

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

Second Quarter Financial Statement (*) And Dividend Announcement

1(a) Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

	<u>The Group</u>					
	3-month period from 1 April to 30 June 2021 RMB'000	3-month period from 1 April to 30 June 2020 RMB'000	Change %	6-month period from 1 January to 30 June 2021 RMB'000	6-month period from 1 January to 30 June 2020 RMB'000	Change %
Revenue	1,813,556	1,634,476	11	3,640,421	3,290,437	11
Cost of sales	(1,061,029)	(951,084)	12	(2,134,503)	(1,940,564)	10
Gross profit	752,527	683,392	10	1,505,918	1,349,873	12
Interest income	12,057	8,275	46	19,836	13,608	46
Dividend income	-	1,447	n.m	-	1,447	n.m
Other gains	12,020	4,898	145	21,534	21,007	3
Marketing and distribution costs	(403,639)	(428,153)	-6	(835,170)	(861,172)	-3
Research and development costs	(37,224)	(26,409)	41	(66,199)	(46,490)	42
Administrative expenses	(100,962)	(78,318)	29	(201,799)	(157,279)	28
Finance costs	(21)	(51)	-59	(39)	(51)	-24
Other losses	(4,858)	(21,455)	-77	(14,189)	(28,428)	-50
Share of profit of associates	61,201	41,648	47	109,674	89,395	23
Profit before income tax	291,101	185,274	57	539,566	381,910	41
Income tax expense	(35,316)	(26,045)	36	(66,965)	(48,084)	39
Profit, net of tax	255,785	159,229	61	472,601	333,826	42

	<u>The Group</u>					
	3-month period from 1 April to 30 June 2021 RMB'000	3-month period from 1 April to 30 June 2020 RMB'000	Change %	6-month period from 1 January to 30 June 2021 RMB'000	6-month period from 1 January to 30 June 2020 RMB'000	Change %
Other Comprehensive Loss Items that will not be reclassified to profit or loss:						
Fair Value Gain / (Loss) on equity investment measured at FVTOCI, net of tax	259	114	127	(863)	(2,080)	-59
Share of other comprehensive income / (loss) from equity-accounted associates, net of tax	(1,407)	806	n.m	(363)	1,010	n.m
Other Comprehensive Income/(Loss) Items that may be reclassified subsequently to profit or loss:						
Total Other Comprehensive Income / (Loss), Net of Tax	(1,148)	920	n.m	(1,226)	(1,070)	15
Total comprehensive income	254,637	160,149	59	471,375	332,756	42

	<u>The Group</u>					
	3-month period from 1 April to 30 June 2021 RMB'000	3-month period from 1 April to 30 June 2020 RMB'000	Change %	6-month period from 1 January to 30 June 2021 RMB'000	6-month period from 1 January to 30 June 2020 RMB'000	Change %
Profit, net of tax attributable to:						
Owners of the parent	249,601	153,572	63	462,549	323,462	43
Non-controlling interests	6,184	5,657	9	10,052	10,364	-3
	255,785	159,229	61	472,601	333,826	42
Total comprehensive income attributable to:						
Owners of the parent	248,453	154,492	61	461,323	322,392	43
Non-controlling interests	6,184	5,657	9	10,052	10,364	-3
	254,637	160,149	59	471,375	332,756	42
Earnings per ordinary share for the period based on net profits after deducting any provision for preference dividends:						
Based on weighted average number of ordinary share on issue	0.32	0.20	60	0.60	0.42	43

(*) prepared under International Financial Reporting Standards
n.m Not Meaningful

Additional information on the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income. The following significant items of gains / (charges) were included in the statement of income.

	<u>The Group</u>					
	3-month period from 1 April to 30 June 2021 RMB'000	3-month period from 1 April to 30 June 2020 RMB'000	Change %	6-month period from 1 January to 30 June 2021 RMB'000	6-month period from 1 January to 30 June 2020 RMB'000	Change %
Profit, net of tax is arrived at after crediting / (charging):						
Other income (including government grant)	7,988	1,769	n.m	11,832	17,878	-34
Interest income	12,057	8,275	46	19,836	13,608	46
Interest on borrowings	(21)	(51)	-59	(39)	(51)	-24
Allowance for impairment on trade receivables – reversal / (loss)	(2,602)	(636)	n.m	(3,690)	(4,609)	-20
Allowance for impairment on other receivables – reversal / (loss)	(25)	(492)	-95	(3,870)	(492)	n.m
Impairment loss on inventories	(2,336)	(3,910)	-40	(6,628)	(6,636)	0
Foreign currency translation losses, net	564	(28)	n.m	461	(272)	n.m
Employment termination benefits	-	(447)	n.m	-	(447)	n.m
Gain on disposal of property, plant and equipment, intangible assets and other non-current assets	3,571	3,159	13	9,241	3,129	n.m
Dividend income	-	1,447	n.m	-	1,447	n.m
Share-based payments	(2,196)	(2,083)	5	(4,775)	(4,158)	15
Depreciation and amortisation	(30,773)	(28,227)	9	(61,174)	(53,272)	15

