<u>At cost</u>						
At 1 January 2019	9,817	1,778	1,760	16,284	1,332	30,971
Additions	–	–	–	8,114	180	8,294
At 31 December 2019	9,817	1,778	1,760	24,398	1,512	39,265
Additions	–	–	–	822	–	822
At 31 December 2020	9,817	1,778	1,760	25,220	1,512	40,087
<u>Accumulated amortisation</u>						
At 1 January 2019	7,508	1,035	1,760	9,105	–	19,408
Amortisation for the year	168	170	–	1,944	–	2,282
At 31 December 2019	7,676	1,205	1,760	11,049	–	21,690
Amortisation for the year	168	170	–	2,325	–	2,663
At 31 December 2020	7,844	1,375	1,760	13,374	–	24,353
<u>Carrying value</u>						
At 1 January 2019	2,309	743	–	7,179	1,332	11,563
At 31 December 2019	2,141	573	–	13,349	1,512	17,575
At 31 December 2020	1,973	403	–	11,846	1,512	15,734

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

16. INTANGIBLE ASSETS (CONT'D)

	Production Technology RMB'000	Patents RMB'000	Trademarks RMB'000	Software RMB'000	Total RMB'000
Company					
<u>At cost</u>					
At 1 January 2019	8,997	1,778	1,760	14,262	26,797
Additions	–	–	–	8,115	8,115
At 31 December 2019	8,997	1,778	1,760	22,377	34,912
Additions	–	–	–	769	769
At 31 December 2020	8,997	1,778	1,760	23,146	35,681
<u>Accumulated amortisation</u>					
At 1 January 2019	7,163	1,036	1,760	8,233	18,192
Amortisation for the year	100	170	–	1,750	2,020
At 31 December 2019	7,263	1,206	1,760	9,983	20,212
Amortisation for the year	100	170	–	2,154	2,424
At 31 December 2020	7,363	1,376	1,760	12,137	22,636
<u>Carrying value</u>					
At 1 January 2019	1,834	742	–	6,029	8,605
At 31 December 2019	1,734	572	–	12,394	14,700
At 31 December 2020	1,634	402	–	11,009	13,045

The amortisation expense is charged to administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RMB'000	2019 RMB'000
Equity interests, at cost	522,611	497,711
Less: Allowance for impairment	(24,183)	(24,183)
Net carrying amount	498,428	473,528
<u>Movements in carrying value</u>		
At beginning of the year	473,528	630,578
Additions	25,000	-
De-registered	(100)	-
Impairment allowance charged to profit or loss	-	(17,050)
Reduction of capital	-	(140,000)
At end of the year	498,428	473,528
<u>Movements in allowance for impairment loss</u>		
At beginning of the year	(24,183)	(7,133)
Additions charged to profit or loss included in other losses	-	(17,050)
At end of the year	(24,183)	(24,183)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

17A. Subsidiaries held by the Group

The subsidiaries held by the Group are listed below:

Name of subsidiaries	Principal activities	Cost		Effective equity held by the Group	
		2020	2019	2020	2019
		RMB'000	RMB'000	%	%
<u>Held by the Company</u>					
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	180,014	100	100
Beijing Zhong Xin Yaogu Medical Co., Ltd. (“北京中新药谷医药有限公司”)	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, simple processing of medicine	6,999	6,999	100	100
Tianjin Long Shun Rong Development Pharmaceutical Co., Ltd. (“天津隆顺裕发展制药有限公司”) (Note 17B)	Manufacture and sale of chinese pharmaceutical products and biological products	–	45,000	–	100
Zhong Xin Bohai Rim Pharmaceutical Co., Ltd. (“天津中新药业集团环渤海药业有限公司”)	Wholesale and retail sale of medicine, biochemical pharmaceutical products and daily use products	5,000	5,000	100	100
Zhejiang Zhong Xin Chuang Rui Investment Co., Ltd. (“浙江中新创睿投资有限公司”) (Note 17C)	Investment holding	60,000	60,000	100	100
Tianjin Hebei Daren Hospital (“天津河北达仁医院”) (Note 17D(b))	Operation of hospital	17,050	17,050	100	100
Tianjin Chinese Medicinal Slices Co., Ltd. (“天津市中药饮片厂有限公司”) (Note 17B and 17D(a))	Manufacture and sale of chinese pharmaceutical products and biological products	113,100	43,100	100	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of subsidiaries	Principal activities	Cost		Effective equity held by the Group	
		2020	2019	2020	2019
		RMB'000	RMB'000	%	%
Held by the Company (Cont'd)					
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 Zhong Xin International Trading Co., Ltd. (Note 1) (“天津中新药业国际贸易有限公司”)	Dormant	—	100	—	100
Tianjin Shin Poong Pharmaceutical Co., Ltd. (“天津新丰制药有限公司”)	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”)	Sale of Chinese pharmaceutical products and biological products	10,500	10,500	53.6	53.6
Tianjin Da Ren Tang Jingwanhong Pharmaceutical Co., Ltd. (“天津达仁堂京万红药业有限公司”)	Manufacture and sale of Chinese pharmaceutical products and biological products	13,072	13,072	52	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”)	Wholesale and retail sale of medicine	8,950	8,950	51	51
Tianjin Zhong Xin Pharmaceutical Group Xuzhi Medical Science and Technology Co., Ltd. (“天津中新药业集团旭志医药科技有限公司”)	Sale of chinese pharmaceutical products and biological products	5,611	5,611	51	51
		522,611	497,711		

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of subsidiaries	Principal activities	Cost		Effective equity held by the Group	
		2020 RMB'000	2019 RMB'000	2020 %	2019 %
Held by Tianjin Chinese Medicinal Slices Co., Ltd.					
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
Held by Tianjin Da Ren Tang Jingwanhong Pharmaceutical Co., Ltd.					
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	52	52
Tianjin Gushang Medicinal Liquor Trading Co., Ltd. (“天津沽上药酒贸易有限公司”)	Wholesale and retail sale of medicine, biochemical pharmaceutical products	500	500	52	52
Held by Tianjin Zhong Xin Pharmaceutical Group Xuzhi Medical Science and Technology Co., Ltd.					
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

Note 1 – The Company has deregistered Tianjin Zhong Xin International Trading Co., Ltd., a wholly-owned subsidiary, with effect from 25 March 2020.

All subsidiaries are registered in the People's Republic of China and audited by ShineWing Certified Public Accountants.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

17B. Merger of Tianjin Long Shun Rong Development Pharmaceutical Co., Ltd. and Tianjin Chinese Medicinal Slices Co., Ltd.

On 29 April 2020, the Company announced the proposed merger of two of its wholly-owned subsidiaries, Tianjin Chinese Medicine Yinpian Factory Co., Ltd. and Tianjin Long Shun Rong Development Pharmaceutical Co., Ltd.

Tianjin Long Shun Rong Development Pharmaceutical Co., Ltd. was dissolved and all the assets, debts, businesses and personnel were taken over by Tianjin Chinese Medicine Yinpian Factory Co., Ltd.

17C. Capital reduction in subsidiaries

In the previous reporting year, the Company reduced its investment in Zhejiang Zhong Xin Chuang Rui Investment Co., Ltd. from RMB200 million to RMB60 million by way of capital reduction due to excess in capital. The reduction did not result in change in control as Zhejiang Zhong Xin Chuang Rui Investment Co., Ltd. remained as a wholly-owned subsidiary of the Group.

17D. Impairment of subsidiaries

Impairment allowance mainly provided for the following subsidiaries:

- (a) An impairment loss of RMB7,133,000 has been provided for Tianjin Long Shun Rong Development Pharm Co., Ltd. since 2016, which was merged into Tianjin Chinese Medicinal Slices Co., Ltd. as disclosed in Note 17B above. The impairment allowance was also transferred to Tianjin Chinese Medicinal Slices Co., Ltd.

As a result of loss incurred by the merged entities during the year, an impairment test was performed. No further impairment loss was made as the recoverable amount approximately the carrying amount of investment.

The value-in-use was measured by the management using discounted cash flow valuation technique (Level 3). The key assumptions used for value-in-use calculations, which are unobservable inputs, are as follows:

	2020	2019
<u>Unobservable inputs</u>		
Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs	13.50%	11.37%
Growth rates based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets (average rate)	8% – 28% (18%)	4% – 68% (20%)
Cash flow forecasts derived from the most recent financial budgets and plans approved by management	10 years	10 years

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

17D. Impairment of subsidiaries (Cont'd)

- (b) Full impairment allowance was made to carrying value of the investment in Tianjin Hebei Daren Hospital as this subsidiary was in capital deficit position.

17E. Material subsidiaries with non-controlling interests

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

	Group	
	2020 RMB'000	2019 RMB'000
<u>Tianjin Da Ren Tang Jingwanhong Pharmaceutical Co., Ltd.</u>		
Profit for the year allocated to NCI of the subsidiary	11,000	13,747
Accumulated NCI of the subsidiary at the end of the reporting year	112,806	111,406
 The summarised financial information of the subsidiary (not adjusted for the percentage ownership held by the Group and amounts before inter-company eliminations)		
Current assets	192,905	208,154
Non-current assets	158,274	158,810
Current liabilities	(106,679)	(124,104)
Non-current liabilities	(9,488)	(10,765)
Revenue	298,350	375,414
Profit for the year	22,917	28,640
Total comprehensive income	22,917	28,640
Operating cash flows, increase	39,281	13,958
Net cash flows, increase/(decrease)	17,475	(92,562)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

18. INVESTMENTS IN ASSOCIATES

	Group and Company	
	2020	2019
	RMB'000	RMB'000
Equity interests, at cost	513,540	402,373
Less: Allowance for impairment	(14,220)	(14,220)
Share of post-acquisition profits, net of dividends received	181,655	236,877
Share of other-equity items of associates	6,563	32,876
Net carrying value	687,538	657,906
<u>Movements in carrying value</u>		
Balance at beginning of the year	657,906	630,925
Additions	1,000	–
Transfer from investments in equity shares at FVTOCI (Note 19)	110,167	–
Share of the profits for the year	150,644	173,710
Dividends received	(205,866)	(150,451)
Share of other comprehensive (loss)/income, net	(26,313)	3,722
Balance at end of the year	687,538	657,906

The associates held by the Group are listed below:

Name of associates	Principal activities	Effective equity held by the Group	
		2020	2019
		%	%
<u>Held by the Company</u>			
Tianjin Hong Ren Tang Pharmaceutical Co., Ltd. (“THP”) (“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. (“TSKF”) (“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. (“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. (“天津中新科炬生物制药有限公司”) ^(a)	Manufacture and sale of biological medicine	26.3	26.3

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

18. INVESTMENTS IN ASSOCIATES (CONT'D)

Name of associates	Principal activities	Effective equity held by the Group	
		2020	2019
		%	%
Held by the Company (Cont'd)			
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	26.4	26.4
Tianjin International Exhibition Centre Co., Ltd. (“天津国展中心股份有限公司”) ^(c)	Marketing, conference and exhibition services	19.6	–
Tianjin Pharmaceutical Group Finance Co., Ltd. (“天津医药集团财务有限公司”) ^{(a) (d)}	Financial services	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	–
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
Zhong Xin Pharmaceutical Tangshan Xinhua Co., Ltd. (“中新药业唐山新华有限公司”) ^(c)	Wholesale and retail sale of medicine and biochemical pharmaceutical products	51	51
Chengdu Zhong Xin Pharmaceutical Co., Ltd. (“成都中新药业有限公司”) ^(c)	Sale of Chinese pharmaceutical products and biological products	51	51
Held by Chengdu Zhong Xin Pharmaceutical Co., Ltd.			
Chengdu Zhong Xin Chain Store Co., Ltd. (“成都中新药业连锁有限公司”) ^(c)	Wholesale and retail sale of medicine	51	51

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

18. INVESTMENTS IN ASSOCIATES (CONT'D)

Name of associates	Principal activities	Effective equity held by the Group	
		2020	2019
		%	%
<u>Held by Tianjin Yiyao Printing Co., Ltd.</u>			
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
<u>Held by NewScen Coast Bio-Pharmaceutical Co., Ltd.</u>			
NewScen Coast Bio-Pharmaceutical Sales Co., Ltd. (“天津中新科炬生物制药品销售有限公司”) ^(a)	Wholesale and retail sale of biological medicine	25.8	25.8

All associates of the Group are registered in the People's Republic of China.

