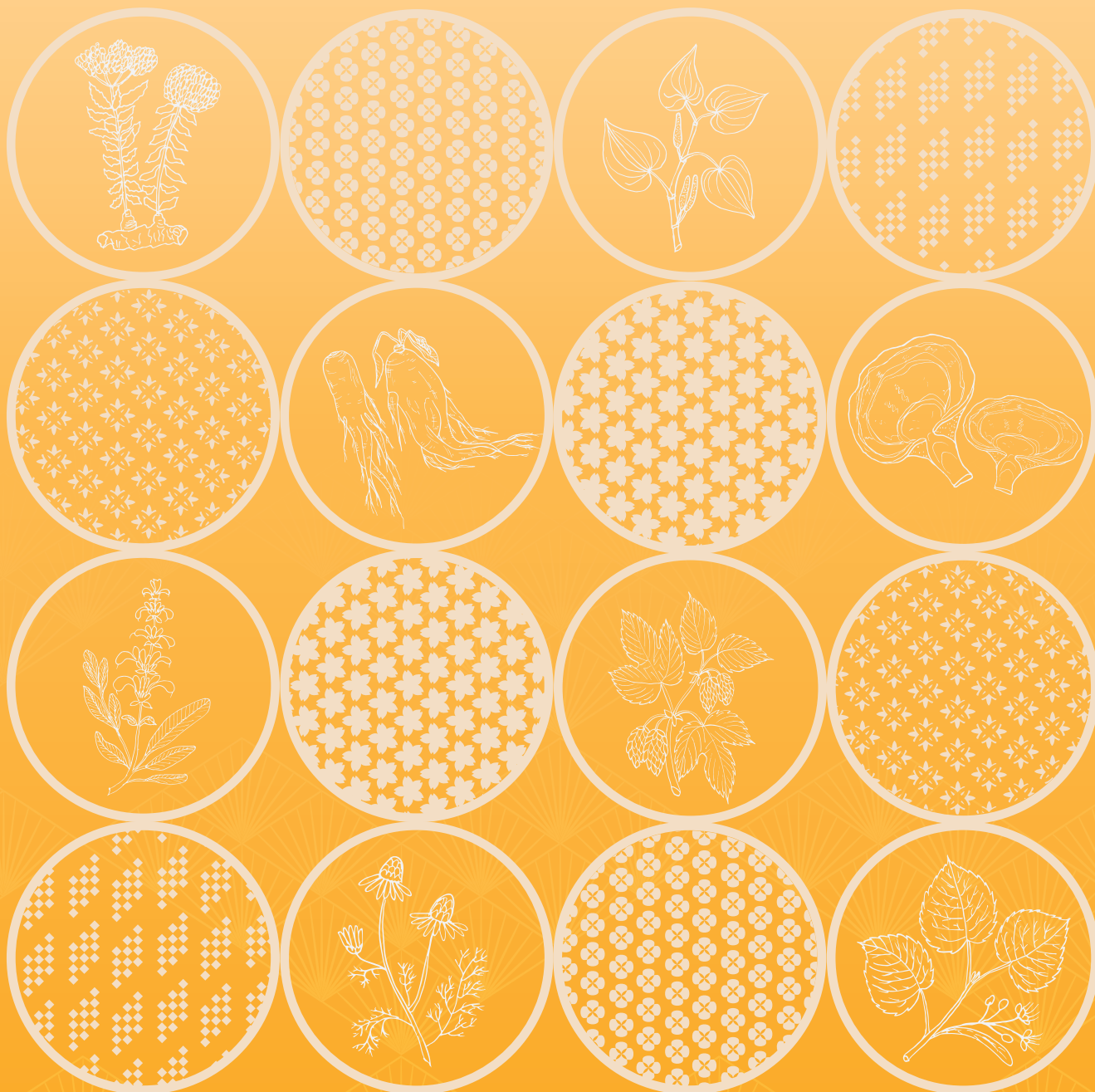




# 中新药业

ZHONGXIN PHARMACEUTICALS

TIANJIN ZHONG XIN PHARMACEUTICAL  
GROUP CORPORATION LIMITED



**FOCUSING ON**  
TOTAL WELLNESS AND VITALITY  
Annual Report 2021

# TABLE OF CONTENTS

01	CORPORATE INFORMATION
02	BRIEF INTRODUCTION OF THE COMPANY
04	EQUITY STRUCTURE OF THE COMPANY
05	STRUCTURE OF THE COMPANY
06	RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS
11	WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS
23	FINANCIAL REVIEW
25	WORK REPORT OF THE BOARD OF SUPERVISORS
27	FINANCIAL CONTENTS
28	CORPORATE GOVERNANCE STATEMENT
135	NOTICE OF ANNUAL GENERAL MEETING
141	PROXY FORM
146	INFORMATION ON SHAREHOLDING
148	THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY IN RELATION TO THE ADOPTION OF THE CUMULATIVE VOTING SYSTEM FOR THE ELECTION OF DIRECTORS OR SUPERVISORS OF THE COMPANY (THE “2022 1 <sup>ST</sup> PROPOSED AOA AMENDMENTS”)
173	PROPOSED RENEWAL OF MANDATE FOR INTERESTED PERSON TRANSACTIONS
194	THE PROPOSED CHANGE OF THE CHINESE NAME OF THE COMPANY FROM “天津中新药业集团股份有限公司” TO “津药达仁堂集团股份有限公司”, AND PROPOSED CHANGE OF THE ENGLISH NAME OF THE COMPANY FROM “TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED” TO “TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED” (THE “PROPOSED CHANGE OF COMPANY NAME”), AND CONSEQUENTIAL AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY IN RELATION TO THE PROPOSED CHANGE OF COMPANY NAME (THE “2022 2 <sup>ND</sup> PROPOSED AOA AMENDMENTS”) AND THE APPLICATION FOR CHANGES IN THE INDUSTRIAL AND COMMERCIAL REGISTRATION
207	SUSTAINABILITY REPORTING



# CORPORATE INFORMATION

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

## AUDITORS:

<i>PRC Auditors:</i>	ShineWing Certified Public Accountants (Special General Partnership)
<i>International Auditors:</i>	RSM Chio Lim LLP

## BOARD OF DIRECTORS:

<i>Chairman:</i>	Ms. Zhang Mingrui
<i>Executive Directors:</i>	Mr. Guo Min, Ms. Li Yan, Mr. Wang Mai, Mr. Zhou Hong
<i>Non-Executive Directors:</i>	Mr. Zhang Ping
<i>Independent and Non-executive Directors:</i>	Mr. Liew Yoke Pheng Joseph, Mr. Wong Gang, 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
<i>Senior Executives:</i>	
<i>General Manager:</i>	Ms. Li Yan
<i>Deputy General Manager:</i>	Mr. Zhang Jian
<i>Deputy General Manager and Chief Engineer:</i>	Mr. Zhou Hong
<i>Deputy General Manager:</i>	Mr. Wang Xin
<i>Deputy General Manager (Chief Accountant):</i>	Ms. Niu Shengfang

## AUDIT COMMITTEE:

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

## STRATEGY COMMITTEE:

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

## NOMINATION COMMITTEE:

<i>Chairman:</i>	Ms. Li Qing
<i>Members:</i>	Mr. Wong Gang, Ms. Zhang Mingrui

## REMUNERATION COMMITTEE:

<i>Chairman:</i>	Mr. Wong Gang
<i>Members:</i>	Mr. Liew Yoke Pheng Joseph, Mr. Zhang Ping

# BRIEF INTRODUCTION OF THE COMPANY



Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (“**Zhong Xin Pharmaceutical**” or the “**Company**”) is the core pharmaceutical manufacturing arm of Tianjin Pharmaceutical Holdings Co., Ltd. (“**Tianjin Pharmaceutical Holdings**”). Boasting a long history, the Company is a national high- and new-tech enterprise featuring innovation in Chinese traditional medicine. It was listed on the Singapore Exchange in 1997 and on the Shanghai Stock Exchange in 2001.

With green Chinese traditional medicine as its core business, Zhong Xin Pharmaceutical is equipped with a complete industry chain, product chain and talent chain integrating production, management and scientific research. Its business covers a number of areas including research, development and manufacturing of Chinese herbal medicines, proprietary Chinese medicines, chemical raw materials and preparations and nutritional and health products as well as pharmaceutical commerce. The Company has 25 branches, 21 wholly-owned and controlled subsidiaries or entities, and six investees. Its two 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 Zhong Xin Pharmaceutical 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 Zhong Xin Pharmaceutical 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”, Zhong Xin Pharmaceutical is devoted to innovative research, development and manufacturing of general-purpose, good-quality, high-efficiency and quick-acting medicines with innovation in Chinese traditional medicine playing a commanding role in its business development ideas. It has obtained certificates of approval for 599 medicines belonging to 22 types of preparations. Two of which are China’s treasure-class Chinese traditional medicines. Suxiao Jiuxin Wan (速效救心丸) which was invented by Professor Zhang Chengui, senior consultant of Zhong Xin Pharmaceutical and honorary director of its technology centres as well as a famous expert in Chinese medicine preparations in China is a national classified variety. In addition, Jing Wan Hong (京万红) is a national confidential



variety. The Company has five product varieties being Chinese medicines protected by the State, 114 product varieties being exclusively produced by the Company, 75 product varieties being included in the National Essential Medicine Catalogue, 601 product varieties being processed Chinese medicine and 223 product varieties being covered by national medical insurance. Zhong Xin Pharmaceutical has a nationwide marketing network and many of its quality products, enjoying a high reputation, are exported to over 12 countries and regions around the world.

The Company has one national-level enterprise technology centre, five municipality-level enterprise technology centres, one municipality-level modern technological engineering centre on Chinese medicine and a key enterprise laboratory as well as postdoctoral workstations approved by the Ministry of Personnel. It has 390 patents, 252 of which are invention patents. It has six famous Chinese trademarks, namely Da Ren Tang, Le Ren Tang, Long Shun Rong, Song Bai, Jing Wan Hong and Bi Qi (痹祺), as well as four national-level and nine Tianjin-level representative intangible cultural heritage projects. After years of practices and explorations, the Company has integrated and optimised the world's most advanced Chinese medicine equipment and technology to form an integrated modern Chinese medicine development platform unique to Zhong Xin Pharmaceutical. It implements the GAP, GLP, GCP, GMP and GSP series of standards on a full scale and carries out quality control throughout the process to ensure the safety and efficacy of its products.

Zhong Xin Pharmaceutical has always dedicated its career to healthcare, harmony, integrity and responsibility, resolutely marching towards the strategic positioning of



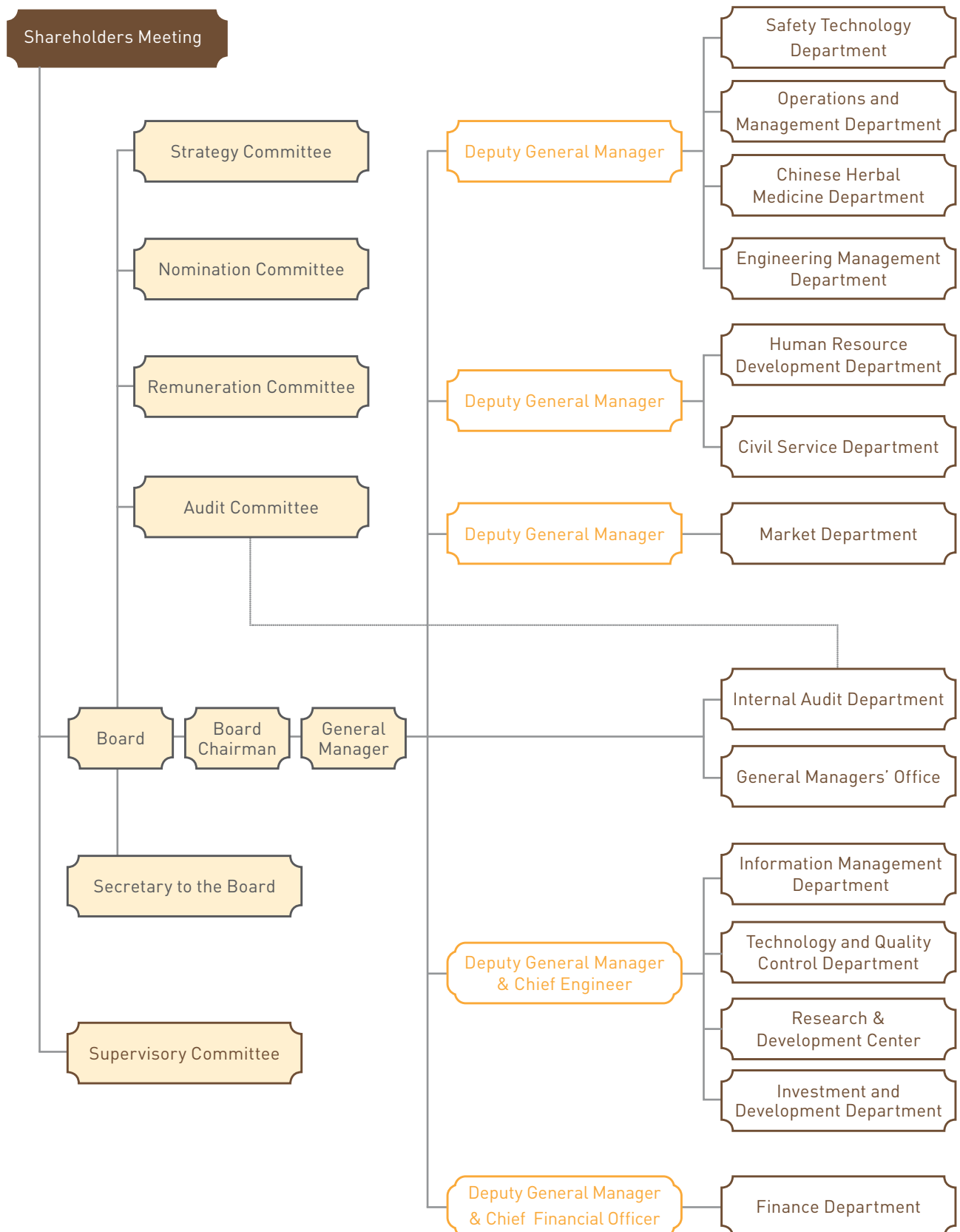
being the “promoter of a sound China, guardian of national health and leader in scientific Chinese medicine”. In the market environment, the Company actively establishes and intensifies the awareness of social responsibility and the concept of sustainable development, vigorously optimising the supply 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 are as follows:–

Name	Age	Address	Designation
Ms. Zhang Mingrui	46	1018 Jinkai Ave, Yubei District, Chongqing PRC	Chairman of Board of Directors
Mr. Guo Min	50	28B, 1 Banshan Mui Road, Hong Kong	Executive Director
Ms. Li Yan	52	2-2-504 Yuejin li, Hongqiao District, Tianjin, PRC	Executive Director
Mr. Wang Mai	51	2-1-302 Huimingyuan Apartment, Heping District, Tianjin, PRC	Executive Director
Mr. Zhou Hong	51	3-4-101 Yibo li, Hongqiao District, Tianjin, PRC	Executive Director
Mr. Zhong Ping	52	3-4-601 Yunsong li, Nankai District, Tianjin, PRC	Non-Executive Director
Mr. Liew Yoke Pheng Joseph	65	6 Clementi Loop #02-18 Singapore 129814	Independent and Non-Executive Director
Mr. Wong Gang	51	38 Jalan Novena, Singapore 308656	Independent and Non-Executive Director
Ms. Li Qing	54	1019-1020 Luneng International Center Apartment, Nankai District, Tianjin, PRC	Independent and Non-Executive Director





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. As at the Latest Practicable Date, TPH is a 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. As at the Latest Practicable Date, TPH is a controlling shareholder of the Company.

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

served as Secretary of the Party Committee and Deputy General Manager of the Pharmaceutical Marketing Company of the Company. From May 2008 to October 2009, she was appointed as Deputy Director of the Economic Coordination Department of Tianjin Pharmaceutical Holdings Co., Ltd. From October 2009 to July 2012, Ms. Li was Executive Deputy General Manager of Tianjin Lisheng Pharmaceutical Co., Ltd. ("Tianjin Lisheng"). From July 2012 to June 2017, she successively served as Secretary of the Party Committee, and Chairman and General Manager of Tianjin Taihe Pharmaceutical Co., Ltd. From November 2016 to May 2017, she re-joined Tianjin Lisheng and assumed role of Deputy General Manager. From May 2017 to January 2020, she was appointed as Deputy Secretary of the Party Committee and Chairman of the Labour Union of Tianjin Lisheng, while from October 2017 to February 2020, she was also appointed as Chairman of the Board of Supervisors of Tianjin Lisheng. From September 2018 to August 2019, she served as Vice Chairman of Tianjin Xinneitian Pharmaceutical Co., Ltd. From December 2017 to January 2020, she was a Director of Tianjin Ledun Traditional Chinese Medicine Co., Ltd. Ms. Li was appointed as General Manager of the Company on 17 February 2020. Ms. Li has been a Director of the Company since 5 June 2020.

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

Mr. Zhou Hong, born in July 1970, a senior engineer (senior title) and holds a Ph.D. degree in engineering. For the period from July 1992 to December 2007, he successively held the positions as Sales Executive, Deputy Director of Factory Workshop, Director of Factory Workshop, Leader of the technical process and Head of the Technology Department of Tianjin Zhong Xin Pharmaceutical Factory #6. From December 2007 to January 2010, he held the position

# RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS

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.

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

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

fellow of the Institute of Singapore Chartered Accountants (ISCA) since 2013. He is also a member of the Singapore Institute of Directors. He is fluent in Mandarin, Cantonese and English.

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

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

From May 2008 to May 2014, he was appointed as independent director in the Company. He is currently the independent director of JEP Holdings Ltd (listed on SGX Catalist).

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

## SUPERVISOR

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

Name	Age	Address	Current Occupation
Mr. Wang Yuanxi	43	2-1-603 Wanrun Apartment, Dongli District, Tianjin, PRC	Chairman of the Supervisory Committee
Mr. Xing Jianhua	50	1-10-2-901 Huaxiang Hongye Xingyuan Apartment, Fengtai District, Beijing, PRC	Supervisor
Ms. Guo Xiumei	39	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 Tianjin Pharmaceutical Holdings Co., Ltd. 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. As at the Latest Practicable Date, TPH is a 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.



# RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERS

## MANAGEMENT

The particulars of our key management personnel are as follows:–

Name	Age	Address	Current Occupation
Ms. Li Yan	52	2-2-504 Yuejin Li Hongqiao District Tianjin, PRC	General Manager
Mr. Zhang Jian	58	5-A-403 Changshou Apartment House Rongye Ave, Heping District, Tianjin PRC	Vice General Manager
Mr. Zhou Hong	51	3-4-101 Yibo li, Hongqiao District, Tianjin, PRC	Vice General Manager and Chief Engineer
Mr. Wang Xin	51	1-5-1502 Qianhuayuan Apartment, Hebei District, Tianjin, PRC	Vice General Manager
Ms. Niu Shengfang	47	Tianfang Meiyu Apartment, Weijinnan Road, Xiqing District, Tianjin PRC	Vice General Manager (Chief Accountant)

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

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

Mr. Wang Xin, born in October 1970, graduated from Tianjin Traditional Chinese Medicine College (currently known as Tianjin University of Traditional Chinese Medicine), majoring in Traditional Chinese Medicine and holds a bachelor degree and is also a senior engineer (senior title). From July 1993 to November 2011, he successively held the positions as Minister of Technology Department, Minister of Production Department, Director of Technical Quality Centre, Chief Engineer, Executive Deputy Director, Director and Deputy Secretary of Communist Party of China (the “CPC”) of Tianjin Long Shun Rong Pharmaceutical

Factory. From November 2011 to present, he is the General Manager and Deputy Secretary of Party Branch of CPC of Medicine Co. of the Company. From September 2015 to September 2018, he held the position as the General Manager of Tianjin Darentang (Bozhou) Chinese Medicine Co., Ltd. From March 2017 to present, he holds the position of Minister of Medicine Department of the Company. From August 2017 to July 2019, he is Assistant General Manager of the Company, and holds concurrent position as Minister of the Department of Administrative Affairs of the Company. He has been served as Deputy General Manager of the Company since July 2019.

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



# WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS





# WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

## DEAR SHAREHOLDERS,

In 2021, Zhong Xin Pharmaceutical continued to study and implement Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the Plenary Sessions of the 19th Central Committee of the Communist Party of China. To keep in pace with the mixed ownership reform of its controlling shareholder, Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) ("TPH"), the Company intensified reforms of systems and mechanisms to fulfil its commitment to high quality development. It strived to ensure solidarity and stability for its development, seized growth opportunities and responded to risks and challenges. With improving quality and efficiency at the core, it carried out various tasks for the year in key areas such as breaking through sales market defenses, controlling costs throughout the process, tackling critical issues on the quality of scientific research, and refining and optimizing management.

## I. Economic Performance in 2021

### (1) Marketing led by academic activities

In 2021, focusing on academic and professional marketing, the Company strengthened cooperation with business partners, standardized academic marketing in the medical market, strengthened the promotion efforts in retail terminals, and expanded the channel coverage of the third terminal (retail places other than hospitals and pharmacies). It improved service capabilities across all tiers of markets, and ultimately enhanced the professionalism in serving the patients as end users. For 2021, the cumulative sales revenue was RMB6,908 million, representing a year-on-year increase of 4.60%; the cumulative net profit attributable to the listed company was RMB769 million, representing a year-on-year increase of 16.24%; the cumulative sales revenue from the Company's flagship product, Suxiao Jiuxin Wan (速效救心丸), was RMB1.3 billion, representing a year-on-year increase of 9.47%.

### 1. Strengthening the leading role of academic activities and empowering key products with competitive edges

As a result of the Company's vigorous push for its key varieties to be included in academic systems such as the clinical application guidelines, the diagnosis and treatment guidelines and the expert consensus, nine varieties including Suxiao Jiuxin Wan (速效救心丸), Tongmai Yangxin Wan (通脉养心丸) and Qingfei Xiaoyan Wan (清肺消炎丸) are included in the Clinical Application Guidelines for the Treatment of TCM Predominant Diseases (《中成药治疗优势病种临床应用指南》) prepared under the leadership of the State Administration of Traditional Chinese Medicine;



Qingong Shoutao Wan (清宫寿桃丸) is included in the Guidelines for the Diagnosis and Treatment of Dementia in Alzheimer's Disease in China (《中国阿尔茨海默病应痴呆诊疗指南》); Tongmai Yangxin Wan (通脉养心丸) is included in the Expert Consensus for Clinical Application in the Treatment of Angina Pectoris in Coronary Heart Disease (a deficiency of both Qi and Yin) (《治疗冠心病心绞痛(气阴两虚证)临床应用专家共识》); Qingfei Xiaoyan Wan (清肺消炎丸) is included in the TOP list of Evidence-based Evaluation of Chinese Patent Medicines in the Treatment of Pneumonia; Tongmai Yangxin Wan (通脉养心丸), Wei Chang An Wan (胃肠安丸), Qingfei Xiaoyan Wan (清肺消炎丸) and Shunao Xindi Wan (舒脑欣滴丸) are listed in the latest edition of the National Essential Medicine Catalogue. In addition, the application for renewal of TCM variety protection for Tongmai Yangxin Wan (通脉养心丸) was approved; the network procurement prices and the payment standards of medical insurance for some products were adjusted; based on the product launch plan, Angong Niu Huang Wan (安宫牛黄丸) (artificially cultivated) was put on the network for procurement in Shandong (to be implemented), and Dahuo Luo Wan (大活络丸) (artificially cultivated) was successfully put on the network for procurement in Beijing. The Company continued to follow up academic discussions and expert argumentations: it launched the treatment case solicitation projects for products such as Suxiao Jiuxin Wan (速效救心丸), Tongmai Yangxin Wan (通脉养

心丸), Long Qing Pian (癰清片), etc. It also participated in national academic conferences such as the National Academic Conference on Treatment of Coronary Heart Disease with a Combination of TCM and Western Medicine (全国冠心病中西医结合学术会议) and the 13th Health China Forum (第十三届健康中国论坛).

## 2. Rolling out promotional activities to boost terminal sales

A series of themed promotional activities were carried out in 12 retail pharmacies of the Company to promote the time-honored brands; OTC drug promotion activities titled Zhong Xin, Best Choice for Frequently-used Drugs were carried out. Public explanations engaging chain pharmacies were carried out to empower the terminals. The Company pursued market expansion through precise maintenance of top 100 chain pharmacies and regional key chain pharmacies, recommendation on combinational use of drugs, new media promotion and other methods. Sales of related drugs were promoted and the project of "a carry-on item for people aged over 40" was implemented. Further cooperation with the First Affiliated Hospital of Tianjin University of Traditional Chinese Medicine (天津中医药大学第一附属医院) was strengthened to increase the sales of Poria Cocos (茯苓), Radix Paeoniae Rubra (赤芍), Pseudobulbus Cremastrae seu Pleiones (山慈菇) and bone fossil of big mammals (龙骨). In the commercial segment, the Company cooperated with Sanofi and others to carry out customized projects, and the number of medical institutions which are our sales terminals increased to 104.

## (2) Building brand culture

In 2021, the traditional processing techniques of Niu Huang Qingxin Wan (牛黄清心丸) under the brand of Da Ren Tang (达仁堂) was included in the list of the fifth batch of National-level Intangible Cultural Heritage items. The centenary of Le Ren Tang (乐仁堂) was celebrated with a pep rally and the 188th anniversary of Long Shun Rong (隆顺德) were also celebrated, both aiming at enhancing brand awareness; and the brand culture cultivation of Da Ren Tang (达仁堂) was referred to in the MBA classes of Nankai University. The "TCM – China-chic Drugstore" brand zone was built by the Company when it participated in the wormhole market, where visitors could participate in the rounding and packing of medicine pills by their own hands and help revitalize the time-honored brands; the talk shows titled "Da Ren Stories" and the "Independent Women" were sponsored; "World First Aid Day" and other themed promotional campaigns were carried out through the new medias to accurately spread the medical concept of Suxiao Jiuxin Wan (速效救心丸) as "a carry-on item for people aged over 40", and the drug was given exposure a total of over 526 million times; "Tianjin Traditional Chinese Medicine (天津药材)" WeChat public account was actively promoted, and the "Mao Yuquan (毛玉泉)" TikTok account was registered; The Modern TCM Industrial Park of the Company was acclaimed as the most-loved location to take the perfect WeChat Moments snap; Le Ren Tang (乐仁堂) was awarded the "Industrial Tourism Demonstration Base in Tianjin" by Tianjin Municipal Bureau of Culture and Tourism; The Modern TCM Industrial Park of Zhong Xin Pharmaceutical and the Da Ren Tang (达仁堂) TCM Culture Exhibition Hall were recognized as the "Publicity and Education Base for



# WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

the TCM Culture in Tianjin” by Tianjin Municipal Health Commission.

In 2021, the Municipal Party Committee and the Municipal Government of Tianjin attached great importance to the development of the TCM industry chain, and carefully cultivated it as a key industry chain. As the Company is a backbone enterprise in the TCM industry chain, the Mayor Liao Guoxun and the Deputy Mayor Wang Weidong visited the Company to understand the its century history successively, which greatly boosted the staff's confidence in future development. At the same time, the Company actively delivered speeches at important meetings, and it participated in the 5th Joint Conference on Drug Safety Cooperation, the Westlake Forum, Xi Pu Hui (西普会, hosted by the China Health Ecology Organization) and other national industry conferences. At the Joint Conference on Drug Safety Cooperation, the Company, as the sole representative of the TCM enterprises in China, published its corporate social responsibility report, actively demonstrating its achievements and commitments in drug safety and the dissemination of TCM culture.

### *[3] Overcoming difficulties in scientific research and innovation*

With the strategy of “serving production, supporting sales, and shaping the future” with science and technology as the keynote, the Company continues to carry out research and development of new products, secondary development of key varieties, and explore the values of key varieties in clinical application, with a market-oriented approach.

In 2021, the collation and analysis of previous research data and literature about 12 key TCM drugs (Suxiao Jiuxin Wan (速效救心丸), Tongmai Yangxin Wan (通脉养心丸), Wei Chang An Wan (胃肠安丸), etc.) and 6 products with huge potentials and their competitors were completed, and based on which 55 R&D directions were put forward and 27 scientific research projects were proposed, thus laying the foundation for continuous scientific and technological innovation and satisfying market demand. Through real-world clinical research programs, our drugs were purchased for the first time by 31 hospitals. Meanwhile, implementation of key projects, among others, the Phase II clinical trial of BuFei Granules (补肺颗粒), development and research of the new drug, Qingyi Granules (清胰颗粒), and the substitution of raw materials for key varieties, made steady headway.

In 2021, 113 scientific research projects were carried out with RMB147 million invested in scientific research for the year. The project “Theory and Key Technology for the Innovative Research and Development of TCM Based on ‘Substance-Pharmacokinetics-Efficacy’ and its Application [基于‘物质-药代-功效’的中药创新研发理论与



关键技术及其应用)” won the Second Prize of 2020 National Science and Technology Progress Awards. The project was led by Academician Liu Changxiao from Tianjin Institute of Pharmaceutical Research (天津药物研究院), with Tianjin Zhong Xin Pharmaceutical Group Corporation Limited as the main cooperative enterprise and Zhang Chenggui (our Chief Technologist and Senior Consultant for life) as the main participant. Clinical Re-evaluation Study of Qinggong Shoutao Wan (清宫寿桃丸) won the second prize of Tianjin Science and Technology Progress Awards; The paper on the use of Wei Chang An Wan (胃肠安丸) in the treatment of ulcerative colitis was published in Gastroenterology and presented at the academic forum – Digestive Disease Week.

### *[4] Enhancing management efficiency*

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

The manufacturing enterprises under the Company actively took effective measures such as procurement cost reduction, energy saving and consumption reduction, consumption rate reduction, collection rate improvement, labour saving, process improvement to explore potential and increase efficiency; they strengthened the tracking of costs of key products and issued timely warnings and then made rectifications if abnormal fluctuations were found; they made full use of the real-time data from the energy consumption monitoring platform to arrange rational central production scheduling, thus saving energy and reducing consumption; all of the 10 manufacturing enterprises had installed the online SRM (Supplier Relationship Management) platform and the purchase orders for production material were 100% completed.

In terms of cash management, apart from the existing bills pool service, we also engaged the zero-margin bills service from the banks, to ensure financial resources





for the operation and development of the Company; the use of funds was planned on a daily basis to ensure the maximum retention of funds on the premise of stable daily production and operation.

#### **(5) Strict risk prevention and control**

The internal GMP audits of 9 manufacturing enterprises and public testing platforms and internal GSP audits of 37 branches, subsidiaries and retail outlets were completed with the deficiencies identified promptly rectified; the Drug Safety Committee was established and it had developed 17 new company-level pharmacovigilance management systems and revised 3 existing systems, continuously improving the pharmacovigilance management system; 4 applications were approved by the China National Accreditation Service for Conformity Assessment after on-site re-evaluation and extension review; difficulties were overcome in relation to the testing methods for 33 types of pesticide residue banned, and the number of species subject to quantitative pesticide residue testing rose to 216. Widely-admitted testing difficulties involving *Salvia miltiorrhiza* (丹参), Chinese cinnamon (丁香), *Fructus Aurantii* (枳壳) were overcome; simpler and faster qualitative testing methods were developed with testing efficiency improved, testing costs and expenses reduced, and the average testing time was shortened from 10 working days to 6 working days. 14 projects won the first prize in the National Pharmaceutical Industry Excellent Quality Management QC Group releases, and *Huo Xiang Zheng Qi Soft Capsule* (藿香正气软胶囊) was awarded the Gold Prize of the 2020 National Chinese Patent Medicine Quality Products.

The weekly updates concerning the improvement on boiler exhaust gas emissions of the enterprises were made, and all enterprises met the Tianjin Boiler Air Pollutant Emission Standard (天津市《锅炉大气污染物排放标准》); The safety culture was continuously nurtured, and the project "Building the "Da Ren" Safety Culture System of "Spreading Virtue and Love (达则兼善、仁者爱人)" won the Third Prize of the Second National Safety Science and Technology Progress Award, the only prize winner from Tianjin in 2021. 48 rounds of safety inspections and fire inspections were carried out throughout the year, involving more than 340 people, and all safety hazards found were assigned to responsible persons and were rectified; training and examinations on limited space operations were given to 79 people, and emergency drills for sudden power restrictions and blackouts were carried out. Relevant staff were sent for training on various fire safety topics such as firefighting facility operator training and fire management personnel certification training to ensure production safety.

Internal control self-assessment and special audits were carried out to streamline key internal control processes and critical control points of our key businesses so as to prevent operational risks; the internal control self-assessments of 18 enterprises were completed throughout the year and no major or important problem was found; as for the general problems found, all had been rectified; the economic responsibility audits of three enterprises, the special audits on the sales operations and trade receivables of two enterprises, the special audits on contracts of nine enterprises were completed, and the special audit on the information technology application and pre-audit of construction works in progress of Da Ren Tang (达仁堂) were completed.

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

The Company is a listed company with shares issued on both the Singapore Exchange and the Shanghai Stock Exchange. It is subject to the regulatory governance of both exchanges in Singapore and Shanghai as well as the national laws and regulations of China and Singapore. The Company has always regulated governance in strict accordance with the Articles of Association, the Rules of Procedures of the General Meeting of Shareholders, the Rules of Procedures of Meetings of the Board of Directors, the Rules of Procedures of Meetings of the Supervisory Committee and other regulations and policies. In 2021, the Company's convening of and decision making at the general meetings of shareholders, meetings of the board of directors and meetings of the supervisory committee were in compliance with relevant laws and regulations. The Company has effectively safeguarded the legitimate

# WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

rights and interests of all shareholders, especially minority shareholders, from different perspectives.

The Company is committed to enhancing the quality of the listed company and improving the level of corporate governance for a gradual optimization and standardization of operations. The Company has commenced a series of work in accordance with the relevant requirements of the China Securities Regulatory Commission, the Shanghai Stock Exchange and the Singapore Exchange. The Company has continued to carry out publicity activities on the protection of investors. The Company held an "Online 2020 Annual Results Presentation" in the form of a network meeting in May 2021, respectively. The management communicated with investors on the operating performance, profit distribution and other circumstances of the Company, allowing investors and potential investors to timely and fully gain an understanding of the Company's business trends, thereby showing that the Company has a good corporate image. To safeguard the shareholders' right to investment returns, the Company reviewed and approved the 2020 profit distribution plan at the 2020 Annual General Meeting of Shareholders, under which "a cash dividend of RMB3.0 (including taxes) for every ten shares held will be distributed to all shareholders based on the total share capital as at 31 December 2020" with the aim of paying back investors with practical actions. In 2021, the Company continued to focus on strengthening the management of insiders, and carried out insider filing and registration work and confidentiality notification work in accordance with the Insider Management Policy of the Company. In working on the annual report in 2021, both the independent directors and the audit committee carried out the audit work in accordance with relevant policies. To sum up, in 2021, various rules and policies of the Company were effectively followed.

Based on the principles of more over less and stringency over leniency, the Company has done a good job in disclosing information in compliance with the requirements of the regulatory authorities in China and Singapore. In 2021, the Company followed the Information Disclosure Management Policy in carrying out information disclosure work, achieving the truthfulness, accuracy, timeliness and completeness of the information announced, and ensuring the consistency of information disclosed at home and abroad. At the same time, the Company welcomes investors' visits and consultations. Compliant and adequate disclosure of information has enabled the Company to strengthen communication with investors, foster the understanding and recognition of the Company among investors, maintain good relations with investors, and establish a positive image of the Company in the market.

## III. Profit distribution in 2021

The Company plans to distribute cash dividends from the profits of 2021. Details of the profit distribution plan are as follows: "A cash dividend of RMB5.0 (including taxes) for every ten shares held will be distributed to all shareholders based on the total share capital as at the record date for the implementation of the profit distribution."

## IV. Significant legal disputes

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

## V. Performance of interested person transaction contracts

In 2021, the Company had interested person transactions on the purchase and sale of goods and services with Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) and its subordinate enterprises and other related companies.

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





In RMB1,000

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)		Aggregate value of all interested person transactions conducted during the financial year under review under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S\$100,000)	
		2021	2020	2021	2020
		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 TPH, the controlling shareholder of the Company	The interest payable on the credit facilities provided by TPGF: 1,186	1,267	0	0
Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) ("TPH")	Controlling shareholder of the Company	Additional payment to TPH for upsize of land area of land use right: 0	6,757	0	0
Total		1,186	8,024	0	0

**Note:** As at 31 December 2021, the Company had deposits with TPGF amounting to RMB591,614,740.



# WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

## VI. Priorities in 2022

2022 is the year for TPH, the controlling shareholder of the Company, to start implementing mixed ownership reform. The Company will take this as an opportunity to inject a strong impetus for its high-quality development in the new era. At this particular moment, all cadres and employees of the Company will pull themselves together and work united to deepen the reform of systems and mechanisms. We will take the initiative to respond to risks and challenges, and seize development opportunities. With “driving growth in both scale and profitability for green TCM” as the strategic positioning, and focusing on TPH’s strategic plans in the following eight aspects: focus on marketing, organizational optimization, platform integration, talent motivation, effective innovation, controlling costs and reducing losses, digital empowerment, and cultural synergy, the Company will fully integrate existing resources, tap development potential, and unleash competitive vitality. It will push for the implementation of key tasks, such as the empowering of marketing by synergistic efforts, technological innovation and efficiency enhancement. It will continue to deliver high-quality services for the patients who are the end users, and pursue higher quality development. Looking into 2022 and beyond, the Company will focus on the following aspects:

### 1. Deepening organizational reform and responding to the strategic plans with concerted efforts

Under the corporate governance framework, the Company will take a market-oriented approach to optimize its organizational structure, streamline the functions of departments and offices, improve the administrative systems and regulations, and adjust the business processes. It will enhance its human resources management system by improving the determination of staff numbers, posts and the corresponding responsibilities, the remuneration and incentive mechanism, and the performance appraisal mechanism, reflecting its culture which values high performance and puts strivers first. It will make great efforts to develop “talents with five qualities [五有人才]” (i.e. learning ability, market awareness, professionalism, dedication to work, and compatibility).

### 2. Pursuing growth in both scale and profitability for the green TCM with emphasis on the leading role of marketing

In 2022, the Company will roll out various marketing initiatives with its focus on the following aspects: resource integration, brand enhancement, the leading role of academic activities, giving priorities to major products, empowering sales terminals, and reshaping the product value chain.