1(b)(i) Condensed Interim Statements of Financial Position

	Note	The Group			The Company		
		30 June 2021 RMB'000	31 December 2020 RMB'000	Change %	30 June 2021 RMB'000	31 December 2020 RMB'000	Change %
ASSETS							
Non-current assets							
Property, plant and equipment		1,477,440	1,457,053	1	1,040,639	1,035,555	-
Right-of-use assets		2,112	2,609	-19	-	-	-
Investment properties	7	11,204	21,512	-48	10,351	20,634	-50
Land use rights		185,454	188,289	-2	159,316	161,744	-2
Intangibles assets		15,090	15,734	-4	12,381	13,045	-5
Investment in subsidiaries	8	-	-	-	528,428	498,428	6
Investment in associates	9	767,391	687,538	12	767,391	687,538	12
Other financial assets	10	7,295	116,311	-94	7,295	8,348	-13
Deferred tax assets		192,247	165,480	16	175,679	150,376	17
Other assets		29,993	25,259	19	26,009	22,415	16
Total non-current assets		2,688,226	2,679,785	-	2,727,489	2,598,083	5
Current assets							
Inventories		1,412,516	1,487,715	-5	1,272,088	1,344,912	-5
Trade and other receivables	11	2,568,365	2,007,426	28	2,360,769	1,918,755	23
Other financial assets	10	109,518	-	100	-	-	-
Other assets		116,855	121,127	-4	203,219	104,942	94
Cash and cash equivalents		2,103,643	1,987,334	6	1,902,100	1,791,009	6
Total current assets		6,310,897	5,603,602	13	5,738,176	5,159,618	11
Total assets		8,999,123	8,283,387	9	8,465,665	7,757,701	9
EQUITY							
Equity							
Share capital	12	773,643	773,643	-	773,643	773,643	-
Share premium		1,229,980	1,229,980	-	1,229,980	1,229,980	-
Retained earnings		3,583,536	3,353,080	7	3,514,990	3,278,987	7
Other reserves		490,040	486,491	1	540,255	536,706	1
Total equity, attributable to equity holders of the Company		6,077,199	5,843,194	4	6,058,868	5,819,316	4
Non-controlling interests		141,936	141,484	-	-	-	-
Total equity		6,219,135	5,984,678	4	6,058,868	5,819,316	4

		The Group			The Company		
		30 June 2021 RMB'000	31 December 2020 RMB'000	Change %	30 June 2021 RMB'000	31 December 2020 RMB'000	Change %
LIABILITIES							
Non-current liabilities							
Deferred tax liabilities		3,644	3,802	-4	3,644	3,802	-4
Trade payables		30,659	30,659	-	30,507	30,507	-
Lease liabilities		1,204	1,710	-30	-	-	-
Other financial liabilities	13	30,000	30,000	-	-	-	-
Other liabilities		100,972	103,471	-2	66,437	67,618	-2
Total non-current liabilities		166,479	169,642	-2	100,588	101,927	-1
Current liabilities							
Income tax payable		67,057	10,492	n.m	32,311	1,760	n.m
Trade and other payables	14	2,310,394	1,870,907	23	2,045,531	1,598,324	28
Lease liabilities		1,040	1,000	4	-	-	-
Other liabilities		235,018	246,668	-5	228,367	236,374	-3
Total current liabilities		2,613,509	2,129,067	23	2,306,209	1,836,458	26
Total liabilities		2,779,988	2,298,709	21	2,406,797	1,938,385	24
Total equity and liabilities		8,999,123	8,283,387	9	8,465,665	7,757,701	9

1(b)(ii) Condensed Interim Statements of Changes in Equity

All in RMB'000

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-cont rolling interests	Total equity
Balance at 1 January 2021	773,643	1,229,980	486,491	3,353,080	5,843,194	141,484	5,984,678
Total comprehensive income for the period	-	-	(1,226)	462,549	461,323	10,052	471,375
Dividends	-	-	-	(232,093)	(232,093)	-	(232,093)
Distribution to non-controlling interests	-	-	-	-	-	(9,600)	(9,600)
Share-based payments	-	-	4,775	-	4,775	-	4,775
Balance at 30 June 2021	773,643	1,229,980	490,040	3,583,536	6,077,199	141,936	6,219,135