- (a) Audited by ShineWing Certified Public Accountants.
 (b) Audited by Touche Tohmatsu Certified Public Accountants LLP.
 (c) Not significant to the Group, auditors not appointed as at end of reporting year.
 (d) These entities were transferred from other financial assets to investments in associates as the Company has one representative in the board of each entity and participates in all significant financial and operating decisions and therefore the Company has significant influence over these investees. The fair values of these investees at date of transfer were RMB110,167,000.

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 as follows. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

18. INVESTMENTS IN ASSOCIATES (CONT'D)

18A. Material associates (Cont'd)

	Group and Company	
	2020	2019
	RMB'000	RMB'000
<u>THP</u>		
Current assets	160,765	267,016
Non-current assets	355,238	415,606
Current liabilities	(50,809)	(51,441)
Non-current liabilities	(110,343)	(122,080)
Net assets of the associate	354,851	509,101
Equity interest	40%	40%
Proportion of the Group's and Company's interest in the associate	141,940	203,640
Goodwill	92,336	92,336
Carrying amount of the Group's and Company's interest in the associate	234,276	295,976
Dividends received from the associate	(62,600)	(20,000)
Revenue	355,415	314,764
Profit for the reporting year	70,500	70,072
Other comprehensive income	(68,250)	8,067
Total comprehensive income	2,250	78,139
<u>TSKF</u>		
Current assets	1,575,084	1,506,767
Non-current assets	500,128	513,235
Current liabilities	(1,203,882)	(1,064,582)
Non-current liabilities	(6,943)	(315)
Net assets of the associate	864,387	955,105
Proportion of the Group's and Company's interest in the associate	25%	25%
Carrying amount of the Group's and Company's interest in the associate	216,097	238,776
Dividends received from the associate	(143,266)	(129,131)
Revenue	2,450,673	2,509,893
Profit for the reporting year	478,887	569,628
Total comprehensive income	478,887	569,628

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

18. INVESTMENTS IN ASSOCIATES (CONT'D)

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 the 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 as follows. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

	Group and Company	
	2020	2019
	RMB'000	RMB'000
Profit for the reporting year	30,778	17,424
Other comprehensive income	1,665	12,302
Total comprehensive income	32,443	29,726
Net assets of the associates	1,103,698	399,474

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.

19. OTHER FINANCIAL ASSETS

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in equity shares at FVTOCI (Note 19A)	8,348	142,712	8,348	142,712
Investments at FVTPL (Note 19B)	–	43,525	–	–
Investments in debt instruments at amortised cost (Note 19C)	107,963	106,291	–	–
	116,311	292,528	8,348	142,712
Presented in the statements of financial position as:				
Other financial assets, non-current	116,311	249,003	8,348	142,712
Other financial assets, current	–	43,525	–	–
	116,311	292,528	8,348	142,712

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

19. OTHER FINANCIAL ASSETS (CONT'D)

19A. Investments in equity shares at FVTOCI

	Group and Company	
	2020	2019
	RMB'000	RMB'000
Quoted equity shares (Note 19A1)	7,042	38,481
Unquoted equity shares (Note 19A2)	1,306	104,231
	8,348	142,712

19A1. Quoted equity shares at FVTOCI

	Group and Company	
	2020	2019
	RMB'000	RMB'000
<u>Movements during the year</u>		
Fair value at beginning of the year	38,481	39,420
Decrease in fair value through other comprehensive income (Note 26C)	(3,147)	(939)
Disposals	(28,292)	–
Fair value at end of the year	7,042	38,481

The information gives a summary of the significant industry concentrations within the investment portfolio:

	Fair value hierarchy	Group and Company	
		2020	2019
		RMB'000	RMB'000
Property development	1	–	2,850
Energy	1	6,461	6,807
Transportation and shipping	1	581	12,160
Pharmaceutical	1	–	3,182
Financial services	1	–	13,482
Total		7,042	38,481

Fair values of quoted equity shares in corporations are derived based on quoted prices in active markets of the Shenzhen Stock Exchange and Shanghai Stock Exchange in the People's Republic of China.

During the current reporting year, the Group and the Company sold certain quoted equity shares as these investments no longer coincides with the Group's investment strategy. The aggregate fair value on the date of disposals were RMB28,292,000 and the accumulated fair value reserve as disclosed in Note 26C were transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

19. OTHER FINANCIAL ASSETS (CONT'D)

19A. Investments in equity shares at FVTOCI (Cont'd)

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

There was no transfers in fair value hierarchy during the year.

The Group has not obtained titles to certain investments with fair value of approximately RMB7 million (2019: RMB23 million) as at the end of the reporting year. The titles of these investments are held in trust by related parties. See Note 3E "Assets held in trust by related parties".

19A2. Unquoted equity shares at FVTOCI

	Group and Company	
	2020	2019
	RMB'000	RMB'000
Unquoted equity shares at FVTOCI	1,306	104,231
<u>Movements during the year</u>		
Fair value at beginning of the year	104,231	102,666
Increase in fair value through other comprehensive income (Note 26C)	7,242	1,565
Transfer to investments in associates (Note 18)	(110,167)	-
Fair value at end of the year	1,306	104,231

The information gives a summary of the significant industry concentrations within the investment portfolio:

	Fair value hierarchy	Group and Company	
		2020	2019
		RMB'000	RMB'000
Financial services	3	-	82,925
Conference and exhibition services	3	-	20,000
Pharmaceutical	3	1,306	1,306
Total		1,306	104,231

During the current reporting year, two investees namely, Tianjin Pharmaceutical Group Finance Co., Ltd. and Tianjin International Exhibition Centre Co., Ltd., engaging in financial services and conference and exhibition sector, respectively, were transferred to investment in associates because the Company has significant influence over these investees as disclosed in Note 18. The aggregate fair values of these investees on the date of transfer were RMB110,167,000 and the accumulated fair value reserve as disclosed in Note 26C were transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

19. OTHER FINANCIAL ASSETS (CONT'D)

19A. Investments in equity shares at FVTOCI (Cont'd)

19A2. Unquoted equity shares at FVTOCI (Cont'd)

There was no transfers in fair value hierarchy 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 the significant unobservable inputs used in the fair value measurement are as follows:

Unquoted equity shares	Valuation technique	Unobservable input	Range
Financial services	Net asset value	Not applicable	Not applicable
Conference and exhibition services	Cost	Not applicable	Not applicable
Pharmaceutical	Cost	Not applicable	Not applicable

Valuation technique: Net asset value

The management has determined that the reported net asset value represents fair value as the investee company only provide financial services to related parties.

Valuation technique: At cost

The financial reporting standard on financial instruments require that all investments in unquoted equity interest and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. When information about the performance and operations of the investee becomes available after the date of initial recognition and that relevant factors exist, they may indicate that cost might not be representative of fair value. In such cases, the unquoted equity interest have to be measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

19. OTHER FINANCIAL ASSETS (CONT'D)

19A. Investments in equity shares at FVTOCI (Cont'd)

19A2. Unquoted equity shares at FVTOCI (Cont'd)

Valuation technique: At cost (Cont'd)

There are no indicators that cost might not be representative of fair value such as:

- (a) a significant change in the performance of the investee compared with budgets, plans or milestones.
- (b) changes in expectation that the investee's technical product milestones will be achieved.
- (c) a significant change in the market for the investee's equity or its products or potential products.
- (d) a significant change in the global economy or the economic environment in which the investee operates.
- (e) a significant change in the performance of comparable entities, or in the valuations implied by the overall market.
- (f) internal matters of the investee such as fraud, commercial disputes, litigation, changes in management or strategy.
- (g) evidence from external transactions in the investee's equity, either by the investee (such as a fresh issue of equity), or by transfers of equity instruments between third parties.

Management has not identified a market for these unquoted equity instruments and it has not made a decision on how and when it intends to dispose of them in the foreseeable future.

Management has determined that the cost of investment in these unquoted equity interest approximate fair value due to the basis stated above.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

19. OTHER FINANCIAL ASSETS (CONT'D)

19A. Investments in 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	
	2020	2019
	RMB'000	RMB'000
A hypothetical 10% increase in the market index of quoted equity shares would have an effect on the fair value of	704	3,848
A hypothetical 10% increase in the net asset value to unquoted equity interest would have an effect on fair value of	-	8,293

For similar price decreases in the 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. Investments at FVTPL

	Group	
	2020	2019
	RMB'000	RMB'000
Unquoted bonds in corporations (Level 3)	-	43,525
<u>Movements during the year</u>		
Fair value at beginning of the year	43,525	53,307
Decrease in fair value included through profit or loss (Note 6)	-	(3,307)
Redemption	(13,758)	(6,475)
Transfer to other receivables upon maturity (Note 22)	(29,767)	-
Fair value at end of the year	-	43,525

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

19. OTHER FINANCIAL ASSETS (CONT'D)

19B. Investments at FVTPL (Cont'd)

The unquoted bonds are issued by corporations in the energy industry. These bonds bear fixed interest rate at 8.3% per annum and matured in 2020.

The fair values were based on transacted prices in trading platform of brokerage house in the People's Republic of China. The unquoted bonds in corporations are not rated by reputable agencies.

The unquoted bonds in corporations are denominated in the Company's functional currency which is RMB.

