



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Tianjin Zhong Xin Pharmaceutical Group Corporation Limited

Stock code: T14

Meeting details:

Date: 16 May 2022

Time: 1.30 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As the annual general meeting scheduled to be held on 16 May 2022, the company is proposing to change 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 the English name of the company from “Tianjin Zhong Xin Pharmaceutical Group Corporation Limited” to “Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited”.

As disclosed in Note E, the controlling shareholder of the company, Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) (“TPH”), who directly and indirectly holds approximately 43.81% equity interest in the issued and paid-up capital of the company has proposed the change of name of the company.

Following the Mix-ownership Reform (details can be found on pages 49 and 50 of the annual report), as at 26 March 2021, Jinhushen Biological Medical Science and Technology Co., Ltd (津沪深生物医药科技有限公司) acquired a 67% equity interest in TPH from 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).

Jinhushen Biological Medical Science and Technology Co., Ltd is now the indirect controlling shareholder of the company (as defined under Singapore laws).

In addition, changes to the board can be found page 32 of the annual report.

- (i) With more than a year of ownership by the new indirect controlling shareholder (Jinhushen Biological Medical Science and Technology Co., Ltd), what adjustments have been made to the group’s operations, business model and long-term growth plans?**
- (ii) What will be the operational impact (including marketing) of the name change 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” (from “Tianjin Zhong Xin Pharmaceutical Group Corporation Limited” to “Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited”)?**
- (iii) For the benefit of shareholders, can management elaborate further on the brand value/historical importance of the “达仁堂” brand?**
- (iv) How much will the group be investing in the marketing and promotion of the “达仁堂” brand?**

Q2. In the work report of the chairman of the board of directors, the following are listed as priorities in 2022 (pages 18 to 22):

1. Deepening organizational reform and responding to the strategic plans with concerted efforts	
2. Pursuing growth in both scale and profitability for the green TCM with emphasis on the leading role of marketing	(1) Optimizing the organizational structure for marketing by the manufacturing enterprises (2) Making great efforts on marketing to pursue the growth of “three cores and nine wings” (3) Applying digital marketing methods (4) Revitalizing the century-old brands through sound operation
3. Focusing on price, cost and profit	
4. Strengthening industrial cluster to enable layout expansion	(1) Establishing medicinal herb planting base in the famous places of origin (2) Inheriting the premium medicinal slices under the Da Ren Tang (达仁堂) brand (3) Building the Da Ren Tang (达仁堂) Hospital System (4) Establishing the Da Ren Tang (达仁堂) Drug Store System (5) Planning the development of nutraceuticals
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 (2) Actively developing new TCM drugs
6. Quantifying the value chains and reducing costs and increasing efficiency on a case-by-case basis	(1) Cost management (2) Applying Digital and intelligent technologies in its management

(Source: company annual report)

- (i) **How has the group been affected by the latest Omicron wave in China? Are there significant disruptions to the group’s manufacturing and operations?**
- (ii) **For the benefit of shareholders, can the company explain what it means by “green TCM” and “green Chinese traditional medicine”?**

- (iii) The company's flagship product, Suxiao Jiuxin Wan (速效救心丸), accounted for RMB1.3 billion out of the total group revenue of RMB6.9 billion, or 19%. In accordance with the 14th Five-year Plan, the group aims to double the sales of Suxiao Jiuxin Wan. **Can management help shareholders understand the main growth drivers of the flagship product? Is Suxiao Jiuxin Wan (速效救心丸) a prescribed drug or an OTC drug? How is the flagship product currently being sold? Can management elaborate further on its strategy to double the sales of 速效救心丸?**
- (iv) **In addition, what are the other major products (by revenue) of the group?**
- (v) **Can management also provide greater clarity on the breakdown of revenue by the "three traditional sales terminals"?**
- (vi) **Please also elaborate further on the potential of e-commerce and the group's digital marketing strategy given that the group is a pharmaceutical/TCM company.**

Q3. The board comprises 9 directors, including a non-executive non-independent chairman, 4 executive directors, a non-executive non-independent director and three independent directors.

Provision 2.2 of the Code of corporate governance 2018 requires independent directors to make up a majority of the board where the chairman of the board is not independent.

The company has made the following statements in its annual reports since AR2018:

AR2018	Taking into consideration the requirements of the China Securities Regulatory Commission, Shanghai Stock Exchange and the SGX-ST, the Board will use its best endeavours to meet the requirement for independent directors to make up at least half of the Board.
AR2019	Taking into consideration the requirements of the PRC securities supervision commission, Shanghai Stock Exchange and the SGX-ST, the Board will use its best endeavours to meet the requirement for independent directors to make up a majority of the Board.
AR2020	Taking into consideration the requirements of the China Securities Regulatory Committee, Shanghai Stock Exchange (the "SSE") and the SGX-ST, the Board will use its best endeavours to meet the requirement for Independent Directors to make up a majority of the Board.
AR2021	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 <i>best endeavours</i> to meet the requirement for Independent Directors to make up a majority of the Board.
--	--

(Source: company annual report; emphasis added)

- (i) **What are the reasons that the company has not been able to reconstitute the board to have a majority of the independent directors (as required by Provision 2.2) despite its “best endeavours” after 4 years?**
- (ii) **Can the nominating committee (NC) help shareholders understand its efforts to meet the requirements of Provision 2.2 in the past 4 years?**
- (iii) **Has the NC reviewed the current competency matrix of the board and has it identified any gaps in skills or competencies that need to be addressed in future director appointments?**
- (iv) **Please elaborate on the near-term plans by the company to meet Provision 2.2.**

In addition, Mr Wong Gang was appointed to the board on 15 May 2019. Mr Wong Gang was an independent director of the company from 15 May 2008 to 15 May 2014 (six years).

- (v) **Given that Mr Wong Gang would have served on the board for a total of 9 years on 15 May 2022, can the board clarify if the director will be retiring or redesignated as a non-independent director as he was appointed on 15 May 2019?**

Mr. Wong Gang is also the secretary to the board.

- (vi) **On what basis did the board assess that Mr. Wong Gang’s responsibilities as a secretary to the board will not interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment as an independent director?**

In addition, each of Ms. Li Yan, Mr. Guo Min and Ms. Zhang Mingrui had no prior experience as a director of an issuer listed on the SGX-ST when they were first appointed on 5 June 2020, 6 September 2021 and 10 December 2021 respectively. The three directors are required to undergo the mandatory training as prescribed by the SGX-ST pursuant to Rule 210(5)(a) of the Listing Manual.

The company has disclosed that, 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.

- (vii) **Did the company get a waiver (for Ms. Li Yan) from SGX-ST on Rule 210(5)(a) and Practice Note 2.3 of the Listing Manual which require first time directors to undergo the mandatory training within one year from the date of the appointment to the board?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

CONNECT WITH US



[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)