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-controlling interests	Total equity
Balance at 1 January 2020	768,873	1,198,817	539,310	2,881,174	5,388,174	135,032	5,523,206
Issuance of shares under Restricted A-Shares	3,930	24,366	-	-	28,296	-	28,296
Total comprehensive income for the period	-	-	(1,070)	323,462	322,392	10,364	332,756
Transfers from equity instruments at FVTOCI reserve	-	-	(4,886)	4,886	-	-	-
Dividends	-	-	-	(231,841)	(231,841)	-	(231,841)
Distribution to non-controlling interests	-	-	-	-	-	(5,228)	(5,228)
Share-based payments	-	-	4,158	-	4,158	-	4,158
Balance at 30 June 2020	772,803	1,223,183	537,512	2,977,681	5,511,179	140,168	5,651,347

All in RMB'000

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2021	773,643	1,229,980	536,706	3,278,987	5,819,316
Total comprehensive income for the period	-	-	(1,226)	468,096	466,870
Dividends	-	-	-	(232,093)	(232,093)
Share-based payments	-	-	4,775	-	4,775
Balance at 30 June 2021	773,643	1,229,980	540,255	3,514,990	6,058,868

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2020	768,873	1,198,817	589,525	2,798,064	5,355,279
Issuance of shares under Restricted A-Shares	3,930	24,366	-	-	28,296
Total comprehensive income for the period	-	-	(1,070)	348,244	347,174
Transfers from equity instruments at FVTOCI reserve	-	-	(4,886)	4,886	-

Dividends	-	-	-	(231,841)	(231,841)
Share-based payments	-	-	4,158	-	4,158
Balance at 30 June 2020	772,803	1,223,183	587,727	2,919,353	5,503,066

1(c) Condensed Interim Consolidated Statement of Cash Flows

	The Group			
	3-month period from 1 April to 30 June 2021 RMB'000	3-month period from 1 April to 30 June 2020 RMB'000	6-month period from 1 January to 30 June 2021 RMB'000	6-month period from 1 January to 30 June 2020 RMB'000
<u>Cash flows from operating activities</u>				
Profit before income tax	291,100	185,274	539,566	381,910
Interest income	(12,057)	(8,275)	(19,836)	(13,608)
Interest expense	21	51	39	51
Dividend income	-	(1,447)	-	(1,447)
Gain upon maturity and disposal of financial assets	(1,095)	(1,053)	(2,182)	(3,114)
Share of profit of equity-accounted associates	(61,201)	(41,648)	(109,674)	(89,395)
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	30,773	28,227	61,174	53,272
Gain on disposals of property, plant and equipment, intangible assets and other non-current assets	(3,571)	(3,159)	(9,241)	(3,129)
Impairment on trade and other receivables – loss / (reversal)	4,964	5,038	14,189	11,737
Share-based payments	2,196	2,083	4,775	4,158
Operating cash flows before changes in working capital	251,130	165,091	478,810	340,435

	<u>The Group</u>			
	3-month period from 1 April to 30 June 2021 RMB'000	3-month period from 1 April to 30 June 2020 RMB'000	6-month period from 1 January to 30 June 2021 RMB'000	6-month period from 1 January to 30 June 2020 RMB'000
Inventories	6,506	(108,800)	68,572	109,467
Trade and other receivables	(146,881)	19,950	(577,025)	(358,103)
Other assets	33,781	(4,025)	(1,772)	76,246
Trade and other payables	110,973	199,238	436,572	279,862
Cash restricted in use	-	-	-	38
Other liabilities	26,862	(39,512)	(14,149)	(81,455)
Net cash flows from operations	282,371	231,942	391,008	366,490
Income tax paid	(37,509)	(73,678)	(40,960)	(75,482)
Net cash flows from operating activities	244,862	158,264	350,048	291,008
Cash flows from investing activities				
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	(31,210)	(38,651)	(71,515)	(93,513)
Acquisition of financial assets	-	(1,000)	-	(7,421,403)
Proceeds from disposal of financial assets	-	5,928	-	7,433,861
Dividends income received from associates and financial assets	5,490	1,447	29,490	36,047
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	15,298	63	22,621	90
Interest income received	12,371	8,694	20,463	15,192
Net cash flows used in investing activities	1,949	(23,519)	1,059	(29,726)

