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TIANJIN PHARMACEUTICAL DA REN TANG
GROUP CORPORATION LIMITED

ENGAGING THE FUTURE WITH CONFIDENCE

2023 ANNUAL REPORT

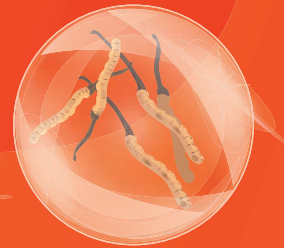
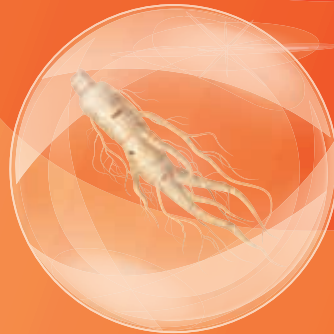
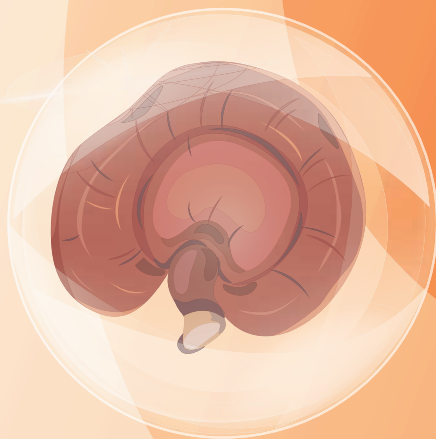


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CORPORATE INFORMATION

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

AUDITORS:

<i>PRC Auditors:</i>	CAC Certified Public Accountants LLP
<i>International Auditors:</i>	Foo Kon Tan LLP HLB Singapore

BOARD OF DIRECTORS:

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

SUPERVISORY COMMITTEE:

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

SENIOR EXECUTIVES:

<i>General Manager:</i>	Ms. Wang Lei
<i>Deputy General Manager and Chief Engineer:</i>	Mr. Zhou Hong
<i>Chief Production Officer (CPO):</i>	Mr. Zhang Yu
<i>Chief Financial Officer (CFO):</i>	Mr. Ma Jian

AUDIT COMMITTEE:

<i>Chairman:</i>	Mr. Liew Yoke Pheng Joseph
<i>Members:</i>	Ms. Li Qing, Mr. Yeo Guat Kwang

STRATEGY COMMITTEE:

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

NOMINATION COMMITTEE:

<i>Chairman:</i>	Ms. Li Qing
<i>Members:</i>	Mr. Yeo Guat Kwang, Mr. Guo Min

REMUNERATION COMMITTEE:

<i>Chairman:</i>	Mr. Yeo Guat Kwang
<i>Members:</i>	Mr. Liew Yoke Pheng Joseph, Ms. Mao Weiwen

BRIEF INTRODUCTION OF THE COMPANY

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



With green Chinese traditional medicine as its core business, Da Ren Tang Group is equipped with a complete industry chain, product chain and talent chain integrating production, management and scientific research. Its business covers a number of areas including research, development and manufacturing of Chinese herbal medicines, proprietary Chinese medicines, chemical raw materials and preparations and nutritional and health products as well as pharmaceutical commerce. The Company has twenty-six (26) branches, twenty-three (23) wholly-owned and controlled subsidiaries or entities, and nine (9) investees. Its two (2) major business segments, Chinese medicine industry and pharmaceutical commerce, are complementary to each other, laying a solid foundation for the steady development of the Company and allowing Da Ren Tang Group to rank among quality listed companies in recent years. Da Ren Tang (达仁堂), Le Ren Tang (乐仁堂), Long Shun Rong (隆顺榕) and other time-honoured Chinese brands and trademarks under Da Ren Tang Group have all won the title of “Famous Chinese Trademark”, and the “Song Bai” (松柏) brand of the Sixth Chinese Medicine Plant, an iconic modern Chinese medicine enterprise, has also been awarded the title of “Famous Chinese Trademark”. The Company has thus become a leading enterprise in the protection of time-honoured Chinese brands.

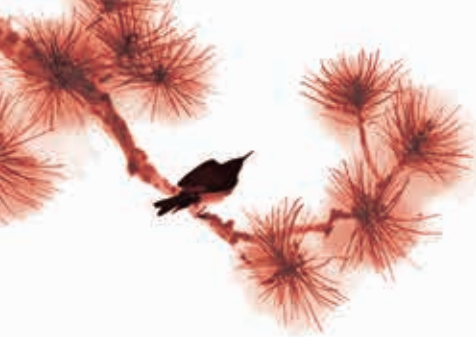
Upholding the development philosophy of “inheriting the essence of Chinese medicine development and caring for healthy and quality life” and the corporate spirit of “inheritance and innovation”, Da Ren Tang Group is devoted to innovative research, development and manufacturing of general-purpose, good-quality, high-efficiency and quick-acting medicines with innovation in Chinese traditional medicine playing a commanding role in its business development ideas. It has obtained certificates of approval for 599 medicines belonging to 22 types of preparations. Two (2) of which are China’s treasure-class Chinese traditional medicines. Suxiao Jiuxin Wan (速效救心丸) which was invented by Professor Zhang Chengui, senior consultant of Da Ren Tang Group and honorary director of its technology centres as well as a famous expert in Chinese medicine preparations in China is a national classified variety. In addition, Jing Wan Hong (京万红) is a national confidential variety. The Company has five (5) product varieties being Chinese medicines protected by the State, 122 product varieties being exclusively produced by the Company, 75 product varieties being included in the National Essential Medicine Catalogue, 601 product varieties being processed Chinese medicine and 223 product varieties being covered by national medical insurance. Da Ren Tang Group has a nationwide marketing network and many of its quality products, enjoying a high reputation, are exported to over twelve (12) countries and regions around the world.

BRIEF INTRODUCTION OF THE COMPANY

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

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

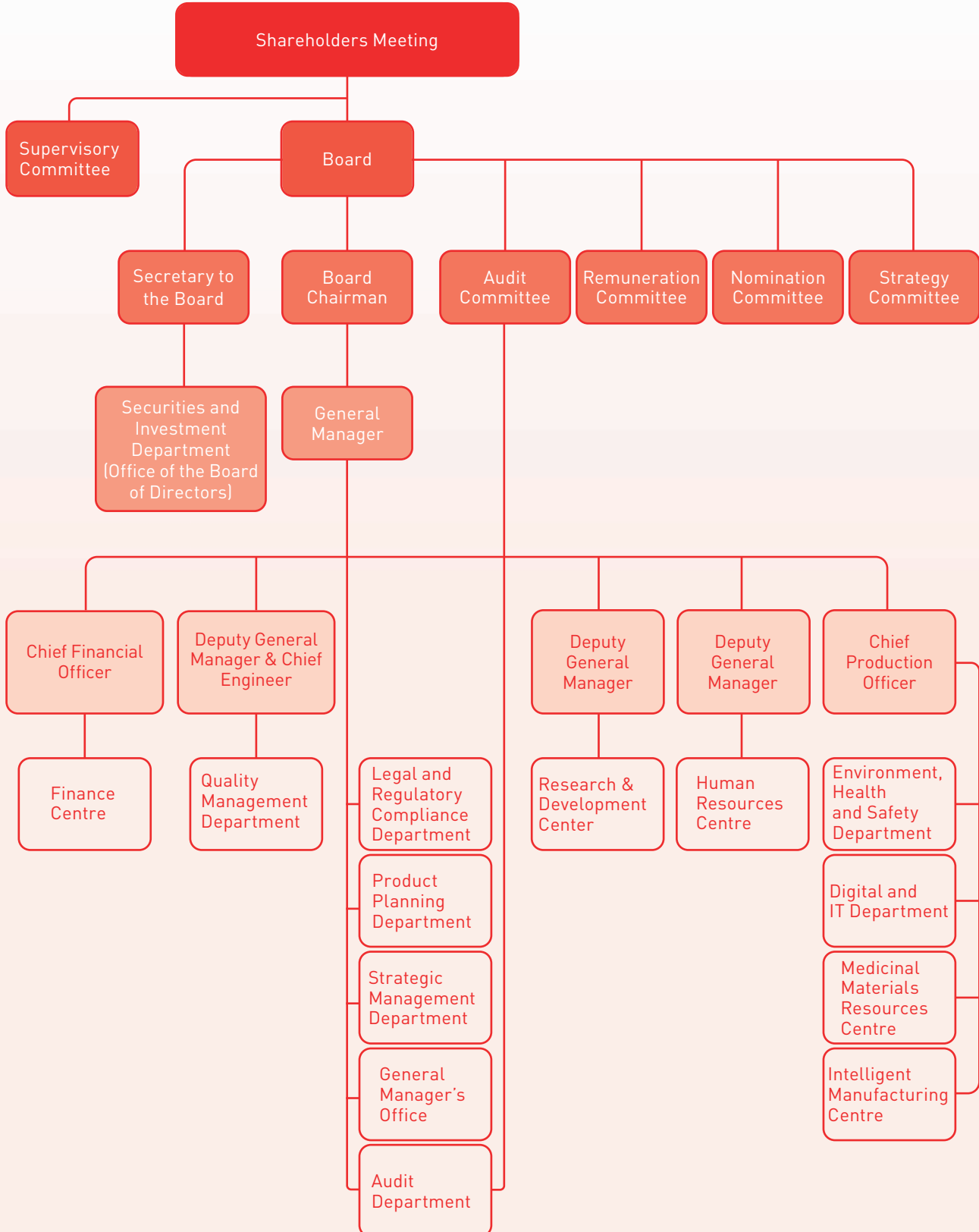




EQUITY STRUCTURE OF THE COMPANY



STRUCTURE OF THE COMPANY



RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS



DIRECTORS

The particulars of our Directors as at 31 December 2023 are as follows:

Name	Age	Address	Designation
Ms. Zhang Mingrue	48	1018 Jinkai Ave, Yubei District, Chongqing PRC	Chairman of Board of Directors
Mr. Guo Min	52	28B, 1 Banshan Mui Road, Hong Kong	Executive Director
Ms. Wang Lei	52	6-201 Shuijun Apartment, Nankai District, Tianjin, PRC	Executive Director
Mr. Shang Mingjie	54	23-2 Rose Village Apartment, Jinnan District, Tianjin, PRC	Executive Director
Mr. Zhou Hong	53	3-4-101 Yibo li, Hongqiao District, Tianjin, PRC	Executive Director
Ms. Mao Weiwen	49	109-508, Bawei Road, Hedong District, Tianjin, PRC	Non-Executive Director
Mr. Yeo Guat Kwang	62	31 Sunrise Close Singapore 806628	Independent and Non-Executive Director
Mr. Liew Yoke Pheng Joseph	67	6 Clementi Loop #02-18 Singapore 129814	Independent and Non-Executive Director
Ms. Li Qing	56	1019-1020 Luneng International Center Apartment, Nankai District, Tianjin, PRC	Independent and Non-Executive Director

RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS

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

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

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

Ms. Wang Lei, born in August 1971, is a senior engineer and holds a master's degree and a doctorate degree in engineering. Ms. Wang joined the Company since July 1993 and has successively worked in Darentang Pharmaceutical Factory, the Planning Office of the Chinese Patent Medicine Department of the Company, the Industrial Department of the Company, and Lerentang Pharmaceutical Factory. Between May 2013 and June 2013, she was a member of the Supervisory Committee of the Company, and from June 2014 to March 2018, she successively served as Deputy General Manager and General Manager of the Company. Ms. Wang was appointed a Director of the Company for the period from May 2015 to May 2018. Since March 2018, she successively served as Executive Deputy General Manager, General Manager and Deputy Chairman of Jingwanhong Pharmaceutical. From January 2022 to August 2022, Ms. Wang worked as Deputy General Manager of TPH Marketing Management Center, and since August 2022, she has been serving as General Manager of the Company.

Mr. Shang Mingjie, born in February 1969, graduated from Beijing Medical University (北京医科大学) in July 1992 with a Bachelor of Science degree in pharmacy, and obtained a Master of Business Administration (MBA) degree from Tianjin University (天津大学) in June 2014. Mr. Shang is an associate chief pharmacist. From October 1995 to June 2003, he was successively served as Deputy Manager of the Fourth Pharmaceutical Branch, the Comprehensive Pharmaceutical Operation Branch and the Third Pharmaceutical Branch of Tianjin Taiping (Group) Co., Ltd. (天津太平(集团)有限公司) ("Tianjin Taiping"), Manager of the Comprehensive Pharmaceutical Operation Branch of Tianjin Taiping, and General Manager of Tianjin Anshun Pharmaceutical Co., Ltd. (天津市安舜医药有限公司). From June 2003 to March 2023, Mr. Shang successively held the positions as Deputy General Manager of Tianjin Taiping, Deputy General Manager of Tianjin Pharmaceutical Company (天津市医药公司), Deputy Director of Marketing Department of Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) ("TPH"), Manager of the Marketing Branch of TPH, Secretary to the Party Committee and Executive Deputy General Manager of Tianjin Taihe Pharmaceutical Co., Ltd. (天津太河制药有限公司), Deputy General Manager of Tianjin Maida Medical Technology Co., Ltd. (天津迈达医学科技股份有限公司), Secretary to the Party Branch and Chairman of Bangsheng Medical Equipment (Tianjin) Co., Ltd. (邦盛医疗装备(天津)股份有限公司), Deputy General Manager of Tianjin Jinyao Group Sales Co., Ltd. (天津金耀集团天药销售有限公司), Deputy General Manager of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生制药股份有限公司), General Manager, Secretary to the Party Branch and Chairman of 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), as well as General Manager and Chairman of Tianjin Pharmaceutical Group Daming Optical Co., Ltd. (天津医药集团大明眼镜有限公司). Mr. Shang has been served as Deputy Secretary to the Party Committee of the Company and Chairman of the Labour Union of the Company since March 2023.

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

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

Mr. Yeo Guat Kwang is a Singaporean born in January 1961. Mr. Yeo graduated from the National University of Singapore with a Bachelor in Arts and Social Sciences (Hons) in 1986 and obtained a Postgraduate Diploma in Education from the National Institute of Education in Singapore in 1987. Mr. Yeo received a Certificate in Leadership and Strategy Execution from the University of California in 2002, a Master's degree in Public Administration and Management from the National University of Singapore (Lee Kuan Yew School of Public Policy) in 2013, and a Doctorate of Business Administration (DBA) from the United Business Institutes in 2016.

Mr. Yeo has more than 20 years of experience in executive roles, public institution board memberships, and serving as an independent director in listed companies. He has held positions such as Assistant Director-General of the National Trades Union Congress (NTUC), as well as Chairman of the Migrant Workers Center and the Centre for Domestic Employees in Singapore. He was elected as a Member of Parliament for four (4) consecutive terms. Currently, Mr. Yeo serves as an advisor to the NTUC on promoting the development of small and midsize enterprises and migrant workers affairs. He is also a MPA Visiting Lecture in Nanyang Centre for Public Administration at Nanyang Technological University, a EMBA Visiting Lecturer in the Business School of National University of Singapore, and a DBA Visiting Lecturer at Singapore University of Social Sciences. Furthermore, as at the Latest Practicable Date, Mr. Yeo serves as an independent director of Koyo International Limited and The Place Holdings Limited, as well as the lead independent director of SIIC Environment Holdings Ltd. and G.H.Y. Culture & Media Holding Co., Limited, all of the aforementioned companies are listed on the SGX-ST.

Mr. Liew Yoke Pheng Joseph is a Singaporean born in May 1956. He graduated from Nanyang University, Singapore with a Bachelor of Commerce (Accountancy) in 1980. Mr. Liew obtained his Singapore Certified Public Accountant (CPA) qualification in 1989 and became a Certified Information Systems Auditor (CISA) in 1994. He also obtained his Certified Fraud Examiner (CFE) qualification in 1996. 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 2004. He is also a member of the Singapore Institute of Directors. He is fluent in Mandarin, Cantonese and English.

Mr. Liew has extensive experience in corporate strategy management, and in particular, is a professional in the fields of information technology, corporate governance, finance and accounting. He has held senior management positions in many large multinational companies based in the PRC and Singapore. As at the Latest Practicable Date, Mr. Liew is the Chairman and Executive Director of Hoe Leong Corporation Ltd., as well as the Independent, Non-Executive Chairman and Chairman of the Audit Committee of Grand Venture Technology Limited, both companies are listed on the SGX-ST. He is also an independent director of Lew Foundation, and a director of Char Yong (Dabu) Foundation.

Ms. Li Qing, born in March 1967, is a member of the Communist Party of China. She is a first-rate lawyer and holds a Master of Law degree. Since 2017, she has served as part-time legal consultant of Tianjin Municipal People's Government. Since 2016, she has been an expert member of the Rule of Law Think Tank of Tianjin Municipal People's Government, Chairman of the Supervisory Committee of Tianjin Lawyers Association, a National Excellent Lawyer, and a Leading Foreign-related Talent of the National Lawyers Association. Since July 1988, she has been a lawyer and founding partner of Tianjin TEDA Law Firm (天津泰达律师事务所). 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.

RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS

SUPERVISOR

The particulars of members of our Supervisory Committee as at 31 December 2023 are as follows:-

Name	Age	Address	Designation
Mr. Wang Yuanxi	45	2-1-603 Wanrun Apartment, Dongli District, Tianjin, PRC	Chairman of the Supervisory Committee
Mr. Xing Jianhua	53	1-10-2-901 Huaxiang Hongye Xingyuan Apartment, Fengtai District, Beijing, PRC	Supervisor
Ms. Guo Xiumei	41	16-1-1502 Wantong Xinxinyuan Apartment Binhai District, Tianjin, PRC	Supervisor

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

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

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

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

MANAGEMENT

The particulars of our key management personnel as at 31 December 2023 are as follows:-

Name	Age	Address	Designation
Ms. Wang Lei	52	6-201 Shuijun Apartment, Nankai District, Tianjin, PRC	General Manager
Mr. Zhou Hong	53	3-4-101 Yibo li, Hongqiao District, Tianjin, PRC	Deputy General Manager and Chief Engineer
Mr. Zhang Yu	50	2-1-2506 Longting Jiayuan Apartment, Chengxiangdong Road, Nankai District, Tianjin PRC	Chief Production Officer
Mr. Ma Jian	45	15-601 Tailai Jiayuan Apartment, Hebei District, Tianjin PRC	Chief Financial Officer

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

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

Mr. Ma Jian, born in November 1978, is a certified public accountant. He obtained a Master of Business Administration Degree from Tianjin University of Finance and Economics in December 2016. From December 1998 to March 2007, Mr. Ma served as a Staff Member of the Finance Department of Tianjin Hebei Pharmaceutical Factory (天津市河北制药厂), a Staff Member of the Finance Department of Tianjin Taihe Pharmaceutical Co., Ltd. (天津太河制药有限公司) ("Tianjin Taihe") in succession and further promoted as Head of the Finance Department of Tianjin Taihe. From March 2007 to June 2016, he successively served as Deputy Chief Staff Member, Deputy Head of the Finance Department, and Deputy Head of the Audit Department of TPH (being the controlling shareholder of the Company). From June 2016 to July 2023, Mr. Ma successively held the posts of General Manager of Tianjin Pharmaceutical Group Finance Co., Ltd. (天津医药集团财务有限公司) and Director of the Fund Management Center of TPH.

WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS



WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

ZHANG MINGRUI

DEAR SHAREHOLDERS,

In 2023, the Company firmly implemented the action framework of "market focus, effective innovation, organizational governance, co-creation and sharing, industry and finance driven, cost control and loss minimization, digital empowerment, and cultural brand". Despite the pressure faced by the pharmaceutical industry due to multiple factors during the year, we forged ahead and embraced the challenges, making solid progress in various tasks and delivering record earnings. In the fiscal year of 2023, our results reached a record high. The Company achieved operating income of RMB8.222 billion, including RMB4.93 billion in income from industry, up 10.34% year-on-year. Net profit attributable to shareholders of the listed company reached RMB987 million, an increase of 14.49% year-on-year, of which, net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses was RMB952 million, an increase of 23.80% year-on-year, and weighted average return on equity exceeded 15%.



I. Economic Performance in 2023

(i) Industry overview during the reporting period

Both the "14th Five-Year Plan" and Long-Range Objectives through the Year 2035 of China lay emphasis on "attaching equal importance to traditional Chinese medicine and Western medicine and drawing on each other's strengths, and vigorously promoting the development of TCM", pointing out the direction for TCM development. In March 2022, the State Council released the *14th Five-Year Plan for TCM Development*, a top-level design document that will guide the TCM industry following the issuance of the *Outline of the Strategic Plan for TCM Development for 2016-2030* and the *Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Inheritance, Development and Innovation of TCM*. As the government introduces a series of plans and favorable policies to promote the development of the TCM industry, such as the *Healthy China Campaign – Implementation Plan for the Special Activity of Health Promotion through TCM*, industry polices have continually improved.

Long-term demand in the pharmaceutical industry has shown a steadily growing trend. According to the *2023 Statistical Communiqué of the National Economy and Social Development of the People's Republic of China*, per capita medical and healthcare consumption reached RMB2,460 in 2023, accounting for 9.2% of total per capita consumption, an increase of 0.6 percentage points over the previous year, pointing to a growing trend in medical and healthcare expenditure. During the reporting period, the centralized procurement of Chinese patent medicine gained pace, the prices of TCM materials fluctuated at high levels, and the TCM industry demonstrated growth resilience. According to data from the China Pharmaceutical Enterprises Association, the Chinese patent medicine industry's revenue and profit grew 6.5% and 6.4%, respectively in 2023.

WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

With the rollout of the reform of TCM registration, classification, review and approval systems, the approval pace of innovative TCMs has significantly accelerated in China. During the reporting period, the Center for Drug Evaluation (CDE) under the National Medical Products Administration accepted a total of 1,163 TCM registration applications, including 75 IND applications, 26 NDA applications and one ANDA application, indicating that the industry is embracing innovation opportunities. In early 2024, the General Office of the State Council issued the *Opinions on Developing the Silver Economy to Improve the Well-Being of the Elderly*. The document called for "strengthening the construction of geriatric departments in general hospitals and TCM hospitals, improving the prevention and treatment of geriatric diseases, and promoting the transformation of scientific research achievements in the field of geriatric health", and for "expanding the application of TCM in the healthcare sector, developing TCM services such as prevention and treatment of geriatric diseases and chronic diseases, and advancing the R&D of TCM rehabilitation devices". The *Health and Aging Plan for the 14th Five-Year Plan Period* points out that the TCM-based health management rate for elderly people aged 65 and above will increase from 68.4% in 2020 to over 75% by 2025, and population aging will drive the development of the elderly-care industry and geriatric disease management industry. Meeting elderly people's demand for diagnosis, treatment and healthcare services, developing the silver economy and improving the well-being of the elderly will become major development themes of the industry going forward.

(III) Core businesses of the Company during the Reporting Period

As a time-honored brand in China, Tianjin Pharmaceutical Da Ren Tang Group adheres to its core values of "love, quality and strength" and upholds the vision of "building the Company into a market-driven and technology-empowered leader in the innovative TCM market". By inheriting the merits, maintaining integrity while pursuing innovation, and drawing on the advanced technical concepts of both TCM and Western medicine, the Company is committed to developing drugs and big health products with higher clinical value to meet people's health needs and making its contribution to the construction of a Healthy China.

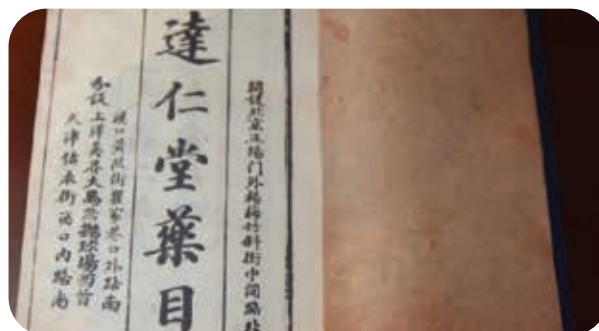
In terms of products, Da Ren Tang possesses a wide range of product varieties. It owns certificates of approval for 599 medicines across 13 segments, with products covering the entire life cycle of health management including prevention, healthcare, treatment, rehabilitation and longevity. The Company focuses on the product strategy of "three cores and nine wings". **The "first core"** refers to the "China Heart" series of drugs for cardio-cerebrovascular diseases with Suxiao Jiuxin Wan (速效救心丸), a national classified variety, as the representative product. Boasting eight exclusive products and certificates of approval for 42 drugs in the cardio-cerebrovascular field and capitalizing on the strong brand influence and product strengths of Suxiao Jiuxin Wan (速效救心丸), the Company has expanded its presence in the cardio-cerebrovascular health market and built its first-tier product matrix. **The "second core"** refers to the "China Skin" series of products represented by Jing Wan Hong Ruan Gao (京万红软膏). The Company has certificates of approval for eight drugs for external use on skin represented by Jing Wan Hong Ruan Gao (京万红软膏), a national confidential variety for refractory wound repair. We have also strengthened our presence in the TCM skin health market, and seek to expand into the "beauty" market of adult functional skin care. **The "third Core"** is the "China Brain" series of products represented by Niu Huang Qingxin Wan (牛黄清心丸) and Qing Gong Shou Tao Wan (清宫寿桃丸), which have unique efficacy in anti-aging, improving memory and treating Alzheimer's disease. The "nine wings" refer to specialty products for treating nine types of diseases including respiratory, digestive, rheumatic, gynecological and pediatric diseases and tumor. Guided by its core brand strategy of "Health" and "Beauty", the Company will continue to enrich product varieties, enhance product and service quality, and further develop "three cores and nine wings" to meet the health needs of the Chinese people.



In terms of the market, our products have strong coverage, with Suxiao Jiuxin Wan (速效救心丸) and Jing Wan Hong Ruan Gao (京万红软膏) sold in 500,000 pharmacies and 100,000 medical terminals. During the reporting period, we saw a significant increase in the coverage of our products Qingyan Di Wan (清咽滴丸), Qingfei Xiaoyan Wan (清肺消炎丸), Qinghou Liyan Granule (清喉利咽颗粒) and Wei Chang An Wan (胃肠安丸). Products such as Niu Huang Qingxin Wan (牛黄清心丸), Angong Niu Huang Wan (安宫牛黄丸) and Qinggong Shoutao Wan (清宫寿桃丸) achieved effective penetration. The exposure and awareness of products, such as Yatong Tingdi Wan (牙痛停滴丸) and Wuji Baifeng Pian (乌鸡白凤片), in e-commerce channels were further enhanced, with first-year sales generated from e-commerce business exceeding RMB40 million. The generic specialty products catering to the broader market were recognized by doctors from third-terminal clinics, with the sales volume of Qinghou Liyan Granule (清喉利咽颗粒) doubling year-on-year with an increase of over 3 million units. The academic influence of several products targeting the medical terminal such as Bi Qi Capsule (痹祺胶囊) improved steadily, with 10 new varieties included in 20 guidelines and consensus at the national, provincial and municipal levels, promoting the transformation of academic achievements. We will continue to explore the unique diagnosis and treatment value of our products, follow the path of academic promotion, serve patients in terms of drug use, and work to enhance the reputation of our products in the market.

(III) Main business analysis

In 2023, the Company firmly implemented the action framework of "market focus, effective innovation, organizational governance, co-creation and sharing, industry and finance driven, cost control and loss minimization, digital empowerment, and cultural brand". The Company's income from industry amounted to RMB4.93 billion, maintaining a double-digit year-on-year increase and hitting a record high. We pushed forward with the strategy of "three cores and nine wings" in a systematic way, and achieved solid results by continually developing our principal products. The number of products with sales exceeding RMB100 million reached 10. In particular, **sales of Suxiao Jiuxin Wan (速效救心丸) exceeded RMB2 billion for the first time**, and sales of Qingyan Di Wan (清咽滴丸), Angong Niu Huang Wan (安宫牛黄丸), Jing Wan Hong Ruan Gao (京万红软膏) and Qingfei Xiaoyan Wan (清肺消炎丸) all surpassed RMB200 million. The Company's net profit attributable to shareholders of the listed company reached RMB987 million, an increase of 14.49% year-on-year. Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses amounted to RMB952 million, an increase of 23.80% year-on-year. The Group's weighted average return on equity exceeded 15%.



1. Achieving solid results through brand empowerment, market focus and market expansion

The "China Heart • Healthy Living" program featuring **Suxiao Jiuxin Wan (速效救心丸)** was successfully carried out, with 16,650 cases collected. Together with China Cardiovascular Association, we launched the program of "China Heart • Healthy Living" in prefecture-level chest pain centers, covering eight provinces and cities including Hebei and Shandong. Two expert demonstration conferences on "Evaluation of Clinical Effects of Suxiao Jiuxin Wan (速效救心丸) Applied to ACS Patients Throughout the Course in Chest Pain Centers" were successfully held. Suxiao Jiuxin Wan (速效救心丸) was included in the list of drugs available at the "120" ambulances in Tianjin and successfully selected into the "2023 Hypertension Management Guidelines for Elderly People in China", further strengthening the academic foundations. We enhanced channel management and control of the retail segment, intensified terminal empowerment, partnered with leading chains, and launched the "Heart Empowerment Program for Chronic Disease Management" in an orderly manner, effectively improving terminal coverage and sales. Sales of **Qingyan Di Wan (清咽滴丸)** have doubled for two consecutive years. The Company strategically rolled out the "China

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Throat Protection Program", and initiated the cooperation among industry, commerce and media to enhance product exposure. We stepped up efforts to promote terminal coverage, making the product available at 70% of core chains. As the Company took several measures, such as organizing academic activities and offering professional training sessions, to promote terminal sales at multiple levels, Qingyan Di Wan (清咽滴丸) became available at 965 chain pharmacies in 22 provinces in April, with an increase of 190% year-on-year in sales. In September, Qingyan Di Wan (清咽滴丸) (50 pills) was launched for sale on e-commerce platforms, and it ranked first among sore throat products on the Alibaba platform in the same month. We also promoted the online sales of the product in 22 provinces in an orderly manner, with the coverage of grassroots terminals increasing by 72% year-on-year.

Focusing on the main brand of "Da Ren Tang", the Company launched the brand rejuvenation initiative, and carried it out in an orderly manner at multiple levels and by varieties. Aiming to **build a whole new brand through visual image**, we comprehensively upgraded and introduced new product packaging, marking the first step in our brand building efforts. **In terms of academic brand**, in 2023, the Company participated in 37 national academic conferences and 168 provincial-level academic conferences to promote the professional brand of Da Ren Tang as a leading innovative TCM producer among doctors and scholars. **In terms of industry brand promotion**, we embraced business terminal customers, and established Da Ren Tang's strong national brand image by participating in conferences, exhibitions, forums and other means. In particular, the Company held a value summit themed "Da Ren Tang, a Leading Traditional Chinese Medicine Producer" at the Wuzhen Health Conference, and strategically released the "2023 White Paper on National Throat Health", "China Heart Strategy" and "China Throat Strategy". The Da Ren Tang brand made a stunning appearance at top industry conferences such as China Medical and Health Industry Symbiosis Conference (MHIS), China Health Ecology Organization (CHEO), PharmChina, China International Import Expo (CIIE), China International Supply Chain Expo (CISCE), China Time-Honored Brand Expo and TCM Ecological Conference. **In terms of marketing and branding**, Da Ren Tang cooperated with a number of media outlets such as People.cn, Xinhua News Agency, Tianjin Haihe Media and Focus Media to build Da Ren Tang's national brand influence based on product strength through various means. **In terms of brand promotion in the capital market**, we made it easier for investors to learn more about our brand through various means such as inviting investors for on-site visit to Da Ren Tang and holding results briefings. In 2023, the brand awareness of Da Ren Tang was further enhanced. Da Ren Tang was included in the list of "2023 Innovative TCM Brand Enterprises" by the China Association of Traditional Chinese Medicine, became one of the first batch of "Chinese Brand · 100 Model" enterprises, and won the titles of "The Most Valuable Enterprise for Investment in China Pharmaceutical Industry in 2023" and "Trustworthy Consumption Demonstration Enterprise".

2. Enhance the Company's core competitiveness through innovation and all-around empowerment

During the reporting period, the Company carried out innovation under the principle of "giving full play to the leading role of innovation, brand operation, and digital and intelligent transformation" to align R&D and innovation with its strategy and business structure. The Company promoted inheritance and exploration of its major products, actively strengthened research on innovative drugs, and further sorted out classic ancient prescriptions. We established technical platforms for classic ancient prescriptions, new TCM drugs, TCM dripping pills and transdermal preparations, and identified the main directions of innovative R&D. In 2023, we carried out four pharmaceutical research projects, 21 pharmacological research projects, 15 clinical research projects, one project on the functions of drugs and 125 technical upgrades.

In terms of the secondary development of large varieties, we cooperated with Fu Xiaobing, a member of the Chinese Academy of Engineering and an academic leader of wound repair discipline, to carry out the secondary development of Jing Wan Hong Ruan Gao (京万红软膏) focusing on chronic and refractory wound repair such as diabetic foot, and explored additional indications and the development of new Class II TCMs. At the 2023 Wuzhen Health Conference, we successfully released the results of "Research on Antivirus Related Effects of Qingyan Di Wan (清咽滴丸)", which have been accepted for national invention patent review. The national key R&D project with Zi Long Jin Pian (紫龙金片) involved was successfully concluded. Based on a multi-center and double-blind randomized controlled trial, it was found that Zi Long Jin Pian (紫龙金片) can help prolong the progression-free survival time of patients with advanced non-small cell lung cancer (Qi-blood deficiency) during the maintenance treatment process. In a real-world clinical evaluation study with over 6,000 patients enrolled, the results of the phased study showed that Zi Long Jin Pian (紫龙金片) can help prolong the average survival time of patients with non-small cell lung cancer by 9.5 months. The clinical research project of Yifei Qinghua Gao (益肺清化膏) was included in the key sub-project of the "Research on Key Technologies and Diagnosis and Treatment Schemes for Non-small Cell Lung Cancer Prevention and Treatment Using Both Traditional Chinese Medicine and Western Medicine" under the special project

of "TCM Modernization" as part of the National Key R&D Project of the 14th Five Year Plan, led by Guang'anmen Hospital, China Academy of Chinese Medical Sciences. "Exploring the Mechanism of Suxiao Jiuxin Wan (速效救心丸)'s Alleviation of Myocardial Ischemia-reperfusion Injury based on the Pathway Inhibition of Hyperautophagy of miR-193a-3p/ALKBH5" was published by the *Phytomedicine*, an international authoritative journal, with an impact factor of 7.9. The electrophysiological research results of Tongmai Yangxin Wan (通脉养心丸) of Pacelab from the University of Milan was published on *Elife*, an internationally renowned journal and top-level publication of the Chinese Academy of Sciences, with an impact factor of 7.7.

In terms of classic ancient prescriptions, with a focus on "three cores and nine wings", we selected and identified the first batch of 10 classic ancient prescriptions for research, involving the treatment of cardiovascular and cerebrovascular, respiratory, digestive, rheumatic and other diseases, from 324 published classic ancient prescriptions judging from aspects including indications, clinical application, medicines contained in the prescription and dosage forms.

In terms of product strength improvement, we carried out clinical research with a focus on ACS pre-hospital emergency treatment, long-term use and altitude sickness relating to Suxiao Jiuxin Wan (速效救心丸). Cooperating with the team led by Zhang Boli, honorary president of Tianjin University of Traditional Chinese Medicine and a member of the Chinese Academy of Engineering, we explored the characteristics, symptoms and application scenarios of high-frequency users of Suxiao Jiuxin Wan (速效救心丸) to obtain the safety and effectiveness evidence of taking the drug during the course of treatment and long-term use. We also carried out the "Randomized Controlled Clinical Study on the Effectiveness and Safety of Treating Discogenic Low-back Pain with Different Syndromes with Both Chinese and Western Medicines" of Bi Qi Capsule (痹祺胶囊) and research on the substitution of endangered medicinal materials for Qingfei Xiaoyan Wan (清肺消炎丸) in an orderly manner. In addition, the Company conducted targeted research projects on medicinal materials resources, process optimization, quality improvement, mechanism of action, clinical evidence and other areas to continually enhance product strengths.