Sensitivity analysis

	Group	
	2020 RMB'000	2019 RMB'000
A hypothetical 10% increase in fair value of unquoted bond in corporations would have an effect on pre-tax profit of	-	4,353

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

19C. Investments in debt instruments at amortised cost

	Group	
	2020 RMB'000	2019 RMB'000
<u>Investments in debt instruments, comprise of</u>		
Principal amount	105,000	105,000
Interest receivables	2,963	1,291
	107,963	106,291
<u>Movements during the year, at amortised cost</u>		
Balance at beginning of the year	106,291	-
Additions	-	105,000
Accretion in amortised cost	4,389	3,241
Redemption of interest	(2,717)	(1,950)
Balance at end of the year	107,963	106,291

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

19. OTHER FINANCIAL ASSETS (CONT'D)

19C. Investments in debt instruments at amortised cost (Cont'd)

A summary of investments in debt assets instruments as at the end of reporting year is as follows:

	Group	
	2020 RMB'000	2019 RMB'000
Deposits held by financial institutions with fixed interest rate of 4.18% per annum and maturing on 2 April 2022, which settlement of interest on monthly basis	30,000	30,000
Deposits held by financial institutions with fixed interest rate of 4.18% per annum and maturing on 2 April 2022, which settlement of interest on yearly basis	35,000	35,000
Deposits held by a financial institution with fixed interest rate of 4.18% per annum and maturing on 29 March 2022, which settlement of interest upon maturity	40,000	40,000
	105,000	105,000

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

20. OTHER ASSETS

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Prepayments	74,777	172,410	70,612	200,165
Value-added taxes	71,609	88,426	56,745	77,039
	146,386	260,836	127,357	277,204
Presented in the statements of financial position as:				
Other assets, non-current	25,259	52,197	22,415	22,254
Other assets, current	121,127	208,639	104,942	254,950
	146,386	260,836	127,357	277,204

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

21. INVENTORIES

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	534,242	480,583	476,604	449,828
Work-in-progress	176,660	179,120	168,681	168,665
Finished goods	776,813	934,855	699,627	850,700
	1,487,715	1,594,558	1,344,912	1,469,193

Inventories are stated after allowance as follows:

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Movements in allowance</u>				
Balance at beginning of the year	56,751	36,717	52,784	32,094
(Reversed) Charge to profit or loss included in (other income and gains)/ other losses (Note 6)	(4,114)	26,378	(8,153)	25,861
Written off	(12,193)	(6,344)	(10,661)	(5,171)
Balance at end of the year	40,444	56,751	33,970	52,784
Changes in inventories of finished goods and work-in-progress	160,501	(249,935)	151,057	(236,686)
Raw materials, consumables and goods for resale recognised as expenses	6,990,124	3,592,389	6,064,213	3,226,206

There are no inventories pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Trade receivables</u>				
Bills receivable	457,981	424,126	448,642	389,093
Outside parties	1,625,068	1,492,840	1,276,549	1,189,038
Subsidiaries	-	-	171,572	140,710
Associates	6,117	5,961	6,110	5,961
Related parties	20,579	19,510	24,160	16,075
Less: Credit impaired allowance	(7,740)	(1,300)	(3,237)	(1,300)
Less: Lifetime expected loss allowance	(131,211)	(143,991)	(122,366)	(135,665)
	<u>1,970,794</u>	<u>1,797,146</u>	<u>1,801,430</u>	<u>1,603,912</u>
<u>Other receivables</u>				
Outside parties	58,651	31,771	20,816	19,746
Subsidiaries	-	-	111,361	30,192
Associates (Note 3)	30,309	29,349	30,309	29,349
Related parties (Note 3)	74	74	74	74
Less: Allowance for expected credit losses	(52,402)	(49,752)	(45,235)	(42,935)
	<u>36,632</u>	<u>11,442</u>	<u>117,325</u>	<u>36,426</u>
	<u>2,007,426</u>	<u>1,808,588</u>	<u>1,918,755</u>	<u>1,640,338</u>

Trade receivables

The expected credit losses ("ECL") on the above 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 receivable which was identified to have significant increase in credit risk since its date of initial recognition and credit impaired individually. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on the historical observed default rates (over a period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates including the impact of the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

22. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables (Cont'd)

Movement of allowance for expected credit losses on trade receivables was as follows:

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Trade receivables</u>				
Balance at beginning of the year	145,291	145,642	136,965	138,487
Impairment allowance recognised	17,500	12,814	12,092	9,102
Reversal	(11,151)	(13,165)	(10,793)	(10,624)
Written off	(12,689)	–	(12,661)	–
Balance at end of the year	138,951	145,291	125,603	136,965

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 the forward-looking estimates are analysed. The ageing of the balances were as follows:

	Group			Company		
	Gross amount	ELR	Loss allowance	Gross amount	ELR	Loss allowance
	RMB'000	%	RMB'000	RMB'000	%	RMB'000
<u>2020</u>						
Within 1 year	1,501,584	0.03	451	1,341,460	0.03	352
1 – 2 years	11,362	20.00	2,272	11,362	20.00	2,272
2 – 3 years	5,180	50.00	2,590	5,180	50.00	2,590
Over 3 years	125,898	100.00	125,898	117,152	100.00	117,152
Total	1,644,024		131,211	1,475,154		122,366
<u>2019</u>						
Within 1 year	1,354,268	0.03	400	1,198,830	0.03	298
1 – 2 years	16,366	20.00	3,273	14,263	20.00	2,853
2 – 3 years	12,116	50.00	6,058	9,754	50.00	4,877
Over 3 years	134,261	100.00	134,260	127,637	100.00	127,637
Total	1,517,011		143,991	1,350,484		135,665

ELR = Expected Loss Rate

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

22. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables (Cont'd)

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 RMB238,209,000 (2019: Nil) 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 PRC. At end of the reporting year, the Company has transferred or discounted bill receivables that have not yet expired approximate RMB241 million (2019: RMB485 million). These bill receivables were derecognised.

Other receivables

Included in other receivables was RMB29.8 million receivable from a broker on a matured unquoted bonds as disclosed in Note 19B. The Group and the broker in March 2021 entered into a repayment agreement to settle the outstanding funds by 36 instalments (weekly). The management uses an approach that is based on an assessment of qualitative and quantitative factors that are indicative of the risk of default. There is no significant increase in credit risk for these exposures. Therefore impairment on these balances has been measured on the 12 months expected credit loss basis. A loss allowance of RMB453,000 was recognised.

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 the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk. At the end of the reporting year a loss allowance is recognised at an amount equal to the lifetime expected credit losses if there has been a significant increase in credit risk since initial recognition including the impact of the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

22. TRADE AND OTHER RECEIVABLES (CONT'D)

Other receivables (Cont'd)

Movement of allowance for expected credit losses on other receivables was as follows:

	2020			
	12-month ECL RMB'000	Lifetime ECL – not credit-impaired RMB'000	Lifetime ECL – credit-impaired RMB'000	Total RMB'000
<u>Group</u>				
Balance at beginning of the year	26,129	–	23,623	49,752
Transfer to lifetime ECL – credit-impaired	(2,700)	–	2,700	–
Impairment allowance recognised	2,626	–	843	3,469
Reversal	(275)	–	–	(275)
Written off	(544)	–	–	(544)
Balance at end of the year	25,236	–	27,166	52,402
<u>Company</u>				
Balance at beginning of the year	19,445	–	23,490	42,935
Transfer to lifetime ECL – credit-impaired	(2,700)	–	2,700	–
Impairment allowance recognised	1,867	–	708	2,575
Reversal	(275)	–	–	(275)
Balance at end of the year	18,337	–	26,898	45,235

	2019			
	12-month ECL RMB'000	Lifetime ECL – not credit-impaired RMB'000	Lifetime ECL – credit-impaired RMB'000	Total RMB'000
<u>Group</u>				
Balance at beginning of the year	26,251	–	23,623	49,874
Impairment allowance recognised	862	–	–	862
Reversal	(984)	–	–	(984)
Balance at end of the year	26,129	–	23,623	49,752
<u>Company</u>				
Balance at beginning of the year	18,743	–	23,490	42,233
Impairment allowance recognised	835	–	–	835
Reversal	(133)	–	–	(133)
Balance at end of the year	19,445	–	23,490	42,935

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Not restricted in use</u>				
Cash and bank balances	1,987,334	1,479,403	1,791,009	1,290,160
<u>Restricted in use</u>				
Bank deposits	-	38	-	-
Total	1,987,334	1,479,441	1,791,009	1,290,160

Restricted in use bank balances include security deposits to cover bills payable (Note 27) which has a maturity date within 3 months from the end of the reporting year.

The rate of interest for the cash on short-term bank deposits ranged from 0.35% – 2.35% (2019: 0.35% – 2.03%) per annum.

The bank balances of the Group and the Company include placement of deposit with an associate company amounted to RMB595 million (2019: RMB589 million) and RMB491 million (2019: RMB489 million) respectively.

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

	Group	
	2020	2019
	RMB'000	RMB'000
Amount as shown above	1,987,334	1,479,441
Restricted bank deposits	-	(38)
Cash and cash equivalents in consolidated statement of cash flows	1,987,334	1,479,403

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

23. CASH AND CASH EQUIVALENTS (CONT'D)

23B. Reconciliation of liabilities arising from financing activities

	Non-cash changes				
	At beginning of the year RMB'000	Cash flows RMB'000	Interest expenses RMB'000	Others RMB'000	At end of the year RMB'000
2020					
Advances from employees under Restricted A-Shares Incentive Scheme	28,296	7,660	–	(35,956) ^(c)	–
Lease liabilities	3,672	(1,105)	143	–	2,710
Other financial liabilities	30,000	–	–	–	30,000
Interest payables	34	(1,839)	7	1,835 ^(d)	37
Dividend payables	13,569	(230,769)	–	231,811 ^(b)	14,611
Total liabilities from financing activities	75,571	(226,053)	150	197,690	47,358

	Non-cash changes				
	At beginning of the year RMB'000	Cash flows RMB'000	Interest expenses RMB'000	Others RMB'000	At end of the year RMB'000
2019					
Advances from employees under					
Restricted A-Shares Incentive Scheme	–	28,296	–	–	28,296
Lease liabilities	–	(1,141)	216	4,597 ^(a)	3,672
Other financial liabilities	252,000	(222,000)	–	–	30,000
Interest payables	362	(5,022)	4,677	17 ^(d)	34
Dividend payables	12,748	(170,495)	–	171,316 ^(b)	13,569
Total liabilities from financing activities	265,110	(370,362)	4,893	175,930	75,571

- (a) Recognition of lease liabilities under IFRS 16.
 (b) Final dividend proposed and approved for the year.
 (c) Registration of Restricted A-Shares (Note 25).
 (d) Capitalisation of borrowings costs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

24. SHARE CAPITAL

	Group and Company		
	Number of ordinary share issued		Share capital RMB'000
	"A" shares	"S" shares	
<u>"A" shares</u>			
Balance at 1 January 2019 and 31 December 2019	568,873,076	200,000,000	768,873
Issuance of restricted circulating shares under 2019 Restricted A-Share Incentive Scheme	4,870,000	–	4,870
Repurchase and cancellation of shares under 2019 Restricted A-Share Incentive Scheme	(100,000)	–	(100)
Balance at 31 December 2020	573,643,076	200,000,000	773,643

	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	7,775,000	7,775
Subtotal	573,643,076	573,643
<u>"S" shares</u>		
Circulating shares	200,000,000	200,000
Total	773,643,076	773,643

All "S" 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 million "S" shares for listing on the Singapore Exchange. On 9 May 2002, the Company issued 40 million "A" shares for listing on the Shanghai Stock Exchange.

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 Shanghai Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

24. SHARE CAPITAL (CONT'D)

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

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

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 Company'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 Company sets the amount of capital in proportion to risk. The Company 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

There are no significant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

25. SHARE-BASED PAYMENTS

2019 Restricted A-Share Incentive Scheme (the “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 shall be responsible for formulating and revising the Scheme while the Supervisory Committee and the Independent Directors shall act as the supervisory body for the Scheme.