	<u>The Group</u>			
	3-month period from 1 April to 30 June 2021 RMB'000	3-month period from 1 April to 30 June 2020 RMB'000	6-month period from 1 January to 30 June 2021 RMB'000	6-month period from 1 January to 30 June 2020 RMB'000
Cash flows from financing activities				
Proceeds from new borrowings		-	-	
Dividends paid to equity owners	(223,986)	(224,301)	(224,066)	(224,301)
Distribution to non-controlling interests	(9,600)	(428)	(9,600)	(5,228)
Interest expense paid	(300)	-	(602)	-
Repayment of other borrowings	-	-	(530)	(530)
Net cash flows used in financing activities	(233,886)	(224,729)	(234,798)	(230,059)
Net (decrease) / increase in cash and cash equivalents	12,925	(89,984)	116,309	31,223
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	2,090,718	1,600,610	1,987,334	1,479,403
Cash and cash equivalents, consolidated statement of cash flows, ending balance	2,103,643	1,510,626	2,103,643	1,510,626

Notes to the Condensed Interim Financial Statements

30 June 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 on the Singapore Exchange Securities Trading Limited (“SGX-ST”) and the Shanghai Stock Exchange (“SSE”).

The financial statements are presented in Chinese Renminbi (“RMB”) and have been rounded to the nearest thousand (“RMB’000”), unless when otherwise indicated, and they cover the Company and its subsidiaries (collectively, the “Group”), and the Group’s interests in associates.

The board of directors of the Company approved and authorised these condensed interim financial statements for issue on 12 August 2021.

The principal activities of the Group are disclosed in Note 2 on segment information.

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

The financial information contained in this announcement has neither been audited nor reviewed by the auditors.

The latest audited annual financial statements were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

The Company is not required to announce its quarterly financial statements on SGXNET pursuant to the requirements of the listing manual of the SGX-ST (“Listing Manual”). However, since the Company is required to announce its quarterly financial statements in accordance with the requirements of the SSE, the Company is voluntarily announcing its quarterly financial statements on SGXNET.

The COVID-19 pandemic has no significant adverse effect on the Group’s financial position and results for the current financial period reported on.

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the provisions of the SGX Mainboard Listing Rules.

The accounting policies and methods of computation applied in these condensed consolidated interim financial statements are consistent with those of the latest audited annual financial statements. However, the typical notes and information included in the latest audited annual financial statements are not included in these interim financial statements except for the selected explanatory notes included to explain events and transactions that are significant to an understanding of the changes in the performance and financial position of the Group since the latest audited annual financial statements.

These estimates and assumptions are periodically monitored to ensure that they incorporate all relevant information available at the date when the financial statements are prepared. However, this does not prevent actual figures differing from estimates. The nature and the carrying amount of such significant assets and liabilities are disclosed with further details in the relevant Notes to these condensed consolidated interim financial statements.

2. Financial information by operating segments

2A. Information about reportable segment profit or loss

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

2B. Profit or loss from continuing operations and reconciliations

	<u>Chinese medicine</u>	<u>Western medicine</u>	<u>Other</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
6 months ended 30 June 2021				
Revenue	2,474,700	827,655	338,066	3,640,421
Cost of sales	1,136,668	702,125	295,710	2,134,503
Gross profit	1,338,032	125,530	42,356	1,505,918
6 months ended 30 June 2020				
Revenue	2,184,838	872,774	232,825	3,290,437
Cost of sales	1,020,343	748,782	171,439	1,940,564
Gross profit	1,164,495	123,992	61,386	1,349,873

2C. Disaggregation of revenue from contracts with customers

	Group	
	6 months ended 30 June 2021 RMB'000	6 months ended 30 June 2020 RMB'000
Sale of goods recognised at point in time	3,631,463	3,281,494
Revenue recognised over time	8,958	8,943
	3,640,421	3,290,437

3. Income tax

3A. Components of tax expense (income) recognised in profit or loss

	Group	
	6 months ended 30 June 2021 RMB'000	6 months ended 30 June 2020 RMB'000
<u>Current income tax</u>		
Current income tax	92,152	72,767
Adjustments in respect of prior years	1,579	91
	93,731	72,859
<u>Deferred tax</u>		
Deferred tax	(26,766)	(24,775)
	66,965	48,084

Adjustments for current income tax:

	Group	
	6 months ended 30 June 2021 RMB'000	6 months ended 30 June 2020 RMB'000
Profit (Loss) before tax	539,565	381,910
Loss: Share of profit of equity-accounted associates	(109,674)	(89,395)
	429,891	292,515
Income tax expense at the above rate	107,473	73,129
Effect of concessionary tax rate at 15%	(26,512)	(18,368)
Non-deductible items	91	35
Non-taxable items	(18,011)	(14,596)
Unrecognised deferred tax assets	2,346	7,792
Adjustments in respect of prior years	1,579	91
	66,965	48,084

4. Disposal of subsidiaries

There was no disposal of subsidiaries in the current financial period reported on.