In terms of talent supply, we optimized the R&D organizational structure and set up a three-tier R&D system, with the research institute responsible for the R&D of Class I new drugs, the technology center responsible for the R&D of Class II, III and IV new drugs and big health products, and industrial enterprises responsible for technological innovation. Our goal is to further improve R&D efficiency and enhance organizational agility. In 2022-2023, the Company recruited 570 new employees, and successfully brought in 16 scientific research talents who have profound academic background and extensive practical experience and hold a master's or doctoral degree from first-class universities and disciplines or key pharmaceutical colleges. The Company successfully introduced a doctor to its post-doctoral workstation and carried out combined training with Tianjin University of Traditional Chinese Medicine. The headquarters introduced six experienced and visionary senior managers, the industrial segment recruited six professional managers, and the marketing segment recruited 11 professional managers, 27 provincial and regional-level managers and 428 salespersons, providing a strong guarantee for market expansion. The digital and IT team brought in 19 experts, most of whom worked at renowned enterprises such as Huawei, ByteDance and Ernst & Young Consulting.

3. Strengthen quality control and lean production to build a traceable quality system

The Company further promoted lean intelligent manufacturing, strengthened quality control, optimized supply chain resilience, and continually improved the long-term and sustainable development system.

Established a whole-process TCM quality control system. The Company established the project of "Whole-process Quality Traceability for TCM" in collaboration with Tianjin Municipal Medical Products Administration, which features leading scientific regulatory function in the country. "Quality Traceability and Inquiry", the major function of the system, enables one-click and whole-process traceability of the whole industrial chain from the field to the end consumer, thus improving the safety management of drug quality in an all-around manner. The first phase of the Company's whole industry chain traceability platform for Chinese patent medicine was successfully launched. The whole industry chain traceability pilots for Suxiao Jiuxin Wan (速效救心丸), Shunao Xindi Wan (舒脑欣滴丸) and Qinggong Shoutao Wan (清宫寿桃丸) were completed. The system covers the traceability information management of medicinal materials suppliers, medicinal materials bases, medicinal materials varieties and finished medicine batches, as well as medicinal materials breeding, medicinal slice production, Chinese patent medicines and other fields.

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Built a GAP traceability system. By leveraging the GAP traceability system, we standardized the management of eight segments including planting base environment, provenance management, field management, harvesting management, processing and packaging, storage management, conservation management, sales and transportation, with an aim of achieving "traceable source and destination, clearly defined responsibilities and easy inquiry".

Introduced intelligent manufacturing and lean production. We built a lean management system with cost reduction and efficiency improvement projects at the core, and exceeded the cost reduction goal of RMB40 million. The intelligent manufacturing center promoted the concept of lean operation among industrial enterprises by providing implementation support, factory training, project guidance and operation tracking. As a result, a lean production system was preliminarily established. Key tasks such as three-level meetings, 6S, visual management standards, energy consumption reduction, quick mold replacement, equipment preservation, PMC (planned material control) were steadily implemented. Through the implementation of the 121 proposed projects, labor productivity increased 21%. We also saw improvements in the aspects of procurement cost reduction, inventory turnover, standard box output, industrial enterprise output value, material consumption, energy consumption and water consumption, among others.

4. Adhering to the "1+5" strategy and exploring the international market

Da Ren Tang strategically positions itself as a leading innovative Chinese medicine enterprise, and focuses on implementing the "1+5" strategy. "1" refers to adhering to the leading role of brand, strengthening brand building in an all-around way, maintaining integrity and innovation while building the time-honored brand, and leading the development of the Company by utilizing its brand resources. "5" refers to the five industry development goals of TCM. The first goal is to promote the development of green TCM. The second goal is to strengthen premium medicinal slices business, consolidate TCM slices resources and expand GAP bases. During the reporting period, the Company built a plantation covering an area of 4,000 mu for ligustici, lonicera japonica and schisandra chinensis, all of which were certified as varieties featuring "sulphur-free processing, no aflatoxin contamination, pollution free and whole-process traceability". We also advanced the synergistic development of "Yun Tian Shang" TCM materials. The third goal is to establish the premium chain store system of Da Ren Tang Pharmacy. During the reporting period, the Company's Healthy Living Center located in the Tianjin Ancient Culture Street opened after renovation and the Store at Beijing Daxing International Airport was grandly opened. The fourth goal is to build a Da Ren Tang TCM diagnosis and treatment brand that features TCM characteristics, integrates medical care and health preservation and boasts genuine medicinal materials and exquisite medical skills. Tianjin Hebei Da Ren Tang Hospital Co., Ltd. has become one of the first batch of hospitals included in the list of famous medical units in Tianjin. The hospital has engaged six teams of famous doctors, covering TCM internal medicine, surgery, gynecology and pediatrics departments and capable of providing high-level TCM health services for patients. Meanwhile, the internet hospital has entered the phrase of license review. The fifth goal is to establish a presence in the big health industry and develop big health products and functional products involving the use of food as medicine by consolidating the Company's brands and resources. In 2023, the Company obtained two approvals for its healthcare food products, and unveiled new big health products series featuring the use of food as medicine. "+" refers to leveraging the major brand of "Da Ren Tang" to lead the Company's development and empowering other industries related to TCM.



In 2023, the Company's sales revenue generated from the international market exceeded RMB40 million, an increase of 25% year-on-year. We promoted our products in the global market via Tianjin Pharmaceutical Da Ren Tang Singapore Development Co., Ltd (津药达仁堂新加坡发展有限公司), sought to open stores abroad, and helped Suxiao Jiuxin Wan (速效救心丸), Liuwei Dihuang Wan (六味地黄丸), Changcheng Xin Mingmu Shangqing Pian (长城牌新明目上清片), Changcheng Xin Qingfei Yihuo Pian (长城牌新清肺抑火片), and Jingzhi Yinqiao Jiedu Pian (精制银翘解毒片) pass HALAL authentication for the first time, paving the way for expanding into markets in Muslim regions including Southeast Asia. During the year, three varieties, namely Dantianran Angong Niu Huang Wan (单天然安宫牛黄丸) (Hong Kong), Tongmai Yangxin Wan (通脉养心丸) (Hong Kong) and Niu Huang Jiedu Pian (牛黄解毒片) (Malaysia), were approved for TCM registration. Two new varieties, Tezhi Qingxin Wan (特制清心丸) (Malaysia) and Angong Niu Huang Wan (安宫牛黄丸) (Macau), were launched for sale. We raised the export prices for six varieties including Niu Huang Qingxin Wan (牛黄清心丸) and turned losses into profits for five varieties including Sha Yaowan (痧药丸).



5. Building a cohesive corporate culture and promote the core values of "love, quality and strength" of Da Ren Tang

In 2023, the thematic presentation of "Culture Awakens the Motivation to Fight in the Da Ren Tang 2.0 Era" was held with participation from all employees, which helped promote the Company's corporate culture and drive its high-quality development. The Company was awarded the National May 1 Labor Certificate. The Company has established seven sub-cultures of the Group, namely the "customer service culture of being market-oriented, professional culture of striving for perfection, innovation culture of pursuing innovation and truth, talents culture of openness and inclusion, performance culture of value contribution, compliance culture of respecting rules, and Party building culture of cohesiveness". These sub-cultures helped build synergy among various segments. The Group offered honorary accolades and bonus incentives to outstanding sales teams and individuals of the year and to Da Ren Tang elites and other model employees so as to set good examples, encourage teamwork and motivate employees.

The Company takes actions to integrate into the community offline from multiple aspects. As the only enterprise invited to join the campaign of promoting TCM culture on campus in Tianjin, the Company's presentation team has participated in over 30 campus-visit events. The Company's nature and culture exhibition halls and Lejia Laopu Medicinal Liquor Museum have received more than 40,000 visitors. By sponsoring the "Da Ren Tang Cup" – 15th National Traditional Health Sports Meeting of Chinese Medicine Colleges and cooperating with national chain pharmacies to hold the public welfare events of "Protect Teachers' Throat" and "Exam Support Services with Love" during the college entrance examination period, we engaged with citizens and promoted the Company's brand culture.

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Da Ren Tang also actively implements social responsibilities and has won the title of "Most Responsible Enterprise". As a donating enterprise, the Company fully participated in the charity event for academicians and experts offering medical consultation services in Tibet sponsored by the China Tibet Development Fund, Tibet Health Commission and Lhasa Municipal People's Government. These activities were welcomed by Tibetan people and recognized by the Panchen Lama. The Company donated medicines worth more than RMB2.7 million to disaster-stricken areas such as rainstorm-hit regions in Northeast China and earthquake-hit regions in Gansu. In 2023, the Company saw closer integration between Party building and business development, and its corporate culture of "love, quality and strength" was reflected in its various policies on environment, society and corporate governance.

II. Improved Corporate Governance Structure to Ensure Effective Protection of Shareholder Interests.

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 laws and regulations of both China and Singapore. The Company has always regulated governance in strict accordance with the *Articles of Association*, the *Rules of Procedures of the Shareholders Meeting*, the *Rules of Procedures of Meetings of the Board of Directors*, the *Rules of Procedures of Meetings of the Board of Supervisors* and other regulations and policies. In 2023, the Company's convening of and decision making at the shareholders meetings, meetings of the board of directors and meetings of the board of supervisors was 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, improving the level of corporate governance and achieving standardized operation. It 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 continually carried out publicity activities on the protection of investors. The "2022 Annual Results and 2023Q1 Results Presentation", "2023 Interim Results Presentation" and "2023Q3 Results Presentation" were held online in May 2023, September 2023 and December 2023, respectively. The management communicated with investors on the operating results, profit distribution and other aspects of the Company, allowing investors and potential investors to promptly and fully learn about the Company's business developments and showcasing the Company's good corporate image. To further safeguard the shareholders' entitlement to investment returns, the Company's 2022 Shareholders Meeting deliberated and approved the 2022 profit distribution plan, under which "a cash dividend of RMB11.2 (including taxes) for every 10 shares held will be distributed to all shareholders based on the total share capital as at 31 December, 2022", paying back investors through practical actions. In 2023, the Company continued to focus on strengthening the management of insiders, and carried out insider filing and registration work and confidentiality notification work in strict accordance with its *Insider Management Policy*. Regarding work relating to the annual report for 2023, both the independent directors and the audit committee carried out the audit work in accordance with relevant policies. To sum up, in 2023, various rules and policies of the Company were effectively complied with.

Based on the principles of more over less and stringency over leniency, the Company has carried out information disclosure work in strict compliance with the requirements of both Chinese and Singaporean regulatory authorities. In 2022, the Company carried out information disclosure work in strict compliance with the *Information Disclosure Management Policy*, ensuring the truthfulness, accuracy, timeliness and completeness of information announced as well as consistency of information disclosed at home and abroad. At the same time, the Company warmly welcomed visits and inquires by investors. Through compliant and adequate disclosure of information, the Company strengthened communication with investors, fostered their understanding and recognition of the Company, maintained good relations with investors, and established a positive image of the Company in the market.



III. Profit Distribution in 2023.

The Company plans to distribute cash dividends from the profit of 2023. Details of the profit distribution plan are as follows: "A cash dividend of RMB12.8 (including taxes) for every 10 shares held will be distributed to all shareholders based on the total share capital as at the registration date of equity entitled to profit distribution."

IV. Significant Legal Disputes.

Currently, the Company is not involved in significant legal disputes.

V. Interested Person Transactions.

The Group has obtained a general mandate (the "IPT General Mandate") from the Shareholders for interested person transactions (the "IPs") at the annual general meeting held on 15 May 2023 for the financial year ended 31 December 2022 ("FY2022"). Please refer to the annexure accompanying the notice of annual general meeting in relation to the proposed renewal of mandate for IPTs (as set out on pages 169 to 189 of the Company's annual report for the FY2022) for further details on the IPT General Mandate.

Shareholders' approval has also been obtained for the Company's entry into a financial services agreement with Tianjin Pharmaceutical Group Finance Co., Ltd. (天津医药集团财务有限公司) as an IPT and all transactions arising therefrom, at the annual general meeting held on 15 May 2023 for FY2022. Please refer to the annexure dated 28 April 2023 accompanying the notice of annual general meeting in relation to the foregoing IPT for further details.

The aggregate value of all interested person transactions during the financial year ended 31 December 2023 (excluding transactions less than S\$100,000) is as follows:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than SGD100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)		Aggregate value of all interested person transactions conducted during the financial period under review under a shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)	
		12-month period ended 31 December 2023	12-month period ended 31 December 2022	12-month period ended 31 December 2023	12-month period ended 31 December 2022
		RMB'000	RMB'000	RMB'000	RMB'000
Tianjin Pharmaceutical Group Finance Co., Ltd. (天津医药集团财务有限公司) ("TPGF")	Subsidiary of Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) ("TPH"), the controlling shareholder of the Company	The interest payable on the credit facilities provided by TPGF: 9,068	1,400	-	-
Tianjin Lisheng Pharmaceutical Co. Ltd. (天津力生制药股份有限公司) ("Lisheng Pharmaceutical")	Subsidiary of TPH	The consideration paid to Lisheng Pharmaceutical for the Company's acquisition of 15% equity interest in TPGF through a public bidding (公开摘牌) process: 87,824	-	-	-
Tianjin Pharmaceutical Design Institute Co., Ltd. (天津市医药设计院有限公司) ("TPDI")	Subsidiary of TPH	The contract price of a Construction Contract for Tianjin Small Construction Project (天津市小型建设工程施工合同) entered into between the Company and TPDI for the "Relocation and Renovation Project of Tianjin Pharmaceutical Da Ren Tang Chinese Medicinal Slices Co., Ltd. - Decoction Workshop Single Project" (津药达仁堂饮片厂搬迁改造项目-代煎车间单项工程): 3,961	-	-	-

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Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than SGD100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)		Aggregate value of all interested person transactions conducted during the financial period under review under a shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)	
		12-month period ended 31 December 2023	12-month period ended 31 December 2022	12-month period ended 31 December 2023	12-month period ended 31 December 2022
		RMB'000	RMB'000	RMB'000	RMB'000
TPDI	Subsidiary of TPH	The contract price of a Construction Contract for Tianjin Small Construction Project (天津市小型建设工程施工合同) entered into between the Company and TPDI for the "Renovation Project of Qingguang North Warehouse Area of Medicinal Materials Co. - Warehouses No. 27, No. 29 and No. 43 Renovation Project" (津药达仁堂药材公司青光库北库区改造项目-27#29#43#库改造工程): 2,802	-	-	-
Tianjin Pharmaceutical Group Marketing Co., Ltd. (天津医药集团营销有限公司) ("TPGM")	Subsidiary of TPH	The contract price of an Enterprise Support Service Agreement [企业支持服务协议] entered into between the Company and TPGM: 6,700	-	-	-
Total		110,355	1,400	-	-

Note(s):

- As at 31 December 2023, placement of deposit with TPGF amounted to approximately RMB1,039.47 million.

VI. Key Tasks in 2024.

In 2024, the Company will focus on improving product quality to further consolidate its foundation, and implement the action framework of "market focus, innovation-driven, adherence to compliance, organizational governance, talent management, digital empowerment, cost reduction and efficiency improvement and culture brand". We will seize the momentum to create a better future based on our product quality, and continue to focus on main businesses, major brands and the market trend. We will step up our efforts to enhance brand influence, product strengths and service capabilities. With a pragmatic work attitude, we will advance fundamental management work such as marketing and scientific research. With innovation as the driver for development, we aim to make breakthroughs in all segments and business lines.

In 2024, the Company will focus on the following aspects:

1. Further enhancing product quality to build a better prospect

In 2024, the Company will strive to improve the quality of Da Ren Tang products in an all-around way, optimize the overall quality management system of the Group, and strengthen full-chain quality management. We aim to launch 75 projects on major process quality risks, raise 130 quality standards to improve product quality and enable the high-quality development of the Company.

Enforcing rigorous medicinal materials management (GAP system). We will improve the whole-process quality traceability management system for TCM, and integrate ERP data between medicinal material center and MAH in a highly-efficient manner. We will compile "Tianjin Da Ren Tang TCM Material Quality Standard Manual" to explicitly lay out the standards for medicinal materials procurement. We will carry out centralized supplier audit to eliminate supply chain risks.

Consolidating major production bases (GMP system). We will set high standards and strict requirements, unify the quality control process, streamline key quality control elements, and rebuild the quality system process. We will introduce DMS/TMS quality information system to strengthen the quality control process, improve quality control efficiency and product quality, enhance user experience and facilitate market expansion. We will continue to promote products HALA authentication and explore overseas markets.

Quality is paramount for marketing (GSP system). We will take the physical operation of health science and technology as an opportunity to unify the standards such as agreement and qualification verification, revise and improve the supporting documents for compliance management, formulate supporting compliance guidelines, and embed the compliance system process into the information system platform to strengthen the management of marketing compliance process. We will conduct extensive training on marketing compliance to achieve pre-warning for marketing compliance incidents.

Ensuring drug safety (GVP system). we will improve the drug safety committee system, and continue revise the safety information of drug instructions. The goal is to ensure the safety and effectiveness of products as well as the safety of patients.

2. Enhancing brand awareness and empowerment

We aim to further implement our brand strategy, comprehensively enhance our brand image and impact with the following five key projects, and break a new ground through brand building. 1. Upgrading and reshaping brand strategy system based on brand strategy scanning, brand strategy implementation and annual strategy support; 2. Promoting the comprehensive empowerment of brand IP by leveraging the program of "National Brand", our brand is advertised on CCTV, and publicized via multi-channel media; 3. Recruiting "TCM Culture Guardian" and starting the culture heritage tour among 18 Da Ren Tang sub-branches; 4. Completing the renovation and upgrading of "Da Ren Tang TCM Culture Museum"; 5. Taking the opportunity of hosting the 11th Conference on Joint Building, Sharing and Exchange of TCM Material Bases to promote brand, strengthen industry leadership, attract investment and further cooperation to achieve win-win results.



WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

3. Expanding regional coverage with planned channel penetration

In terms of marketing, we aim to make breakthroughs in product, achieve broad regional coverage and strong channel penetration. We will promote the Company's key products treating cardiovascular and cerebrovascular diseases, respiration, digestion and premium Chinese drugs to achieve new success and drive core industry segments to maintain double-digit growth.

We plan to achieve proper and targeted resource allocation based on differentiated positionings among provinces and regions. While maintaining the steady growth in Beijing, Tianjin and Hebei where our headquarters is located, we will accelerate our business expansion in Guangdong, Shandong, Jiangsu, Sichuan and Hunan to achieve explosive growth. We will also foster our business development in Zhejiang, Shanghai, Liaoning, Hubei, Yunnan and Chongqing. Our goal is to achieve a market scale of over RMB100 million in 19 provinces and regions by 2024 and cover 200 cities.

As for the hospital market, we will adhere to the principle of "strong brand power + strong academic capability", with a focus on the academic system construction for major products. We will expand our business under the guidelines of "consolidating cooperation with public hospitals and explore county-level market". In the retail market, we will carry out hierarchical management, focus on key provinces with great potentials, and build chains (Goal: 3 chain stores) of over RMB100 million. We aim to increase sales per stores, promote the empowerment plan for chronic heart diseases, implement the package project, expand the medical insurance coordination, and provide drug combination solutions. Our E-commerce Department will make great efforts to provide SKU of RMB1,000 or RMB10,000, launch new health product offerings and expand private marketing. The International Department of the Company will continue to explore Japanese and Southeast Asian markets, and strive to achieve export and market launch of Angong Niu Huang Wan (安宫牛黄丸), Tongmai Yangxin Wan (通脉养心丸) and Niu Huang Jiedu Pian (牛黄解毒片) in these countries.

4. Strengthening scientific innovation and pursuing sustainable development

With a user-centric philosophy, we will increase input in scientific research, accelerate innovation, promote project initiation for new drugs and project transformation, and advance the secondary development of large varieties and the filing and research project initiation for hospital preparations. The Company plans to conduct strategic cooperation with Modern TCM Haihe Laboratory and Tianjin University of Traditional Chinese Medicine to host the "Tuanbo Lake TCM Modernization Forum" to promote cooperative scientific research projects such as "China Heart" and "China Throat". We will cooperate with the Chinese Medicine Innovation Joint Laboratory of the University of Macao to carry out cooperative projects such as the wound repair mechanism of Jing Wan Hong Ruan Gao (京万红软膏) and drug registration in Macao. We will implement the "National Key R&D Plan" and "Research on Key Technologies and Diagnosis and Treatment Scheme of Non-small Cell Lung Cancer Prevention and Treatment with Integrated Traditional Chinese and Western Medicine", and promote the project initiation of "Clinical Research on Improving Postoperative Efficacy of Lung Cancer based on Functional Rehabilitation of TCM" (Yifei Qinghua Gao (益肺清化膏)). We will enhance the academic content of major brands through continuous cooperation with scientific research institutes such as University of Milan, and promote clinical research and results transformation.

5. Upgrading traceability system to enable inquiry via code

We will carry forward extended inspection of the ligustici GAP base, build a high-quality ligustici brand, improve the product strength of Suxiao Jiuxin Wan (速效救心丸), and facilitate the Group's "China Heart" strategy. We will continue to expand the scale of GAP bases, enrich the varieties of medicinal materials in authentic producing areas, and boost the high-quality, sound and sustainable development of the Company. We will advance the construction of drug traceability system, increase the number of traceable varieties for the "three cores and nine wings" strategic varieties, realize the traceability for the whole TCM industrial chain, and provide consumers with reliable drugs that can be inquired.

6. Pursuing manufacturing excellence with enhanced supply capabilities

The Group plans to establish a Da Ren Tang Supply Chain Management Committee, and build an agile process across the industrial chain. We will take agile service as the core, launch multiple data analysis and management platforms, and implement application scenarios of smart factories and digital workshops to improve decision-making efficiency. We will continue to optimize the collaborative process of production and marketing by leveraging electronic platforms for production orders. We will strive to optimize production cycle, improve asset efficiency, release overall production capacity, and enhance quick response to the market and agile services to sales through industry chain integration and equipment upgrading.

2024 marks the year when the Company's excellent manufacturing moves towards the foundation-building stage. The Company will continue to focus on cost reduction and efficiency improvement projects, carry out the three key tasks of lean on-site improvement, talent training and standardization transformation. We will further implement product layout optimization and carry out market services such as dosage form transfer and resuming production of sleeping varieties.

7. Reinforcing digital and intelligent construction to build new quality productive forces

In 2024, we will develop and deploy the industry-leading and next-generation digital and intelligent platform and SCRM system for channel management, which will be connected with the supply chain ERP, effectively consolidating the digital base for marketing, achieving channel and terminal visualization, and facilitating precise policy implementation. We plan to build a 360-degree customer label system through the AI large model system, and realize online and offline channel reach to promote sustained business growth. We will build a closer relationship with users through social-based operation and membership system linkage. We will empower new ecosystem and traffic through digitalization, such as building TCM Culture Museum, Healthy Living Center, TCM Center, industrial tourism, etc., We will develop a digital tool platform with user experience as the core to effectively reach the C-end. We will build systems and platforms such as private digital membership system, health consulting platform and internet hospitals to provide in-depth services for consumers. We plan to develop and deploy an industry-leading TCM material price index and procurement decision-making model to help enterprises cultivate key varieties, empower the supply chain to make accurate decisions, reduce costs and increase efficiency.

8. Improving efficiency by optimizing organizational structure and process reengineering

We will promote the physical operation for the health science and technology enterprise, and steadily carry out the optimization of organizational structure and integration of compensation system. We will establish a brand center, a digital and IT center and a technology center to advance process reengineering, build a collaborative process connecting upstream and downstream with cross-departmental functions. We aim to remove obstacles, eliminate blind spots, empower business value, and build an efficient and compliant process system with customer as the center.

We will compile a Group-wide "integrated" job rank map and explicitly specify job qualifications. We will carry out project initiation for compensation system projects for the headquarters, R&D and industrial enterprises, and accomplish the construction of performance management system. Efforts will be made to strengthen talent team construction for provincial-level managers, product managers and workshop directors. We also plan to recruit talents (200 people) with marketing, R&D and digital expertise to comprehensively enhance team capabilities.

Moreover, the Group will continue to care about employees, and attach great importance to employees' occupational health and production safety. We will also pay close attention to environmental protection, social responsibilities and ESG work.



FINANCIAL REVIEW

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

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

(a) Revenue:

The Group's revenue for the financial year ended 31 December 2023 ("FY2023") was approximately RMB8,222 million, a decrease of approximately RMB27 million, or 0.3%, as compared to RMB8,249 million for the financial year ended 31 December 2022 ("FY2022"), essentially remaining flat with the previous year.

(b) Gross Profit Margin:

The Group's gross profit in FY2023 increased by approximately 10% from approximately RMB3,217 million in FY2022 to approximately RMB3,539 million in FY2023. The gross profit margin has increased from 39% in FY2022 to 43% in FY2023. The increase was mainly due to changes in sales structure, with a higher proportion of sales revenue from major products with higher gross profit margins, which increased the overall gross profit margin.

(c) Other Gains:

Other gains in FY2023 were approximately RMB39 million, a decrease of approximately RMB63 million over the previous corresponding period. The decrease was mainly due to the increase in investment income of RMB72.01 million resulting from the acquisition of NewScen Coast Bio-Pharmaceutical Co., Ltd. (天津中新科炬生物制药股份有限公司) in FY2022.

(d) Major Expenses:

- (i) Marketing and Distribution costs in FY2023 were approximately RMB2,126 million, an increase of approximately RMB157 million or 8% over the previous corresponding period due to the year-on-year increase in sales revenue.
- (ii) Research and Development costs in FY2023 were approximately RMB185 million, an increase of approximately RMB31 million or 21% over the previous corresponding period.
- (iii) Administrative expenses in FY2023 were approximately RMB400 million, an increase of approximately RMB12 million over the previous corresponding period. This was mainly attributed to the severance benefits of RMB11.2 million from Tianjin Shin Poong Pharmaceutical Co., Ltd. (天津新丰制药有限公司).
- (iv) Finance costs in FY2023 increased by approximately RMB11 million from approximately RMB13 million to approximately RMB24 million which was mainly due to a year-on-year increase in loan interest expenses.
- (v) Other losses in FY2023 increased by approximately RMB29 million. The increase was mainly due to a year-on-year decrease in the collection of historical debts.

(e) Share of profits of associated companies:

The Group's share of profits of associated companies in FY2023 was approximately RMB294 million, an increase of approximately RMB98 million or 50% over the previous corresponding period. This was mainly due to a year-on-year increase in investment income from Sino-American Tianjin SmithKline & French Lab., Ltd. (中美天津史克制药有限公司)'s profit growth.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in FY2023 was approximately RMB970 million, an increase of approximately RMB90 million or 10% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in FY2023 was approximately RMB987 million, an increase of approximately RMB125 million or 15% over the previous corresponding period.

(g) Major changes in statement of financial positions:

As at 31 December 2023, the Group's cash and cash equivalents amounted to approximately RMB2,125 million, which was a decrease of approximately RMB757 million, or 26% over the balance as at 31 December 2022. The Group's borrowings as at 31 December 2023 amounted to RMB82 million which was a decrease of approximately RMB20 million over the balance as at 31 December 2022.



Trade and other receivables decreased by approximately 3% or RMB76 million to approximately RMB2,709 million as at 31 December 2023.

Inventories were approximately RMB1,567 million as at 31 December 2023, which was an increase of approximately RMB137 million, or 10% over the balance as at 31 December 2022.

Other current assets increased by approximately 3% to approximately RMB111 million as at 31 December 2023.

Investment in associates of the Group increased by 15% to approximately RMB878 million.

Property, plant and equipment decreased by approximately RMB27 million to approximately RMB1,435 million.

(h) Change in cash flow position:

In FY2023, the Group recorded net cash inflow from operating activities of approximately RMB634 million which has increased by RMB13 million as compared to FY2022.

Cash outflow from investing activities was approximately RMB514 million in FY2023 which has increased by RMB558 million as compared to FY2022. This was mainly attributable to a decrease of RMB415.27 million in cash received from investment recovery, and an increase of RMB126 million in cash paid for investments.

Cash outflow from financing activities was approximately RMB834 million in FY2023 which has increased by RMB597 million as compared to FY2022. The increase was mainly due to a year-on-year decrease of RMB94.07 million in the net cash flow from borrowings received and repayments made, a year-on-year increase of RMB443.11 million in dividend payments and a year-on-year increase of RMB22.67 million in payments for restricted stock buybacks.

FINANCIAL REVIEW

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

The pharmaceutical industry is an important component of China's national economy, closely linked to the people, the economy, and the nation, and is a crucial safeguard for promoting the construction of a Healthy China. In recent years, with the rapid development of China's economy and the continuous improvement of people's living standards, the future development prospects of the traditional Chinese medicine industry are promising. In the context of the accelerating aging trend, the normalization of medical activities in 2024, the coordination and circulation of outpatient care, the implementation of the expanded medical insurance catalog, internet healthcare, and the dual-channel policies are expected to unleash more market potential.

From the perspective of industry policies, China's pharmaceutical industry relies heavily on policies. Against the backdrop of ongoing deepening reforms in China's medical system, controlling medical insurance expenses remains the main theme of current pharmaceutical industry policies. Since 2023, the scope of volume-based procurement has continued to expand, the drug evaluation system has been continuously improved and optimized, policies encourage pharmaceutical companies to innovate in new drug research and development, and the adjustment of the national medical insurance drug catalog has become normalized and further optimized renewal rules, so as to promote the transformation of the pharmaceutical industry towards innovation-driven and high-quality development. In addition, the introduction of anti-corruption policies related to healthcare imposes higher requirements on the standardization of industry development. In a landscape marked by both opportunities and challenges, the traditional Chinese medicine industry will play a greater role in the construction of a Healthy China.

The Company has a long history and a profound brand heritage. After hundreds of years of inheritance and continuous exploration, the Company's business has achieved full coverage of the traditional Chinese medicine industry chain, with abundant product reserves, and a range of well-known Chinese patent medicine products represented by "Suxiao Jiuxin Wan". The Company is fully committed to the implementation of the "Three Cores and Nine Wings" overall strategic plan, focusing on the market and integrated marketing, constructing a rapid response marketing system, implementing the full industry chain for quality improvement and efficiency enhancement, and driving performance growth. In the fiscal year 2023, the Company achieved operating income of RMB8.22 billion basically flat year-on-year, and a net profit attributable to shareholders of RMB990 million, an increase of 15.0% year-on-year.

WORK REPORT OF THE BOARD OF SUPERVISORS



CHAIRMAN OF THE BOARD OF SUPERVISORS: WANG YUANXI

DEAR SHAREHOLDERS,

In 2023, in accordance with the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Code of Corporate Governance for Listed Companies of China, the relevant laws and regulations of Singapore and the provisions of the Articles of Association, the Board of Supervisors of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited conscientiously carried out their duties and responsibilities to safeguard the interests of shareholders and the Company and performed their work with reasonable care, diligence and initiation following the principle of good faith.

In 2023, the board of supervisors held a total of five meetings, at which the 2022 Annual Report, 1Q2023 Report, 2023 Interim Report, 3Q2023 Report, 2022 Profit Distribution Plan of the Company, 2022 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 2022, the Resolution on Continuing Utilization of Part of the Idle Proceeds to Temporarily Replenish the Company's Working Capital and Resolution on Repurchase and Cancellation of a Part of Restricted Shares were considered. At the same time, the members of the board of supervisors attended meetings of the board of directors, the annual shareholders' general meeting, and the extraordinary general meeting(s), etc. during the year to exercise supervision of the Company's operations according to the law.

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

WORK REPORT OF THE BOARD OF SUPERVISORS



minority shareholders. In 2023, 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 further reinforced the sense of return to shareholders and established a well-designed, sustainable and stable profit distribution policy aiming at safeguarding the legitimate rights and interests of investors. The 2022 profit distribution plan and cash dividend plan were successfully implemented in June 2023. Prices of interested person transactions carried out between the Company and the interested persons through regular trade were fair and reasonable and the development of contracts on interested person transactions was rational and legitimate without damaging the interests of the listed company. The Company's decision-making and review procedures for matters concerning the use of proceeds were in compliance with the laws and regulations. There were no cases of changes or covert changes in the use of proceeds and damage to the interests of the Company and all shareholders, particularly the interests of minority shareholders.

The board of supervisors of the Company has inspected and examined the Company's financial systems and conditions and is of the view that the Company's 2023 financial report has truly and accurately reflected the Company's financial position and operating results. The audit opinions issued by CAC CPA Limited Liability Partnership and Foo Kon Tan LLP (FKT) 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 2023, the Company was better in achieving the established targets and maintained stable performance. At the same time, the overall quality of the Company's operations was significantly improved, which has laid a solid foundation for the Company's sustainable development. We believe that, under the leadership of the board of directors and with the efforts of the management, the Company would certainly make greater progress in 2024 and give better returns to shareholders.

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “**Board**”) and the management (“**Management**”) of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited) (the “**Company**”, and together with its subsidiaries, the “**Group**”) subscribe fully to the importance of practising high standards of corporate governance and recognise that the principles and provisions contained in the Code of Corporate Governance 2018 (the “**Code**”) represent best practices and the pursuit of which would enhance the standard of corporate governance. Pursuant to Rule 710 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), this Corporate Governance Statement outlines the main corporate governance practices that were in place during the financial year ended 31 December 2023 (“**FY2023**”), with specific references made to the Code. Throughout the FY2023, the Company has complied with the principles and substantially with the provisions of the Code. Where there are any deviations from the provisions of the Code, appropriate explanations have been provided. A summary of disclosures describing the Company’s corporate governance practices with specific reference to the disclosure requirements in the principles and provisions of the Code is also provided on pages 65 and 66.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1

Role of the Board

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

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

In the course of carrying out their duties and responsibilities, all directors of the Company (the “**Directors**”) are expected to consider at all times the interests of the Company. For FY2023, the Board is satisfied that all Directors have indeed discharged their duties objectively and sufficiently.

CORPORATE GOVERNANCE STATEMENT

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

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

Board Processes

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

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

CORPORATE GOVERNANCE STATEMENT

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

Matters Requiring Board Approval

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

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

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

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

Access to Information

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

CORPORATE GOVERNANCE STATEMENT

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

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

Meetings held in FY2023

During FY2023, the Board held nine (9) meetings and the Company held two (2) general meetings (comprising the AGM for the financial year ended 31 December 2022 (“**FY2022**”) and an extraordinary general meeting (“**EGM**”) for FY2023), 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 FY2023		Number of general meetings held during the Director’s term of office in FY2023	
		Attendance		Attendance
Zhang Mingrui	9	9	2	2
Guo Min	9	9	2	1
Mao Weiwen	9	9	2	2
Wang Lei	9	9	2	1
Shang Mingjie ¹	6	6	1	1
Zhou Hong	9	9	2	2
Yeo Guat Kwang ²	1	1	1	1
Liew Yoke Pheng Joseph ³	9	9	2	2
Li Qing	9	9	2	2
Zhu Haifeng ⁴	8	8	2	1
Wang Mai ⁵	1	1	1	0

Note(s):

1. Mr. Shang Mingjie was appointed as an Executive Director with effect from 21 June 2023.
2. Mr. Yeo Guat Kwang was appointed as an Independent and Non-Executive Director with effect from 28 November 2023.
3. Mr. Liew Yoke Pheng Joseph was re-appointed as an Independent and Non-Executive Director with effect from 28 November 2023.
4. Mr. Zhu Haifeng ceased to be an Independent and Non-Executive Director with effect from 28 November 2023.
5. Mr. Wang Mai ceased to be an Executive Director with effect from 29 March 2023.

CORPORATE GOVERNANCE STATEMENT

Directors' Orientation and Training

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

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

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

Mr. Shang Mingjie, Mr. Liew Yoke Pheng Joseph and Mr. Yeo Guat Kwang were Directors appointed/re-appointed onto the Board during the year under review. Both Mr. Liew Yoke Pheng Joseph and Mr. Yeo Guat Kwang have prior experience as a director of an issuer listed on the SGX-ST. Mr. Shang Mingjie, being a First-time Director, will undergo the relevant Mandatory Training on his roles and responsibilities as a director of an issuer listed on the SGX-ST within one (1) year from the date of his appointment to the Board. In addition, due to the restrictions in connection with the COVID-19 pandemic back then and their individual work arrangements/commitment, Mr. Guo Min (appointed on 6 September 2021), Ms. Zhang Mingrui (appointed on 10 December 2021) and Ms. Mao Weiwen (appointed on 30 December 2022), being the First-time Directors, have not had the opportunity to attend the relevant Mandatory Training within one (1) year from the date of their respective appointment to the Board. The Company will endeavour to arrange for them to undergo the relevant Mandatory Training on their roles and responsibilities as a director of an issuer listed on the SGX-ST in 2024.