### (1) Optimizing the organizational structure for marketing by the manufacturing enterprises

The Company will continue to optimize the platforms for green Chinese patent medicines. It will improve the organizational structure for marketing in accordance with the principles of separation of production and sales, intensive platform operation, giving priorities to the major products, and highlighting its specialties on the marketing platforms. It will expand its internal marketing team to build a highly responsive marketing system with focus on the leading role of academic activities, brand enhancement, giving priorities to major products and empowering sales terminals. By integrating the marketing platforms of sales companies, marketing companies and Da Ren Tang (达仁堂), the Company will set up a sales department dedicated to retail distribution, with the aim at building marketing platforms (such as the platforms of Le Ren Tang (乐仁堂), Long Shun Rong (隆顺榕), Da Ren Tang (达仁堂) and Jing Wan Hong (京万红)) for OTC drugs. Such platforms shall mainly serve the third sales terminal (retail places other than hospitals and pharmacies).

### (2) Making great efforts on marketing to pursue the growth of “three cores and nine wings”

In the coming three years, the Company will fully implement the overall strategic planning of TPH in respect of the “three cores and nine wings”, and strive to achieve breakthroughs in marketing to drive the high-quality development. The Company will take a holistic approach to implement the strategies in respect of the “three cores and nine wings”.

The company's marketing will focus on the "three cores", which represent three aspects as explained in the following. The "first core" represents the drugs for cardio-cerebrovascular diseases. Putting the interests of the patients first and with orderly marketing as the guarantee, and data and information as the sharp weapon, the Company will implement the "China Heart • Healthy Living (中国心•健康行)" campaign and complete the selection of first-tier and second-tier distributors and the construction of retail channels for Suxiao Jiuxin Wan (速效救心丸). Through the establishment of academic centers, solicitation of treatment cases, implementation of projects such as the "Display • Aesthetics" event and the "public lectures given by experts", the Company will enhance its brand influence in the market and empower the sales terminals. While taking Suxiao Jiuxin Wan (速效救心丸) as the bellwether, the Company will make every effort to build a product matrix (including Shu Nao Xin Di Wan (舒脑欣滴丸), Tongmai Yangxin Wan (通脉养心丸) and Shenfu Qiangxin Wan (参附强心丸)) to achieve synergies and provide solutions for various cardiovascular diseases, thus helping the Chinese to recover from heart and cerebral diseases. The "second core" represents the skin wound repair products. With Jing Wan Hong Ruan Gao (京万红软膏) as the key product, the Company will strengthen the wound repair brand, and explore the expansion of its presence in the functional skin-care market. The "third Core" represents the premium TCM under the century-old brand "Da Ren Tang (达仁堂)". Through the integration of its nutraceuticals and health tonics, the Company will build marketing platforms for premium TCM, nutraceuticals and health tonics.

Building on the above endeavors, the Company will coordinate the optimization of the marketing structure and the organizational construction, to promote the breakthrough and development of other product lines (the respiratory disease drugs represented by Qingyan Di Wan (清咽滴丸), the digestive disease drugs represented by Wei Chang An Wan (胃肠安丸), the rheumatic disease drugs represented by Bi Qi Capsule (痹祺胶囊), the urinary disease drugs represented by Long Qing Pian (癃清片), the gynecology and pediatrics disease drugs represented by Wuji Baifeng Pian (乌鸡白凤片), the tumor drugs represented by Zi Long Jin Pian (紫龙金片), etc.). The positive extension of the "nine wings" shall play a stronger supporting role for the Company's direct sales from the manufacturing enterprises. As the old Chinese saying goes, in a boat race, those who

row the hardest will win. The Company will make efforts to build a diversified development platform that encourages internal competition, and promote extensive growth for many key product clusters and multi-faceted breakthroughs.

### (3) Applying digital marketing methods

The Company will apply digital marketing methods, explore in-depth integration with the new digital ecosystem, and set up WeChat and TikTok accounts for its time-honored brands and open accounts on major health websites and traffic portals to increase online exposure. It will spare no effort to establish self-operated flagship online stores on major e-commerce platforms and explore new sales channels in addition to the three traditional sales terminals.

### (4) Revitalizing the century-old brands through sound operation

As mentioned in the newly released "14th Five-year Plan for the Development of TCM in Tianjin", the Company will give full play to the leading role of its time-honored brands such as Da Ren Tang (达仁堂), Le Ren Tang (乐仁堂) and Long Shun Rong (隆顺榕) to enhance the brand influence of "Tianjin medicine", thus building "Tianjin medicine" culture into a bright business card for the city.

In 2022, the Company will take Da Ren Tang (达仁堂) as the bellwether to lead the high-quality construction of the brand matrix comprising Da Ren Tang (达仁堂), Le Ren Tang (乐仁堂) and Long Shun Rong (隆顺榕). The Company will transmit and publicize its Intangible Cultural Heritage items such as the traditional processing techniques of Qinggong Shoutao Wan (清宫寿桃丸) under the brand of Da Ren Tang (达仁堂), the compound processing techniques of Jing Wan Hong Ruan Gao (京万红软膏), the patent medicine processing techniques of Long Shun Rong (隆顺榕), the processing techniques of Angong Niu Huang Wan (安宫牛黄丸) and the processing techniques of Niu Huang Qingxin Wan (牛黄清心丸) under the brand of Da Ren Tang (达仁堂). It will promote online and offline brand promotion activities with efficiency, let brand building lead the marketing work and empower sales, so as to accelerate the transformation from brand value to economic values. The brand building of Chinese patent medicine, the premium TCM in particular, is the focus, but the brand building for pharmacies, drugs, medicinal slices and nutraceuticals will also be promoted from multiple dimensions.

# WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS



## 3. Focusing on price, cost and profit

The Company will streamline the value chains of all products and strengthen the Group's belief in "using the prices as the leading indicators, costs as the basis, and profits as the goal".

The Company will take a patient-oriented approach to enhance quality control with clinical application values as the basis. In addition, while taking economic values into consideration and aiming at improving market competitiveness, the Company will continue to refine its existing operation model and streamline the price, cost and profit related processes for its existing products. The Company will establish modularized and differentiated management systems for cost centers and profit centers according to their specific functions. All units and departments of the Company will strengthen their implementation in a targeted manner according to their functions. The Company will lead the pricing with high-quality brand value, control the costs with solid work, and promote the construction of its price, cost and profit management system by the application of scientific management concepts and control methods, with a view to enhancing its profitability and sharpening its competitive edge.

## 4. Strengthening industrial cluster to enable layout expansion

### (1) Establishing medicinal herb planting base in the famous places of origin

In accordance with the "Good Manufacturing Practice for Chinese Herbal Medicines" and the "Guidelines for the Development of the Chinese Herbal Forestry Industry", the Company will further expand the planting of its key medicinal herbs, and plan for the construction of standardized GAP bases; It will make full use of the value of the "Research on the Joint Construction and Sharing of Medicinal Herb Planting Bases"

project which was conducted in cooperation with Tianjin University of Traditional Chinese Medicine, the platform advantages of the "Joint Construction and Sharing Alliance of Medicinal Herb Planting Bases", strengthen exchanges and cooperation with key enterprises in the TCM industry, scientific research institutions on TCM and relevant experts, establish the guarantee system for the supply, quality and cost of genuine medicinal materials, and ensure the access to genuine medicinal materials with high quality and good price from the source. It will explore the construction of a cultivation technology system for high-quality Chinese medicinal herbs, develop artificial cultivation technologies for endangered medicinal materials, develop techniques to obtain quality Chinese herbal seeds, seedling technology, pollution-free planting and breeding technology of Chinese medicinal materials, quality control of Chinese medicinal materials in production and other technologies.

### (2) Inheriting the premium medicinal slices under the Da Ren Tang (达仁堂) brand

The Company will further integrate the resources of Tianjin Chinese Medicinal Slices Co., Ltd. (天津市中药饮片厂) and Da Ren Tang (Bozhou) Chinese Medicine Co., Ltd (达仁堂(亳州)中药饮片公司), inherit the premium medicinal slices under the Da Ren Tang (达仁堂) brand, establish a procurement and production system for premium TCM. It will develop premium medicinal slices under the Da Ren Tang (达仁堂) brand, and seeks to ensure the premium quality through securing supply from selection of genuine medicinal materials and production areas, processing control, comprehensive indicator testing and setting up of quality standards. The Company will focus on its expertise in the processing of narcotic medicine, continuously improve the processing of the medicinal slices and optimize the production process, cultivate key varieties and big brands for the medicinal slices. Building on its brand resources, the Company will





seek to build brands for refined medicinal herbs and medicinal slices. It will also commence the research and development of dispensing granules.

### (3) Building the Da Ren Tang (达仁堂) Hospital System

The Company will establish a professional operation team to determine the positioning of the “Da Ren” Hospital and accelerate the development of “Da Ren” Hospital. With its time-honored brand as the foundation, making use of the applicable classical formula and relying on its premium medicinal slices, the Company plans to set up a decoction center using traditional techniques to create a model flagship. Building on this, it plans to build a chain brand with TCM characteristics integrating medical care and health preservation boasting genuine medicinal materials and exquisite medical skills (药道地, 精医道) in the medium and long term.

### (4) Establishing the Da Ren Tang (达仁堂) Drug Store System

Relying on its own brands and products, adhering to its longtime principles and the “Quality Zhong Xin” core values, the Company will study and discuss the use of the brand of Da Ren Tang (达仁堂), a century-old time-honored brand, to expand the layout of brand stores.

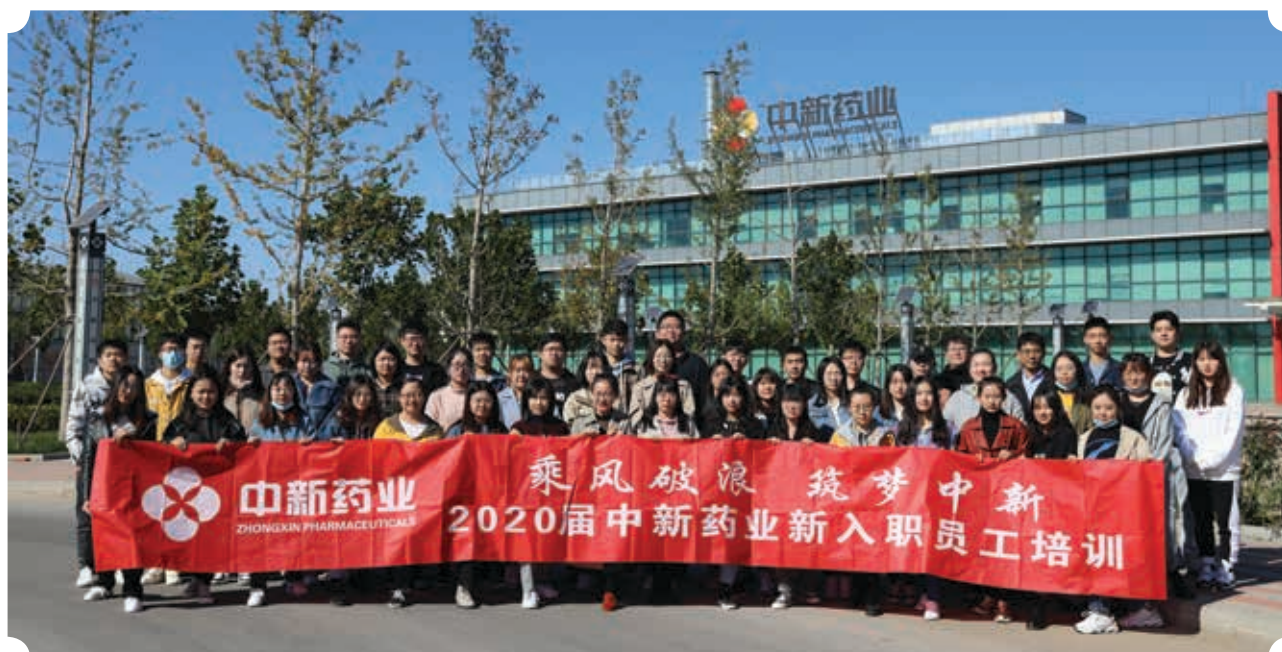
### (5) Planning the development of nutraceuticals

By integrating the Company’s brands and product resources, the Company will focus on the layout of the health products and functional products which involves the use of food as medicine, in an effort to meet the people’s needs for health services.

## 5. Setting more specific scientific research directions, inheriting the essence of TCM and innovating on the basis of what has worked in the past

### (1) Secondary development of key products

The Company will continue to put patients first and attach importance to translational medicine. It will continue to polish the existing products, focus on clinical value and product efficacy, improve process and technology standards, readjust the positioning of existing products, and make plans for the upgrading of quality standards for major products. The Company will promote the inclusion of Suxiao Jiuxin Wan (速效救心丸) into the national catalogue of products with high quality and affordable price, the replacement of raw materials for Qingfei Xiaoyan Wan (清肺消炎丸), the improvement of dosage forms for Tongmai Yangxin Wan (通脉养心丸), the application for OTC type B certification of Qingyan Di Wan (清咽滴丸) and other secondary development work.





# WORK REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS

It will continuously improve drug safety, improve treatment experience, enhance convenience, and improve the vitality of the life cycle of the drugs.

## (2) Actively developing new TCM drugs

The “three-in-one” guiding principle (combining Chinese medicine theory, human experience and clinical trials) issued by the Center for Drug Evaluation under the National Medical Products Administration has created a positive environment for the development of innovative Chinese medicine. With increased efficiency in the review and approval process, it is expected that the research and development of new TCM drugs to enter a period of rapid development. The Company will continue to promote the Phase II clinical trial of BuFei Granules (补肺颗粒), development and research of the new drug, Qingyi Granules (清胰颗粒). The Company will actively explore the classical formulas of ancient Chinese medicine, make plans to produce new TCM drugs, and coordinate the inheritance and innovation work while pursuing development. For scientific research and innovation and academic theory work, the Group will cooperate with Haihe TCM Laboratory (海河中医药实验室) and keep in touch with academicians and experts, key TCM Universities and other scientific research teams. It seeks to establish a national key laboratory in cooperation with Academician Tian Jinzhou and create a “Chinese brain” product research and development plan. It also seeks to establish a medical laboratory for wound repair and regeneration in cooperation with Academician Fu Xiaobing, and develop functional regenerative medicine products. It will engage high-end think tanks to lead its development in terms of innovations.

## 6. Quantifying the value chains and reducing costs and increasing efficiency on a case-by-case basis

### (1) Cost management

For the existing projects with unsatisfactory profitability, the Company will tailor-make plans for a turnaround, resolutely control costs and reduce losses, and strive to stop loss-making sources. For links with potential for efficiency improvement, we will strengthen process control, tap the potential for cost reduction, and regularly carry out centralized procurement of supply chain to improve the first-time pass rate, utilization of

equipment and working hours and carry out other multi-dimensional cost reduction and efficiency improvement measures. The Company will continue to strengthen the competitiveness of its main business and enhance its comprehensive strength.

### (2) Applying Digital and intelligent technologies in its management

The Company will optimize the manufacturing process by applying digital and intelligent technologies and lean management, improve the process quality system, and improve the lean management of the supply chain. The Company will carry out the re-engineering of processes in terms of finance and logistics, improve its information system, seeking to increase efficiency by streamlining the processes and unleash potential by using big data.

The Company plans to invite an expert technical team to jointly promote the high-quality construction of the intelligent manufacturing demonstration production line for Suxiao Jiuxin Wan (速效救心丸), and to double the sales of Suxiao Jiuxin Wan (速效救心丸) in accordance with the 14th Five-year Plan.

At the same time, the Company will continue to ensure production safety, fire safety, and promote environmental protection and occupational health.

In 2022, the Company will fully study and implement National 14th Five-year Plan for the Development of the Pharmaceutical Industry, scrupulously implement the 14th Five-year Plan of TPH and other policies and laws and regulations. It will strengthen the implementation of the strategy of building a strong manufacturing country, serve the market wholeheartedly, maximize returns to shareholders with due diligence, promote the “China Heart • Healthy Living (中国心•健康行)” campaign in all aspects, thus contributing to the construction of a healthy China.

# 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 2021 ("FY2021") was approximately RMB 6,908 million, an increase of approximately RMB 304 million, or 5%, as compared to RMB 6,604 million for the financial year ended 31 December 2020 ("FY2020"). The increase in revenue as compared to the corresponding period last year was primarily because the revenue in the corresponding period last year was affected by the COVID-19 pandemic.

### (B) GROSS PROFIT MARGIN:

The Group's gross profit in FY2021 increased by approximately 7% from approximately RMB 2,518 million in FY2020 to approximately RMB 2,693 million in FY2021. The gross profit margin has increased from 38% in FY2020 to 39% in FY2021.

### (C) OTHER GAINS:

Other gains in FY2021 were approximately RMB 70 million, an increase of approximately RMB 2 million over the previous corresponding period.

### (D) MAJOR EXPENSES:

- (i) Marketing and Distribution costs in FY2021 was approximately RMB 1,556 million, an increase of approximately RMB 99 million or 7% over the previous corresponding period.
- (ii) Research and Development costs in FY2021 were approximately RMB 161 million, an increase of approximately RMB 12 million or 8% over the previous corresponding period due to higher outlay for research and development projects.
- (iii) Administrative expenses in FY2021 were approximately RMB 389 million, an increase of approximately RMB 30 million. The increase was mainly due to the fact that the social insurance contribution relief previously granted by the government in view of the COVID-19 situation was no longer available in FY2021, resulting in a year-on-year increase in employee compensation.
- (iv) Finance costs in FY2021 decreased by approximately RMB 1 million or 24% from approximately RMB 3 million to approximately RMB 2 million.

- (v) Other losses in FY2021 decreased by approximately RMB 11 million. This is mainly due to decrease in penalties.

### (E) SHARE OF PROFITS OF ASSOCIATED COMPANIES:

The Group's share of profits of associated companies in FY2021 was approximately RMB 186 million, an increase of approximately RMB 35 million or 23% over the previous corresponding period. This increase was mainly due to the increase of the Company's share of profit from Sino-American Tianjin SmithKline & French Lab., Ltd. (中美天津史克制药有限公司) year-on-year.

### (F) TOTAL COMPREHENSIVE INCOME:

The Group's total comprehensive income (net of tax) in FY2021 was approximately RMB 794 million, an increase of approximately RMB 135 million or 21% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in FY2021 was approximately RMB 769 million, an increase of approximately RMB 107 million or 16% over the previous corresponding period. This was mainly due to increase in sales.

### (G) MAJOR CHANGES IN STATEMENT OF FINANCIAL POSITIONS:

As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately RMB 2,283 million, which is an increase of approximately RMB 296 million, or 15% over the balance as at 31 December 2020. The Group's borrowings as at 31 December 2021 amounted to RMB 30 million which remains the same amount as at 31 December 2020.

Trade and other receivables increased by approximately 0.2% or RMB 4 million to approximately RMB 2,011 million as at 31 December 2021. Trade receivables excluding bill receivables increased by approximately RMB 24 million.

Inventories were approximately RMB 1,525 million as at 31 December 2021, which is an increase of approximately RMB 37 million, or 3% over the balance as at 31 December 2020. This was due to the increase in raw materials.

Other current assets decreased by approximately 0.2% to approximately RMB 121 million as at 31 December 2021.

Investment in associates of the Group increased by 6% to approximately RMB 730 million due to the increase in sharing of profits from associates.

Property, plant and equipment increased by approximately RMB 26 million to approximately RMB 1,483 million.

# FINANCIAL REVIEW

## (H) CHANGE IN CASH FLOW POSITION:

In FY2021, the Group recorded net cash inflow from operating activities of approximately RMB 817 million which has increased by RMB 174 million as compared to FY2020. The increase was mainly due to cash received for the sale of products and provision of services increased over the same period last year.

Cash outflow from investing activities was approximately RMB 277 million in FY2021 which has decreased by RMB 379 million as compared to FY2020. The decrease was mainly due to decrease in proceeds used in acquisition of financial assets.

Cash outflow from financing activities was approximately RMB 245 million in FY2021 which has increased by RMB 7 million as compared to FY2020. The increase was mainly due to the fact that proceeds to be received from the issuance of Restricted A-Shares were not received in FY2020 and were only received in FY2021.

### 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.

Along with a series of medical and health system reforms in the PRC, including industrial development planning in the medical field, quality management of drug distribution, and establishment of grass-roots pharmaceutical markets, the PRC has imposed stricter supervision over the development, production, operation, usage and post-marketing management of drugs in the traditional Chinese medicine industry. The in-depth reform of the medical and health system, the two-invoice system, the quantity procurement, tender bidding, and the adjustment of medical insurance policies, etc., have resulting in the reshuffling of the pharmaceutical industry and result in higher demand for pharmaceutical enterprises.

At the same time, the PRC attaches great importance to the development of traditional Chinese medicine, and has been continuously implementing new policies to boost the development of the industry. In July 2021, the National Administration of Traditional Chinese Medicine (国家中医药管理局) issued the *Opinions on Further Strengthening the Work of Traditional Chinese Medicine in General Hospitals to Promote the Coordinated Development of Traditional Chinese and Western Medicine* (《关于进一步加强综合医院中医药工作推动中西医协同发展的意见》), which requires further strengthening of the clinical departments of traditional Chinese medicine in general hospitals, and encourages innovation in the collaborative medical model of traditional Chinese and Western medicine. This enables traditional Chinese medicine to achieve the advantages and functions of “prevention before cure” (未病先防).

On 17 December 2021, the Tianjin Municipal People's Government held the 174<sup>th</sup> executive meeting to review the “Tianjin Biomedical Industry Chain Work

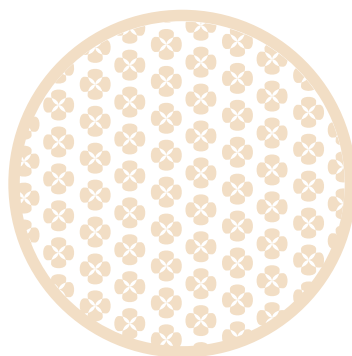
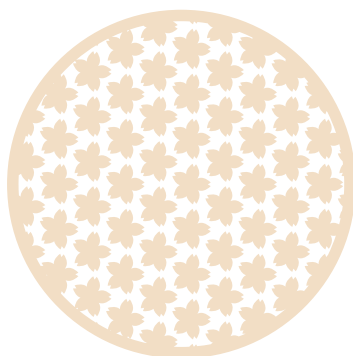


Plan” (《天津市生物医药产业链工作方案》) and “Tianjin Traditional Chinese Medicine Industry Chain Work Plan” (《天津市中医药产业链工作方案》) and other agendas. Emphasis was placed on strengthening weak links in key industrial chains. In addressing the needs of enterprises, precise and refined services on R&D transformation, financial investment and project development are provided, thus effectively coordinating and solving the difficulties faced by enterprises.

It is necessary to give full play to the advantages of Tianjin City in the biomedicine and traditional Chinese medicine industries, by creating an environment conducive to innovation and building a complete industrial ecology to support enterprises to grow and thrive. In 2021, the traditional Chinese medicine industry chain in Tianjin City achieved a total industrial output value of RMB11.5 billion with a growth rate of 12.6%. In the future, with assistance from new policies, the innovation and development of the traditional Chinese medicine industry will accelerate and bring new opportunities for the enterprises.

In this period of innovation and reform in the pharmaceutical industry where challenges and opportunities coexist, the Company has adapted its development to the trend of the industry, responded to risks and challenges, and promoted high-quality development. With the joint efforts of all staff, the Company will seize market opportunities, promote time-honored brands, carry out promotion activities for revenue growth, and strengthen cost control through monitoring energy consumption, production cost reduction and increasing efficiency. We will also optimize the use of capital and leverage on information technology to improve quality and promote brand development and spread the cultural value of traditional Chinese medicine. In the process of our development, we continue to put emphasis on quality and production safety and risk prevention. In 2021, the total revenue of the Company was RMB 6.908 billion, a year-on-year increase of 5%. Net profit attributable to the parent company of the Company was RMB 769 million, a year-on-year increase of 16%.

# WORK REPORT OF THE BOARD OF SUPERVISORS



## DEAR SHAREHOLDERS,

In FY2021, in accordance with the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Code of Corporate Governance for Listed Companies of China, the relevant laws and regulations of Singapore and the provisions of the Articles of Association, the board of supervisors of Tianjin Zhongxin Pharmaceutical Group Corporation Limited conscientiously carried out their duties and responsibilities to safeguard the interests of shareholders and the Company and performed their work with reasonable care, diligence and initiation following the principle of good faith.

In 2021, the board of supervisors held a total of six meetings at which the 2020 annual report, 1Q2021 report, 2021 interim report, 3Q2021 report, 2020 Profit Distribution Plan of the Company, 2020 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 2020, the Resolution on the Second Adjustment of Repurchase Price of the 2019 Restricted A-Shares Incentive Scheme and the Third Repurchase and Cancellation of Restricted Shares Granted But Not Yet Release Restriction, the Resolution on Continuing Utilisation of Part of the Idle Proceeds to Temporarily Replenish the Company's Working Capital, the Resolution on Nomination of New Candidates for Supervisors and the Resolution on Extension of the Term for Fulfillment of Commitments by Major Shareholders and other matters were considered. At the same time, the board of supervisors attended meetings of the board of directors, the annual shareholders' general meeting, the extraordinary general meeting(s), etc. during the year to exercise supervision of the Company's operations according to the law.

The board of supervisors is of the view that the Company's 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 Shanghai Stock Exchange's Rules Governing the Listing of Stocks, the Singapore Exchange's Listing Manual, the Articles of Association as well as other legal and regulatory requirements. As a result, internal controls have been strengthened and improved. In carrying out their duties, the Company's directors and senior management personnel were not in breach of any laws and regulations and the Articles of Association, nor did they cause any damage to the interests of the Company. The Company's board of directors had given full play to the role of independent directors, paying attention to the protection of the legitimate rights and interests of minority shareholders. In 2021, 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 scientific, sustainable and stable profit distribution policy aiming at safeguarding the legitimate rights and interests of investors. The 2020 profit distribution plan and cash dividend programme was successfully implemented in June 2021. Prices of related transactions carried out between the Company and the related parties through regular trade were fair and reasonable and the development of contracts on related transactions was rational and legitimate without damaging the interests of the listed company. The Company's



# WORK REPORT OF THE BOARD OF SUPERVISORS



decision-making and review procedures for matters concerning the use of proceeds were in compliance with the laws and regulations. There were no cases of changes or covert changes in the use of proceeds and damage to the interests of the Company and all shareholders, particularly the interests of minority shareholders.

The board of supervisors of the Company has inspected and examined the Company's financial systems and conditions and we believe that the Company's 2021 financial report has truly and accurately reflected the Company's financial conditions and operating results. The audit opinions issued by ShineWing Certified Public Accountants and RSM Chio Lim LLP for the Company in accordance with the China Accounting Standards and the International Financial Reporting Standards respectively as well as the evaluation of the matters involved were objective and fair.

The board of supervisors is of the view that, in FY2021, the Company was better in achieving the established targets and a stable performance was maintained. At the same time, the overall quality of the Company's operations was significantly improved which has laid a solid foundation for the Company's sustainable development. We believe that, under the leadership of the board of directors and with the efforts of the management, the Company would certainly make greater progress in 2022 and give better returns to shareholders.

Wang Yuanxi  
Chairman of Board of Supervisors





# FINANCIAL CONTENTS

28	CORPORATE GOVERNANCE STATEMENT
51	STATEMENT BY DIRECTORS
53	INDEPENDENT AUDITORS' REPORT
58	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
59	STATEMENTS OF FINANCIAL POSITION
60	STATEMENTS OF CHANGES IN EQUITY
62	CONSOLIDATED STATEMENT OF CASH FLOWS
64	NOTES TO THE FINANCIAL STATEMENTS
135	NOTICE OF ANNUAL GENERAL MEETING
141	PROXY FORM
146	INFORMATION ON SHAREHOLDING
148	THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY IN RELATION TO THE ADOPTION OF THE CUMULATIVE VOTING SYSTEM FOR THE ELECTION OF DIRECTORS OR SUPERVISORS OF THE COMPANY (THE "2022 1 <sup>ST</sup> PROPOSED AOA AMENDMENTS")
173	PROPOSED RENEWAL OF MANDATE FOR INTERESTED PERSON TRANSACTIONS
194	THE PROPOSED CHANGE OF THE CHINESE NAME OF THE COMPANY FROM "天津中新药业集团股份有限公司" TO "津药达仁堂集团股份有限公司", AND PROPOSED CHANGE OF THE ENGLISH NAME OF THE COMPANY FROM "TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED" TO "TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED" (THE "PROPOSED CHANGE OF COMPANY NAME"), AND CONSEQUENTIAL AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY IN RELATION TO THE PROPOSED CHANGE OF COMPANY NAME (THE "2022 2 <sup>ND</sup> PROPOSED AOA AMENDMENTS") AND THE APPLICATION FOR CHANGES IN THE INDUSTRIAL AND COMMERCIAL REGISTRATION
207	SUSTAINABILITY REPORTING



# CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “**Board**”) and the management (the “**Management**”) of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) subscribe fully to the importance of practising high standards of corporate governance and recognise that the principles and 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 statement outlines the main corporate governance practices that were in place during the financial year ended 31 December 2021 (“**FY2021**”), with specific references made to the Code.

## BOARD MATTERS

### Role of the Board of Directors

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

- (a) Establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interest and the Company’s assets;
- (b) Ensuring that necessary resources are in place for the Company to meet its strategic objectives;
- (c) Establishing and maintaining a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and company performance;
- (d) Identifying key stakeholder groups and recognizing that their perceptions affect the Company’s reputation, and ensuring transparency and accountability to key stakeholder groups;
- (e) Constructively challenging the Management and reviewing its performance;
- (f) Setting the Company’s values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and
- (g) Considering sustainability issues as part of its strategic formulation.

In the course of carrying out their duties and responsibilities, all Directors are expected to consider at all times the interests of the Company. For FY2021, the Board is satisfied that all Directors have indeed discharged their duties objectively and sufficiently.

The Company has formulated a set of guidelines named the “Internal Responsibility System” (内部问责制度) (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. Such guidelines had been approved at the annual general meeting of the Company held on 15 May 2015.

# CORPORATE GOVERNANCE STATEMENT

The guidelines contained in the Internal Responsibility System applies to Directors, supervisors, senior managers and other relevant persons of the Company (including its subsidiaries and branches) and sets out a system for holding the aforementioned persons accountable for the acts that cause serious adverse effects or serious adverse consequences to the Company as a result of intentional or gross negligence within the scope of their duties.

## Board Processes

To facilitate the execution of its responsibilities, the Board has established a number of Board Committees including a Strategy Committee, an Audit Committee, a Nomination Committee and a Remuneration Committee. These Board Committees function within clearly defined written terms of reference and operating procedures, which are reviewed as and when necessary.

The full Board holds 4 scheduled quarterly meetings each year. In addition, it holds such additional meetings as are necessary to consider any matters that require the Board's attention. To facilitate efficient discharge of the Board's business, the Company's Articles of Association provide for the Board and its Board Committees to decide on matters by way of circular resolution. The Articles of Association of the Company also provides for Board members to participate in meetings via telephone or video conferencing.

## Matters Requiring Board Approval

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

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

All other matters are delegated to Board Committees or to the executive management whose actions are reported to and monitored by the Board.

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

# CORPORATE GOVERNANCE STATEMENT

## Access to Information

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

The secretaries to the Board (the “**Board Secretaries**”) attend all Board meetings and are responsible to ensure that established procedures and all relevant statutes and regulations which are applicable to the Company are complied with. All Directors have separate and independent access to the Board Secretaries, whose appointment and removal are subject to the Board’s approval as a whole.

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

## Meetings held in FY2021

During FY2021, the Board held 12 meetings and the Company held 3 general meetings (comprising the annual general meeting and 2 extraordinary general meetings), 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 FY2021		Number of general meetings held during the director’s term of office in FY2021	
		Attendance		Attendance
Zhang Mingrui <sup>1</sup>	2	2	1	1
Guo Min <sup>2</sup>	5	5	2	2
Zhang Ping	12	12	3	2
Li Yan	12	12	3	3
Wang Mai	12	12	3	3
Zhou Hong	12	12	3	2
Wong Gang	12	12	3	3
Liew Yoke Pheng Joseph	12	12	3	3
Li Qing <sup>3</sup>	8	8	2	1
Li Liqun <sup>4</sup>	4	4	1	1
Tang Tiejun <sup>5</sup>	8	8	2	0
Qiang Zhiyuan <sup>6</sup>	4	4	1	1



# CORPORATE GOVERNANCE STATEMENT

## Notes:

1. Ms. Zhang Mingrui was appointed as a Non-Executive and Non-Independent Director with effect from 10 December 2021.
2. Mr. Guo Min was appointed as an Executive Director with effect from 6 September 2021.
3. Ms. Li Qing was appointed as an Independent and Non-Executive Director with effect from 17 May 2021.
4. Mr. Li Liquan ceased to be an Executive Director and Chairman of the Board with effect from 19 July 2021.
5. Mr. Tang Tiejun ceased to be a Non-Executive and Non-Independent Director with effect from 21 October 2021.
6. Mr. Qiang Zhiyuan ceased to be an Independent and Non-Executive Director with effect from 17 May 2021.

## Training of Directors

A formal letter of appointment setting out the duties and obligations expected of a director of the Company is provided to every new director. The Company will also provide comprehensive training and orientation programmes for any newly appointed director to the Board so that new Directors are acquainted with the business, strategic plans and corporate governance practices of the Company. Where appropriate, such new Directors will also receive training in areas relating to accounting, legal and other industry-related topics. The Company's new Directors are also invited to visit the Group's operational facilities and to meet with the Management to gain a more in-depth understanding of the Group's business and operations.

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

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

The shareholders of the Company approved the appointments of each of (i) Ms. Li Yan, (ii) Mr. Guo Min and (iii) Ms. Zhang Mingrui as directors of the Company at the Company's annual general meeting held on 5 June 2020, the Company's extraordinary general meeting held on 6 September 2021 and the Company's extraordinary general meeting held on 10 December 2021, respectively.

As each of Ms. Li Yan, Mr. Guo Min and Ms. Zhang Mingrui (the "**First-time Directors**") had no prior experience as a director of an issuer listed on the SGX-ST, they are required to undergo the mandatory training as prescribed by the SGX-ST pursuant to Rule 210(5)(a) of the Listing Manual. As disclosed on page 60 of the annual report for financial year ended 31 December 2019 and in the announcement on the appointment of Ms. Li Yan made by the Company on 5 June 2020, on page 10 of the Company's circular dated 20 August 2021 and in the announcement on the appointment of Mr. Guo Ming made by the Company on 6 September 2021, and on page 12 of the Company's circular dated 25 November 2021 and in the announcement on the appointment of Ms. Zhang Mingrui made by the Company on 10 December 2021, respectively, the Company will arrange for each of the First-time Directors to attend training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST, in accordance with Rule 210(5)(a) and Practice Note 2.3 of the Listing Manual. However, due to the ongoing restrictions in connection with the COVID-19 pandemic, the First-time Directors have not had the opportunity to attend the relevant training, and will endeavour to do so once it is expedient to do so.

# CORPORATE GOVERNANCE STATEMENT

## Board Composition and Balance

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

Name of Director	Appointed on	Date of last re-election	Board	Audit Committee	Strategy Committee	Remuneration Committee	Nomination Committee
Zhang Mingrui	10 December 2021	N.A.	Chairman and Non-Executive and Non-Independent Director				M
Guo Min	6 September 2021	N.A.	Executive Director		C		
Zhang Ping	30 September 2019	N.A.	Non-Executive and Non-Independent Director			M	
Li Yan	5 June 2020	N.A.	Executive Director		M		
Wang Mai	12 March 2019	N.A.	Executive Director				
Zhou Hong	15 May 2019	N.A.	Executive Director				
Wong Gang	15 May 2019	N.A.	Lead Independent and Non-Executive Director	M		C	M
Liew Yoke Pheng Joseph	5 June 2020	N.A.	Independent and Non-Executive Director	C		M	
Li Qing	17 May 2021	N.A.	Independent and Non-Executive Director	M	M		C
<b>Former Directors</b>							
Li Liqun <sup>1</sup>	10 October 2017	30 September 2020	Chairman and Executive Director		C		
Tang Tiejun <sup>2</sup>	30 September 2019	N.A.	Non-Executive and Non-Independent Director				M
Qiang Zhi Yuan <sup>3</sup>	15 May 2015	15 May 2018	Lead Independent and Non-Executive Director	C	M		

### Notes:

1. Mr. Li Liqun ceased to be an Executive Director and Chairman of the Board with effect from 19 July 2021.
2. Mr. Tang Tiejun ceased to be a Non-Executive and Non-Independent Director with effect from 21 October 2021.
3. Mr. Qiang Zhiyuan ceased to be an Independent and Non-Executive Director with effect from 17 May 2021.

# 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 Board is of the view that the current size of the Board is appropriate for the time being for facilitation of effective decision-making on the part of the Board. In addition, the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group as each Director with his/her special contributions brings to the Board an independent and objective perspective to enable balanced and well considered decisions to be made. The Board recognises the importance and value of gender diversity and it presently includes three (3) female Directors.

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 determined in accordance with the following principles:

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

The composition of the Board is reviewed on an annual basis by the Nomination Committee to ensure that the Board 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 factors such as gender, age, ethnicity and other relevant factors, in addition to skills, background and experiences.

Taking into consideration the requirements of the China Securities Regulatory 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 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 there is an appropriate level of independence and diversity of thought and background in the composition of the Board to enable the Board to make decisions in the best interests of the Company as Non-Executive Directors make up a majority of the Board, and the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group.

## Independent Members of the Board of Directors

The Board has 3 independent members: Mr. Wong Gang, Mr. Liew Yoke Pheng Joseph and Ms. Li Qing. Accordingly, Independent Directors make up one-third of the Board. The criterion of independence is based on the definition given in Rule 210(5) of the Listing Manual and the circumstances set out in Provision 2.1 of the Code. The Board considers an "independent" director as one who is independent in conduct, character and judgement, and has no relationship (whether familial, business, financial, employment, or otherwise) with the Company, its related companies, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise

# CORPORATE GOVERNANCE STATEMENT

of the director's independent business judgment with a view to the best interests of the Company. For the avoidance of doubt, notwithstanding that Mr. Wong Gang is also the Secretary to the Board, his responsibilities as Secretary to the Board will not interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment with a view to the best interest of the Company.

Pursuant to Article 15 under the "Guidelines of Filing and Training for Independent Director in the Listed Companies" (2016 Revision) (《上市公司独立董事备案及培训工作指引》(2016修订稿)) promulgated by the SSE, an independent director cannot serve on the board of a listed company for more than six (6) consecutive years. Accordingly, there is progressive renewal of the Board.