In particular, for the purposes of Rule 706A of the Listing Manual, for the current financial period reported on, the Group had not disposed of shares resulting in a company ceasing to be a subsidiary or an associated company of the Company, and had also not disposed of shares resulting in the Company reducing its shareholding percentage in a subsidiary or an associated company.

5. Dividends on equity shares

	6 months ended 30 June 2021	6 months ended 30 June 2020
Type	Cash	Cash
Dividend rate	RMB0.3per ordinary share	RMB0.3per ordinary share
Record date	16 June 2021	16 June 2020
Date paid or payable	24 June 2021	24 June 2020

The total dividends paid on ordinary shares for the year ended 31 December 2020 was RMB230,942,593.20 (2019: RMB230,672,894.40).

6. Acquisition of subsidiaries / subsidiary / business combination

There was no company which became a subsidiary of the Company through acquisition or business combination in the current financial period reported on.

In particular, for the purposes of Rule 706A of the Listing Manual, for the current financial period reported on, the Group had not acquired any shares of a company resulting in such company becoming a subsidiary or an associated company of the Company, and had also not acquired any shares resulting in the Company increasing its shareholding percentage in a subsidiary or an associated company.

7. Investment property

	<u>Group</u>
	30 June 2021
	RMB'000
Cost:	
At beginning of period	38,511
Disposal	(15,520)
At end of period	22,990
Accumulated depreciation:	
At beginning of period	16,999
Depreciation for the period	483
Disposal	(5,695)
At end of period	11,786
Carrying amount:	
At beginning of period	21,512
At end of period	11,204
Fair value:	
At beginning of period	204,319
At end of period	163,151

All investment properties of the Group are located in Tianjin, People's Republic of China.

8. Investments in subsidiaries

	<u>Company</u>
	30 June 2021
	RMB'000
Movements during the period:	
At beginning of the period	498,428
Additions	30,000
At the end of the period	528,428

During the current financial period reported on, Tianjin Hebei Da Ren Tang Hospital Co., Ltd (天津河北达仁堂医院有限公司) and Tianjin Zhongxin Medicine Research Institute Co., Ltd (天津中新药业研究院有限公司) were incorporated.

9. Investments in associates

	<u>Group</u>
	30 June 2021
	RMB'000
Movements in carrying value:	
At beginning of the period	687,538
Share of profit of associates	109,674
Dividends	(29,490)
Other equity movements	(331)
At end of the period	767,391

10. Other financial assets

	<u>Group</u>	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Other financial assets - current assets	109,518	-
Other financial assets - non-current assets	7,295	116,311
	116,813	116,311

There was no significant movement in the balance of other financial assets during the current financial period reported on except for the reclassification of current portion of other financial assets from non-current portion.

11. Trade and other receivables

	<u>Group</u>	
	30 June 2021 RMB'000	31 December 2020 RMB'000
<u>Trade receivables</u>		
Bills receivable	699,254	457,981
Outside parties	1,945,758	1,625,068
Associates	6,279	6,117
Related parties	24,594	20,579
Less: Allowance for credit impaired	(7,740)	(7,740)
Less: Allowance for expected credit losses	(134,901)	(131,211)
	2,533,244	1,970,794
<u>Other receivable</u>		
Outside parties	60,817	58,651
Associates	30,576	30,309

Related parties	-	74
Less: Allowance for expected credit losses	(56,272)	(52,402)
	35,121	36,632
	2,568,365	2,007,426

The ageing of the trade receivables balances were as follows:

	Group		
	Gross amount RMB'000	ELR %	Loss allowance RMB'000
30 June 2021			
Within 1 year	1,811,491	0.03	543
1 – 2 years	25,869	20.00	5,174
2 – 3 years	4,694	50.00	2,347
Over 3 years	126,837	100.00	126,837
Total	1,968,891		134,901
31 December 2020			
Within 1 year	1,501,584	0.03	451
1 – 2 years	11,362	20.00	2,272
2 – 3 years	5,180	50.00	2,590
Over 3 years	125,898	100.00	125,898
Total	1,644,024		131,211

12. Share capital

There was no changes in share capital in the current financial period reported on.

There has been no change in the Company's share capital since the previous period reported on, being 31 March 2021.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 30 June 2021 and 30 June 2020.