CORPORATE GOVERNANCE STATEMENT

BOARD MATTERS

Board Composition and Guidance

Principle 2

Board Composition

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company. As at 31 December 2023, the Board comprised four (4) Executive Directors, two (2) Non-Executive and Non-Independent Directors, and three (3) Independent and Non-Executive Directors. The participation of the Directors in the various Board Committees during FY2023 are as follows:

Name of Director	Appointed on	Date of last re-election	Board	Audit Committee	Strategy Committee	Remuneration Committee	Nomination Committee
Directors in service as at 31 December 2023							
Zhang Mingrui	10 December 2021	N.A.	Chairman and Non-Executive and Non-Independent Director		C		
Guo Min	6 September 2021	N.A.	Executive Director		M		M
Mao Weiwen	30 December 2022	N.A.	Non-Executive and Non-Independent Director			M	
Wang Lei	30 December 2022	N.A.	Executive Director		M		
Shang Mingjie ¹	21 June 2023	N.A.	Executive Director				
Zhou Hong	15 May 2019	N.A.	Executive Director				
Yeo Guat Kwang ²	28 November 2023	N.A.	Lead Independent and Non-Executive Director	M		C	M
Liew Yoke Pheng Joseph ³	5 June 2020	28 November 2023	Independent and Non-Executive Director	C		M	
Li Qing	17 May 2021	N.A.	Independent and Non-Executive Director	M			C
Directors who left service as at 31 December 2023							
Zhu Haifeng ⁴	30 December 2022	N.A.	Independent and Non-Executive Director	M	M	C	M
Wang Mai ⁵	12 March 2019	N.A.	Executive Director				

CORPORATE GOVERNANCE STATEMENT

Note(s):

1. Mr. Shang Mingjie was appointed as an Executive Director with effect from 21 June 2023.
2. Mr. Yeo Guat Kwang was appointed as an Independent and Non-Executive Director, and as the Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee with effect from 28 November 2023, and he was appointed as the Lead Independent Director with effect from 18 December 2023.
3. Mr. Liew Yoke Pheng Joseph was re-appointed as an Independent and Non-Executive Director, and continued to serve as the Chairman of the Audit Committee and a member of the Remuneration Committee with effect from 28 November 2023.
4. Mr. Zhu Haifeng ceased to be an Independent and Non-Executive Director, and as the Chairman of the Remuneration Committee, a member of the Audit Committee, a member of the Nomination Committee and a member of the Strategy Committee with effect from 28 November 2023.
5. Mr. Wang Mai ceased to be an Executive Director with effect from 29 March 2023.

Board Diversity

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

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

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

During FY2023, Mr. Shang Mingjie was elected to serve as the employee representative Director (the “**Employee Director**”) by the employee representative assembly of the Company to replace the former Employee Director (i.e. Mr. Wang Mai) to sit on the Board. In addition, Mr. Yeo Guat Kwang was appointed onto the Board of the Company as an Independent and Non-Executive Director and Mr. Liew Yoke Pheng Joseph was re-appointed onto the Board of the Company as an Independent and Non-Executive Director. Mr. Shang Mingjie brings to the Board extensive management experience in the pharmaceutical industry, Mr. Yeo Guat Kwang brings to the Board diverse experience in business leadership and management consulting, and Mr. Liew Yoke Pheng Joseph brings to the Board diverse experience in corporate strategy management, and in particular, in the fields of information technology, corporate governance, finance and accounting. The aforesaid three (3) appointments will contribute significantly to the diversity of skills-set, industrial and geographical experience, gender and age.

The Directors’ ages range from the forties to sixties, and they have served on the Board for various tenures. The Board consists of members with established track records in business leadership and professional experience and expertise in pharmaceutical industry, finance, legal, business management, human resources, management consulting and the financial and technology industries. The Board recognises the importance and value of gender diversity, and as at 31 December 2023, the Board comprised four (4) female Directors.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

To enable the Company to reach its diversity objectives and targets, the Company establishes and implements the following measures:

- maintain a list of potential director candidates who satisfy the selection criteria set out in the internal guidelines for selection and appointment of independent directors of the Company as well as the principles set out in the Company's board diversity policy;
- identify potential director candidates through a number of sources including directors' contacts, industry partners, professional associations and through the Board Appointment Services of the Singapore Institute of Directors; and
- encourage Directors to provide feedback on the composition of the Board, as part of the annual evaluations of the performance and effectiveness of the Board and Board Committees.

Board Independence

From 1 January 2023 to 28 November 2023, the Board had three (3) independent members: Mr. Liew Yoke Pheng Joseph, Mr. Zhu Haifeng and Ms. Li Qing. Mr. Yeo Guat Kwang was appointed as an Independent and Non-Executive Director with effect from 28 November 2023 to replace Mr. Zhu Haifeng who ceased to be an Independent and Non-Executive Director with effect from 28 November 2023. Accordingly, Independent Directors made up one-third of the Board as at 31 December 2023. The criterion of independence is based on the circumstances given in Rule 210(5)(d) of the Listing Manual and the definition set out in Provision 2.1 of the Code. The Board considers an "independent" director as one who is independent in conduct, character and judgement, and has no relationship (whether familial, business, financial, employment, or otherwise) with the Company, its related companies, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company.

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

BOARD MATTERS

Chairman and Chief Executive Officer

Principle 3

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

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

The responsibilities of the General Manager of the Company include, amongst others, overseeing the Group's overall operations, general management, investment, business development and strategic planning. During the year under review, Ms. Wang Lei, an Executive Director of the Company, was the General Manager of the Company. Ms. Wang Lei has over 20 years' management experience in the pharmaceutical industry.

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

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

CORPORATE GOVERNANCE STATEMENT

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

The Chairman of the Board is assisted by the General Manager's Executive Meeting. Members attending the General Manager's Executive Meeting for FY2023 include (i) General Manager Ms. Wang Lei, (ii) Deputy General Manager Mr. Zhang Jian (ceased on 28 April 2023), (iii) Deputy General Manager and Chief Engineer Mr. Zhou Hong, (iv) Deputy General Manager Mr. Wang Xin (ceased on 20 July 2023), (v) Chief Financial Officer (or its equivalent rank, i.e. the Chief Accountant) Ms. Niu Shengfang³ (ceased on 20 July 2023), (vi) Chief Production Officer (CPO) Mr. Zhang Yu and (vii) Chief Financial Officer (or its equivalent rank, i.e. the Chief Accountant) Mr. Ma Jian (appointed on 21 July 2023). 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.

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

Lead Independent Director

In view that the Chairman of the Board is not an Independent Director, the Board has appointed Mr. Liew Yoke Pheng Joseph as Lead Independent Director with effect from 30 December 2022 to head and coordinate the activities of the Independent Directors, including but not limited to Independent Directors' meetings. Following the appointment of Mr. Yeo Guat Kwang as an Independent and Non-Executive Director of the Company with effect from 28 November 2023, Mr. Yeo Guat Kwang succeeded Mr. Liew Yoke Pheng Joseph as Lead Independent Director of the Company with effect from 18 December 2023. Shareholders have access to the Lead Independent Director where they have concerns and for which contact through the normal channels of the Chairman of the Board, Management or the Supervisory Committee of the Company has failed to resolve concerns or is inadequate or inappropriate.

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

CORPORATE GOVERNANCE STATEMENT

BOARD MATTERS

Board Membership

Principle 4

Board Committees

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

Strategy Committee

The Strategy Committee was established in 2002. During FY2023 and up to 28 November 2023, the Strategy Committee was chaired by Ms. Zhang Mingrui and its other members were Mr. Guo Min, Ms. Wang Lei and Mr. Zhu Haifeng. Mr. Zhu Haifeng ceased to be a member of the Strategy Committee following he stepped down from the Board with effect from 28 November 2023. As at 31 December 2023, the Strategy Committee was chaired by Ms. Zhang Mingrui and its other members were Mr. Guo Min and Ms. Wang Lei. The Strategy Committee is entrusted with the conduct of the Group's business and affairs, in line with the overall strategy set by the Board. The Strategy Committee meets periodically and at such other times where necessary.

The number of the Strategy Committee meetings held and attendance during FY2023 are as follows:

Name of Director/Executive	Appointment	Number of meetings held	Attendance
Zhang Mingrui	Non-Independent and Non-Executive Director	1	1
Guo Min	Executive Director	1	1
Wang Lei	Executive Director	1	1
Zhu Haifeng ¹	Independent and Non-Executive Director	1	1

Note(s):

1. Mr. Zhu Haifeng ceased to be a member of the Strategy Committee following he stepped down from the Board with effect from 28 November 2023.

Audit Committee

The Audit Committee was established in 1997. During FY2023 and up to 28 November 2023, the Audit Committee was chaired by Mr. Liew Yoke Pheng Joseph and its other members were Mr. Zhu Haifeng and Ms. Li Qing. Mr. Zhu Haifeng ceased to be a member of the Audit Committee following he stepped down from the Board with effect from 28 November 2023. As at 31 December 2023, the Audit Committee was chaired by Mr. Liew Yoke Pheng Joseph and its other members were Ms. Li Qing and Mr. Yeo Guat Kwang, all of whom were Independent and Non-Executive Directors of the Company. None of the members of the Audit Committee who was a former partner or director of the Company's existing auditing firms, Foo Kon Tan LLP HLB Singapore and CAC Certified Public Accountants LLP (collectively, the "External Auditors"), within the past two (2) years, or who holds any financial interests in the External Auditors. Notwithstanding that Provision 10.2 of the Code which requires at least two (2) members, including the audit committee chairman, have recent and relevant accounting or related financial management expertise or experience, as Mr. Liew Yoke Pheng Joseph, the Chairman of the Audit Committee, is a Certified Public Accountant, and Ms. Li Qing has been a lawyer and founding partner of Tianjin TEDA Law Firm since July 1988, the members of the Audit Committee collectively have relevant accounting or related financial expertise or experience, the Board is satisfied that the members of the Audit Committee are appropriately qualified to discharge their responsibilities.

CORPORATE GOVERNANCE STATEMENT

During FY2023, 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 auditors, and the remuneration and terms of engagement of the external auditors;
- reviewed internal audit findings and internal audit plan;
- reviewed the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;
- reviewed the annual and quarterly financial statements and the draft earnings announcements before their submission to the Board for approval;
- reviewed the significant financial reporting issues and judgements (if any) so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- reviewed the assurance from the Chief Executive Officer (or its equivalent rank, i.e. the General Manager) and the Chief Financial Officer (or its equivalent rank, i.e. the Chief Accountant) on the financial records and financial statements;
- reviewed interested person transactions;
- reviewed the adequacy and effectiveness of the Company's internal control and risk management systems; and
- reviewed the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

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

The Audit Committee has conducted a review of the annual audit plan prepared by the External Auditors and the audit work performed for FY2023 by the External Auditors and the Company confirms that it is in compliance with Rules 712 and 716 of the Listing Manual for FY2023. 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 FY2023, the Company has agreed to pay an aggregate of approximately RMB2,960,000 to the External Auditors for their provision of audit services, and an aggregate of approximately RMB800,000 to the External Auditors for their provision of other non-audit services. The Audit Committee, having reviewed the range and value of non-audit services performed by the External Auditors, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors.

CORPORATE GOVERNANCE STATEMENT

In FY2023, the Audit Committee had three (3) 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 Management to the External Auditors. The Audit Committee also had three (3) meetings with the internal auditors, without the presence of Management, during FY2023.

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

The number of Audit Committee meetings held and attendance during FY2023 are as follows:

Name of Director/Executive	Appointment	Number of meetings held	Attendance
Liew Yoke Pheng Joseph ¹	Independent and Non-Executive Director	6	6
Li Qing	Independent and Non-Executive Director	6	5
Yeo Guat Kwang ²	Lead Independent and Non-Executive Director	0	0
Zhu Haifeng ³	Independent and Non-Executive Director	6	5

Note(s):

1. Mr. Liew Yoke Pheng Joseph continued to serve as the Chairman of the Audit Committee upon his re-appointment to the Board with effect from 28 November 2023.
2. Mr. Yeo Guat Kwang was appointed as a member of the Audit Committee upon his appointment to the Board with effect from 28 November 2023.
3. Mr. Zhu Haifeng ceased to be a member of the Audit Committee following he stepped down from the Board with effect from 28 November 2023.

Nomination Committee

The Nomination Committee was established in 2002. During FY2023 and up to 28 November 2023, the Chairman of the Nomination Committee was Ms. Li Qing, and the other members were Mr. Zhu Haifeng and Mr. Guo Min. Mr. Zhu Haifeng ceased to be a member of the Nomination Committee following he stepped down from the Board with effect from 28 November 2023. As at 31 December 2023, the Nomination Committee was chaired by Ms. Li Qing and its other members were Mr. Yeo Guat Kwang and Mr. Guo Min, majority of whom (including the Chairman of the Nomination Committee) were independent and the Lead Independent Director (i.e. Mr. Yeo Guat Kwang) was a member of the Nomination Committee. Prior to the appointment of Mr. Yeo Guat Kwang as the Lead Independent Director of the Company with effect from 18 December 2023, with reference to Provision 4.2 of the Code requiring that the lead independent director (if any) is a member of the Nomination Committee, even though Mr. Liew Yoke Pheng Joseph, the then Lead Independent Director, who was not a member of the Nominating Committee, the Board was of the view that Mr. Liew Yoke Pheng Joseph was the most suitable choice for the role of the Lead Independent Director as he was 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 and Board Committees. As part of the process, the Nomination Committee will evaluate the factors including the relevant background, skills and experience of the proposed Director as prescribed under the Company's board diversity policy and other relevant factors as may be determined by the Nomination Committee, to ensure that his/her skills and experience are a good fit for the Board's existing attributes and requirements.

CORPORATE GOVERNANCE STATEMENT

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

Pursuant to Article 156 of the Articles of Association of the Company which was in force as at 31 December 2023, the tenure of an Independent Director shall be three (3) years which may be extended upon re-election, with a maximum term of no more than six (6) years, and pursuant to Rule 720(5) of the Listing Manual, and all Directors shall submit themselves for re-nomination and re-appointment at least once every three (3) years. The Board, the Supervisory Committee of the Company, or shareholders who, singly or jointly, hold more than one per cent. (1%) issued shares of the Company, may nominate candidates for appointment as Independent Directors, following which the Nomination Committee will review these nominated candidates for suitability and the shareholders in a general meeting shall make the final decision on the appointment of such candidates as Independent Directors. Directors are required immediately report any changes in their external appointments, including any corporate developments relating to their external appointments, which may affect their independence.

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

When there is a need for a new appointment of a Director to the Board, the senior management personnel, the Board Secretaries and the human resources department of the Company will work together to ensure that the necessary preparatory work is completed, and the required materials are prepared, before the Nomination Committee meets to discuss the suitability of the list of potential candidates. The Nomination Committee will review the composition and range of knowledge, expertise, skills and attributes of the Board and Board Committees. The Nomination Committee will thereafter make its recommendations to the Board including appointments to the appropriate Board Committee(s) after matching the candidates' skills-set to the needs of each Board Committee. The Board, taking into account the views of the Nomination Committee, will consider if its Directors meet the criteria under the board diversity policy and possess the necessary competencies to govern the Company effectively. Upon the Board's approval, the Company will seek its shareholders' approval at a general meeting of the Company. If required, the Nomination Committee may engage an external consultant who provides professional advisory services to assist the Nomination Committee in arriving at a decision. The Nomination Committee also ensures that new Directors are aware of their duties and obligations (including the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, restrictions on dealings in the Company's securities and the disclosure of price-sensitive and trade-sensitive information) as directors of the Company.

CORPORATE GOVERNANCE STATEMENT

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

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

The number of Nomination Committee meetings held and attendance during FY2023 are as follows:

Name of Director/Executive	Appointment	Number of meetings held	Attendance
Li Qing	Independent and Non-Executive Director	3	3
Yeo Guat Kwang ¹	Lead Independent and Non-Executive Director	0	0
Guo Min	Executive Director	3	3
Zhu Haifeng ²	Independent and Non-Executive Director	3	3

Note(s):

1. Mr. Yeo Guat Kwang was appointed as a member of the Nomination Committee upon his appointment to the Board with effect from 28 November 2023. Mr. Yeo Guat Kwang was appointed as the Lead Independent Director with effect from 18 December 2023.
2. Mr. Zhu Haifeng ceased to be a member of the Nomination Committee following he stepped down from the Board with effect from 28 November 2023.

Remuneration Committee

The Remuneration Committee was established in 2002. During FY2023 and up to 28 November 2023, the Remuneration Committee was chaired by Mr. Zhu Haifeng and its other members were Mr. Liew Yoke Pheng Joseph and Ms. Mao Weiwen. Mr. Zhu Haifeng ceased to be the Chairman of the Remuneration Committee following he stepped down from the Board with effect from 28 November 2023. As at 31 December 2023, the Remuneration Committee was chaired by Mr. Yeo Guat Kwang and its other members were Mr. Liew Yoke Pheng Joseph and Ms. Mao Weiwen, all of whom were non-executive directors and the majority (including the Chairman of the Remuneration Committee) were independent.

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

CORPORATE GOVERNANCE STATEMENT

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

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

The number of Remuneration Committee meetings held and attendance during FY2023 are as follows:

Name of Director/Executive	Appointment	Number of meetings held	Attendance
Zhu Haifeng ¹	Independent and Non-Executive Director	1	1
Liew Yoke Pheng Joseph ²	Independent and Non-Executive Director	1	1
Mao Weiwen	Non-Executive and Non-Independent Director	1	1
Yeo Guat Kwang ³	Lead Independent and Non-Executive Director	0	0

Notes:

1. Mr. Zhu Haifeng ceased to be the Chairman of the Remuneration Committee following he stepped down from the Board with effect from 28 November 2023.
2. Mr. Liew Yoke Pheng Joseph continued to serve as a member of the Remuneration Committee upon his re-appointment to the Board with effect from 28 November 2023.
3. Mr. Yeo Guat Kwang was appointed as the Chairman of the Remuneration Committee upon his appointment to the Board with effect from 28 November 2023.

Alternate Directors

As at 31 December 2023, the Company had no alternate directors on its Board.

Key Information on Directors

The profiles of, and other key information on, the Directors, such as directorships or chairmanships in other listed companies and other principal commitments, are set out under the "Resumes of Directors, Supervisors and Senior Managers – Directors" section of this Annual Report. The Notice of AGM sets out the agenda item(s) in relation to the Director(s) who are proposed to be appointed/re-appointed at the forthcoming AGM. Pursuant to the requirements of the Listing Manual, supplemental information required under Rule 720(6) of the Listing Manual read with Appendix 7.4.1 of the Listing Manual for Director(s) who are proposed to be appointed/re-appointed at the forthcoming AGM are provided in this Corporate Governance Statement below on pages 59 to 63.

CORPORATE GOVERNANCE STATEMENT

BOARD MATTERS

Board Performance

Principle 5

With regard to the performance evaluation process undertaken by the Nomination Committee for FY2023, 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.

For FY2023, the Board and the Nomination Committee are of the view that the Board and its Board Committees have operated effectively, and the Chairman of the Board and each Director had contributed to the overall effectiveness of the Board.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6

Level and Mix of Remuneration

Principle 7

Disclosure of Remuneration

Principle 8

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

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

CORPORATE GOVERNANCE STATEMENT

The remuneration paid to the Directors (other than the Independent Directors) and the Chief Executive Officer (or its equivalent rank, i.e. the General Manager) of the Company for FY2023 is set out below in bands of S\$250,000:

	Salary %	Bonus %	Termination, Retirement and Post-employment benefits %	Other Benefits %	Total %
Below S\$250,000					
Guo Min ¹	-	-	-	-	-
Wang Mai ²	100	-	-	-	100
Shang Mingjie ³	100	-	-	-	100
Zhang Mingrui ⁴	-	-	-	-	-
Mao Weiwen ⁵	-	-	-	-	-
S\$250,000 and above, but below S\$750,000					
Wang Lei ⁶	100	-	-	-	100
Zhou Hong	100	-	-	-	100

Note(s):

1. No remuneration was paid to Mr. Guo Min for FY2023 by the Company.
2. Mr. Wang Mai ceased to be an Executive Director with effect from 29 March 2023.
3. Mr. Shang Mingjie was appointed as an Executive Director with effect from 21 June 2023.
4. No remuneration was paid to Ms. Zhang Mingrui for FY2023 by the Company.
5. No remuneration was paid to Ms. Mao Weiwen for FY2023 by the Company.
6. Ms. Wang Lei was appointed as an Executive Director with effect from 30 December 2022. She was appointed as the General Manager of the Company on 22 August 2022, and continued as the General Manager of the Company during FY2023.

Notwithstanding the requirement in Provision 8.1(a) of the Code to disclose the amounts and breakdown of remuneration of each individual director and the chief executive officer, the Board believes that the disclosure above, which discloses the remuneration in bands and includes the percentage breakdown of remuneration based on salaries/fees and bonuses, provides sufficient overview of the the remuneration of each individual Director (other than the Independent Directors) and the Chief Executive Officer (or its equivalent rank, i.e. the General Manager), is made in the best interests of the Company given the highly competitive environment it is operating in, and is substantively consistent with the intent of Principle 8 of the Code.

CORPORATE GOVERNANCE STATEMENT

The directors' fees paid to the Independent Directors of the Company for FY2023 are set out below:

Name of Director	Salary	Bonus	Directors' fees	Total
Liew Yoke Pheng Joseph ¹	0	0	S\$55,000	S\$55,000
Li Qing	0	0	RMB60,000	RMB60,000
Zhu Haifeng ²	0	0	S\$50,400	S\$50,400
Yeo Guat Kwang ³	0	0	S\$4,600	S\$4,600

Note(s):

1. Mr. Liew Yoke Pheng Joseph continued to serve as an Independent and Non-Executive Director upon his re-appointment to the Board with effect from 28 November 2023.
2. Mr. Zhu Haifeng ceased to be an Independent and Non-Executive Director with effect from 28 November 2023.
3. Mr. Yeo Guat Kwang was appointed as an Independent and Non-Executive Director with effect from 28 November 2023.

Details of remuneration paid to the top six (6) key executives (who are not Directors or the Chief Executive Officer (or its equivalent rank, i.e. the General Manager)) of the Group for FY2023 are set out below:

Name of Executive	*Total Remuneration
Li Yong	RMB1,270,600
Zhang Jian	RMB981,100
Wang Xin	RMB1,033,800
Niu Shengfang	RMB1,106,300
Zhang Yu	RMB893,800
Ma Jian	RMB190,300

A breakdown of the level and mix of remuneration of the top six (6) key executives (who are not Directors or Chief Executive Officer (or its equivalent rank, i.e. the General Manager)) is as follows:

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

The aggregate total remuneration paid to or accrued to the top six (6) key executives (who are not Directors or Chief Executive Officer (or its equivalent rank, i.e. the General Manager)) amounted to RMB5,475,900.

CORPORATE GOVERNANCE STATEMENT

There are no employees of the Company who are substantial shareholders of the Company, or are immediate family members of a Director or the Chief Executive Officer (or its equivalent rank, i.e. the General Manager) or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during FY2023.

Pursuant to an EGM of the Company held on 2 December 2019, the shareholders of the Company approved, *inter alia*, the adoption of the 2019 Restricted A-Share Incentive Scheme (2019年A股限制性股票计划) (the “**Scheme**”) of the Company which was established to further improve the long-term incentive mechanism of the Company, attract and retain outstanding talents, fully motivate the key personnel of the Company, and align the interests of the shareholders and the Company with the individual interests of the members of management team of the Company so that all parties will make joint efforts for the long-term development of the Company, and the incentive instruments to be issued under the Scheme are A-Shares only and the participants who were eligible to participate in the Scheme which include directors, members of senior management, members of the management team of the Company that the board of directors considers should be motivated, leading-level scientific research experts, core personnel for scientific research and technology and members of core management team of the subordinate enterprises of the Company (excluding the Company’s associated companies). Please refer to the circular dated 15 November 2019 issued by the Company for further details on the Scheme, and the announcements made by the Company on SGXNET on 9 December 2019, 8 January 2020, 17 February 2020, 6 July 2020, 17 July 2020, 28 July 2020, 14 August 2020, 27 October 2021, 13 August 2021, 10 January 2023, 17 May 2023, 30 October 2023 and 26 December 2023 in relation to the events in connection with the Scheme.

The aggregate number of Restricted A-Shares (as defined under the Scheme) held by the Director(s) under the Scheme as at 31 December 2023 is set out below:

Name of Director	Aggregate number of Restricted A-Shares (as defined under the Scheme) held as at 31 December 2023
Zhou Hong	23,800

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

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

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9

Audit Committee

Principle 10

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

CORPORATE GOVERNANCE STATEMENT

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.

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

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》), the *Guidelines on the Application of Internal Control* (《企业内部控制应用指引》), the *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 FY2023, the Audit Committee is of the view that the Group's internal audit function is independent, effective and adequately resourced.

CORPORATE GOVERNANCE STATEMENT

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 Supervisory Committee of the Company is also involved in the process as it supervises all matters relating to the internal control framework and ultimately, the Board oversees the entire system that is in place.

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

The Board had received assurance from the Chief Executive Officer (or its equivalent rank, i.e. the General Manager) and Chief Financial Officer (or its equivalent rank, i.e. the Chief Accountant) that the financial records as at 31 December 2023 have been properly maintained and the financial statements for FY2023 give a true and fair view of the Company's operations and finances, and assurance from the Chief Executive Officer (or its equivalent rank, i.e. the General Manager) and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

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

CORPORATE GOVERNANCE STATEMENT

Whistleblowing Policy

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

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

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

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

Please refer to Board Membership under Principle 4 of this Corporate Governance Statement for information on the Audit Committee.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholders Rights and Conduct of General Meetings

Principle 11

Engagement with Shareholders

Principle 12

Communication with Shareholders

The Company does not practice selective disclosure. In line with the continuous disclosure obligations prescribed in the Listing Manual of the SGX-ST and the rules of the SSE, 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 AGMs and EGMs (also advertised in newspapers);
- press releases on major developments of the Group; and
- other disclosures as required under the Listing Manual of the SGX-ST and the listing rules of the SSE.

CORPORATE GOVERNANCE STATEMENT

Shareholders in Singapore are encouraged to attend the Company's general meetings held in the People's Republic of China (the "PRC") via video conferencing and/or other electronic means. The general meetings are the principal forum for dialogue with shareholders. The notice of the general meetings is issued to shareholders at least 45 days before the meeting in accordance with the requirements of the SSE and the Articles of Association of the Company. An updated/revised notice of general meetings will be issued by the Company 14 days before the meeting in accordance with the Listing Manual. Additional information will be provided in explanatory notes or in a circular on items of special business. The Board welcomes questions from shareholders on performance and operations of the Group. Where possible, all the Directors will attend the general meetings of the Company. In particular, the Chairmen of the Audit, Remuneration and Nomination Committees are normally available at the meeting to answer those questions relating to the work of the respective Board Committees. External auditors and/or advisers of the Company are also present at such general meetings to assist the Directors to address shareholders' queries, if necessary.

The Company provides for separate resolutions on each distinct issue at general meetings. To encourage greater transparency in the voting process and in compliance with the Listing Manual of the SGX-ST and the rules of the SSE, the Company conducts electronic poll voting for shareholders holding "A" Shares (the "A-Share Shareholders"), and manual poll voting for shareholders holding "S" Shares (the "S-Share Shareholders"), for all resolutions proposed at the general meetings (save for resolutions relating to the election of directors or supervisors at all general meetings subsequent to the Company's AGM held on 16 May 2022 where the Articles of Association of the Company was amended to allow the Company to carry out cumulative voting for resolutions relating to the election of directors or supervisors at its general meetings in accordance with the requirements of PRC laws). Shareholders are adequately informed of the rules governing general meetings of shareholders, including the voting procedures in place. An independent scrutineer is also appointed to tally and validate the votes that are cast at the general meetings. The poll voting results showing the respective percentages for and against each resolution (or, where the cumulative voting is carried out, the number of votes for the relevant resolution) are immediately presented to shareholders after the votes are tallied and these results are also announced on SGXNET in a timely fashion after the general meetings. The Company will publish minutes of general meetings on SGXNET and/or its corporate website as soon as practicable. The minutes will record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.

During the year under review, the Company had held its AGM for FY2022 on 15 May 2023 (the "2023 AGM") 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 in force then, as well as its 1st EGM for FY2023 on 28 November 2023 (the "2023 1st EGM") in line with the Company's practice prior to the COVID-19 pandemic and following the cessation of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Both the 2023 AGM and the 2023 1st EGM were held in a physical venue in the PRC (concurrently, a video conferencing at a physical venue located in Singapore for the S-Share Shareholders). Arrangements were put in place for attendance at the 2023 AGM and the 2023 1st EGM respectively, the submission of questions to the Chairman of the Meeting in advance of, or at, the 2023 AGM or the 2023 1st EGM (as the case may be), and voting at the 2023 AGM or the 2023 1st EGM (as the case may be) by shareholders or their duly appointed proxy(ies), and these arrangements were disclosed to shareholders in the notice of the 2023 AGM dated 28 April 2023 and the notice of the 2023 1st EGM dated 10 November 2023 respectively. The minutes of each of the 2023 AGM and the 2023 1st EGM were announced on SGXNET on 12 June 2023 and 26 December 2023, i.e. within one (1) month after the 2023 AGM and the 2023 1st EGM, 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.

CORPORATE GOVERNANCE STATEMENT

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. During the year under review, the Company held three (3) online conference regarding the financial results for each of the first three (3) quarters of FY2023 on 30 May 2023, 5 September 2023 and 19 December 2023 respectively. The Company also has a dedicated and committed Investor Relations team that engages with institutional investors, if necessary, and addresses investors' queries as and when such queries are directed to the team. The Company also maintains a current corporate website to communicate and engage with stakeholders. Shareholders and investors are also provided with investor relations contacts on the "Queries from Shareholders (股东咨询)" page under the "Investor Relationship (投资者关系)" section of the Company's corporate website at www.jydr.com.cn.

Dividend Policy

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

At the AGM for FY2022 held on 15 May 2023, the shareholders of the Company had approved the proposed "Scheme on Return of Investment to Shareholders from 2023 to 2025" (the "**Shareholder Return Plan**"). In particular, pursuant to the Shareholder Return Plan, the conditions for the Company to distribute profits in the form of cash dividends are as follows:

- (1) the Company's net profit for the year or half year is positive and not less than RMB0.05 per share;
- (2) the distributable profits realized by the Company during the year (i.e. the remaining after-tax profits of the Company after making up for losses and setting aside funds for the statutory and discretionary common reserve funds according to law) are positive;
- (3) the Company's net cash flow and cash flows from operating activities for the year are positive;
- (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 investment plans or major cash outlays¹ (excluding fundraising projects) within the next twelve (12) months.

Further details on the Shareholder Return Plan can be found on pages 29 to 31 of the Company's annual report for FY2022, which was uploaded on SGXNET on 28 April 2023.

Pursuant to the *Regulatory Guideline No. 3 for Listed Companies -Distribution of Cash Dividends by Listed Companies* (《上市公司监管指引第3号-上市公司现金分红》) promulgated by the CSRC, and the *Guideline for the Issuance of Cash Dividends by Listed Companies* (《上市公司现金分红指引》) promulgated by the SSE in force then, as well as other relevant laws and regulations, Article 224 of the Articles of Association of the Company was amended pursuant to a resolution passed by shareholders of the Company in an EGM held on 18 August 2014 to (i) state explicitly that when the conditions for distributing profits through cash dividends are met, the Company shall distribute profits through cash dividends; and (ii) set out the procedure and requisite contents of a scheme on return of investment to shareholders. More information on the foregoing can be found in the circular to shareholders dated 1 August 2014.

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

CORPORATE GOVERNANCE STATEMENT

MANAGING STAKEHOLDER RELATIONSHIPS

Engagement with Stakeholders

Principle 13

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

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

The Company has conducted effective communication with all key stakeholders, actively solicited their needs and opinions, and also participated in industry and government seminars to keep abreast of any material issues that the stakeholders are concerned about. During the year under review, the Company participated in an online investor survey (投资者调研) which is one of the communication channels for the Company to communicate and engage with the stakeholders of the Company, and announced the questions from the participating investors and Company's responses as soon as practicable following the survey. The Company defines key stakeholders as a group that has a significant impact on the Group's operations or is affected by the Group's operations. Please refer to the section titled "Stakeholder Engagement" in the Sustainability Report which will be/has been published in May 2024 for further details in relation to key stakeholders of the Company and how the Company communicate with them.

ADDITIONAL INFORMATION

Dealings in Securities

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

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

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

Compliance with existing best practices guide of the Singapore Exchange

The Board confirms that for the financial year ended 31 December 2023, 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

Supplemental Information on Director(s) Seeking Appointment/Re-Appointment at the forthcoming AGM

At the Company's forthcoming AGM to be held on 15 May 2024, the resolution to consider and approve the appointment of Mr. Zhong Ming (钟铭) as independent director of the Company will be tabled for shareholders' approval. Accordingly, the information required under Rule 720(6) of the Listing Manual read with Appendix 7.4.1 of the Listing Manual in respect of Mr. Zhong Ming is set out below.

<i>Date of Appointment</i>	15 May 2024 (being the date of the forthcoming AGM), subject to obtaining Shareholders' approval at the AGM
<i>Date of last re-appointment (if applicable)</i>	Not applicable
<i>Name of person</i>	Zhong Ming (钟铭)
<i>Age</i>	37
<i>Country of principal residence</i>	Singapore
<i>The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)</i>	Approved The Company selects the candidates for its independent directors pursuant to the <i>Rules for Independent Directors of Listed Companies</i> (《上市公司独立董事规则》) issued by the CSRC and the relevant rules of the SSE, and submits the proposed candidates to the Nomination Committee of the Company for consideration. Upon assessment by the Nomination Committee, the Nomination Committee is of the view that Mr. Zhong Ming ("Mr. Zhong") is qualified to act as an independent Director of the Company and agreed to submit the proposed appointment of Mr. Zhong as an independent Director of the Company to the Board for consideration and approval. The independent Directors of the Company for the time being have examined the nomination procedures and Mr. Zhong's qualifications, and are of the view that the nomination procedures of Mr. Zhong comply with the Articles of Association of the Company. The Board approved the proposed appointment of Mr. Zhong as an independent Director of the Company and the proposed appointment of Mr. Zhong as an independent Director of the Company shall be submitted for Shareholders' approval at the forthcoming AGM.
<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>	Bachelor's Degree in Accounting and Finance

CORPORATE GOVERNANCE STATEMENT

<i>Working experience and occupation(s) during the past 10 years</i>	Since 2016, Mr. Zhong has been an executive director of Yanlord Land Group Limited, a company listed on the Mainboard of the SGX-ST. He is also an independent director of SIIC Environment Holdings Ltd., a company listed on The Stock Exchange of Hong Kong Limited and the Mainboard of the SGX-ST, and a director of Ren Ci Hospital (新加坡仁慈医院) since 2018.
<i>Shareholding interest in the listed issuer and its subsidiaries</i>	No
<i>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</i>	Nil
<i>Conflict of interest (including any competing business)</i>	Nil
<i>Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer</i>	To be submitted upon appointment
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	
<i>Past (for the last 5 years)</i>	Nil
<i>Present</i>	<ul style="list-style-type: none"> • Executive Director of Yanlord Land Group Limited (listed on the Mainboard of the SGX-ST) • Independent Director of SIIC Environment Holdings Ltd. (listed on The Stock Exchange of Hong Kong Limited and the Mainboard of the SGX-ST) • Director of Ren Ci Hospital (新加坡仁慈医院)
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.	
<i>(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?</i>	No

CORPORATE GOVERNANCE STATEMENT

<p><i>(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?</i></p>	<p>No</p>
<p><i>(c) Whether there is any unsatisfied judgment against him?</i></p>	<p>No</p>
<p><i>(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?</i></p>	<p>No</p>
<p><i>(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?</i></p>	<p>No</p>
<p><i>(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?</i></p>	<p>No</p>
<p><i>(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?</i></p>	<p>No</p>

CORPORATE GOVERNANCE STATEMENT

<i>(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?</i>	No
<i>(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?</i>	No
<i>(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-</i>	
<i>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</i>	No
<i>(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</i>	No
<i>(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</i>	No
<i>(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,</i>	No
<i>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</i>	
<i>(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?</i>	No

CORPORATE GOVERNANCE STATEMENT

<i>Disclosure applicable to the appointment of Director only.</i>	
<i>Any prior experience as a director of an issuer listed on the Exchange?</i>	Yes
<i>If yes, please provide details of prior experience.</i>	Mr. Zhong is currently holding the directorships in the following companies listed on the SGX-ST: <ul style="list-style-type: none"> • Executive Director of Yanlord Land Group Limited (listed on the Mainboard of the SGX-ST) • Independent Director of SIIC Environment Holdings Ltd. (listed on The Stock Exchange of Hong Kong Limited and Mainboard of the SGX-ST)
<i>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.</i>	Not applicable.
<i>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).</i>	Not applicable.