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

## Board Guidance

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

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

## Chairman and Chief Executive Officer

The Group keeps the roles of the Chairman 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 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.

Ms. Zhang Mingrui is the Chairman of the Board. She was appointed as a Non-Executive and Non-Independent Director of the Company on 10 December 2021, and was elected as Chairman of the Board on 28 December 2021. Mr. Li Liqun was the Chairman of the Board before he ceased to be an Executive Director of the Company with effect from 19 July 2021. During the period from 19 July 2021 and 28 December 2021, Ms. Li Yan, an Executive Director of the Company, was the temporary Chairman of the Board. The Chairman of the Board is responsible for leading the Board in mapping the strategic direction of the Group. For this purpose, he/she strives to foster a culture of openness and debate within Board members, maintain open channels of communication with the Management, and monitor the implementation and execution of the Board's decisions and directions. The Chairman of the Board also approves the agendas for the Board meetings and ensures adequate amount of time is set aside for thorough discussion of each agenda item.



# CORPORATE GOVERNANCE STATEMENT

Ms. Li Yan, an Executive Director of the Company, was appointed as the General Manager on 17 February 2020, and continued as the General Manager of the Company during FY2021. She has over 20 years' experience in the pharmaceutical industry. Ms. Li Yan's responsibilities during her term of office as General Manager include overseeing the Group's overall operations, general management, investment, business development and strategic planning. The Chairman of the Board and the General Manager are not related.

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

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

The Chairman of the Board is assisted by the General Manager's Executive Meeting. Members attending the General Manager's Executive Meeting for FY2021 include (i) General Manager Ms. Li Yan, (ii) Deputy General Manager Mr. Zhang Jian, (iii) Deputy General Manager and Chief Engineer Mr. Zhou Hong, (iv) Deputy General Manager Mr. Wang Xin and (v) Chief Financial Officer (or its equivalent rank i.e. the Chief Accountant) Ms. Niu Shengfang. The General Manager's Executive Meeting is responsible for the day-to-day running of the Group as well as the exercise of control over the quality, quantity and timeliness of information flow between the Board and the Management.

3 out of 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 is reviewed by the Nomination Committee and his/her remuneration package is reviewed by the Remuneration Committee. The Board believes that the existing governance structure involving the delegation of certain functions and authority to several Board Committees, and the fact that these Committees (other than the Strategy Committee) comprised a majority of Independent Directors and each of them is chaired by an Independent Director, would provide for a balance of power and authority within the Board.

## Lead Independent Director

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

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

# CORPORATE GOVERNANCE STATEMENT

## Board Committees

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

### Strategy Committee

The Strategy Committee was established in 2002. The Strategy Committee is currently chaired by Mr. Guo Min and its other members are Ms. Li Yan and Ms. Li Qing. 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 FY2021 were as follows:

Name of director/executive	Appointment	Number of meetings held	Attendance
Guo Min <sup>1</sup>	Executive Director	1	1
Li Yan	Executive Director	1	1
Li Qing <sup>2</sup>	Independent and Non-Executive Director	1	1

#### Notes:

1. Mr. Guo Min was appointed as an Executive Director with effect from 6 September 2021.
2. Ms. Li Qing was appointed as an Independent and Non-Executive Director with effect from 17 May 2021.

### Audit Committee

The Audit Committee was established in 1997. It is presently chaired by Mr. Liew Yoke Pheng Joseph and its other members are Mr. Wong Gang and Ms. Li Qing. Mr. Qiang Zhiyuan was the chairman of the Audit Committee before he ceased to be an Independent and Non-Executive Director with effect from 17 May 2021. All the members of the Audit Committee are Independent and Non-Executive Directors of the Company. None of the members of the Audit Committee were previous partners or directors of the Company's existing auditing firms, RSM Chio Lim LLP and ShineWing Certified Public Accountants. Notwithstanding that Provision 10.2 of the Code which requires at least two (2) members, including the audit committee chairman, have recent and relevant accounting or related financial management expertise or experience, as Mr. Liew Yoke Pheng Joseph, the Audit Committee Chairman, is a Certified Public Accountant, Mr. Wong Gang has been a partner at Shook Lin & Bok LLP since 2002 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, the Board is satisfied that the members of the Audit Committee are appropriately qualified to discharge their responsibilities.

During FY2021, the Audit Committee carried out the following functions:

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

# CORPORATE GOVERNANCE STATEMENT

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

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

The Audit Committee has conducted a review and the Company confirms that it is in compliance with Rules 712 and 716 of the SGX-ST Listing Manual for FY2021. 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 FY2021, 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, RSM Chio Lim LLP and ShineWing Certified Public Accountants, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

In FY2021, the Audit Committee had 4 meetings with the external auditors, without the presence of the Management, to discuss any issues or observations arising from the audit, including the level of cooperation rendered by the Management to the auditors. The Audit Committee also had 3 meetings with the internal auditors, without the presence of the Management, during FY2021.

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

# CORPORATE GOVERNANCE STATEMENT

The number of Audit Committee meetings held and attendance during FY2021 were as follows:

Name of director/executive	Appointment	Number of meetings held	Attendance
Liew Yoke Pheng Joseph <sup>1</sup>	Independent and Non-Executive Director	6	6
Wong Gang	Independent and Non-Executive Director	6	6
Li Qing <sup>2</sup>	Independent and Non-Executive Director	2	2
Qiang Zhiyuan <sup>3</sup>	Independent and Non-Executive Director	4	4

## Notes:

1. Pursuant to the 5<sup>th</sup> Board meeting held on 20 July 2021, the Board approved that Mr. Liew Yoke Pheng Joseph shall substitute Ms. Li Qing as the Chairman of the Audit Committee with effect from 20 July 2021.
2. Ms. Li Qing was appointed as an Independent and Non-Executive Director with effect from 17 May 2021, and substituted Mr. Qiang Zhiyuan as the Chairman of the Audit Committee with effect from 17 May 2021. Pursuant to the 5<sup>th</sup> Board meeting held on 20 July 2021, the Board approved that Mr. Liew Yoke Pheng Joseph shall substitute Ms. Li Qing as the Chairman of the Audit Committee, and Ms. Li Qing continues as a member of the Audit Committee.
3. Mr. Qiang Zhiyuan ceased to be an Independent and Non-Executive Director with effect from 17 May 2021.

## Nomination Committee

The Nomination Committee was established in 2002. The chairman of the Nomination Committee is presently Ms. Li Qing, and the other members are Mr. Wong Gang and Ms. Zhang Mingrui. Mr. Wong Gang has also been appointed as Lead Independent Director with effect from 17 May 2021.

The responsibilities of the Nomination Committee are to determine the criteria for identifying suitable candidates and reviewing nominations for the appointment and re-appointment of Directors to the Board. As part of the process, the Nomination Committee will evaluate the relevant background, skills and experience of the proposed Director, to ensure that his/her skills and experience are a good fit for the Board's existing attributes and requirements. The Nomination Committee is also charged with the function of recommending a framework for evaluating the effectiveness of the Board as a whole and the contribution of the Chairman of the Board and each individual Director to the effectiveness of the Board. The Nomination Committee will also carry out such evaluation and present its findings and recommendations to the Board. In addition to the foregoing, the Nomination Committee will also make recommendations to the Board on other relevant matters pertaining to inter alia board succession plans for Directors, in particular, the appointment and/or replacement of the Chairman of the Board, the Chief Executive Officer (or its equivalent rank i.e. the General Manager) and key management personnel, and the review of training and professional development programmes for the Board.

Pursuant to Article 156 of the Articles of Association of the Company, the tenure of an Independent Director shall be 3 years which may be extended upon re-election, with a maximum term of no more than 6 years. The Board, the Supervisory Committee, or shareholders who, singly or jointly, hold more than 1% issued share of the Company, may nominate candidates for appointment as Independent Directors, following which the Nomination Committee will review these nominated candidates for suitability and the shareholders in a general meeting shall make the final decision on the appointment of such candidates as Independent Directors.



# CORPORATE GOVERNANCE STATEMENT

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. For FY2021, the Board is 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.

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 decision made by the Nomination Committee in such meetings will then be put forward to the Board for its consideration. If required, the Nomination Committee may engage 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 as directors of the Company.

With regard to the performance evaluation process undertaken by the Nomination Committee for FY2021, the Nomination Committee had conducted an assessment of Board performance based on numerous financial criteria such as the return on equity of the Group, etc. and other non-financial criteria such as inter alia the Board's input to strategy, and the level of engagement with the Management. Such criteria employed by the Nomination Committee are comparable with industry peers and have not changed from year to year. Key areas for improvement or suggestions are then raised to the Board for discussion. The Nomination Committee did not utilise any external facilities to assess the performance of the Board, any Board Committee or the Directors.

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

- determine on an annual basis, and as and when circumstances require, whether a Director is independent; and
- identify gaps in the mix of skills, experience and other qualities required for an effective Board, and where appropriate, nominate or recommend suitable candidates to fill the gaps. When this occurs, the members of the Nomination Committee, together with the 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.

# CORPORATE GOVERNANCE STATEMENT

The number of Nomination Committee meetings held and attendance during FY2021 were as follows:

Name of director/executive	Appointment	Number of meetings held	Attendance
Li Qing <sup>1</sup>	Independent and Non-Executive Director	2	2
Wong Gang	Independent and Non-Executive Director	3	3
Tang Tiejun <sup>2</sup>	Non-Executive and Non-Independent Director	2	2
Liew Yoke Pheng Joseph <sup>3</sup>	Independent and Non-Executive Director	1	1
Zhang Mingrui <sup>4</sup>	Non-Executive and Non-Independent Director	0	0

## Notes:

- Ms. Li Qing was appointed as an Independent and Non-Executive Director with effect from 17 May 2021, and substituted Mr. Qiang Zhiyuan as the Chairman of the Audit Committee with effect from 17 May 2021. Pursuant to the 5th Board meeting held on 20 July 2021, the Board approved that Ms. Li Qing shall substitute Mr. Liew Yoke Pheng Joseph as the Chairman of the Nomination Committee with effect from 20 July 2021.
- Mr. Tang Tiejun ceased to be a Non-Executive and Non-Independent Director with effect from 21 October 2021.
- Pursuant to the 5th Board meeting held on 20 July 2021, the Board approved that Ms. Li Qing shall substitute Mr. Liew Yoke Pheng Joseph as the Chairman of the Nomination Committee with effect from 20 July 2021, and Mr. Liew Yoke Pheng Joseph continued to be a member of the Nomination Committee until 20 July 2021.
- Ms. Zhang Mingrui was appointed as a Non-Executive and Non-Independent Director with effect from 10 December 2021 and substituted Mr. Liew Yoke Pheng Joseph as a member of the Nomination Committee from 10 December 2021.

## Remuneration Committee

The Remuneration Committee was established in 2002. The Remuneration Committee is presently chaired by Mr. Wong Gang, and the other members are Mr. Liew Yoke Pheng Joseph and Mr. Zhang Ping.

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

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

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

# CORPORATE GOVERNANCE STATEMENT

The number of Remuneration Committee meetings held and attendance during FY2021 were as follows:

Name of director/executive	Appointment	Number of meetings held	Attendance
Wong Gang	Independent and Non-Executive Director	1	1
Liew Yoke Pheng Joseph	Independent and Non-Executive Director	1	1
Zhang Ping	Non-Executive and Non-Independent Director	1	1

## Alternate Directors

The Company has no alternate directors on its Board.

## REMUNERATION MATTERS

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

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

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

	Salary %	Bonus %	Termination, Retirement and Post-employment benefits %	Other Benefits %	Total %
<b>Below S\$250,000</b>					
Guo Min <sup>1</sup>	–	–	–	–	–
Wang Mai	100	–	–	–	100
Zhou Hong	100	–	–	–	100
<b>S\$250,000 and above, but below S\$750,000</b>					
Li Yan <sup>2</sup>	100	–	–	–	100
Li Liqun <sup>3</sup>	100	–	–	–	100

### Notes:

- Mr. Guo Ming was appointed as an Executive Director with effect from 6 September 2021. However, no remuneration was paid to Mr. Guo Min for FY2021 by the Company.
- Ms. Li Yan, an Executive Director of the Company, was appointed as the General Manager of the Company on 17 February 2020, and continued as the General Manager of the Company during FY2021.
- Mr. Li Liqun ceased to be an Executive Director with effect from 19 July 2021.

# CORPORATE GOVERNANCE STATEMENT

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

The directors' fees paid to the Independent Directors of the Company for FY2021 are set out below:

Name of Director	Salary	Bonus	Directors' fees	Total
Liew Yoke Pheng Joseph	0	0	S\$55,000	S\$55,000
Wong Gang	0	0	S\$55,000	S\$55,000
Li Qing <sup>1</sup>	0	0	RMB40,000	RMB40,000
Qiang Zhiyuan <sup>2</sup>	0	0	RMB25,000	RMB25,000

**Notes:**

1. Ms. Li Qing was appointed as an Independent and Non-Executive Director with effect from 17 May 2021.
2. Mr. Qiang Zhiyuan ceased to be an Independent and Non-Executive Director with effect from 17 May 2021.

Details of remuneration paid to the top 4 key executives (who are not Directors or the Chief Executive Officer (or its equivalent rank i.e. the General Manager)) of the Group for FY2021 are set out below:

Name of executive	*Total Remuneration
Li Yong	RMB1,057,900
Zhang Jian	RMB1,057,900
Wang Xin	RMB1,101,800
Niu Shengfang	RMB1,057,900

A breakdown of the level and mix of remuneration of the top 4 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 %
<b>Below S\$250,000</b>					
Li Yong	100	–	–	–	100
Zhang Jian	100	–	–	–	100
Wang Xin	100	–	–	–	100
Niu Shengfang	100	–	–	–	100

The aggregate total remuneration paid to or accrued to the top 4 key executives (who are not Directors or Chief Executive Officer (or its equivalent rank, i.e. the General Manager)) amounted to RMB4,275,500.



# CORPORATE GOVERNANCE STATEMENT

Notwithstanding the requirement in Provision 8.1(b) of the Code to disclose the remuneration of at least the Company's top five (5) key management personnel (who are not the directors or the chief executive officer) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel, save for the 4 key executives mentioned above, there are no other persons whom the Company considers to be key management personnel of the Company (who are not the Directors or the Chief Executive Officer (or its equivalent rank i.e. the General Manager)).

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 FY2021.

Pursuant to an extraordinary general meeting of the Company held on 2 December 2019, the shareholders of the Company approved, inter alia, the adoption of the 2019 Restricted A-Share Incentive Scheme (2019年A股限制性股票计划) (the "**Scheme**"). Please refer to the circular dated 15 November 2019 issued by the Company for further details on the Scheme, and the announcements made by the Company on SGXNET on 9 December 2019, 8 January 2020, 17 February 2020, 6 July 2020, 17 July 2020, 28 July 2020, 14 August 2020, 27 October 2021, 13 August 2021 and 15 November 2021 in relation to the events in connection with the Scheme.

The aggregate number of Restricted A-Shares (as defined under the Scheme) held by the Directors under the Scheme as at 31 December 2021 are set out below:

Name of Director	Aggregate number of Restricted A-Shares (as defined under the Scheme) held as at 31 December 2021
Li Liquan <sup>1</sup>	70,000
Li Yan	70,000
Wang Mai	70,000
Zhou Hong	70,000

**Note:**

1. Mr. Li Liquan ceased to be an Executive Director with effect from 19 July 2021. For the avoidance of doubt, the 70,000 Restricted A-Shares are still held by Mr. Li Liquan notwithstanding that he has ceased to be a director of the Company.

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

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

## ACCOUNTABILITY AND AUDIT

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

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

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

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

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

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

# CORPORATE GOVERNANCE STATEMENT

The Audit Committee reviews the adequacy and effectiveness of the Group's internal audit function annually. For FY2021, the Audit Committee is of the view that the Group's internal audit function is independent, effective and adequately resourced.

## Internal Controls and Risk Management

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

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

To ensure that the internal controls and risk management systems in place are not undermined as a result of mismanagement, the Company has developed internal regulations 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 2021 have been properly maintained and the financial statements for FY2021 give a true and fair view of the Company's operations and finances and regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

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

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

# CORPORATE GOVERNANCE STATEMENT

Whistleblowers have direct access to the Discipline Inspection Committee 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 reports, is responsible for oversight and monitoring of whistleblowing. The Audit Committee, which is responsible for oversight and monitoring of whistleblowing, also reviews the whistleblowing policy from time to time and ensures that suitable arrangements are in place for concerns raised to be independently investigated, and for the appropriate follow-up action to be taken.

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

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Communication with Shareholders

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

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

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

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



# CORPORATE GOVERNANCE STATEMENT

The Company provides for separate resolutions on each distinct issue at general meetings (including but not limited to AGMs). To encourage greater transparency in the voting process and in compliance with the Listing Manual, the Company conducts electronic poll voting for Shareholders holding “A” Shares (the “**A-Share Shareholders**”), and manual poll voting for Shareholders holding “S” Shares (the “**S-Share Shareholders**”), for all resolutions proposed at the general meetings. Shareholders are adequately informed of the rules governing general meetings of shareholders, including the voting procedures in place. An independent scrutineer is also appointed to tally and validate the votes that are cast at the meetings. The poll voting results showing the respective percentages for and against each resolution are immediately presented to shareholders after the votes are tallied and these results are also announced on SGXNET in a timely fashion after the general meeting. The Company will publish minutes of general meetings on SGXNET and/or its corporate website as soon as practicable. The minutes will record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and the Management.

Due to the COVID-19 pandemic, the SGX-ST had issued an announcement on “Extension of Temporary Legislative Relief for Conduct of General Meetings via Electronic Means Beyond 30 June 2021” on 7 April 2021, which provides the issuers may continue to utilise the published checklist relating to guidelines for listed entities on the conduct of general meetings amid the evolving COVID-19 (the “**SGX Checklist**”) that was first jointly issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and Singapore Exchange Regulation on 13 April 2020 and updated on 27 April 2020, 22 June 2020 and 1 October 2020.

Accordingly, the Company had conducted its annual general meeting held on 17 May 2021 (the “**2021 AGM**”) as well as its extraordinary general meetings held on 6 September 2021 (“**2021 1<sup>st</sup> EGM**”) and on 10 December 2021 (“**2021 2<sup>nd</sup> EGM**”, and collectively with the 2021 1<sup>st</sup> EGM, the “**2021 EGMs**”) respectively in consideration of the SGX Checklist. In particular, in view of the COVID-19 pandemic, the S-Share Shareholders in Singapore were required to appoint the chairman of the general meeting as their proxies as physical attendance was not permitted, and their votes were tallied with the votes of the A-Share Shareholders in the PRC. The 2021 AGM and 2021 EGMs were conducted by way of electronic means for the S-Share Shareholders, in accordance with the SGX Checklist. In accordance with the SGX Checklist, the minutes of each of the 2021 AGM and the 2021 EGMs were announced on SGXNET on 11 June 2021, 24 September 2021 and 28 December 2021, respectively.

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

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

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

# CORPORATE GOVERNANCE STATEMENT

## Dividend Policy

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

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

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

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

Further details on the Shareholder Return Plan can be found on pages 28 to 31 of the Company's annual report for the financial year ended 31 December 2019, which was uploaded on SGXNET on 21 May 2020.

Pursuant to the *Regulatory Guideline No. 3 for Listed Companies -Distribution of Cash Dividends by Listed Companies (2022 Revision)* (《上市公司监管指引第3号—上市公司现金分红》(2022年修订)) promulgated by the CSRC, the *Guideline for the Distribution of Cash Dividends by Listed Companies* (《上市公司现金分红指引》) promulgated by the SSE, and other relevant laws and regulations, Article 224 of the Articles of Association of the Company was amended pursuant to a resolution passed by shareholders of the Company in an extraordinary general meeting held on 18 August 2014 to (i) state explicitly that when the conditions for distributing profits through cash dividends are met, the Company shall distribute profits through cash dividends; and (ii) set out the procedure and requisite contents of a scheme on return of investment to shareholders. More information on the foregoing can be found in the circular to shareholders dated 1 August 2014.

# CORPORATE GOVERNANCE STATEMENT

## 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 weeks prior to the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's financial statements for the full financial year.

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

## COMPLIANCE WITH EXISTING BEST PRACTICES GUIDE OF THE SINGAPORE EXCHANGE

The Board of Directors confirms that for the financial year ended 31 December 2021, the Company has complied with the principal corporate governance recommendations set out in the Best Practices Guide issued by the SGX-ST.

## DISCLOSURE REGARDING COMPANY'S RELATIONSHIP WITH TIANJIN SASAC

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

Notwithstanding the foregoing, under the laws of Singapore, Tianjin SASAC was not considered a controlling shareholder of the Company. Pursuant to the *Law of the People's Republic of China on the State-Owned Assets of Enterprises* (《中华人民共和国企业国有资产法》), the State Council of the PRC (the "State Council") and the local people's governments shall, in accordance with laws and administrative regulations, perform respectively the contributor's functions for state-invested enterprises and enjoy the contributor's rights and interests on behalf of the state. In this relation, the state-owned assets supervision and administration bodies established by the local people's governments according to the provisions of the State Council shall perform the contributor's functions for state-invested enterprises on behalf of and upon the authorisation of the corresponding people's government. Accordingly, the establishment and responsibilities of Tianjin SASAC are based on, and subject to, the PRC laws, 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 (2020 Revised Edition) 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).

# STATEMENT BY DIRECTORS

The directors are pleased to present the consolidated financial statements of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the “Company”) and its subsidiaries (collectively, the “Group”) and the statement of financial position and statement of changes in equity of the Company for the reporting year ended 31 December 2021.

## 1. Opinion of the directors

In the opinion of the directors:

- (a) The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (b) At the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

## 2. Directors

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

Guo Min (Appointed on 6 September 2021)  
 Li Qing (Appointed on 17 May 2021)  
 Li Yan  
 Liew Yoke Pheng, Joseph  
 Wang Mai  
 Wong Gang  
 Zhang Mingrui (Appointed on 10 December 2021)  
 Zhang Ping  
 Zhou Hong

## 3. Directors’ interests in shares and debentures

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

Name of director in which interests are held	Direct interest	
	At beginning of year	At end of year
Li Yan	70,000 <sup>(1)</sup>	70,000 <sup>(1)</sup>
Wang Mai	70,000 <sup>(1)</sup>	70,000 <sup>(1)</sup>
Zhou Hong	70,000 <sup>(1)</sup>	70,000 <sup>(1)</sup>

The directors’ interests as at 21 January 2022 were the same as those at the end of the reporting year.

**Note:** (1) These are the Restricted A-Shares (as defined under the Scheme) granted and issued under the 2019 Restricted A-Share Incentive Scheme (2019年A股限制性股票计划) [the “Scheme”) of the Company.



# STATEMENT BY DIRECTORS

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

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

## 5. Options

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

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

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

## 6. Independent auditors

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

On behalf of the directors

.....  
Zhang Mingrui  
Director

.....  
Li Yan  
Director

29 March 2022

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

## Report on the audit of the financial statements

### *Opinion*

We have audited the financial statements of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

### *Basis for opinion*

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

### *Key audit matters*

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

#### Assessment of net realisable value of inventories

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

The Group is principally engaged in the manufacture and sale of traditional Chinese and Western medicine in the People's Republic of China. The Group's inventories are measured at lower of cost and estimated net realisable value. The carrying amount was RMB1,525,089,000, representing 17% of the Group's total assets. During the reporting year ended 31 December 2021, the Group wrote-down inventories amounting to RMB10,341,000.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

## ***Key audit matters (Cont'd)***

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

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

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

- We reviewed the Group's policy for inventories write-down and performed procedures to assess management's rationale and determination of net realisable value of inventories;
- We reviewed and tested the reliability of the inventories ageing reports that management used as a basis to identify slow-moving and obsolete items;
- We tested management's computation of the amount of inventories written-down and written-back;
- We tested the net realisable value of inventories by comparing to market prices;
- For inventories approaching expiry dates and have been written down, we reviewed the historical sales of these items to assess whether the write-down was appropriate; and
- We assessed the adequacy of disclosures made in the financial statements.

### Assessment of impairment of trade receivables

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

As set out in note 22 to the financial statements, the Group's trade receivables amounted to RMB1,970,585,000 as at 31 December 2021, representing 22% 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 the trade receivables and, where relevant, incorporated forward-looking information that reflected management's view of potential future economic conditions (including the impact of the COVID-19 pandemic).

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

## ***Key audit matters (Cont'd)***

### Assessment of impairment of trade receivables (Cont'd)

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

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

## ***Other information***

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

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

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

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

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

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

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

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

## *Auditors' responsibilities for the audit of the financial statements*

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

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

- 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.
- 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.



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

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

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

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

RSM Chio Lim LLP  
Public Accountants and Chartered Accountants

8 Wilkie Road  
#03-08 Wilkie Edge  
Singapore 228095

29 March 2022

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

ShineWing Certified Public Accountants  
(Special General Partnership)

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

29 March 2022

Partner-in-charge: Luo Jun  
Appointment since reporting year ended  
31 December 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
<b>Revenue</b>	4	<b>6,907,544</b>	6,603,652
Cost of sales		<b>(4,214,548)</b>	(4,086,048)
<b>Gross profit</b>		<b>2,692,996</b>	2,517,604
Interest income	5	<b>50,483</b>	28,072
Dividend income		<b>-</b>	1,447
Other income and gains	6	<b>69,844</b>	67,439
Marketing and distribution expenses		<b>(1,556,447)</b>	(1,457,878)
Research and development expenses		<b>(161,052)</b>	(149,202)
Administrative expenses		<b>(388,769)</b>	(358,552)
Finance costs	7	<b>(1,909)</b>	(2,509)
Other losses	6	<b>(17,937)</b>	(29,007)
Share of results from equity-accounted associates		<b>185,597</b>	150,644
<b>Profit before tax</b>		<b>872,806</b>	768,058
Income tax expense	9	<b>(85,929)</b>	(88,396)
<b>Profit for the year</b>		<b>786,877</b>	679,662
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Fair value gain on equity investments measured at fair value through other comprehensive income, net of tax	26C	<b>2,323</b>	5,756
Share of other comprehensive income/(loss) from equity-accounted associates, net of tax	26A	<b>5,111</b>	(26,313)
<b>Total other comprehensive income/(loss) for the year</b>		<b>7,434</b>	(20,557)
<b>Total comprehensive income for the year</b>		<b>794,311</b>	659,105
Profit for the year attributable to:			
Owners of the Company		<b>769,143</b>	661,705
Non-controlling interests		<b>17,734</b>	17,957
		<b>786,877</b>	679,662
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>776,577</b>	641,148
Non-controlling interests		<b>17,734</b>	17,957
		<b>794,311</b>	659,105
<b>Earnings per share</b>			
Earnings per share currency unit		<b>RMB</b>	<b>RMB</b>
Basic and diluted	10	<b>0.99</b>	0.86

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		Group		Company	
	Note	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	1,483,273	1,457,053	1,047,816	1,035,555
Investment properties	13	15,177	21,512	14,349	20,634
Right-of-use assets	14	3,054	2,609	–	–
Land use rights	15	182,638	188,289	156,907	161,744
Intangible assets	16	20,270	15,734	18,568	13,045
Investments in subsidiaries	17	–	–	535,525	498,428
Investments in associates	18	729,660	687,538	729,660	687,538
Other financial assets	19	11,081	116,311	11,081	8,348
Deferred tax assets	9	154,605	165,480	140,059	150,376
Other assets	20	42,333	25,259	40,067	22,415
<b>Total non-current assets</b>		<b>2,642,091</b>	<b>2,679,785</b>	<b>2,694,032</b>	<b>2,598,083</b>
<b>Current assets</b>					
Inventories	21	1,525,089	1,487,715	1,391,957	1,344,912
Trade and other receivables	22	2,011,319	2,007,426	1,941,982	1,918,755
Other financial assets	19	484,464	–	374,829	–
Other assets	20	120,940	121,127	103,188	104,942
Cash and cash equivalents	23	2,283,181	1,987,334	2,055,683	1,791,009
<b>Total current assets</b>		<b>6,424,993</b>	<b>5,603,602</b>	<b>5,867,639</b>	<b>5,159,618</b>
<b>Total assets</b>		<b>9,067,084</b>	<b>8,283,387</b>	<b>8,561,671</b>	<b>7,757,701</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	24	773,443	773,643	773,443	773,643
Share premium		1,228,740	1,229,980	1,228,740	1,229,980
Retained earnings		3,890,250	3,353,080	3,818,874	3,278,987
Other reserves	26	504,077	486,491	553,504	536,706
<b>Equity attributable to owners of the Company</b>		<b>6,396,510</b>	<b>5,843,194</b>	<b>6,374,561</b>	<b>5,819,316</b>
Non-controlling interests		149,352	141,484	–	–
<b>Total equity</b>		<b>6,545,862</b>	<b>5,984,678</b>	<b>6,374,561</b>	<b>5,819,316</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	9	4,212	3,802	4,212	3,802
Trade payables	27	12,445	30,659	12,297	30,507
Lease liabilities	28	1,572	1,710	–	–
Other financial liabilities	29	–	30,000	–	–
Other liabilities	30	101,124	103,471	66,757	67,618
<b>Total non-current liabilities</b>		<b>119,353</b>	<b>169,642</b>	<b>83,266</b>	<b>101,927</b>
<b>Current liabilities</b>					
Income tax payable		9,530	10,492	–	1,760
Trade and other payables	27	2,145,133	1,870,907	1,896,456	1,598,324
Lease liabilities	28	1,597	1,000	–	–
Other financial liabilities	29	30,000	–	–	–
Other liabilities	30	215,609	246,668	207,388	236,374
<b>Total current liabilities</b>		<b>2,401,869</b>	<b>2,129,067</b>	<b>2,103,844</b>	<b>1,836,458</b>
<b>Total liabilities</b>		<b>2,521,222</b>	<b>2,298,709</b>	<b>2,187,110</b>	<b>1,938,385</b>
<b>Total equity and liabilities</b>		<b>9,067,084</b>	<b>8,283,387</b>	<b>8,561,671</b>	<b>7,757,701</b>

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

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

Group	Attributable to owners of the Company					Non-	Total
	Share capital	Share premium	Retained earnings	Other reserves	Total	controlling interests	equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current year</b>							
At 1 January 2021	773,643	1,229,980	3,353,080	486,491	5,843,194	141,484	5,984,678
<b>Changes in equity</b>							
Total comprehensive income for the year	-	-	769,143	7,434	776,577	17,734	794,311
Repurchase and cancellation of Restricted A-Shares	(200)	(1,240)	-	-	(1,440)	-	(1,440)
Dividends (note 11A)	-	-	(231,973)	-	(231,973)	-	(231,973)
Distributions to non-controlling interests (note 11B)	-	-	-	-	-	(9,866)	(9,866)
Share-based payments (note 25)	-	-	-	10,152	10,152	-	10,152
At 31 December 2021	777,443	1,228,740	3,890,250	504,077	6,396,510	149,352	6,545,862
<b>Previous year</b>							
At 1 January 2020	768,873	1,198,817	2,881,174	539,310	5,388,174	135,032	5,523,206
<b>Changes in equity</b>							
Total comprehensive income for the year	-	-	661,705	(20,557)	641,148	17,957	659,105
Issuance of shares under Restricted A-Share Incentive Scheme	4,870	31,783	-	-	36,653	-	36,653
Repurchase and cancellation of Restricted A-Shares	(100)	(620)	-	-	(720)	-	(720)
Appropriation of statutory common reserve (note 26B)	-	-	(420)	420	-	-	-
Transfers from fair value reserve to retained earnings upon de-recognition of other financial assets measured at fair value through other comprehensive income	-	-	42,432	(42,432)	-	-	-
Dividends (note 11A)	-	-	(231,811)	-	(231,811)	-	(231,811)
Distributions to non-controlling interests (note 11B)	-	-	-	-	-	(11,505)	(11,505)
Share-based payments (note 25)	-	-	-	9,750	9,750	-	9,750
At 31 December 2020	773,643	1,229,980	3,353,080	486,491	5,843,194	141,484	5,984,678

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

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

<u>Company</u>	<u>Share capital RMB'000</u>	<u>Share premium RMB'000</u>	<u>Retained earnings RMB'000</u>	<u>Other reserves RMB'000</u>	<u>Total equity RMB'000</u>
<b>Current year</b>					
At 1 January 2021	773,643	1,229,980	3,278,987	536,706	5,819,316
<b>Changes in equity</b>					
Total comprehensive income for the year	-	-	771,860	7,434	779,294
Repurchase and cancellation of Restricted A-Shares	(200)	(1,240)	-	-	(1,440)
Dividends (note 11A)	-	-	(231,973)	-	(231,973)
Non-cash contribution to subsidiary	-	-	-	(788)	(788)
Share-based payments (note 25)	-	-	-	10,152	10,152
At 31 December 2021	773,443	1,228,740	3,818,874	553,504	6,374,561
<b>Previous year</b>					
At 1 January 2020	768,873	1,198,817	2,798,064	589,525	5,355,279
<b>Changes in equity</b>					
Total comprehensive income for the year	-	-	670,722	(20,557)	650,165
Issuance of shares under Restricted A-Share Incentive Scheme	4,870	31,783	-	-	36,653
Repurchase and cancellation of Restricted A-Shares	(100)	(620)	-	-	(720)
Appropriation of statutory common reserve (note 26B)	-	-	(420)	420	-
Transfers from fair value reserve to retained earnings upon de-recognition of other financial assets measured at fair value through other comprehensive income	-	-	42,432	(42,432)	-
Dividends (note 11A)	-	-	(231,811)	-	(231,811)
Share-based payments (note 25)	-	-	-	9,750	9,750
At 31 December 2020	773,643	1,229,980	3,278,987	536,706	5,819,316

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	2021 RMB'000	2020 RMB'000
<b>Cash flows from operating activities</b>		
Profit before tax	872,806	768,058
Adjustments for:		
Interest income	(50,483)	(28,072)
Interest expense	1,909	2,509
Dividend income	-	(1,447)
Gain on maturity and disposal of financial assets	-	(3,930)
Investment income on debts instruments at amortised cost	(27,888)	(4,389)
Share of results from equity-accounted associates	(185,597)	(150,644)
Depreciation and amortisation of property, plant and equipment, investment property, right-of-use assets, land use rights, intangible assets and other assets	117,794	113,554
Net gains on disposal of properties, plant and equipment, intangible assets and other non-current assets	(10,389)	(6,621)
Impairment losses on receivables and write-down of inventories	17,937	5,429
Share-based payments	10,152	9,750
Operating cash flows before changes in working capital	746,241	704,197
Inventories	(47,401)	110,957
Trade and other receivables	(7,421)	(225,549)
Other assets	(19,147)	111,744
Trade and other payables	271,731	166,221
Cash restricted in use	-	38
Other liabilities	(33,406)	(97,886)
Net cash flows from operations	910,597	769,722
Income tax paid	(93,177)	(126,373)
<b>Net cash flows from operating activities</b>	<b>817,420</b>	<b>643,349</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(156,949)	(189,162)
Proceeds from disposals of property, plant and equipment and intangible assets	28,713	6,769
Acquisition of associate	-	(1,000)
Acquisition of other financial assets	(349,920)	(34,473,715)
Proceeds from disposals of other financial assets	15,000	34,502,007
Proceeds from unquoted bonds	-	13,758
Interest income received	37,700	35,874
Dividend income from associates and other financial assets measured at fair value through other comprehensive income	148,586	207,313
<b>Net cash flows (used in)/from investing activities</b>	<b>(276,870)</b>	<b>101,844</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	2021 RMB'000	2020 RMB'000
<b>Cash flows from financing activities</b>		
Advances received for issuance of Restricted A-Shares	-	8,357
Repurchase of Restricted A-Shares	(1,349)	(697)
Dividends paid	(230,858)	(230,769)
Distributions to non-controlling interests	(9,866)	(11,209)
Interest expense paid	(1,186)	(1,839)
Repayment of lease liabilities	(1,369)	(1,105)
Payment of short term lease	(75)	-
<b>Net cash flows used in financing activities</b>	<b>(244,703)</b>	<b>(237,262)</b>
<b>Net increase in cash and cash equivalents</b>	<b>295,847</b>	<b>507,931</b>
Cash and cash equivalents at beginning of year	1,987,334	1,479,403
<b>Cash and cash equivalents at end of year (Note 23)</b>	<b>2,283,181</b>	<b>1,987,334</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 1. GENERAL

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 2A. Basis of preparation

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

The statutory financial statements, prepared by the directors in accordance with the China Corporate Accounting Standards (“CAS”), are audited by ShineWing Certified Public Accountants (Special General Partnership) whose audit report dated 29 March 2022 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 36.

#### Historical cost convention

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

#### Critical accounting estimates

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2A. Basis of preparation (Cont'd)

#### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2021 and the results of all subsidiaries for the reporting year then ended.

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

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

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

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

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

#### 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

YEAR ENDED 31 DECEMBER 2021

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

### 2B. New or amended accounting standards and interpretations adopted

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

### 2C. Significant accounting policies

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

#### Revenue recognition

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

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

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.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### Revenue recognition (Cont'd)

##### Sale of goods

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

##### **Other income**

##### Rental income

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

##### Interest income

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

##### Dividend income

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

##### **Government grants**

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### Employee benefits

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

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

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

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

#### Share-based payments

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### Share-based payments (Cont'd)

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

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

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

#### Foreign currency translation

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

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

#### Borrowing costs

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

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### Income tax (Cont'd)

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

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

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

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

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

#### Earnings per share

##### Basic earnings per share

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### Earnings per share (Cont'd)

##### Diluted earnings per share

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

#### Current and non-current classification

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

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

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

Deferred tax assets and liabilities are always classified as non-current.

#### Property, plant and equipment

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### Property, plant and equipment (Cont'd)

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

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

#### Investment property

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

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

#### Right-of-use assets

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### Land use rights

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

#### Intangible assets

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

#### Research and development

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### Subsidiaries

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

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

#### Non-controlling interests

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

#### Associates

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### Associates (Cont'd)

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

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

#### Impairment of non-financial assets

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

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

#### Business combinations

There were no business combinations during the reporting year.

#### Inventories

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### Financial instruments

##### Recognition and de-recognition of financial instruments

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

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

##### Classification and measurement of financial assets

#### (i) Financial asset classified as measured at amortised cost

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### Financial instruments (Cont'd)

##### Classification and measurement of financial assets (Cont'd)

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

On initial recognition of an equity investment that is not held for trading, an irrevocably election may be made to present subsequent changes in fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis. Fair value changes are recognised in OCI but dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. The gain or loss that is presented in OCI includes any related foreign exchange component arising on non-monetary investments (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.