The Company does not hold any treasury shares and there are no subsidiary holdings as at 30 June 2021 and 30 June 2020.

	As at 30 June 2021	As at 31 December 2020
Number of issued shares excluding treasury shares	773,643,076	773,643,076
Number of treasury shares held	Nil	Nil

13. Aggregate amount of the group's borrowings and debt securities

	<u>Secured</u>		<u>Unsecured</u>	
	30 June 2021 RMB'000	31 December 2020 RMB'000	30 June 2021 RMB'000	31 December 2020 RMB'000
<u>Repayable in</u> <u>one year or less,</u> <u>or on demand:</u>				
Bank borrowings	30,000	30,000	-	-
Subtotal	30,000	30,000	-	-
<u>Repayable after</u> <u>one year:</u>				
Bank borrowings	-	-	-	-
Subtotal	-	-	-	-
Total	30,000	30,000	-	-

13A. Details of any collaterals

The aforementioned loan of principal amount of RMB30 million is secured by a subsidiary's land use rights at the valuation of approximately RMB26 million.

14. Trade and other payables

	Group	
	30 June 2021 RMB'000	31 December 2020 RMB'000
<u>Trade payables</u>		
Bills payable	522,374	235,907
Outside parties	606,312	651,708
Associates	3,847	3,396
Related parties	25,698	11,240
Employee benefits payables	197,196	131,113
	1,355,426	1,033,364
<u>Other payables</u>		
Outside parties	890,360	790,515
taxes payables	47,339	32,197
Dividend payable	15,792	14,610
Associates	39	40
Related parties	1,439	181
Subtotal	954,966	837,543
Total	2,310,394	1,870,907

15. Capital commitments

	Group	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Contractual obligations to purchase and construct	218,264	202,293

16. Categories of financial assets and liabilities

	Group	
	30 June 2021 RMB'000	31 December 2020 RMB'000
<u>Financial assets</u>		
Financial assets at amortised cost	4,781,526	4,102,723
Financial assets at fair value through profit or loss (FVTPL)	7,295	8,348
	4,788,821	4,111,071
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	2,373,297	1,934,276

17. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied same accounting policies and method of computation as presented in the audited financial statements of the Group for the reporting year ended 31 December 2020.

18. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:—

- (a) Based on the weighted average number of ordinary shares on issue; and
(b) On a fully diluted basis (detailing any adjustments made to the earnings)**

	Group	
	6-month period ended 30 June 2021	6-month period ended 30 June 2020
	RMB	RMB
Based on weighted average number of ordinary shares in issue	0.60	0.42

Diluted earnings per share is the same as basic earnings per share as the Company does not have any potential ordinary shares that have a dilutive effect on earnings per share as at the end of the period reported on.

19. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:—

- (a) current financial period reported on; and
(b) immediately preceding financial year.**

	Group		Company	
	30 June 2021	30 December 2020	30 June 2021	30 December 2020
	RMB	RMB	RMB	RMB
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	7.86	7.55	7.83	7.52

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

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

(a) Revenue:

The Group's revenue in the second quarter of FY2021 ("**2Q FY2021**") was approximately RMB 1,814 million, an increase of approximately RMB 179 million, or 11%, from RMB1,634 million in the second quarter of FY2020 ("**2Q FY2020**"). For the 6 months ended 30 June 2021 ("**1H21**"), the Group recorded a revenue of approximately RMB 3,640 million, an increase of approximately RMB 350 million, approximately 11% over the corresponding period in 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 2Q FY2021 increased by approximately 10% from approximately RMB 683 million in 2Q FY2020 to approximately RMB 753 million. For 1H21, the Group's gross profit was approximately RMB 1,506 million compared to approximately RMB 1,350 million in the corresponding period of FY2020, with an increase of approximately 12% amounting to approximately RMB 156 million. The gross profit margin 41% in 1H21, which is comparable to previous year.

(c) Other Gains:

Other gains in 2Q FY2021 were RMB 12 million. For 1H21, the Group's other gains were approximately RMB 22 million, an increase of approximately RMB 0.5 million over the previous corresponding period.

(d) Major Expenses:

(i) Marketing and Distribution costs in 2Q FY2021 decreased by approximately 6% to approximately RMB 404 million. For 1H21, the Marketing and Distribution costs was approximately RMB 835 million, a decrease of approximately RMB 26 million or 3% over the previous corresponding period mainly.

(ii) Research and Development costs in 2Q FY2021 were approximately RMB 37 million, an increase of approximately RMB 11 million or 41% over the previous corresponding period. For 1H21, the Research and Development costs increased by approximately RMB 20 million, from approximately RMB 46 million in the 6 months ended 30 June 2020 ("**1H20**") to approximately

RMB 66 million due to higher outlay for research and development projects.