Disclosure Regarding Company's Relationship with Tianjin SASAC

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

Notwithstanding the foregoing, under the laws of Singapore, Tianjin SASAC was not considered a controlling shareholder of the Company. Pursuant to the *Law of the People's Republic of China on the State-Owned Assets of Enterprises* (《中华人民共和国企业国有资产法》), the State Council of the PRC (the "State Council") and the local people's governments shall, in accordance with laws and administrative regulations, perform respectively the contributor's functions for state-invested enterprises and enjoy the contributor's rights and interests on behalf of the state. In this relation, the state-owned assets supervision and administration bodies established by the local people's governments according to the provisions of the State Council shall perform the contributor's functions for state-invested enterprises on behalf of and upon the authorisation of the corresponding people's government. Accordingly, the establishment and responsibilities of Tianjin SASAC are based on, and subject to, the PRC laws, rules and regulations and Tianjin SASAC did not influence decisions on the financial and operating policies of the Company in normal circumstances. As such, under the Securities and Futures Act 2001 of Singapore and the Listing Manual, Tianjin SASAC was not considered to be able to exercise "control" over the Company and was therefore, not a controlling shareholder of the Company under Singapore laws. In this relation, Tianjin SASAC and its associates were also not considered interested persons of the Company and hence, the interested person transaction requirements under the Listing Manual do not apply to them.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

Principles and Provisions of the Code	Page reference in the Company's annual report for FY2023
BOARD MATTERS	
The Board's Conduct of Affairs	
Principle 1	
1.1	Pages 32 and 33
1.2	Page 36
1.3	Page 34
1.4	Pages 33 and 34, 37 and 38, and 43 to 48
1.5	Pages 35, 43, 45, 47 and 48
1.6	Pages 34 and 35
1.7	Pages 34 and 35
Board Composition and Guidance	
Principle 2	
2.1	Page 40
2.2	Pages 39 and 40
2.3	Page 37
2.4	Pages 37 to 40
2.5	Page 42
Chairman and Chief Executive Officer	
Principle 3	
3.1	Pages 41 and 42
3.2	Pages 41 and 42
3.3	Page 42

Principles and Provisions of the Code	Page reference in the Company's annual report for FY2023
Board Membership	
Principle 4	
4.1	Pages 45 to 47
4.2	Page 45
4.3	Pages 46 and 47
4.4	Page 47
4.5	Pages 36 and 46
Board Performance	
Principle 5	
5.1	Pages 46 and 49
5.2	Page 49
REMUNERATION MATTERS	
Procedures for Developing Remuneration Policies	
Principle 6	
6.1	Page 47
6.2	Page 47
6.3	Page 48
6.4	Page 48

CORPORATE GOVERNANCE STATEMENT

Principles and Provisions of the Code	Page reference in the Company's annual report for FY2023
Level and Mix of Remuneration	
Principle 7	
7.1	Pages 47 to 49 and 52
7.2	Pages 47 to 49
7.3	Pages 47 to 49
Disclosure on Remuneration	
Principle 8	
8.1	Pages 50 and 51
8.2	Page 52
8.3	Pages 50 to 52
ACCOUNTABILITY AND AUDIT	
Risk Management and Internal Controls	
Principle 9	
9.1	Page 54
9.2	Page 54
Audit Committee	
Principle 10	
10.1	Page 44
10.2	Page 43
10.3	Page 43
10.4	Page 53
10.5	Page 45

Principles and Provisions of the Code	Page reference in the Company's annual report for FY2023
SHAREHOLDER RIGHTS AND ENGAGEMENT	
Shareholder Rights and Conduct of General Meetings	
Principle 11	
11.1	Page 56
11.2	Page 56
11.3	Page 56
11.4	Page 56
11.5	Page 56
11.6	Page 57
Engagement with Shareholders	
Principle 12	
12.1	Pages 56 and 57
12.2	Page 57
12.3	Page 57
MANAGING STAKEHOLDERS RELATIONSHIPS	
Engagement with Stakeholders	
Principle 13	
13.1	Page 58
13.2	Page 58
13.3	Page 57

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The directors are pleased to present the consolidated financial statements of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2023.

Opinion of the directors

In the opinion of the directors:

- (a) The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 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.

Directors

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

Zhang Mingrui	
Wang Lei	
Guo Min	
Zhou Hong	
Mao Weiwen	
Liew Yoke Pheng, Joseph	
Li Qing	
Shang Mingjie	(appointed on 21 June 2023)
Yeo Guat Kwang	(appointed 28 November 2023)
Zhu Haifeng	(resigned on 28 November 2023)

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

Neither at the end of, nor at any time during the 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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Directors' interests in shares and debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations except as follows:

Name of director and corporation in which interests are held	At beginning of the year	At end of the year
<u>The Company</u>		
<i>Restricted circulating A-shares</i>		
Zhou Hong	70,000	23,800

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2024 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2023.

Share Options

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

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

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

Audit Committee

The Audit Committee at the date of this statement comprises the following members, all of whom are Independent Directors:

Mr. Liew Yoke Pheng Joseph (Chairman)
Ms. Li Qing
Mr. Yeo Guat Kwang

The Audit Committee has carried out its functions in accordance with Section 201B(5) of the Act, including reviewing the following, where relevant, with the Executive Directors, external auditor and internal auditor of the Company:

- reviewed the audit plans and scope of audit examination of the external auditors;
- reviewed with the external auditors their findings arising from the audit and making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditor, and the remuneration and terms of engagement of the external auditor;
- reviewed internal audit findings and internal audit plan;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Audit Committee (Cont'd)

- reviewed the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;
- reviewed the annual and quarterly financial statements and the draft earnings announcements before their submission to the Board for approval;
- reviewed the significant financial reporting issues and judgements (if any) so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- reviewed the assurance from the Chief Executive Officer (or its equivalent rank i.e. the General Manager) and the Chief Financial Officer (or its equivalent rank i.e. the Chief Accountant) on the financial records and financial statements;
- reviewed interested person transactions;
- reviewed the adequacy and effectiveness of the Company's internal control and risk management systems;
- reviewed the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- reviewed the re-appointment of external auditor of the Company; and
- reviewed all non-audit services provided by the external auditor and is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

The Audit Committee has full access to and has the co-operation of management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and Executive Officer to attend its meetings. The external and internal auditor have unrestricted access to the Audit Committee.

Full details regarding the Audit Committee are provided in the Corporate Governance Report.

In appointing our auditors for the Company and its subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Independent auditor

At the extraordinary general meeting of the Company held on 28 November 2023, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, was appointed as the independent auditor of the Company. The independent auditor, Foo Kon Tan LLP, has expressed its willingness to accept the appointment.

On behalf of the Directors

.....
ZHANG MINGRUI

.....
WANG LEI

Dated: 28 March 2024

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Tianjin Pharmaceutical Da Ren Tang 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 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including material accounting policy information.

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 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 2023, 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 then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 Group and the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), 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 period. 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.

Impairment of goodwill

(Refer to Notes 2.1(a) and 8(a) to the financial statements)

As at 31 December 2023, the Group recorded a goodwill of RMB65,911,000, arising from the Group's acquisition of Newscen Coast Bio-Pharmaceutical Co., Ltd. ("Newscen Coast") in the prior year. Newscen Coast had been identified as a separate cash generating unit ("CGU"). Management is required to perform an impairment assessment of the carrying amount of the goodwill at least annually. Goodwill is impaired if the carrying amount of the cash generating unit ("CGU"), including the goodwill, exceeds the recoverable amount.

Management determined the recoverable amount of the CGU based on the value-in-use method and an impairment loss on goodwill of RMB18,782,000 was recognised. This involved significant management judgement and estimation in projecting the CGU's revenue growth rates, discount rate and terminal value.

INDEPENDENT AUDITORS' REPORT

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

Key audit matters (Cont'd)

Impairment of goodwill (Cont'd)

(Refer to Notes 2.1(a) and 8(a) to the financial statements) (Cont'd)

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

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

Net realisable value of inventories

(Refer to Notes 2.1(c) and 13 to the financial statements)

As at 31 December 2023, the Group's inventories amounted to RMB1,566,518,000 representing 15% of the Group's total assets. The Group is principally engaged in the manufacture and sale of traditional Chinese and Western medicine in the People's Republic of China. The Group's inventories are measured at the lower of cost and net realisable value.

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

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

- Reviewed the Group's policy for inventories write-down and performed procedures to assess management's rationale and determination of net realisable value of inventories;
- Tested management's computation of the amount of inventories written down and written back;
- Tested net realisable value of inventories by analysing selling prices and gross profit margins for major products;
- Reviewed the historical sales of those inventories that are approaching expiry dates and have been written down, to ascertain whether the write-down was appropriate; and
- Assessed the adequacy of disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT

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

Key audit matters (Cont'd)

Impairment of trade receivables

(Refer to Notes 2.1(d) and 14 to the financial statements)

As at 31 December 2023, the Group's trade receivables amounted to RMB2,653,081,000, representing 26% of the Group's total assets.

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

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

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

Other Matter

The financial statements for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 March 2023.

Other information

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chin Bo Wui.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Revenue	25	8,222,312	8,249,250
Cost of sales		(4,683,129)	(5,032,282)
Gross Profit		3,539,183	3,216,968
Interest income	26	54,642	56,125
Dividend income		100	-
Other income and gains	27	39,949	102,385
Marketing and distribution expenses		(2,126,435)	(1,969,265)
Research and development expenses		(184,629)	(153,147)
Administrative expenses		(400,360)	(388,355)
Finance costs	28	(24,589)	(13,158)
Other losses	27	(97,075)	(67,977)
Share of results of equity-accounted associates, net of tax	10	294,577	196,613
Profit before tax		1,095,363	980,189
Tax expense	30	(126,658)	(106,931)
Profit for the year		968,705	873,258
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of equity investments at FVOCI, net of tax	18	39	(944)
Share of other comprehensive income from equity-accounted associates, net of tax	18	4,767	6,995
Other comprehensive income for the year		4,806	6,051
Total comprehensive income for the year		973,511	879,309
Profit for the year attributable to:			
Owners of the Company		986,707	861,794
Non-controlling interests		(18,002)	11,464
Profit for the year		968,705	873,258
Total comprehensive income attributable to:			
Owners of the Company		991,513	867,845
Non-controlling interests		(18,002)	11,464
Total comprehensive income for the year		973,511	879,309
Profit per share attributable to owners of the Company			
Basic and diluted (RMB per share)	31	1.28	1.11

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	The Group		The Company	
		31 December 2023 RMB'000	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2022 RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	1,434,742	1,461,594	980,909	987,931
Investment properties	5	13,029	14,099	12,299	13,321
Right-of-use assets	6	6,769	2,994	-	-
Land use rights	7	251,739	204,021	203,677	152,096
Intangible assets	8	144,997	172,802	19,216	17,257
Subsidiaries	9	-	-	1,652,454	1,536,265
Associates	10	882,307	760,193	882,307	760,193
Deferred tax assets	30	265,993	208,352	232,063	179,689
Other financial assets	11	622,812	41,272	560,873	321
Other assets	12	56,039	46,210	51,293	40,550
		3,678,427	2,911,537	4,595,091	3,687,623
Current Assets					
Inventories	13	1,566,518	1,429,452	1,123,625	785,984
Trade and other receivables	14	2,686,929	2,785,117	2,042,065	2,337,302
Other financial assets	11	61,699	40,615	-	-
Other assets	12	111,329	107,736	34,623	14,377
Cash and cash equivalents	15	2,125,200	2,882,524	1,441,871	2,075,925
		6,551,675	7,245,444	4,642,184	5,213,588
Total assets		10,230,102	10,156,981	9,237,275	8,901,211
EQUITY					
Capital and Reserves					
Share capital	16	770,158	773,443	770,158	773,443
Share premium		1,207,326	1,228,740	1,207,326	1,228,740
Retained earnings		4,500,020	4,372,462	4,456,460	4,275,060
Other reserves	18	130,224	176,564	545,067	559,241
Equity attributable to owners of the company		6,607,728	6,551,209	6,979,011	6,836,484
Non-controlling interests	9	44,546	30,493	-	-
Total equity		6,652,274	6,581,702	6,979,011	6,836,484
LIABILITIES					
Non-Current Liabilities					
Deferred tax liabilities	30	7,333	8,818	-	-
Trade and other payables	19	8,149	10,091	5,749	9,005
Lease liabilities	20	2,743	871	-	-
Other financial liabilities	21	241,035	151,300	241,035	123,310
Other liabilities	22	92,682	100,513	57,879	55,379
		351,942	271,593	304,663	187,694
Current Liabilities					
Income tax payable		76,678	93,280	52,373	76,138
Trade and other payables	19	2,890,284	2,885,422	1,759,115	1,516,835
Lease liabilities	20	3,564	4,097	-	-
Other financial liabilities	21	81,800	101,639	-	80,531
Other liabilities	22	173,560	219,248	142,113	203,529
		3,225,886	3,303,686	1,953,601	1,877,033
Total liabilities		3,577,828	3,575,279	2,258,264	2,064,727
Total equity and liabilities		10,230,102	10,156,981	9,237,275	8,901,211

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Group

	Equity attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000	
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
At 1 January 2023	773,443	1,228,740	176,564	4,372,462	6,551,209	30,493	6,581,702
Total comprehensive income							
Profit for the year	-	-	-	986,707	986,707	(18,002)	968,705
Change in fair value of equity investments at FVOCI, net of tax	-	-	39	-	39	-	39
Share of other comprehensive income from equity-accounted associates, net of tax	-	-	4,767	-	4,767	-	4,767
Total other comprehensive income	-	-	4,806	-	4,806	-	4,806
Total comprehensive income	-	-	4,806	986,707	991,513	(18,002)	973,511
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends (Note 32)	-	-	-	(862,679)	(862,679)	-	(862,679)
Acquisition of non-controlling interest without change in control (Note 9(b)) and contribution from non-controlling interests	-	-	(32,166)	-	(32,166)	32,055	(111)
Net reversal of share-based payments (Note 17)	-	-	(18,980)	-	(18,980)	-	(18,980)
Repurchase and cancellation of Restricted A-Shares	(3,285)	(21,414)	-	3,530	(21,169)	-	(21,169)
Total transactions with owners	(3,285)	(21,414)	(51,146)	(859,149)	(934,994)	32,055	(902,939)
At 31 December 2023	770,158	1,207,326	130,224	4,500,020	6,607,728	44,546	6,652,274
At 1 January 2022	773,443	1,228,740	504,077	3,890,250	6,396,510	149,352	6,545,862
Total comprehensive income							
Profit for the year	-	-	-	861,794	861,794	11,464	873,258
Change in fair value of equity investments at FVOCI, net of tax	-	-	(944)	-	(944)	-	(944)
Share of other comprehensive income from equity-accounted associates, net of tax	-	-	6,995	-	6,995	-	6,995
Total other comprehensive income	-	-	6,051	-	6,051	-	6,051
Total comprehensive income	-	-	6,051	861,794	867,845	11,464	879,309
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends (Note 32)	-	-	-	(386,721)	(386,721)	-	(386,721)
Distribution to non-controlling interests (Note 32)	-	-	-	-	-	(14,965)	(14,965)
De-recognition of equity instruments at FVOCI	-	-	(7,139)	7,139	-	-	-
Acquisition of non-controlling interests without change in control (Note 9(b))	-	-	(323,976)	-	(323,976)	(126,024)	(450,000)
Acquisition of a subsidiary (Note 9(a))	-	-	(9,274)	-	(9,274)	10,666	1,392
Share-based payments (Note 17)	-	-	6,825	-	6,825	-	6,825
Total transactions with owners	-	-	(333,564)	(379,582)	(713,146)	(130,323)	(843,469)
At 31 December 2022	773,443	1,228,740	176,564	4,372,462	6,551,209	30,493	6,581,702

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Company

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2023	773,443	1,228,740	559,241	4,275,060	6,836,484
Total comprehensive income					
Profit for the year	-	-	-	1,040,549	1,040,549
Change in fair value of equity investments at FVOCI, net of tax	-	-	39	-	39
Share of other comprehensive income from equity-accounted associates, net of tax	-	-	4,767	-	4,767
Total comprehensive income	-	-	4,806	1,040,549	1,045,355
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Dividends (Note 32)	-	-	-	(862,679)	(862,679)
Net reversal of share-based payments (Note 17)	-	-	(18,980)	-	(18,980)
Repurchase and cancellation of Restricted A-Shares	(3,285)	(21,414)	-	3,530	(21,169)
Total transactions with owners	(3,285)	(21,414)	(18,980)	(859,149)	(902,828)
At 31 December 2023	770,158	1,207,326	545,067	4,456,460	6,979,011
At 1 January 2022	773,443	1,228,740	553,504	3,818,874	6,374,561
Total comprehensive income					
Profit for the year	-	-	-	835,768	835,768
Change in fair value of equity investments at FVOCI, net of tax	-	-	(944)	-	(944)
Share of other comprehensive income from equity-accounted associates, net of tax	-	-	6,995	-	6,995
Total comprehensive income	-	-	6,051	835,768	841,819
Contributions by and distributions to owners					
Dividends (Note 32)	-	-	-	(386,721)	(386,721)
De-recognition of equity instruments at FVOCI	-	-	(7,139)	7,139	-
Share-based payments (Note 17)	-	-	6,825	-	6,825
Total transactions with owners	-	-	(314)	(379,582)	(379,896)
At 31 December 2022	773,443	1,228,740	559,241	4,275,060	6,836,484

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Cash flows from operating activities			
Profit before tax		1,095,363	980,188
Adjustments for:			
Interest income	26	(54,642)	(56,125)
Interest expense	28	24,589	13,158
Dividend income		(100)	-
Gain on re-measurement of fair value of previously-held equity interests	27	-	(72,010)
Investment income on debts instruments at amortised cost	27	(13,430)	(5,597)
Share of results from equity-accounted associates	10	(294,577)	(196,613)
Depreciation and amortisation of property, plant and equipment, investment property, right-of-use assets, land use rights, intangible assets and other non-current assets		133,154	120,669
Net losses/(gains) on disposal of property, plant and equipment and intangible assets	27	481	(671)
Impairment of property, plant and equipment	27	24,951	180
Write-down of inventories to net realisable value	27	28,130	36,122
ECL allowance for trade and other receivables		23,295	2,496
Impairment on goodwill	27	18,782	19,571
(Net reversal of share-based payments)/Share-based payments	29	(18,980)	6,825
Operating profit before working capital changes		967,016	848,193
Changes in working capital:			
- Inventories		(165,338)	58,873
- Trade and other receivables		90,456	(737,508)
- Other assets		(16,448)	5,216
- Trade and other payables		(28,840)	694,948
- Cash restricted in use		43,177	(170,991)
- Other liabilities		(53,519)	3,028
Cash generated from operations		836,504	701,759
Tax paid		(202,658)	(80,638)
Net cash generated from operating activities		633,846	621,121
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets and land use rights		(140,928)	(107,902)
Proceeds from disposals of property, plant and equipment and intangible assets		186	1,488
Acquisition of a subsidiary, net of cash acquired	9(a)	-	(47,611)
Acquisition of additional equity interests in subsidiary	9(b)	-	(450,000)
Acquisition of other financial assets		(630,000)	(80,000)
Deposit paid for acquisition of interests in an associate		(26,000)	-
Proceeds from disposals and redemption of other financial assets		49,649	464,924
Interest income received		55,494	89,871
Dividend income from associates and other financial assets measured at FVOCI		177,330	173,075
Net cash (used in)/generated from investing activities		(514,269)	43,845

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Cash flows from financing activities		
Contribution from non-controlling interests	2,880	-
Proceeds from loans and borrowings	870,858	205,645
Repayments of loans and borrowings	(800,961)	(35,935)
Repurchase of Restricted A-Shares	(22,665)	-
Dividends paid	(857,117)	(385,954)
Distributions to non-controlling interests	-	(14,965)
Interest expense paid	(20,208)	(1,480)
Repayment of lease liabilities	(6,556)	(3,931)
Net cash used in financing activities	(833,769)	(236,620)
Net (decrease)/increase in cash and cash equivalents	(714,192)	428,346
Cash and bank balances at beginning of year	2,711,533	2,283,181
Effect of foreign exchange rate changes on cash and cash equivalents	45	6
Cash and cash equivalents at end of year	1,997,386	2,711,533
	15	

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1 GENERAL INFORMATION

Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (津药达仁堂集团股份有限公司) (formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited) (the “Company”) is incorporated in the People’s Republic of China (“PRC”) as a joint stock limited company. The registered office of the Company is located at 17 Baidi Road, Nankai District, Tianjin 300193, PRC. The principal place of the Company’s operation is in Tianjin, PRC.

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

The financial statements comprise those of the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates.

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

The principal activities of the subsidiaries and associates are disclosed in Notes 9 and 10, respectively to the financial statements.

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

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), and have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are presented in Chinese Renminbi (“RMB”) which is the Company’s functional currency. All financial information presented in RMB have been rounded to the nearest thousand (“RMB’000”), unless otherwise stated.

The statutory financial statements, prepared by the directors in accordance with the China Corporate Accounting Standards (“CAS”), are audited by CAC Certified Public Accountants (Special General Partnership) whose audit report dated 28 March 2024 expressed an unmodified opinion on those financial statements.

The differences between the financial statements of the Group and of the Company prepared in accordance with IFRS and CAS are disclosed in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 BASIS OF PREPARATION (CONT'D)

2.1 Significant accounting estimates and judgement

The preparation of the financial statements in conformity with IFRSs requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised and in any future reporting periods affected. The areas involving significant judgement and critical accounting estimates and assumptions used are described below.

Significant judgements used in applying accounting policies

The management is of the opinion that there are no critical judgement in applying the Group's accounting policies.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

2.1(a) Impairment of goodwill

Goodwill is assessed annually for impairment. The annual impairment assessment is a complex process, which involved significant judgement and assumptions that are affected by expected future market or economic conditions. As a result, judgement is required in evaluating the assumptions and methodologies used by management, in particular, those relating to forecasted revenue growth rates, terminal growth rate and discount rate. Disclosures about goodwill are included in Note 8 on intangible assets, which explains that small changes in the key assumptions used could give rise to further impairment of the goodwill balance in the future. Actual outcomes could vary from these estimates. The carrying amount of goodwill at the end of reporting period is disclosed in Note 8.

2.1(b) Impairment of non-current assets (except for goodwill and investment in subsidiaries)

An assessment is made at the end of each reporting period 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 period that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of the assets of the Group at the end of reporting period affected by this assumption are disclosed in Notes 4, 5, 6, 7 and 8.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 BASIS OF PREPARATION (CONT'D)

2.1 Significant accounting estimates and judgement (Cont'd)

Key sources of estimation uncertainty (Cont'd)

2.1(c) Net realisable value of inventories

The assessment of write-down of inventories requires a degree of estimation and judgement. The level of write-down is assessed by taking into account recent sales experience, ageing of inventories, other factors that affect inventory obsolescence and subsequent events. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of reporting period is disclosed in Note 13.

2.1(d) Impairment of trade receivables

The assessment of expected credit losses ("ECL") requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. In measuring ECL, management considers all reasonable and supportable information such as the Group's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic conditions. The carrying amounts may change materially within the next reporting period but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of reporting period. The carrying amount of trade receivables at the end of reporting period is disclosed in Note 14.

2.1(e) Impairment of investment in subsidiaries

Where a subsidiary is in net equity deficit and or has suffered losses, a test is made whether the investment in the investee has suffered any impairment loss. This measurement requires significant judgement. An estimate is made of the future profitability of the subsidiary, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting period that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of investment in subsidiaries at the end of reporting period is disclosed in Note 9.

2.1(f) Income tax

The Group recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised if it is probable that the Group will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the Group expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgemental and not susceptible to precise determination. The income tax and deferred tax amounts are disclosed in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new and revised IFRSs effective for the current financial year

The Group and the Company have adopted all the new and revised IFRSs, IFRS interpretations ("IFRS INT") and amendments to IFRSs, effective for the current financial period that are relevant to them. The adoption of these new and revised IFRS pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current reporting periods.

Reference	Description	Effective date (Annual periods beginning on or after)
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules	1 January 2023

2.3 Standards issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the new and revised IFRSs, IFRS INT and amendments to IFRSs that have been issued but are not yet effective. Management anticipates that the adoption of these new and revised IFRS pronouncements in future periods will not have a material impact on the Group's and the Company's financial statements in the period of their initial application.

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Yet to be determined

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to the reporting date each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.1 Consolidation (Cont'd)

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* when applicable, or the cost on initial recognition of an investment in an associate.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

3.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.2 Business combinations (Cont'd)

In determining whether a particular set of activities and assets is a business, the Group assesses whether it includes, at a minimum, an input and substantive process, and whether it has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefits arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.2 Business combinations (Cont'd)

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3.3 Associates

Associates are entities over which the Group has 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 statements of financial position at cost plus post-acquisition changes in the Group's and the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's and the Company's share of losses in an associate exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's and the Company's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group and the Company discontinue the use of the equity method from the date when the investment ceases to be an associate. When the Group or the Company retain an interest in the former associate and the retained interest is a financial asset, the Group and the Company measure the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group and the Company account for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group and the Company reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.4 Foreign currency translation

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

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.

3.5 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.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs capitalised. 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.

Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives. The useful lives and rates of residual values of these assets are as follows:

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

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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 de-recognition of an item of property, plant and equipment is recognised in profit or loss. The depreciation method, useful life and residual value of an asset is reviewed at least at the end of each reporting period 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.6 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.

3.7 Leases

(i) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability

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.

The lease liabilities are presented as a separate line item in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.7 Leases (Cont'd)

(i) The Group as lessee (Cont'd)

Right-of-use asset

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 right-of-use assets are presented as a separate line item in the statements of financial position.

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

Short-term leases and leases of low-value assets

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.

(ii) The Group as lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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

The rental income from investment properties is recognised as "Revenue".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.8 Intangible assets

(i) Goodwill

Goodwill that arises from business combinations is included in the intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1.

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

(ii) Intangible assets other than goodwill

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses.

An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Research and development

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

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) the intention to complete the intangible asset and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.8 Intangible assets (Cont'd)

(ii) Intangible assets other than goodwill (Cont'd)

Research and development (Cont'd)

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

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

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

3.9 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of reporting period that the asset may be impaired.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.9 Impairment of non-financial assets (Cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

An impairment loss in respect of goodwill is not reversed. Where an impairment loss of other assets subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

3.10 Financial instruments

(i) Recognition and de-recognition of financial instruments

A financial asset or a financial liability is recognised in the statements 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 statements 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.

(ii) Classification and measurement of financial asset

(a) 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 (i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.10 Financial instruments (Cont'd)

(ii) Classification and measurement of financial asset (Cont'd)

- (b) Financial asset that is an equity investment measured at fair value through other comprehensive income ("FVOCI")

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

The Group does not have any financial assets measured at FVTPL and debt instrument measured at FVOCI.

(iii) Classification and measurement of financial liabilities

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

- (a) The liabilities are managed, evaluated and reported internally on a fair value basis; or
- (b) 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.

3.11 Impairment of financial assets

The Group recognises an allowance for ECLs for all financial assets carried at amortised cost and debt investments at FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.11 Impairment of financial assets (Cont'd)

For trade receivables, the Group applies a simplified approach in calculating ECLs. The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amount in full before taking into account any credit enhancements held by the Group.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

3.12 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.

3.13 Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account. Any excess of the proceeds received over the par value of the shares is recorded in share premium.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.14 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.

3.15 Contract liabilities

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

3.16 Provisions

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

3.17 Revenue recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.17 Revenue recognition (Cont'd)

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

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

Sale of goods

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

3.18 Other income

(i) 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.

(ii) Dividend income

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

3.19 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 statements 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.20 Employee benefits

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

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

3.21 Share-based payments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.21 Share-based payments (Cont'd)

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

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

3.22 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.

3.23 Income tax

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

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

- (i) When the deferred tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- (ii) Deferred tax assets and liabilities are recognised on transactions that, on initial recognition, give rise to equal amounts of deductible and taxable temporary differences, arising from leases and decommissioning liabilities; or
- (iii) When the taxable temporary difference is associated with interests in subsidiaries or associates, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.23 Income tax (Cont'd)

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.

3.24 Earnings per share

Basic earnings per share

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

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.

3.25 Current and non-current classification

Assets and liabilities are presented in the statements 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.26 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.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 : unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

3.27 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company and the Group if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Group or of a parent of the Company.

- (b) An entity is related to the Company and the Group if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3.28 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4 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 2022	1,355,742	1,050,988	331,625	2,738,355
Additions	3,414	11,697	46,085	61,196
Acquisition of a subsidiary (Note 9(a))	15,396	14,763	-	30,159
Disposals/written-off	(10,226)	(18,488)	-	(28,714)
Reclassifications	4,515	39,344	(43,859)	-
At 31 December 2022	1,368,841	1,098,304	333,851	2,800,996
Additions	2,104	15,302	85,047	102,453
Disposals/written-off	(797)	(2,102)	-	(2,899)
Reclassifications	158	7,331	(7,489)	-
At 31 December 2023	1,370,306	1,118,835	411,409	2,900,550
<u>Accumulated depreciation and impairment</u>				
At 1 January 2022	614,132	640,950	-	1,255,082
Depreciation	41,260	62,749	-	104,009
Impairment	-	180	-	180
Disposals/written-off	(6,586)	(13,283)	-	(19,869)
At 31 December 2022	648,806	690,596	-	1,339,402
Depreciation	40,512	63,175	-	103,687
Impairment	-	-	24,951	24,951
Disposals/written-off	(136)	(2,096)	-	(2,232)
At 31 December 2023	689,182	751,675	24,951	1,465,808
<u>Carrying value</u>				
At 31 December 2022	720,035	407,708	333,851	1,461,594
At 31 December 2023	681,124	367,160	386,458	1,434,742

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4 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 2022	1,107,242	824,872	143,754	2,075,868
Additions	-	8,349	63,041	71,390
Disposals/written-off	(10,226)	(70,274)	(5,425)	(85,925)
Reclassifications	3,084	36,063	(39,147)	-
At 31 December 2022	1,100,100	799,010	162,223	2,061,333
Additions	184	11,135	54,972	66,291
Disposals/written-off	(749)	(1,217)	-	(1,966)
Reclassifications	158	7,129	(7,287)	-
At 31 December 2023	1,099,693	816,057	209,908	2,125,658
<u>Accumulated depreciation and impairment</u>				
At 1 January 2022	519,553	508,499	-	1,028,052
Depreciation	33,124	40,884	-	74,008
Disposals/written-off	(6,583)	(22,075)	-	(28,658)
At 31 December 2022	546,094	527,308	-	1,073,402
Depreciation	31,477	40,674	-	72,151
Disposals/written-off	(115)	(689)	-	(804)
At 31 December 2023	577,456	567,293	-	1,144,749
<u>Carrying value</u>				
At 31 December 2022	554,006	271,702	162,223	987,931
At 31 December 2023	522,237	248,764	209,908	980,909

Impairment test

The Management undertook an annual review of the carrying amount of the property, plant and equipment for indicators of impairment. At the reporting date, indicators of impairment were identified by the management in relation to the construction in progress of a plant for the production of biological products due to the intense competition in the market for active pharmaceutical ingredient, which the Group has ceased its continuous construction the said plant.

As a result, the management assessed the recoverable amount of the construction in progress using fair value less costs of disposal based on replacement cost approach. Based on the assessment, the carrying amount was higher than its recoverable amount by RMB24,951,000. Accordingly, an impairment loss of RMB24,951,000 was recognised in "Other losses" of the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023.

The fair value less cost of disposal was categorised as a Level 3 fair value. The key unobservable inputs used in estimating the fair value less cost of disposal is the construction costs of a similar plant ranging from RMB2,010 to RMB3,150 per square meter.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Allocation of depreciation expense:

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Cost of sales	63,401	58,001	45,991	45,396
Marketing and distribution expenses	485	417	35	53
Research and development expenses	7,102	7,593	5,570	6,077
Administrative expenses	32,699	37,998	20,555	22,482
	103,687	104,009	72,151	74,008

Certain titles of the buildings of the Group and the Company with carrying values of RMB38,823,000 and RMB29,175,000, respectively (2022: RMB42,380,000 and RMB33,220,000, respectively) at the end of reporting period are in the process of ownership transfer.

In 2022, certain construction in progress of RMB4,207,000 was pledged to secure the loan from an associate (Note 21).

5 INVESTMENT PROPERTIES

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<u>Cost</u>				
At beginning and end of the year	34,131	34,131	32,310	32,310
<u>Accumulated depreciation and impairment</u>				
At beginning of year	20,032	18,954	18,989	17,961
Depreciation	1,070	1,078	1,022	1,028
At end of the year	21,102	20,032	20,011	18,989
<u>Carrying value</u>				
At beginning of year	14,099	15,177	13,321	14,349
At end of year	13,029	14,099	12,299	13,321
<u>Fair value</u>				
Fair value at end of year	208,567	205,303	193,866	192,998
Rental and service income	7,971	8,477	6,586	7,092
Direct operating expenses	261	905	212	856

The depreciation expense is charged to cost of sales.

All investment properties of the Group are located in Tianjin, PRC. These properties are leased out under operating leases. Please also see Note 24 on operating lease income commitments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5 INVESTMENT PROPERTIES (CONT'D)

There are no restrictions on the realisability of investment properties, and remittance of income and proceeds from disposals.

The fair value is estimated by management based on the use of inputs other than quoted prices observable for the assets, either directly or indirectly. The valuation technique used is the comparison of market evidence of recent transaction prices for similar properties. Management had obtained the market information from publicly available sources based on recent transactions in the vicinity of the investment properties held by the Group and the Company. The fair value is regarded as Level 3 in terms of disclosure about fair value measurement. Inputs for the valuation encompass recent market transaction prices for similar properties in the vicinity of the investment properties held by the Group and the Company. The observable inputs and range (weighted average) is from RMB9,600 to RMB11,800 (2022: RMB12,800 to RMB36,900) per square metre.

Certain titles of investment properties of the Group and the Company with carrying value of RMB4,799,000 (2022: RMB5,036,000) at the end of reporting period are in the process of ownership transfer.

6 RIGHT-OF-USE ASSETS

Group	Shop premises RMB'000
<u>At cost</u>	
At 31 December 2021	6,324
Additions	1,673
At 31 December 2022	7,997
Additions	7,284
Disposals	(252)
At 31 December 2023	15,029
<u>Accumulated depreciation and impairment</u>	
At 1 January 2021	3,270
Depreciation	1,733
At 31 December 2022	5,003
Depreciation	3,509
Disposals	(252)
At 31 December 2023	8,260
<u>Carrying value</u>	
At 31 December 2022	2,994
At 31 December 2023	6,769

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7 LAND USE RIGHTS

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<u>Cost</u>				
At beginning of year	312,135	282,776	247,068	247,068
Additions	57,340	27,500	57,340	-
Acquisition of a subsidiary (Note 9(a))	-	1,859	-	-
At end of year	369,475	312,135	304,408	247,068
<u>Accumulated amortisation and impairment</u>				
At beginning of year	108,114	100,138	94,972	90,161
Amortisation	9,622	7,976	5,759	4,811
At end of year	117,736	108,114	100,731	94,972
<u>Carrying value</u>				
At beginning of year	204,021	182,638	152,096	156,907
At end of year	251,739	204,021	203,677	152,096

The amortisation expense is charged to administrative expenses.

The land use rights are for land in the PRC. Certain titles of land use rights of the Group and the Company with carrying value of RMB51,845,000 (2022: RMB52,994,000) at the end of reporting period are in the process of ownership transfer.

In 2022, certain land use rights of RMB25,163,000 were pledged to secure the loan from an associate (Note 21).