- (iv) Financial asset classified as measured at FVTPL

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

##### Classification and measurement of financial liabilities

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

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

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

#### Cash and cash equivalents

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### 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.

#### Provisions

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

#### Fair value measurement

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2C. Significant accounting policies (Cont'd)

#### Lease liabilities

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

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

#### New accounting standards and interpretations not yet mandatory or early adopted

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

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

New accounting standards and interpretations	Effective date for periods beginning on or after
Annual Improvements to IFRS 2018 to 2021	1 January 2022
References to Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2D. Critical judgements, assumptions and estimation uncertainties

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

#### COVID-19 pandemic

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

#### Assessment of write-down of inventories

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

#### Assessment of impairment of trade receivables

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

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

#### Assessment of impairment of non-current assets

An assessment is made at end of each reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is determined based on fair value less cost to sell method and value-in-use calculations. The value-in-use calculations require the use of estimates. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the assets of the Group at end of reporting year affected by this assumption was RMB90,590,000 (2020: RMB321,000,000).

#### Assessment of impairment of investments in subsidiaries

Where an subsidiary is in net equity deficit and or has suffered losses, a test is made whether the investment in the investee has suffered any impairment loss. This measurement requires significant judgement. An estimate is made of the future profitability of the subsidiary, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of the assets of the Company at end of reporting year affected by this assumption was RMB231,820,000 (2020: RMB337,790,000).

#### Income tax

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

## 3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3A. Members of a group

Prior to 26 March 2021, Tianjin Pharmaceutical Holdings Co., Ltd (天津市医药集团有限公司) ("Tianjin Pharmaceutical Holdings"), Tianjin Bohai State-owned Assets Management Co., Ltd (天津渤海国有资产经营管理有限公司) ("Tianjin Bohai AMC") and Tianjin Taida Industries Group Co., Ltd. (formerly known as Tianjin Jinlian Investment Holding Co., Ltd) (天津泰达实业集团有限公司(原名:天津津联投资控股有限公司)) ("Tianjin Taida"), were the Company's immediate parent company, intermediate parent company and ultimate parent company, respectively. Tianjin Pharmaceutical Holdings, Tianjin Bohai AMC and Tianjin Taida are incorporated in the PRC.

On 26 March 2021, subsequent to the completion of the mixed-ownership reform of Tianjin Pharmaceutical Holdings, Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司) ("Jinhushen"), a private company established in the PRC, purchased 67% of the equity interests in Tianjin Pharmaceutical Holdings from Tianjin Bohai AMC, pursuant to which Jinhushen became the ultimate parent company of the Company.

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

### 3B. Related companies

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

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

#### Significant related company transactions

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

	Group	
	2021	2020
	RMB'000	RMB'000
Sale of goods to associates	2,859	1,101
Purchase of goods from associates	(76,365)	(69,473)
Interest income from associate	6,626	2,789
Interest expense to associate capitalised in construction in progress	(1,186)	(1,267)
Rental income from associate	220	881
Proceeds from sale of investment property to associate <sup>#</sup>	12,652	—

<sup>#</sup> Net book value of investment property sold to associate is RMB10,308,000.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3B. Related companies (Cont'd)

#### Significant related company transactions (Cont'd)

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

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<u>Associates</u>				
At beginning of year	30,269	29,349	30,269	29,349
Amounts paid out and settlement of liabilities on behalf of associates	449	1,215	449	1,215
Amounts paid in and settlement on behalf of the Group and of the Company	(2,896)	(295)	(2,896)	(295)
At end of year	27,822	30,269	27,822	30,269

Presented in statements of financial position as follows:

Other receivables (note 22)	27,861	30,309	27,861	30,309
Other payables (note 27)	(39)	(40)	(39)	(40)
	27,822	30,269	27,822	30,269

### 3C. Related parties other than related companies

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

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

#### Significant related party transactions

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

	Group	
	2021 RMB'000	2020 RMB'000
Sale of goods to related parties	148,547	107,163
Purchase of goods from related parties	(201,345)	(168,724)
Rental expenses to related parties	(3,051)	(4,871)

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

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

#### Significant related party transactions (Cont'd)

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

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Related parties				
At beginning of year	(107)	(540)	(104)	(537)
Amounts paid out and settlement of liabilities on behalf of related parties	8,889	3,779	8,889	3,779
Amounts paid in and settlement on behalf of the Group and of the Company	(9,586)	(3,346)	(9,587)	(3,346)
At end of year	(804)	(107)	(802)	(104)

Presented in statements of financial position as follows:

Other receivables (note 22)	-	74	-	74
Other payables (note 27)	(804)	(181)	(802)	(178)
	(804)	(107)	(802)	(104)

### 3D. Key management compensation

	Group	
	2021 RMB'000	2020 RMB'000
Salaries and other short-term employee benefits	10,952	10,957

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

	Group	
	2021 RMB'000	2020 RMB'000
Remuneration of directors of the Company	5,381	4,498

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3E. Assets held in trust by related parties

#### Titles to properties and land use rights

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

#### Titles to other financial assets

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

## 4. REVENUE

### 4A. Revenue classified by type of goods or services

	Group	
	2021 RMB'000	2020 RMB'000
Sale of goods	6,892,216	6,590,008
Rental and service income	15,328	13,644
	<b>6,907,544</b>	<b>6,603,652</b>

### 4B. Revenue classified by timing of revenue recognition

	Group	
	2021 RMB'000	2020 RMB'000
Point in time	6,892,216	6,590,008
Over time	15,328	13,644
	<b>6,907,544</b>	<b>6,603,652</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 5. INTEREST INCOME

	Group	
	2021 RMB'000	2020 RMB'000
Interest income from banks and financial institutions	50,483	28,072

## 6. OTHER INCOME AND GAINS/(LOSSES)

	Group	
	2021 RMB'000	2020 RMB'000
Allowance for impairment of trade receivables	(4,893)	(6,349)
Allowance for impairment of other receivables	(2,703)	(3,194)
Reversal of employment termination benefits	11,877	490
Investment income on other financial assets at amortised cost	27,888	4,389
Foreign currency gains	688	1,735
Gain on maturity and disposals of financial assets	-	3,930
Government grants and subsidies	9,296	42,285
(Write-down)/write-back of inventories	(10,341)	4,114
Gain on disposal and write-off of property, plant and equipment, investment properties and intangible assets	10,389	6,621
Waiver of payables	8,247	-
Penalties	-	(18,100)
Others	1,459	2,511
	51,907	38,432

Presented in consolidated statement of profit or loss as:

Other income and gains	69,844	67,439
Other losses	(17,937)	(29,007)
	51,907	38,432

## 7. FINANCE COSTS

	Group	
	2021 RMB'000	2020 RMB'000
Interest expense on borrowings	-	7
Interest expense on lease liabilities	102	143
Imputed interest on accrued retirement and termination benefits	1,807	2,359
	1,909	2,509

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2021 RMB'000	2020 RMB'000
Salaries and bonuses	679,184	657,185
Contributions to defined contribution plans and other welfare	130,940	114,646
Post-employment benefits	99,706	22,453
Termination benefits	965	9,159
Share-based payments	10,152	9,750
	<b>920,947</b>	<b>813,193</b>

Employee benefits expense is charged as follows:

	Group	
	2021 RMB'000	2020 RMB'000
Cost of sales	306,276	220,151
Marketing and distribution expenses	331,543	281,045
Research and development expenses	51,994	49,419
Administrative expenses	231,134	262,578
	<b>920,947</b>	<b>813,193</b>

## 9. INCOME TAX

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

	Group	
	2021 RMB'000	2020 RMB'000
<u>Current tax</u>		
Current tax expense	79,039	70,250
Adjustments in respect of prior years	(3,985)	(178)
	<b>75,054</b>	<b>70,072</b>
<u>Deferred tax</u>		
Deferred tax expense	10,875	18,324
	<b>85,929</b>	<b>88,396</b>



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 9. INCOME TAX (CONT'D)

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

The income tax expense varied from the amount determined by applying the PRC statutory corporate tax rate of 25% (2020: 25%) to profit before tax as a result of the following differences:

	Group	
	2021 RMB'000	2020 RMB'000
Profit before tax	872,806	768,058
Less: Share of results from equity-accounted associates	(185,597)	(150,644)
	687,208	617,414
Income tax at statutory rate	171,802	154,354
Effect of concessionary tax rate at 15%	(54,976)	(43,269)
Other tax incentives	(4,717)	(11,331)
Non-deductible items	1,125	6,812
Non-taxable items	(33,346)	(26,737)
Unrecognised deferred tax assets	9,461	8,745
Adjustments in respect of prior years	(3,985)	(178)
Others	565	-
	85,929	88,396

The Company and a subsidiary qualify for the New and High Technology Enterprise Status in the PRC and enjoy a preferential corporate tax rate of 15% (2020: 15%) whereas other subsidiaries are subject to the statutory corporate tax rate of 25% (2020: 25%).

Dividends payable to "S" shareholders are subject to withholding tax at 10% (2020: 10%) payable to the tax authority of the PRC.

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

### 9B. Deferred tax recognised in profit or loss

	Group	
	2021 RMB'000	2020 RMB'000
Deferred income	407	(3,012)
Contract liabilities	6,477	16,166
Accruals and allowances	3,991	5,170
	10,875	18,324

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 9. INCOME TAX (CONT'D)

### 9C. Deferred tax recognised in other comprehensive income

	Group	
	2021 RMB'000	2020 RMB'000
Financial assets at FVTOCI (note 26C)	410	(5,137)

### 9D. Deferred tax in statements of financial position

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<u>Deferred tax assets</u>				
Deferred income	5,937	6,344	5,937	6,345
Contract liabilities	19,936	26,413	19,936	26,413
Accruals and allowances	128,732	132,723	114,186	117,618
	<u>154,605</u>	<u>165,480</u>	<u>140,059</u>	<u>150,376</u>

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<u>Deferred tax liabilities</u>				
Fair value changes on equity investments at FVTOCI	(1,278)	(868)	(1,278)	(868)
Government grants	(2,934)	(2,934)	(2,934)	(2,934)
	<u>(4,212)</u>	<u>(3,802)</u>	<u>(4,212)</u>	<u>(3,802)</u>

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

### 9E. Unrecognised deferred tax assets

	2021		2020	
Group	Gross amount RMB'000	Tax effect RMB'000	Gross amount RMB'000	Tax effect RMB'000
Deferred income	19,565	4,450	21,050	4,709
Tax losses carried forward	97,488	24,372	61,161	15,290
Accruals and allowances	48,312	8,630	43,756	7,992
	<u>165,365</u>	<u>37,452</u>	<u>125,967</u>	<u>27,991</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 9. INCOME TAX (CONT'D)

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

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

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

Group	Unutilised tax losses		Unrecognised deferred tax assets	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Expire on 31 December 2021	–	189	–	47
Expire on 31 December 2024	30,326	30,326	7,582	7,582
Expire on 31 December 2025	30,646	30,646	7,662	7,661
Expire on 31 December 2026	36,516	–	9,128	–
	<b>97,488</b>	<b>61,161</b>	<b>24,372</b>	<b>15,290</b>

## 10. EARNINGS PER SHARE

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

	Group	
	2021 RMB'000	2020 RMB'000
Profit for the year attributable to owners of the Company	<b>769,143</b>	661,705
	<b>Number of shares '000</b>	<b>Number of shares '000</b>
Weighted average number of ordinary shares	<b>773,609</b>	773,252

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

## 11. DIVIDENDS

### 11A. Dividends to owners of the Company

	Rate per share		2021 RMB'000	2020 RMB'000
	2021 RMB'000	2020 RMB'000		
Group and Company				
Dividends approved	<b>0.30</b>	0.30	<b>231,973</b>	231,811

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 11. DIVIDENDS (CONT'D)

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

On 30 March 2022, the directors proposed a final dividend of RMB386,722,000 (2020: RMB232,093,000) on the basis of RMB5.00 (2020: RMB3.00) for every 10 shares in the capital of the Company. This dividend is subject to approval of shareholders at the next annual general meeting and has not been included as liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at end of reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

### 11B. Distributions to non-controlling interests

Interim dividends amounting to RMB9,866,000 (2020: RMB11,505,000) were paid by certain subsidiaries to their non-controlling shareholders.

## 12. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
<u>Cost</u>				
At 1 January 2020	1,342,833	947,108	203,076	2,493,017
Additions	3,434	17,728	174,729	195,891
Disposals/written-off	(1,966)	(26,825)	–	(28,791)
Reclassifications	29,746	63,046	(92,792)	–
At 31 December 2020	1,374,047	1,001,057	285,013	2,660,117
Additions	3,618	23,256	115,678	142,552
Disposals/written-off	(2,245)	(49,805)	–	(52,050)
Reclassifications	118	56,306	(69,066)	(12,642)
Other adjustments	(19,796)	20,174	–	378
At 31 December 2021	<b>1,355,742</b>	<b>1,050,988</b>	<b>331,625</b>	<b>2,738,355</b>
<u>Accumulated depreciation and impairment loss</u>				
At 1 January 2020	532,411	596,811	–	1,129,222
Depreciation for the year	47,817	52,787	–	100,604
Disposals/written-off	(1,103)	(25,659)	–	(26,762)
Reclassifications	(2,050)	2,050	–	–
At 31 December 2020	577,075	625,989	–	1,203,064
Depreciation for the year	44,690	60,547	–	105,237
Disposals/written-off	(933)	(46,225)	–	(47,158)
Reclassifications	(6,705)	–	–	(6,705)
Other adjustments	5	639	–	644
At 31 December 2021	<b>614,132</b>	<b>640,950</b>	<b>–</b>	<b>1,255,082</b>
<u>Carrying value</u>				
At 1 January 2020	810,422	350,297	203,076	1,363,795
At 31 December 2020	796,972	375,068	285,013	1,457,053
At 31 December 2021	<b>741,610</b>	<b>410,038</b>	<b>331,625</b>	<b>1,483,273</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

<u>Company</u>	<u>Buildings</u> RMB'000	<u>Plant and machinery</u> RMB'000	<u>Construction in progress</u> RMB'000	<u>Total</u> RMB'000
<u>Cost</u>				
At 1 January 2020	1,100,928	749,400	115,130	1,965,458
Additions	1,289	12,416	91,563	105,268
Disposals/written-off	(1,966)	(23,772)	–	(25,738)
Reclassifications	29,052	61,724	(90,776)	–
At 31 December 2020	1,129,303	799,768	115,917	2,044,988
Additions	–	14,200	95,825	110,025
Disposals/written-off	(2,318)	(64,165)	–	(66,483)
Reclassifications	52	55,294	(67,988)	(12,642)
Other adjustments	(19,795)	19,775	–	(20)
At 31 December 2021	<b>1,107,242</b>	<b>824,872</b>	<b>143,754</b>	<b>2,075,868</b>
<u>Accumulated depreciation and impairment loss</u>				
At 1 January 2020	456,020	501,641	–	957,661
Depreciation for the year	38,414	37,266	–	75,680
Disposals/written-off	(1,103)	(22,805)	–	(23,908)
Reclassifications	(2,050)	2,050	–	–
At 31 December 2020	491,281	518,152	–	1,009,433
Depreciation for the year	35,937	45,558	–	81,495
Disposals/written-off	(938)	(55,449)	–	(56,387)
Reclassifications	(6,705)	–	–	(6,705)
Other adjustments	(22)	238	–	216
At 31 December 2021	<b>519,553</b>	<b>508,499</b>	<b>–</b>	<b>1,028,052</b>
<u>Carrying value</u>				
At 1 January 2020	644,908	247,759	115,130	1,007,797
At 31 December 2020	638,022	281,616	115,917	1,035,555
At 31 December 2021	<b>587,689</b>	<b>316,373</b>	<b>143,754</b>	<b>1,047,816</b>

Allocation of depreciation expense:

	<u>Group</u>		<u>Company</u>	
	<u>2021</u> RMB'000	<u>2020</u> RMB'000	<u>2021</u> RMB'000	<u>2020</u> RMB'000
Cost of sales	<b>54,250</b>	53,077	<b>37,602</b>	35,848
Distribution expenses	<b>335</b>	572	<b>62</b>	74
Research and development expenses	<b>10,451</b>	7,825	<b>9,214</b>	5,879
Administrative expenses	<b>40,201</b>	39,130	<b>34,617</b>	33,879
	<b>105,237</b>	100,604	<b>81,495</b>	75,680

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

Titles to certain buildings of the Group and the Company with carrying value of approximately RMB39,550,000 and RMB32,900,000, respectively (2020: RMB85,150,000 and RMB41,250,000, respectively) at end of reporting year were held in the names of certain related parties. Please refer to note 3E for greater details.

In addition, the title of a building of the Company with carrying value of RMB113,000,000, which was completed in 2021, is in the process of registration.

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

## 13. INVESTMENT PROPERTIES

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<u>Cost</u>				
At beginning of year	38,511	38,511	36,690	36,690
Disposals/written-off	(15,447)	–	(15,447)	–
Reclassifications	11,067	–	11,067	–
At end of year	34,131	38,511	32,310	36,690
<u>Accumulated depreciation</u>				
At beginning of year	16,999	15,964	16,056	15,072
Depreciation for the year	871	1,035	821	984
Disposals/written-off	(5,621)	–	(5,621)	–
Reclassifications	6,705	–	6,705	–
At end of year	18,954	16,999	17,961	16,056
<u>Carrying value</u>				
At beginning of year	21,512	22,547	20,634	21,618
At end of year	15,177	21,512	14,349	20,634
<u>Fair value</u>				
Fair value at end of year	210,629	204,319	197,334	192,433
Rental and service income	9,016	7,687	7,576	6,435
Direct operating expenses	596	1,091	546	1,041

The depreciation expense is charged to cost of sales.

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

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



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 13. INVESTMENT PROPERTIES (CONT'D)

The fair value is estimated by management based on the use of inputs other than quoted prices included within the observable for the assets or liability, either directly or indirectly. The valuation technique used is the comparison of market evidence of recent transaction prices for similar properties. Management had obtained the market information from publicly available sources based on recent transactions in the vicinity of the investment properties held by the Group and the Company. The fair value is regarded as Level 3 for fair value measurement as the valuation includes inputs for the assets that are based on comparison with market evidence of recent transaction prices for similar properties. The observable inputs and range (weighted average) is from RMB13,900 to RMB36,000 (2020: RMB9,200 to RMB34,400) per square metre.

Titles to certain investment properties of the Group and the Company with carrying value of approximately RMB5,326,000 (2020: RMB6,501,000 at end of reporting year) were held in the names of certain related parties. Please refer to note 3E for greater details.

## 14. RIGHT-OF-USE ASSETS

<u>Group</u>	<b>Shop premises RMB'000</b>
<u>At cost</u>	
At 1 January 2020 and 31 December 2020	4,597
Additions	1,727
At 31 December 2021	6,324
<u>Accumulated depreciation</u>	
At 1 January 2020	994
Depreciation for the year	994
At 31 December 2020	1,988
Depreciation for the year	1,282
At 31 December 2021	3,270
<u>Carrying value</u>	
At 1 January 2020	3,603
At 31 December 2020	2,609
At 31 December 2021	3,054

The leases are for shop premises. The lease contracts are usually for fixed periods of 4 to 5 with no extension options. Lease terms contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 15. LAND USE RIGHTS

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<u>Cost</u>				
At beginning of year	282,776	246,926	247,067	211,217
Additions	–	35,850	–	35,850
At end of year	282,776	282,776	247,067	247,067
<u>Accumulated amortisation</u>				
At beginning of year	94,487	88,929	85,323	80,579
Amortisation for year	5,651	5,558	4,837	4,744
At end of year	100,138	94,487	90,160	85,323
<u>Carrying value</u>				
At beginning of year	188,289	157,997	161,744	130,638
At end of year	182,638	188,289	156,907	161,744

The amortisation expense is charged to administrative expenses.

The land use rights are for land in the PRC. Certain titles of land use rights of the Group and the Company with carrying value of RMB1,100,000 (2020: RMB1,200,000) at end of reporting year were held in the names of certain related parties. Please refer to note 3E for greater details.

In addition, a land use right of the Company with carrying value of RMB53,045,000 (2020: RMB54,487,000) is in the process of ownership transfer.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 16. INTANGIBLE ASSETS

<u>Group</u>	<b>Production technology</b> <b>RMB'000</b>	<b>Patents</b> <b>RMB'000</b>	<b>Trademarks</b> <b>RMB'000</b>	<b>Software</b> <b>RMB'000</b>	<b>Development costs</b> <b>RMB'000</b>	<b>Total</b> <b>RMB'000</b>
<u>At cost</u>						
At 1 January 2020	9,817	1,778	1,760	24,398	1,512	39,265
Additions	–	–	–	822	–	822
At 31 December 2020	9,817	1,778	1,760	25,220	1,512	40,087
Additions	–	–	–	2,263	4,720	6,983
Disposals/written-off	–	(78)	–	(482)	(1,512)	(2,072)
Reclassifications	–	–	–	1,575	–	1,575
At 31 December 2021	<b>9,817</b>	<b>1,700</b>	<b>1,760</b>	<b>28,576</b>	<b>4,720</b>	<b>46,573</b>
<u>Accumulated amortisation</u>						
At 1 January 2020	7,676	1,205	1,760	11,049	–	21,690
Amortisation for the year	168	170	–	2,325	–	2,663
At 31 December 2020	7,844	1,375	1,760	13,374	–	24,353
Amortisation for the year	168	400	–	1,925	–	2,493
Disposals/written-off	–	(78)	–	(465)	–	(543)
At 31 December 2021	<b>8,012</b>	<b>1,697</b>	<b>1,760</b>	<b>14,834</b>	<b>–</b>	<b>26,303</b>
<u>Carrying value</u>						
At 1 January 2020	2,141	573	–	13,349	1,512	17,575
At 31 December 2020	1,973	403	–	11,846	1,512	15,734
At 31 December 2021	<b>1,805</b>	<b>3</b>	<b>–</b>	<b>13,742</b>	<b>4,720</b>	<b>20,270</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 16. INTANGIBLE ASSETS (CONT'D)

Company	Production technology	Patents	Trademarks	Software	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>At cost</u>						
At 1 January 2020	8,997	1,778	1,760	22,377	–	34,912
Additions	–	–	–	769	–	769
At 31 December 2020	8,997	1,778	1,760	23,146	–	35,681
Additions	–	–	–	1,458	4,720	6,178
Disposals/written-off	–	(78)	–	(482)	–	(560)
Reclassifications	–	–	–	1,575	–	1,575
At 31 December 2021	<b>8,997</b>	<b>1,700</b>	<b>1,760</b>	<b>25,697</b>	<b>4,720</b>	<b>42,874</b>
<u>Accumulated amortisation</u>						
At 1 January 2020	7,263	1,206	1,760	9,983	–	20,212
Amortisation for the year	100	170	–	2,154	–	2,424
At 31 December 2020	7,363	1,376	1,760	12,137	–	22,636
Amortisation for the year	100	400	–	1,713	–	2,213
Disposals/written-off	–	(78)	–	(465)	–	(543)
At 31 December 2021	<b>7,463</b>	<b>1,698</b>	<b>1,760</b>	<b>13,385</b>	<b>–</b>	<b>24,306</b>
<u>Carrying value</u>						
At 1 January 2020	1,734	572	–	12,394	–	14,700
At 31 December 2020	1,634	402	–	11,009	–	13,045
At 31 December 2021	<b>1,534</b>	<b>2</b>	<b>–</b>	<b>12,312</b>	<b>4,720</b>	<b>18,568</b>

## 17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021 RMB'000	2020 RMB'000
Equity interests, at cost	<b>559,708</b>	522,611
Less: Allowance for impairment	<b>(24,183)</b>	(24,183)
	<b>535,525</b>	498,428
<u>Movements in cost</u>		
At beginning of year	<b>522,611</b>	497,711
Additions	<b>37,097</b>	25,000
De-registered	–	(100)
At end of year	<b>559,708</b>	522,611
<u>Movements in allowance for impairment</u>		
At beginning and end of year	<b>24,183</b>	24,183

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

### 17A. Subsidiaries held by the Group

The subsidiaries held by the Group are as follows:

Name of subsidiary	Principal activities	Cost		Effective interests held by the Group	
		2021	2020	2021	2020
		RMB'000	RMB'000	%	%
Held by the Company					
Tianjin Da Ren Tang (Bozhou) Chinese Medicine Co., Ltd (天津达仁堂(亳州)中药饮片有限公司)	Manufacture and sale of Chinese medicine	180,014	180,014	100	100
Beijing Zhong Xin Yaogu Medical Co., Ltd. (北京中新药谷医药有限公司)	Wholesale and retail sale of medicine	11,000	11,000	100	100
Tianjin Zhong Xin Chuyun Trading Co., Ltd. (天津中新楚运贸易有限公司)	Logistics, stocks, services, equipment installation, simple processing of medicine	6,999	6,999	100	100
Zhong Xin Bohai Rim Pharmaceutical Co., Ltd. (天津中新药业集团环渤海药业有限公司)	Wholesale and retail sale of medicine, biochemical pharmaceutical products and daily use products	5,000	5,000	100	100
Zhejiang Zhong Xin Chuang Rui Investment Co., Ltd. (浙江中新创睿投资有限公司)	Investment holding	60,000	60,000	100	100
Tianjin Hebei Daren Hospital (“Daren Hospital”) (天津河北达仁医院) (note 17D) <sup>[a]</sup>	Operation of hospital	17,050	17,050	100	100
Tianjin Chinese Medicinal Slices Co., Ltd. (“Tianjin Chinese Medicinal Slices”) (天津市中药饮片厂有限公司) (notes 17B and 17D)	Manufacture and sale of Chinese pharmaceutical products and biological products	113,100	113,100	100	100

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Principal activities	Cost		Effective interests held by the Group	
		2021	2020	2021	2020
		RMB'000	RMB'000	%	%
Held by the Company (Cont'd)					
Tianjin Zhong Xin Xinxin Pharmaceutical (Cang Zhou) Co., Ltd. (天津中新药业集团新新(沧州)制药有限公司)	Manufacture and sale of Chinese pharmaceutical products and biological products	50,000	50,000	100	100
Tianjin Shin Poong Pharmaceutical Co., Ltd. (天津新丰制药有限公司)	Manufacture and sale of western pharmaceutical products	41,315	41,315	55	55
Bin Hai Zhong Xin Pharmaceutical Co., Ltd. (天津中新药业滨海有限公司)	Sale of Chinese pharmaceutical products and biological products	10,500	10,500	54	54
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	13,072	13,072	52	52
Tianjin Zhong Xin Pharmaceutical Group Guowei Medical Co., Ltd. (天津中新药业集团国卫医药有限公司)	Wholesale and retail sale of medicine	8,950	8,950	51	51
Tianjin Zhong Xin Pharmaceutical Group Xuzhi Medical Science and Technology Co., Ltd. ("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	5,611	5,611	51	51

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Principal activities	Cost		Effective interests held by the Group	
		2021	2020	2021	2020
		RMB'000	RMB'000	%	%
<i>Held by the Company (Cont'd)</i>					
Tianjin Zhongxin Medicine Research Institute Co., Ltd ("Tianjin Zhongxin Research Institute") (中新药业研究院有限公司) <sup>(b)</sup>	Provision of medicine inspection and testing services	32,097	–	100	100
Tianjin Hebei Da Ren Tang Hospital Co., Ltd. ("Da Ren Tang Hospital") (天津河北达仁堂医院有限公司) <sup>(c)</sup>	Hospital	5,000	–	100	–
Tianjin Zhongxin Medicine Co., Ltd. ("TJZX Medicine") (天津中新医药有限公司) <sup>(c)</sup>	Wholesale of pharmaceutical products	–	–	100	–
		559,708	522,611		
<i>Held by Tianjin Chinese Medicinal Slices</i>					
Anguo Xinlong Chinese Herbal Medicine Co., Ltd. (安国新隆商贸有限公司)	Pharmaceutical consultancy	10,340	10,340	100	100
<i>Held by Da Ren Tang Jingwanhong</i>					
Tianjin Jingwanhong Pharmacy Co., Ltd. (天津京万红大药房有限公司)	Wholesale and retail sale of medicine, biochemical pharmaceutical products and daily use products	1,000	1,000	52	52
Tianjin Gushang Medicinal Liquor Trading Co., Ltd. (天津沽上药酒贸易有限公司)	Wholesale and retail sale of medicine, biochemical pharmaceutical products	500	500	52	52



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Principal activities	Cost		Effective interests held by the Group	
		2021 RMB'000	2020 RMB'000	2021 %	2020 %
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 products and daily use products	200	200	51	51
Tianjin Zhong Xin Pharmaceutical Group Darentang Zhong Hui Pharmacy Co., Ltd. (天津中新药业集团达仁堂中惠大药房有限公司)	Wholesale and retail sale of medicine, biochemical pharmaceutical products and daily use products	200	200	51	51

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

(b) Tianjin Zhongxin Research Institute was incorporated in the PRC on 18 November 2020. The capital of RMB32,097,000 was injected by the Company in the current reporting year.

(c) The Company incorporated Da Ren Tang Hospital and TJZX Medicine in the PRC on 26 April 2021 and 24 August 2021, respectively. The capital of Da Ren Tang Hospital, amounting to RMB5,000,000, was paid up by the Company in the current reporting year. The capital of TJZX Medicine has not yet been injected, and there is no commitment for the Company to contribute the paid up capital of TJZX Medicine.

All subsidiaries are registered in the PRC and audited by ShineWing Certified Public Accountants.

### 17B. Impairment of investments in subsidiaries

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

### 17C. Material subsidiaries with non-controlling interests

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

	Group	
	2021 RMB'000	2020 RMB'000
Da Ren Tang Jingwanhong and its subsidiaries		
Profit for the year allocated to NCI of the subsidiaries	18,791	11,000
Accumulated NCI of the subsidiaries at end of reporting year	121,996	112,806
Current assets	313,417	192,905
Non-current assets	51,654	158,274
Current liabilities	(101,652)	(106,679)
Non-current liabilities	(9,260)	(9,488)
Revenue	400,373	298,350
Profit for the year	39,147	22,917
Total comprehensive income	39,147	22,917
Increase in operating cash flows	10,982	39,281
Net (decrease)/increase in cash and cash equivalents	(13,790)	17,475

## 18. INVESTMENTS IN ASSOCIATES

	Group and Company	
	2021 RMB'000	2020 RMB'000
Equity interests, at cost	513,540	513,540
Less: Allowance for impairment	(14,220)	(14,220)
Share of post-acquisition results, net of dividends received	218,666	181,655
Share of other equity items of associates	11,674	6,563
	729,660	687,538
<u>Movements in carrying value</u>		
At beginning of year	687,538	657,906
Additions	-	1,000
Transfer from investments in equity shares at FVTOCI (note 19)	-	110,167
Share of results for the year	185,597	150,644
Share of other comprehensive income/(loss), net of tax	5,111	(26,313)
Dividends received	(148,586)	(205,866)
At end of year	729,660	687,538

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 18. INVESTMENTS IN ASSOCIATES (CONT'D)

The associates held by the Group are as follows:

Name of associate	Principal activities	Effective interests held by the Group	
		2021 %	2020 %
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) <sup>(a)</sup>	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) <sup>(b)</sup>	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) <sup>(a)</sup>	Packing of medical and other products and printing of paper for packaging purposes	35	35
NewScen Coast Bio-Pharmaceutical Co., Ltd. (“NewScen Coast”) (天津中新科炬生物制药有限公司) <sup>(a)</sup>	Manufacture and sale of biological medicine	26	26
Tianjin Bio-Chip Co., Ltd. (天津生物芯片技术有限责任公司) <sup>(c)</sup>	Development and sale of biological products	26	26
Tianjin International Exhibition Centre Co., Ltd. (“Tianjin International Exhibition Centre”) (天津国展中心股份有限公司) <sup>(c)</sup>	Marketing, conference and exhibition services	20	20
Tianjin Pharmaceutical Group Finance Co., Ltd. (“Tianjin Pharmaceutical Group Finance”) (天津医药集团财务有限公司) <sup>(a)(d)</sup>	Financial services	15	15
Tianjin Pharmaceutical Marketing Management Co., Ltd. (天津医药集团营销管理有限公司) <sup>(c)</sup>	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) <sup>(c)</sup>	Cultivation and processing of Chinese herbs	30	30

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 18. INVESTMENTS IN ASSOCIATES (CONT'D)

Name of associate	Principal activities	Effective interests held by the Group	
		2021 %	2020 %
<i>Held by the Company (Cont'd)</i>			
Zhong Xin Pharmaceutical Tangshan Xinhua Co., Ltd. (“Tangshan Xinhua”) (中新药业唐山新华有限公司) <sup>(d)</sup>	Wholesale and retail sale of medicine and biochemical pharmaceutical products	–	51
Chengdu Zhong Xin Pharmaceutical Co., Ltd. (“Chengdu Zhong Xin”) (成都中新药业有限公司) <sup>(d)</sup>	Sale of Chinese pharmaceutical products and biological products	–	51
<i>Held by Chengdu Zhong Xin</i>			
Chengdu Zhong Xin Chain Store Co., Ltd. (“Changdu Chain Store”) (成都中新药业连锁有限公司) <sup>(d)</sup>	Wholesale and retail sale of medicine	–	51
<i>Held by Yiyao Printing</i>			
Tianjin Yixuanlin Advertising Production Co., Ltd. (天津市艺轩林广告制作有限公司) <sup>(a)</sup>	Advertising and promotion services	35	35
<i>Held by NewScen Coast</i>			
NewScen Coast Bio Pharmaceutical Sales Co., Ltd. (天津中新科炬生物制品销售有限公司) <sup>(a)</sup>	Wholesale and retail sale of biological medicine	25.8	25.8

All associates of the Group are registered in the PRC.

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

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

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

(d) In the current reporting year, Chengdu Zhong Xin and Changdu Chain Store were de-registered. In addition, Tangshan Xinhua was sold to the major shareholder for a consideration of RMB1.

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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 18. INVESTMENTS IN ASSOCIATES (CONT'D)

### 18A. Material associates

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

	Group and Company	
	2021	2020
	RMB'000	RMB'000
<u>Hong Ren Tang</u>		
Current assets	147,152	160,765
Non-current assets	413,773	355,238
Current liabilities	(51,378)	(50,809)
Non-current liabilities	(116,207)	(110,343)
Net assets of associate	393,340	354,851
Equity interest	40%	40%
Proportion of the Group's and the Company's interest in associate	157,336	141,940
Goodwill	92,336	92,336
Carrying amount of interest in associate	249,672	234,276
Dividends received from associate	(24,000)	(62,600)
Revenue	402,352	355,415
Profit for the year	85,095	70,500
Other comprehensive income/(loss) for the year	13,397	(68,250)
Total comprehensive income for the year	98,492	2,250
<u>Tianjin SmithKline &amp; French</u>		
Current assets	1,849,345	1,575,084
Non-current assets	480,126	500,128
Current liabilities	(1,328,420)	(1,203,882)
Non-current liabilities	(3,161)	(6,943)
Net assets of associate	997,890	864,387
Proportion of the Group's and the Company's interest in the associate	25%	25%
Carrying amount of interest in associate	249,473	216,097
Dividends received from associate	(119,096)	(143,266)
Revenue	2,761,879	2,450,673
Profit for the year	610,009	478,887
Total comprehensive income for the year	610,009	478,887

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 18. INVESTMENTS IN ASSOCIATES (CONT'D)

### 18B. Aggregate for all non-material associates

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

	Group and Company	
	2021	2020
	RMB'000	RMB'000
(Loss)/Profit for the year	(6,661)	30,778
Other comprehensive income	(182)	1,665
Total comprehensive income	(6,843)	32,443
Net assets of associates	1,074,164	1,103,698

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

## 19. OTHER FINANCIAL ASSETS

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Equity shares at FVTOCI (note 19A)	11,081	8,348	11,081	8,348
Debt instruments at amortised cost (note 19B)	484,464	107,963	374,829	–
	495,545	116,311	385,910	8,348
Presented in statements of financial position as:				
Other financial assets, non-current	11,081	116,311	11,081	8,348
Other financial assets, current	484,464	–	374,829	–
	495,545	116,311	385,910	8,348

### 19A. Equity shares at FVTOCI

	Group and Company	
	2021	2020
	RMB'000	RMB'000
Quoted equity shares (note 19A1)	10,611	7,042
Unquoted equity shares (note 19A2)	470	1,306
	11,081	8,348

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 19. OTHER FINANCIAL ASSETS (CONT'D)

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

#### 19A1. Quoted equity shares at FVTOCI

	Group and Company	
	2021	2020
	RMB'000	RMB'000
<u>Fair value</u>		
At beginning of year	7,042	38,481
Changes in fair value (note 26C)	3,569	(3,147)
Disposals	-	(28,292)
At end of year	10,611	7,042

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

	Fair value hierarchy	Group and Company	
		2021	2020
		RMB'000	RMB'000
Energy	1	9,955	6,461
Transportation and shipping	1	656	581
		10,611	7,042

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

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

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

The Group has not obtained titles to certain quoted equity shares with fair value of approximately RMB10,611,000 (2020: RMB7,042,000) at end of reporting year. The titles of these investments are held in trust by certain related parties. Please refer to note 3E for greater details.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 19. OTHER FINANCIAL ASSETS (CONT'D)

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

#### 19A2. Unquoted equity shares at FVTOCI

	Group and Company	
	2021	2020
	RMB'000	RMB'000
<u>Fair value</u>		
At beginning of year	1,306	104,231
Changes in fair value (note 26C)	(836)	7,242
Transfers to investments in associates (note 18)	-	(110,167)
At end of year	470	1,306

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

	Fair value hierarchy	Group and Company	
		2021	2020
		RMB'000	RMB'000
Pharmaceutical	3	470	1,306

During the previous reporting year, two investees, namely, Tianjin International Exhibition Centre and Tianjin Pharmaceutical Group Finance, were transferred to investments in associates as the Company has significant influence over these entities, as disclosed in note 18. The aggregate fair values of these investees on the date of transfer were RMB110,167,000 and the accumulated fair value reserve, as disclosed in note 26C, was transferred to retained earnings.