(iii) Administrative expenses in 2Q FY2021 increased by approximately RMB 23 million, from approximately RMB 78 million in 2Q FY2020. For 1H21, the administration expenses were approximately RMB 202 million, an increase of approximately RMB 45 million. The increase was mainly due to increase in employee benefits.

(iv) Finance costs in 2Q FY2021 decreased by approximately 59% to approximately RMB 0.02 million, while for 1H21, the finance costs decreased by approximately RMB 0.01 million or 24% from approximately RMB 0.05 million to approximately RMB 0.04 million.

(v) Other losses in 2Q FY2021 decreased by approximately RMB 17 million, while for 1H21, the other losses were approximately RMB 14 million. The decrease was due to the decrease in non-operating expenses in the current financial period reported on.

(e) Share of results of associated companies:

The Group's share of profits of associated companies in 2Q FY2021 was approximately RMB 61 million, an increase of approximately RMB 20 million or 47% over the previous corresponding period. The Group's share of profits of associated companies in 1H21 increased from approximately RMB 20 million to approximately RMB 110 million. This increase is 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) by RMB15,980,000 year-on-year.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 2Q FY2021 was approximately RMB 255 million, an increase of 59% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 1H21 was approximately RMB 471 million, an increase of approximately RMB 139 million or 42% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 2Q FY2021 was approximately RMB 249 million, an increase of 63% over the previous corresponding period. The profit attributable to equity holders of parent (net of tax) in 1H21 was approximately RMB 463 million, an increase of approximately RMB 139 million, or 43% from RMB 323 million of the corresponding period in 1H20. This was mainly due to increase in sales.

(g) Major changes in statement of financial positions:

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately RMB 2,104 million, which is an increase of approximately RMB 116 million, or 6% over the balance as at 31 December 2020. The Group's borrowings as at 30 June 2021 amounted to RMB 30 million which is consistent with 31 December 2020.

Trade and other receivables increased by approximately 28% or RMB 561 million to approximately RMB 2,568 million as at 30 June 2021. Trade receivables increased by approximately RMB 321 million. Bills receivables increased by approximately RMB 241 million.

Inventories was approximately RMB 1,413 million at 30 June 2021, which is a decrease of approximately RMB 75 million, or 5% over the balance as at 31 December 2020. This is due to reduction in finished goods.

Other current assets decreased by approximately 4% or RMB 4 million to approximately RMB 117 million as at 30 June 2021.

Investment in associates of the Group increased by 12% to approximately RMB 767 million due to sharing of profits from associates.

Property, plant and equipment increased by approximately RMB 20 million to approximately RMB 1,477 million.

(h) Change in cash flow position:

In 1H21, the Group recorded net cash inflow from operating activities of approximately RMB 350 million which has increased by RMB 59 million as compared to 1H20. 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 inflow from investing activities was approximately RMB 1 million in 1H21 which has increased by RMB 31 million as compared to 1H20. The increase was mainly due to increase in proceeds from disposals of property, plant and equipment, intangible assets and other assets.

Cash outflow from financing activities was approximately RMB 235 million in 1H21 which has increased by RMB 5 million as compared to 1H20. The increase was mainly due to increase in dividend paid to non-controlling interest.

21. Forecast, or a prospect statement

There was no forecast or a prospect statement that had been previously disclosed to shareholders.

Please see note 1 above, for the effect of the COVID-19 pandemic on the Group's financial position and results for the current financial period reported on.

22. 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

With the deepening of the reform of the medical and health system in the PRC, the Chinese government has imposed stricter supervision over the field of drug production and sales. The newly revised *Drug Administration Law* (《药品管理法》) focuses on the supervision of pharmaceutical enterprises in all aspects of the drug production life cycle, and imposes more stringent requirements for the research and development process and quality control of drug production enterprises. Policies introduced such as the two vote system, volume procurement, bidding and medical insurance policy adjustment are also aggravating the industry reshuffle.

At the level of subdivided industries of traditional Chinese medicine, traditional Chinese medicine has played an important role in the fight against epidemics, further highlighting the value of traditional Chinese medicine. In January 2021, the State Council of China issued *Several Policies and Measures on Accelerating the Characteristic Development of Traditional Chinese Medicine* (《关于加快中医药特色发展的若干政策措施》), and highlighted that it is necessary to improve the development vitality of traditional Chinese medicine industry, enhance the development power of traditional Chinese medicine, improve the development efficiency of traditional Chinese medicine and create a good environment for the development of traditional Chinese medicine, so as to leverage new opportunities for the development of the traditional Chinese medicine industry.