8 INTANGIBLE ASSETS

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Goodwill	65,911	84,693	-	-
Other intangible assets	79,086	88,109	19,216	17,257
	144,997	172,802	19,216	17,257

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

8 INTANGIBLE ASSETS (CONT'D)

(a) Goodwill

	Group	
	2023 RMB'000	2022 RMB'000
<u>Cost</u>		
At beginning of year	105,480	1,216
Acquisition of a subsidiary (Note 9(a))	-	104,264
At end of year	105,480	105,480
<u>Accumulated impairment</u>		
At beginning of year	20,787	1,216
Impairment recognised under other losses (Note 27)	18,782	19,571
At end of year	39,569	20,787
Carrying value		
At beginning of year	84,693	-
At end of year	65,911	84,693

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

This CGU above represents Newscen Coast Bio-Pharmaceutical Co., Ltd. ("Newscen Coast") (Note 9(a)). The recoverable amount of the CGU has been measured based on the value-in-use method. The value-in-use was measured by management using the discounted cash flow method.

At the end of the reporting period, the carrying amount of the CGU was higher than its recoverable amount by RMB18,782,000 (2022: RMB19,571,000). Accordingly, an impairment loss of RMB18,782,000 (2022: RMB19,571,000) was recognised in the "Other losses" of the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023. The impairment loss was allocated to goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

8 INTANGIBLE ASSETS (CONT'D)

(a) Goodwill (Cont'd)

Key assumptions used in discounted cash flow projection calculations

The key assumptions used in the estimation of recoverable amounts are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on the historical data from both external and internal sources.

	<u>2023</u>	<u>2022</u>
Revenue growth rates (i)	18.84% to 37.20%	15.16% to 41.82%
Terminal growth rates	0%	0%
Discount rates (ii)	11.25%	12.47%
Cash flow forecasts	5 years	5 years

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

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

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

If actual revenue growth rates for each of the years in management's forecasts had been one percentage point less favourable than management's estimates, the recoverable amount of the CGU would have decreased by approximately RMB8,437,000, resulting in an increase in impairment loss by approximately RMB8,437,000.

If the discount rate applied to management's discounted cash flows had been higher by one percentage point, the recoverable amount of the CGU would have decreased by approximately RMB10,696,000, resulting in an increase in impairment loss by approximately RMB10,696,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

8 INTANGIBLE ASSETS (CONT'D)

(b) Other 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 2022	9,817	1,700	1,760	28,576	4,720	46,573
Additions	-	-	-	552	6,282	6,834
Acquisition of a subsidiary (Note 9(a))	52,000	-	12,000	229	-	64,229
Disposals/written-off	-	-	-	(481)	-	(481)
Reclassifications	-	-	-	1,301	-	1,301
At 31 December 2022	61,817	1,700	13,760	30,177	11,002	118,456
Additions	-	150	-	992	2,074	3,216
At 31 December 2023	61,817	1,850	13,760	31,169	13,076	121,672
<u>Accumulated amortisation and impairment</u>						
At 1 January 2022	8,012	1,697	1,760	14,834	-	26,303
Amortisation	2,286	50	300	2,273	-	4,909
Disposals/written-off	-	-	-	(481)	-	(481)
Reclassifications	-	(230)	-	(154)	-	(384)
At 31 December 2022	10,298	1,517	2,060	16,472	-	30,347
Amortisation	8,642	52	1,200	2,345	-	12,239
At 31 December 2023	18,940	1,569	3,260	18,817	-	42,586
<u>Carrying value</u>						
At 31 December 2022	51,519	183	11,700	13,705	11,002	88,109
At 31 December 2023	42,877	281	10,500	12,352	13,076	79,086

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

8 INTANGIBLE ASSETS (CONT'D)

(b) Other intangible assets (Cont'd)

	Production technology RMB'000	Patents RMB'000	Trademarks RMB'000	Software RMB'000	Development cost RMB'000	Total RMB'000
Company						
<u>Cost</u>						
At 1 January 2022	8,997	1,700	1,760	25,697	4,720	42,874
Additions	-	-	-	110	6,282	6,392
Disposals/written-off	-	-	-	(11,377)	-	(11,377)
Reclassifications	-	-	-	160	-	160
At 31 December 2022	8,997	1,700	1,760	14,590	11,002	38,049
Additions	-	-	-	993	2,074	3,067
At 31 December 2023	8,997	1,700	1,760	15,583	13,076	41,116
<u>Accumulated amortisation and impairment</u>						
At 1 January 2022	7,464	1,697	1,760	13,385	-	24,306
Amortisation	100	50	-	1,271	-	1,421
Disposals/written-off	-	(230)	-	(4,705)	-	(4,935)
At 31 December 2022	7,564	1,517	1,760	9,951	-	20,792
Amortisation	100	50	-	958	-	1,108
At 31 December 2023	7,664	1,567	1,760	10,909	-	21,900
<u>Carrying value</u>						
At 31 December 2022	1,433	183	-	4,639	11,002	17,257
At 31 December 2023	1,333	133	-	4,674	13,076	19,216

At the reporting date, the production technology and trademarks are expected to be fully amortised within the next 8 years (2022: 9 years), while the software is expected to be fully amortised in within the next 2 to 3 years (2022: 2 to 3 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9 SUBSIDIARIES

	Company	
	2023 RMB'000	2022 RMB'000
Unquoted equity shares, at cost	1,748,954	1,601,281
Less: Accumulated impairment	(96,500)	(65,016)
	1,652,454	1,536,265
<u>Movements in cost</u>		
At beginning of year	1,601,281	559,708
Additions	239,770	1,046,573
De-registration	(92,097)	(5,000)
At end of year	1,748,954	1,601,281
<u>Movements in accumulated impairment</u>		
At beginning of year	65,016	24,183
Impairment loss	31,484	40,833
At end of year	96,500	65,016

Details of the Group's significant subsidiaries at the reporting date are as follows:

Name of subsidiary	Principal activities	Effective interests held by the Group	
		2023 %	2022 %
<i>Held by the Company</i>			
Beijing Zhong Xin Yaogu Medical Co., Ltd. (达仁堂(北京)医药科技有限公司)	Wholesale and retail sale of medicine	100	100
Tianjin Zhong Xin Chuyun Trading Co., Ltd. (天津中新楚运贸易有限公司)	Logistics, stocks, services, equipment installation and processing of medicine	100	100
Tianjin Hebei Daren Hospital (天津河北达仁医院)	Operation of hospital	100	100
Tianjin Da Ren Tang Jingwanhong Pharmaceutical Co., Ltd. ("Da Ren Tang Jingwanhong") (天津达仁堂京万红药业有限公司)	Manufacture and sale of Chinese pharmaceutical products and biological products	100	100
Tianjin Shin Poong Pharmaceutical Co., Ltd. (“Tianjin Shin Poong”) (天津新丰制药有限公司)	Manufacture and sale of western pharmaceutical products	55	55

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9 SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Effective interests held by the Group	
		2023	2022
		%	%
Darentang (Tianjin) Traditional Chinese Medicine Decoction Pieces Co., Ltd. (“ Tianjin Chinese Medicinal Slices ”) (达仁堂(天津)中药饮片有限公司)	Manufacture and sale of Chinese pharmaceutical products and biological products	100	100
Tianjin Zhong Xin Xinxin Pharmaceutical (Cang Zhou) Co., Ltd. (天津中新药业集团新新(沧州)制药有限公司)	Manufacture and sale of Chinese pharmaceutical products and biological products	100	100
Tianjin Hebei Da Ren Tang Hospital Co., Ltd. (天津河北达仁堂医院有限公司)	Hospital	100	100
Tianjin Zhongxin Medicine Co., Ltd. (“ TJZX Medicine ”) (天津中新医药有限公司)	Wholesale of pharmaceutical products	100	100
NewScen Coast Bio-Pharmaceutical Co., Ltd. (“ Newsцен Coast ”) (天津中新科炬生物制药股份有限公司)	Manufacture and sale of biological medicine	64.06	56.65
Tianjin Pharmaceutical Da Ren Tang Hongkong Development Limited (“ Da Ren Tang Hong Kong ”) (津药达仁堂香港发展有限公司) ^(a)	Dormant	100	100
Tianjin Pharmaceutical Da Ren Tang Group Singapore Development Limited (津药达仁堂新加坡发展有限公司)	Dormant	100	100
Tianjin Zhongxin Medicine Research Institute Co., Ltd (中新药业研究院有限公司) ^(b)	Provision of medicine inspection and testing services	–	100
Zhejiang Zhong Xin Chuang Rui Investment Co., Ltd. (浙江中新创睿投资有限公司) ^(b)	Investment holding	–	100
Held by Tianjin Chinese Medicinal Slices			
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	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9 SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Effective interests held by the Group	
		2023 %	2022 %
Held by Da Ren Tang Jingwanhong			
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 and daily use products	100	100
Tianjin Jingwanhong Health Industry Development Co., Ltd. (天津京万红健康产业发展有限公司)	Wholesale and retail sale of medicine, biochemical pharmaceutical and daily use products	100	100
Held by TJZX Medicine			
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	54	54
Tianjin Zhong Xin Pharmaceutical Group Guowei Medical Co., Ltd. (天津中新药业集团国卫医药有限公司)	Wholesale and retail sale of medicine	51	51
Tianjin Zhong Xin Pharmaceutical Group Xuzhi Medical Science and Technology Co., Ltd. (“Tianjin Zhong Xin Pharmaceutical Group Xuzhi”) (天津中新药业集团旭志医药科技有限公司)	Sale of Chinese pharmaceutical products and biological products	51	51
Held by Tianjin Zhong Xin Pharmaceutical Group Xuzhi			
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 and daily use products	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 and daily use products	51	51
Held by NewScen Coast			
NewScen Coast Bio Pharmaceutical Sales Co., Ltd. (天津中新科炬生物制品销售有限公司)	Wholesale and retail sale of medicine, biochemical pharmaceutical and daily use products	62.78	55.52

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9 SUBSIDIARIES (CONT'D)

- (a) The Company incorporated Da Ren Tang Hong Kong in November 2022. The capital of this entity has not yet been paid-up and there is no commitment for the Company to contribute the paid-up capital in relation to this entity. The subsidiary is currently dormant.
- (b) Deregistered during the year.

The principal place of business of all the subsidiaries is in the PRC. All subsidiaries registered in the PRC are audited by CAC Certified Public Accountants LLP China.

(a) Acquisition of a subsidiary in 2022

Prior to 30 September 2022, the Company held approximately 26.29% of the equity interests in NewScen Coast. The investment was accounted for as an associate. NewScen Coast is in the in-vitro-diagnosis (“IVD”) segment of the pharmaceutical industry, which pertains to point-of-care-testing (“POCT”). NewScen Coast develops immunochromatography base level POCT and microfluidic precision POCT and is mainly engaged in the research and development, production and sale of rapid detection reagents and related instruments and equipment.

On 30 September 2022, the Company acquired additional 5,735,899 shares in NewScen Coast for a cash consideration of approximately RMB51,623,000, representing 21.56% of the equity interests in NewScen Coast (the “Acquisition”). In the PRC, the development of the POCT industry has been supported by a number of national policies, indicating promising growth prospects. The microfluidic technology of NewScen Coast is relatively advanced compared to other traditional technology. The acquisition was made given the prospects of the IVD segment of the pharmaceutical industry, in which NewScen Coast operates. Upon completion of the Acquisition, the Company held approximately 47.85% of the equity interests in, and also obtained control over the operating and financing activities and decisions of NewScen Coast through control of the board of directors of NewScen Coast. Accordingly, NewScen Coast became a subsidiary of the Company.

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

	RMB'000
Consideration transferred	
Cash paid	51,623
	RMB'000
Effect on cash flows of the Group	
Cash paid	51,623
Less: Cash and cash equivalents in subsidiary acquired	(4,012)
Cash outflows on acquisition	47,611

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9 SUBSIDIARIES (CONT'D)

(a) Acquisition of a subsidiary in 2022 (Cont'd)

	<u>RMB'000</u>
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	30,159
Land use rights	1,859
Intangible assets	64,229
Trade and other receivables	22,596
Inventories	16,680
Other assets	6,859
Cash and cash equivalents	4,012
Trade and other payables	(58,101)
Bank borrowings	(43,108)
Current tax	(1,865)
Deferred tax liabilities	(8,818)
Lease liabilities	(3,903)
Other liabilities	(9,637)
Non-controlling interests	555
	<u>21,517</u>
Less: Non-controlling interests	(11,221)
Identifiable net assets acquired by the Group	<u>10,296</u>
	<u>RMB'000</u>
Goodwill	
Total consideration transferred	51,623
Fair value of previously-held equity interests	62,937
	<u>114,560</u>
Fair value of identifiable net assets acquired	(10,296)
Goodwill	<u>104,264</u>
	<u>RMB'000</u>
Gain on re-measurement of fair value of previously-held equity interests	
Fair value of 26.29% equity interests	62,937
Transfer from capital reserve [#]	9,073
Gain on re-measurement of fair value of previously-held equity interests	<u>72,010</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9 SUBSIDIARIES (CONT'D)

(b) Subscription in subsidiaries and acquisition of non-controlling interests without change in control

- (i) On 27 October 2022, the Company subscribed additional 5,400,000 shares in NewScen Coast for a cash consideration of RMB43,200,000 via NewScen Coast's private placement, following which the equity interests held by the Company in NewScen Coast increased to 56.65%. This change in ownership interest in NewScen Coast did not result in change in control of NewScen Coast. The adjustment to the carrying amounts of the Group and the non-controlling interest as a result of this change of ownership interest is insignificant. On 10 January 2023, the Company subscribed additional 6,600,000 shares in NewScen Coast for a cash consideration of RMB52,800,000 via NewScen Coast's private placement, following which the equity interests held by the Company in NewScen Coast increased to 64.06%. This change in ownership interest in NewScen Coast did not result in change in control of NewScen Coast. The carrying amount of the non-controlling interest at date of acquisition was approximately RMB31,985,000. The difference between the change in non-controlling interest balance and the consideration paid, amounting to RMB32,166,000 was recognised in capital reserve (Note 18).
- (ii) On 10 November 2022, the Company acquired the remaining 48% of the equity interests held by a non-controlling shareholder in a subsidiary, Da Ren Tang Jingwanhong, for a cash consideration of RMB450,000,000. Upon completion of this acquisition, Da Ren Tang Jingwanhong became a wholly-owned subsidiary of the Company. The carrying amount of the non-controlling interest at the date of acquisition was approximately RMB126,024,000. The difference between the change in non-controlling interest balance and the consideration paid, amounting to RMB323,976,000, was recognised in capital reserve (Note 18).

(c) Impairment of investment in subsidiaries

An impairment of RMB31,484,000 (2022: RMB40,833,000) was recognised in relation to the Company's investments in Tianjin Shin Poong Pharmaceutical Co., Ltd., NewScen Coast and Tianjin Zhong Xin Xinxin Pharmaceutical (Cang Zhou) Co., Ltd. (2022: Tianjin Shin Poong Pharmaceutical Co., Ltd.) for the year ended 31 December 2023, because the subsidiaries are loss-making and in capital deficit positions.

The key assumptions used in the impairment of investment in Tianjin Zhong Xin Xinxin Pharmaceutical (Cang Zhou) Co., Ltd. and NewScen Coast are disclosed in Notes 4 and 8(a), respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9 SUBSIDIARIES (CONT'D)

(d) Material subsidiaries with non-controlling interests ("NCI")

The following summarised financial information for the above subsidiaries are prepared in accordance with IFRSs, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	NewScen Coast RMB'000	Tianjin Shin Poong RMB'000	Other individually immaterial subsidiaries RMB'000	Total RMB'000
2023				
Revenue	33,499	-		
Loss for the year	(30,388)	(20,844)		
Other comprehensive income for the year	-	-		
Total comprehensive loss for the year	(30,388)	(20,844)		
Attributable to NCI:				
- Profit/(loss) for the year	(10,956)	(9,380)	2,334	(18,002)
- Other comprehensive income	-	-	-	-
- Total comprehensive income/(loss) for the year	(10,956)	(9,380)	2,334	(18,002)
Non-current assets	83,255	47,638		
Current assets	31,338	78		
Non-current liabilities	(7,807)	-		
Current liabilities	(35,542)	(67,682)		
Net assets/(liabilities)	71,244	(19,966)		
Net assets/(liabilities) attributable to NCI	25,217	(8,985)	28,314	44,546
Cash flows used in operating activities	(26,905)	(19,360)		
Cash flows used in investing activities	(346)	-		
Cash flows from financing activities	28,663	19,152		
Net increase/(decrease) in cash and cash equivalents	1,412	(208)		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9 SUBSIDIARIES (CONT'D)

(d) Material subsidiaries with non-controlling interests ("NCI") (Cont'd)

	NewScen Coast RMB'000	Tianjin Shin Poong RMB'000	Other individually immaterial subsidiaries RMB'000	Total RMB'000
2022				
Revenue	6,489	27,413		
Loss for the year	(14,948)	(21,145)		
Other comprehensive income for the year	-	-		
Total comprehensive loss for the year	(14,948)	(21,145)		
Attributable to NCI:				
- Profit/(loss) for the year	(6,486)	(9,515)	27,465	11,464
- Other comprehensive income	-	-	-	-
- Total comprehensive income/(loss)	(6,486)	(9,515)	27,465	11,464
Non-current assets	95,759	50,665		
Current assets	44,940	412		
Non-current liabilities	(9,603)	(27)		
Current liabilities	(82,083)	(50,173)		
Net assets	49,013	877		
Net assets attributable to NCI	4,188	395	25,910	30,493
Cash flows used in operating activities	(4,928)	(10,238)		
Cash flows used in investing activities	(76)	(5)		
Cash flows from financing activities	8,417	-		
Net increase/(decrease) in cash and cash equivalents	3,413	(10,243)		

10 ASSOCIATES

	Group and Company	
	2023	2022
	RMB'000	RMB'000
Unquoted equity shares, at cost	513,540	513,540
Less: Accumulated impairment	(14,220)	(14,220)
Share of post-acquisition results, net of dividends received	359,551	242,204
Share of other equity items of associates	23,436	18,669
	882,307	760,193

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10 ASSOCIATES (CONT'D)

The associates held by the Group and the Company are as follows:

Name of associates	Principal activities	Effective interests held by the Group and the Company	
		2023 %	2022 %
Held by the Company			
Tianjin Hong Ren Tang Pharmaceutical Co., Ltd. (“Hong Ren Tang”) (天津宏仁堂药业有限公司) ^(a)	Manufacture and sale of pharmaceutical products	40	40
Sino-American Tianjin SmithKline & French Lab., Ltd. (“Tianjin SmithKline & French”) (中美天津史克制药有限公司) ^(b)	Manufacture and sale of western medicine and biochemical products	25	25
Tianjin Yiyao Printing Co., Ltd. (“Yiyao Printing”) (天津宜药印务有限公司) ^(c)	Packing of medical and other products and printing of paper for packaging purposes	35	35
Tianjin Bio-Chip Co., Ltd. (天津生物芯片技术有限责任公司) ^(e)	Development and sale of biological products	26	26
Tianjin International Exhibition Centre Co., Ltd. (天津国展中心股份有限公司) ^(d)	Marketing, conference and exhibition services	20	20
Tianjin Pharmaceutical Group Finance Co., Ltd. (天津医药集团财务公司) ^(c)	Financial services	15	15
Tianjin Pharmaceutical Marketing Management Co., Ltd. (天津医药集团营销管理有限公司) ^(c)	Marketing, conference and exhibition services	20	20
Dujiangyan Zhong Xin Chinese Herbs Cultivation Co., Ltd. (都江堰市中新中药材种植有限公司) ^(e)	Cultivation and processing of Chinese herbs	30	30
Held by Yiyao Printing			
Tianjin Yixuanlin Advertising Production Co., Ltd. (天津市艺轩林广告制作有限公司) ^(c)	Advertising and promotion services	35	35

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

(b) Audited by KPMG Huazhen LLP in the PRC.

(c) Audited by CAC Certified Public Accountants LLP China in the PRC.

(d) Audited by BDO China Shu Lun Pan Certified Public Accountants LLP in the PRC.

(e) Not significant to the Group and auditors are not appointed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10 ASSOCIATES (CONT'D)

All associates of the Group and the Company are registered in the PRC. The principal place of business of all the associates is in the PRC.

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.

The Group has two (2022: two) associates that are material and a number of associates that are individually immaterial to the Group. All are equity accounted. The material associates are Hong Ren Tang and Tianjin SmithKline & French. These material associates are suppliers of certain medicine products to the Group.

The following summarises the financial information of each of the Group's and the Company's material associates based on their respective financial statements prepared in accordance with IFRSs, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also analyses, in aggregate, the carrying amount and share of results and other comprehensive income of the remaining individually immaterial associates.

	Hong Ren Tang RMB'000	Tianjin SmithKline & French RMB'000	Immaterial associates RMB'000	Total RMB'000
2023				
Revenue	361,506	3,581,879		
Profit for the year	80,319	978,751		
Other comprehensive income for the year	10,529	-		
Total comprehensive income for the year	90,848	978,751		
Non-current assets	564,765	517,702		
Current assets	176,030	2,613,829		
Non-current liabilities	(124,305)	-		
Current liabilities	(81,575)	(1,765,941)		
Net assets of associates	534,915	1,365,590		
Equity interests	40%	25%		
Proportion of the Group's and the Company's interest in associates	213,966	341,398	234,607	789,971
Goodwill	92,336	-	-	92,336
Carrying amount of interest in associates	306,302	341,398	234,607	882,307
Group's interest in net assets of associates at beginning of the year	269,963	273,415	216,815	760,193
Share of results of associates	32,127	244,688	17,762	294,577
Share of other comprehensive income of associates	4,212	-	555	4,767
Share of total comprehensive income of associates	36,339	244,688	18,317	299,344
Dividends received from associates	-	(176,705)	(525)	(177,230)
Group's interest in net assets of investee at end of the year	306,302	341,398	234,607	882,307

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10 ASSOCIATES (CONT'D)

	Hong Ren Tang RMB'000	Tianjin SmithKline & French RMB'000	Immaterial associates RMB'000	Total RMB'000
2022				
Revenue	380,173	2,973,004		
Profit for the year	82,816	705,071		
Other comprehensive income for the year	17,910	-		
Total comprehensive income for the year	100,726	705,071		
Non-current assets	511,569	445,237		
Current assets	157,309	1,874,200		
Non-current liabilities	(120,689)	(8,973)		
Current liabilities	(104,122)	(1,216,804)		
Net assets of associates	444,067	1,093,660		
Equity interests	40%	25%		
Proportion of the Group's and the Company's interest in associates	177,627	273,415	216,815	667,857
Goodwill	92,336	-	-	92,336
Carrying amount of interest in associates	269,963	273,415	216,815	760,193
Group's interest in net assets of associates at beginning of the year	249,673	249,472	230,515	729,660
Share of results of associates	33,126	176,238	(12,751)	196,613
Share of other comprehensive income of associates	7,164	-	(169)	6,995
Share of total comprehensive income of associates	40,290	176,238	(12,920)	203,608
Dividends received from associates	(20,000)	(152,295)	(780)	(173,075)
Group's interest in net assets of investee at end of the year	269,963	273,415	216,815	760,193

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

11 OTHER FINANCIAL ASSETS

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Equity shares measured at FVOCI	367	321	367	321
Debt instruments measured at amortised cost	684,144	81,566	560,506	-
	684,511	81,887	560,873	321
Represented by:				
Non-current	622,812	41,272	560,873	321
Current	61,699	40,615	-	-
	684,511	81,887	560,873	321

Equity shares measured at FVOCI

	Group and Company	
	2023 RMB'000	2022 RMB'000
Unquoted equity shares	367	321
	367	321

Movement of equity shares measured at FVOCI is summarised below:

	Quoted equity shares Group and Company		Unquoted equity shares Group and Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Fair value				
At beginning of year	-	10,611	321	470
Changes in fair value (Note 18)	-	(2,222)	46	(149)
Disposals	-	(1,250)	-	-
Gain on disposal included in OCI (Note 18)	-	(7,139)	-	-
At end of year	-	-	367	321

Unquoted equity shares measured at FVOCI

The fair value measurement of the unquoted equity share is categorised as a Level 3 fair value, which was determined using the realisable net asset value approach. The fair value of unquoted equity shares are determined by referencing to the carrying amounts of the underlying assets and liabilities of the investee at the end of reporting period, which are the observable inputs. The investee is primarily involved in the business operation of pharmaceutical industry.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

11 OTHER FINANCIAL ASSETS (CONT'D)

No sensitivity analysis for price risk of unquoted equity shares is prepared as risk exposure is not significant to the Group.

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

Debt instruments at amortised cost

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Principal amounts	670,000	80,000	550,000	-
Interest receivables	14,144	1,566	10,506	-
	684,144	81,566	560,506	-

Movement of debt instruments at amortised cost is summarised below:

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Movements during the year				
At beginning of year	81,566	484,464	-	374,829
Additions	630,000	80,000	550,000	-
Accretion of debt instruments at amortised cost	13,430	1,566	10,506	-
Redemption	(40,852)	(484,464)	-	(374,829)
At end of year	684,144	81,566	560,506	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

11 OTHER FINANCIAL ASSETS (CONT'D)

Debt instruments at amortised cost (Cont'd)

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

	Interest rate	Maturity date	Group		Company	
			2023	2022	2023	2022
			RMB'000	RMB'000	RMB'000	RMB'000
Debt instrument	2.30	30 Mar 2023	-	20,000	-	-
Debt instrument	1.95	25 Apr 2023	-	20,000	-	-
Debt instrument	2.90	30 Mar 2024	20,000	20,000	-	-
Debt instrument	2.25	25 Apr 2024	20,000	-	-	-
Debt instrument	2.70	20 Oct 2024	20,000	-	-	-
Debt instrument	3.55	8 Apr 2025	10,000	10,000	-	-
Debt instrument	3.55	14 Apr 2025	10,000	10,000	-	-
Debt instrument	3.25	17 May 2026	50,000	-	50,000	-
Debt instrument	3.25	18 May 2026	50,000	-	50,000	-
Debt instrument	3.20	11 May 2026	100,000	-	100,000	-
Debt instrument	3.15	25 May 2026	100,000	-	100,000	-
Debt instrument	3.10	16 May 2026	50,000	-	50,000	-
Debt instrument	3.10	11 May 2026	50,000	-	50,000	-
Debt instrument	3.10	15 May 2026	100,000	-	100,000	-
Debt instrument	3.00	20 Sep 2026	50,000	-	50,000	-
Debt instrument	3.10	22 May 2026	10,000	-	-	-
Debt instrument	3.10	22 May 2026	10,000	-	-	-
Debt instrument	3.10	21 Jun 2026	10,000	-	-	-
Debt instrument	3.10	21 Jun 2026	10,000	-	-	-
			670,000	80,000	550,000	-

For the purpose of impairment assessment, these debt instruments are considered to have low credit risk as they are held by reputable financial institutions. Accordingly, for the purpose of impairment assessment of these debts instruments, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL, the Group has taken into account the historical default experience, the financial positions of the counterparties, as well as considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets. No loss allowance is recognised at the end of the reporting periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12 OTHER ASSETS

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Prepayments	131,757	117,739	68,694	51,411
Income tax recoverable	257	239	-	-
Value-added taxes recoverable	35,354	35,968	17,222	3,516
	167,368	153,946	85,916	54,927
Represented by:				
Non-current	56,039	46,210	51,293	40,550
Current	111,329	107,736	34,623	14,377
	167,368	153,946	85,916	54,927

13 INVENTORIES

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Raw materials	765,396	452,103	726,561	423,254
Work-in-progress	153,078	143,813	143,329	128,860
Finished goods	648,044	833,536	253,735	233,870
	1,566,518	1,429,452	1,123,625	785,984

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

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
At beginning of year	64,451	47,012	43,230	36,617
Charged to profit or loss included in other losses (Note 27)	28,130	36,122	17,851	12,041
Written-off	(8,686)	(18,683)	(42)	(5,428)
At end of year	83,895	64,451	61,039	43,230

The cost of inventories recognised as an expense and included in “cost of sales” line item in the consolidated profit or loss amounted to RMB4,436,081,000 (2022: RMB4,837,903,000) for the financial year ended 31 December 2023.

There are no inventories pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Trade receivables				
Trade receivables:				
- Third parties	2,313,482	2,260,367	357,724	400,827
- Subsidiaries	-	-	208,260	140,876
- Associates	3,698	4,758	-	2,648
- Related parties	25,643	35,586	14,459	16,835
	<u>2,342,823</u>	<u>2,300,711</u>	<u>580,443</u>	<u>561,186</u>
Bills receivables	<u>484,891</u>	<u>578,369</u>	<u>357,311</u>	<u>445,152</u>
	<u>2,827,714</u>	<u>2,879,080</u>	<u>937,754</u>	<u>1,006,338</u>
Less: Allowance for impairment				
- ECL allowance on specific credit-impaired debtors	(13,753)	(10,203)	(1,300)	(1,300)
- ECL allowance assessed on portfolio of debtors	(160,880)	(144,295)	(62,730)	(59,700)
	<u>2,653,081</u>	<u>2,724,582</u>	<u>873,724</u>	<u>945,338</u>
Other receivables and deposits				
Third parties	55,859	56,508	40,856	29,433
Subsidiaries	-	-	1,139,986	1,348,434
Associates	17,561	17,561	17,561	17,561
Related parties	348	26,690	148	26,690
Less: ECL allowance on specific credit-impaired debtors	(39,920)	(40,224)	(30,210)	(30,154)
	<u>33,848</u>	<u>60,535</u>	<u>1,168,341</u>	<u>1,391,964</u>
	<u>2,686,929</u>	<u>2,785,117</u>	<u>2,042,065</u>	<u>2,337,302</u>

As at 31 December 2023, other receivables and deposits comprised mainly a deposit paid for acquisition of interests in an associate amounting to RMB26,000,000, suppliers and utilities deposits (2022: proceeds receivable of RMB9,649,000 arising from disposal of quoted equity shares, suppliers and utilities deposits).

The non-trade amounts due from subsidiaries, associates and related parties are unsecured, interest-free and repayable on demand.

Trade receivables

The ECL of trade receivables are based on the simplified approach, which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets except for those individual debtors which were identified to have significant increase in credit risk since its date of initial recognition and credit impaired individually. The trade debtors are grouped based on shared credit risk characteristics and the days past due for measuring ECL. The allowance matrix is based on 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

14 TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables (Cont'd)

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

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
At beginning of year	154,498	143,844	61,000	131,455
Impairment loss/(reversal)	23,599	9,223	3,030	(66,642)
Written-off	(3,464)	(12,893)	-	(3,813)
Others	-	14,324	-	-
At end of year	174,633	154,498	64,030	61,000

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

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

	Group			Company		
	Gross amount RMB'000	ECL rate %	Loss allowance RMB'000	Gross amount RMB'000	ECL rate %	Loss allowance RMB'000
2023						
Trade receivables						
Within 1 year	2,104,435	0.13	2,733	503,924	0.08	384
1 - 2 years	80,156	20	16,032	16,091	20	3,218
2 - 3 years	13,748	50	6,874	-	-	-
Over 3 years	135,241	100	135,241	59,128	100	59,128
	2,333,580		160,880	579,143		62,730
Specific credit impaired	9,243	100	9,243	1,300	100	1,300
	2,342,823		170,123	580,443		64,030
Bills receivables	484,891	0.93	4,510	357,311	-	-
	2,827,714		174,633	937,754		64,030
2022						
Within 1 year	2,108,454	0.14	2,936	500,222	0.09	467
1 - 2 years	42,443	19	8,212	539	20	108
2 - 3 years	5,847	31	1,815	-	-	-
Over 3 years	133,764	98	131,332	59,125	100	59,125
	2,290,508		144,295	559,886		59,700
Specific credit impaired	10,203	100	10,203	1,300	100	1,300
	2,300,711		154,498	561,186		61,000
Bills receivables	578,369	-	-	445,152	-	-
	2,879,080		154,498	1,006,338		61,000

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

14 TRADE AND OTHER RECEIVABLES (CONT'D)

Bill receivables

In 2022, included in bill receivables were approximately RMB69,608,000 that were secured for bill payables (Note 19).

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

Other receivables

The Group and the Company assess the ECL on other receivables, taking into consideration of qualitative and quantitative factors and available supportable relevant information. The Group and the Company measure the ECL on other receivables using 12-month ECL basis since its initial recognition and remeasure the ECL using lifetime ECL if the credit risk has significantly increased subsequently.

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

	12-month ECL RMB'000	Lifetime ECL – assessed on individual RMB'000	Total RMB'000
2023			
Group			
At beginning of year	18,167	22,057	40,224
Impairment loss/(reversal)	(178)	(126)	(304)
Reclassification	(60)	60	-
At end of year	<u>17,929</u>	<u>21,991</u>	<u>39,920</u>
Company			
At beginning of year	3,284	26,870	30,154
Impairment loss/(reversal)	6,704	(6,648)	56
At end of year	<u>9,988</u>	<u>20,222</u>	<u>30,210</u>
2022			
Group			
At beginning of year	27,967	27,138	55,105
Reversal of impairment loss	(1,815)	(4,912)	(6,727)
Written-off	(7,985)	(169)	(8,154)
At end of year	<u>18,167</u>	<u>22,057</u>	<u>40,224</u>
Company			
At beginning of year	18,493	26,870	45,363
Reversal of impairment loss	(15,150)	-	(15,150)
Written-off	(59)	-	(59)
At end of year	<u>3,284</u>	<u>26,870</u>	<u>30,154</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Not restricted in use	1,997,386	2,711,533	1,435,271	2,075,925
Cash pledged for bank facilities#	127,814	170,991	6,600	-
	2,125,200	2,882,524	1,441,871	2,075,925
Less: Cash pledged for bank facilities	(127,814)	(170,991)		
Cash and cash equivalents in consolidated statement of cash flows	1,997,386	2,711,533		

Relates to restricted bank balances that include security deposits to cover bills payable (Note 19), with maturity terms less than 3 months from the end of the reporting period.

The interest in relation to the cash pledged for bank facilities is approximately 1.3% (2022: 0.35% to 2.35%) per annum.

The bank balances of the Group and the Company include placement of deposits with an associate company amounting to RMB1,019,472,000 (2022: RMB570,758,000) and RMB503,789,000 (2022: RMB209,416,000), respectively.

Reconciliation of liabilities arising from financing activities

	At beginning of year RMB'000	Cash flows RMB'000	Interest expense RMB'000	Non-cash changes		At end of year RMB'000
				Arising from acquisition of a subsidiary RMB'000	Others RMB'000	
2023						
Lease liabilities	4,968	(6,556)	611	-	7,284 ^(a)	6,307
Other financial liabilities	252,939	69,896	-	-	-	322,835
Interest payable	256	(20,208)	17,214	-	3,617 ^(b)	879
Dividends payable	17,596	(857,117)	-	-	861,388 ^(c)	21,867
Total liabilities from financing activities	275,759	(813,985)	17,825	-	872,289	351,888
2022						
Lease liabilities	3,169	(3,931)	154	3,903	1,673 ^(a)	4,968
Other financial liabilities	30,000	169,710	10,121	43,108	-	252,939
Interest payable	35	(1,480)	-	-	1,701 ^(b)	256
Dividends payable	15,725	(385,954)	-	-	387,825 ^(c)	17,596
Total liabilities from financing activities	48,929	(221,655)	10,275	47,011	391,199	275,759

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

15 CASH AND CASH EQUIVALENTS (CONT'D)

- (a) Being additional lease liabilities.
(b) Capitalisation of borrowing costs into construction in progress.
(c) Being final dividend proposed and approved for the year and foreign exchange differences.

16 SHARE CAPITAL

	Group and Company		
	Number of		Share capital RMB'000
	A-Shares	S-Shares	
At 1 January 2022, 31 December 2022 and 1 January 2023	573,443,076	200,000,000	773,443
Repurchase and cancellation of shares under 2019 Restricted A-Share Incentive Scheme	(3,284,800)	-	(3,285)
At 31 December 2023	570,158,276	200,000,000	770,158

	Group and Company			
	2023		2022	
	Number of ordinary share issues	Share capital RMB'000	Number of ordinary share issues	Share capital RMB'000
A-shares	565,868,076	565,868	565,868,076	565,868
Restricted circulating shares	4,290,200	4,290	7,575,000	7,575
	570,158,276	570,158	573,443,076	573,443
S-shares	200,000,000	200,000	200,000,000	200,000
Total	770,158,276	770,158	773,443,076	773,443

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16 SHARE CAPITAL (CONT'D)

On 9 December 2019 and 6 July 2020, the Company granted 3,930,000 and 940,000 restricted circulating shares to employees, respectively, under the 2019 Restricted A-Share Incentive Scheme as disclosed in Note 17. These shares were registered on 7 January 2020 and 27 July 2020.