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

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

Unquoted equity shares	Valuation technique	Unobservable input	Range
Pharmaceutical	Net asset value	Not applicable	Not applicable

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 19. OTHER FINANCIAL ASSETS (CONT'D)

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

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

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

#### Sensitivity analysis

	Group and Company	
	2021	2020
	RMB'000	RMB'000
A hypothetical 10% increase in market index of quoted equity shares would have an effect on fair value of:	1,061	704
A hypothetical 10% increase in net asset value to unquoted equity interest would have an effect on fair value of:	47	131

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

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

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

### 19B. Debt instruments at amortised cost

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Principal amounts	454,920	105,000	349,920	-
Interest receivables	29,544	2,963	24,909	-
	484,464	107,963	374,829	-
<u>Movements during the year</u>				
At beginning of year	107,963	106,291	-	-
Additions	349,920	-	349,920	-
Accretion in amortised cost	26,581	4,389	24,909	-
Redemption of interest	-	(2,717)	-	-
At end of year	484,464	107,963	374,829	-

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 19. OTHER FINANCIAL ASSETS (CONT'D)

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

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

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Deposits held by bank with fixed interest rate of 4.2% per annum and maturing on 2 April 2022, with settlement of interest on monthly basis	30,000	30,000	-	-
Deposits held by bank with fixed interest rate of 4.2% per annum and maturing on 2 April 2022, with settlement of interest on yearly basis	35,000	35,000	-	-
Deposits held by bank with fixed interest rate of 4.2% per annum and maturing on 29 March 2022, with settlement of interest upon maturity	40,000	40,000	-	-
Bond held by financial institution with fixed rates of 5.8% and maturing on 20 January 2022, with settlement of interest upon maturity	349,920	-	349,920	-
	<b>454,920</b>	105,000	<b>349,920</b>	-

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

## 20. OTHER ASSETS

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Prepayments	104,071	74,777	84,934	70,612
Income tax recoverable	13,200	65	13,195	-
Value-added taxes recoverable	46,002	71,544	45,126	56,745
	<b>163,273</b>	146,386	<b>143,255</b>	127,357
Presented in statements of financial position as:				
Other assets, non-current	42,333	25,259	40,067	22,415
Other assets, current	120,940	121,127	103,188	104,942
	<b>163,273</b>	146,386	<b>143,255</b>	127,357

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 21. INVENTORIES

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Raw materials	573,708	534,242	544,005	476,604
Work-in-progress	147,471	176,660	138,368	168,681
Finished goods	803,910	776,813	709,584	699,627
	<b>1,525,089</b>	<b>1,487,715</b>	<b>1,391,957</b>	<b>1,344,912</b>

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

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
At beginning of year	40,444	56,751	33,970	52,784
Charged/(credited) to profit or loss included in other losses/(other income and gains) (note 6)	10,341	(4,114)	6,348	(8,153)
Written-off	(3,773)	(12,193)	(3,701)	(10,661)
At end of year	<b>47,012</b>	<b>40,444</b>	<b>36,617</b>	<b>33,970</b>
Changes in inventories of finished goods and work-in-progress	2,092	160,501	20,355	151,057
Raw materials, consumables and goods for resale recognised as expenses	<b>3,486,364</b>	<b>3,562,824</b>	<b>3,149,285</b>	<b>3,258,385</b>

There are no inventories pledged as security for liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<u>Trade receivables</u>				
Bills receivable	433,592	457,981	399,488	448,642
Outside parties	1,649,775	1,625,068	1,293,731	1,276,549
Subsidiaries	–	–	184,379	171,572
Associates	4,937	6,117	4,937	6,110
Related parties	26,125	20,579	26,125	24,160
Less: Allowance for impairment				
– ECL allowance on specific credit-impaired debtors	(6,350)	(7,740)	(3,236)	(3,237)
– ECL allowance assessed on portfolio of debtors	(137,494)	(131,211)	(128,219)	(122,366)
	<u>1,970,585</u>	<u>1,970,794</u>	<u>1,777,205</u>	<u>1,801,430</u>
<u>Other receivables</u>				
Outside parties	67,978	58,651	160,016	20,816
Subsidiaries	–	–	22,263	111,361
Associates (note 3)	27,861	30,309	27,861	30,309
Related parties (note 3)	–	74	–	74
Less: ECL allowance on specific credit-impaired debtors	(55,105)	(52,402)	(45,363)	(45,235)
	<u>40,734</u>	<u>36,632</u>	<u>164,777</u>	<u>117,325</u>
	<u>2,011,319</u>	<u>2,007,426</u>	<u>1,941,982</u>	<u>1,918,755</u>

### Trade receivables

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

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

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
At beginning of year	138,951	145,291	125,603	136,965
Impairment loss	4,893	6,349	5,852	1,299
Written-off	–	(12,689)	–	(12,661)
At end of year	<u>143,844</u>	<u>138,951</u>	<u>131,455</u>	<u>125,603</u>

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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 22. TRADE AND OTHER RECEIVABLES (CONT'D)

### Trade receivables (Cont'd)

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

	Group			Company		
	Gross amount RMB'000	ECL rate %	Loss allowance RMB'000	Gross amount RMB'000	ECL rate %	Loss allowance RMB'000
<u>2021</u>						
Within 1 year	1,528,996	0.13	1,990	1,187,329	0.13	1,543
1 – 2 years	11,060	20.00	2,212	10,919	20.00	2,184
2 – 3 years	2,277	50.00	1,138	2,277	50.00	1,139
Over 3 years	132,154	100.00	132,154	123,353	100.00	123,353
	<u>1,674,487</u>		<u>137,494</u>	<u>1,323,878</u>		<u>128,219</u>
<u>2020</u>						
Within 1 year	1,501,584	0.03	451	1,341,460	0.03	352
1 – 2 years	11,362	20.00	2,272	11,362	20.00	2,272
2 – 3 years	5,180	50.00	2,590	5,180	50.00	2,590
Over 3 years	125,898	100.00	125,898	117,152	100.00	117,152
	<u>1,644,024</u>		<u>131,211</u>	<u>1,475,154</u>		<u>122,366</u>

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

Included in bill receivables were approximately RMB334,395,000 (2020: RMB238,209,000) which were secured for bills payables (note 27).

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

### Other receivables

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 22. TRADE AND OTHER RECEIVABLES (CONT'D)

### Other receivables (Cont'd)

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

		Lifetime ECL – assessed on individual	
	12-month ECL	debtors	Total
	RMB'000	RMB'000	RMB'000
<b>2021</b>			
<u>Group</u>			
At beginning of year	25,236	27,166	52,402
Impairment loss/(reversal)	2,731	(28)	2,703
At end of year	27,967	27,138	55,105
<u>Company</u>			
At beginning of year	18,337	26,898	45,235
Impairment loss/(reversal)	156	(28)	128
At end of year	18,493	26,870	45,363
<b>2020</b>			
<u>Group</u>			
At beginning of year	26,129	23,623	49,752
Transfer to lifetime ECL	(2,700)	2,700	–
Impairment loss	2,351	843	3,194
Written-off	(544)	–	(544)
At end of year	25,236	27,166	52,402
<u>Company</u>			
At beginning of year	19,445	23,490	42,935
Transfer to lifetime ECL	(2,700)	2,700	–
Impairment loss	1,592	708	2,300
At end of year	18,337	26,898	45,235



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Not restricted in use				
Cash and bank balances	2,283,181	1,987,334	2,055,683	1,791,009

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

The rate of interest for the cash on short-term bank deposits range from 0.35% to 2.35% (2020: 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 RMB591,615,000 (2020: RMB594,659,000) and RMB469,383,000 (2020: RMB490,522,000), respectively.

## 23A. Reconciliation of liabilities arising from financing activities

	At beginning of year RMB'000	Cash flows RMB'000	Non-cash changes		At end of year RMB'000
			Interest expenses RMB'000	Others RMB'000	
<u>2021</u>					
Lease liabilities	2,710	(1,369)	102	1,726 <sup>(a)</sup>	3,169
Other financial liabilities	30,000	-	-	-	30,000
Interest payable	37	(1,186)	-	1,184 <sup>(d)</sup>	35
Dividends payable	14,610	(230,858)	-	231,973 <sup>(b)</sup>	15,725
Total liabilities from financing activities	47,357	(233,413)	102	234,883	48,929
<u>2020</u>					
Advances from employees under Restricted A-Shares Incentive Scheme	28,296	7,660	-	(35,956) <sup>(c)</sup>	-
Lease liabilities	3,672	(1,105)	143	-	2,710
Other financial liabilities	30,000	-	-	-	30,000
Interest payable	34	(1,839)	7	1,835 <sup>(d)</sup>	37
Dividends payable	13,568	(230,769)	-	231,811 <sup>(b)</sup>	14,610
Total liabilities from financing activities	75,570	(226,053)	150	197,690	47,357

(a) Recognition of lease liabilities under IFRS 16 Leases.

(b) Final dividend proposed and approved for the year.

(c) Registration of Restricted A-Shares (note 25).

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 24. SHARE CAPITAL

	Group and Company		
	Number of ordinary share issued		Share capital
	A-Shares	S-Shares	RMB'000
At 1 January 2020	568,873,076	200,000,000	768,873
Issuance of restricted circulating shares under 2019			
Restricted A-Share Incentive Scheme	4,870,000	–	4,870
Repurchase and cancellation of shares under 2019			
Restricted A-Share Incentive Scheme	(100,000)	–	(100)
At 31 December 2020	573,643,076	200,000,000	773,643
Repurchase and cancellation of shares under 2019			
Restricted A-Share Incentive Scheme	(200,000)	–	(200)
At 31 December 2021	<b>573,443,076</b>	<b>200,000,000</b>	<b>773,443</b>

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

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

YEAR ENDED 31 DECEMBER 2021

## 24. SHARE CAPITAL (CONT'D)

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

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

On 12 August 2021, 200,000 restricted circulating shares were repurchased and cancelled by the Company in accordance with the relevant provisions of the 2020 Restricted A-Share Incentive Scheme. The repurchase was completed on 30 October 2021 and cancellation was completed in 18 November 2021.

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

### Capital management

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

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

## 25. SHARE-BASED PAYMENTS

### 2019 Restricted A-Share Incentive Scheme (the "Scheme")

The Scheme was approved at an Extraordinary General Meeting on 2 December 2019. The Scheme is administered by the board of directors. The Remuneration Committee 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 is established to improve the long-term incentive mechanism of the Company, attract and retain outstanding talents, fully 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 Renminbi and listed on the SSE, which are subject to such restrictions as set out in the Scheme ("Restricted A-Shares") only.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 25. SHARE-BASED PAYMENTS (CONT'D)

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

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

The participants who were eligible to participate in the Scheme include directors, members of senior management, members of the management team of the Company that the board of directors considers should be motivated, leading-level scientific research experts, core personnel for scientific research and technology and members of core management team of the subordinate enterprises of the Company (excluding the Company's associated companies). The participants under the Scheme do not include supervisors, non-executive directors and independent directors, and also do not include controlling shareholders of the Company and their associates, directors and employees of the Company's associated companies, and directors and employees of the Company's parent company and its subsidiaries.

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

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

YEAR ENDED 31 DECEMBER 2021

## 25. SHARE-BASED PAYMENTS (CONT'D)

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

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

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

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

### Activities under the Scheme

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 25. SHARE-BASED PAYMENTS (CONT'D)

### Activities under the Scheme (Cont'd)

Details of Restricted A-Shares granted under the Scheme since commencement up to 31 December 2021 are as follows:

Participants	Aggregate Restricted A-Shares outstanding at 1 January 2020	Restricted A-Shares granted during the year	Restricted A-Shares repurchased and cancelled during the year	Restricted A-Shares vested and released during the year	Aggregate Restricted A-Shares outstanding at 31 December 2020
Li Yan	-	70,000	-	-	70,000
Wang Mai	70,000	-	-	-	70,000
Zhou Hong	70,000	-	-	-	70,000
Other participants <sup>(c)</sup>	3,790,000	870,000	(100,000) <sup>(a)</sup>	-	4,560,000
	<u>3,930,000</u>	<u>940,000</u>	<u>(100,000)</u>	<u>-</u>	<u>4,770,000</u>

Participants	Aggregate Restricted A-Shares outstanding as at 1 January 2021	Restricted A-Shares granted during the year	Restricted A-Shares repurchased and cancelled during the year	Restricted A-Shares vested and released during the year	Aggregate Restricted A-Shares outstanding at 31 December 2021
Li Yan	70,000	-	-	-	70,000
Wang Mai	70,000	-	-	-	70,000
Zhou Hong	70,000	-	-	-	70,000
Other participants <sup>(c)</sup>	4,560,000	-	(200,000) <sup>(b)</sup>	-	4,360,000
	<u>4,770,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>4,570,000</u>

(a) 100,000 Restricted A-shares have been repurchased and cancelled by the Company in accordance with the relevant provisions of the Scheme.

(b) 200,000 Restricted A-shares have been repurchased and cancelled by the Company in accordance with the relevant provisions of the Scheme.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 25. SHARE-BASED PAYMENTS (CONT'D)

### Accounting for the Scheme

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

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

	Group and Company	
	2021	2020
	RMB'000	RMB'000
<u>Share-based compensation reserve</u>		
At beginning of year	10,262	512
Expense recognised in administrative expenses	10,152	9,750
At end of year	20,414	10,262

## 26. OTHER RESERVES

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Capital reserve (note 26A)	39,631	34,520	116,274	111,951
Statutory common reserve (note 26B)	436,750	436,750	436,750	436,750
Fair value reserve (note 26C)	(322)	(2,645)	(322)	(2,645)
Merger reserve (note 26D)	7,604	7,604	(19,612)	(19,612)
Share-based compensation reserve (note 25)	20,414	10,262	20,414	10,262
	504,077	486,491	553,504	536,706



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 26. OTHER RESERVES (CONT'D)

### 26A. Capital reserve

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
At beginning of year	34,520	60,833	111,951	138,264
Share of changes in other reserves of associates	5,111	(26,313)	5,111	(26,313)
Non-cash contribution to subsidiary	-	-	(788)	-
At end of year	39,631	34,520	116,274	111,951

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

### 26B. Statutory common reserve

	Group and Company	
	2021 RMB'000	2020 RMB'000
At beginning of year	436,750	436,330
Appropriation from retained earnings	-	420
At 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 end of reporting year, the Group's and the Company's statutory common reserves have reached the limit of 50% of the registered capital and no further transfer was made during the reporting year.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 26. OTHER RESERVES (CONT'D)

### 26C. Fair value reserve

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
At beginning of year	(2,645)	34,031	(2,645)	34,031
Fair value changes on equity investments measured at FVTOCI	2,733	4,095	2,733	4,095
Deferred tax thereon	(410)	1,661	(410)	1,661
	2,323	5,756	2,323	5,756
Transfers to retained earnings on disposal of equity investments measured at FVTOCI	-	(45,908)	-	(45,908)
Deferred tax thereon	-	3,476	-	3,476
	-	(42,432)	-	(42,432)
At end of year	(322)	(2,645)	(322)	(2,645)

### 26D. Merger reserve

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 27. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<u>Trade payables</u>				
Bills payable	643,887	235,907	643,887	235,907
Outside parties	588,094	651,708	474,543	489,874
Accrued termination benefits	22,773	42,058	22,597	41,872
Accrued employee benefits	121,729	119,714	101,389	103,598
Subsidiaries	–	–	24,951	24,279
Associates	2,178	3,396	2,090	2,299
Related parties	8,340	11,240	2,580	2,654
	<b>1,387,001</b>	<b>1,064,023</b>	<b>1,272,037</b>	<b>900,483</b>
<u>Other payables</u>				
Outside parties	719,461	790,515	581,839	645,873
Other taxes payables	34,548	32,197	21,534	25,898
Dividend payable	15,725	14,610	15,725	14,610
Subsidiaries	–	–	16,777	41,749
Associates (note 3)	39	40	39	40
Related parties (note 3)	804	181	802	178
	<b>770,577</b>	<b>837,543</b>	<b>636,716</b>	<b>728,348</b>
	<b>2,157,578</b>	<b>1,901,566</b>	<b>1,908,753</b>	<b>1,628,831</b>

Presented in statements of financial position as:

Non-current	12,445	30,659	12,297	30,507
Current	2,145,133	1,870,907	1,896,456	1,598,324
	<b>2,157,578</b>	<b>1,901,566</b>	<b>1,908,753</b>	<b>1,628,831</b>

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

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

Included in other payables at end of previous reporting year was RMB28,300,000 received from participants under Restricted A-Shares Incentive Scheme as disclosed in note 25. The registration of Restricted A-Shares was completed on 7 January 2021.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 28. LEASE LIABILITIES

	Group	
	2021 RMB'000	2020 RMB'000
Lease liabilities, current	1,597	1,000
Lease liabilities, non-current	1,572	1,710
	<b>3,169</b>	<b>2,710</b>

Movements of lease liabilities are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	2,710	3,672
Additions	1,726	–
Accretion of interest	102	143
Repayments	(1,369)	(1,105)
At end of year	<b>3,169</b>	<b>2,710</b>

## 29. OTHER FINANCIAL LIABILITIES

	Group	
	2021 RMB'000	2020 RMB'000
<u>Current</u>		
Loans from associate	30,000	–
<u>Non-current</u>		
Loans from associate	–	30,000

These loans bear a fixed interest rate per annum as follows:

	Group	
	2021	2020
Loans from associate	4.04%	4.04%

Loans from an associate of RMB30,000,000 were secured by pledges of legal mortgages over a subsidiary's construction in progress of RMB26,430,000 (see note 12). The loans are due in August 2022.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 30. OTHER LIABILITIES

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Contract liabilities (note 30A)	215,609	246,668	207,388	236,374
Deferred income	59,147	63,349	39,582	42,299
Advance payments received	38,028	36,172	27,175	25,319
Others	3,949	3,950	–	–
	<b>316,733</b>	<b>350,139</b>	<b>274,145</b>	<b>303,992</b>

Presented in statements of financial position as:

Non-current	101,124	103,471	66,757	67,618
Current	215,609	246,668	207,388	236,374
	<b>316,733</b>	<b>350,139</b>	<b>274,145</b>	<b>303,992</b>

Deferred income represents grants from government and other third parties.

### 30A. Contract liabilities

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Contract liabilities	215,609	246,668	207,388	236,374

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

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

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at beginning of year	69,254	77,256	57,215	70,444
Advance consideration received, excluding amounts recognised as revenue during the year	82,705	70,594	74,484	60,290
Provision for rebates to customers	132,904	176,084	132,904	176,084

Transaction price allocated to remaining performance obligations are as follows:

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Expected to be recognised within one year	84,035	70,594	75,710	60,290

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 31. CAPITAL COMMITMENTS

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

	Group	
	2021 RMB'000	2020 RMB'000
Contractual obligations to purchase and construct	219,231	202,293

## 32. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

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

	Group	
	2021 RMB'000	2020 RMB'000
Not later than one year	8,856	10,035
Later than one year and not later than two years	5,781	8,622
Later than two years and not later than three years	2,284	5,706
Later than three years	593	8,153

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

## 33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

### 33A. Categories of financial assets and liabilities

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<u>Financial assets</u>				
Financial assets at amortised cost	4,778,964	4,102,723	4,372,494	3,709,764
Financial assets at FVTOCI	11,081	8,348	11,081	8,348
	<u>4,790,045</u>	<u>4,111,071</u>	<u>4,383,575</u>	<u>3,718,112</u>
<u>Financial liabilities</u>				
Financial liabilities at amortised cost	2,190,747	1,934,276	1,908,753	1,628,831

Further quantitative disclosures are included throughout these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 33B. Financial risk management

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

The guidelines include the following:

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

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

### 33C. Fair value of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

### 33D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counter-parties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For ECL on financial assets, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-one loss is recorded equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 23 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 33E. Liquidity risk

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

<u>Group</u>	Less than 1 year RMB'000	2 – 5 years RMB'000	Total RMB'000
<u>2021</u>			
Gross borrowings commitments	31,212	–	31,212
Lease liabilities	1,669	1,590	3,259
Trade and other payables	2,145,133	12,445	2,157,578
	<u>2,178,014</u>	<u>14,035</u>	<u>2,192,049</u>
<u>2020</u>			
Gross borrowings commitments	403	30,241	30,644
Lease liabilities	1,078	1,751	2,829
Trade and other payables	1,870,907	30,659	1,901,566
	<u>1,872,388</u>	<u>62,651</u>	<u>1,935,039</u>
<u>Company</u>	Less than 1 year RMB'000	2 – 5 years RMB'000	Total RMB'000
<u>2021</u>			
Trade and other payables	1,896,456	12,297	1,908,753
	<u>1,896,456</u>	<u>12,297</u>	<u>1,908,753</u>
<u>2020</u>			
Trade and other payables	1,598,324	30,507	1,628,831
	<u>1,598,324</u>	<u>30,507</u>	<u>1,628,831</u>

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. At end of reporting year no claims on the financial guarantees are expected to be payable.

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 45 days. The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

In order to meet such cash commitments, the operating activities are expected to generate sufficient cash inflows. In addition, the financial assets are held for which there is a liquid market and that are readily available to meet liquidity needs.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 33F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate.

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

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets</u>				
Fixed rate	484,464	107,963	374,829	–
Floating rate	2,283,181	1,987,334	2,055,683	1,791,009
	<u>2,767,645</u>	<u>2,095,297</u>	<u>2,430,512</u>	<u>1,791,009</u>
<u>Financial liabilities</u>				
Fixed rate	30,000	30,000	30,000	30,000

The floating rate debt obligations are with interest rates that are re-set regular intervals. The interest rates are disclosed in the respective notes.

#### Sensitivity analysis

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets</u>				
A hypothetical variation in floating interest rates by 100 basis points with all other variables held constant would increase/decrease pre-tax profit for the year by:	22,831	19,873	20,557	17,910

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on profit or loss. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 33G. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, i.e., in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in non-functional currency:

	2021 USD RMB'000	2020 USD RMB'000
<u>Group and Company</u>		
Trade and other payables	18,039	15,002

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

### 33H. Equity price risk

There are investments in equity shares or similar instruments. As a result, such investments are exposed to both currency risk and market risk arising from uncertainties about future values of the investment securities. The fair values of these assets and sensitivity analysis are disclosed in note 19.

## 34. ITEMS IN PROFIT OR LOSS

The following charges have been included in administrative expenses:

	Group	
	2021 RMB'000	2020 RMB'000
Audit fees to independent auditors of the Company	2,900	2,900
Other fees to independent auditors of the Company	860	900
	3,760	3,800

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 35. FINANCIAL INFORMATION BY OPERATING SEGMENTS

Disclosure of information regarding operating segments, products and services, the geographical areas, and the major customers are made as required by IFRS 8 *Operating Segments*. This disclosure standard has no impact on the reported results or financial position of the Group.

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

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

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

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

	Revenue RMB'000	Cost of sales RMB'000	Gross profit RMB'000
<u>2021</u>			
Chinese medicine	4,669,541	2,292,889	2,376,652
Western medicine	1,595,779	1,329,588	266,191
Unallocated	642,224	592,071	50,153
	<u>6,907,544</u>	<u>4,214,548</u>	<u>2,692,996</u>
<u>2020</u>			
Chinese medicine	4,369,713	(2,157,969)	2,211,744
Western medicine	1,645,029	(1,419,690)	225,339
Unallocated	588,910	(508,389)	80,521
	<u>6,603,652</u>	<u>(4,086,048)</u>	<u>2,517,604</u>

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

There are no customers with revenue transactions of over 10% of the revenue of the Group.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 36. RECONCILIATION TO CAS

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

	As reported in statutory financial statements prepared under CAS RMB'000	Reconciliation RMB'000	As reported in financial statements prepared under IFRS RMB'000
<u>Group</u>			
<u>2021</u>			
<u>Current liabilities</u>			
Trade and other payables	2,177,166	(32,033) <sup>(a)</sup>	2,145,133
<u>Equity</u>			
Treasury shares	(32,033)	32,033 <sup>(a)</sup>	–
Share premium	–	1,228,740 <sup>(b)</sup>	1,228,740
Retained earnings	3,781,502	108,748 <sup>(b)</sup>	3,890,250
Other reserves	1,841,565	(1,337,488) <sup>(b)</sup>	504,077
<u>2020</u>			
<u>Current liabilities</u>			
Trade and other payables	1,905,691	(34,784) <sup>(a)</sup>	1,870,907
<u>Equity</u>			
Treasury shares	(34,784)	34,784 <sup>(a)</sup>	–
Share premium	–	1,229,980 <sup>(b)</sup>	1,229,980
Retained earnings	3,244,331	108,749 <sup>(b)</sup>	3,353,080
Other reserves	1,825,218	(1,338,727) <sup>(b)</sup>	486,491
<u>Company</u>			
<u>2021</u>			
<u>Current liabilities</u>			
Trade and other payables	1,928,489	(32,033) <sup>(a)</sup>	1,896,456
<u>Equity</u>			
Treasury shares	(32,033)	32,033 <sup>(a)</sup>	–
Share premium	–	1,228,740 <sup>(b)</sup>	1,228,740
Retained earnings	3,787,874	31,000 <sup>(b)</sup>	3,818,874
Other reserves	1,813,244	(1,259,740) <sup>(b)</sup>	553,504
<u>2020</u>			
<u>Current liabilities</u>			
Trade and other payables	1,633,108	(34,784) <sup>(a)</sup>	1,598,324
<u>Equity</u>			
Treasury shares	(34,784)	34,784 <sup>(a)</sup>	–
Share premium	–	1,229,980 <sup>(b)</sup>	1,229,980
Retained earnings	3,247,987	31,000 <sup>(b)</sup>	3,278,987
Other reserve	1,797,686	(1,260,980) <sup>(b)</sup>	536,706

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 36. RECONCILIATION TO CAS (CONT'D)

The reconciliations set out above are summarised as follows:

- (a) Difference in accounting treatment for 2021 Restricted A-Share Incentive Scheme prepared in accordance with IFRS and CAS; CAS requires the Company to recognise treasury shares based on its obligation on share buyback; and
- (b) Reclassification of retained earnings and share premium in accordance with IFRS.

There is no difference in respect of total comprehensive income and net assets of the Group and of the Company at end of reporting year.

# NOTICE OF ANNUAL GENERAL MEETING

## IMPORTANT NOTE FOR SHAREHOLDERS:

The Company had previously given notice of the Annual General Meeting (as defined below) on 30 March 2022 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 (as defined below) supersedes the version announced by the Company on 30 March 2022.

This revised notice of Annual General Meeting (as defined below) has been made available on the SGXNET and on the Company's website at <http://www.zhongxinp.com/> 21 days before the Annual General Meeting (as defined below) in accordance with the requirement of the Singapore Exchange Securities Trading Limited.

An electronic copy of the Company's Annual Report 2021 (as defined below) has also been, or will also be made available on the SGXNET and on the Company's website at <http://www.zhongxinp.com/> 21 days before the Annual General Meeting (as defined below). Printed copies of the Company's Annual Report 2021 (as defined below) (which includes the printed copies of this revised notice of Annual General Meeting (as defined below)) will be sent to S-Shareholders 14 days before the Annual General Meeting (as defined below).

S-Shareholders and investors are advised to check the SGXNET and or the Company's website at <http://www.zhongxinp.com/> regularly for updates.

**NOTICE IS HEREBY GIVEN** that the annual general meeting ("AGM" or "Annual General Meeting") for the financial year ended 31 December 2021 ("FY2021") of the Company will be held at the meeting room of Zhongxin Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the People's Republic of China 300193 on 16 May 2022 at 1:30 p.m.. Concurrently, the Annual General Meeting will be held by electronic means for holders of "S" shares ("S-Shareholders") in Singapore.

The agenda for the meeting shall be as follows:

- |    |  |                       |
|----|--|-----------------------|
| 1. | To consider and approve the Chairman's Report for FY2021;  | <b>(Resolution 1)</b> |
| 2. | To consider and approve the Board of Directors' Report for FY2021;   | <b>(Resolution 2)</b> |
| 3. | To consider and approve the Supervisory Committee's Report for FY2021;   | <b>(Resolution 3)</b> |
| 4. | To consider and approve the Financial Report and Audit Report for FY2021 audited by ShineWing Certified Public Accountants LLP (信永中和会计师事务所) and RSM Chio Lim LLP and reviewed by the Audit Committee of the Company;   | <b>(Resolution 4)</b> |
| 5. | To consider and approve the scheme of profit distribution policy of the Company for FY2021;  | <b>(Resolution 5)</b> |
|    | The Board has recommended to declare dividends of an aggregate amount of RMB386,721,538 on the basis of RMB5.0 (inclusive of taxes) for every 10 shares in the capital of the Company. The proposed dividend is payable in respect of 773,443,076 issued ordinary shares in the capital of the Company as at 31 December 2021. |                       |
| 6. | To consider and approve the remuneration of S\$55,000 for independent director Mr. Wong Gang for FY2021;   | <b>(Resolution 6)</b> |
| 7. | To consider and approve the remuneration of S\$55,000 for independent director Mr. Liew Yoke Pheng Joseph for FY2021;  | <b>(Resolution 7)</b> |

# NOTICE OF ANNUAL GENERAL MEETING

8. To consider and approve the remuneration of RMB25,000 for independent director QZhiyuan for FY2021 (specifically, for the period from 1 January 2021 to 17 May 2021); **(Resolution 8)**
9. To consider and approve the remuneration of RMB40,000 for independent director Ms. Li Qing for FY2021; **(Resolution 9)**
10. To consider and approve the aggregate remuneration for directors of the Company (the “**Directors**”) for FY2021; **(Resolution 10)**
11. To consider and approve the aggregate remuneration for members of the Supervisory Committee for FY2021; **(Resolution 11)**
12. To consider and approve the proposed amendments to the Articles of Association of the Company in relation to the adoption of a cumulative voting system for the election of directors or supervisors of the Company; **(Resolution 12)**  
(See Explanatory Note A)
13. To consider and approve the proposed renewal of the shareholders’ mandate for the interested person transactions; **(Resolution 13)**
  - (a) such approval given in the shareholders’ mandate for the interested person transactions (“**Shareholders’ Mandate**”) shall, unless revoked or varied by the Company in a general meeting, continue in force until the next annual general meeting of the Company; and
  - (b) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he/she may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the Shareholders’ Mandate and/or this Resolution.  
(See Explanatory Note B)
14. To consider and approve the proposed lines of credit granted to the Company up to an aggregate limit of RMB8,815 million; **(Resolution 14)**
15. To consider and approve the proposed provision of guarantee for an amount of up to RMB500 million by the Company for Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司) (“**TJZX Medicine**”); **(Resolution 15)**  
(See Explanatory Note C)
16. To consider and approve the proposed provision of an entrusted loan (委托贷款) of RMB1,200 million by the Company to TJZX Medicine; and **(Resolution 16)**  
(See Explanatory Note D)
17. To consider and approve the proposed change of the Chinese name of the Company from “天津中新药业集团股份有限公司” to “津药达仁堂集团股份有限公司”, and proposed change of the English name of the Company from “Tianjin Zhong Xin Pharmaceutical Group Corporation Limited” to “Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited” (the “**Proposed Change of Company Name**”), and consequential amendments to the Articles of Association of the Company in relation to the Proposed Change of Company Name and the application for changes in the industrial and commercial registration, as well as to authorise the Directors and any one of them to approve and complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may consider expedient, desirable, necessary or in the interests of the Company to give effect to the Proposed Change of Company Name. **(Resolution 17)**  
(See Explanatory Notes A and E)



# NOTICE OF ANNUAL GENERAL MEETING

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, which states: "When the Company is to hold an annual General Meeting, shareholders holding 3% or more of the voting shares of the Company shall be entitled to propose new motions in writing to the Company. The Company shall include in the agenda of the General Meeting those motions, the subject matter of which, are required to be decided by shareholders in General Meeting."

## BY ORDER OF THE BOARD

Jiao Yan  
Secretary to the Board of Directors  
22 April 2022

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- A. Pursuant to Article 103 of the PRC Company Law, where any resolution is proposed to be passed by shareholders of a company on proposed amendments to the articles of association of the company, it shall be passed by the shareholders representing more than two-thirds (2/3) of the voting rights held by the shareholders attending at the general meeting.

Accordingly, Resolutions 12 and 17 shall be approved by more than two-thirds (2/3) of the voting rights held by the Shareholders attending at the AGM in accordance with the PRC Company Law. Please refer to the annexure to the Notice of AGM regarding the proposed amendments to the Articles of Association of the Company in relation to the adoption of a cumulative voting system for the election of directors or supervisors of the Company and the annexure to the Notice of AGM relating to the Proposed Change of Company Name for further details on Resolutions 12 and 17, respectively.

- B. Please refer to the annexures to the Notice of AGM relating to the proposed renewal of the shareholders' mandate for the interested person transactions for further details.
- C. Please refer to the Appendix C to the announcement dated 30 March 2022 in relation to resolutions passed at the 1<sup>st</sup> Board meeting for FY2022 and notice of annual general meeting for FY2021 made by the Company on 30 March 2022 for further details on this Resolution 15.
- D. Please refer to the Appendix D to the announcement dated 30 March 2022 in relation to resolutions passed at the 1<sup>st</sup> Board meeting for FY2022 and notice of annual general meeting for FY2021 made by the Company on 30 March 2022 for further details on this Resolution 16.
- E. Pursuant to Article 14 of the *Rules for the Shareholders' Meetings of Listed Companies (2022 Revision)* / 《上市公司股东大会规则》(2022修订) issued by the China Securities Regulatory Commission and Article 70 of the Articles of Association of the Company, holders of ordinary shares who alone or in aggregate hold 3% or more of a listed company's shares may propose additional resolution(s) to be tabled at a general meeting 10 days before the general meeting. Accordingly, in addition to the resolutions stated in the previous announcement made by the Company on 30 March 2022, the controlling shareholder of the Company, Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), who directly and indirectly holds approximately 43.81% equity interest in the issued and paid-up capital of the Company has proposed to include Resolution 17 to be tabled at the AGM.

## Notes:

1. The AGM will be held by electronic means for S-Shareholders in Singapore pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings of Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

**Shareholders should note that this revised notice of AGM dated 22 April 2022 (the "Notice of AGM"), the annexure to the Notice of AGM regarding the proposed amendments to the Articles of Association of the Company in relation to the adoption of a cumulative voting system for the election of directors or supervisors of the Company and the proxy form in respect of the AGM (the "Proxy Form") have been made available on the SGXNET and on the Company's website at <http://www.zhongxinp.com/> 21 days before the AGM in accordance with the requirement of the Singapore Exchange Securities Trading Limited.**

The Company's annual report for the financial year ended 31 December 2021 enclosing, *inter alia*, the annexures to the Notice of AGM regarding the proposed amendments to the Articles of Association of the Company in relation to the adoption of a cumulative voting system for the election of directors or supervisors of the Company, the proposed renewal of the shareholders' mandate for the interested person transactions and the Proposed Change of Company Name (the "Annual Report 2021") have also been, or will also be made available on the SGXNET and on the Company's website at <http://www.zhongxinp.com/> 21 days before the AGM. Printed copies of the Annual Report 2021 (which includes the printed copies of this revised Notice of AGM and the Proxy Form) will be sent to S-Shareholders 14 days before the AGM. S-Shareholders and investors are advised to check the SGXNET and/or the Company's website at <http://www.zhongxinp.com/> regularly for updates.

2. Alternative arrangements relating to attendance by S-Shareholders at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed by S-Shareholders via "live" audio-and-video webcast or "live" audio-only stream), submission of questions by S-Shareholders to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions relating to the AGM (including at the VIS (as defined below)) and voting by S-Shareholders by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Company's announcement dated 22 April 2022 (the "Announcement"). The printed copy of the Announcement will **not** be sent to S-Shareholders. Instead, the Announcement will be sent to S-Shareholders by electronic means via publication on the SGXNET and on the Company's website at <http://www.zhongxinp.com/>. For the avoidance of doubt, the Announcement is circulated together with, and forms part of, this revised Notice of AGM in respect of the AGM.
3. **Due to the current COVID-19 restriction orders in Singapore and in consideration of the well-being of the S-Shareholders, a S-Shareholder will not be able to attend the AGM in person. A S-Shareholder will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A S-Shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such S-Shareholder wishes to exercise his/her/its voting rights at the AGM. The Chairman of the AGM, as proxy, need not be a member of the Company.**
4. Where a S-Shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

# NOTICE OF ANNUAL GENERAL MEETING

5. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) and wishes to appoint the Chairman of the AGM as proxy should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least 7 working days before the date of the AGM. **The Proxy Form is not valid for use by the investors holding shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 (2020 Revised Edition)) ("Investors"), CPF Investors and SRS Investors, and shall be ineffective for all intents and purposes if used or purported to be used by any of them. An Investor (other than a CPF Investor and SRS Investor) who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions.**
6. Investors (other than CPF Investors and SRS Investors) will not be able to pre-register at <https://bit.ly/TJZX2022AGM> for the "live" broadcast of the AGM. An Investor (other than CPF Investors and SRS Investors) who wishes to participate in the "live" broadcast of the AGM should instead approach his/her relevant intermediary as soon as possible in order for the relevant intermediary to make the necessary arrangements to pre-register. The relevant intermediary is required to submit a consolidated list of participants (setting out in respect of each participant, his/her name, email address and NRIC/Passport number) to the Company's "S" Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., via email to [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com) no later than **1:30 p.m. on 14 May 2022**.
7. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:
  - (a) if submitted by post, be lodged with the Company's "S" Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07 Singapore 098632; or
  - (b) if submitted electronically, via email to the Company's "S" Shares Registrar at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com),
 in either case, by no later than **1:30 p.m. on 14 May 2022**.

A S-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-Shareholder is a corporation, the instrument of proxy appointing the Chairman of the AGM as proxy must be executed under seal or the hand of its duly authorised officer or attorney.

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

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

If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

9. S-Shareholders and investors will not be able to ask questions "live" during the broadcast of the AGM, and therefore it is important for S-Shareholders to submit their questions in advance of the AGM in accordance with the instructions below. S-Shareholders are encouraged to raise their questions (if any) as early as possible in advance of the AGM and can submit substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM and in the following manner:

- (a) via the pre-registration website at <https://bit.ly/TJZX2022AGM>;
- (b) by email to [zxxy600329@163.com](mailto:zxxy600329@163.com); or
- (c) by post to the Company's "S" Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07 Singapore 098632.

All questions relating to the resolutions to be tabled for approval at the AGM for the purposes of the AGM submitted in advance via any of the above channels must be received by **9:00 a.m. on 7 May 2022** for the purposes of the AGM (the "AGM Questions Deadline").

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult to submit questions by post, S-Shareholders and investors are strongly encouraged to submit their questions via the pre-registration website or by email.**

The Company will endeavour to answer all substantial and relevant questions in relation to the resolutions to be tabled for approval at the AGM received by the AGM Questions Deadline, via an announcement on the SGXNET and on the Company's website at <http://www.zhongxinp.com/> after trading hours on **10 May 2022** (being no later than 72 hours before the closing date and time for lodgment of the Proxy Form). 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 <http://www.zhongxinp.com/> within one (1) month after the date of the AGM.