The Scheme is established to 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 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 to be issued under the Scheme are ordinary shares in the share capital of the Company denominated in Renminbi and listed on the Shanghai Stock Exchange, 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 to put in their best efforts to achieve these targets.

The 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.

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 the 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 the total issued share capital of the Company prior to the 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 the total issued share capital of the Company from time to time.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

25. SHARE-BASED PAYMENTS (CONT'D)

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

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

Release arrangement	Release period	Proportion of Restricted A-Shares to be released as a percentage of the total number of Restricted A-Shares to be granted under the Scheme
First Release Period	Commencing on the first trading day after expiry of the 24-month lock-up period from the date of completion of the registration of the Restricted A-Shares, and ending on the last trading day of the 36-month period from the date of completion of the registration of the Restricted A-Shares	33%
Second Release Period	Commencing on the first trading day after expiry of the 36-month lock-up period from the date of completion of the registration of the Restricted A-Shares, and ending on the last trading day of the 48-month period from the date of completion of the registration of the Restricted A-Shares	33%
Third Release Period	Commencing on the first trading day after expiry of the 48-month lock-up period from the date of completion of the registration of the Restricted A-Shares, and ending on the last trading day of the 60-month period from the date of completion of the registration of the Restricted A-Shares	34%

Restricted A-Shares granted to the 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

25. SHARE-BASED PAYMENTS (CONT'D)

Activities under the Scheme

The details of the Restricted A-Shares granted under the Scheme since its commencement up to 31 December 2020 are as follows:

Participants	Aggregate Restricted A-Shares outstanding as at 1 January 2020	Restricted A-Shares granted during the year	Restricted A-Shares repurchased and cancelled during the year	Restricted A-Shares vested and released during the year	Aggregate Restricted A-Shares outstanding as at 31 December 2020
Li Liquan	70,000	-	-	-	70,000
Li Yan	-	70,000	-	-	70,000
Wang Mai	70,000	-	-	-	70,000
Zhou Hong	70,000	-	-	-	70,000
Other Participants ^(b)	3,720,000	870,000	(100,000) ^(a)	-	4,490,000
	<u>3,930,000</u>	<u>940,000</u>	<u>(100,000)</u>	<u>-</u>	<u>4,770,000</u>

(a) 100,000 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.

On 9 December 2019 and 6 July 2020, the Company granted 3,930,000 and 940,000 Restricted Shares to employees at grant price of RMB7.20 and RMB8.89 respectively. These Restricted Shares were registered on 7 January 2020 and 27 July 2020 respectively.

No participant has received 5% or more of the total number of the Restricted A-Shares available under the Scheme.

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 the grant date. The fair value is measured by reference to the market price of the shares on grant date and the impact of any non-market vesting conditions. This cost of the Scheme is charged to profit or loss over the vesting period of the Scheme, with the 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 the corresponding adjustment made in equity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

25. SHARE-BASED PAYMENTS (CONT'D)

Accounting for the Scheme (Cont'd)

	Group and Company	
	2020	2019
	RMB'000	RMB'000
Share-based compensation reserve		
Balance at beginning of the year	512	–
Expense recognised in administrative expenses	9,750	512
Balance at end of the year	10,262	512

26. OTHER RESERVES

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Capital reserve (Note 26A)	34,520	60,833	111,951	138,264
Statutory common reserve (Note 26B)	436,750	436,330	436,750	436,330
Fair value reserve (Note 26C)	(2,645)	34,031	(2,645)	34,031
Merger reserve (Note 26D)	7,604	7,604	(19,612)	(19,612)
Share-based compensation reserve (Note 25)	10,262	512	10,262	512
	486,491	539,310	536,706	589,525

26A. Capital reserve

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	60,833	57,111	138,264	134,542
Equity share of changes in other reserves of associates	(26,313)	3,722	(26,313)	3,722
Balance at end of the year	34,520	60,833	111,951	138,264

Capital reserve comprises mainly reserve arising from the share of associates' other comprehensive income and the acquisition or disposal of equity interest in subsidiaries without a change in control.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

26. OTHER RESERVES (CONT'D)

26B. Statutory common reserve

	Group and Company	
	2020	2019
	RMB'000	RMB'000
Balance at beginning of the year	436,330	434,365
Appropriation from retained earnings	420	1,965
Balance at end of the year	436,750	436,330

Under the regulations in People's Republic of China, 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 the payment of dividends to shareholders. As at end of the reporting year, the Group's and the Company's statutory common reserve have reached the limit of 50% on 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 that 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 2020

26. OTHER RESERVES (CONT'D)

26C. Fair value reserve

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	34,031	33,499	34,031	33,499
Fair value changes on equity investments measured at FVTOCI	4,095	626	4,095	626
Deferred tax thereon	1,661	(94)	1,661	(94)
	5,756	532	5,756	532
Transferred to retained earnings upon disposal of equity investments measured at FVTOCI	(45,908)	–	(45,908)	–
Deferred tax thereon	3,476	–	3,476	–
	(42,432)	–	(42,432)	–
Balance at end of the year	(2,645)	34,031	(2,645)	34,031

26D. Merger reserve

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year and end of the year	7,604	7,604	(19,612)	(19,612)

The merger reserve arises from the effects of business combination between entities under common control.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Trade payables</u>				
Bills payable	235,907	5,749	235,907	4,989
Outside parties	651,708	641,373	489,874	475,503
Accrued retirement benefits	-	607	-	462
Accrued termination benefits	42,058	48,547	41,872	48,331
Accrued operating expenses	119,714	131,783	103,598	108,990
Subsidiaries	-	-	24,279	10,803
Associates	3,396	7,560	2,299	5,780
Related parties	11,240	11,971	2,654	7,907
	<u>1,064,023</u>	<u>847,590</u>	<u>900,483</u>	<u>662,765</u>
<u>Other payables</u>				
Outside parties	790,515	855,292	645,873	752,093
Other taxes payables	32,197	52,905	25,898	41,407
Dividend payable	14,610	13,569	14,610	13,569
Subsidiaries	-	-	41,749	4,187
Associates (Note 3)	40	-	40	-
Related parties (Note 3)	181	614	178	611
	<u>837,543</u>	<u>922,380</u>	<u>728,348</u>	<u>811,867</u>
	<u>1,901,566</u>	<u>1,769,970</u>	<u>1,628,831</u>	<u>1,474,632</u>
Presented in the statements of financial position as:				
Non-current	30,659	37,390	30,507	37,211
Current	<u>1,870,907</u>	<u>1,732,580</u>	<u>1,598,324</u>	<u>1,437,421</u>
	<u>1,901,566</u>	<u>1,769,970</u>	<u>1,628,831</u>	<u>1,474,632</u>

The bills payable are secured by pledges of bill receivables of the Group and of the Company (Notes 22).

Termination benefits are payable when employment is terminated by the Group before the official retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Included in other payables at end of previous reporting year was RMB28.3 millions received from participants under Restricted A-Shares Incentive Scheme as disclosed in Note 25. The registration of Restricted A-Shares was completed on 7 January 2020.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

28. OTHER FINANCIAL LIABILITIES, NON-CURRENT

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Loans from associated company	30,000	30,000	–	–

These loans bore an interest rate per annum as follows:

	Group		Company	
	2020	2019	2020	2019
Fixed rate				
Loans from associated company	4.04%	4.00%	–	–

Loan from an associated company of RMB30 million were secured by pledges of legal mortgages over a subsidiary's land use rights of RMB26 million (see Note 15). The loan is due on August 2022.

29. OTHER LIABILITIES

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities (Note 29A)	246,668	364,300	236,374	357,382
Deferred income	63,349	44,944	42,299	22,211
Advance payments received	36,172	34,832	25,319	24,832
Others	3,950	3,949	–	–
	350,139	448,025	303,992	404,425
Presented in the statements of financial position as:				
Non-current	103,471	83,725	67,618	47,043
Current	246,668	364,300	236,374	357,382
	350,139	448,025	303,992	404,425

Deferred income represents grants from government and other third parties.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

29. OTHER LIABILITIES (CONT'D)

29A. Contract liabilities

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	246,668	364,300	236,374	357,382

Contract liabilities related primarily to advance consideration received from and volume rebate to customers.

Significant changes in the contract liabilities balances during the years are as follows:

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at beginning of the year	77,256	78,835	70,444	66,020
Advances consideration received, excluding amounts recognised as revenue during the year	70,594	80,437	60,290	73,519
Changes in transaction price, excluding rebate refunded to customers during the year	176,084	283,863	176,084	283,863

Transaction price allocated to the remaining performance obligations:

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Expected to be recognised within 1 year	70,594	80,437	60,290	73,519

30. CAPITAL COMMITMENTS

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2020	2019
	RMB'000	RMB'000
Contractual obligations to purchase and construct	202,293	257,673

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

31. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

At the end of the reporting year, total of future minimum lease receivables commitments under non-cancellable operating leases are as follows:

	Group	
	2020	2019
	RMB'000	RMB'000
Not later than one year	10,035	7,362
Later than one year and not later than three years	14,328	12,872
Later than three years	8,153	8,762

Operating lease income commitments are for the investment properties (Note 13).

32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

32A. Categories of financial assets and liabilities

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>				
Financial assets at amortised cost	4,102,723	3,394,320	3,709,764	2,930,498
Financial assets at fair value through profit or loss	-	43,525	-	-
Financial assets that is an equity investment at fair value through other comprehensive income	8,348	142,712	8,348	142,712
	<u>4,111,071</u>	<u>3,580,557</u>	<u>3,718,112</u>	<u>3,073,210</u>
<u>Financial liabilities:</u>				
Financial liabilities at amortised cost	1,934,276	1,803,642	1,628,831	1,474,632

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

32B. 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. The management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks. The guidelines include the following:

- (i) Minimise interest rate, credit and market risks for all kinds of transactions.
- (ii) Maximise the use of "natural hedge": favouring as much as possible the 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.
- (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.

32C. 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

32D. 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 expected credit losses (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-1 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.

32E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) as at the end of the reporting year:

	Less than 1 year RMB'000	2 – 5 years RMB'000	Total RMB'000
Group			
<u>2020</u>			
Gross borrowings commitments	403	30,241	30,644
Lease liabilities	1,078	1,751	2,829
Trade and other payables	1,870,907	30,659	1,901,566
	<u>1,872,388</u>	<u>62,651</u>	<u>1,935,039</u>
<u>2019</u>			
Gross borrowings commitments	403	30,645	31,048
Lease liabilities	1,078	2,829	3,907
Trade and other payables	1,732,580	37,390	1,769,970
	<u>1,734,061</u>	<u>70,864</u>	<u>1,804,925</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

32E. Liquidity risk – financial liabilities maturity analysis (Cont'd)

	Less than 1 year RMB'000	2 – 5 years RMB'000	Total RMB'000
<u>Company</u>			
<u>2020</u>			
Trade and other payables	1,598,324	30,507	1,628,831
	1,598,324	30,507	1,628,831
<u>2019</u>			
Trade and other payables	1,437,421	37,211	1,474,632
	1,437,421	37,211	1,474,632

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 the end of the reporting year no claims on the financial guarantees are expected to be payable.