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

On 2021, 200,000 restricted circulating shares were repurchased and cancelled by the Company in accordance with the relevant provisions of the 2019 Restricted A-Share Incentive Scheme. The repurchase and cancellation were completed in 2022.

In 2023, 3,284,800 restricted circulating shares were repurchased and cancelled by the Company in accordance with the relevant provisions of the 2019 Restricted A-Share Incentive Scheme. The repurchase and cancelled were completed in 2023.

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

Capital management

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

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

	<u>2023</u> <u>\$'000</u>	<u>2022</u> <u>\$'000</u>
<u>Net debt</u>		
All current and non-current		
– Lease liabilities	6,307	4,968
– Other financial liabilities	322,835	252,939
Less: Cash and cash equivalents	<u>(2,125,200)</u>	<u>(2,882,524)</u>
	<u>N/A</u>	<u>N/A</u>
<u>Adjusted capital</u>		
Total equity	<u>6,652,274</u>	<u>6,581,702</u>
Debt-to-adjusted capital ratio	<u>^</u>	<u>^</u>

^ Not meaningful

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

17 SHARE-BASED PAYMENTS

2019 Restricted A-Share Incentive Scheme

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

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

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

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

Participants who were eligible to participate in the Scheme include directors, members of senior management, members of the Company’s management team 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 total number of Restricted A-Shares proposed to be granted under the Scheme.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

17 SHARE-BASED PAYMENTS (CONT'D)

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

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

Restricted A-Shares granted to participants under the Scheme shall not be transferred or used as security or for repayment of debts during the relevant lock-up periods and shall be repurchased and cancelled by the Company if the release condition is not met.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

17 SHARE-BASED PAYMENTS (CONT'D)

Activities under the Scheme

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

Details of Restricted A-Shares granted under the Scheme since commencement up to 31 December 2023 are as follows:

<u>Participants</u>	<u>Aggregate Restricted A-Share outstanding at beginning of year</u>	<u>Restricted A-Shares granted during the year</u>	<u>Restricted A-Shares repurchased and cancelled during the year</u>	<u>Restricted A-Shares vested and exercised during the year</u>	<u>Aggregate Restricted A-Shares outstanding at end of year</u>
<i>For the year ended</i>					
<i>31 December 2023</i>					
Wang Mai	70,000	-	(46,200)	-	23,800
Zhou Hong	70,000	-	(46,200)	-	23,800
Other participants ^(a)	4,430,000	-	(3,192,400)	-	1,237,600
	4,570,000	-	(3,284,800)	-	1,285,200
<i>For the year ended</i>					
<i>31 December 2022</i>					
Wang Mai	70,000	-	-	-	70,000
Zhou Hong	70,000	-	-	-	70,000
Other participants ^(a)	4,430,000	-	-	-	4,430,000
	4,570,000	-	-	-	4,570,000

(a) Consists of management team, leading-level scientific research experts, core personnel for scientific research and technology and members of core management team of subordinate enterprises of the Company.

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

The outstanding Restricted A-Shares as at 31 December 2023 have a weighted-average remaining contractual life of 0.51 (2022: 1.09) years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

17 SHARE-BASED PAYMENTS (CONT'D)

Accounting for the Scheme

Under the Scheme, directors and employees receive remuneration in the form of shares of the Company as consideration for services rendered. Restricted A-Shares are granted conditionally and the final number of Restricted A-Shares awarded will depend on the achievement of pre-determined targets.

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

	Group and Company	
	2023	2022
	RMB'000	RMB'000
At beginning of year	27,239	20,414
(Net reversal of share-based payments arising from Restricted A-shares repurchased and cancelled)/Recognition of share-based payments (Note 29)	(18,980)	6,825
At end of year	8,259	27,239

18 OTHER RESERVES

	Group		Company	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Capital reserve	(314,023)	(286,624)	128,036	123,269
Statutory common reserve	436,750	436,750	436,750	436,750
Fair value reserve	(8,366)	(8,405)	(8,366)	(8,405)
Merger reserve	7,604	7,604	(19,612)	(19,612)
Share-based payments reserve (Note 17)	8,259	27,239	8,259	27,239
	130,224	176,564	545,067	559,241

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

18 OTHER RESERVES (CONT'D)

Capital reserve

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
At beginning of year	(286,624)	39,631	123,269	116,274
Acquisition of a subsidiary (Note 9(a))	-	(9,073)	-	-
Acquisition of non-controlling interests without change in control (Note 9(b))	(32,166)	(323,976)	-	-
Share of changes in other reserves of associates (Note 10)	4,767	6,995	4,767	6,995
Others	-	(201)	-	-
At end of year	(314,023)	(286,624)	128,036	123,269

Capital reserve comprised mainly share of reserves from equity-accounted associates. Capital reserve of the Group also included acquisition of non-controlling interests in prior and current year.

Statutory common reserve

	Group and Company	
	2023 RMB'000	2022 RMB'000
At beginning and end of year	436,750	436,750

Under the regulations of the PRC, the Company and its subsidiaries are required to set up a statutory reserve which represents a non-distributable reserve made at a rate of 10% of net profit after tax until the reserve reaches 50% of the registered capital in accordance with their Articles of Association. The transfer to this reserve must be made before payment of dividends to shareholders. At the end of reporting periods, the Group's and the Company's statutory common reserves have reached the limit of 50% of the registered capital and no further transfer was made during the year.

The statutory common reserve can only be used to set off against losses, to expand the entities' production operations or to increase its share capital. The Company and its subsidiaries may convert its statutory common reserve into share capital provided the remaining balance of such reserve is not less than 25% of the share capital.

The Company and certain subsidiaries may transfer a portion of its net profit to the statutory welfare reserve in accordance with their Articles of Association, as recommended by directors and approved by shareholders.

The statutory welfare reserve can only be used for the collective welfare of the employees of the Company and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

18 OTHER RESERVES (CONT'D)

Fair value reserve

	Group and Company	
	2023	2022
	RMB'000	RMB'000
At beginning of year	(8,405)	(322)
Fair value changes on equity investments measured at FVOCI	46	(2,371)
Deferred tax (Note 30)	(7)	1,427
	39	(944)
Reclassification to retained earnings on disposal of equity investments measured at FVOCI	-	(7,139)
At end of year	(8,366)	(8,405)

Merger reserve

	Group		Company	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning and end of year	7,604	7,604	(19,612)	(19,612)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Trade payables				
Trade payables:				
- Third parties	590,924	688,695	131,664	177,452
- Subsidiaries	-	-	39,509	30,289
- Associates	7,612	6,352	7,475	5,814
- Related parties	16,848	29,280	622	26
	615,384	724,327	179,270	213,581
Bill payables	510,708	681,563	83,417	110,042
Accrued termination benefits	15,885	19,948	13,364	15,731
Accrued employee benefits	243,705	196,204	210,028	158,313
	1,385,682	1,622,042	486,079	497,667
Other payables and accruals				
Third parties	1,401,229	1,135,588	1,183,728	902,284
Subsidiaries	-	-	9,700	18,947
Associates	-	3,800	-	3,800
Related parties	12,049	12,912	2,209	3,039
Other taxes payables	77,606	103,575	61,281	82,507
Dividend payable	21,867	17,596	21,867	17,596
	1,512,751	1,273,471	1,278,785	1,028,173
	2,898,433	2,895,513	1,764,864	1,525,840
Represented:				
Non-current	8,149	10,091	5,749	9,005
Current	2,890,284	2,885,422	1,759,115	1,516,835
	2,898,433	2,895,513	1,764,864	1,525,840

Other payables and accruals comprised mainly customers' deposits received and accrued marketing and distribution expenses.

In 2022, the bill payables were secured by pledges of bill receivables of the Group and of the Company (Note 14).

The non-trade amounts due to subsidiaries comprised mainly advances granted and payments made on behalf, which are unsecured, interest-free and repayable on demand.

The non-trade amounts due to associates and related parties arose from purchase of plant and equipment and services received payable, which are unsecured, interest-free and repayable on demand.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

20 LEASE LIABILITIES

	Group	
	2023 RMB'000	2022 RMB'000
Lease liabilities		
Non-current	2,743	871
Current	3,564	4,097
	6,307	4,968
Undiscounted lease payments due:		
- Year 1	3,629	4,159
- Year 2	2,927	873
- Year 3	272	-
	6,828	5,032
Less: Unearned interest cost	(521)	(64)
	6,307	4,968

The Group leases office and shop premises for administrative and operating use purpose and the leases typically run for a period of 2 to 3 years. The Group's lease liabilities are secured by the lessors' title to the leased assets.

Interest expense on lease liabilities of RMB611,000 (2022: RMB154,000) is recognised within "finance costs" in profit or loss.

Rental expenses not capitalised in lease liabilities but recognised in profit or loss are set out below:

	Group	
	2023 RMB'000	2022 RMB'000
Short-term leases	17,593	10,378

As at 31 December 2023, the Group's short-term lease commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expense for the year.

Total cash outflows for all leases during the year comprised:

	Group	
	2023 RMB'000	2022 RMB'000
Repayments of principal element of lease liabilities and lease interest	6,556	3,931
Rental expenses relating to short-term lease	17,593	10,378
	24,149	38,458

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

21 OTHER FINANCIAL LIABILITIES

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Current				
Bank loans (secured)	-	10,230	-	-
Bank loans (unsecured)	81,800	91,409	-	80,531
	81,800	101,639	-	80,531
Non-current				
Loans from an associate (secured)	-	27,990	-	-
Bank loans (unsecured)	241,035	123,310	241,035	123,310
	241,035	151,300	241,035	123,310
	322,835	252,939	241,035	203,841

Terms and conditions of outstanding loans and borrowings are as follows:

	Interest rate (%)	Year of maturity	Group		Company	
			2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Secured loans						
Bank loans	5.00	2023	-	10,230	-	-
Loans from an associate	3.68	2024	-	27,990	-	-
Unsecured loans						
Bank loans	2.65 – 5.70	2023	-	91,409	-	80,531
Bank loans	2.78 – 3.45	2024	81,800	-	-	-
Bank loans	2.70	2025	122,888	123,310	122,888	123,310
Bank loans	2.70	2026	118,147	-	118,147	-
			322,835	252,939	241,035	203,841

In 2022, loans from an associate of RMB27,990,000 were secured by pledges of legal mortgages over a subsidiary's construction in progress and land use rights of RMB4,207,000 and RMB25,163,000, respectively (see Notes 4 and 7).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

22 OTHER LIABILITIES

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Contract liabilities	145,659	219,075	133,508	203,529
Deferred income	57,143	59,876	37,347	34,847
Advanced payments received	35,539	36,688	20,532	20,532
Others, current	27,901	173	8,605	-
Others, non-current	-	3,949	-	-
	266,242	319,761	199,992	258,908
Represented by:				
Non-current	92,682	100,513	57,879	55,379
Current	173,560	219,248	142,113	203,529
	266,242	319,761	199,992	258,908

Deferred income represents grants from government.

Contract liabilities

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Contract liabilities	145,659	219,075	133,508	203,529

Contract liabilities relate primarily to advance considerations received from, and volume rebates to customers.

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

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at beginning of year	(116,647)	(78,563)	(102,960)	(72,699)
Advance consideration received, excluding amounts recognised as revenue during the year	64,993	127,622	54,703	114,434
Changes in estimates of transaction price	(21,764)	(45,593)	(21,764)	(45,593)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

22 OTHER LIABILITIES (CONT'D)

Contract liabilities (Cont'd)

Transaction price allocated to remaining performance obligations are as follows:

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Expected to be recognised within one year	<u>64,993</u>	<u>131,764</u>	<u>54,703</u>	<u>116,219</u>

23 CAPITAL COMMITMENTS

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

	Group	
	2023 RMB'000	2022 RMB'000
Contractual obligations to purchase and construct – not recognised as liability	<u>72,573</u>	<u>180,009</u>

24 OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

The future minimum rental receivable under non-cancellable operating leases contracted for at the reporting date are as follows:

	Group	
	2023 RMB'000	2022 RMB'000
Undiscounted lease payments to be received:		
Not later than one year	5,233	5,744
Later than one year and not later than two years	4,139	3,430
Later than two years and not later than three years	1,966	2,816
Later than three years	1,796	1,624
	<u>13,134</u>	<u>13,614</u>

Operating lease income commitments are derived from the investment properties (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

25 REVENUE

Revenue classified by type of goods or services

	Group	
	2023 RMB'000	2022 RMB'000
Sale of goods	8,206,080	8,231,380
Rental and service income	16,232	17,870
	8,222,312	8,249,250

Sale of goods

The sale of goods are recognised at point in time when the goods are delivered to the customers.

The Group's revenue is substantially derived from the People's Republic of China except for a small portion of the goods are exported. Accordingly, geographic market information in relation to revenue of the Group is not presented.

26 INTEREST INCOME

	Group	
	2023 RMB'000	2022 RMB'000
Interest income from banks and financial institutions	54,642	56,125

27 OTHER INCOME AND GAINS/(LOSSES)

	Group	
	2023 RMB'000	2022 RMB'000
Other income and gains:		
Reversal of ECL recognised in relation to other receivables (Note 14)	304	6,727
Reversal of termination benefits	2,900	8,092
Investment income on other financial assets at amortised cost	13,430	5,597
Gain on re-measurement of fair value of previously held equity interest in an associate (Note 9)	-	72,010
Government grants and subsidies	19,998	5,646
Gain on disposal and write-off of property, plant and equipment, investment properties and intangible assets	-	671
Waiver of payables	-	10
Others	3,317	3,632
	39,949	102,385

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27 OTHER INCOME AND GAINS/(LOSSES) (CONT'D)

	Group	
	2023 RMB'000	2022 RMB'000
Other losses:		
ECL recognised in relation to trade receivables (Note 14)	(19,089)	(9,223)
ECL recognised in relation to bill receivables (Note 14)	(4,510)	-
Impairment of goodwill (Note 8)	(18,782)	(19,571)
Impairment of property, plant and equipment (Note 4)	-	(180)
Impairment of construction in progress (Note 4)	(24,951)	-
Foreign currency exchange losses	(1,132)	(2,436)
Write-down of inventories to net realisable value (Note 13)	(28,130)	(36,122)
Penalties	-	(445)
Write-off of property, plant and equipment	(481)	-
	(97,075)	(67,977)

28 FINANCE COSTS

	Group	
	2023 RMB'000	2022 RMB'000
Interest expense on borrowings	20,831	11,822
Less: Interest expense capitalised in construction in progress	(3,617)	(1,701)
	17,214	10,121
Interest expense on lease liabilities (Note 20)	611	154
	17,825	10,275
Imputed interest on accrued termination benefits	6,764	2,883
	24,589	13,158

The borrowing capitalised in construction in progress bear interest rate of 3.7% (2022: 3.8%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

29 EMPLOYEE BENEFITS EXPENSE

	Group	
	2023 RMB'000	2022 RMB'000
Salaries and bonuses	762,595	748,332
Contributions to defined contribution plans and other welfare	141,226	133,669
Post-employment benefits	106,005	102,642
Termination benefits	18,636	8,560
(Net reversal of share-based payments)/Share-based payments (Note 17)	(18,980)	6,825
	<u>1,009,482</u>	<u>1,000,028</u>

Allocation of employee benefits expense:

	Group	
	2023 RMB'000	2022 RMB'000
Cost of sales	351,361	318,595
Marketing and distribution expenses	336,859	381,747
Research and development expenses	50,945	47,122
Administrative expenses	270,317	244,968
	<u>1,009,482</u>	<u>992,432</u>

30 TAX EXPENSE

Components of tax expense recognised in profit or loss

	Group	
	2023 RMB'000	2022 RMB'000
Current tax		
Current tax expense	188,551	163,300
Adjustments in respect of prior years	(2,915)	28
	<u>185,636</u>	<u>163,328</u>
Deferred tax		
Deferred tax expense	(58,978)	(56,681)
Adjustments in respect of prior years	-	284
	<u>(58,978)</u>	<u>(56,397)</u>
	<u>126,658</u>	<u>106,931</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30 TAX EXPENSE (CONT'D)

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

The income tax expense varied from the amount determined by applying the PRC statutory corporate tax rate of 25% (2022: 25%) to profit before tax as a result of the following differences:

	Group	
	2023 RMB'000	2022 RMB'000
Profit before tax	1,095,363	980,189
Less: Share of results of equity-accounted associates	(294,577)	(196,613)
	800,786	783,576
Income tax calculated at statutory tax rate	200,197	195,894
Effects of:		
Tax concessions at tax rate of 15%	(80,736)	(92,178)
Non-deductible expenses	7,283	5,100
Non-taxable income	(4,159)	(6,527)
Other tax incentives	(22,409)	(18,181)
Unused tax losses and capital allowances not recognised as deferred tax assets	29,397	21,637
Adjustments in respect of prior years – current tax	(2,915)	28
Adjustments in respect of prior years – deferred tax	-	284
Others	-	874
	126,658	106,931

Non-deductible expenses comprised mainly corporate expenses which are not deductible for tax purpose and non-taxable income comprised mainly government grant income.

The Company and certain subsidiaries qualify for the New and High Technology Enterprise Status in the PRC and enjoy a preferential corporate tax rate of 15% (2022: 15%) whereas other subsidiaries are subject to the statutory corporate tax rate of 25% (2022: 25%).

Dividends payable to "S" shareholders are subject to withholding tax at 10% (2022: 10%) payable to the tax authority of the PRC. Dividends payable to "A" shareholders are subject to the differential tax rates set out in the Tax Law of the PRC.

Deferred tax recognised in profit or loss

	Group	
	2023 RMB'000	2022 RMB'000
Deferred income	(255)	(40)
Contract liabilities	2,812	7,291
Accruals and allowances	(60,050)	(60,998)
Government grants	-	(2,934)
Fair value adjustments	(1,556)	-
Others	71	-
	(58,978)	(56,681)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30 TAX EXPENSE (CONT'D)

Deferred tax recognised in other comprehensive income

	Group	
	2023 RMB'000	2022 RMB'000
Other financial assets measured at FVOCI (Note 8)	7	(1,427)

Deferred tax in statements of financial position

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<u>Deferred tax assets</u>				
Deferred income	6,232	5,977	5,602	5,977
Contract liabilities	9,833	12,645	9,833	12,645
Accruals and allowances	249,928	189,730	216,628	161,067
	<u>265,993</u>	<u>208,352</u>	<u>232,063</u>	<u>179,689</u>

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<u>Deferred tax liabilities</u>				
Arising from fair value adjustments on acquisition of a subsidiary	(7,262)	(8,818)	-	-
Others	(71)	-	-	-
	<u>(7,333)</u>	<u>(8,818)</u>	<u>-</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30 TAX EXPENSE (CONT'D)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2023 RMB'000	2022 RMB'000
Deferred income	15,596	20,029
Accruals and allowances	81,381	93,120
Tax losses carried forward	232,250	161,282
	329,227	274,431

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

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

	Group	
	2023 RMB'000	2022 RMB'000
Unutilised tax losses:		
Expire in 2024	30,326	30,326
Expire in 2025	30,646	30,646
Expire in 2026	36,516	36,516
Expire in 2027	63,794	63,794
Expire in 2028	70,968	-
	232,250	161,282

31 EARNINGS PER SHARE

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

Group	2023	2022
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	986,707	861,794
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares	771,483	773,609

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

32 DIVIDENDS

Dividends to owners of the Company

	Rate per share			
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Group and Company				
Dividends	1.12	0.50	862,679	386,721

On 27 March 2024, the directors proposed a final dividend amounting to RMB985,803,000 on the basis of RMB12.8 for every 10 shares in the capital of the Company. This dividend is subject to approval of shareholders at the next annual general meeting and has not been included as liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of reporting period, including any new qualifying shares issued up to the date the dividend becomes payable.

Distributions to non-controlling interests

In 2022, interim dividends amounting to RMB14,965,000 were paid by certain subsidiaries to their non-controlling shareholders.

33 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related companies

Significant related company transactions

Other than as disclosed elsewhere in these financial statements, the following transactions took place between the Group and related companies at terms agreed between the parties:

	Group	
	2023 RMB'000	2022 RMB'000
Sale of goods and services to associates	1,351	1,309
Purchase of goods and services from associates	(87,621)	(98,686)
Interest income from associates	14,950	9,054
Interest expense to associates	(9,844)	(1,400)

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

(b) Related parties other than related companies (Cont'd)

Significant related party transactions

Other than as disclosed elsewhere in these financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

	Group	
	2023 RMB'000	2022 RMB'000
Sale of goods and services to related parties	227,438	226,194
Purchase of goods and services from related parties	(293,087)	(383,609)
Rental income from related parties	239	73
Rental expenses to related parties	(3,862)	(3,753)

(c) Key management compensation

	Group	
	2023 RMB'000	2022 RMB'000
Salaries and other short-term employee benefits	15,028	10,281

Key management compensation is included under employee benefits expense and also includes the following item:

	Group	
	2023 RMB'000	2022 RMB'000
Remuneration to directors of the Company	5,929	5,152

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

Categories of financial assets and liabilities

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Financial assets				
Financial assets at amortised cost				
- Other financial assets	684,144	81,566	560,506	-
- Trade and other receivables	2,686,929	2,785,117	2,042,065	2,337,302
- Cash and cash equivalents	2,125,200	2,882,524	1,441,871	2,075,925
	<u>5,496,273</u>	<u>5,749,207</u>	<u>4,044,442</u>	<u>4,413,227</u>
Financial assets measured at FVOCI	367	321	367	321
	<u>5,496,640</u>	<u>5,749,528</u>	<u>4,044,809</u>	<u>4,413,548</u>
Financial liabilities				
Financial liabilities at amortised cost				
- Trade and other payables [^]	2,539,370	2,558,190	1,458,324	1,251,693
- Other financial liabilities	322,835	252,939	241,035	203,841
- Lease liabilities	6,307	4,968	-	-
	<u>2,868,512</u>	<u>2,816,097</u>	<u>1,699,359</u>	<u>1,455,534</u>

[^] Excludes accrued termination benefits, accrued employee benefits, other taxes payables and dividend payables.

Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, and price risk exposures. Management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks.

The guidelines include the following:

- (a) Minimise interest rate, credit and market risks for all kinds of transactions;
- (b) Maximise use of "natural hedge": favouring as much as possible natural off-setting of sales and costs and payables and receivables denominated in the same currency; putting in place hedging strategies only for the excess balance. The same strategy is pursued with respect to interest rate risk;
- (c) All financial risk management activities are carried out and monitored by senior management staff; and
- (d) All financial risk management activities are carried out following market practices.

There have been no changes to the Group's and the Company's exposures to risk, the objectives, policies and processes for managing the risk and the methods used to measure the risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Fair value of financial instruments

Current financial assets and liabilities

The fair value of current financial assets and liabilities, including trade and other receivables, cash and cash equivalents and trade and other payables, approximate their carrying amounts at the end of the reporting period due to their short-term maturities.

Fixed rate financial assets and financial liabilities

The fair value of fixed rate financial assets and financial liabilities, including other financial assets and other financial liabilities, approximate their carrying amounts at the end of the reporting period. The fair value of these financial assets and financial liabilities are determined based on discounted cash flows, which considers the present value of future cash inflows and outflows, discounted using a risk adjusted discount rate at the end of the reporting period.

Credit risk on financial assets

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. As at 31 December 2023, the Group's and the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company arises from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise credit risk, the Group and the Company have developed and maintained the Group's and the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group and the Company use other publicly available financial information and the Group's and the Company's own trading records to rate its major customers and other debtors. The Group's and the Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade and other receivables

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.

The credit risk exposure and the ECL measurement of trade and other receivables are disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Credit risk on financial assets (Cont'd)

Other financial assets

In order to minimise credit risk, the Group and the Company has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group and the Company only transacts with reputable financial institution counterparties, which are regulated, and these investments are considered to have low credit risk for the purpose of impairment assessment.

The credit risk exposure and the ECL measurement of other financial assets are disclosed in Note 11.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents. The cash and cash equivalents are held with bank and reputable financial institution counterparties with acceptable credit ratings, which are regulated.

The Group and the Company assessed the impairment on cash and cash equivalents based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Based on the assessment, the Group and the Company considered that the amount of the allowance on cash and cash equivalents was negligible.

Liquidity risk

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

	Less than 1 year RMB'000	2 to 5 years RMB'000	Total RMB'000
Group			
2023			
Other financial liabilities	89,040	247,138	336,178
Lease liabilities	3,629	3,199	6,828
Trade and other payables	2,539,370	-	2,539,370
	<u>2,632,039</u>	<u>250,337</u>	<u>2,882,376</u>
2022			
Other financial liabilities	104,097	161,706	265,803
Lease liabilities	4,159	873	5,032
Trade and other payables	2,558,190	-	2,558,190
	<u>2,666,446</u>	<u>162,579</u>	<u>2,829,025</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Liquidity risk (Cont'd)

	Less than 1 year RMB'000	2 to 5 years RMB'000	Total RMB'000
Company			
2023			
Other financial liabilities	6,285	247,138	253,423
Trade and other payables	1,458,324	-	1,458,324
	<u>1,464,609</u>	<u>247,138</u>	<u>1,711,747</u>
2022			
Other financial liabilities	82,642	132,581	215,223
Trade and other payables	1,251,693	-	1,251,693
	<u>1,334,335</u>	<u>132,581</u>	<u>1,466,916</u>

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. At the end of reporting period, no claims on the financial guarantees are expected to be payable.

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is approximately 45 days. The other payables are with short-term durations. The classification of the financial assets is shown in the statements 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Interest rate risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates of financial assets and liabilities.

The following table analyses the breakdown of the significant financial instruments by types of interest rate:

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Fixed rate financial instruments				
Debt instruments measured at amortised cost	684,144	81,566	560,506	-
Other financial liabilities	(322,835)	(252,939)	(241,035)	(203,841)
Lease liabilities	(6,307)	(4,968)	-	-
	355,002	(176,341)	319,471	(203,841)
Floating rate financial instruments				
Cash at bank (not restricted in use)	1,997,386	2,711,533	1,435,271	2,075,295
	1,997,386	2,711,533	1,435,271	2,075,295

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant.

	Group		Company	
	Profit or loss		Profit or loss	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Financial assets				
Floating rate financial assets	19,974	27,115	14,353	20,753

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies.

The Group has transactional currency exposures arising from transactions that are denominated in a currency other than the functional currency of the Company and its subsidiaries, Renminbi ("RMB"). The foreign currency in which these transactions are denominated is primarily United States Dollar ("USD").

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2023 and 2022 are as follows:

	2023 USD RMB'000	2022 USD RMB'000
Group		
Financial assets		
Trade and other receivables	8,847	7,837
Cash and cash equivalents	4,399	36
	<u>13,246</u>	<u>7,873</u>
Financial liabilities		
Trade and other payables	(23,331)	25,925
	<u>(23,331)</u>	<u>25,925</u>
	<u>(10,085)</u>	<u>(18,052)</u>

Sensitivity analysis is not presented as the impact to pre-tax profit is not significant.

Equity price risk

There are investments in equity shares or similar instruments. The equity price risk, fair value and sensitivity analysis information of unquoted equity shares are disclosed in Note 11.

35 ITEMS TO PROFIT OR LOSS

The following charges have been included in administrative expenses:

	Group	
	2023 RMB'000	2022 RMB'000
Audit fees to independent auditors of the Company	3,740	3,730
Non-audit fees to independent auditors of the Company [^]	20	80
	<u>3,760</u>	<u>3,810</u>

[^] The non-audit fees in 2023 represented audit related services.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

36 FINANCIAL INFORMATION BY OPERATING SEGMENTS

Disclosure of information regarding operating segments, products and services, the geographical areas, and the major customers are made as required by IFRS 8 *Operating Segments*.

Information regarding the results of each reportable segment is included below, which is included in the internal management reports that are reviewed by the Group's Chief Executive Officer, for the purpose of resource allocation and internal assessment of performance. Both segment revenue and gross profit are used to measure performance as management believes that such information is the most relevant in evaluating the level of activities and results of these segments.

For management purposes the Group is segregated into the Chinese medicine and Western medicine major strategic operating segments.

- (a) Chinese medicine: Manufacturer of Chinese pharmaceutical products which are under brands owned by the Group; and
- (b) Western medicine: Manufacturer of western pharmaceutical products through cooperation with foreign companies.

Any item that does not fall within the above two categories is grouped under unallocated. Other than the information disclosed below, other information is not available and the cost to develop it would be excessive.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment's operating results is as follows:

	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000
2023			
Chinese medicine	5,836,228	(2,493,735)	3,342,493
Western medicine	1,696,768	(1,592,607)	104,161
Unallocated	689,316	(596,787)	92,529
	8,222,312	(4,683,129)	3,539,183
2022			
Chinese medicine	5,652,053	(2,663,598)	2,988,455
Western medicine	1,783,068	(1,625,324)	157,744
Unallocated	814,129	(743,360)	70,769
	8,249,250	(5,032,282)	3,216,968

Other than the information disclosed above, no reconciliation of the reportable segments' profit or loss and assets and liabilities to the Group's profit or loss and assets and liabilities, respectively, are disclosed as these are unallocated.

There is no individual customer who contribute revenue more than 10% of the total revenue of the Group during the years ended 31 December 2023 and 2022.

The Group operates wholly in the PRC. As a result, segmental information by geographical areas is not meaningful.

The non-current assets of the Group are located in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

37 MATERIAL LITIGATIONS

A subsidiary of the Company, referred to as the “Sale Company”, designated a third-party entity in Zhuhai as its authorised distributor agent (“Zhuhai Agent”) to market the Company’s medicine products in Zhuhai commencing in 2015. On 23 December 2023, the Sale Company and the Zhuhai Agent entered into an agreement relating to the sale of medicine products, for a total consideration of RMB18.26 million (inclusive of taxes). The Zhuhai Agent fully paid the consideration. However, a dispute ensued when the Sale Company failed to refund the Zhuhai Agent in full for certain unsold medicine products that were returned due to the Zhuhai Agent’s non-compliance with the necessary goods return procedures.

Consequently, the Zhuhai Agent initiated legal action against the Sale Company in the Nankai District People’s Court of Tianjin City (“Tianjin Court”), seeking payment of the outstanding balance and accrued interest amounting to RMB12.18 million.

On 19 February 2024, the Tianjin Court rendered a civil judgment, instructing the Sale Company to pay an outstanding amount of RMB9.44 million along with interest calculated at the market rate of a 12-month loan published by the National Interbank Funding Centre. The judgment included stating that if the Sale Company failed to fulfil its payment obligation, the Company would be responsible for settling the debt. All other claims brought forth by the Zhuhai Agent were dismissed in the judgement.

On 11 March 2024, Zhuhai Agent was unsatisfied with the civil judgement and filed an appeal.

38 RECONCILIATION TO CAS

Differences between the financial statements prepared in accordance with IFRSs and CAS are as follows:

		As reported in statutory financial statements prepared under CAS RMB’000	Reconciliation RMB’000	As reported in financial statements prepared under IFRS RMB’000
Group				
2023				
Current liabilities				
Trade and other payables	(a)	2,897,320	(7,036)	2,890,284
Equity				
Treasury shares	(a)	(7,036)	7,036	-
Share premium	(b)	-	1,207,326	1,207,326
Retained earnings	(b)	4,391,272	108,748	4,500,020
Other reserves	(b)	1,446,298	(1,316,074)	130,224
2022				
Current liabilities				
Trade and other payables	(a)	2,915,170	(29,748)	2,885,422
Equity				
Treasury shares	(a)	(29,748)	29,748	-
Share premium	(b)	-	1,228,740	1,228,740
Retained earnings	(b)	4,263,714	108,748	4,372,462
Other reserves	(b)	1,514,052	(1,337,488)	176,564

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

38 RECONCILIATION TO CAS (CONT'D)

		As reported in statutory financial statements prepared under CAS RMB'000	Reconciliation RMB'000	As reported in financial statements prepared under IFRS RMB'000
Company				
2023				
Current liabilities				
Trade and other payables	(a)	1,766,151	(7,036)	1,759,115
Equity				
Treasury shares	(a)	(7,036)	7,036	-
Share premium	(b)	-	1,207,326	1,207,326
Retained earnings	(b)	4,425,460	31,000	4,456,460
Other reserves	(b)	1,783,393	(1,238,326)	545,067
2022				
Current liabilities				
Trade and other payables	(a)	1,546,583	(29,748)	1,516,835
Equity				
Treasury shares	(a)	(29,748)	29,748	-
Share premium	(b)	-	1,228,740	1,228,740
Retained earnings	(b)	4,244,060	31,000	4,275,060
Other reserve	(b)	1,818,981	(1,259,740)	559,241

The reconciliations set out above are summarised as follows:

- (a) Difference in accounting treatment for the Scheme prepared in accordance with IFRSs and CAS; CAS requires the Company to recognise treasury shares based on its obligation on share buyback; and
- (b) Reclassification of retained earnings and share premium in accordance with IFRSs.

There is no financial impact between IFRS and CAS, in respect of total comprehensive income and net assets of the Group and of the Company at the end of reporting periods.

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTE FOR SHAREHOLDERS:

The Company had previously given notice of the Annual General Meeting on 29 March 2024 in compliance with Article 69 of the Articles of Association of the Company and the listing rules of the Shanghai Stock Exchange which requires the Company to issue a written notice 45 days in advance of a shareholders' meeting.

This revised Notice of Annual General Meeting, which is given in compliance with the listing rules of the Singapore Exchange Securities Trading Limited, supersedes the version announced by the Company on 29 March 2024.

NOTICE IS HEREBY GIVEN that the annual general meeting (the "AGM" or "Annual General Meeting") for the financial year ended 31 December 2023 ("FY2023") of the Company will be held at the meeting room of the Company's Modern Traditional Chinese Medicine Industrial Park located at No. 21 Tenth Avenue, Binhai New Area, Tianjin, the People's Republic of China (the "PRC") (中国天津市滨海新区第十大街21号津药达仁堂集团现代中药产业园会议室) (concurrently, a video conferencing at Library 1 & 2, Level 8, 1 Pickering Street, Great Eastern Centre, Singapore 048659 for holders of S-Shares (the "S-Share Shareholders") in Singapore) on Wednesday, 15 May 2024 at 1:30 p.m..

The agenda for the meeting shall be as follows:

RESOLUTION(S) (POLL VOTING) (See Explanatory Note H)

- To consider and approve the Chairman's Report for FY2023. **(Resolution 1)**
- To consider and approve the Board of Directors' Report for FY2023. **(Resolution 2)**
- To consider and approve the Supervisory Committee's Report for FY2023. **(Resolution 3)**
- To consider and approve the Financial Report and Audit Report for FY2023 audited by CAC Certified Public Accountants LLP (中审华会计师事务所) and Foo Kon Tan LLP HLB Singapore and reviewed by the Audit Committee of the Company. **(Resolution 4)**
- To consider and approve the scheme of profit distribution policy of the Company for FY2023. **(Resolution 5)**

The Board has recommended declaring dividends of an aggregate amount of RMB985,802,593.28 on the basis of RMB12.80 (inclusive of taxes) for every ten (10) shares in the capital of the Company. The proposed dividend is payable in respect of all issued ordinary shares in the capital of the Company as at the record date to be determined by the Company for the purposes of determining shareholders' entitlements to the final dividend.

- To consider and approve the remuneration of S\$55,000 for independent director Mr. Liew Yoke Pheng Joseph (刘育彬) for FY2023. **(Resolution 6)**
- To consider and approve the remuneration of RMB60,000 for independent director Ms. Li Qing (李清) for FY2023. **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

8. To consider and approve the remuneration of S\$4,600 for independent director Mr. Yeo Guat Kwang (杨木光) for FY2023 (specifically, for the period from 28 November 2023 to 31 December 2023). **(Resolution 8)**
9. To consider and approve the remuneration of S\$50,400 for independent director Mr. Zhu Haifeng (朱海峰) for FY2023 (specifically, for the period from 1 January 2023 to 28 November 2023). **(Resolution 9)**
10. To consider and approve the aggregate remuneration for directors of the Company for FY2023. **(Resolution 10)**
11. To consider and approve the aggregate remuneration for members of the Supervisory Committee for FY2023. **(Resolution 11)**
12. To consider and approve the proposed amendments to the Articles of Association of the Company and the application for changes in the industrial and commercial registration. **(Resolution 12)**
(See Explanatory Note A)
13. To consider and approve the proposed amendments to the Independent Directors System (独立董事制度) of the Company. **(Resolution 13)**
(See Explanatory Note B)
14. To consider and approve the proposed renewal of the shareholders' mandate for interested person transactions: **(Resolution 14)**
- (a) such approval given in the shareholders' mandate for interested person transactions (the "**Shareholders' Mandate**") shall, unless revoked or varied by the Company in a general meeting, continue in force until the next annual general meeting of the Company; and
- (b) the Directors and/or any of them are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he/she may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the Shareholders' Mandate and/or this Resolution. *(See Explanatory Note C)*
15. To consider and approve the proposed lines of credit granted to the Company up to an aggregate limit of RMB11,680 million. **(Resolution 15)**
(See Explanatory Note D)
16. To consider and approve the proposed continuous provision of guarantee for an amount of up to RMB1,900 million by the Company for its wholly-owned subsidiary, Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司). **(Resolution 16)**
(See Explanatory Note E)

NOTICE OF ANNUAL GENERAL MEETING

17. To consider and approve the proposed continuous provision of an entrusted loan (委托贷款) **(Resolution 17)** of RMB1,200 million by the Company to its wholly-owned subsidiary, Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司).