# NOTICE OF ANNUAL GENERAL MEETING

10. As required by the SGX-ST, in order to facilitate shareholders' votes and to allow shareholders to make an informed decision on Resolution 12 which relates to the proposed amendments to the Articles of Association of the Company in relation to the adoption of a cumulative voting system for the election of directors or supervisors of the Company (the "2022 1<sup>st</sup> Proposed AOA Amendments") to be tabled for approval at the AGM, a virtual information session ("VIS") conducted by electronic means will be held **from 3:00 p.m. to 4:00 p.m. on 6 May 2022** for shareholders of the Company (the "Shareholders") prior to the closing date and time for the lodgement of proxy forms for the AGM, in accordance with the Regulator's Column issued by the Singapore Exchange Regulation (the "SGX RegCo") on 16 December 2021 entitled "What SGX RegCo expects on the conduct of general meetings amid the ongoing COVID-19 situation", where the Company will endeavour to address all substantial and relevant questions in relation to the 2022 1<sup>st</sup> Proposed AOA Amendments to be tabled for approval at the AGM that are received by **9:00 a.m. on 30 April 2022** for the purposes of the VIS (the "VIS Questions Deadline") and at the VIS. **S-Shareholders should note that, notwithstanding that S-Shareholders will NOT be able to ask questions "live" at the AGM during the "live" audio-and-video webcast/"live" audio-only stream of the AGM, S-Shareholders will be able to ask questions in relation to the 2022 1<sup>st</sup> Proposed AOA Amendments "live" by typing in and submitting their questions through the "live" chat function during the VIS. Accordingly, S-Shareholders are encouraged to participate in the "live" broadcast of the VIS in relation to the 2022 1<sup>st</sup> Proposed AOA Amendments.**

Please refer to the Announcement for further details in relation to the VIS.

The Company will publish the minutes of the VIS, which will include, *inter alia*, the substantial and relevant questions relating to the 2022 1<sup>st</sup> Proposed AOA Amendments received by the VIS Questions Deadline and at the VIS, and the responses from the Board and/or management of the Company to such questions, or provide a link for Shareholders to access a recording of the VIS on the SGXNET and on the Company's website at <http://www.zhongxinp.com/> **after trading hours on 10 May 2022** (being at least 72 hours prior to the closing date and time for the lodgment of the proxy forms).

11. Pursuant to the Company's Articles of Association, a holder of tradable domestic shares with limiting conditions for sale shall notify the Company in writing not less than 20 days prior to the AGM of his or her intention to attend the AGM. A holder of "S" shares must be registered in the shareholder name list or in the Depository Register forty-eight (48) hours before the appointed time for holding the AGM.
12. A holder of tradable domestic shares with limiting conditions for sale who is planning to attend the AGM must give a written notice to the Company no later than 20 April 2022.
13. 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 in connection with his/her/its attendance at the AGM shall be borne by that shareholder.
14. As the COVID-19 situation continues to evolve, the Company may be required to change our arrangements in Singapore at short notice. S-Shareholders should check the SGXNET and/or the Company's website at <http://www.zhongxinp.com/> for the latest updates on the status of the AGM for S-Shareholders.
15. The Company thanks all members for their understanding and cooperation to hold the AGM in line with appropriate safe distancing measures amidst the COVID-19 pandemic.
16. **Personal Data Privacy:** Where a S-Shareholder of the Company submits (a) an application to pre-register to participate in the AGM via electronic means, (b) questions relating to the resolution(s) to be tabled for approval at the AGM, and/or (c) the Proxy Form appointing the Chairman of the AGM to attend, speak and vote at the AGM and/or any adjournment thereof, such S-Shareholder (i) consents to the collection, use and disclosure of such S-Shareholder's personal data by the Company (or its agents or service providers) for the purposes of (1) processing his/her/its application to pre-register to participate in the AGM via electronic means and providing him/her/it with any technical assistance where possible, (2) addressing any selected questions submitted by him/her/it and following up with him/her/it where necessary, (3) processing, administration, analysis and facilitation by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM (including any adjournment thereof), and (4) the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines, and (iii) agrees that he/she/it will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of his/her/its action or omission.

# PROXY FORM

## TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

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

### ANNUAL GENERAL MEETING PROXY FORM

#### IMPORTANT

1. The AGM (as defined below) will be held by electronic means for holders of "S" shares ("**S-Shareholders**") in Singapore pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

**Shareholders should note that this revised notice of AGM dated 22 April 2022 (the "Notice of AGM"), the annexure to the Notice of AGM regarding the proposed amendments to the Articles of Association of the Company in relation to the adoption of a cumulative voting system for the election of directors or supervisors of the Company and the proxy form in respect of the AGM (the "Proxy Form") have been made available on the SGXNET and on the Company's website at <http://www.zhongxinp.com/> 21 days before the AGM in accordance with the requirement of the Singapore Exchange Securities Trading Limited.**

The Company's annual report for the financial year ended 31 December 2021 enclosing, *inter alia*, the annexures to the Notice of AGM regarding the proposed amendments to the Articles of Association of the Company in relation to the adoption of a cumulative voting system for the election of directors or supervisors of the Company, the proposed renewal of the shareholders' mandate for the interested person transactions and the Proposed Change of Company Name (the "**Annual Report 2021**") have also been, or will also be made available on the SGXNET and on the Company's website at <http://www.zhongxinp.com/> 21 days before the AGM. Printed copies of the Annual Report 2021 (which includes the printed copies of this revised Notice of AGM and the Proxy Form) will be sent to S-Shareholders 14 days before the AGM. S-Shareholders and investors are advised to check the SGXNET and/or the Company's website at <http://www.zhongxinp.com/> regularly for updates.

2. Alternative arrangements relating to attendance by S-Shareholders at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed by S-Shareholders via "live" audio-and-video webcast or "live" audio-only stream), submission of questions by S-Shareholders to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions relating to the AGM (including at a virtual information session) and voting by S-Shareholders by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Company's announcement dated 22 April 2022 (the "**Announcement**"). The printed copy of the Announcement will **not** be sent to S-Shareholders. Instead, the Announcement will be sent to S-Shareholders by electronic means via publication on the SGXNet and on the Company's website at <http://www.zhongxinp.com/>. For the avoidance of doubt, the Announcement is circulated together with, and forms part of, the revised Notice of AGM in respect of the AGM.
3. **Due to the current COVID-19 restriction orders in Singapore and in consideration of the well-being of the S-Shareholders, a S-Shareholder will not be able to attend the AGM in person. A S-Shareholder will also not be able to vote online on the resolution(s) to be tabled for approval at the AGM. A S-Shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such S-Shareholder wishes to exercise his/her/its voting rights at the AGM. The Chairman of the AGM, as proxy, need not be a member of the Company.**
4. Where a S-Shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
5. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) and wishes to appoint the Chairman of the AGM as proxy should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least 7 working days before the date of the AGM. **The Proxy Form is not valid for use by the investors holding shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 (2020 Revised Edition)) ("Investors"), CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by any of them. An Investor (other than a CPF Investor and SRS Investor) who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions.**
6. Investors (other than CPF Investors and SRS Investors) will not be able to pre-register at <https://bit.ly/TJZX2022AGM> for the "live" broadcast of the AGM. An Investor (other than CPF Investors and SRS Investors) who wishes to participate in the "live" broadcast of the AGM should instead approach his/her relevant intermediary as soon as possible in order for the relevant intermediary to make the necessary arrangements to pre-register. The relevant intermediary is required to submit a consolidated list of participants (setting out in respect of each participant, his/her name, email address and NRIC/Passport number) to the Company's "S" Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., via email to [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com) no later than **1:30 p.m. on 14 May 2022**.
7. **Personal Data Privacy:** By submitting this Proxy Form, the member accepts and agrees to the personal data privacy terms set out in the Company's Notice of AGM dated 22 April 2022.
8. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

# PROXY FORM

## TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

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

### ANNUAL GENERAL MEETING PROXY FORM

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

\*I/We, \_\_\_\_\_ (Name)

with NRIC/Passport/Company Registration Number \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a member/members\* of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "**Company**"), hereby appoint the **Chairman of the Annual General Meeting** ("**AGM**" or "**Annual General Meeting**") as my/our\* proxy to attend, speak and vote for me/us\* on my/our\* behalf at the AGM of the Company to be held at the meeting room of Zhongxin Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the People's Republic of China 300193 (concurrently, the AGM will be held by way of electronic means for S-Shareholders (as defined herein) in Singapore) on 16 May 2022 at 1:30 p.m. and at any adjournment thereof. I/We\* direct the Chairman of the AGM to vote for, against or to abstain from voting the Resolution(s) proposed at the AGM as indicated hereunder.

**(If you wish to exercise all your votes "For", "Against" or to "Abstain" from voting, please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.)**

No.	Resolutions	For	Against	Abstain
1.	To consider and approve the Chairman's Report for FY2021.			
2.	To consider and approve the Board of Directors' Report for FY2021.			
3.	To consider and approve the Supervisory Committee's Report for FY2021.			
4.	To consider and approve the Financial Report and Audit Report for FY2021 audited by ShineWing Certified Public Accountants LLP (信永中和会计师事务所) and RSM Chio Lim LLP and reviewed by the Audit Committee of the Company.			
5.	To consider and approve the scheme of profit distribution policy of the Company for FY2021.  The Board has recommended to declare dividends of an aggregate amount of RMB386,721,538 on the basis of RMB5.0 (inclusive of taxes) for every 10 shares in the capital of the Company. The proposed dividend is payable in respect of 773,443,076 issued ordinary shares in the capital of the Company as at 31 December 2021.			
6.	To consider and approve the remuneration of S\$55,000 for independent director Mr. Wong Gang for FY2021.			
7.	To consider and approve the remuneration of S\$55,000 for independent director Mr. Liew Yoke Pheng Joseph for FY2021.			
8.	To consider and approve the remuneration of RMB25,000 for independent director Mr. Qiang Zhiyuan for FY2021 (specifically, for the period from 1 January 2021 to 17 May 2021).			

# PROXY FORM

No.	Resolutions	For	Against	Abstain
9.	To consider and approve the remuneration of RMB40,000 for independent director Ms. Li Qing for FY2021.			
10.	To consider and approve the aggregate remuneration for directors of the Company (the “ <b>Directors</b> ”) for FY2021.			
11.	To consider and approve the aggregate remuneration for members of the Supervisory Committee for FY2021.			
12.	To consider and approve the proposed amendments to the Articles of Association of the Company in relation to the adoption of a cumulative voting system for the election of directors or supervisors of the Company.			
13.	<p>To consider and approve the proposed renewal of the shareholders’ mandate for the interested person transactions.</p> <p>(a) such approval given in the shareholders’ mandate for the interested person transactions (“<b>Shareholders’ Mandate</b>”) shall, unless revoked or varied by the Company in a general meeting, continue in force until the next annual general meeting of the Company; and</p> <p>(b) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he/she may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the Shareholders’ Mandate and/or this Resolution.</p>			
14.	To consider and approve the proposed lines of credit granted to the Company up to an aggregate limit of RMB8,815 million.			
15.	To consider and approve the proposed provision of guarantee for an amount of up to RMB500 million by the Company for Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司) (“ <b>TJZX Medicine</b> ”).			
16.	To consider and approve the proposed provision of an entrusted loan (委托贷款) of RMB1,200 million by the Company to TJZX Medicine.			
17.	To consider and approve the proposed change of the Chinese name of the Company from “天津中新药业集团股份有限公司” to “津药达仁堂集团股份有限公司”, and proposed change of the English name of the Company from “Tianjin Zhong Xin Pharmaceutical Group Corporation Limited” to “Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited” (the “ <b>Proposed Change of Company Name</b> ”), and the consequential amendments to the Articles of Association of the Company in relation to the Proposed Change of Company Name and the application for changes in the industrial and commercial registration, as well as to authorise the Directors and any one of them to approve and complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may consider expedient, desirable, necessary or in the interests of the Company to give effect to the Proposed Change of Company Name.			

# PROXY FORM

No.	Resolutions	For	Against	Abstain
	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, which states: "When the Company is to hold an annual General Meeting, shareholders holding 3 % or more of the voting shares of the Company shall be entitled to propose new motions in writing to the Company. The Company shall include in the agenda of the General Meeting those motions, the subject matter of which, are required to be decided by shareholders in General Meeting."			

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
*Signature(s) of Shareholder(s) or  
 Common Seal of Corporate Shareholder*

**IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM**



# PROXY FORM

## Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 (2020 Revised Edition)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.
2. A member entitled to attend and vote at the AGM (other than holders of "S" shares in the Company ("S-Shareholders") who is required to appoint the Chairman of the AGM as proxy at the AGM) is entitled to appoint one or more persons (who need not also be shareholders) to act as his/her/its proxies to attend and vote on his/her/its behalf. Where a member appoints more than one 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.

3. **Due to the current COVID-19 restriction orders in Singapore and in consideration of the well-being of the S-Shareholders, a S-Shareholder will not be able to attend the AGM in person. A S-Shareholder will also not be able to vote online on the resolution(s) to be tabled for approval at the AGM. A S-Shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such S-Shareholder wishes to exercise his/her/its voting rights at the AGM. The Chairman of the AGM, as proxy, need not be a member of the Company.**

Where a S-Shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

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

This Proxy Form is not valid for use by investors holding shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act of Singapore 1967 (2020 Revised Edition)) ("Investors"), CPF Investors and SRS Investors, and shall be ineffective for all intents and purposes if used or purported to be used by any of them. An Investor (other than CPF Investors and SRS Investors) who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions.

4. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:
  - (a) if submitted by post, be lodged with the Company's "S" Shares Registrar and Singapore Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07 Singapore 098632; or
  - (b) if submitted electronically, via email to the Company's "S" Shares Registrar at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com), in either case, by no later than **1:30 p.m. on 14 May 2022**.

A S-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.

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

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

## Personal data privacy:

By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Company's Notice of AGM dated 22 April 2022.

# INFORMATION ON SHAREHOLDING

Registered Capital: Rmb 773,443,076

Class of Shares: Ordinary shares of Rmb1.00 each (of which 573,443,076 shares are Domestic Investment Shares and 200,000,000 shares are Foreign Investment Shares)

Voting Rights: one vote per share

## Foreign Shareholder's Information as at 31 March 2022

Range of Shareholdings	No. Of Shareholders	%	No. Of Shares	%
1 – 99	2	0.09	15	0.00
100 – 1,000	95	4.34	69,538	0.03
1,001 – 10,000	1,389	63.40	6,895,896	3.45
10,001 – 1,000,000	682	31.13	36,794,133	18.40
1,000,001 AND ABOVE	23	1.05	156,240,418	78.12
<b>Total</b>	<b>2,191</b>	<b>100.00</b>	<b>200,000,000</b>	<b>100.00</b>

## Foreign Substantial Shareholders as at 31 March 2022

The Company has not received any notice of change of substantial shareholding of the “S” shares.

The percentage of shareholding held in the hands of public pursuant to Rule 1207(9)(e) is 25.86%, and the Company hereby confirms that Rule 723 has been complied with.

## Domestic Substantial Shareholders as at 31 March 2022

Name	Direct Interests		Deemed Interests	
	No. of Shares	%	No. of Shares	%
TPH	325,855,528	42.13	5,265,000 <sup>(1)</sup>	0.68

### Note:

- (1) Pursuant to Section 4 of the Securities and Futures Act (Chapter 289) of Singapore, TPH is deemed interested in the 5,265,000 shares in the capital of the Company held by its wholly-owned subsidiary, Tianjin Pharmaceutical (Singapore) International Investment Pte. Ltd.

# INFORMATION ON SHAREHOLDING

## Major Foreign Shareholder's List as at 31 March 2022

	Name	No. Of Shares	%
1	ABN AMRO CLEARING BANK N.V.	30,546,000	15.27
2	PHILLIP SECURITIES PTE LTD	26,020,105	13.01
3	DBS NOMINEES PTE LTD	20,340,940	10.17
4	RAFFLES NOMINEES(PTE) LIMITED	19,288,628	9.64
5	CITIBANK NOMS SPORE PTE LTD	15,527,345	7.76
6	MORGAN STANLEY ASIA (S) SEC PTE LTD	5,169,200	2.58
7	LU ZU LIANG	4,610,000	2.31
8	TAN TOH HEAH OR TAN SWEE TECK MICHAEL	3,780,000	1.89
9	DBS VICKERS SECURITIES (S) PTE LTD	3,520,800	1.76
10	HSBC (SINGAPORE) NOMINEES PTE LTD	3,245,300	1.62
11	BANK OF CHINA NOMINEES PTE LTD	3,189,500	1.59
12	DB NOMINEES (SINGAPORE) PTE LTD	2,501,300	1.25
13	UOB KAY HIAN PTE LTD	2,426,200	1.21
14	MAYBANK SECURITIES PTE. LTD.	2,362,300	1.18
15	LEONG CHAO SEONG	1,965,400	0.98
16	OCBC SECURITIES PRIVATE LTD	1,893,400	0.95
17	KUEK SIAW KIA @ QUEK SHIEW POH	1,834,600	0.92
18	NG HAK HONG	1,528,800	0.76
19	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,481,400	0.74
20	TAN SWEE TECK MICHAEL	1,470,000	0.74
	<b>Total</b>	<b>152,701,218</b>	<b>76.33</b>

**ANNEXURE DATED 22 APRIL 2022****THIS ANNEXURE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This Annexure is issued by Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the “**Company**”). **If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.**

If you have sold all your shares in the capital of the Company, you should immediately hand this Annexure, the Notice of Annual General Meeting and attached Proxy Form to the purchaser or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Annexure.

**TIANJIN ZHONG XIN PHARMACEUTICAL  
GROUP CORPORATION LIMITED**

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

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

in relation to

**THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY IN RELATION  
TO THE ADOPTION OF THE CUMULATIVE VOTING SYSTEM  
FOR THE ELECTION OF DIRECTORS OR SUPERVISORS OF THE COMPANY  
(THE “2022 1<sup>ST</sup> PROPOSED AOA AMENDMENTS”)**

## CONTENTS

DEFINITIONS .....	150
1. INTRODUCTION .....	154
2. THE 2022 1 <sup>ST</sup> PROPOSED AOA AMENDMENTS.....	155
3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS .....	167
4. DIRECTORS' RECOMMENDATIONS.....	167
5. ANNUAL GENERAL MEETING.....	167
6. ACTION TO BE TAKEN BY SHAREHOLDERS .....	168
7. DIRECTORS' RESPONSIBILITY STATEMENT .....	168
8. DOCUMENT FOR INSPECTION.....	169
APPENDIX A.....	170

## DEFINITIONS

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

<i>"2022 AGM"</i>	:	The annual general meeting of the Company to be held on 16 May 2022 at 1:30 p.m. at the meeting room of Zhongxin Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193, (concurrently, the annual general meeting will be held by way of electronic means for S-Share Shareholders in Singapore)
<i>"2022 1<sup>st</sup> Proposed AOA Amendments"</i>	:	The proposed amendments to Article 83 of the Articles of Association in relation to the adoption of the Cumulative Voting System for the election of directors or supervisors (as the case may be) of the Company, as further described in Section 2.3 of this Annexure
<i>"AGM" or "Annual General Meeting"</i>	:	An annual general meeting of the Company
<i>"Annexure"</i>	:	This annexure dated 22 April 2022 to the Notice of AGM
<i>"Announcement"</i>	:	The announcement dated 14 February 2022 made by the Company in relation to the grant of the Waivers
<i>"A-Shares"</i>	:	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
<i>"A-Share Shareholders"</i>	:	Holders of A-Shares
<i>"Act" or "Companies Act"</i>	:	The Companies Act 1967 (2020 Revised Edition), as amended, modified and/or supplemented from time to time
<i>"Articles" or "Articles of Association"</i>	:	The articles of association of the Company, as amended, modified and/or supplemented from time to time
<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 Zhong Xin Pharmaceutical Group Corporation Limited
<i>"Controlling Shareholder"</i>	:	A person who: <ul style="list-style-type: none"> <li>(i) holds directly or indirectly 15% or more of the total voting rights in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or</li> <li>(ii) in fact exercises control over the Company</li> </ul>
<i>"CSRC"</i>	:	China Securities Regulatory Commission (中国证券监督管理委员会)

<i>"Cumulative Voting System"</i>	: A voting mechanism carried out by shareholders for the election of directors or supervisors at the general meeting where each share held by a shareholder has the same number of votes as the number of directors or supervisors (as the case may be) to be elected under the relevant proposal group, and the shareholders may cast their total votes for one or several candidates
<i>"Detailed Implementing Rules"</i>	: The Detailed Implementing Rules for Online Voting at Shareholders' Meetings of Companies Listed on the Shanghai Stock Exchange (2015 Revision) [《上海证券交易所上市公司股东大会网络投票实施细则》(2015年修订)], as amended, modified and/or supplemented from time to time
<i>"Directors"</i>	: The directors of the Company as at the date of this Annexure
<i>"Group"</i>	: The Company and its subsidiaries
<i>"Guidelines"</i>	: The Guidelines on the Articles of Association of Listed Companies (2022 Revision) [《上市公司章程指引》(2022年修订)] promulgated by the CSRC, as amended, modified and/or supplemented from time to time
<i>"Latest Practicable Date"</i>	: The latest practicable date prior to the electronic despatch of this Annexure, being 18 April 2022
<i>"Listing Manual"</i>	: The listing manual of the SGX-ST, as amended, modified and/or supplemented from time to time
<i>"Listing Rules"</i>	: The main board rules of the SGX-ST, as amended, modified and/or supplemented from time to time
<i>"Notice of AGM"</i>	: The notice of the 2022 AGM dated 22 April 2022
<i>"One-share One-vote System"</i>	: A voting mechanism under which shareholders are given one vote for each share held
<i>"PRC"</i>	: People's Republic of China
<i>"PRC CG Code"</i>	: The Code of Corporate Governance of Listed Companies (2018 Revision) [《上市公司治理准则》(2018年修订)] promulgated by the CSRC, as amended, modified and/or supplemented from time to time
<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>"PRC Securities Law"</i>	: The Securities Law of the PRC (2019 Revision) [《中华人民共和国证券法》(2019年修订)], as amended, modified and/or supplemented from time to time
<i>"Proxy Form"</i>	: The proxy form in respect of the 2022 AGM

<i>"Register of Members"</i>	: The register of members of the Company as maintained by the Company's "S" Shares Registrar and Singapore Shares Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd.
<i>"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. Please refer to the Company's circular dated 15 November 2019 for further details
<i>"Securities Accounts"</i>	: The securities account maintained with CDP, but not including the securities accounts maintained with a Depository Agent
<i>"SFA"</i>	: The Securities and Futures Act 2001 (2020 Revised Edition), as amended, modified and/or supplemented from time to time
<i>"SGX-ST" or "Exchange"</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 "Shareholders" in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited
<i>"Shares"</i>	: Ordinary shares in the capital of the Company, including 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
<i>"Substantial Shareholder"</i>	: A person who has an interest or interests in one (1) or more voting Shares (excluding treasury shares) in the Company, and the total votes attached to that Share, or those Shares, represent not less than five per cent. (5.0%) of the total votes attached to all the voting Shares (excluding treasury shares) in the Company
<i>"TPH"</i>	: Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), the Controlling Shareholder of the Company as at the Latest Practicable Date



“TSRB”	: Tianjin Securities Regulatory Bureau (天津证监局), being the local branch of the CSRC in Tianjin
“VIS”	: The virtual information session conducted by electronic means to be held prior to the closing date and time for the lodgement of proxy forms for the 2022 1 <sup>st</sup> Proposed AOA Amendments as required by the SGX-ST
“Waivers”	: The waivers from compliance with the requirements under Rule 730(2) and Rule 730A(2) of the Listing Manual

#### **Currencies, units and others**

“RMB”	: Renminbi, the lawful currency of the PRC
“US\$”	: United States Dollars, the lawful currency of the United States of America
“%” or “per cent.”	: Percentage or per centum

The terms “Depositor”, “Depository”, “Depository Register” and “Depository Agent” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Annexure to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Listing Manual, the SFA or any modification thereof and not otherwise defined in this Annexure shall have the same meaning assigned to it under the Listing Manual or the SFA, as the case may be, unless the context otherwise requires.

Any reference to a time of a day in this Annexure is a reference to Singapore time.

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

**TIANJIN ZHONG XIN PHARMACEUTICAL  
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. Li Yan (Executive Director)  
Mr. Wang Mai (Executive Director)  
Mr. Zhou Hong (Executive Director)  
Mr. Zhang Ping (Non-Executive and Non-Independent Director)  
Mr. Wong Gang (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

22 April 2022

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

Dear Sir/Madam

**THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY IN RELATION TO THE ADOPTION OF THE CUMULATIVE VOTING SYSTEM FOR THE ELECTION OF DIRECTORS OR SUPERVISORS OF THE COMPANY (THE "2022 1<sup>ST</sup> PROPOSED AOA AMENDMENTS")**

**1. INTRODUCTION**

The Company has issued the Notice of AGM on 22 April 2022. Reference is made to Resolution 12 relating to the 2022 1<sup>st</sup> Proposed AOA Amendments.

The purpose of this Annexure is to provide Shareholders with information pertaining to, and to seek Shareholders' approval for, the 2022 1<sup>st</sup> Proposed AOA Amendments, at the forthcoming 2022 AGM to be held on 16 May 2022 at 1:30 p.m. at the meeting room of Zhongxin Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, the 2022 AGM will be held by way of electronic means for S-Share Shareholders in Singapore). The Notice of AGM and the 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 <http://www.zhongxinp.com/>. This Annexure to the Notice of AGM has been made available on the SGXNET and on the Company's website at <http://www.zhongxinp.com/> 21 days before the 2022 AGM in accordance with the requirement of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.

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

Shook Lin & Bok LLP is the legal adviser to the Company as to Singapore law in relation to the 2022 1<sup>st</sup> Proposed AOA Amendments.

## 2. THE 2022 1<sup>ST</sup> PROPOSED AOA AMENDMENTS

### 2.1 Background

- (a) Article 131 of the existing Articles of Association provides, *inter alia*, that in the circumstance of competitive election (i.e., the number of candidates standing for election as directors or supervisors is more than the number of directors or supervisors to be elected), the Company must carry out a cumulative voting system for the election of directors or supervisors. Since the number of candidates standing for election as directors or supervisors has always been the same as the number of directors or supervisors to be elected in the past elections of directors or supervisors of the Company, the Company has not carried out the Cumulative Voting System at its previous general meetings for the elections of directors or supervisors of the Company.
- (b) Pursuant to Rule 730A(2) of the Listing Manual, all resolutions at general meetings shall be voted by poll. "Poll" is defined under the Listing Rules as the "method of voting under which shareholders are given one vote for each share held." Pursuant to Article 86 of the existing Articles of Association, in the case of a vote by poll, every shareholder (including proxy) shall be entitled to one vote for every share such shareholder holds or such proxy represents. As poll voting is not prohibited under PRC laws, the Company has always carried out poll voting (i.e., the One-share One-vote System) for the elections of directors or supervisors at its previous general meetings in accordance with the Listing Rules and Article 86 of its existing Articles of Association.
- (c) However, pursuant to Article 17 of the PRC CG Code ("Article 17") promulgated by the CSRC on 30 September 2018 which came into force on the date of promulgation, where a single shareholder of a listed company solely or jointly with the persons acting in concert with it is interested in 30% or more of the shares of such listed company, a cumulative voting system must be carried out for the election of directors or supervisors at the general meetings, and a listed company implementing the cumulative voting system must stipulate the detailed implementing rules for the cumulative voting system in its articles of association. Since Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) (i.e., TPH), being the Controlling Shareholder of the Company as at the Latest Practicable Date, holds directly and indirectly 42.81% of the issued share capital of the Company, it is mandatory for the Company to carry out the Cumulative Voting System for the election of directors or supervisors at its general meetings and stipulate the detailed implementing rules for the Cumulative Voting System in the Articles of Association, whether or not the number of candidates standing for election as directors or supervisors is more than, or same as, the number of directors or supervisors to be elected, and even in the case that there is only one (1) director or supervisor (as the case may be) to be elected and one (1) candidate standing for election as director or supervisor (as the case may be).
- (d) Further, as required by the Tianjin Securities Regulatory Bureau (天津证监局) (i.e., TSRB) (being the local branch of the CSRC in Tianjin), the Company must submit the resolution on the proposed amendments to its Articles of Association to provide for the adoption of the Cumulative Voting System for the election of directors or supervisors at its general meetings and stipulate the detailed implementing rules for the Cumulative Voting System in its Articles of Association for Shareholders' consideration and approval at the 2022 AGM at the latest (i.e., no later than 16 May 2022).

- (e) Accordingly, to comply with the requirements of the PRC CG Code and the TSRB, the Company proposes to amend Article 83 of the existing Articles of Association to provide for the adoption of the Cumulative Voting System for the election of directors or supervisors at its general meetings and stipulate the detailed implementing rules for the Cumulative Voting System in its Articles of Association, in accordance with the provisions under relevant laws, regulations and normative documents including the PRC Company Law, the PRC Securities Law, the PRC CG Code and the Guidelines, so as to further improve the corporate governance structure and safeguard the rights and interests of the minority shareholders of the Company.

## 2.2 Rationale

The details of the relevant PRC laws, regulations and normative documents relating to the implementation of the Cumulative Voting System for the election of directors or supervisors are set out in this Section 2.2 of this Annexure, while the proposed amendments to Article 83 of the existing Articles of Association are set out in Section 2.3 of this Annexure below.

- (a) Article 17 provides that the election of directors or supervisors shall fully reflect the opinions of the minority shareholders. A cumulative voting system should be actively carried out for the election of directors or supervisors at general meetings of the company. Where a single shareholder of a listed company solely or jointly with the persons acting in concert with it is interested in 30% or more of the shares of such listed company, it is mandatory for a cumulative voting system to be carried out for the election of directors or supervisors at the general meetings. A listed company implementing the cumulative voting system must stipulate the detailed implementing rules for the cumulative voting system in its articles of association.
- (b) Article 105 of the PRC Company Law ("**Article 105**") and Article 32 of the *Rules of the Shareholders' Meeting of Listed Companies (2022 Revision)* / 《上市公司股东大会规则》(2022年修订) promulgated by the CSRC on 5 January 2022 ("**Article 32**") both provide that when voting on the resolution for the election of directors or supervisors at a general meeting of a company, a cumulative voting system may be carried out in accordance with the articles of association of such company or the resolution of the general meeting. Article 32 further provides that where a single shareholder of a listed company solely or jointly with the persons acting in concert with it is interested in 30% or more of the shares of such listed company, it is mandatory for a cumulative voting system to be carried out for the election of directors or supervisors at the general meetings.
- (c) In addition, Article 11 of the Detailed Implementing Rules ("**Article 11**") provides that where a listed company carries out the cumulative voting system for the election of directors or supervisors, the candidates for election as directors or supervisors shall be divided and resolutions for their elections shall be listed in the notice of general meeting grouped under separate proposal groups, which are categorised based on (i) candidates proposed to be elected as non-independent directors; (ii) candidates proposed to be elected as independent directors; and (iii) candidates proposed to be elected as supervisors, and submitted for voting at the general meeting respectively, and Article 23 of the Detailed Implementing Rules ("**Article 23**") provides, *inter alia*, for each proposal subject to cumulative voting system at the general meeting, each share held by the shareholders present at the general meeting shall have the same number of votes as the number of directors or supervisors to be elected under each proposal group. Shareholders may cast their votes for one or several candidates. Please refer to Section 2.4(e) of this Annexure for illustrations of the mechanism for voting under the Cumulative Voting System.

- (d) Further, Part 4 of the *Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Market* (《国务院办公厅关于进一步加强资本市场中小投资者合法权益保护工作的意见》) issued by the General Office of the State Council in 2013 (“**Part 4**”) states, *inter alia*, the cumulative voting system should be actively implemented for the election of directors or supervisors to improve the voting mechanism of the minority investors.

Extracts of Article 17, Article 105, Article 32, Article 11, Article 23 and Part 4 are set out in **Appendix A** to this Annexure.

### 2.3 Amendments to the Articles of Association

The proposed amendments to Article 83 of the existing Articles of Association are set out below.

Article 83 of the existing Articles of Association is proposed to be amended as follows (with amendments in **bold and underline**):

Before the 2022 1 <sup>st</sup> Proposed AOA Amendments	After the 2022 1 <sup>st</sup> Proposed AOA Amendments
<p>Article 83 If the General Meeting of Shareholders is to deliberate matters concerning election of directors and supervisors, the shareholders’ meeting notice shall give full exposure of detailed information about the director and supervisor candidates, at least including the following contents:</p> <p>(1) the educational background, work experiences, concurrent posts and other personal information;</p> <p>(2) whether or not there is any association relationship with the Company or the controlling shareholder and actual controller of the Company;</p> <p>(3) disclosure of the number of shares of the Company he or she holds;</p> <p>(4) whether or not he or she received any punishment imposed by the China Securities Regulatory Commission and other related departments and the stock exchange.</p> <p>Except for the adoption of cumulative voting system in electing directors and supervisors, each director and supervisor candidate shall be put forward in a separate motion.</p>	<p>Article 83 If the General Meeting of Shareholders is to deliberate matters concerning election of directors and supervisors, the shareholders’ meeting notice shall give full exposure of detailed information about the director and supervisor candidates, at least including the following contents:</p> <p>(1) the educational background, work experiences, concurrent posts and other personal information;</p> <p>(2) whether or not there is any association relationship with the Company or the controlling shareholder and actual controller of the Company;</p> <p>(3) disclosure of the number of shares of the Company he or she holds;</p> <p>(4) whether or not he or she received any punishment imposed by the China Securities Regulatory Commission and other related departments and the stock exchange.</p> <p>Except for the adoption of cumulative voting system in electing directors and supervisors, each director and supervisor candidate shall be put forward in a separate motion.</p>

Before the 2022 1 <sup>st</sup> Proposed AOA Amendments	After the 2022 1 <sup>st</sup> Proposed AOA Amendments
	<p><u>Where a single shareholder of the Company solely or jointly with the persons acting in concert with it is interested in 30% or more of the shares of the Company, a cumulative voting system must be carried out when voting on the resolution for the election of directors or supervisors at the general meetings of the Company.</u></p> <p><u>The “cumulative voting system” as mentioned in the immediately foregoing paragraph means that when voting on the resolution for the election of directors or supervisors (as the case may be) at a general meeting, each share held by a shareholder of the Company shall have the same number of votes as the number of directors or supervisors (as the case may be) to be elected, and the shareholders may cast their total votes for one or several candidates.</u></p> <p><u>The specific implementing rules for the “cumulative voting system” are as follows:</u></p> <p><u>(1) when voting on the resolution for the election of directors or supervisors (as the case may be) at a general meeting, each share held by a shareholder of the Company has the same number of votes as the number of directors or supervisors (as the case may be) to be elected. That is, the total number of votes that a shareholder is entitled to in the election of directors or supervisors (as the case may be) equals to the number of shares held by such shareholder multiplied by the number of directors or supervisors (as the case may be) to be elected. The number of candidates for directors and supervisors can be more than the number of directors or supervisors to be elected at the general meeting. However, each shareholder can only cast votes for such number of candidates that shall not exceed the number of directors or supervisors (as the case may be) to be elected at the general meeting and the total number of votes cast by a shareholder shall not be more than the number of votes that such shareholder is entitled, otherwise, such votes shall be invalid;</u></p>

Before the 2022 1 <sup>st</sup> Proposed AOA Amendments	After the 2022 1 <sup>st</sup> Proposed AOA Amendments
	<p>(2) <u>the voting on the resolution for the election of independent directors, non-independent directors and supervisors shall be carried out separately. When voting on the resolution for the election of independent directors, the number of votes that each shareholder is entitled to equals to the number of shares held by such shareholder multiplied by the number of independent directors to be elected, and such votes can only be cast for the candidates for independent directors; when voting on the resolution for the election of non-independent directors, the number of votes that each shareholder is entitled to equals to the number of shares held by such shareholder multiplied by the number of non-independent directors to be elected, and such votes can only be cast for the candidates for non-independent directors; and when voting on the resolution for the election of supervisors, the number of votes that each shareholder is entitled to equals to the number of shares held by such shareholder multiplied by the number of supervisors to be elected, and such votes can only be cast for the candidates for supervisors; and</u></p> <p>(3) <u>after the voting process ends, the scrutineer of the general meeting shall count the votes and announce the number of votes received by each of the candidates for directors or supervisors for determining which candidates are elected. The candidates for directors or supervisors 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 (including their proxies) attending the general meeting. If the number of directors or supervisors (as the case may be) elected is lower than the number of directors or supervisors to be elected at the general meeting, another election shall be conducted at the next following general meeting to fill the vacancy. In the event of failure to determine the elected candidate due to a tie vote between two (2) or more candidates for directors or supervisors (such that, if all of them are elected, the number of elected candidates would exceed the number of vacancies), another election shall be conducted at the next following general meeting to fill the vacancy.</u></p>

Save for the proposed amendments to the Articles of Association of the Company relating to the proposed change of company name set out in Resolution 17 of the Notice of AGM and the above amendments, the other terms of the Articles of Association of the Company shall remain unchanged.

## **2.4 Further information on and illustration of the Cumulative Voting System**

### **(a) No “Against” votes**

When voting on the resolution for the election of directors or supervisors adopting the Cumulative Voting System, the shareholders only cast their votes “For” but not cast their votes “Against” the resolution pertaining to the proposed election of directors or supervisors set out in the notice of general meeting. Shareholders may exercise their votes to “Abstain” from voting.

### **(b) Mechanism for calculation of votes under the Cumulative Voting System**

Further, when voting on the resolution for the election of directors or supervisors at the general meeting adopting the Cumulative Voting System, the concept of “votes” instead of “shares” are used (i.e., the voting results will not state the total number of shares represented by votes for and against the relevant resolution. Instead, it will state the number of votes (as computed under the Cumulative Voting System) each candidate had received under the relevant proposal group). Each share held by a shareholder of the Company has the same number of votes as the number of directors or supervisors to be elected, and the shareholders may cast their total votes for one or several candidates. That is, the total number of votes that a shareholder is entitled to in the election of directors or supervisors (as the case may be) equals to the number of shares held by such shareholder multiplied by the number of directors or supervisors (as the case may be) to be elected at the general meeting.

### **(c) Principles for determining the elected directors or supervisors (with reference to the prevailing market practice)**

The candidates for directors or supervisors 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. Please refer to Section 2.4(e) of this Annexure for illustrations of the mechanism for voting under the Cumulative Voting System. 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 such general meeting and another election shall be conducted at the next following general meeting to fill the vacancy.