The 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 about 45 days (2019: 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 2020

32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

32F. 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	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>				
Fixed rate	107,963	106,291	–	–
Floating rate	1,987,334	1,479,441	1,791,009	1,290,160
	<u>2,095,297</u>	<u>1,585,732</u>	<u>1,791,009</u>	<u>1,290,160</u>
<u>Financial liabilities:</u>				
Fixed rate	30,000	30,000	30,000	30,000

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	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets</u>				
A hypothetical variation in floating interest rates by 100 basis points with all other variables held constant, would have an increase/decrease in pre-tax profit for the year by	19,873	14,794	17,910	12,902

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 2020

32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

32G. 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:

	2020 US dollars RMB'000	2019 US dollars RMB'000
Group and Company		
Trade and other payables	15,002	19,464

Sensitivity analysis: The effect on pre-tax profit is not significant.

32H. 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.

33. ITEMS IN PROFIT OR LOSS

The following charges have been included in administrative expenses:

	Group	
	2020 RMB'000	2019 RMB'000
Audit fees to the independent auditors of the Company	2,900	2,900
Audit fees to other independent auditors	-	143
Other fees to the independent auditors of the Company	900	860
Other fees to other independent auditors	-	102
	3,800	4,005

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

34. FINANCIAL INFORMATION BY OPERATING SEGMENTS

Disclosure of information about 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 segment is a manufacturer of Chinese pharmaceutical products which are under brands owned by the Group; and
- (ii) Western Medicine segment is a manufacturer of western pharmaceutical products through cooperation with foreign companies.

Any item that does not fall within 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>2020</u>			
Chinese Medicine	4,369,713	(2,157,969)	2,211,744
Western Medicine	1,645,029	(1,419,690)	225,339
Unallocated	588,910	(508,389)	80,521
Total	<u>6,603,652</u>	<u>(4,086,048)</u>	<u>2,517,604</u>
<u>2019</u>			
Chinese Medicine	4,845,374	(2,339,683)	2,505,691
Western Medicine	1,696,785	(1,417,236)	279,549
Unallocated	451,723	(355,469)	96,254
Total	<u>6,993,882</u>	<u>(4,112,388)</u>	<u>2,881,494</u>

Other than information disclosed above, no reconciliation of reportable segments' measures of profit or loss to the Group's profit or loss before tax is 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 People's Republic of China. As a result, segmental information by geographical areas is not meaningful.

The non-current assets of the Group are located in the People's Republic of China.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

35. RECONCILIATION TO PEOPLE'S REPUBLIC OF CHINA ACCOUNTING REGULATIONS

Differences between the financial statements prepared in accordance with IFRS and the People's Republic of China Accounting Regulations are as follows:

	As reported in the statutory financial statements prepared under People's Republic of China Accounting Regulations RMB'000	Reconciliation RMB'000	As reported in the financial statements prepared under IFRS RMB'000
Group			
<u>2020</u>			
<u>Current liabilities</u>			
Trade and other payables	1,905,691	(34,784) ^(a)	1,870,907
<u>Equity</u>			
Treasury shares	(34,784)	34,784 ^(a)	–
Share premium	1,365,283	(135,303) ^{(a) (b)}	1,229,980
Retained earnings	3,244,331	108,749 ^(b)	3,353,080
Other Reserve	459,935	26,556 ^{(a) (b)}	486,491
<u>2019</u>			
<u>Equity</u>			
Share capital	772,803	(3,930) ^(a)	768,873
Treasury shares	(28,296)	28,296 ^(a)	–
Share premium	1,348,737	(149,920) ^{(a) (b)}	1,198,817
Retained earnings	2,772,426	108,748 ^(b)	2,881,174
Other Reserve	522,504	16,806 ^{(a) (b)}	539,310
Company			
<u>2020</u>			
<u>Current liabilities</u>			
Trade and other payables	1,633,108	(34,784) ^(a)	1,598,324
<u>Equity</u>			
Treasury shares	(34,784)	34,784 ^(a)	–
Share premium	1,337,750	(107,770) ^{(a) (b)}	1,229,980
Retained earnings	3,247,987	31,000 ^(b)	3,278,987
Other Reserve	459,935	76,771 ^{(a) (b)}	536,706
<u>2019</u>			
Share capital	772,803	(3,930) ^(a)	768,873
Treasury shares	(28,296)	28,296 ^(a)	–
Share premium	1,321,204	(122,387) ^{(a) (b)}	1,198,817
Retained earnings	2,767,064	31,000 ^(b)	2,798,064
Other Reserve	522,504	67,021 ^{(a) (b)}	589,525

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

35. RECONCILIATION TO PEOPLE'S REPUBLIC OF CHINA ACCOUNTING REGULATIONS (CONT'D)

Above reconciliation are summarised below.

- (a) Difference in accounting treatments for 2020 Restricted A-Share Incentive Scheme prepared in accordance with IFRS and the People's Republic of China Accounting Regulations, whereas the People's Republic of China Accounting Regulations required the Company to recognise treasury shares based on its obligation on share buyback; and
- (b) Reclassification of 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 the reporting year.

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTE FOR SHAREHOLDERS:

This Notice of Annual General Meeting supersedes the version announced by the Company on 30 March 2021. The Company had previously given notice of the Annual General Meeting on 30 March 2021 in compliance with Article 69 of the Articles of Association of the Company and the listing rules of the Shanghai Stock Exchange which require the Company to issue a written notice 45 days in advance of a shareholders' meeting.

NOTICE IS HEREBY GIVEN that the annual general meeting ("**AGM**" or "**Annual General Meeting**") for the financial year ended 31 December 2020 ("**FY2020**") of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited will be held at the meeting room of Zhongxin Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the People's Republic of China 300193 on 17 May 2021 at 1:30 p.m. Concurrently, the AGM will be held by electronic means for holders of "S" shares ("**S-Shareholders**") in Singapore.

The agenda for the meeting shall be as follows:

1. To consider and approve the Chairman's Report for FY2020; (Resolution 1)
 2. To consider and approve the Board of Directors' Report for FY2020; (Resolution 2)
 3. To consider and approve the Supervisory Committee's Report for FY2020; (Resolution 3)
 4. To consider and approve the Financial Report and Audit Report for FY2020 audited by ShineWing Certified Public Accountants 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 FY2020; (Resolution 5)
- The Board has recommended to declare dividends of an aggregate amount of RMB232,092,922.80 on the basis of RMB3.0 for every 10 shares in the capital of the Company. The proposed dividend is payable in respect of 773,643,076 issued ordinary shares in the capital of the Company as at 31 December 2020.
6. To consider and approve the remuneration of S\$55,000 for independent director Mr. Wong Gang for FY2020; (Resolution 6)
 7. To consider and approve the remuneration of S\$32,100 for independent director Mr. Liew Yoke Pheng Joseph for FY2020 (specifically, for the period from 5 June 2020 to 31 December 2020); (Resolution 7)
 8. To consider and approve the remuneration of S\$25,000 for independent director Mr. Timothy Chen Teck-Leng for FY2020 (specifically, for the period from 1 January 2020 to 5 June 2020); (Resolution 8)
 9. To consider and approve the remuneration of RMB60,000 for independent director Mr. Qiang Zhiyuan for FY2020; (Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING

10. To consider and approve the aggregate remuneration for directors of the Company for FY2020; (Resolution 10)
11. To consider and approve the aggregate remuneration for members of the Supervisory Committee for FY2020; (Resolution 11)
12. To consider and approve the appointment of Ms. Li Qing as independent director of the Company; (Resolution 12)

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). 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. Information on Ms. Li Qing as required under Appendix 7.4.1 of the listing manual of the Singapore Exchange Securities Trading Limited is set out in the section entitled "Corporate Governance Statement" of the Company's annual report for FY2020 ("**Annual Report 2020**").

13. To consider and approve the renewal of the shareholders' mandate for the interested person transactions; (Resolution 13)
 - (a) such approval given in the shareholders' mandate for the interested person transactions ("**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 be and 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.
14. To consider and approve the proposed line of credit granted to the Company of up to an aggregate limit of RMB6,980,000,000; (Resolution 14)

NOTICE OF ANNUAL GENERAL MEETING

15. To consider and approve the proposed re-appointment of ShineWing Certified Public Accountants as PRC auditors of the Company for the financial year ending 31 December 2021 (“FY2021”), re-appointment of RSM Chio Lim LLP as international auditors of the Company for FY2021, and to authorise the Board to determine their remuneration. (Resolution 15)

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.”

By Order of the Board

Jiao Yan
Secretary to the Board of Directors
30 April 2021

Notes:

1. The AGM will be held by electronic means for S-Shareholders in Singapore pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this revised notice of AGM (“**Notice of AGM**”) dated 30 April 2021 and the proxy form (“**Proxy Form**”) have been, or will be, sent to S-Shareholders. The revised Notice of AGM dated 30 April 2021 and the Proxy Form will also be made available on the SGXNET and the Company’s website at <http://www.zhongxinp.com/>.
2. Alternative arrangements relating to attendance by S-Shareholders at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed by S-Shareholders via “live” audio-and-video webcast or “live” audio-only stream), submission of questions by S-Shareholders to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at AGM and voting by S-Shareholders by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Company’s announcement dated 30 April 2021 (the “**Announcement**”). The printed copy of the Announcement will **not** be sent to S-Shareholders. Instead, the Announcement will be sent to S-Shareholders by electronic means via publication on the SGXNET and on the Company’s website at <http://www.zhongxinp.com/>. For the avoidance of doubt, the Announcement is circulated together with and forms part of the revised Notice of AGM in respect of the AGM.
3. **Due to the current Covid-19 restriction orders in Singapore and in consideration of the well-being of the S-Shareholders, a S-Shareholder will not be able to attend the AGM in person. A S-Shareholder will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A S-Shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such S-Shareholder wishes to exercise his/her/its voting rights at the AGM. The Chairman of the AGM, as proxy, need not be a member of the Company.**
4. Where a S-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 respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
5. 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 appoint the Chairman of the AGM as proxy should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least 7 working days before the AGM.

NOTICE OF ANNUAL GENERAL MEETING

6. The Proxy Form is not valid for use by investors holding shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) ("Investors"), CPF Investors and SRS Investors, and shall be ineffective for all intents and purposes if used or purported to be used by any of them. An Investor (other than CPF Investors and SRS Investors) who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions.
7. The instrument appointing the Chairman of the AGM as proxy must be submitted 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 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; 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 15 May 2021**.

A S-Shareholder who wishes to submit an instrument of proxy must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. If the S-Shareholder is a corporation, the instrument of proxy appointing the Chairman of the AGM as proxy must be executed under seal or the hand of its duly authorised officer or attorney.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for S-Shareholders to submit completed Proxy Forms by post, the Company strongly encourages S-Shareholders to submit completed Proxy Forms electronically via email.

8. A holder of shares entitled to attend and vote at the AGM (other than S-Shareholders) is entitled to appoint one or more persons (who need not also be shareholders) to act as their proxies to attend and vote on their behalf.