(See Explanatory Note F)

Other agenda to be resolved in the Annual General Meeting shall include any agenda proposed by a Shareholder in accordance with Article 70 of the Articles of Association of the Company, 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”.

RESOLUTION(S) (CUMULATIVE VOTING) (See Explanatory Note I)

To consider and approve the proposed appointment of one (1) independent director of the Company:

18. To consider and approve the proposed appointment of Mr. Zhong Ming (钟铭) as an **(Resolution 18)** independent director of the Company.

(See Explanatory Note G)

By Order of the Board

Jiao Yan
Secretary to the Board of Directors
30 April 2024

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- A. Resolution 12 in relation to (i) the proposed amendments to Articles 19 and 22 of the Articles of Association of the Company have been approved by the Board at a Board meeting of the Company held on 30 October 2023, and (ii) the proposed amendments to Chapters 13, 17 and 18 of the Articles of Association of the Company have been approved by the Board at a Board meeting of the Company held on 29 March 2024 respectively. Please refer to the annexure to the Notice of AGM dated 30 April 2024 in relation to, *inter alia*, the proposed amendments to the Articles of Association of the Company for further details on this Resolution 12.

Pursuant to Article 103 of the Company Law of the PRC (2018 Revision) (《中华人民共和国公司法》(2018年修订)) (the "PRC Company Law"), where any resolution is proposed to be passed by shareholders of a company on proposed amendments to the articles of association of the company, it shall be passed by the shareholders representing more than two-thirds (2/3) of the voting rights held by the shareholders attending at the general meeting. Accordingly, Resolution 12 shall be approved by more than two-thirds (2/3) of the voting rights held by the Shareholders attending at the AGM in accordance with the PRC Company Law.

- B. Resolution 13 has been approved by the Board at a Board meeting of the Company held on 29 March 2024. Please refer to the annexure to the Notice of AGM dated 30 April 2024 in relation to, *inter alia*, the proposed amendments to the Independent Directors System (独立董事制度) of the Company for further details on this Resolution 13.
- C. Please refer to the annexure to the Notice of AGM dated 30 April 2024 in relation to the proposed renewal of the shareholders' mandate for interested person transactions for further details on this Resolution 14.
- D. Please refer to the announcement dated 29 March 2024 in relation to, *inter alia*, resolutions passed at the 1st Board meeting for the financial year ending 31 December 2024 (the "29 March 2024 Board Resolutions Announcement") for further details on this Resolution 15.
- E. Please refer to Appendix B to the 29 March 2024 Board Resolutions Announcement for further details on this Resolution 16.
- F. Please refer to Appendix C to the 29 March 2024 Board Resolutions Announcement for further details on this Resolution 17.
- G. Resolution 18 has been approved by the Board at a Board meeting of the Company held on 29 March 2024. Information on Mr. Zhong Ming (钟铭) as required under Rule 720(6) of the Listing Manual read with 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 FY2023 on pages 59 to 63.
- H. Resolution 1 to Resolution 17 will be voted on BY WAY OF POLL, and every Shareholder shall be entitled to one (1) vote for every Share such Shareholder holds or such proxy represents.
- I. Resolution 18 pertaining to the proposed appointment of Mr. Zhong Ming (钟铭) as an independent director of the Company will be voted on BY WAY OF CUMULATIVE VOTING, in one (1) proposal group. Every Shareholder (including S-Share Shareholder) shall, in respect of the resolution(s) under such proposal group, be entitled to a number of votes equivalent to the number of Shares such Shareholder (including S-Share Shareholder) holds or such proxy represents multiplied by the number of the candidate(s) standing for election as director under that proposal group, and the Shareholders (including S-Share Shareholders) may cast all or part of their votes for one (1) or several candidates standing for election as director under that proposal group.

IMPORTANT – Cumulative Voting for Election of Director(s)

- (a) Resolution 18 will be voted on by way of cumulative voting in one (1) proposal group, and every Shareholder (including S-Share Shareholder) shall, in respect of Resolution 18 under such proposal group, be entitled to a number of votes equivalent to the number of Shares such Shareholder (including S-Share Shareholder) holds or such proxy represents multiplied by the number of the candidate(s) standing for election as director under such proposal group. **Please DO NOT indicate with a tick (✓) or a cross (x) within the box provided in respect of Resolution 18 in the proxy form in respect of the AGM (the "Proxy Form"). Instead, you should indicate the number of votes as appropriate. Please see the detailed illustration as set out below.**
- (b) The cumulative voting will be conducted in one (1) proposal group, categorised into resolution(s) for the election of independent director(s). This means that for the election of the one (1) independent director, the total number of votes you are entitled to cast in aggregate for Resolution 18 shall equal to the number of Shares held by you multiplied by the number of the candidate(s) standing for election as independent director(s) under such proposal group in relation to the proposed appointment of independent director(s) of the Company (i.e., 1), and this particular allocation of votes may only be cast on the candidate(s) standing for election as independent director under such proposal group.

As to the allocation of votes within the relevant proposal group, you may either cast all your relevant number of votes for that proposal group to one (1) of the candidate(s) in that proposal group, or where applicable, cast them equally or diversely to more than one (1) of the candidate(s) (as the case may be) in that proposal group.

PLEASE NOTE WITH PARTICULAR ATTENTION THAT, IF THE TOTAL NUMBER OF VOTES YOU HAVE CAST IS LESS THAN OR EQUAL TO THE MAXIMUM NUMBER OF VOTES YOU ARE ENTITLED TO CAST IN RESPECT OF THAT PARTICULAR PROPOSAL GROUP, YOUR VOTES SHALL BE VALID AND THE VOTES NOT CAST SHALL BE DEEMED TO HAVE BEEN WAIVED BY YOU; IF THE TOTAL NUMBER OF VOTES YOU HAVE CAST EXCEEDS THE MAXIMUM VOTES YOU ARE ENTITLED TO CAST IN RESPECT OF THAT PARTICULAR PROPOSAL GROUP, ALL THE VOTES CAST BY YOU SHALL BE INVALID AND YOU SHALL BE DEEMED AS HAVING WAIVED YOUR RIGHT TO VOTE.

NOTICE OF ANNUAL GENERAL MEETING

Solely for illustrative purposes only:

If you hold **100 Shares**, as there are one (1) candidate standing for election as independent director under the proposal group in relation to the proposed appointment of independent director(s) of the Company (i.e., Resolution 18), the total number of votes you are entitled to cast under this proposal group will be 100 votes, and this **100 votes** may only be cast on the proposed candidate standing for election as independent director under the proposal group in relation to the proposed appointment of independent director(s) of the Company. You may cast all the **100 votes** or only part of them you are entitled to cast under proposal group in relation to the proposed appointment of independent director(s) of the Company.

- (c) A candidate standing for election as director shall be determined as elected according to the number of votes received by each candidate in descending order; provided, however, that for a candidate to be elected, the minimum number of votes that such candidate received shall be more than half (1/2) of the total number of Shares held by those Shareholders attending the general meeting. If none of the candidates received votes that are more than half (1/2) of the total number of Shares held by those Shareholders attending the general meeting, none of the candidates will be elected at the general meeting and another election shall be conducted at the next following general meeting to fill the vacancy.

If the number of directors successfully elected is less than the number of directors to be elected at the general meeting, another election shall be conducted at the next following general meeting to fill the vacancy.

If the number of the candidates standing for election as director who have received more than half (1/2) of the total number of Shares held by those Shareholders attending the general meeting is more than the number of directors to be elected at the general meeting, the candidates standing for election as director shall be determined as elected according to the number of votes received by each candidate in descending order.

In the event of failure to determine the elected candidate due to a tie vote between two (2) or more candidates standing for election as director (such that, if all of them are elected, the number of elected candidates would exceed the number of vacancies), none of these candidates will be elected at the general meeting and another election shall be conducted at the next following general meeting to fill the vacancy.

Notes:

1. The AGM will be held at the meeting room of the Company's Modern Traditional Chinese Medicine Industrial Park located at No. 21 Tenth Avenue, Binhai New Area, Tianjin, the PRC (中国天津市滨海新区第十大街21号津药达仁堂集团现代中药产业园会议室) (concurrently, a video conferencing at Library 1 & 2, Level 8, 1 Pickering Street, Great Eastern Centre, Singapore 048659 for S-Share Shareholders in Singapore) on Wednesday, 15 May 2024 at 1:30 p.m..
2. AGM documents. Printed copies of the Company's annual report for FY2023 enclosing, *inter alia*, the annexure to this Notice of AGM containing information on Resolution 14 relating to the proposed renewal of the shareholders' mandate for interested person transactions (the "**Annual Report 2023**") (which includes the printed copies of this Notice of AGM and the proxy form in respect of the AGM (the "**Proxy Form**")), as well as the printed copies of the annexure to this Notice of AGM containing information on Resolution 12 relating to the proposed amendments to the Articles of Association of the Company and Resolution 13 relating to the proposed amendments to the Independent Directors System (独立董事制度) of the Company (the "**Annexure**"), will be sent to S-Share Shareholders 14 days before the AGM. The Annual Report 2023, this Notice of AGM and the Proxy Form, as well as the Annexure, have also been, or will also be made available on the SGXNET and on the Company's website at www.jydr.com.cn. S-Share Shareholders and investors are advised to check the SGXNET and/or the Company's website at www.jydr.com.cn regularly for updates.
3. Shareholders' questions and answers. S-Share Shareholders and duly appointed proxy or proxies will be able to attend the AGM in person and ask questions relating to the resolutions to be tabled for approval at the AGM.

However, S-Share Shareholders are encouraged to raise their questions (if any) as early as possible in advance of the AGM by **1:30 p.m. on Monday, 13 May 2024** and can submit substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM, in advance of the AGM, in the following manner:

- (a) by email to drt600329@163.com; or
- (b) by post to the Company's S-Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632.

NOTICE OF ANNUAL GENERAL MEETING

S-Share Shareholders who submit questions in advance of the AGM should provide their full name, address, contact number, email address and the manner in which they hold Shares (if you hold Shares directly, please provide your account number with The Central Depository (Pte) Limited; otherwise, please state if you hold your Shares through the Central Provident Fund Investment Scheme ("CPF") or the Supplementary Retirement Scheme ("SRS") or other Relevant Intermediary), for our verification purposes. "Relevant Intermediary" means (a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore (the "SFA") and who holds shares in that capacity; or (c) the CPF Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

The Company will endeavour to answer all substantial and relevant questions in relation to the resolutions to be tabled for approval at the AGM prior to, or at the AGM. **Where substantially similar questions are received, the Company may consolidate such questions and consequently not all questions may be individually addressed.**

The Company will also publish the minutes of the AGM which will include substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM and the responses from the Board and/or management of the Company to such questions on the SGXNET and on the Company's website at www.jydr.com.cn within one (1) month after the date of the AGM.

4. **Voting.** A Shareholder (whether individual or corporate, including Relevant Intermediaries) entitled to attend and vote at the AGM is entitled to appoint one (1) or more persons (who need not also be Shareholder(s)) to act as his/her/its proxy(ies) to attend and vote on his/her/its behalf at the AGM. Where a Shareholder appoints more than one (1) proxy, the appointment shall be deemed to be alternative unless he/she/it specifies the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy.

If the appointor is a corporation, the instrument of proxy must be executed under seal or the hand of its duly authorised officer of attorney.

A S-Share Shareholder (whether individual or corporate) can also choose to appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory. The Chairman of the AGM, as proxy, need not be a Shareholder of the Company. Where a S-Share Shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy:

- (a) in respect of Resolution 1 to Resolution 17, he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. In the absence of specific instructions, the appointment of the Chairman of the AGM as his/her/its proxy for that resolution will be treated as invalid; and
- (b) in respect of Resolution 18, for which cumulative voting will apply, he/she/it must give specific instructions as to how many votes he/she/it wishes to vote on Resolution 18, in the Proxy Form. If no specific direction as to how many votes is given, the appointment of the Chairman of the AGM as his/her/its proxy for this resolution will be treated as invalid.

Where a S-Share Shareholder (whether individual or corporate) appoints one (1) or more persons (other than the Chairman of the AGM) as his/her/its proxy(ies):

- (a) in respect of Resolution 1 to Resolution 17, he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. In the absence of specific instructions, the proxy(ies) may vote or abstain from voting on those resolutions at his/her discretion; and
- (b) in respect of Resolution 18, for which cumulative voting will apply, he/she/it must give specific instructions as to how many votes he/she/it wishes to vote on Resolution 18, in the Proxy Form. If no specific direction as to how many votes is given, the proxy(ies) may vote or abstain from voting on this resolution at his/her discretion.

The Proxy Form has been or will be made available on the SGXNET and may also be accessed at the Company's website at www.jydr.com.cn.

An investor who holds Shares under the CPF ("CPF Investor") and/or the SRS ("SRS Investor") (as may be applicable) and wishes to vote should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least **seven (7)** working days before the date of the AGM (i.e., by **5:00 p.m. on Friday, 3 May 2024**). The Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

The duly completed Proxy Form must be submitted by the S-Share Shareholders to the Company in the following manner:

- (a) if submitted by post, be lodged with the Company's S-Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632; or
- (b) if submitted electronically, via email to the Company's S-Shares Registrar at srs.proxy@boardroomlimited.com,

in either case, by no later than **1:30 p.m. on Monday, 13 May 2024**.

NOTICE OF ANNUAL GENERAL MEETING

S-Share Shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.

A S-Share Shareholder who wishes to submit an instrument of proxy must first 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-Share Shareholder is a corporation, the Proxy Form must be executed under seal or the hand of its duly authorised officer or attorney.

The completion and return of the instrument appointing a proxy(ies) by a Shareholder does not preclude such Shareholder from attending, speaking and voting in person at AGM if such Shareholder subsequently decides to do so. The appointment of the proxy(ies) for the AGM will be deemed to be revoked if the Shareholder attends the AGM in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy(ies) to the AGM.

5. Pursuant to the Articles of Association of the Company, a holder of tradable domestic A-Shares with limiting conditions for sale shall notify the Company in writing not less than 20 days prior to the AGM of his or her intention to attend the AGM. Accordingly, a holder of tradable domestic A-Shares with limiting conditions for sale who is planning to attend the AGM must give a written notice to the Company no later than 19 April 2024.
6. The AGM in Tianjin, PRC is expected to last for half a day and all accommodation and other expenses incurred by a Shareholder or his/her/its proxy(ies) in connection with his/her/its attendance at the AGM shall be borne by that Shareholder.
7. **Personal data privacy:** By (1) submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, (2) submitting any question prior to the AGM, a Shareholder of the Company (a) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the purpose of (i) the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and (ii) the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), (iii) the addressing of substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM from Shareholders received prior to and/or at the AGM and if necessary, the following up with Shareholders in relation to such questions, and (iv) in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (2) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), such Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

PROXY FORM

TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

(Formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited)
(Incorporated in the People's Republic of China)
(Company Registration No.: 91120000103100784F)
(the "Company")

ANNUAL GENERAL MEETING

PROXY FORM

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

IMPORTANT

1. The annual general meeting (the "AGM" or "Annual General Meeting") of the Company will be held at the meeting room of the Company's Modern Traditional Chinese Medicine Industrial Park located at No. 21 Tenth Avenue, Binhai New Area, Tianjin, the PRC (中国天津市滨海新区第十大街21号津药达仁堂集团现代中药产业园会议室) (concurrently, a video conferencing at Library 1 & 2, Level 8, 1 Pickering Street, Great Eastern Centre, Singapore 048659 for S-Share Shareholders in Singapore) on Wednesday, 15 May 2024 at 1:30 p.m..
2. A S-Share Shareholder (whether individual or corporate) can choose to appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory. The Chairman of the AGM, as proxy, need not be a Shareholder of the Company. Where a S-Share Shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy:
 - (a) in respect of Resolution 1 to Resolution 17, he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. In the absence of specific instructions, the appointment of the Chairman of the AGM as his/her/its proxy for that resolution will be treated as invalid; and
 - (b) in respect of Resolution 18, for which cumulative voting will apply, he/she/it must give specific instructions as to how many votes he/she/it wishes to vote on Resolution 18, in the Proxy Form. If no specific direction as to how many votes is given, the appointment of the Chairman of the AGM as his/her/its proxy for this resolution will be treated as invalid.
3. Where a S-Share Shareholder (whether individual or corporate) appoints one (1) or more persons (other than the Chairman of the AGM) as his/her/its proxy(ies):
 - (a) in respect of Resolution 1 to Resolution 17, he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. In the absence of specific instructions, the proxy(ies) may vote or abstain from voting on those resolutions at his/her discretion; and
 - (b) in respect of Resolution 18, for which cumulative voting will apply, he/she/it must give specific instructions as to how many votes he/she/it wishes to vote on Resolution 18, in the Proxy Form. If no specific direction as to how many votes is given, the proxy(ies) may vote or abstain from voting on this resolution at his/her discretion.
4. An investor who holds Shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) and wishes to vote should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least **seven (7)** working days before the date of the AGM (i.e., by **5:00 p.m.** on **Friday, 3 May 2024**). The Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
5. **Personal Data Privacy:** By submitting this Proxy Form, the S-Share Shareholders accepts and agrees to the personal data privacy terms set out in the Company's Notice of AGM dated 30 April 2024.
6. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of a proxy(ies) by a S-Share Shareholder to attend, speak and vote on his/her/its behalf at the AGM. **DETAILED INSTRUCTIONS TO S-SHARE SHAREHOLDERS ON HOW THEY MAY CAST THEIR VOTES UNDER THE CUMULATIVE VOTING SYSTEM WITH RESPECT TO RESOLUTION 18 ARE SET OUT IN NOTE 3 OF THIS PROXY FORM BELOW. S-SHARE SHAREHOLDERS SHOULD READ THE INSTRUCTIONS CAREFULLY BEFORE COMPLETING THIS PROXY FORM.**

PROXY FORM

TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED
(Formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited)
(Incorporated in the People's Republic of China)
(Company Registration No.: 91120000103100784F)
(the "Company")

**ANNUAL GENERAL MEETING
PROXY FORM**

*I/We, _____ (Name)
with NRIC/Passport/Company Registration Number _____
of _____ (Address)
being a member/members* of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (the "Company"),
hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing whom, the Chairman of the Annual General Meeting as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the annual general meeting ("AGM" or "Annual General Meeting") of the Company to be held at the meeting room of the Company's Modern Traditional Chinese Medicine Industrial Park located at No. 21 Tenth Avenue, Binhai New Area, Tianjin, the PRC (中国天津市滨海新区第十大街21号津药达仁堂集团现代中药产业园会议室) (concurrently, a video conferencing at Library 1 & 2, Level 8, 1 Pickering Street, Great Eastern Centre, Singapore 048659 for S-Share Shareholders in Singapore) on Wednesday, 15 May 2024 at 1:30 p.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote on the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* (save where the Chairman of the AGM has been appointed as proxy) may vote or abstain from voting at his/her discretion.

Where the Chairman of the AGM is appointed as proxy, and (i) in respect of Resolution 1 to Resolution 17, no specific instructions as to voting, or abstentions from voting are given, or (ii) in respect of Resolution 18, for which cumulative voting will apply, no specific instructions as to how many votes are to be cast, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.

PROXY FORM

Resolution(s) (poll voting)				
No.	Resolution(s) relating to	For ^{Note 2}	Against ^{Note 2}	Abstain ^{Note 2}
1.	To consider and approve the Chairman's Report for FY2023.			
2.	To consider and approve the Board of Directors' Report for FY2023.			
3.	To consider and approve the Supervisory Committee's Report for FY2023.			
4.	To consider and approve the Financial Report and Audit Report for FY2023 audited by CAC Certified Public Accountants LLP (中审华会计师事务所) and Foo Kon Tan LLP HLB Singapore and reviewed by the Audit Committee of the Company.			
5.	To consider and approve the scheme of profit distribution policy of the Company for FY2023. The Board has recommended declaring dividends of an aggregate amount of RMB985,802,593.28 on the basis of RMB12.80 (inclusive of taxes) for every ten (10) shares in the capital of the Company. The proposed dividend is payable in respect of all issued ordinary shares in the capital of the Company as at the record date to be determined by the Company for the purposes of determining shareholders' entitlements to the final dividend.			
6.	To consider and approve the remuneration of S\$55,000 for independent director Mr. Liew Yoke Pheng Joseph (刘育彬) for FY2023.			
7.	To consider and approve the remuneration of RMB60,000 for independent director Ms. Li Qing (李清) for FY2023.			
8.	To consider and approve the remuneration of S\$4,600 for independent director Mr. Yeo Guat Kwang (杨木光) for FY2023 [specifically, for the period from 28 November 2023 to 31 December 2023].			
9.	To consider and approve the remuneration of S\$50,400 for independent director Mr. Zhu Haifeng (朱海峰) for FY2023 [specifically, for the period from 1 January 2023 to 28 November 2023].			
10.	To consider and approve the aggregate remuneration for directors of the Company for FY2023.			
11.	To consider and approve the aggregate remuneration for members of the Supervisory Committee for FY2023.			
12.	To consider and approve the proposed amendments to the Articles of Association of the Company and the application for changes in the industrial and commercial registration.			
13.	To consider and approve the proposed amendments to the Independent Directors System (独立董事制度) of the Company.			
14.	To consider and approve the proposed renewal of the shareholders' mandate for interested person transactions: (a) such approval given in the shareholders' mandate for interested person transactions (the " Shareholders' Mandate ") shall, unless revoked or varied by the Company in a general meeting, continue in force until the next annual general meeting of the Company; and			

PROXY FORM

	(b) the Directors and/or any of them are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he/she may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the Shareholders' Mandate and/or this Resolution.			
15.	To consider and approve the proposed lines of credit granted to the Company up to an aggregate limit of RMB11,680 million.			
16.	To consider and approve the proposed continuous provision of guarantee for an amount of up to RMB1,900 million by the Company for its wholly-owned subsidiary, Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司).			
17.	To consider and approve the proposed continuous provision of an entrusted loan (委托贷款) of RMB1,200 million by the Company to its wholly-owned subsidiary, Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司).			
	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."			
Resolution(s) (cumulative voting)				
To consider and approve the proposed appointment of one (1) independent director of the Company				
No.	Resolution(s) relating to:	No. of votes ^{Note 3}		
18.	To consider and approve the proposed appointment of Mr. Zhong Ming (钟铭) as an independent director of the Company.			

* Delete as appropriate

Dated this _____ day of _____ 2024.

Total number of Shares in:	No. of Shares ^{Note 1}
(a) CDP Register	
(b) Register of Members	

Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

PROXY FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.
2. Resolution 1 to Resolution 17 will be voted on BY WAY OF POLL, and every Shareholder shall be entitled to one (1) vote for every Share such Shareholder holds or such proxy represents. **If you wish your proxy/proxies to exercise all your votes "For", "Against" or to "Abstain" from voting, please indicate with a tick (✓) or a cross (X) within the box provided in respect of Resolution 1 to Resolution 17. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy/proxies not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.**
3. **IMPORTANT – Cumulative Voting for Election of Director(s)**
 - (a) Resolution 18 will be voted on BY WAY OF CUMULATIVE VOTING in one (1) proposal group, and every Shareholder (including S-Share Shareholder) shall, in respect of Resolution 18 under such proposal group, be entitled to a number of votes equivalent to the number of Shares such Shareholder (including S-Share Shareholder) holds or such proxy represents multiplied by the number of the candidate(s) standing for election as director under such proposal group. **Please DO NOT indicate with a tick (✓) or a cross (X) within the box provided in respect of Resolution 18 in the proxy form in this Proxy Form. Instead, you should indicate the number of votes as appropriate. Please see the detailed illustration as set out below.**
 - (b) The cumulative voting will be conducted in one (1) proposal group, categorised into resolution(s) for the election of independent director(s). This means that for the election of the one (1) independent director, the total number of votes you are entitled to cast in aggregate for Resolution 18 shall equal to the number of Shares held by you multiplied by the number of the candidate(s) standing for election as independent director(s) under such proposal group in relation to the proposed appointment of independent director(s) of the Company (i.e., 1), and this particular allocation of votes may only be cast on the candidate(s) standing for election as independent director under such proposal group.

As to the allocation of votes within the relevant proposal group, you may either cast all your relevant number of votes for that proposal group to one (1) of the candidate(s) in that proposal group, or where applicable, cast them equally or diversely to more than one (1) of the candidate(s) (as the case may be) in that proposal group.

PLEASE NOTE WITH PARTICULAR ATTENTION THAT, IF THE TOTAL NUMBER OF VOTES YOU HAVE CAST IS LESS THAN OR EQUAL TO THE MAXIMUM NUMBER OF VOTES YOU ARE ENTITLED TO CAST IN RESPECT OF THAT PARTICULAR PROPOSAL GROUP, YOUR VOTES SHALL BE VALID AND THE VOTES NOT CAST SHALL BE DEEMED TO HAVE BEEN WAIVED BY YOU; IF THE TOTAL NUMBER OF VOTES YOU HAVE CAST EXCEEDS THE MAXIMUM VOTES YOU ARE ENTITLED TO CAST IN RESPECT OF THAT PARTICULAR PROPOSAL GROUP, ALL THE VOTES CAST BY YOU SHALL BE INVALID AND YOU SHALL BE DEEMED AS HAVING WAIVED YOUR RIGHT TO VOTE.

Solely for illustrative purposes only:

If you hold **100 Shares**, as there are one (1) candidate standing for election as independent director under the proposal group in relation to the proposed appointment of independent director(s) of the Company (i.e., Resolution 18), the total number of votes you are entitled to cast under this proposal group will be **100 votes**, and this 100 votes may only be cast on the proposed candidate standing for election as independent director under the proposal group in relation to the proposed appointment of independent director(s) of the Company. You may cast all the **100 votes** or only part of them you are entitled to cast under proposal group in relation to the proposed appointment of independent director(s) of the Company.

- (c) A candidate standing for election as director shall be determined as elected according to the number of votes received by each candidate in descending order; provided, however, that for a candidate to be elected, the minimum number of votes that such candidate received shall be more than half (1/2) of the total number of Shares held by those Shareholders attending the general meeting. If none of the candidates received votes that are more than half (1/2) of the total number of Shares held by those Shareholders attending the general meeting, none of the candidates will be elected at the general meeting and another election shall be conducted at the next following general meeting to fill the vacancy.

If the number of directors successfully elected is less than the number of directors to be elected at the general meeting, another election shall be conducted at the next following general meeting to fill the vacancy.

If the number of the candidates standing for election as director who have received more than half (1/2) of the total number of Shares held by those Shareholders attending the general meeting is more than the number of directors to be elected at the general meeting, the candidates standing for election as director shall be determined as elected according to the number of votes received by each candidate in descending order.

In the event of failure to determine the elected candidate due to a tie vote between two (2) or more candidates standing for election as director (such that, if all of them are elected, the number of elected candidates would exceed the number of vacancies), none of these candidates will be elected at the general meeting and another election shall be conducted at the next following general meeting to fill the vacancy.

PROXY FORM

4. A Shareholder (whether individual or corporate, including Relevant Intermediaries (as defined in the Notice of AGM)) entitled to attend and vote at the AGM is entitled to appoint one (1) or more persons (who need not also be Shareholder(s)) to act as his/her/its proxy(ies) to attend and vote on his/her/its behalf at the AGM. Where a Shareholder appoints more than one (1) proxy, the appointment shall be deemed to be alternative unless he/she/it specifies the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy.

If the appointor is a corporation, the instrument of proxy must be executed under seal or the hand of its duly authorised officer of attorney.

A S-Share Shareholder (whether individual or corporate) can also choose to appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory. The Chairman of the AGM, as proxy, need not be a Shareholder of the Company. Where a S-Share Shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy:

- (a) in respect of Resolution 1 to Resolution 17, he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. In the absence of specific instructions, the appointment of the Chairman of the AGM as his/her/its proxy for that resolution will be treated as invalid; and
- (b) in respect of Resolution 18, for which cumulative voting will apply, he/she/it must give specific instructions as to how many votes he/she/it wishes to vote on Resolution 18, in the Proxy Form. If no specific direction as to how many votes is given, the appointment of the Chairman of the AGM as his/her/its proxy for this resolution will be treated as invalid.

Where a Shareholder (whether individual or corporate), appoints one (1) or more persons (other than the Chairman of the AGM) as his/her/its proxy(ies):

- (a) in respect of Resolution 1 to Resolution 17, he/she/it must give specific instructions as to voting, or abstentions from voting, in the Proxy Form. In the absence of specific instructions, the proxy(ies) may vote or abstain from voting on those resolutions at his/her discretion; and
- (b) in respect of Resolution 18, for which cumulative voting will apply, he/she/it must give specific instructions as to how many votes he/she/it wishes to vote on Resolution 18, in the Proxy Form. If no specific direction as to how many votes is given, the proxy(ies) may vote or abstain from voting on this resolution at his/her discretion.
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 vote should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least **seven (7)** working days before the date of the AGM (i.e., by **5:00 p.m. on Friday, 3 May 2024**). This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
6. The duly completed Proxy Form must be submitted by the S-Share Shareholders to the Company in the following manner:
- (a) if submitted by post, be lodged with the Company's S-Share Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632; or
- (b) if submitted electronically, via email to the Company's S-Share Registrar at srs.proxy@boardroomlimited.com,

in either case, by no later than **1:30 p.m. on Monday, 13 May 2024**.

S-Share Shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.

A S-Share Shareholder who wishes to submit an instrument of proxy must first 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-Share Shareholder is a corporation, the Proxy Form must be executed under seal or the hand of its duly authorised officer or attorney.

7. The completion and return of the instrument appointing a proxy(ies) by a Shareholder do not preclude such Shareholder from attending, speaking and voting in person at the AGM if such Shareholder subsequently decides to do so. The appointment of the proxy(ies) for the AGM will be deemed to be revoked if the Shareholder attends the AGM in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy(ies) to the AGM.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of Shareholders 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 lodged if such Shareholder, being the appointer, is not shown to have Shares entered against his/her name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the AGM, as certified by the CDP to the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Shareholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 30 April 2024.

OTHER INFORMATION

Investment Properties

The details of the investment properties held by the Group are as follows:

Property name/Location	Description/ Existing use	Gross floor area (sqm)	Tenure	Group's effective interest
Ground Floor Shops,Fengping East Lane 1-9, Guangrong Road,Red Bridge District	Commercial	939.39	Freehold	100%
Ground Floor,Fengping East Lane 1-9, Shops,Guangrong Road, Red Bridge District	Commercial	600.00	Freehold	100%
Two-Story Building,47 Minhou Road, South Huali Lane, Hexi District	Commercial	350.00	#	100%
Ground Floor Shops, Zhonghao Century Garden,Hexi District	Commercial	600.00	#	100%
Ground Floor Shops, Zhonghao Century Garden, Hexi District	Commercial	600.00	#	100%
Guozhuangzi Pharmacy Storefront, Hedong District	Commercial	291.25	#	100%
Zhongguang Pharmacy Store,Hedong District	Commercial	80.00	#	100%
Meilun Pharmacy Store,Hedong District	Commercial	120.00	Freehold	100%
The 4th Avenue, Ground Floor Shops, Hebei District	Commercial	218.24	Freehold	100%
No. 7 Road House,Hebei District	Commercial	398.93	Freehold	100%
Limin Ground Floor Shops,Hebei District	Commercial	305.50	Freehold	100%
Tianju Ground Floor Shops,Hebei District	Commercial	324.19	Freehold	100%
144 Hongqi Road, Maqingshan,Nankai District	Commercial	400.00	#	100%
Yongrentang Pharmacy, Building 38, Jianyang Lane, Hangu District, Binhai New Area	Commercial	179.00	50-Year Land Use Rights With Effect From 14.01.2004	100%
HanGu Archway West Street, Binhai New Area	Commercial	1,972.00	Freehold	100%
HanGu Xinkai South Road Pharmacy Building, Binhai New Area	Commercial	50.00	Freehold	100%
HanGu Liuyuan Lane Building 1, Binhai New Area	Commercial	111.15	50-Year Land Use Rights With Effect From 23.03.1996	100%
58 Dongfeng Middle Road, Hangu, Binhai New Area	Commercial	1,154.00	50-Year Land Use Rights With Effect From 28.10.1989	100%
Jiajiayuanzi Street, Hangu, Binhai New Area	Commercial	441.43	50-Year Land Use Rights With Effect From 14.01.2004	100%
No. 122 Century Avenue, Binhai New Area	Commercial	959.43	50-Year Land Use Rights With Effect From 06.12.1996	100%

All investment properties of the Group are located in Tianjin, People's Republic of China.

Titles of investment properties at the end of reporting period are in the process of ownership transfer.

INFORMATION ON SHAREHOLDING

Registered Capital: RMB770,158,276

Class of Shares: Ordinary shares of RMB1.00 each (of which 570,158,276 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 28 March 2024

Range of Shareholdings	No. Of Shareholders	%	No. Of Shares	%
1 – 99	2	0.11	15	0.00
100 – 1,000	108	5.73	75,800	0.04
1,001 – 10,000	1,241	65.80	6,026,157	3.01
10,001 – 1,000,000	515	27.31	26,809,749	13.40
1,000,001 AND ABOVE	20	1.06	167,088,279	83.54
Total	1,886	100.00	200,000,000	100.00

Foreign Substantial Shareholders as at 28 March 2024

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 25.97%, and the Company hereby confirms that Rule 723 has been complied with.

Domestic Substantial Shareholders as at 28 March 2024

Name	Direct Interests		Deemed Interests	
	No. of Shares	%	No. of Shares	%
TPH	325,855,528	42.31	5,265,000 ⁽¹⁾	0.68

Note:

(1) Pursuant to Section 4 of the Securities and Futures Act 2001 of Singapore, TPH is deemed interested in the 5,265,000 shares in the capital of the Company held by its wholly-owned subsidiary, Tianjin Pharmaceutical (Singapore) International Investment Pte. Ltd.

INFORMATION ON SHAREHOLDING

Major Foreign Shareholder's List as at 28 March 2024

Name	No. Of Shares	%
1 ABN AMRO CLEARING BANK N.V.	69,689,600	34.84
2 PHILLIP SECURITIES PTE LTD	25,980,384	12.99
3 DBS NOMINEES PTE LTD	17,800,100	8.90
4 RAFFLES NOMINEES (PTE) LIMITED	11,339,565	5.67
5 CITIBANK NOMS SPORE PTE LTD	11,256,322	5.63
6 TAN TOH HEAH OR TAN SWEE TECK MICHAEL	3,700,000	1.85
7 DBS VICKERS SECURITIES (S) PTE LTD	3,483,800	1.74
8 BANK OF CHINA NOMINEES PTE LTD	3,226,100	1.61
9 HSBC (SINGAPORE) NOMINEES PTE LTD	3,105,098	1.55
10 DB NOMINEES (SINGAPORE) PTE LTD	2,597,300	1.30
11 LEONG CHAO SEONG	2,005,400	1.00
12 MOOMOO FINANCIAL SINGAPORE PTE. LTD.	1,780,610	0.89
13 OCBC SECURITIES PRIVATE LTD	1,626,900	0.81
14 NG HAK HONG	1,506,300	0.75
15 UOB KAY HIAN PTE LTD	1,504,000	0.75
16 TAN SWEE TECK MICHAEL	1,490,000	0.75
17 KUEK SIAW KIA @ QUEK SHIEW POH	1,456,900	0.73
18 MAYBANK SECURITIES PTE. LTD.	1,254,000	0.63
19 ZHANG JUN	1,180,000	0.59
20 HIN CHAI @ ONG HIN CHAI	1,105,900	0.55
Total	167,088,279	83.53

ANNEXURE DATED 30 APRIL 2024

THIS ANNEXURE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Annexure is issued by Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited) (the “**Company**”). **If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.**

If you have sold all your shares in the capital of the Company, you should immediately hand this Annexure, the Notice of Annual General Meeting and attached Proxy Form to the purchaser or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any statements or opinions made or report contained in this Annexure.