If the number of directors or supervisors successfully elected is less than the number of directors or supervisors 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 for directors or supervisors 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 or supervisors to be elected at the general meeting, the candidates for directors or supervisors 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 for directors or supervisors (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 such general meeting and another election shall be conducted at the next following general meeting to fill the vacancy.

**(d) Compliance with PRC Laws and/or Listing Rules**

Article 108 of the PRC Company Law provides that a company limited by shares (股份有限公司) shall set up a board of directors comprising 5 to 19 members. Article 125 of the existing Articles of Association provides that the Company shall have a Board comprising nine (9) directors, and Article 153 of the existing Articles of Association provides that at least one-third of the members of the Board shall be made up of independent directors. Pursuant to Article 100 of the PRC Company Law, in the event that the number of directors falls below two-thirds of the number of directors as required by the PRC Company Law or the number of directors as specified in the articles of association of a company, an extraordinary general meeting for the election of directors to fill the vacancy shall be held within two months.

Rule 210(5)(c) of the Listing Manual provides that independent directors must comprise at least one-third of the issuer's board, and in the event of any retirement or resignation which renders the issuer unable to meet any of the foregoing requirements, the issuer should endeavour to fill the vacancy within two months, but in any case not later than three months. Rule 704(8) of the Listing Manual provides that in the event of any retirement or resignation which renders the audit committee unable to meet the minimum number (not less than three) the issuer should endeavour to fill the vacancy within two months, but in any case not later than three months.

As both the re-election of existing Directors and appointment of new Directors are subject to approval by the Shareholders pursuant to the PRC Company Law and the Articles of Association, it is possible that a situation may arise where resolutions for the election of Directors (whether re-election of existing Directors, or appointment of new Directors) are not successfully passed at a general meeting of the Company, resulting in the Company failing to meet the requirements of PRC laws, the existing Articles of Association, and/or the Listing Rules. For the avoidance of doubt, such a situation may possibly arise under both the One-share One-vote System and the Cumulative Voting System.

As stated in Section 2.4(c) of this Annexure, in the event that 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. In the event that there is a failure to elect sufficient directors at the first general meeting resulting in the number of directors falling below such number as required under the PRC Company Law or the Articles of Association, or the Company being unable to meet requirements of Rule 210(5)(c) and/or Rule 704(8) of the Listing Manual, the Company will endeavour to convene a second general meeting to fill the vacancy as soon as practicable within two (2) months of the first general meeting.

If the resolutions for the election of director(s) to fill the vacancy are still not successfully passed at the second general meeting, the Company will endeavour to convene subsequent general meeting(s) as soon as practicable after the prior general meeting to fill the vacancy until the Company is able to put itself back into compliance with the requirements under the PRC Company Laws and the Listing Rules.

In addition, pursuant to Article 45 of the PRC Company Law, if (i) no re-election is carried out in a timely manner upon the expiration of the term of office of any Director(s) of the Company, or (ii) a Director resigns during his/her term of office and his/her seat is not filled, in each case, resulting in the number of members of the Board falling below the minimum number of Directors required under PRC laws, the original Director(s) of the company shall, for the period before the newly elected directors assume their posts, continue to hold office as a Director and fulfill his/her duties as a Director in accordance with PRC laws and regulations, as well as the Articles of Association.

**(e) Illustration of the mechanism for voting under the Cumulative Voting System and safeguarding the rights of minority shareholders**

Under the Cumulative Voting System, where listed companies propose to elect directors or supervisors, the candidates for directors or supervisors shall be divided and resolutions for their elections shall be listed and grouped under separate proposal groups, which are categorised based on (i) candidates proposed to be elected as non-independent directors; (ii) candidates proposed to be elected as independent directors; and (iii) candidates proposed to be elected as supervisors, and submitted for voting at the general meeting respectively.

*Illustration 1*

For illustrative purposes:

For example, the proposed election of 6 non-independent directors (with 6 candidates standing for election as non-independent director), 2 independent directors (with 3 candidates standing for election as independent director) and 2 supervisors (with 3 candidates standing for election as supervisor) shall be divided and resolutions for their elections shall be listed and grouped under 3 separate proposal groups (which separately lists each candidate standing for election) rather than 6 or 3 separate proposals, as further illustrated as follows:

Resolutions subject to cumulative voting		
No.	Resolutions	
4.	To consider and approve the proposed election of 6 non-independent directors	No. of votes
4.1	Candidate A	
4.2	Candidate B	
4.3	Candidate C	
4.4	Candidate D	
4.5	Candidate E	
4.6	Candidate F	

Resolutions subject to cumulative voting		
No.	Resolutions	
5.	To consider and approve the proposed election of 2 independent directors	No. of votes
5.1	Candidate H	
5.2	Candidate I	
5.3	Candidate J	
6.	To consider and approve the proposed election of 2 supervisors	No. of votes
6.1	Candidate X	
6.2	Candidate Y	
6.2	Candidate Z	

If a shareholder holds 100 shares in a listed company, under the Cumulative Voting System, such shareholder will be entitled to 600 votes on proposal No. 4 in relation to the proposed election of 6 non-independent directors, 200 votes on proposal No. 5 in relation to the proposed election of 2 independent directors and 200 votes on proposal No. 6 in relation to the proposed election of 2 supervisors, respectively. For the 600 votes on proposal No. 4, such shareholder can choose to cast the 600 votes for one or several candidates for non-independent directors. The same rule will also apply to the 200 votes such shareholders entitled to on each of proposal No.5 and proposal No.6, respectively.

The Cumulative Voting System which is an amendment to the One-share One-vote System and the capital majority rule and is a special system for companies to elect directors or supervisors. The purposes of the Cumulative Voting System is to enhance the power of minority shareholders to elect members of the board of directors and/or board of supervisors, further introduce diverse representatives onto the board of directors and/or board of supervisors, balance the interests between the majority shareholders and minority shareholders to a certain extent, restrain majority shareholders from manipulating the board of directors and/or board of supervisors and safeguard the rights or power of minority shareholders.

#### Illustration 2

For illustrative purposes:

In the illustration below, it is assumed that a company has a total of 100 shares, with the majority shareholder holding 51 shares (the “**51% Shareholder**”) and other shareholders holding 49 shares in total (the “**49% Shareholders**”).

**Case 1:** There are 6 seats to be filled by non-independent directors on the board of directors of such company.

When electing the directors under the One-share One-vote System, the candidates for the 6 non-independent director seats are to be elected at the general meeting of such company pursuant to 6 separate resolutions, and each resolution will be separately voted on by the shareholders of such company. Under the One-share One-vote System, the 51% Shareholder would be able to decide the voting results on all 6 resolutions pertaining to the election of the 6 non-independent directors. Accordingly, the 49% Shareholders would not be able to appoint any representative(s) to the board of directors (which is a key executive body of governance of the listed companies), and/or would not have sufficient representation on the board that is reflective of their corresponding aggregate shareholding percentage.

In contrast, under the Cumulative Voting System, if the board of directors proposes to elect 6 non-independent directors, the proposed election of the 6 non-independent directors shall be grouped as 1 proposal group, and each share held by the shareholders shall have 6 votes. Accordingly, the 51% Shareholder would have 306 (i.e.,  $51 \times 6$ ) votes and the 49% Shareholders would collectively have 294 (i.e.,  $49 \times 6$ ) votes. The total 600 (i.e.,  $306 + 294$ ) votes held by all of the shareholders can be cast for any candidates within the proposal group, and any shareholder can choose to cast their votes for one or several candidates. In this case, the votes of the 51% Shareholder can effectively determine some, but not all, of the 6 non-independent directors to be elected to the board. The same rule will also apply to the election of independent directors and supervisors under the Cumulative Voting System where the number of candidates standing for election as independent directors or supervisors is same as the number of independent directors or supervisors to be elected.

In theory, the number of seats available to the 49% Shareholders under the Cumulative Voting System =

$$\frac{(\text{the number of shares held}) \times (\text{the number of seats} + 1)}{\text{the total number of shares of the company} + \frac{1}{\text{the number of seats}} + 1} = \frac{49 \times (6 + 1)}{100 + \frac{1}{6} + 1} = 3.39$$

(i.e., 3 seats out of 6 seats), which is roughly equivalent to the total shareholding percentage held by the 49% Shareholders. In contrast, the number of seats obtained by the 49% Shareholders under the One-share One-vote System can be zero, as illustrated above.

For example, in the scenario where the 51% Shareholder casts 102 votes for each of the 3 candidates being candidates A, B and C respectively, and the 49% Shareholders cast a total of 190, 52 and 52 votes for 3 candidates being candidates E, F and G respectively, as candidates A, B, C, E, F and G rank first 6 in descending order of the number of votes received, and the minimum number of votes that each of them received is equivalent to more than half ( $1/2$ ) of the total number of shares held by the shareholders attending the general meeting of the company (i.e., 50 votes), all of the candidates A, B, C, E, F and G shall be elected accordingly.

**Case 2:** It is proposed to elect 2 independent directors with 3 candidates X, Y and Z standing for election as independent director.

When electing the 2 independent directors under the Cumulative Voting System, the proposed election of the 2 independent directors shall be grouped as 1 proposal group, and each share held by the shareholders shall have 2 votes. Accordingly, the 51% Shareholder would have 102 (i.e.,  $51 \times 2$ ) votes and the 49% Shareholders would collectively have 98 (i.e.,  $49 \times 2$ ) votes. The total 200 (i.e.,  $102 + 98$ )

votes held by all of the shareholders can be cast for any candidates within the proposal group, and any shareholder can choose to cast their votes for one or several candidates. In this case, the votes of the 51% Shareholder can effectively determine some, but not all, of the 2 independent directors to be elected to the board.

For example, in the scenario where the 51% Shareholder casts a total of 52 and 50 votes for candidates X and Y respectively and the 49% Shareholders cast all 98 votes for candidate Z. As candidates X and Z rank first 2 in descending order of the number of votes received, and the minimum number of votes that each of them received is equivalent to more than half (1/2) of the total number of shares held by the shareholders attending the general meeting of the company (i.e., 50 votes), only candidates X and Z shall be elected accordingly. The same rule will also apply to the election of non-independent directors and supervisors under the Cumulative Voting System where the number of candidates standing for election as non-independent directors or supervisors is more than the number of non-independent directors or supervisors to be elected.

## 2.5 Waiver from compliance with requirements under Rule 730(2) and Rule 730A(2) of the Listing Manual

Rule 730(2) of the Listing Manual provides that if an issuer amends its articles of association or other constituent documents, they must be made consistent with all the listing rules prevailing at the time of amendment. Rule 730A(2) of the Listing Manual provides that all resolutions at general meetings shall be voted by poll. "Poll" is defined under the Listing Rules as the "method of voting under which shareholders are given one vote for each share held".

As stated above, since TPH (being the Controlling Shareholder of the Company as at the Latest Practicable Date) holds directly and indirectly 42.81% of the issued share capital of the Company, pursuant to Article 17 of the PRC CG Code and as required by the TSRB, it is mandatory under PRC laws for the Company to amend its existing Articles of Association to provide for the adoption of the Cumulative Voting System for the election of directors or supervisors at its general meetings and stipulate the detailed implementing rules for the Cumulative Voting System in its Articles of Association. Under the Cumulative Voting System, when voting on the resolution for the election of directors or supervisors (as the case may be) at a general meeting, each share held by a shareholder of the Company has the same number of votes as the number of directors or supervisors (as the case may be) to be elected, so as to further improve the corporate governance structure and safeguard the rights and interests of the minority shareholders of the Company.

As stated in the Announcement, the Company had applied to the SGX-ST for a waiver from compliance with the requirements under Rule 730(2) of the Listing Manual in relation to the requirement that amendments to an issuer's articles of association must be made consistent with prevailing listing rules at the time of amendment and under Rule 730A(2) of the Listing Manual in relation to the requirement for all resolutions at general meetings to be voted by poll. Please refer to the Announcement for further details in relation to the Company's reasons for seeking the Waivers. An electronic copy of the Announcement is available on the SGXNET.

As further stated in the Announcement, the SGX-ST had, on 11 February 2022, advised that it has no objection to the Company's application for the Waivers, subject to the following conditions:

- (a) the Company announcing the Waivers granted, the reasons for seeking the Waivers, the conditions as required under Rule 107 of the Listing Manual and if the waiver conditions have been satisfied. If the waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;
- (b) the Company being required under PRC laws and regulations to adopt the Cumulative Voting System for the election of directors or supervisors at its general meetings and to stipulate the detailed implementing rules for the Cumulative Voting System in its Articles of Association;
- (c) the Company only using the Cumulative Voting System in relation to the election of directors or supervisors at general meetings of the Company; and
- (d) the Company explaining to shareholders the voting rules and procedures of the Cumulative Voting System and informing shareholders of the number of votes to be conferred on each share in such elections requiring the use of the Cumulative Voting System.

In addition, as stated in the Announcement, the Company considers the condition described in sub-paragraph (a) above to be complied with by the making of the Announcement and the disclosure of the reasons for seeking the Waivers. The condition described in sub-paragraph (b) was also fulfilled as at the date of the Announcement.

For the avoidance of doubt, it is envisaged by the Company that, for the time being, the Cumulative Voting System will only be carried out by the Company when voting on the resolution for the election of directors or supervisors at the general meetings of the Company, and at such general meetings where directors or supervisors are proposed to be elected, the secretary to the Board and/or the representative of the PRC legal counsel of the Company will explain to the Shareholders the voting rules and procedures of the Cumulative Voting System and inform the Shareholders of the number of votes to be conferred on each share in such election.

## 2.6 Voting threshold

Pursuant to Article 103 of the PRC Company Law, where any resolution is proposed to be passed by shareholders of a company on proposed amendments to the articles of association of the company, it shall be passed by the shareholders representing more than two-thirds of the voting rights held by the shareholders attending at the general meeting.

Accordingly, the resolution relating to the 2022 1<sup>st</sup> Proposed AOA Amendments shall be approved by more than two-thirds (2/3) of the voting rights held by the Shareholders attending at the 2022 AGM, in accordance with the PRC Company Law.

### 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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	% <sup>(1)</sup>	No of Shares	% <sup>(1)</sup>
<b>Directors</b>				
Zhang Mingrui	–	–	–	–
Guo Min	–	–	–	–
Li Yan	70,000 <sup>(2)</sup>	0.009	–	–
Wang Mai	70,000 <sup>(2)</sup>	0.009	–	–
Zhou Hong	70,000 <sup>(2)</sup>	0.009	–	–
Zhang Ping	–	–	–	–
Wong Gang	–	–	–	–
Liew Yoke Pheng Joseph	–	–	–	–
Li Qing	–	–	–	–
<b>Substantial Shareholder(s)</b>				
TPH	325,855,528	42.13	5,265,000 <sup>(3)</sup>	0.68

**Notes:**

(1) Based on the total issued share capital of 773,443,076 Shares as at the Latest Practicable Date.

(2) These are the Restricted A-Shares granted and issued under the Scheme.

(3) Pursuant to Section 4 of the SFA, TPH is deemed interested in the 5,265,000 shares in the capital of the Company held by its wholly-owned subsidiary, Tianjin Pharmaceutical (Singapore) International Investment Pte. Ltd.

As at the Latest Practicable Date, saved as disclosed in this Annexure, none of the Directors or Substantial Shareholders have any interest, direct or indirect, in the 2022 1<sup>st</sup> Proposed AOA Amendments other than through their respective shareholdings in the Company (if any).

### 4. DIRECTORS' RECOMMENDATIONS

Having considered, amongst others, the rationale for and the terms of the 2022 1<sup>st</sup> Proposed AOA Amendments, the Directors are of the opinion that the 2022 1<sup>st</sup> Proposed AOA Amendments is in the interests of the Company and the Shareholders as a whole. Therefore, the Directors recommend that the Shareholders vote in favour of the resolution in relation to the 2022 1<sup>st</sup> Proposed AOA Amendments to be proposed at the 2022 AGM, as set out in the Notice of AGM.

### 5. ANNUAL GENERAL MEETING

The 2022 AGM, notice of which has been, or will be, made available to Shareholders on the same date as the date of this Annexure on the SGXNET and the Company's website at <http://www.zhongxinp.com/>, will be held at meeting room of Zhongxin Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, the 2022 AGM will be held by way of electronic means for S-Share Shareholders in Singapore), on 16 May 2022 at 1:30 p.m. for the purpose of considering and, if thought fit, passing the resolutions (with or without modifications) as set in the Notice of AGM.

## 6. ACTION TO BE TAKEN BY SHAREHOLDERS

S-Share Shareholders who wish to vote on the resolutions set out in the Notice of AGM at the 2022 AGM must appoint the Chairman of the AGM as proxy to vote on their behalf by completing, signing and returning the Proxy Form in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive by (i) post at the office of the Company's "S" Shares Registrar and Singapore Shares Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07 Singapore 098632; or (ii) email at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com), no later than **1:30 p.m. on 14 May 2022**.

Please refer to the alternative arrangements relating to observing the proceedings of the 2022 AGM (including arrangements by which the meeting can be accessed via "live" audio-and-video webcast or "live" audio-only stream), submission of questions to the Chairman of the AGM in advance of the 2022 AGM, addressing of substantial and relevant questions relating to the resolutions to be tabled for approval at the 2022 AGM (including addressing of substantial and relevant questions relating to the 2022 1<sup>st</sup> Proposed AOA Amendments at the VIS) and voting by appointing the Chairman of the AGM as proxy at the 2022 AGM as set out in the Company's announcement dated 22 April 2022 (the "**Announcement**"), which has been published, together with the Notice of AGM, on the SGXNET and the Company's website at <http://www.zhongxinp.com/>.

A VIS will be held for Shareholders (including S-Shareholders) and investors prior to the closing date and time for the lodgement of proxy forms where the Company will endeavour to address all substantial and relevant questions received by the deadline for submission of questions in advance of the VIS in relation to the 2022 1<sup>st</sup> Proposed AOA Amendments to be tabled for approval at the AGM. S-Shareholders will also be able to ask questions "live" by typing in and submitting their questions through the "live" chat function during the VIS. Please refer to the Announcement for further details in relation to the VIS. S-Shareholders are advised to check the SGXNET regularly for updates.

A S-Share Shareholder shall not be regarded as a member of the Company and his/her/its proxy form may be rejected by the Company unless his/her/its name appears on the Register of Members, or where the registered holder is CDP, the Depository Register as at a time not earlier than forty-eight (48) hours prior to the time of the 2022 AGM.

## 7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Annexure and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Annexure constitutes full and true disclosure of all material facts about the 2022 1<sup>st</sup> Proposed AOA Amendments, the Company and its Subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Annexure misleading.

Where information in this Annexure has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Annexure in its proper form and context.



## 8. DOCUMENT FOR INSPECTION

A copy of the Articles of Association of the Company may be inspected at the registered office of the Company at 17 Baidi Road, Nankai District, Tianjin, the PRC 300193, during normal business hours from the date of this Annexure up to and including the date of the 2022 AGM.

Yours faithfully

For and on behalf of the Board of Directors of

**Tianjin Zhong Xin Pharmaceutical Group Corporation Limited**

**Zhang Mingrui**

Chairman of the Board

## APPENDIX A

### 1. 《上市公司治理准则(2018年修订)》

#### **Code of Corporate Governance of Listed Companies (2018 Revision)**

文号：证监会公告〔2018〕29号

Document No.: Announcement No. 29 [2018] of the China Securities Regulatory Commission

发文单位：中国证券监督管理委员会

Issuing authority: China Securities Regulatory Commission

**第十七条** 董事、监事的选举，应当充分反映中小股东意见。股东大会在董事、监事选举中应当积极推行累积投票制。单一股东及其一致行动人拥有权益的股份比例在30%及以上的上市公司，应当采用累积投票制。采用累积投票制的上市公司应当在公司章程中规定实施细则。

**Article 17** The election of directors or supervisors shall fully reflect the opinions of the minority shareholders. A cumulative voting system shall be actively carried out for election of directors or supervisors at general meetings of the company. Where a single shareholder of a listed company solely or jointly with the persons acting in concert with it is interested in 30% or more of the shares of such listed company, it is mandatory for a cumulative voting system to be carried out for election of directors or supervisors at the general meetings. A listed company implementing the cumulative voting system must stipulate the detailed implementing rules for the cumulative voting system in its articles of association.

### 2. 《中华人民共和国公司法(2018年修订)》

#### **The Company Law of the People's Republic of China (2018 Revision)**

文号：主席令第15号

Document No.: Order No.15 of the President of the People's Republic of China

发文单位：全国人民代表大会常务委员会

Issuing authority: Standing Committee of the National People's Congress

**第一百零五条** 股东大会选举董事、监事，可以依照公司章程的规定或者股东大会的决议，实行累积投票制。

**Article 105** When voting on the resolution for the election of directors or supervisors at a general meeting of a company, a cumulative voting system may be carried out in accordance with the articles of association of such company or the resolution of the general meeting.

本法所称累积投票制，是指股东大会选举董事或者监事时，每一股份拥有与应选董事或者监事人数相同的表决权，股东拥有的表决权可以集中使用。

The term "cumulative voting system" as mentioned in this Law refers to a system of voting by shareholders for the election of directors or supervisors at a general meeting where each share held by a shareholder has the same number of votes as the number of directors or supervisors to be elected, and the shareholders may cast their votes for one or several candidates.

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### 3. 《上市公司股东大会规则》(2022年修订)

#### **Rules of the Shareholders' Meeting of Listed Companies (2022 Revision)**

文号：证监会公告〔2022〕13号

Document No.: Announcement No. 13 [2022] of the China Securities Regulatory Commission

发文单位：中国证券监督管理委员会

Issuing authority: China Securities Regulatory Commission

**第三十二条** 股东大会就选举董事、监事进行表决时，根据公司章程的规定或者股东大会的决议，可以实行累积投票制。单一股东及其一致行动人拥有权益的股份比例在百分之三十及以上的上市公司，应当采用累积投票制。

**Article 32** When voting on the resolution for the election of directors or supervisors at a general meeting of a company, a cumulative voting system may be carried out in accordance with the articles of association of such company or the resolution of the general meeting. Where a single shareholder of a listed company solely or jointly with the persons acting in concert with it is interested in 30% or more of the shares of such listed company, it is mandatory for a cumulative voting system to be carried out for the election of directors or supervisors at the general meetings.

前款所称累积投票制是指股东大会选举董事或者监事时，每一普通股（含表决权恢复的优先股）股份拥有与应选董事或者监事人数相同的表决权，股东拥有的表决权可以集中使用。

The “cumulative voting system” as mentioned in the immediately foregoing paragraph means that when voting on the resolution for the election of directors or supervisors at a general meeting, each share (including the preference share with resumed voting rights) held by a shareholder of the company shall have the same number of votes as the number of directors or supervisors to be elected, and the shareholders may cast their total votes for one or several candidates.

### 4. 《上海证券交易所上市公司股东大会网络投票实施细则(2015年修订)》

#### **The Detailed Implementing Rules for Online Voting at Shareholders' Meetings of Companies Listed on the Shanghai Stock Exchange (2015 Revision)**

文号：上证发[2015]12号

Document No.: No. 12 [2015] of Shanghai Stock Exchange

发文单位：上海证券交易所

Issuing authority: Shanghai Stock Exchange

**第十一条** 上市公司采用累积投票制选举董事、监事的，应当在股东大会召开通知公告中按下列议案组分别列示候选人，并提交表决：

**Article 11** Where a listed company carries out the cumulative voting system for the election of directors or supervisors, the candidates for election as directors or supervisors shall be divided and resolutions for their elections shall be listed in the notice of general meeting grouped under separate proposal groups, which are categorised based on:

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(一) 非独立董事候选人；

(i) candidates proposed to be elected as non-independent directors;

(二) 独立董事候选人；

(ii) candidates proposed to be elected as independent directors; and

(三) 监事候选人。

(iii) candidates proposed to be elected as supervisors,

and submitted for voting at the general meeting respectively.

**第二十三条** 出席股东大会的股东，对于采用累积投票制的议案，每持有一股即拥有与每个议案组下应选董事或者监事人数相同的选举票数。股东拥有的选举票数，可以集中投给一名候选人，也可以投给数名候选人。

**Article 23** For each proposal subject to cumulative voting system at the general meeting, each share held by the shareholders present at the general meeting shall have the same number of votes as the number of directors or supervisors to be elected under each proposal group. Shareholders may cast their votes for one or several candidates.

股东应以每个议案组的选举票数为限进行投票。股东所投选举票数超过其拥有的选举票数的，或者在差额选举中投票超过应选人数的，其对该项议案所投的选举票视为无效投票。

Each shareholder may only cast votes in the amount limited for each proposal group. If a shareholder casts more votes than such shareholder is entitled to, or in the case of a competitive election, more than the number of directors or supervisors to be elected in that proposal group, such votes on the relevant proposal shall be invalid.

持有多个股东账户的股东，可以通过其任一股东账户参加网络投票，其所拥有的选举票数，按照其全部股东账户下的相同类别股份总数为基准计算。

A shareholder with multiple securities accounts may participate in the online voting through any of its securities accounts, and the calculation of the number of votes such shareholder is entitled to shall be based on the total number of shares of the same category under all its securities accounts.

#### 5. 《国务院办公厅关于进一步加强资本市场中小投资者合法权益保护工作的意见》

**Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Market**

文号：国办发〔2013〕110号

Document No.: No. 110 [2013] of the General Office of the State Council

发文单位： 国务院办公厅

Issuing authority: General Office of the State Council

#### 四、健全中小投资者投票机制

#### **Part 4 Improving the voting mechanism for minority investors**

完善中小投资者投票等机制。引导上市公司股东大会全面采用网络投票方式。积极推行累积投票制选举董事、监事。

Improving the voting mechanism for minority investors. The listed companies should be guided to fully adopt online voting at their general meetings. The cumulative voting system should be actively implemented for the election of directors or supervisors.

*Disclaimer: In the event of any inaccuracy, conflict or inconsistency between the English version and the Chinese language version of the contents of this Appendix A, the Chinese language version shall prevail, and the English version will be deemed to conform to the Chinese language version.*

**ANNEXURE DATED 22 APRIL 2022****THIS ANNEXURE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This Annexure is issued by Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the “**Company**”). **If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.**

If you have sold all your shares in the capital of the Company, you should immediately hand this Annexure, the Notice of Annual General Meeting and attached Proxy Form to the purchaser or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Annexure.



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

in relation to

**PROPOSED RENEWAL OF MANDATE FOR INTERESTED PERSON TRANSACTIONS**

## CONTENTS

DEFINITIONS .....	175
1. INTRODUCTION .....	179
2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS .....	180
3. DIRECTORS' RESPONSIBILITY STATEMENT .....	181
4. DOCUMENTS FOR INSPECTION.....	181
APPENDIX A.....	182

## DEFINITIONS

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

- “2022 AGM” : The annual general meeting of the Company to be held on 16 May 2022 at 1:30 p.m. at the meeting room of Zhongxin Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193, [concurrently, the annual general meeting will be held by way of electronic means for S-Share Shareholders in Singapore]
- “A-Shares” : Ordinary shares issued by the Company under the PRC Company Law, comprising shares issued to natural and legal persons in the PRC and which are denominated in RMB and listed on the SSE
- “A-Share Shareholders” : Holders of A-Shares
- “AGM” : An annual general meeting of the Company
- “Annexure” : This Annexure to Shareholders dated 22 April 2022
- “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
- “Associated Company” : A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group, and “Associated Companies” shall be constructed accordingly
- “Audit Committee” : The audit committee of the Company as at the date of this Annexure
- “Board” or “Board of Directors” : 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 Zhong Xin Pharmaceutical Group Corporation Limited
<i>"Controlling Shareholder"</i>	: A person who: <ul style="list-style-type: none"> <li>(i) holds directly or indirectly fifteen per cent. (15%) or more of the total voting rights in the Company; or</li> <li>(ii) in fact exercises control over the Company</li> </ul>
<i>"Directors"</i>	: The directors of the Company as at the date of this Annexure
<i>"Group"</i>	: The Company, its Subsidiaries and Associated Companies
<i>"FY" or "Financial Year"</i>	: Financial year ended or, as the case may be, ending 31 December
<i>"FY2021"</i>	: Financial year ended 31 December 2021
<i>"Independent Director"</i>	: The directors that are deemed independent for the purposes of making the recommendation in paragraph 2.10 of Appendix A to this Annexure, namely, all the Directors except Ms. Zhang Mingrui, Mr. Guo Min and Mr. Zhang Ping
<i>"Interested Persons"</i>	: A Director, chief executive officer or Controlling Shareholder of the Company or an associate of such Director, chief executive officer or Controlling Shareholder, and <i>"Interested Person"</i> shall be constructed accordingly
<i>"Interested Person Transaction" or "IPT"</i>	: A transaction proposed to be entered into between the Company or any of its Subsidiaries or Associated Companies with an Interested Person
<i>"Latest Practicable Date"</i>	: The latest practicable date prior to the despatch of this Annexure, being 18 April 2022
<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 2022 AGM dated 22 April 2022
<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>	: Has the meaning ascribed to it in paragraph 1.2 of this Annexure



<i>"Restricted A-Shares"</i>	: A-Shares granted under the Scheme which shall be subject to the terms and conditions of the Scheme
<i>"S-Shares"</i>	: 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). 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 (2020 Revised Edition) of Singapore, as amended, modified and/or supplemented from time to time
<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>	: A general mandate pursuant to Chapter 9 of the Listing Manual permitting the Company, its Subsidiaries and Associated Companies or any of them to enter into certain types of recurrent transactions of a revenue and trading nature or those necessary for day-to-day operations with specified classes of the Company's Interested Persons
<i>"Shares"</i>	: Ordinary shares in the capital of the Company, including A-Shares and S-Shares
<i>"SSE"</i>	: Shanghai Stock Exchange
<i>"Subsidiaries"</i>	: The subsidiaries (as determined in accordance with the laws of the PRC) of the Company, and <i>"Subsidiary"</i> shall be constructed accordingly
<i>"Substantial Shareholder"</i>	: A person who has an interest or interests in one (1) or more voting Shares (excluding treasury shares) in the Company, and the total votes attached to that Share, or those Shares, represent not less than five per cent. (5.0%) of the total votes attached to all the voting Shares (excluding treasury shares) in the Company

“TPH”	:	Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), the Controlling Shareholder of the Company as at the Latest Practicable Date
“TPH Group”	:	TPH and its subsidiaries and associated companies
“TPH Sales and Marketing Branch Office”	:	The Sales and Marketing Branch Office of TPH (天津市医药集团有限公司营销分公司) which is not an independent legal entity and does not have the ability to sue or be sued in its own name
“TYPs”	:	Tianjin Yiyao Printing Services Co., Ltd. (天津宜药印务有限公司) (formerly known as Tianjin Medicinal Products Packaging and Printing Company)
“Unrelated Parties Discount”	:	Has the meaning ascribed to it in paragraph 2.3.2 of Appendix A to this Annexure

#### **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 ZHONG XIN PHARMACEUTICAL 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. Li Yan (Executive Director)  
 Mr. Wang Mai (Executive Director)  
 Mr. Zhou Hong (Executive Director)  
 Mr. Zhang Ping (Non-Executive and Non-Independent Director)  
 Mr. Wong Gang (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

22 April 2022

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

Dear Sir/Madam

**THE PROPOSED RENEWAL OF MANDATE FOR INTERESTED PERSON TRANSACTIONS****1. INTRODUCTION**

- 1.1 The Company has issued the Notice of AGM on 22 April 2022.
- 1.2 Resolution 13 in the Notice of AGM relates to the renewal of the general mandate for Interested Persons Transactions (the “**Proposed Renewal**”) to authorise the Group to continue to enter into transactions with the TPH Group in compliance with Chapter 9 of the Listing Manual.
- 1.3 The purpose of this Annexure is to provide Shareholders with information pertaining to, and to seek Shareholders’ approval for, the Proposed Renewal at the forthcoming 2022 AGM to be held on 16 May 2022.

## 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	% <sup>(1)</sup>	No of Shares	% <sup>(1)</sup>
<b>Directors</b>				
Zhang Mingrui	-	-	-	-
Guo Min	-	-	-	-
Li Yan	70,000 <sup>(2)</sup>	0.009	-	-
Wang Mai	70,000 <sup>(2)</sup>	0.009	-	-
Zhou Hong	70,000 <sup>(2)</sup>	0.009	-	-
Zhang Ping	-	-	-	-
Wong Gang	-	-	-	-
Liew Yoke Pheng Joseph	-	-	-	-
Li Qing	-	-	-	-
<b>Substantial Shareholder(s)</b>				
TPH	325,855,528	42.13	5,265,000 <sup>(3)</sup>	0.68

**Notes:**

(1) Based on the total issued share capital of 773,443,076 Shares as at the Latest Practicable Date.

(2) These are the Restricted A-Shares granted and issued under the Scheme.

(3) Pursuant to Section 4 of the SFA, TPH is deemed interested in the 5,265,000 shares in the capital of the Company held by its wholly-owned subsidiary, Tianjin Pharmaceutical (Singapore) International Investment Pte. Ltd.

- 2.2 TPH will abstain, and has undertaken to ensure that its respective associates will abstain, from voting at the 2022 AGM, in respect of the Shares held by them respectively, on Resolution 13 relating to the Proposed Renewal. TPH will also not, and has undertaken to ensure that its respective associates will also not, accept nomination as proxies or otherwise for voting at the 2022 AGM in respect of Resolution 13, unless specific instructions have been given in the proxy instrument on how the relevant Shareholders wish their votes to be cast for Resolution 13.
- 2.3 Each of Ms. Zhang Mingrui, Mr. Guo Min and Mr. Zhang Ping is a key management personnel in TPH. Accordingly, they will abstain from making any recommendation to Shareholders on the Proposed Renewal.
- 2.4 As at the Latest Practicable Date, save as disclosed in this Annexure, none of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Proposed Renewal other than through their respective shareholdings in the Company (if any).

### 3. DIRECTORS' RESPONSIBILITY STATEMENT

- 3.1 The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Annexure and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Annexure constitutes full and true disclosure of all material facts about the Proposed Renewal, the Company and its Subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Annexure misleading.
- 3.2 Where information in the Annexure has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Annexure in its proper form and context.

### 4. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 17 Baidi Road, Nankai District, Tianjin, the PRC, during normal business hours from the date of this Annexure up to and including the date of the 2022 AGM: -

- (a) the Articles of Association of the Company; and
- (b) the Annual Report of the Company for FY2021.

Yours faithfully

For and on behalf of the Directors

**Tianjin Zhong Xin Pharmaceutical Group Corporation Limited**

**Zhang Mingrui**

Chairman of the Board

## APPENDIX A

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

#### 1. INTRODUCTION

TPH holds approximately 42.81% equity interest in the issued and paid-up capital of the Company as at the Latest Practicable Date. As such, the TPH Group is deemed to be interested persons (as defined under Chapter 9 of the Listing Manual) in any interested person transaction between the Group and the TPH Group.

The Company had, at its annual general meeting for the financial year ended 31 December 2020 held on 17 May 2021, sought and obtained approval from its Shareholders for a general mandate to enable the Company, its Subsidiaries and its Associated Companies, or any of them, to enter into certain types of recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations with the TPH Group.

Accordingly, it is proposed that the resolution relating to the renewal of the Shareholders' Mandate be tabled to Shareholders for approval at the 2022 AGM, in order to authorise the Group to continue to enter into transactions with the TPH Group in compliance with Chapter 9 of the Listing Manual. The purpose of this Annexure is to provide Shareholders with the relevant information pertaining to the proposed renewal of the Shareholders' Mandate.

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries or associated companies proposes to enter into with an interested person of the listed company.

Interested Person Transactions that the Company were involved in for FY2021 are detailed on page 17 of the Company's annual report for FY2021.

#### 2. PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

##### 2.1 Requirements of Chapter 9 of Listing Manual

Under Chapter 9 of the Listing Manual, where an entity at risk proposes to enter into a transaction with interested persons of the issuer, shareholders' approval and/or an immediate announcement is required in respect of that transaction if its value is equal to or exceeds certain financial thresholds.

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

Interested person transactions below \$100,000 each are to be excluded. However, the Listing Manual provides that while transactions below S\$100,000 are not normally aggregated under Chapter 9 of the Listing Manual, the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one transaction.

In interpreting the term “same interested person” for the purpose of aggregation in Rules 905, 906 and 907 of the Listing Manual, the following applies:

- (a) Transactions between (a) an entity at risk and a primary interested person; and (b) an entity at risk and an associate of that primary interested person, are deemed to be transactions between an entity at risk with the same interested person.
- (b) Transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person.

If an interested person (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested person and have audit committees whose members are completely different.