If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
9. S-Shareholders and investors will not be able to ask questions "live" during the broadcast of this AGM. All S-Shareholders and investors may submit questions relating to the business of this AGM by **5 p.m. on 14 May 2021**:
 - (a) via the pre-registration website at <https://bit.ly/TJZX2021AGM>;
 - (b) by email to zxxy600329@163.com; or
 - (c) by post to the Company's "S" Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult to submit questions by post, S-Shareholders and investors are strongly encouraged to submit their questions via the pre-registration website or by email. The Company will endeavour to answer all substantial and relevant questions prior to, or at this AGM.

10. All documents (including the Annual Report 2020, this revised Notice of AGM, the appendices to this revised Notice of AGM and the Proxy Form) or information relating to the business of this AGM have been, or will be, sent to S-Shareholders. In addition, these documents will also be published on SGXNET and the Company's website at <http://www.zhongxinp.com/>. S-Shareholders and investors are advised to check SGXNET and/or the Company's website regularly for updates.
11. **Personal Data Privacy:** Where a S-Shareholder of the Company submits (a) an application to pre-register to participate in the AGM via electronic means, (b) questions relating to the resolutions to be tabled for approval at the AGM, and/or (c) the proxy form appointing the Chairman of the AGM to attend, speak and vote at the AGM and/or any adjournment thereof, such S-Shareholder (i) consents to the collection, use and disclosure of such S-Shareholder's personal data by the Company (or its agents or service providers) for the purposes of (1) processing his/her/its application to pre-register to participate in the AGM via electronic means and providing him/her/it with any technical assistance where possible, (2) addressing any selected questions submitted by him/her/it and following up with him/her/it where necessary, (3) processing, administration, analysis and facilitation by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM (including any adjournment thereof), and (4) the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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, and (ii) agrees that he/she/it will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of his/her/its action or omission.

NOTICE OF ANNUAL GENERAL MEETING

12. Pursuant to the Company's Articles of Association, a holder of tradable domestic 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. A holder of "S" shares must be registered in the shareholder name list or in the Depository Register 48 hours before the appointed time for holding the AGM.
13. A holder of tradable domestic shares with limiting conditions for sale who is planning to attend the AGM must give a written notice to the Company no later than 21 April 2021.
14. 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 proxy in connection with his/her attendance at the AGM shall be borne by that shareholder.
15. As the COVID-19 situation continues to evolve, the Company may be required to change our arrangements in Singapore at short notice. S-Shareholders should check SGXNET and/or our corporate website at <http://www.zhongxinp.com/> for the latest updates on the status of the AGM.
16. The Company thanks all members for their understanding and cooperation to hold the AGM in line with appropriate safe distancing measures amidst the COVID-19 pandemic.

PROXY FORM

TIANJIN ZHONGXIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Incorporated in the People's Republic of China)

(Company Registration No.: 91120000103100784F)

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT

1. The AGM (as defined below) will be held by electronic means for holders of "S" shares ("**S-Shareholders**") in Singapore pursuant to the COVID-19 [Temporary Measures] [Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders] Order 2020. Printed copies of the revised notice of AGM ("**Notice of AGM**") dated 30 April 2021 and this Proxy Form have been, or will be, sent to S-Shareholders. The revised Notice of AGM dated 30 April 2021 and this Proxy Form will also be made available on the SGXNET and the Company's website at <http://www.zhongxinp.com/>.
2. Alternative arrangements relating to attendance by S-Shareholders at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed by S-Shareholders via "live" audio-and-video webcast or "live" audio-only stream), submission of questions by S-Shareholders to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at AGM and voting by S-Shareholders by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Company's announcement dated 30 April 2021 (the "**Announcement**"). The printed copy of the Announcement will not be sent to S-Shareholders. Instead, the Announcement will be sent to S-Shareholders by electronic means via publication on the SGXNet and on the Company's website at <http://www.zhongxinp.com/>. For the avoidance of doubt, the Announcement is circulated together with and forms part of the revised Notice of AGM in respect of the AGM.
3. **Due to the current Covid-19 restriction orders in Singapore and in consideration of the well-being of the S-Shareholders, a S-Shareholder will not be able to attend the AGM in person. A S-Shareholder will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A S-Shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such S-Shareholder wishes to exercise his/her/its voting rights at the AGM. The Chairman of the AGM, as proxy, need not be a member of the Company.**
4. Where a S-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 respect of a resolution in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
5. 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 appoint the Chairman of the AGM as proxy should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least 7 working days before the AGM.
6. This proxy form is not valid for use by investors holding shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) ("**Investors**"), CPF Investors and SRS Investors, and shall be ineffective for all intents and purposes if used or purported to be used by any of them. An Investor (other than CPF Investors and SRS Investors) who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions.
7. Personal Data Privacy: By submitting this Proxy Form, the member accepts and agrees to the personal data privacy terms set out in the Company's revised Notice of AGM dated 30 April 2021.
8. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

PROXY FORM

TIANJIN ZHONGXIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Incorporated in the People's Republic of China)

(Company Registration No.: 91120000103100784F)

ANNUAL GENERAL MEETING PROXY FORM

(You are advised to read the notes below before completing this form)

*I/We, _____ (Name) with NRIC/Passport/
Company Registration Number _____ of
_____ (Address)

being a member/members* of Tianjin Zhongxin Pharmaceutical Group Corporation Limited (the "**Company**"), hereby appoint the **Chairman of the Annual General Meeting** ("**AGM**" or "**Annual General Meeting**") as my/our* proxy to attend, speak and vote for me/us* on my/our* behalf at the AGM of the Company to be held at the meeting room of Zhongxin Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the People's Republic of China 300193 (concurrently, the AGM will be held by way of electronic means for S-Shareholders (as defined herein) in Singapore) on 17 May 2021 at 1.30 p.m. and at any adjournment thereof. I/We* direct the Chairman of the AGM to vote for, against or to abstain from voting the Resolutions proposed at the AGM as indicated hereunder.

(If you wish to exercise all your votes "For", "Against" or to "Abstain" from voting, please indicate 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. 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.)

No.	Resolutions relating to:	For	Against	Abstain
1.	To consider and approve the Chairman's Report for the financial year ended 31 December 2020 (" FY2020 ").			
2.	To consider and approve the Board of Directors' Report for FY2020.			
3.	To consider and approve the Supervisory Committee's Report for FY2020.			
4.	To consider and approve the Financial Report and Audit Report for FY2020 audited by ShineWing Certified Public Accountants 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 FY2020. The Board has recommended to declare dividends of an aggregate amount of RMB232,092,922.80 on the basis of RMB3.0 for every 10 shares in the capital of the Company. The proposed dividend is payable in respect of 773,643,076 issued ordinary shares in the capital of the Company as at 31 December 2020.			

PROXY FORM

No.	Resolutions relating to:	For	Against	Abstain
6.	To consider and approve the remuneration of S\$55,000 for independent director Mr. Wong Gang for FY2020.			
7.	To consider and approve the remuneration of S\$32,100 for independent director Mr. Liew Yoke Pheng Joseph for FY2020 (specifically, for the period from 5 June 2020 to 31 December 2020).			
8.	To consider and approve the remuneration of S\$25,000 for independent director Mr. Timothy Chen Teck-Leng for FY2020 (specifically, for the period from 1 January 2020 to 5 June 2020).			
9.	To consider and approve the remuneration of RMB60,000 for independent director Mr. Qiang Zhi Yuan for FY2020.			
10.	To consider and approve the aggregate remuneration for directors of the Company for FY2020.			
11.	To consider and approve the aggregate remuneration for members of the Supervisory Committee for FY2020.			
12.	To consider and approve the appointment of Ms. Li Qing as independent director of the Company.			
13.	<p>To consider and approve the renewal of the shareholders' mandate for the interested person transactions.</p> <p>(a) such approval given in the shareholders' mandate for the interested person transactions ("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</p> <p>(b) the Directors and/or any of them be and 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.</p>			
14.	To consider and approve the proposed line of credit granted to the Company of up to an aggregate limit of RMB6,980,000,000.			
15.	To consider and approve the proposed re-appointment of ShineWing Certified Public Accountants as PRC auditors of the Company for the financial year ending 31 December 2021 (" FY2021 "), re-appointment of RSM Chio Lim LLP as international auditors of the Company for FY2021, and to authorise the Board to determine their remuneration.			

PROXY FORM

No.	Resolutions relating to:	For	Against	Abstain
	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."			

Dated this _____ day of _____ 2021

Total number of Shares held 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

Notes:

- 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, Chapter 289 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.
- A member entitled to attend and vote at the AGM (other than holders of "S" shares in the Company ("S-Shareholders")) is entitled to appoint one or more persons (who need not also be shareholders) to act as his/her proxies to attend and vote on his/her behalf. Where a member appoints more than one proxy, the appointment shall be deemed to be alternative unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- Due to the current Covid-19 restriction orders in Singapore and in consideration of the well-being of the S-Shareholders, a S-Shareholder will not be able to attend the AGM in person. A S-Shareholder will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A S-Shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such S-Shareholder wishes to exercise his/her/its voting rights at the AGM. The Chairman of the AGM, as proxy, need not be a member of the Company.**

Where a S-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 respect of a resolution in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

PROXY FORM

CPF Investors or SRS Investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the date of the AGM.

This proxy form is not valid for use by investors holding shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) ("**Investors**"), CPF Investors and SRS Investors, and shall be ineffective for all intents and purposes if used or purported to be used by any of them. An Investor (other than CPF Investors and SRS Investors) who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions.

4. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:
 - (i) if submitted by post, be lodged with the Company's "S" Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
 - (ii) 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 15 May 2021**.

A S-Shareholder who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for S-Shareholders to submit completed proxy forms by post, the Company strongly encourages S-Shareholders to submit completed proxy forms electronically via email.

5. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in such instrument.
6. In the case of members whose Shares are deposited with The Central Depository (Pte) Limited ("**CDP**"), the Company shall be entitled to reject any instrument appointing a proxy or proxies that was lodged if such members are not shown to have Shares entered against their names in the Depository Register as at forty-eight (48) hours before the time appointed for holding the AGM as certified by CDP to the Company.
7. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
8. Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Company's revised Notice of the AGM dated 30 April 2021

INFORMATION ON SHAREHOLDING

Registered Capital: Rmb 773,643,076

Class of Shares: Ordinary shares of Rmb1.00 each (of which 573,643,076 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 2021

Range of Shareholdings	No. Of		No. Of Shares	
	Shareholders	%		%
1 – 99	2	0.08	15	0.00
100 – 1,000	87	3.45	63,838	0.03
1,001 – 10,000	1,578	62.52	8,145,662	4.07
10,001 – 1,000,000	835	33.08	42,973,267	21.49
1,000,001 AND ABOVE	22	0.87	148,817,218	74.41
Total	2,524	100.00	200,000,000	100.00

Foreign Substantial Shareholders as at 31 March 2021

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 25.85%, and the Company hereby confirms that Rule 723 has been complied with.