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

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

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

in relation to

PROPOSED RENEWAL OF MANDATE FOR INTERESTED PERSON TRANSACTIONS

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DEFINITIONS

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

- “2024 AGM” : The annual general meeting of the Company to be held at the meeting room of the Company’s Modern Traditional Chinese Medicine Industrial Park located at No. 21 Tenth Avenue, Binhai New Area, Tianjin, the PRC (中国天津市滨海新区第十大街21号津药达仁堂集团现代中药产业园会议室) (concurrently, a video conferencing at Library 1 & 2, Level 8, 1 Pickering Street, Great Eastern Centre, Singapore 048659 for S-Share Shareholders in Singapore) on Wednesday, 15 May 2024 at 1:30 p.m.
- “A-Shares” : Ordinary shares issued by the Company under the PRC Company Law, comprising shares issued to natural and legal persons in the PRC and which are denominated in RMB and listed on the Shanghai Stock Exchange
- “A-Share Shareholders” : Holders of A-Shares
- “AGM” or “Annual General Meeting” : An annual general meeting of the Company
- “Annexure” : This Annexure dated 30 April 2024 to the Notice of AGM
- “Articles” or “Articles of Association” : The articles of association of the Company, as amended, supplemented and/or modified from time to time
- “associate” : (a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more;
- (b) In relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more

<i>“Associated Company”</i>	: A company in which at least twenty per cent. (20%) but not more than fifty per cent. (50%) of its shares are held by the Company or the Group, and <i>“Associated Companies”</i> shall be constructed accordingly
<i>“Audit Committee”</i>	: The audit committee of the Company, comprising Mr. Liew Yoke Pheng Joseph, Mr. Yeo Guat Kwang and Ms. Li Qing, as at the date of this Annexure
<i>“Board” or “Board of Directors”</i>	: The board of directors of the Company as at the date of this Annexure
<i>“CDP”</i>	: The Central Depository (Pte) Limited
<i>“Company”</i>	: Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited
<i>“control”</i>	: The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
<i>“Controlling Shareholder”</i>	: A person who: <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>“EAR Group”</i>	: The Company, its Subsidiaries (excluding Subsidiaries listed on the SGX-ST or an approved exchange), and the Associated Companies of the Company (other than an Associated Company that is listed on the SGX-ST or an approved exchange) over which the Group, or the Group and Interested Person(s) of the Company, has or have control
<i>“FY” or “Financial Year”</i>	: Financial year ended or, as the case may be, ending 31 December
<i>“FY2023”</i>	: Financial year ended 31 December 2023
<i>“Group”</i>	: The Company and its Subsidiaries
<i>“Independent Directors”</i>	: The Directors that are deemed independent for the purposes of making the recommendation in paragraph 2.9 of Appendix A to this Annexure, namely, all the Directors except Ms. Zhang Mingrui, Mr. Guo Min and Ms. Mao Weiwen
<i>“Interested Persons”</i>	: A Director, chief executive officer or Controlling Shareholder of the Company or an associate of such Director, chief executive officer or Controlling Shareholder, and <i>“Interested Person”</i> shall be constructed accordingly

<i>“Interested Person Transaction” or “IPT”</i>	:	A transaction proposed to be entered into between the EAR Group, or any of them, with an Interested Person
<i>“Latest Practicable Date”</i>	:	17 April 2024, being the latest practicable date prior to the despatch of this Annexure
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST, as amended, modified and/or supplemented from time to time
<i>“Notice of AGM”</i>	:	The notice of the 2024 AGM dated 30 April 2024
<i>“NTA”</i>	:	Net tangible assets
<i>“PRC”</i>	:	People’s Republic of China
<i>“PRC Company Law”</i>	:	The Company Law of the PRC (2018 Revision) (《中华人民共和国公司法》(2018年修订)), as amended, modified and/or supplemented from time to time
<i>“Proposed Renewal”</i>	:	The proposed renewal of the existing Shareholders’ Mandate, which is subject to Shareholders’ approval at the 2024 AGM, details of which are set out under Appendix A to this Annexure
<i>“Proxy Form”</i>	:	The proxy form in respect of the 2024 AGM
<i>“Restricted A-Shares”</i>	:	A-Shares granted under the Scheme which shall be subject to the terms and conditions of the Scheme
<i>“S-Shares”</i>	:	Ordinary shares issued by the Company under the PRC Company Law, comprising shares issued to natural and legal persons in countries other than PRC and which are denominated in US\$ and are listed on the Official List of the SGX-ST
<i>“S-Share Shareholders”</i>	:	Holders of S-Shares
<i>“Scheme”</i>	:	The “2019 Restricted A-Share Incentive Scheme” (2019年A股限制性股票计划) of the Company which was established to further improve the long-term incentive mechanism of the Company, attract and retain outstanding talents, fully motivate the key personnel of the Company, and align the interests of the Shareholders and the Company with the individual interests of the members of management team of the Company so that all parties will make joint efforts for the long-term development of the Company, and the incentive instruments to be issued under the Scheme are A-Shares only and the participants who were eligible to participate in the Scheme which include directors, members of senior management, members of the management team of the Company that the Board considers should be motivated, leading-level scientific research experts, core personnel for scientific research and technology and members of core management team of the subordinate enterprises of the Company (excluding the Company’s Associated Companies). Please refer to the Company’s circular dated 15 November 2019 for further details

<i>“securities accounts”</i>	:	The securities accounts maintained with CDP, but not including the securities accounts maintained with a Depository Agent
<i>“SFA”</i>	:	The Securities and Futures Act 2001 of Singapore, as amended, modified and/or supplemented from time to time
<i>“SGXNET”</i>	:	Singapore Exchange Network, the corporate announcement system maintained by the SGX-ST for the submission of information and announcements by listed companies
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Shareholders”</i>	:	Registered holders of Shares (comprising A-Share Shareholders and S-Share Shareholders) except that where the registered holder is CDP, the term <i>“Shareholders”</i> in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose securities accounts such Shares are credited
<i>“Shareholders’ Mandate”</i>	:	<p>(a) For the purposes of this Annexure, excluding Appendix A to this Annexure, the general mandate pursuant to Chapter 9 of the Listing Manual permitting the Company, its Subsidiaries and Associated Companies (which are considered to be “entities at risk” within the meaning of Rule 904(2) of the Listing Manual), 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, which was last renewed at the AGM of the Company held on 15 May 2023; and</p> <p>(b) For the purposes of Appendix A to this Annexure, the general mandate pursuant to Chapter 9 of the Listing Manual permitting the Company, its Subsidiaries and Associated Companies (which are considered to be “entities at risk” within the meaning of Rule 904(2) of the Listing Manual), 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, proposed to be renewed at the 2024 AGM</p>
<i>“Shares”</i>	:	Ordinary shares in the capital of the Company, comprising A-Shares and S-Shares
<i>“Subsidiaries”</i>	:	The subsidiaries (as determined in accordance with the laws of the PRC) of the Company, and <i>“Subsidiary”</i> shall be constructed accordingly

“Substantial Shareholder”	:	A person who has an interest or interests in one (1) or more voting Shares (excluding treasury shares) in the Company, and the total votes attached to that Share, or those Shares, represent not less than five per cent. (5.0%) of the total votes attached to all the voting Shares (excluding treasury shares) in the Company
“TPH”	:	Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), the Controlling Shareholder of the Company as at the Latest Practicable Date
“TPH Group”	:	TPH and its associates
“TPH Sales and Marketing Branch Office”	:	The Sales and Marketing Branch Office of TPH (天津市医药集团有限公司营销分公司) which is not an independent legal entity and does not have the ability to sue or be sued in its own name
“TYPS”	:	Tianjin Yiyao Printing Services Co., Ltd. (天津宜药印务有限公司) (formerly known as Tianjin Medicinal Products Packaging and Printing Company), an associate of TPH as at the Latest Practicable Date

Currencies, units and others

“RMB”	:	Renminbi, the lawful currency of the PRC
“US\$”	:	United States Dollars, the lawful currency of the United States of America
“%” or “per cent.”	:	Percentage or per centum

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Annexure to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Listing Manual, the SFA or any modification thereof and not otherwise defined in this Annexure shall have the same meaning assigned to it under the Listing Manual, the SFA or any modification thereof, as the case may be.

Any reference to a time of a day in this Annexure is a reference to Singapore time.

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

**TIANJIN PHARMACEUTICAL DA REN TANG
GROUP CORPORATION LIMITED**
(Incorporated in the People's Republic of China)
(Company Registration No.: 91120000103100784F)

Board of Directors

- Ms. Zhang Mingrui**
(Chairman and Non-Executive and Non-Independent Director)
- Mr. Guo Min**
(Executive Director)
- Ms. Wang Lei**
(Executive Director)
- Mr. Zhou Hong**
(Executive Director)
- Mr. Shang Mingjie**
(Executive Director)
- Ms. Mao Weiwen**
(Non-Executive and Non-Independent Director)
- Mr. Yeo Guat Kwang**
(Lead Independent and Non-Executive Director)
- Mr. Liew Yoke Pheng Joseph**
(Independent and Non-Executive Director)
- Ms. Li Qing**
(Independent and Non-Executive Director)

Registered Office

17 Baidi Road,
Nankai District,
Tianjin, the PRC

30 April 2024

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

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS**1. INTRODUCTION**

- 1.1 The Company has issued the Notice of AGM on 30 April 2024.
- 1.2 Resolution 14 in the Notice of AGM relates to the proposed renewal of the Shareholders' Mandate for Interested Persons Transactions (the "**Proposed Renewal**") to authorise the EAR 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 2024 AGM to be held at the meeting room of the Company's Modern Traditional Chinese Medicine Industrial Park located at No. 21 Tenth Avenue, Binhai New Area, Tianjin, the PRC (中国天津市滨海新区第十大街21号津药达仁堂集团现代中药产业园会议室) (concurrently, a video conferencing at Library 1 & 2, Level 8, 1 Pickering Street, Great Eastern Centre, Singapore 048659 for S-Share Shareholders in Singapore) on Wednesday, 15 May 2024 at 1:30 p.m.. The Notice of AGM and the attached Proxy Form have been, or will be, made available to Shareholders on the same day as the date of this Annexure on the SGXNET and the Company's website at www.jydr.com.cn.

2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

2.1 Directors' and Substantial Shareholders' interests in Shares

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

	Direct Interest		Deemed Interest	
	No of Shares	% ⁽¹⁾	No of Shares	% ⁽¹⁾
Directors				
Zhang Mingrui	-	-	-	-
Guo Min	-	-	-	-
Wang Lei	-	-	-	-
Zhou Hong	23,800 ⁽²⁾	0.003	-	-
Shang Mingjie	-	-	-	-
Mao Weiwen	-	-	-	-
Yeo Guat Kwang	-	-	-	-
Liew Yoke Pheng Joseph	-	-	-	-
Li Qing	-	-	-	-
Substantial Shareholder(s)				
TPH	325,855,528	42.31	5,265,000 ⁽³⁾	0.68

Notes:

(1) Based on the total issued share capital of 770,158,276 Shares as at the Latest Practicable Date.

(2) These are the Restricted A-Shares granted and issued under the Scheme.

(3) Pursuant to Section 4 of the SFA, TPH is deemed interested in the 5,265,000 shares in the capital of the Company held by its wholly-owned subsidiary, Tianjin Pharmaceutical (Singapore) International Investment Pte. Ltd.

- 2.2 TPH will abstain, and has undertaken to ensure that its respective associates will abstain, from voting at the 2024 AGM, in respect of the Shares held by them respectively, on Resolution 14 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 2024 AGM in respect of Resolution 14, unless specific instructions have been given in the proxy instrument on how the relevant Shareholders wish their votes to be cast for Resolution 14.

- 2.3 Each of Ms. Zhang Mingrui, Mr. Guo Min and Ms. Mao Weiwen is a key management personnel in TPH. Accordingly, they will abstain from making any recommendation to Shareholders on the Proposed Renewal.
- 2.4 As at the Latest Practicable Date, save as disclosed in this Annexure, none of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Proposed Renewal other than through their respective shareholdings in the Company (if any).

3. DIRECTORS' RESPONSIBILITY STATEMENT

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.

Where information in the Annexure has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Annexure in its proper form and context.

4. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 17 Baidi Road, Nankai District, Tianjin, the PRC 300193, during normal business hours from the date of this Annexure up to and including the date of the 2024 AGM:—

- (a) the Articles of Association of the Company; and
- (b) the annual report of the Company for FY2023.

Yours faithfully

For and on behalf of the Directors

Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited

Zhang Mingrui

Chairman of the Board

APPENDIX A

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

1. INTRODUCTION

TPH held approximately 42.99% 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 EAR Group and the TPH Group.

The Company had, at its AGM for the financial year ended 31 December 2022 held on 15 May 2023, sought and obtained approval from its Shareholders for a general mandate to enable the EAR Group, 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 2024 AGM, in order to authorise the EAR Group, or any of them to continue to enter into transactions with the TPH Group in compliance with Chapter 9 of the Listing Manual. The purpose of this Annexure is to provide Shareholders with the relevant information pertaining to the proposed renewal of the Shareholders' Mandate.

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries or associated companies (which are considered to be "entities at risk" within the meaning of Rule 904(2) of the Listing Manual) proposes to enter into with an interested person of the listed company.

Interested Person Transactions that the Company were involved in for FY2023 are detailed on pages 21 and 22 of the Company's annual report for FY2023.

2. PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Requirements of Chapter 9 of Listing Manual

Under Chapter 9 of the Listing Manual, where an entity at risk¹ proposes to enter into a transaction with interested persons of the issuer, shareholders' approval and/or an immediate announcement is required in respect of that transaction if its value is equal to or exceeds certain financial thresholds.

¹ Under Rule 904(2) of the Listing Manual, an "entity at risk" means:

- (i) the listed company;
- (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
- (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "listed group"), or the listed group and its interested person(s), has control over the associated company.

Pursuant to Rule 906 of the Listing Manual, shareholders' approval (in addition to an immediate announcement) is required where:

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

Interested person transactions below \$100,000 each are to be excluded. However, the Listing Manual provides that while transactions below S\$100,000 are not normally aggregated under Chapter 9 of the Listing Manual, the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one transaction.

In interpreting the term "**same interested person**" for the purpose of aggregation in Rules 905, 906 and 907 of the Listing Manual, the following applies:

- (a) Transactions between (a) an entity at risk and a primary interested person²; and (b) an entity at risk and an associate of that primary interested person, are deemed to be transactions between an entity at risk with the same interested person.
- (b) Transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person.

If an interested person (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested person and have audit committees whose members are completely different.

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

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

² For the purposes of Chapter 9 of the Listing Manual, a "**primary interested person**" means a director, chief executive officer or controlling shareholder of the listed company.

- (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 42.99% shareholdings in the Company as at the Latest Practicable Date;
- (b) Associates (being wholly-owned subsidiaries) of TPH as at the Latest Practicable Date comprising, amongst others:
- (i) Tianjin Pharmaceutical Group Taiping Medicine Co., Ltd. (天津药太平医药有限公司 (formerly known as 天津医药集团太平医药有限公司));
 - (ii) Tianjin Pharmaceutical Group Jin Yi Tang Chain Co., Ltd. (天津医药集团津一堂连锁股份有限公司) (formerly known as Tianjin Pharmaceutical Group Chain Co., Ltd.);
 - (iii) Tianjin Haoda Medical Device Co., Ltd. (天津市浩达医疗器械有限公司);
 - (iv) Tianjin Taiping Zhenhua Pharmacy Co., Ltd. (天津太平振华大药房有限公司);
 - (v) Tianjin Taiping Jizhou Pharmaceutical Co., Ltd. (天津市蓟州太平医药有限公司);
 - (vi) Tianjin Taiping Ninghe District Pharmaceutical Co., Ltd. (天津市宁河区太平医药有限公司);
 - (vii) Tianjin Jincao Pharmaceutical Co., Ltd. (天津市金草药业有限公司);
 - (viii) Tianjin Pharmaceutical Group Jian Kang Da Medical Apparatus and Instruments Co., Ltd. (天津医药集团众健康达医疗器械有限公司);
 - (ix) Tianjin Medical Apparatus and Instruments Factory Co., Ltd. (天津市医疗器械厂有限公司);
 - (x) Tianjin Kang Dun Bao Medical Polyurethane Technology Co., Ltd. (天津市康盾宝医用聚氨酯技术有限公司);
 - (xi) Tianjin Zhong Jian Ai and Medical Technology Co., Ltd. (天津众健爱和医疗科技有限公司);
 - (xii) Tianjin Yiyao Medicine Co., Ltd. (天津市谊耀药业有限公司);
 - (xiii) Tianjin Traditional Chinese Medicine Machinery Co., Ltd. (天津市中药机械厂有限公司);
 - (xiv) Tianjin Taiping Xinhua Medical Apparatus and Instruments Co., Ltd. (天津太平新华医疗器械有限公司);

- (xv) Tianjin Taiping Bai Shi Kang Medical Apparatus and Instruments Co., Ltd. (天津太平百时康医疗器械有限公司); and
 - (xvi) Tianjin Jinyao Amino Acid Co., Ltd. (天津金耀氨基酸有限公司);
- (c) Associates (other than wholly-owned subsidiaries) of TPH as at the Latest Practicable Date comprising, amongst others:
- (i) Tianjin Yiyao Printing Services Co., Ltd. (天津宜药印务有限公司) (formerly known as Tianjin Medicinal Products Packaging and Printing Company) (“TYPS”), which is 65% owned by TPH;
 - (ii) Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生制药股份有限公司), which is 50.93% owned by TPH;
 - (iii) Tianjin Central Pharmaceutical Co., Ltd. (天津市中央药业有限公司), which is 50.93% owned by TPH;
 - (iv) Tianjin Taiping Xiangyun Pharmaceutical Co., Ltd. (天津市太平祥云医药有限公司), which is 50% owned by TPH;
 - (v) Hebei De Ze Long Pharmaceutical Co., Ltd. (河北德泽龙医药有限公司), which is 54.99% owned by TPH;
 - (vi) Tianjin Pharmaceutical Research Institute Co., Ltd. (天津药物研究院有限公司), which is 35% owned by TPH;
 - (vii) Tianjin Institute Of Pharmaceutical Research Medicine Co., Ltd. (天津药物研究院药业有限责任公司), which is 35% owned by TPH;
 - (viii) Tianjin Jinyao Pharmaceutical Co., Ltd. (津药和平(天津)制药有限公司 (formerly known as 天津金耀药业有限公司)), which is 62% owned by TPH;
 - (ix) Tianjin Tianyao Pharmaceutical Co., Ltd. (津药药业股份有限公司 (formerly known as 天津天药药业股份有限公司)), which is 50.58% owned by TPH;
 - (x) Tianjin Tianyao Pharmaceutical Technology Co., Ltd. (津药药业健康科技(天津)有限公司 (formerly known as 天津天药医药科技有限公司)), which is 62% owned by TPH;
 - (xi) Tianjin Jinyao Group Sales Co., Ltd. (天津金耀集团天药销售有限公司), which is 90% owned by TPH;
 - (xii) Tianjin Jinyao Logistics Co., Ltd. (天津金耀物流有限公司), which is 62% owned by TPH; and
 - (xiii) Tianjin Wanning Health Products Co., Ltd. (天津万宁保健品有限公司), which is 91.19% owned by TPH.

2.3 Categories of Interested Person Transactions

The transactions with the TPH Group that will be covered by the Shareholders' Mandate, if renewed, and the benefits to be derived therefrom are set out below:

2.3.1 Supply of Raw Materials

The "Supply of Raw Materials" contracts between the Group and the following Interested Persons for a period of three (3) years up to 30 June 2025:

- (a) Tianjin Pharmaceutical Group Jin Yi Tang Chain Co., Ltd. (天津医药集团津一堂连锁股份有限公司); and
- (b) Tianjin Jinyao Pharmaceutical Co., Ltd. (津药和平(天津)制药有限公司 (formerly known as 天津金耀药业有限公司)).

The terms of these contracts⁽¹⁾ will be in effect only upon the Company obtaining Shareholders' approval for such Interested Person Transactions in the relevant time period during which the Shareholders' Mandate is valid. The Group has no obligation under these contracts should Shareholders' approval not be obtained for the renewal of the Shareholders' Mandate at the 2024 AGM or any subsequent renewal.

Note:

- (1) These contracts do not set the volume and price of raw materials to be provided to the Interested Persons. However, it is provided for in the respective contract that the transactions with the respective Interested Person would be carried out on normal commercial terms and would not be detrimental to the interest of the Company and its minority Shareholders. Please refer to Appendix B to the Company's announcement dated 30 March 2022 in relation to, *inter alia*, resolutions passed as the 1st Board meeting for the financial year ended 31 December 2022 for further details on these contracts.

2.3.2 Sale and Purchase of Medicinal Products

The "Sale and Purchase of Medicinal Products" contracts⁽¹⁾⁽²⁾ between the Group and the following Interested Persons for a period of three (3) years up to 30 June 2025:

- (a) Tianjin Pharmaceutical Group Taiping Medicine Co., Ltd. (津药太平医药有限公司 (formerly known as 天津医药集团太平医药有限公司));
- (b) Tianjin Pharmaceutical Group Jin Yi Tang Chain Co., Ltd. (天津医药集团津一堂连锁股份有限公司);
- (c) Tianjin Haoda Medical Device Co., Ltd. (天津市浩达医疗器械有限公司);
- (d) Tianjin Taiping Zhenhua Pharmacy Co., Ltd. (天津太平振华大药房有限公司);
- (e) Tianjin Taiping Jizhou Pharmaceutical Co., Ltd. (天津市蓟州太平医药有限公司);
- (f) Tianjin Taiping Ninghe District Pharmaceutical Co., Ltd. (天津市宁河区太平医药有限公司);
- (g) Tianjin Jinciao Pharmaceutical Co., Ltd. (天津市金草药业有限公司);

- (h) Tianjin Pharmaceutical Group Jian Kang Da Medical Apparatus and Instruments Co., Ltd. (天津医药集团众健康达医疗器械有限公司);
- (i) Tianjin Medical Apparatus and Instruments Factory Co., Ltd. (天津市医疗器械厂有限公司);
- (j) Tianjin Kang Dun Bao Medical Polyurethane Technology Co., Ltd. (天津市康盾宝医用聚氨酯技术有限公司);
- (k) Tianjin Zhong Jian Ai and Medical Technology Co., Ltd. (天津众健爱和医疗科技有限公司);
- (l) Tianjin Yiyao Medicine Co., Ltd. (天津市谊耀药业有限公司);
- (m) Tianjin Traditional Chinese Medicine Machinery Co., Ltd. (天津市中药机械厂有限公司);
- (n) Tianjin Taiping Xinhua Medical Apparatus and Instruments Co., Ltd. (天津太平新华医疗器械有限公司);
- (o) Tianjin Taiping Bai Shi Kang Medical Apparatus and Instruments Co., Ltd. (天津太平百时康医疗器械有限公司);
- (p) Tianjin Lisheng Pharmaceutical Co. Ltd. (天津力生制药股份有限公司);
- (q) Tianjin Central Pharmaceutical Co., Ltd. (天津市中央药业有限公司);
- (r) Tianjin Taiping Xiangyun Pharmaceutical Co., Ltd. (天津市太平祥云医药有限公司);
- (s) Hebei De Ze Long Pharmaceutical Co., Ltd. (河北德泽龙医药有限公司);
- (t) Tianjin Pharmaceutical Research Institute Co., Ltd. (天津药物研究院有限公司);
- (u) Tianjin Institute Of Pharmaceutical Research Medicine Co., Ltd. (天津药物研究院药业有限责任公司);
- (v) Tianjin Jinyao Pharmaceutical Co., Ltd. (津药和平(天津)制药有限公司 (formerly known as 天津金耀药业有限公司));
- (w) Tianjin Tianyao Pharmaceutical Co., Ltd. (津药药业股份有限公司 (formerly known as 天津天药药业股份有限公司));
- (x) Tianjin Tianyao Pharmaceutical Technology Co., Ltd. (津药药业健康科技(天津)有限公司(formerly known as 天津天药医药科技有限公司));
- (y) Tianjin Jinyao Group Sales Co., Ltd. (天津金耀集团天药销售有限公司);
- (z) Tianjin Jinyao Logistics Co., Ltd. (天津金耀物流有限公司);
- (aa) Tianjin Wanning Health Products Co., Ltd. (天津万宁保健品有限公司); and
- (bb) Tianjin Jinyao Amino Acid Co., Ltd. (天津金耀氨基酸有限公司).

The terms of these contracts⁽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 2024 AGM or any subsequent renewal.

Notes:

- (1) The Group's business operations are separated into two (2) main categories, namely production and retail. Under the production arm, the Group produces medicinal products under its own brand. Under the retail arm, the Group: (a) sells the medicinal products under its own brand to wholesalers (including the Interested Persons); and (b) purchases medicinal products under other brands from distributors and in turn on-sells these to other wholesalers (including the Interested Persons).

Accordingly, the Group may produce and sell medicinal products under its own house brand to the Interested Persons and/or third parties. On the other hand, the Group may also purchase medicinal products from the Interested Persons and/or third parties. These medicinal products are mainly traditional Chinese medicines and pharmaceutical chemicals (化学药).

- (2) These contracts state that if discounts are given to unrelated third parties by the Interested Persons for purchases (the "Unrelated Parties Discount"), the Interested Persons will accordingly give discounts (that are not lower than the Unrelated Parties Discount) to the Group for similar transactions.

The contracts do not set the volume and price of products to be provided to and/or purchased from the Interested Persons. However, it is provided for in the respective contract that the transactions with the respective Interested Person would be carried out on normal commercial terms and would not be detrimental to the interest of the Company and its minority Shareholders. Please refer to Appendix B to the Company's announcement dated 30 March 2022 in relation to, *inter alia*, resolutions passed as the 1st Board meeting for the financial year ended 31 December 2022 for further details on these contracts.

2.3.3 Packaging materials and services from TYPS

The Group obtains its packaging materials and services from TYPS. The contract between the Group and TYPS is for a period of three (3) years up to 30 June 2025. The terms of this contract will be in effect only upon the Company obtaining Shareholders' approval for such Interested Person Transactions in the relevant time period during which the Shareholders' Mandate is valid. The Group has no obligation under this contract should Shareholders' approval not be obtained for the renewal of the Shareholders' Mandate at the 2024 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 Appendix B to the Company's announcement dated 30 March 2022 in relation to, *inter alia*, resolutions passed as the 1st Board meeting for the financial year ended 31 December 2022 for further details on this contract.

2.4 Rationale for and Benefits of the Shareholders' Mandate

The Shareholders' Mandate will give the EAR Group the flexibility to enter into transactions with the TPH Group in the ordinary course of the EAR 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 EAR Group to transact or continue to transact with the TPH Group. The Group sources and sells supplies and products from the Interested Persons at favourable prices as compared to available market rates of similar products. By transacting with these Interested Persons, the Group is able to secure favourable prices for its supplies and manufactured products and optimise other factors such as quality of goods and suitability of time schedules.

The Shareholders' Mandate will also enhance the EAR 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 EAR Group into such transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

2.5 Guidelines and Review Procedures for Interested Person Transactions

To ensure that the Interested Person Transactions are carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company has put in place the following procedures for the review and approval of Interested Person Transactions under the Shareholders' Mandate:-

- (a) When purchasing products or services from an Interested Person, quotations or market rates (wherever possible or available) will be obtained from the Interested Person and at least two (2) other unrelated parties in respect of substantially similar types of transactions. The Deputy Distribution General Manager of the Domestic Trade (Business) Department of the Group (who has no interest, directly or indirectly, in the transaction) will approve the purchase after reviewing these quotations or market rates, taking into account all pertinent factors including, but not limited to, pricing (including discounts, if any, accorded for bulk purchases as well as the credit terms offered), quality of the products or services and terms of delivery and track record, to ensure that the interests of the minority Shareholders are not disadvantaged.
- (b) When selling products or services to an Interested Person, the prices and terms of at least two (2) other successful sales of similar products to third parties or market rates (wherever possible or available) will be examined for comparison. The Deputy Distribution General Manager of the Domestic Trade (Business) Department of the Group (who has no interest, directly or indirectly, in the transaction) will approve the sales after reviewing these prices and terms or market rates, taking into account all pertinent factors including, but not limited to, price, government pricing regulations, quality and quantity of products, terms of delivery and credit worthiness of the customers, to ensure that the interests of minority Shareholders are not disadvantaged.
- (c) Interested Person Transactions will not be approved unless:-
 - (i) they are in accordance with the usual industry practice and business policies of the Group;
 - (ii) the pricing and terms of the Interested Person Transactions are not, in transactions where the Group purchases goods and/or obtains services from Interested Persons, less favourable to the Group than those available in other substantially similar types of transactions between the Group and unrelated third parties. The Company takes into consideration, primarily, pricing, terms of the contracts with the Interested Persons as stated in paragraph 2.3 of this Appendix A, 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 this Appendix A, the availability, suitability and quality of the products to be sold, terms of delivery and the creditworthiness of the customers.
- (d) In the event that it is not possible to obtain market rates or quotations from unrelated third parties (for example, where there are no suppliers for certain goods or for a specified quantity which the Group requires or if the product or service is proprietary) to determine whether the terms of the Interested Person Transactions are more or less favourable than that of the aggregate terms quoted by unrelated third parties, factors such as the quality of goods, standard of services and terms of delivery and, where applicable, discounts accorded for bulk purchases, will be taken into, and given due and proper consideration.
- (e) Where the prevailing market rates or prices are not available due to the nature of the products to be sold (for instance, if there are no other purchasers or customers for similar products, or if the products is proprietary), the terms of supply will, where applicable, be in accordance with the Group's usual business practices and pricing policies, consistent with the usual margin of the Group for the same or substantially similar types of transaction with unrelated third parties.
- (f) All transactions in the excess of \$100,000 each will be summarised and presented to the Audit Committee and external auditors of the Company for review of whether the transactions are in accordance with the contractual terms and conditions and in accordance with the Company's policies and procedures, and are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. The Company's external auditors will review such transactions as part of its regular audit. Furthermore, the Company's internal audit department will also conduct review of the transactions, and submit its findings to the Audit Committee.
- (g) The Audit Committee shall review all Interested Person Transactions, at least on a quarterly basis, to ensure that they are carried out at arm's length basis and on normal commercial terms and in accordance with the procedures outlined in this paragraph 2.5. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee. The Audit Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers or valuers to provide additional information pertaining to the transaction under review. In the event that a member of the Audit Committee is interested in any Interested Person Transaction, he shall abstain from participating in the review of that particular transaction.

- (h) Pursuant to Rule 920(1)(a) of the Listing Manual:-
- (i) disclosure will be made in the annual report of the Company, giving details of the aggregate value of all Interested Person Transactions conducted with Interested Persons pursuant to the respective Shareholders' Mandate during the financial year under review (in the form set out in Rule 907 of the Listing Manual) and in the annual reports for the subsequent financial years during which the respective Shareholders' Mandate is in force, as required by the provisions of the Listing Manual; and
 - (ii) announcements will be made with regard to the aggregate value of transactions conducted pursuant to the respective Shareholders' Mandate for the financial periods which the Company is required to report on, pursuant to Rule 705 of the Listing Manual, within the time required for the announcement of such report (in the form set out in Rule 907 of the Listing Manual).
- (i) If, arising from the Audit Committee's periodic reviews, the Audit Committee is of the view that the procedures have become inappropriate or are insufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders, or in the event of any amendment to Chapter 9 of the Listing Manual, it will consult with the Board and take such actions as it deems proper, including modifying or implementing such additional policies and procedures as may be necessary, and the Company shall submit the revised policies and procedures to Shareholders for a fresh mandate.

2.6 Validity Period of the Shareholders' Mandate

If approved at the 2024 AGM, the Shareholders' Mandate will take effect from the date of the passing of the resolution to be proposed at the 2024 AGM and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the subsequent AGM. The renewal of the Shareholders' Mandate has to be made in accordance with, and in the manner prescribed by, the rules in the Listing Manual, and such other laws and regulations as may, for the time being, be applicable. It shall also be subject to satisfactory review by the Audit Committee and advisers of the continued requirements of the Shareholders' Mandate and the procedures for the transactions.

2.7 Disclosure to Shareholders

Pursuant to Rule 920(1)(a) of the Listing Manual, the Company will disclose the Shareholders' Mandate and the aggregate value of the Interested Person Transactions conducted pursuant to the Shareholders' Mandate in the annual report of the Company for the current financial year, and in the annual reports for the subsequent financial years during which the Shareholders' Mandate is in force. In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the Shareholders' Mandate for the financial periods which it is required to report on (pursuant to Rule 705 of the Listing Manual) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.

2.8 Audit Committee's Statement

The Audit Committee has reviewed the terms of the proposed Shareholders' Mandate and is satisfied and of the view that:

- (a) the review procedures for the Interested Person Transactions concerning the TPH Group (including the methods for determining the transaction price) have not changed since the last Shareholders' approval granted at the annual general meeting of the Company held on 15 May 2023; and
- (b) the review procedures for the Interested Person Transactions concerning the TPH Group (including the methods for determining the transaction price) as well as the reviews to be made periodically by the Audit Committee in relation thereto, are adequate to ensure that the Interested Person Transactions concerning the TPH Group will be transacted on arm's length basis and on normal commercial terms and will not be on terms or conditions that would be prejudicial to the interests of the Company and/or its minority Shareholders.

However, in the event the Audit Committee is subsequently no longer of this view, the Company shall obtain a fresh mandate from the Shareholders for the Interested Person Transactions concerning the TPH Group based on new guidelines and/or review procedures.

2.9 Directors' Recommendation

Having considered, *inter alia*, the terms, rationale and benefits of the proposed renewal of the Shareholders' Mandate as set out in this Appendix A, the Independent Directors believe that the renewal of the Shareholders' Mandate is in the interest of the Company and recommend that Shareholders vote in favour of the Resolution 14 (as set out in the Notice of AGM) relating to the proposed renewal of the Shareholders' Mandate.

The Independent Directors, in rendering their recommendation, have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio, should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.

2.10 Abstention from voting

TPH, which held 42.99% 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 2024 AGM in respect of the resolution relating to the proposed renewal of the Shareholders' Mandate as it is, in relation to the said one transaction or many transactions, an Interested Person as defined under the Listing Manual. It will also not, and has undertaken to ensure that its respective associates will also not, accept nomination as proxies or otherwise for voting at the 2024 AGM in respect of the aforesaid resolution unless specific instructions have been given in the proxy instrument on how the relevant Shareholders wish their votes to be cast for such resolution.

SUSTAINABILITY REPORTING

Da Ren Tang Group upholds the highest possible standards of responsible, sustainable and socially aware business practices. We are committed to instilling sustainability in our corporate culture and improving the economic, environmental and social wellbeing of our stakeholders. We prudently balance economic viability with sustainability and social progress for future generations.

As a responsible corporate citizen that takes pride in supplying pharmaceutical products of high quality and safety standards, we have always prioritised product health and safety. We regularly review our quality control policies and manufacturing practices, and strictly comply with industrial regulations to ensure that our drugs are safe for patients.

Other than producing and distributing responsibly, we also deliver and market our products ethically. Our business activities strictly comply with national and industrial standards on product marketing, labelling and advertising, and establish stringent marketing guidelines to ensure that we do not transgress important ethical and legal boundaries.

We believe that product research and development is key to the sustainability of our business. We invest significantly in our product development, facilities and equipment to supply efficacious pharmaceutical products to our customers.

The Group has assigned a Sustainability task force to oversee sustainability reporting, to monitor our sustainability performance and the implementation of our sustainability policies and measures. We endeavour to streamline our business operations to improve efficiency and conserve resources.

Below is a summary table of the key topics that are relevant to the Group and our stakeholders.

Economic	Environmental	Social
Indirect Economic Impacts	Energy Water Emissions Effluents and Waste	Customer Health and Safety Marketing and Labelling Occupational Health and Safety Diversity and Equal Opportunity

More information on the Group's efforts on sustainability management in FY2023 can be found in the Tianjin Pharmaceutical Da Ren Tang Group's 2023 Sustainability Report which will be published in May 2024.



**TIANJIN PHARMACEUTICAL DA REN TANG
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