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

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

## 2.2 Classes of Interested Persons under the Shareholders' Mandate

The Shareholders' Mandate, if renewed, will apply to the following classes of Interested Persons:

- (a) TPH (including the TPH Sales and Marketing Branch Office), which is a Controlling Shareholder with 42.81% shareholdings in the Company as at the Latest Practicable Date;
- (b) Associates (being wholly-owned subsidiaries) of TPH as at the Latest Practicable Date comprising, amongst others:
  - (i) Tianjin Pharmaceutical Group Taiping Medicine Co., Ltd. (天津医药集团太平医药有限公司);
  - (ii) Tianjin Pharmaceutical Group Jin Yi Tang Chain Co., Ltd. (天津医药集团津一堂连锁股份有限公司) (formerly known as Tianjin Pharmaceutical Group Chain Co., Ltd.);
  - (iii) Tianjin Haoda Medical Device Co., Ltd. (天津市浩达医疗器械有限公司);
  - (iv) Tianjin Taiping Zhenhua Pharmacy Co., Ltd. (天津太平振华大药房有限公司);
  - (v) Tianjin Taiping Jizhou Pharmaceutical Co., Ltd. (天津市蓟州太平医药有限公司);
  - (vi) Tianjin Taiping Ninghe District Pharmaceutical Co., Ltd. (天津市宁河区太平医药有限公司);
  - (vii) Tianjin Jincao Pharmaceutical Co., Ltd. (天津市金草药业有限公司);
  - (viii) Tianjin Pharmaceutical Group Jian Kang Da Medical Apparatus and Instruments Co., Ltd. (天津医药集团众健康达医疗器械有限公司);
  - (ix) Tianjin Medical Apparatus and Instruments Factory Co., Ltd. (天津市医疗器械厂有限公司);
  - (x) Tianjin Kang Dun Bao Medical Polyurethane Technology Co., Ltd. (天津市康盾宝医用聚氨酯技术有限公司);
  - (xi) Tianjin Zhong Jian Ai and Medical Technology Co., Ltd. (天津众健爱和医疗科技有限公司);
  - (xii) Tianjin Yiyao Medicine Co., Ltd. (天津市谊耀药业有限公司);
  - (xiii) Tianjin Traditional Chinese Medicine Machinery Co., Ltd. (天津市中药机械厂有限公司);
  - (xiv) Tianjin Taiping Xinhua Medical Apparatus and Instruments Co., Ltd. (天津太平新华医疗器械有限公司); and
  - (xv) Tianjin Taiping Bai Shi Kang Medical Apparatus and Instruments Co., Ltd. (天津太平百时康医疗器械有限公司);



- (c) Associates (other than wholly-owned subsidiaries) of TPH as at the Latest Practicable Date comprising, amongst others:
- (i) Tianjin Yiyao Printing Services Co., Ltd. (天津宜药印务有限公司) (“**TYPs**”) (formerly known as Tianjin Medicinal Products Packaging and Printing Company), 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 51.36% owned by TPH;
  - (iii) Tianjin Central Pharmaceutical Co., Ltd. (天津市中央药业有限公司), which is 51.36% owned by TPH;
  - (iv) Tianjin Taiping Xiangyun Pharmaceutical Co., Ltd. (天津市太平祥云医药有限公司), which is 50% owned by TPH;
  - (v) Hebei De Ze Long Pharmaceutical Co., Ltd. (河北德泽龙医药有限公司), which is 54.99% owned by TPH;
  - (vi) Tianjin Pharmaceutical Research Institute Co., Ltd. (天津药物研究院有限公司), which is 35% owned by TPH;
  - (vii) Tianjin Institute Of Pharmaceutical Research Medicine Co., Ltd. (天津药物研究院药业有限责任公司), which is 35% owned by TPH;
  - (viii) Tianjin Jinyao Pharmaceutical Co., Ltd. (天津金耀药业有限公司), which is 81% owned by TPH;
  - (ix) Tianjin Tianyao Pharmaceutical Co., Ltd. (天津天药药业股份有限公司), which is 50.37% owned by TPH;
  - (x) Tianjin Tianyao Pharmaceutical Technology Co., Ltd. (天津天药医药科技有限公司), which is 62% owned by TPH;
  - (xi) Tianjin Jinyao Group Sales Co., Ltd. (天津金耀集团天药销售有限公司), which is 90% owned by TPH;
  - (xii) Tianjin Jinyao Logistics Co., Ltd. (天津金耀物流有限公司), which is 62% owned by TPH;
  - (xiii) Tianjin Wanning Health Products Co., Ltd. (天津万宁保健品有限公司), which is 91.19% owned by TPH; and
  - (xiv) Tianjin Jinyao Amino Acid Co., Ltd. (天津金耀氨基酸有限公司), which is 62% owned by TPH.

**Notes:**

- (1) As stated in Appendix A to the annexure accompanying the notice of annual general meeting in relation to the proposed renewal of mandate for interested person transactions (the “**Annexure**”) (appended to the Company’s annual report for the financial year ended 31 December 2020), each of (i) Tianjin Pharmaceutical Group Hongze Medicine Co., Ltd. (天津医药集团泓泽医药有限公司), (ii) Tianjin Taiping Longlong Pharmaceutical Co., Ltd. (天津太平龙隆医药有限公司), (iii) Tianjin Pharmaceutical Clean Air Testing Center Co., Ltd. (天津市医药空气洁净检测中心有限公司), (iv) Tianjin Hana Good Medical Materials Co., Ltd. (天津哈娜好医材有限公司) and (v) Tianjin Tianan Pharmaceutical Co., Ltd. (天津天安药业股份有限公司) was no longer an Interested Person as at the latest practicable date of the Annexure, accordingly and thus has been excluded from the classes of Interested Persons under the Shareholders’ Mandate.
- (2) Tianjin Jincan Guoyao Investment Co., Ltd. (天津金草国药投资有限公司) and Tianjin Meiyin Nutritional Supplement Co., Ltd. (天津美饮保健食品有限公司) have been deregistered (注销) and are thus no longer Interested Persons as at the Latest Practicable Date. Save for the removal of Tianjin Jincan Guoyao Investment Co., Ltd. (天津金草国药投资有限公司) and Tianjin Meiyin Nutritional Supplement Co., Ltd. (天津美饮保健食品有限公司) as Interested Persons, the terms of the Shareholders’ Mandate including the rationale for and benefit of the Shareholders’ Mandate and the scope of the Shareholders’ Mandate (including the classes of the Interested Persons, the categories of the Interested Person Transactions and the review procedures for the Interested Person Transactions) in respect of which the Shareholders’ Mandate is sought to be renewed otherwise remain unchanged from the existing Shareholders’ Mandate.

## 2.3 Categories of Interested Person Transactions

The transactions with the TPH Group that will be covered by the Shareholders’ Mandate, if renewed, and the benefits to be derived therefrom are set out below:

### 2.3.1 Supply of Raw Materials

The “Supply of Raw Materials” contracts between the Group and the following Interested Persons for a period of three (3) years up to 30 June 2025:

- (a) Tianjin Pharmaceutical Group Jin Yi Tang Chain Co., Ltd. (天津医药集团津一堂连锁股份有限公司); and
- (b) Tianjin Jinyao Pharmaceutical Co., Ltd. (天津金耀药业有限公司).

The terms of these contracts<sup>(1)</sup> 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 2022 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 contract that the transactions with the respective Interested Person would be carried out on normal commercial terms and would not be detrimental to the interest of the Company and its minority Shareholders. Please refer to the Company’s announcement dated 30 March 2022 for further details on these contracts.

### 2.3.2 Sale and Purchase of Medicinal Products

The “Sale and Purchase of Medicinal Products” contracts<sup>(1)(2)</sup> between the Group and the following Interested Persons for a period of three (3) years up to 30 June 2025:

- (a) Tianjin Pharmaceutical Group Taiping Medicine Co., Ltd. (天津医药集团太平医药有限公司);
- (b) Tianjin Pharmaceutical Group Jin Yi Tang Chain Co., Ltd. (天津医药集团津一堂连锁股份有限公司);
- (c) Tianjin Haoda Medical Device Co., Ltd. (天津市浩达医疗器械有限公司);
- (d) Tianjin Taiping Zhenhua Pharmacy Co., Ltd. (天津太平振华大药房有限公司);
- (e) Tianjin Taiping Jizhou Pharmaceutical Co., Ltd. (天津市蓟州太平医药有限公司);
- (f) Tianjin Taiping Ninghe District Pharmaceutical Co., Ltd. (天津市宁河区太平医药有限公司);
- (g) Tianjin Jincao Pharmaceutical Co., Ltd. (天津市金草药业有限公司);
- (h) Tianjin Pharmaceutical Group Jian Kang Da Medical Apparatus and Instruments Co., Ltd. (天津医药集团众健康达医疗器械有限公司);
- (i) Tianjin Medical Apparatus and Instruments Factory Co., Ltd. (天津市医疗器械厂有限公司);
- (j) Tianjin Kang Dun Bao Medical Polyurethane Technology Co., Ltd. (天津市康盾宝医用聚氨酯技术有限公司);
- (k) Tianjin Zhong Jian Ai and Medical Technology Co., Ltd. (天津众健爱和医疗科技有限公司);
- (l) Tianjin Yiyao Medicine Co., Ltd. (天津市谊耀药业有限公司);
- (m) Tianjin Traditional Chinese Medicine Machinery Co., Ltd. (天津市中药机械厂有限公司);
- (n) Tianjin Taiping Xinhua Medical Apparatus and Instruments Co., Ltd. (天津太平新华医疗器械有限公司);
- (o) Tianjin Taiping Bai Shi Kang Medical Apparatus and Instruments Co., Ltd. (天津太平百时康医疗器械有限公司);
- (p) Tianjin Lisheng Pharmaceutical Co. Ltd. (天津力生制药股份有限公司);
- (q) Tianjin Central Pharmaceutical Co., Ltd. (天津市中央药业有限公司);
- (r) Tianjin Taiping Xiangyun Pharmaceutical Co., Ltd. (天津市太平祥云医药有限公司);
- (s) Hebei De Ze Long Pharmaceutical Co., Ltd. (河北德泽龙医药有限公司);
- (t) Tianjin Pharmaceutical Research Institute Co., Ltd. (天津药物研究院有限公司);

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

The terms of these contracts will be in effect only upon the Company obtaining Shareholders' approval for such Interested Person Transactions in the relevant time period during which the Shareholders' Mandate is valid. The Group has no obligation under these contracts should Shareholders' approval not be obtained for the renewal of the Shareholders' Mandate at the 2022 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 contract that the transactions with the respective Interested Person would be carried out on normal commercial terms and would not be detrimental to the interest of the Company and its minority Shareholders. Please refer to the Company's announcement dated 30 March 2022 for further details on these contracts.

### 2.3.3 Packaging materials and services from TYPs

The Group obtains its packaging materials and services from TYPs. The contract between the Group and TYPs is for a period of three (3) years up to 30 June 2025. The terms of this contract will be in effect only upon the Company obtaining Shareholders' approval for such Interested Person Transactions in the relevant time period during which the Shareholders' Mandate is valid. The Group has no obligation under this contract should Shareholders' approval not be obtained for the renewal of the Shareholders' Mandate at the 2022 AGM or any subsequent renewal. The packaging services are for traditional Chinese medicine. The contract does not set the volume and price of products and services to be purchased from TYPs. However, it is provided for in the contract that the transactions with the respective Interested Person would be carried out on normal commercial terms and would not be detrimental to the interest of the Company and its minority Shareholders. Please refer to the Company's announcement dated 30 March 2022 for further details on these contracts.

## 2.4 Rationale for and Benefits of the Shareholders' Mandate

The Shareholders' Mandate will give the Company the flexibility to enter into transactions with the TPH Group in the ordinary course of the Group's business without the need to seek Shareholders' approval each time. It is likely that such transactions will occur and could arise at any time and from time to time. Given that the transactions would be entered into on normal commercial terms, the Directors are of the view that it will be beneficial to the Group to transact or continue to transact with the TPH Group. The Company sources and sells supplies and products from the Interested Persons at favourable prices as compared to available market rates of similar products. By transacting with these Interested Persons, the Company is able to secure favourable prices for its supplies and manufactured products and optimise other factors such as quality of goods and suitability of time schedules.

The Shareholders' Mandate will also enhance the Group's ability to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the Group into such transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

## 2.5 Guidelines and Review Procedures for Interested Person Transactions

To ensure that the Interested Person Transactions are carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company has put in place the following procedures for the review and approval of Interested Person Transactions under the Shareholders' Mandate:-

- (a) When purchasing products or services from an Interested Person, quotations or market rates (wherever possible or available) will be obtained from the Interested Person and at least two (2) other unrelated parties in respect of substantially similar types of transactions. The Deputy Distribution General Manager of the Domestic Trade (Business) Department of the Group (who has no interest, directly or indirectly, in the transaction) will approve the purchase after reviewing these quotations, taking into account all pertinent factors including, but not limited to, pricing (including discounts, if any, accorded for bulk purchases as well as the credit terms offered), quality of the products or services and terms of delivery and track record, to ensure that the interests of the minority Shareholders are not disadvantaged.
- (b) When selling products or services to an Interested Person, the prices and terms of at least two (2) other successful sales of similar products to third parties or market rates (wherever possible or available) will be examined for comparison. The Deputy Distribution General Manager of the Domestic Trade (Business) Department of the Group (who has no interest, directly or indirectly, in the transaction) will approve the sales after reviewing these prices and terms or market rates, taking into account all pertinent factors including, but not limited to, price, government pricing regulations, quality and quantity of products, terms of delivery and credit worthiness of the customers, to ensure that the interests of minority Shareholders are not disadvantaged.

- (c) Interested Person Transactions will not be approved unless:-
- (i) they are in accordance with the usual industry practice and business policies of the Group;
  - (ii) the pricing and terms of the Interested Person Transactions are not, in transactions where the Group purchases goods and/or obtains services from Interested Persons, less favourable to the Group than those available in other substantially similar types of transactions between the Group and unrelated third parties. The Company takes into consideration, primarily, pricing, terms of the contracts with the Interested Persons as stated in paragraph 2.3 of Appendix A to this Annexure, the availability, suitability and quality of the products and services and promptness of delivery of such products and services; and
  - (iii) the pricing and terms of the Interested Person Transactions are not, in transactions where the Group sells goods to Interested Persons, more favourable to the Interested Person than those extended to unrelated third parties for substantially similar types of transactions, after taking into consideration factors (where applicable) such as, but not limited to, pricing, the contracts with the Interested Persons as stated in paragraph 2.3 of Appendix A to this Annexure, the availability, suitability and quality of the products to be sold, terms of delivery and the creditworthiness of the customers.
- (d) In the event that it is not possible to obtain market rates or quotations from unrelated third parties (for example, where there are no suppliers for certain goods or for a specified quantity which the Group requires or if the product or service is proprietary) to determine whether the terms of the Interested Person Transactions are more or less favourable than that of the aggregate terms quoted by unrelated third parties, factors such as the quality of goods, standard of services and terms of delivery and, where applicable, discounts accorded for bulk purchases, will be taken into, and given due and proper consideration.
- (e) Where the prevailing market rates or prices are not available due to the nature of the products to be sold (for instance, if there are no other purchasers or customers for similar products, or if the products is proprietary), the terms of supply will, where applicable, be in accordance with the Group's usual business practices and pricing policies, consistent with the usual margin of the Group for the same or substantially similar types of transaction with unrelated 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 2022 AGM, the Shareholders' Mandate will take effect from the date of the passing of the resolution to be proposed at the 2022 AGM and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the subsequent AGM. The renewal of the Shareholders' Mandate has to be made in accordance with, and in the manner prescribed by, the rules in the Listing Manual, and such other laws and regulations as may, for the time being, be applicable. It shall also be subject to satisfactory review by the Audit Committee and advisers of the continued requirements of the Shareholders' Mandate and the procedures for the transactions.

## 2.7 Disclosure to Shareholders

Pursuant to Rule 920(1)(a) of the Listing Manual, the Company will disclose the Shareholders' Mandate and the aggregate value of the Interested Person Transactions conducted pursuant to the Shareholders' Mandate in the annual report of the Company for the current financial year, and in the annual reports for the subsequent financial years during which the Shareholders' Mandate is in force. In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the Shareholders' Mandate for the financial periods which it is required to report on (pursuant to Rule 705 of the Listing Manual) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.

## 2.8 Audit Committee's Statement

The Audit Committee has reviewed the terms of the proposed Shareholders' Mandate and is satisfied and of the view that:

- (a) the review procedures for the Interested Person Transactions concerning the TPH Group (including the methods for determining the transaction price) have not changed since the last Shareholders' approval granted on 17 May 2021; 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 13 (as set out in the Notice of AGM) relating to the proposed renewal of the Shareholders' Mandate.

The Independent Directors, in rendering their recommendation, have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio, should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.



## 2.10 Abstention from voting

TPH, which holds 42.81% of the shareholdings in the Company as at the Latest Practicable Date, will abstain, and has undertaken to ensure that its respective associates will abstain, from voting at the 2022 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 2022 AGM in respect of the aforesaid resolution unless specific instructions have been given in the proxy instrument on how the relevant Shareholders wish their votes to be cast for such resolution.

**ANNEXURE DATED 22 APRIL 2022****THIS ANNEXURE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This Annexure is issued by Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the “**Company**”). **If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.**

If you have sold all your shares in the capital of the Company, you should immediately hand this Annexure, the Notice of Annual General Meeting and attached Proxy Form to the purchaser or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Annexure.



**TIANJIN ZHONG XIN PHARMACEUTICAL  
GROUP CORPORATION LIMITED**

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

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

in relation to

**THE PROPOSED CHANGE OF THE CHINESE NAME OF THE COMPANY FROM “天津中新药业集团股份有限公司” TO “津药达仁堂集团股份有限公司”, AND PROPOSED CHANGE OF THE ENGLISH NAME OF THE COMPANY FROM “TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED” TO “TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED” (THE “PROPOSED CHANGE OF COMPANY NAME”), AND CONSEQUENTIAL AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY IN RELATION TO THE PROPOSED CHANGE OF COMPANY NAME (THE “2022 2<sup>ND</sup> PROPOSED AOA AMENDMENTS”) AND THE APPLICATION FOR CHANGES IN THE INDUSTRIAL AND COMMERCIAL REGISTRATION**

CONTENTS

DEFINITIONS .....	196
1. INTRODUCTION .....	200
2. THE PROPOSED CHANGE OF COMPANY NAME .....	201
3. THE 2022 2 <sup>ND</sup> PROPOSED AOA AMENDMENTS AND THE APPLICATION FOR CHANGES IN THE INDUSTRIAL AND COMMERCIAL REGISTRATION .....	202
4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS .....	204
5. DIRECTORS' RECOMMENDATIONS .....	205
6. ANNUAL GENERAL MEETING .....	205
7. ACTION TO BE TAKEN BY SHAREHOLDERS .....	205
8. DIRECTORS' RESPONSIBILITY STATEMENT .....	206
9. DOCUMENT FOR INSPECTION .....	206

## DEFINITIONS

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

<i>"2022 AGM"</i>	:	The annual general meeting of the Company to be held on 16 May 2022 at 1:30 p.m. at the meeting room of Zhongxin Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193, (concurrently, the annual general meeting will be held by way of electronic means for S-Share Shareholders in Singapore)
<i>"2022 2<sup>nd</sup> Proposed AOA Amendments"</i>	:	The proposed amendments to the existing Articles of Association to reflect consequential updates and changes in conjunction with the Proposed Change of Company Name, as further described in Section 3.2 of this Annexure
<i>"AGM" or "Annual General Meeting"</i>	:	An annual general meeting of the Company
<i>"Annexure"</i>	:	This annexure dated 22 April 2022 to the Notice of AGM
<i>"A-Shares"</i>	:	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
<i>"A-Share Shareholders"</i>	:	Holders of A-Shares
<i>"Act" or "Companies Act"</i>	:	The Companies Act 1967 (2020 Revised Edition), as amended, modified and/or supplemented from time to time
<i>"Articles" or "Articles of Association"</i>	:	The articles of association of the Company, as amended, modified and/or supplemented from time to time
<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 Zhong Xin Pharmaceutical Group Corporation Limited
<i>"Controlling Shareholder"</i>	:	A person who: <ul style="list-style-type: none"> <li>(i) holds directly or indirectly 15% or more of the total voting rights in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or</li> <li>(ii) in fact exercises control over the Company</li> </ul>

<i>“CSRC”</i>	: China Securities Regulatory Commission (中国证券监督管理委员会)
<i>“Directors”</i>	: The directors of the Company as at the date of this Annexure
<i>“Latest Practicable Date”</i>	: The latest practicable date prior to the electronic dispatch of this Annexure, being 18 April 2022
<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 2022 AGM dated 22 April 2022
<i>“PRC”</i>	: People’s Republic of China
<i>“PRC CG Code”</i>	: The Code of Corporate Governance of Listed Companies (2018 Revision) (《上市公司治理准则》(2018年修订)) promulgated by the CSRC, as amended, modified and/or supplemented from time to time
<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>“PRC Securities Law”</i>	: The Securities Law of the PRC (2019 Revision) (《中华人民共和国证券法》(2019年修订)), as amended, modified and/or supplemented from time to time
<i>“Proposals”</i>	: The Proposed Change of Company Name and the 2022 2 <sup>nd</sup> Proposed AOA Amendments collectively
<i>“Proposed Change of Company Name”</i>	: The proposed change of the Chinese name of the Company from “天津中新药业集团股份有限公司” to “津药达仁堂集团股份有限公司”, and proposed change of the English name of the Company from “Tianjin Zhong Xin Pharmaceutical Group Corporation Limited” to “Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited”
<i>“Proxy Form”</i>	: The proxy form in respect of the 2022 AGM
<i>“Register of Members”</i>	: The register of members of the Company as maintained by the Company’s “S” Shares Registrar and Singapore Shares Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd.
<i>“Restricted A-Shares”</i>	: A-Shares granted under the Scheme which shall be subject to the terms and conditions of the Scheme

“S-Shares”	: Ordinary shares issued by the Company under the PRC Company Law, comprising shares issued to natural and legal persons in countries other than PRC and which are denominated in US\$ and are listed on the Official List of the SGX-ST
“S-Share Shareholders”	: Holders of S-Shares
“Scheme”	: The 2019 Restricted A-Share Incentive Scheme (2019年A股限制性股票计划) of the Company, Please refer to the Company’s circular dated 15 November 2019 for further details
“Securities Accounts”	: The securities account maintained with CDP, but not including the securities accounts maintained with a Depository Agent
“SFA”	: The Securities and Futures Act 2001 (2020 Revised Edition), as amended, modified and/or supplemented from time to time
“SGX-ST” or “Exchange”	: Singapore Exchange Securities Trading Limited
“Shareholders”	: Registered holders of Shares (comprising A-Share Shareholders and S-Share Shareholders) except that where the registered holder is CDP, the term “Shareholders” in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited
“Shares”	: Ordinary shares in the capital of the Company, including A-Shares and S-Shares
“Subsidiaries”	: The subsidiaries (as determined in accordance with the laws of the PRC) of the Company, and “Subsidiary” shall be constructed accordingly
“SSE”	: Shanghai Stock Exchange
“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
“TAMR”	: Tianjin Administration for Market Regulation (天津市市场监督管理委员会)
“TPH”	: Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), the Controlling Shareholder of the Company as at the Latest Practicable Date

**Currencies, units and others**

“RMB”	:	Renminbi, the lawful currency of the PRC
“US\$”	:	United States Dollars, the lawful currency of the United States of America
“%” or “per cent.”	:	Percentage or per centum

The terms “Depositor”, “Depository”, “Depository Register” and “Depository Agent” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Annexure to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Listing Manual, the SFA or any modification thereof and not otherwise defined in this Annexure shall have the same meaning assigned to it under the Listing Manual or the SFA, as the case may be, unless the context otherwise requires.

Any reference to a time of a day in this Annexure is a reference to Singapore time.

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

**TIANJIN ZHONG XIN PHARMACEUTICAL  
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. Li Yan (Executive Director)  
Mr. Wang Mai (Executive Director)  
Mr. Zhou Hong (Executive Director)  
Mr. Zhang Ping (Non-Executive and Non-Independent Director)  
Mr. Wong Gang (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

22 April 2022

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

Dear Sir/Madam

**THE PROPOSED CHANGE OF THE CHINESE NAME OF THE COMPANY FROM “天津中新药业集团股份有限公司” TO “津药达仁堂集团股份有限公司”, AND PROPOSED CHANGE OF THE ENGLISH NAME OF THE COMPANY FROM “TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED” TO “TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED” (THE “PROPOSED CHANGE OF COMPANY NAME”), AND CONSEQUENTIAL AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY IN RELATION TO THE PROPOSED CHANGE OF COMPANY NAME (THE “2022 2<sup>ND</sup> PROPOSED AOA AMENDMENTS”, AND COLLECTIVELY WITH THE PROPOSED CHANGE OF COMPANY NAME, THE “PROPOSALS”) AND THE APPLICATION FOR CHANGES IN THE INDUSTRIAL AND COMMERCIAL REGISTRATION**

**1. INTRODUCTION**

The Company has issued the Notice of AGM on 22 April 2022. Reference is made to Resolution 17 relating to the Proposals.

The purpose of this Annexure is to provide Shareholders with information pertaining to, and to seek Shareholders' approval for, the Proposals, at the forthcoming 2022 AGM to be held on 16 May 2022 at 1:30 p.m. at the meeting room of Zhongxin Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, the 2022 AGM will be held by way of electronic means for S-Share Shareholders in Singapore). The Notice of AGM and the Proxy Form has been, or will be, made available to Shareholders on the same day as the date of this Annexure on the SGXNET and the Company's website at <http://www.zhongxinp.com/>.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.



The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Annexure.

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

## 2. THE PROPOSED CHANGE OF COMPANY NAME

### 2.1 Proposed Change of Company Name

The Company proposes to change its Chinese name from “天津中新药业集团股份有限公司” to “津药达仁堂集团股份有限公司” (the “**New Chinese Name**”), and its English name from “Tianjin Zhong Xin Pharmaceutical Group Corporation Limited” to “Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited” (the “**New English Name**”, and collectively with the New Chinese Name, the “**New Name**”). The final New Chinese Name is subject to the industrial and commercial registration. For the avoidance of doubt, there is no requirement for the registration of the English name of the Company with any competent authority in the PRC.

### 2.2 Reasons for the Proposed Change of Company Name

The Company is proposing to carry out the Proposed Change of Company Name in order to more fully and accurately reflect the Company’s future strategic plan that “all core works shall focus on the building of and maintaining the integrity and innovation of the time-honored brands, and to lead the development of the Company by utilising the Company’s brand resources”, further strengthen the Company’s brand identity and better promote the business development of the Company. The Board considers that the proposed name of “津药达仁堂集团股份有限公司 (Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited)” will better reflect the Company’s future strategic development plan. Accordingly, the Board considers that the Proposed Change of Company Name is in the best interests of the Company and its Shareholders as a whole.

### 2.3 Approvals and conditions for the Proposed Change of Company Name

The State Administration for Market Regulation (国家市场监督管理总局) (the “**SAMR**”) had, on 8 April 2022, informed the Company that the New Chinese Name of “津药达仁堂集团股份有限公司” has been reserved for a period of 2 months until 8 June 2022 with the SAMR in relation to the Company’s proposed change of its Chinese name from “天津中新药业集团股份有限公司” to “津药达仁堂集团股份有限公司”. No name reservation for the New English Name is required.

The Proposed Change of Company Name is conditional upon the fulfillment of the following conditions:

- (1) the Proposed Change of Company Name having been considered and approved by more than two-thirds (2/3) of the voting rights held by the Shareholders attending at the 2022 AGM in accordance with the PRC Company Law; and
- (2) all necessary approvals from, or filings with, the relevant authorities of the PRC for the Proposed Change of Company Name having been obtained or completed.

Upon receipt of the Shareholders’ approval for the Proposed Change of Company Name at the 2022 AGM, the Company will submit an application to the Tianjin Administration for Market Regulation (天津市市场监督管理局) (the “**TAMR**”) to update the industrial and commercial registration details pertaining to the Company to effect such change and the final New Chinese Name is subject to the industrial and commercial registration.

Subject to the fulfillment of the conditions set out above, the Proposed Change of Company Name will take effect from the day when the change of the Company name has been registered with the TAMR.

In addition, subject to the confirmation by the SSE, the stock short name for trading of the A-Shares on the SSE will also be changed from “中新药业” to “达仁堂” (the “**Change of Stock Short Name**”) after the Proposed Change of Company Name becomes effective. The stock code of the A-Shares will remain unchanged as “600329”. For the avoidance of doubt, the SGX stock code for the S-Shares will remain unchanged as “T14” after the Proposed Change of Company Name has become effective.

Further announcement(s) will be made by the Company in relation to, amongst others, the effective date of the Proposed Change of Company Name and other details of the Change of Stock Short Name of the Company.

## 2.4 Effect of the Proposed Change of Company Name

The Proposed Change of Company Name is based on the Company’s positioning and business development needs, and is consistent with the strategic development planning and overall interests of the Company. The Proposed Change of Company Name will not affect (i) the identity and legal status of the Company, (ii) any of the rights or obligations of the Company, (iii) any of the rights of the Shareholders or (iv) the Company’s day-to-day business operation or its financial position, nor will it be prejudicial to the interests of the Company and its minority Shareholders.

The Proposed Change of Company Name and the Change of Stock Short Name do not involve any circumstance where the Company uses the Proposed Change of Company Name and the Change of Stock Short Name to affect the share price of the Company or mislead investors, and the Proposed Change of Company Name is in compliance with the requirements of relevant laws and regulations including the PRC Company Law and the PRC Securities Law, as well as the Articles of Association.

## 2.5 No replacement of existing share certificates required

All existing share certificates (if any) of the Company in issue bearing the existing name of the Company will, upon the Proposed Change of Company Name becoming effective, continue to be valid evidence of legal title to the Shares of the Company and will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for the free exchange of the existing share certificates for new share certificates bearing the New Name of the Company. Upon the Proposed Change of Company Name becoming effective, any issue of share certificates thereafter will bear the New Name of the Company and the A-Shares will be traded on the SSE and the S-Shares will be traded on the SGX-ST under the New Name, respectively. No further action is required on the part of Shareholders in respect of their existing share certificates.

## 3. THE 2022 2<sup>ND</sup> PROPOSED AOA AMENDMENTS AND THE APPLICATION FOR CHANGES IN THE INDUSTRIAL AND COMMERCIAL REGISTRATION

### 3.1 Background and rationale

In view of the Proposed Change of Company Name as set out above, the Company also proposes to amend its existing Articles of Association to reflect consequential updates and changes in conjunction with the Proposed Change of Company Name by (i) replacing all references to “天津中新药业集团股份有限公司” with “津药达仁堂集团股份有限公司” and (ii) replacing all references to “**Tianjin Zhong Xin Pharmaceutical Group**

Corporation Limited” with “**Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited**” in the Articles of Association, in accordance with the requirements of relevant laws, regulations and normative documents including the PRC Company Law, the PRC Securities Law, the PRC CG Code and the Guidelines. The proposed amendments to the name of the Company in Articles 2 and 121 of the Articles of Association are set out in Section 3.2 of this Annexure below.

The 2022 2<sup>nd</sup> Proposed AOA Amendments shall take effect upon the effective date of the Proposed Change of Company Name.

### 3.2 Amendments to the Articles of Association

The existing Articles of Association are proposed to be amended as follows (with amendments in **bold and underline**):

Before the 2022 2 <sup>nd</sup> Proposed AOA Amendments	After the 2022 2 <sup>nd</sup> Proposed AOA Amendments
<b>TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED</b>	<b><u>TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED</u></b>
<b>ARTICLES OF ASSOCIATION</b>	<b>ARTICLES OF ASSOCIATION</b>
Article 2 The registered name of the Company in Chinese is 天津中新药业集团股份有限公司 and its registered name in English is Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (ZXPGL).	Article 2 The registered name of the Company in Chinese is 津药达仁堂集团股份有限公司 and its registered name in English is <b><u>Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (DRTGL)</u></b> .
Article 121 The Company shall establish a Party committee of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (hereinafter referred to as the “Party Committee”), which shall include one Party secretary, one deputy secretary, and other Party members. The qualified members of the Party Committee, by way of legal procedures, are entitled to be elected as the members of the Board of Directors, Board of Supervisors or senior management. The members of the Board of Directors, Board of Supervisors or senior management, by way of the relevant procedures, are also entitled to be elected as the members of the Party Committee. The Company shall also establish a disciplinary committee, which shall include one disciplinary secretary and other members.	Article 121 The Company shall establish a Party committee of <b><u>Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited</u></b> (hereinafter referred to as the “Party Committee”), which shall include one Party secretary, one deputy secretary, and other Party members. The qualified members of the Party Committee, by way of legal procedures, are entitled to be elected as the members of the Board of Directors, Board of Supervisors or senior management. The members of the Board of Directors, Board of Supervisors or senior management, by way of the relevant procedures, are also entitled to be elected as the members of the Party Committee. The Company shall also establish a disciplinary committee, which shall include one disciplinary secretary and other members.

Save for the proposed amendments to the Articles of Association of the Company relating to the adoption of a cumulative voting system for the election of directors or supervisors of the Company set out in Resolution 12 of the Notice of AGM and the above amendments to substitute the Company’s name, the other terms of the Articles of Association of the Company shall remain unchanged.

### 3.3 Compliance with Rule 730(2) of the Listing Manual

The 2022 2<sup>nd</sup> Proposed AOA Amendments are not inconsistent with the listing rules set out in the Listing Manual prevailing at the time of amendment.

### 3.4 Application for changes in the industrial and commercial registration

Subject to Shareholders' approval for the 2022 2<sup>nd</sup> Proposed AOA Amendments being obtained at the 2022 AGM, the Company shall then submit an application to the TAMR to update the industrial and commercial registration details pertaining to the Company.

### 3.5 Voting threshold

Pursuant to Article 103 of the PRC Company Law, where any resolution is proposed to be passed by shareholders of a company on proposed amendments to the articles of association of the company, it shall be passed by the shareholders representing more than two-thirds of the voting rights held by the shareholders attending at the general meeting.

Accordingly, the resolution relating to the 2022 2<sup>nd</sup> Proposed AOA Amendments shall be approved by more than two-thirds ( $\frac{2}{3}$ ) of the voting rights held by the Shareholders attending at the 2022 AGM, in accordance with the PRC Company Law.

## 4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Directors	Direct Interest		Deemed Interest	
	No of Shares	% <sup>(1)</sup>	No of Shares	% <sup>(1)</sup>
Zhang Mingrui	–	–	–	–
Guo Min	–	–	–	–
Li Yan	70,000 <sup>(2)</sup>	0.009	–	–
Wang Mai	70,000 <sup>(2)</sup>	0.009	–	–
Zhou Hong	70,000 <sup>(2)</sup>	0.009	–	–
Zhang Ping	–	–	–	–
Liew Yoke Pheng Joseph	–	–	–	–
Wong Gang	–	–	–	–
Li Qing	–	–	–	–
<b>Substantial Shareholder(s)</b>				
TPH	325,855,528	42.13	5,265,000 <sup>(3)</sup>	0.68

**Notes:**

(1) Based on the total issued share capital of 773,443,076 Shares as at the Latest Practicable Date.

(2) These are the Restricted A-Shares granted and issued under the Scheme.

(3) Pursuant to Section 4 of the SFA, TPH is deemed interested in the 5,265,000 shares in the capital of the Company held by its wholly-owned subsidiary, Tianjin Pharmaceutical (Singapore) International Investment Pte. Ltd.

As at the Latest Practicable Date, saved as disclosed in this Annexure, none of the Directors or Substantial Shareholders have any interest, direct or indirect, in the Proposals other than through their respective shareholdings in the Company (if any).

## 5. DIRECTORS' RECOMMENDATIONS

Having considered, amongst others, the rationale for and the terms of each of the Proposals, the Directors are of the opinion that the Proposals are in the interests of the Company and the Shareholders as a whole. Therefore, the Directors recommend that the Shareholders vote in favour of the resolution in relation to the Proposals to be proposed at the 2022 AGM, as set out in the Notice of AGM.

## 6. ANNUAL GENERAL MEETING

The 2022 AGM, notice of which has been, or will be, made available to Shareholders on the same day as the date of this Annexure on the SGXNET and the Company's website at <http://www.zhongxinp.com/>, will be held at meeting room of Zhongxin Mansion, No. 17 Baidi Road, Nankai District, Tianjin, the PRC 300193 (concurrently, the annual general meeting will be held by way of electronic means for S-Share Shareholders in Singapore), on 16 May 2022 at 1:30 p.m. for the purpose of considering and, if thought fit, passing the resolutions (with or without modifications) as set in the Notice of AGM.

## 7. ACTION TO BE TAKEN BY SHAREHOLDERS

S-Share Shareholders who wish to vote on the resolutions set out in the Notice of AGM at the 2022 AGM must appoint the Chairman of the AGM as proxy to vote on their behalf by completing, signing and returning the Proxy Form in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive by (i) post at the office of the Company's "S" Shares Registrar and Singapore Shares Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07 Singapore 098632; or (ii) email at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com), no later than **1:30 p.m. on 14 May 2022**.

Please refer to the alternative arrangements relating to observing the proceedings of the 2022 AGM (including arrangements by which the meeting can be accessed via "live" audio-and-video webcast or "live" audio-only stream), submission of questions to the Chairman of the AGM in advance of the 2022 AGM, addressing of substantial and relevant questions relating to the resolutions to be tabled for approval at the 2022 AGM (including at a virtual information session) and voting by appointing the Chairman of the AGM as proxy at the 2022 AGM as set out in the Company's announcement dated 22 April 2022, which has been published, together with the Notice of AGM, on the SGXNET and the Company's website at <http://www.zhongxinp.com/>.

A S-Share Shareholder shall not be regarded as a member of the Company and his/her/its proxy form may be rejected by the Company unless his/her/its name appears on the Register of Members, or where the registered holder is CDP, the Depository Register as at a time not earlier than forty-eight (48) hours prior to the time of the 2022 AGM.

## 8. 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 each of the Proposals, the Company and its Subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Annexure misleading.

Where information in this Annexure has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Annexure in its proper form and context.

## 9. DOCUMENT FOR INSPECTION

A copy of the Articles of Association of the Company may be inspected at the registered office of the Company at 17 Baidi Road, Nankai District, Tianjin, the PRC 300193, during normal business hours from the date of this Annexure up to and including the date of the 2022 AGM.

Yours faithfully

For and on behalf of the Board of Directors of

**Tianjin Zhong Xin Pharmaceutical Group Corporation Limited**

**Zhang Mingrui**

Chairman of the Board

# SUSTAINABILITY REPORTING

Zhong Xin Pharmaceutical upholds the highest possible standards of responsible, sustainable and socially aware business practices. We are committed to instilling sustainability in our corporate culture and improving the economic, environmental and social wellbeing of our stakeholders. We prudently balance economic viability with sustainability and social progress for future generations.

As a responsible corporate citizen that takes pride in supplying pharmaceutical products of high quality and safety standards, we have always prioritised product health and safety. We regularly review our quality control policies and manufacturing practices, and strictly comply with industrial regulations to ensure that our drugs are safe for patients.

Other than producing and distributing responsibly, we also deliver and market our products ethically. Our business activities strictly comply with national and industrial standards on product marketing, labelling and advertising, and establish stringent marketing guidelines to ensure that we do not transgress important ethical and legal boundaries.

We believe that product research and development is key to the sustainability of our business. We invest significantly in our product development, facilities and equipment to supply efficacious pharmaceutical products to our customers.

The Group has assigned a Sustainability task force to oversee sustainability reporting, to monitor our sustainability performance and the implementation of our sustainability policies and measures. We endeavour to streamline our business operations to improve efficiency and conserve resources.

Below is a summary table of the key topics that are relevant to the Group and our stakeholders.

Economic	Environmental	Social
Indirect Economic Impacts	Energy Water Emissions Effluents and Waste	Customer Health and Safety Marketing and Labelling Occupational Health and Safety Diversity and Equal Opportunity

More information on the Group's efforts on sustainability management in FY2021 can be found in the Tianjin Zhong Xin Pharmaceutical Group's 2020 Sustainability Report which will be published in May 2022.









**中新药业**  
ZHONGXIN PHARMACEUTICALS

**TIANJIN ZHONG XIN PHARMACEUTICAL  
GROUP CORPORATION LIMITED**

17 Baidi Road, Nankai District,  
Tianjin, PRC