Domestic Substantial Shareholders as at 31 March 2021

Name	Direct Interests		Deemed Interests	
	No. of Shares	%	No. of Shares	%
TPH	325,855,528	42.12	5,265,000 ⁽¹⁾	0.68

Note:

(1) Pursuant to Section 4 of the Securities and Futures Act (Chapter 289) 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 2021

	Name	No. Of Shares	%
1	PHILLIP SECURITIES PTE LTD	29,223,378	14.61
2	ABN AMRO CLEARING BANK N.V.	22,237,900	11.12
3	RAFFLES NOMINEES(PTE) LIMITED	21,594,300	10.80
4	DBS NOMINEES PTE LTD	17,203,840	8.60
5	CITIBANK NOMS SPORE PTE LTD	10,297,000	5.15
6	OCBC SECURITIES PRIVATE LTD	7,655,600	3.83
7	HSBC (SINGAPORE) NOMINEES PTE LTD	4,946,900	2.47
8	LU ZU LIANG	4,766,200	2.38
9	TAN TOH HEAH OR TAN SWEE TECK MICHAEL	3,840,000	1.92
10	DBS VICKERS SECURITIES (S) PTE LTD	3,436,200	1.72
11	BANK OF CHINA NOMINEES PTE LTD	3,139,600	1.57
12	UOB KAY HIAN PTE LTD	3,049,200	1.52
13	DB NOMINEES (SINGAPORE) PTE LTD	2,700,400	1.35
14	MAYBANK KIM ENG SECURITIES PTE.LTD	2,189,500	1.09
15	MORGAN STANLEY ASIA (S) SEC PTE LTD	2,173,600	1.09
16	KUEK SIAW KIA @ QUEK SHIEW POH	1,998,100	1.00
17	FOO SANG POH	1,687,000	0.84
18	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,548,300	0.77
19	NG HAK HONG	1,485,200	0.74
20	TAN SWEE TECK MICHAEL	1,420,000	0.71
	Total	146,592,218	73.28

THIS ANNEXURE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Annexure is issued by 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 correctness of any of the statements made, reports contained or opinions expressed in this Annexure.



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

in relation to

PROPOSED RENEWAL OF MANDATE FOR INTERESTED PERSON TRANSACTIONS

CONTENTS

DEFINITIONS	167
1. INTRODUCTION	172
2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS.....	173
3. DIRECTORS' RESPONSIBILITY STATEMENT	174
4. DOCUMENTS FOR INSPECTION.....	174
APPENDIX A.....	175

DEFINITIONS

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

<i>"2021 AGM"</i>	:	The annual general meeting of the Company to be held on 17 May 2021
<i>"A Shares"</i>	:	The Shares which are listed on the SSE
<i>"AGM"</i>	:	An annual general meeting of the Company
<i>"Annexure"</i>	:	This Annexure to Shareholders dated 30 April 2021
<i>"Articles" or "Articles of Association"</i>	:	The articles of association of the Company, as amended, supplemented and/or modified from time to time
<i>"associate"</i>	:	<p>(a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:</p> <ul style="list-style-type: none"> (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more; <p>(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</p>
<i>"Associated Company"</i>	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group
<i>"Audit Committee"</i>	:	The audit committee of the Company for the time being

<i>“Board” or “Board of Directors”</i>	:	The board of directors of the Company for the time being
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Company”</i>	:	Tianjin Zhong Xin Pharmaceutical Group Corporation Limited
<i>“Controlling Shareholder”</i>	:	A person who: <ul style="list-style-type: none"> (i) holds directly or indirectly fifteen per cent. (15%) or more of the total voting rights in the Company; 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>“Group”</i>	:	The Company, its Subsidiaries and Associated Companies
<i>“FY” or “Financial Year”</i>	:	Financial year ended or, as the case may be, ending 31 December
<i>“FY2020”</i>	:	Financial year ended 31 December 2020
<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
<i>“Interested Person Transaction” or “IPT”</i>	:	A transaction proposed to be entered into between the Group or any of its Subsidiaries or target Associated Companies with interested persons as defined under Chapter 9 of the Listing Manual
<i>“Latest Practicable Date”</i>	:	The latest practicable date prior to the despatch of this Annexure, being 17 April 2021
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST, as amended, modified and/or supplemented from time to time
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading of securities
<i>“Non-Interested Directors”</i>	:	The directors that are deemed independent for the purposes of making the recommendation in paragraph 2.10 of Appendix A of this Annexure, namely, all the Directors except Mr. Zhang Ping and Mr. Tang Tiejun

<i>“Notice of AGM”</i>	:	Notice of the 2021 AGM given on 30 March 2021
<i>“NTA”</i>	:	Net tangible assets
<i>“PRC”</i>	:	People’s Republic of China
<i>“Proposed Renewal”</i>	:	Has the meaning ascribed to it in Section 1.2 of this Annexure
<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>	:	The Shares which are listed on the Official List of the SGX-ST
<i>“S Shares Chain Offer”</i>	:	The mandatory conditional cash offer by DBS Bank Ltd. and Bank of China Limited, Singapore Branch, for and on behalf of Tianjin Pharmaceutical (Singapore) International Investment Pte. Ltd., to acquire all the S Shares (other than those already owned, controlled or agreed to be acquired by Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司), Tianjin Pharmaceutical (Singapore) International Investment Pte. Ltd. and TPH) in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers, on the terms and subject to the conditions set out in the offer document dated 26 March 2021 issued by DBS Bank Ltd. and Bank of China Limited, Singapore Branch, for and on behalf of Tianjin Pharmaceutical (Singapore) International Investment Pte. Ltd.
<i>“Scheme”</i>	:	The “2019 Restricted A-Share Incentive Scheme” (2019年A股限制性股票计划)
<i>“securities accounts”</i>	:	The securities accounts maintained with CDP, but not including the securities accounts maintained with a Depository Agent
<i>“SFA”</i>	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended, supplemented and/or modified from time to time
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Shareholders”</i>	:	Registered holders of Shares 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

<i>"Shareholders' Mandate"</i>	:	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
<i>"Shares"</i>	:	The ordinary shares in the capital of the Company, including S Shares and A Shares
<i>"SSE"</i>	:	Shanghai Stock Exchange
<i>"Subsidiaries"</i>	:	The subsidiaries of the Company, and <i>"Subsidiary"</i> shall be constructed accordingly
<i>"Substantial Shareholder"</i>	:	A person who has an interest or interests in one (1) or more voting Shares (excluding treasury shares) in the Company, and the total votes attached to that Share, or those Shares, represent not less than five per cent. (5.0%) of the total votes attached to all the voting Shares (excluding treasury shares) in the Company
<i>"TPH"</i>	:	Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司)
<i>"TPH Group"</i>	:	TPH and its subsidiaries and associated companies
<i>"TPH Sales and Marketing Branch Office"</i>	:	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
<i>"TYPs"</i>	:	Tianjin Yiyao Printing Services Company Limited (天津宜药印务有限公司) (formerly known as Tianjin Medicinal Products Packaging and Printing Company)
<i>"Unrelated Parties Discount"</i>	:	Has the meaning ascribed to it in paragraph 2.3.2 of Appendix A of this Annexure
<i>"%" or "per cent."</i>	:	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 Circular is a reference to Singapore time.

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

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Incorporated in the People's Republic of China)

(Company Registration No.: 91120000103100784F)

Board of Directors

Mr. Li Liquan (Chairman)
 Ms. Li Yan (Executive Director)
 Mr. Wang Mai (Executive Director)
 Mr. Zhou Hong (Executive Director)
 Mr. Zhang Ping (Non-Executive and Non-Independent Director)
 Mr. Tang Tiejun (Non-Executive and Non-Independent Director)
 Mr. Qiang Zhiyuan (Lead Independent and Non-Executive Director)
 Mr. Wong Gang (Independent and Non-Executive Director)
 Mr. Liew Yoke Pheng Joseph (Independent and Non-Executive Director)

Registered Office

17 Baidi Road,
 Nankai District,
 Tianjin, the PRC

30 April 2021

To: The Shareholders of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited

Dear Sir/Madam

1. INTRODUCTION

- 1.1 The Company has issued a notice of the 2021 AGM on 30 March 2021 (the “**Notice of AGM**”).
- 1.2 Resolution 13 in the Notice of AGM relates to the renewal of the general mandate for Interested Persons Transactions (the “**Proposed Renewal**”) to authorise the Group 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 AGM to be held on 17 May 2021.

2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**2.1 Directors' and Substantial Shareholders' interests in Shares**

The details of the Directors' and Substantial Shareholders' interest in the Shares as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
	No of Shares	% ⁽¹⁾	No of Shares	% ⁽¹⁾
Directors				
Li Liquan	7,000 ⁽²⁾	0.009	–	–
Li Yan	7,000 ⁽²⁾	0.009	–	–
Wang Mai	7,000 ⁽²⁾	0.009	–	–
Zhou Hong	7,000 ⁽²⁾	0.009	–	–
Zhang Ping	–	–	–	–
Tang Tiejun	–	–	–	–
Qiang Zhiyuan	–	–	–	–
Wong Gang	–	–	–	–
Liew Yoke Pheng Joseph	–	–	–	–
Substantial Shareholders				
TPH	325,855,528	42.12	5,265,000 ⁽³⁾	0.68

Notes:

(1) Based on the total issued share capital of 773,643,076 Shares as at the Latest Practicable Date.

(2) These are the Restricted A Shares granted 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. For the avoidance of doubt, any acceptances of the S Shares Chain Offer on or prior to the Latest Practicable Date will not and have not been included in this disclosure.

- 2.2 TPH will abstain, and has undertaken to ensure that its respective associates will abstain, from voting at the 2021 AGM, in respect of the Shares held by them respectively, on Resolution 13 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 2021 AGM in respect of Resolution 13, unless specific instructions have been given in the proxy instrument on how the relevant Shareholders wish their votes to be cast for Resolution 13.
- 2.3 Each of Mr. Zhang Ping and Mr. Tang Tiejun is a key management personnel in TPH. Accordingly, they will abstain from making any recommendation to Shareholders on the Proposed Renewal.
- 2.4 Save as disclosed in this Annexure, none of the Directors or Substantial Shareholders has any interest in the Proposed Renewal.

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, during normal business hours from the date of this Annexure up to and including the date of the 2021 AGM:

- (a) the Articles of Association of the Company; and
- (b) the Annual Report of the Company for FY2020.

Yours faithfully

For and on behalf of the Directors

Li Liquan

Tianjin Zhong Xin Pharmaceutical Group Corporation Limited

APPENDIX A

THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR TRANSACTIONS WITH INTERESTED PERSONS OF THE COMPANY

1. INTRODUCTION

TPH holds approximately 42.80% 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 annual general meeting held on 5 June 2020, 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 2021 AGM, in order to authorise the Group 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 are detailed on page 20 of the Company's annual report for FY2020.

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

- (a) the value of such transaction is equal to or exceeds 5% of the Group's latest audited NTA; or

- (b) the value of such transaction with interested persons when aggregated with the values of other transactions previously entered into with the same interested person during the same financial year, equals to or exceeds 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 Listing Rule 909, the value of a transaction is the amount at risk to the issuer. This is illustrated by the following examples:

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

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 42.80% shareholdings in the Company as at the Latest Practicable Date;
- (b) Wholly-owned subsidiaries of TPH 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.); and
 - (iii) Tianjin Haoda Medical Device Co., Ltd. (天津市浩达医疗器械有限公司).
- (c) Tianjin Yiyao Printing Services Company Limited (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 as at the Latest Practicable Date;
- (d) Tianjin Lisheng Pharmaceutical Co. Ltd (天津力生制药股份有限公司), which is 51.36% owned by TPH as at the Latest Practicable Date;
- (e) Tianjin Central Pharmaceutical Co., Ltd. (天津市中央药业有限公司), which is 51.36% owned by TPH as at the Latest Practicable Date;
- (f) 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 as at the Latest Practicable Date;
- (g) Tianjin Taiping Zhenhua Pharmacy Co., Ltd. (天津太平振华大药房有限公司), which is 100% owned by TPH as at the Latest Practicable Date;
- (h) Tianjin Taiping Jizhou Pharmaceutical Co., Ltd. (天津市蓟州太平医药有限公司), which is 100% owned by TPH as at the Latest Practicable Date;
- (i) Tianjin Taiping Ninghe District Pharmaceutical Co., Ltd. (天津市宁河区太平医药有限公司), which is 100% owned by TPH as at the Latest Practicable Date;
- (j) Tianjin Jincao Pharmaceutical Co., Ltd. (天津市金草药业有限公司), which is 100% owned by TPH as at the Latest Practicable Date;
- (k) Tianjin Jincao Guoyao Investment Co., Ltd. (天津金草国药投资有限公司), which is 50% owned by TPH as at the Latest Practicable Date;

- (l) Tianjin Meiyin Nutritional Supplement Co., Ltd. (天津美饮保健食品有限公司), which is 50% owned by TPH as at the Latest Practicable Date;
- (m) 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), which is 100% owned by TPH as at the Latest Practicable Date;
- (n) Tianjin Medical Apparatus and Instruments Factory Co., Ltd. (天津市医疗器械厂有限公司), which is 100% owned by TPH as at the Latest Practicable Date;
- (o) 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), which is 100% owned by TPH as at the Latest Practicable Date;
- (p) Tianjin Zhong Jian Ai and Medical Technology Co., Ltd. (天津众健爱和医疗科技有限公司), which is 100% owned by TPH as at the Latest Practicable Date;
- (q) 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 as at the Latest Practicable Date;
- (r) Tianjin Yiyao Medicine Co., Ltd. (天津市谊耀药业有限公司), which is 100% owned by TPH as at the Latest Practicable Date;
- (s) Tianjin Traditional Chinese Medicine Machinery Co., Ltd. (天津市中药机械厂有限公司), which is 100% owned by TPH as at the Latest Practicable Date;
- (t) Tianjin Taiping Xinhua Medical Apparatus and Instruments Co., Ltd. (天津太平新华医疗器械有限公司), which is 100% owned by TPH as at the Latest Practicable Date;
- (u) 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), which is 100% owned by TPH as at the Latest Practicable Date;
- (v) Tianjin Pharmaceutical Research Institute Co., Ltd. (天津药物研究院有限公司), which is 35% owned by TPH as at the Latest Practicable Date;
- (w) 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 as at the Latest Practicable Date;
- (x) Tianjin Jinyao Pharmaceutical Co., Ltd. (天津金耀药业有限公司), which is 81% owned by TPH as at the Latest Practicable Date;
- (y) Tianjin Tianyao Pharmaceutical Co., Ltd. (天津天药药业股份有限公司), which is 50.37% owned by TPH as at the Latest Practicable Date;
- (z) Tianjin Tianyao Pharmaceutical Technology Co., Ltd. (天津天药医药科技有限公司), which is 62% owned by TPH as at the Latest Practicable Date;

- (aa) 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 as at the Latest Practicable Date;
- (bb) Tianjin Jinyao Logistics Co., Ltd. (天津金耀物流有限公司), which is 62% owned by TPH as at the Latest Practicable Date;
- (cc) Tianjin Wanning Health Products Co., Ltd. (天津万宁保健品有限公司), which is 91.19% owned by TPH as at the Latest Practicable Date; and
- (dd) Tianjin Jinyao Amino Acid Co., Ltd. (天津金耀氨基酸有限公司), which is 62% owned by TPH as at the Latest Practicable Date.

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 2022:

- (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);
- (b) Tianjin Jinyao Pharmaceutical Co., Ltd. (天津金耀药业有限公司); and
- (c) Tianjin Gesibao Medicine Industry Co., Ltd. (天津格斯宝药业有限公司)⁽¹⁾.

The terms of these contracts⁽²⁾ 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 2021 AGM or any subsequent renewal.

Note:

(1) Tianjin Gesibao Medicine Industry Co., Ltd. (天津格斯宝药业有限公司) is no longer an Interested Person as at the Latest Practicable Date.

(2) 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 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 29 January 2019 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 2022:

- (a) Tianjin Pharmaceutical Group Taiping Medicine Co., Ltd. (天津医药集团太平医药有限公司);
- (b) Tianjin Taiping Zhenhua Pharmacy Co., Ltd. (天津太平振华大药房有限公司);

- (c) Tianjin Taiping Jizhou Pharmaceutical Co., Ltd. (天津市蓟州太平医药有限公司);
- (d) Tianjin Taiping Ninghe District Pharmaceutical Co., Ltd. (天津市宁河区太平医药有限公司);
- (e) Tianjin Taiping Longlong Pharmaceutical Co., Ltd. (天津太平龙隆医药有限公司)⁽³⁾;
- (f) Tianjin Taiping Xiangyun Pharmaceutical Co., Ltd. (天津市太平祥云医药有限公司);
- (g) Tianjin Jincao Pharmaceutical Co., Ltd. (天津市金草药业有限公司);
- (h) Tianjin Jincao Guoyao Investment Co., Ltd. (天津金草国药投资有限公司);
- (i) Tianjin Meiyin Nutritional Supplement Co., Ltd. (天津美饮保健食品有限公司);
- (j) 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);
- (k) Tianjin Haoda Medical Device Co., Ltd. (天津市浩达医疗器械有限公司);
- (l) Tianjin Pharmaceutical Clean Air Testing Center Co., Ltd. (天津市医药空气洁净检测中心有限公司)⁽⁴⁾;
- (m) Tianjin Medical Apparatus and Instruments Factory Co., Ltd. (天津市医疗器械厂有限公司);
- (n) 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);
- (o) Tianjin Hana Good Medical Materials Co., Ltd. (天津哈娜好医材有限公司)⁽⁵⁾;
- (p) Tianjin Zhong Jian Ai and Medical Technology Co., Ltd. (天津众健爱和医疗科技有限公司);
- (q) 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);
- (r) Tianjin Pharmaceutical Group Hongze Medicine Co., Ltd. (天津医药集团泓泽医药有限公司)⁽⁶⁾;
- (s) Hebei De Ze Long Pharmaceutical Co., Ltd. (河北德泽龙医药有限公司);
- (t) Tianjin Yiyao Medicine Co., Ltd. (天津市谊耀药业有限公司);
- (u) Tianjin Traditional Chinese Medicine Machinery Co., Ltd. (天津市中药机械厂有限公司);
- (v) Tianjin Taiping Xinhua Medical Apparatus and Instruments Co., Ltd. (天津太平新华医疗器械有限公司);
- (w) 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);
- (x) Tianjin Lisheng Pharmaceutical Co. Ltd. (天津力生制药股份有限公司);
- (y) Tianjin Central Pharmaceutical Co., Ltd. (天津市中央药业有限公司);

- (z) Tianjin Pharmaceutical Research Institute Co., Ltd. (天津药物研究院有限公司);
- (aa) Tianjin Institute Of Pharmaceutical Research Medicine Co., Ltd. (天津药物研究院药业有限责任公司);
- (bb) Tianjin Jinyao Pharmaceutical Co., Ltd. (天津金耀药业有限公司);
- (cc) Tianjin Tianyao Pharmaceutical Co., Ltd. (天津天药药业股份有限公司);
- (dd) Tianjin Tianyao Pharmaceutical Technology Co., Ltd. (天津天药医药科技有限公司);
- (ee) Tianjin Jinyao Group Sales Co., Ltd. (天津金耀集团天药销售有限公司);
- (ff) Tianjin Jinyao Logistics Co., Ltd. (天津金耀物流有限公司);
- (gg) Tianjin Wanning Health Products Co., Ltd. (天津万宁保健品有限公司);
- (hh) Tianjin Jinyao Amino Acid Co., Ltd. (天津金耀氨基酸有限公司); and
- (ii) Tianjin Tianan Pharmaceutical Co., Ltd. (天津天安药业股份有限公司)⁽⁷⁾.

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 2021 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 the wholesalers (including the Group's Interested Persons); and (b) purchases medicinal products under other brands from distributors and in turn on-sells these to other wholesalers (including the Group's Interested Persons).

Accordingly, the Group may produce and sell medicinal products under its own house brand to the Group's Interested Persons and/or third parties. On the other hand, the Group may also purchase medicinal products from the Group's 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 no 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 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 29 January 2019 for further details on these contracts.

- (3) Tianjin Taiping Longlong Pharmaceutical Co., Ltd. (天津太平龙隆医药有限公司) is no longer an Interested Person as at the Latest Practicable Date.
- (4) Tianjin Pharmaceutical Clean Air Testing Center Co., Ltd. (天津市医药空气洁净检测中心有限公司) is no longer an Interested Person as at the Latest Practicable Date.
- (5) Tianjin Hana Good Medical Materials Co., Ltd. (天津哈娜好医材有限公司) is no longer an Interested Person as at the Latest Practicable Date.
- (6) Tianjin Pharmaceutical Group Hongze Medicine Co., Ltd. (天津医药集团泓泽医药有限公司) is no longer an Interested Person as at the Latest Practicable Date.
- (7) Tianjin Tianan Pharmaceutical Co., Ltd. (天津天安药业股份有限公司) is no longer an Interested Person as at the Latest Practicable Date.

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 2022. 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 2021 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 29 January 2019 for further details on these contracts.

2.4 Rationale for and Benefits of the Shareholders' Mandate

The Shareholders' Mandate will give the Company 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 Company 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 Company 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, 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 of 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 of 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 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 Section 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 2021 AGM, the Shareholders' Mandate will take effect from the date of the passing of the resolution to be proposed at the 2021 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 have not changed since the last Shareholders' approval granted on 5 June 2020; and
- (b) the review procedures for the Interested Person Transactions concerning the TPH Group 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 revert to Shareholders for a fresh mandate 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 Non-Interested 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 13 (as set out in the Notice of AGM) relating to the proposed renewal of the Shareholders' Mandate.

The Non-Interested 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 Non-Interested 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 42.80% 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 2021 AGM in respect of the ordinary 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 2021 AGM in respect of the aforesaid ordinary 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.

SUSTAINABILITY REPORTING

Zhong Xin Pharmaceutical 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 FY2020 can be found in the Tianjin Zhong Xin Pharmaceutical Group's 2020 Sustainability Report which will be published in May 2021.



中新药业
ZHONGXIN PHARMACEUTICALS

**TIANJIN ZHONG XIN PHARMACEUTICAL
GROUP CORPORATION LIMITED**

17 Baidi Road, Nankai District,
Tianjin, PRC