In view of the epidemic pressure and policy opportunities, the Group takes the market as guidance, considers benefit as one of its main considerations and ensures sound management as the guarantee, so as to further improve its scientific research and innovation ability, as well as strengthen business awareness, reduce operating costs, improve product market coverage and enhance brand value. In the first half of 2021, the operating revenue of the Group was RMB3.640 billion, a year-on-year increase of 11%; the net profit attributable to the parent company was RMB463 million, a year-on-year increase of 43%, and the operating performance achieved high-quality development.

23. If a decision regarding dividend has been made:—

- (a) Whether an interim (final) ordinary dividend has been declared (recommended)**
- (b) The amount per share, as well as for the previous corresponding period**
- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)**
- (d) The date the dividend is payable**
- (e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined**

If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared for the current financial period reported on. Please refer to note 5 above for further details on the dividends on equity shares.

24. Related party transactions

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

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

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

	<u>6 months ended 30 June</u>	
	<u>2021</u> RMB'000	<u>2020</u> RMB'000
Sale of goods to associates	2,200	338
Purchase of goods from associates	(41,289)	(38,529)
Interest income from an associate	3,824	1,621
Interest expense payable to an associate	(602)	(612)
Rental income from an associate	220	440

	<u>6 months ended 30 June</u>	
	<u>2021</u> RMB'000	<u>2020</u> RMB'000
Sale of goods to related companies	53,813	44,159
Purchase of goods from related companies	(90,298)	(97,729)
Rental expenses to related companies	(1,314)	(3,085)

25. Interested Person Transaction disclosure

The Group has obtained a general mandate from shareholders for interested person transactions (“**IPTs**”)(“**IPT General Mandate**”) at the annual general meeting held on 17 May 2021. Please refer to the annexure accompanying the notice of annual general meeting in relation to the proposed renewal of mandate for IPTs (as set out on pages 165 to 186 of the Company’s annual report for the financial year ended 31 December 2020) for further details on the IPT General Mandate.

Shareholders’ approval has also been obtained for the Company’s entry into a financial services agreement with Tianjin Pharmaceutical Group Finance Co., Ltd. as an IPT and all transactions arising therefrom, at the annual general meeting held on 5 June 2020. Please refer to the annexure dated 21 May 2020 (“**21 May 2020 Annexure**”) in relation to the foregoing IPT (as set out on pages 187 to 224 of the Company’s annual report for the financial year ended 31 December 2019) for further details.

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920 of the Listing Manual)		Aggregate value of all interested person transactions conducted during the financial period under review under a shareholders’ mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)	
		6-month period ended 30 June 2021	6-month period ended 30 June 2020	6-month period ended 30 June 2021	6-month period ended 30 June 2020
		RMB’000	RMB’000	RMB’000	RMB’000
Tianjin Pharmaceutical Group Finance Co., Ltd (“ TPGF ”) (天津医药集团财务有限公司)	Subsidiary of Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), the controlling shareholder of the Company	The interest payable on the credit facilities provided by TPGF: 602	612	-	-
Tianjin	Controlling	Additional			

Pharmaceutical Holdings Co., Ltd. ("TPH") (天津市医药集团有限公司)	shareholder of the Company	payment to TPH for upsize of land area of land use right: -	6,757	-	-
Total		602	7,369	-	-

Note: As at 30 June 2021, placement of deposit with TPGF amounted to approximately RMB 583.7 million.

As disclosed in the 21 May 2020 Annexure in relation to the proposed financial services agreement to be entered into between the Company and Tianjin Pharmaceutical Group Finance Co., Ltd ("TPGF") as an interested person transaction (as set out in pages 187 to 224 of the Company's annual report for the financial year ended 31 December 2019), TPGF shall provide certain financial services to the Company under the aforesaid financial services agreement, including deposit business services.

As further disclosed in the 21 May 2020 Annexure, the deposit services provided by TPGF will enhance the management of funds of the Company and improve the Company's efficiency in the use of available funds. The management of funds is enhanced as:

- (i) there is security of funds as TPGF provides safe and efficient online banking services to the member entities in the TPH Group (comprising Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) ("TPH") and its subsidiaries and associated companies, including the Company), and these member entities can monitor the changes in the funds deposited in their accounts with TPGF at any time;
- (ii) funds payment can be made and settled efficiently as any payment made by the Company for its branches can be realized through the internal transfer function of TPGF's online banking system, which is efficient and convenient; and
- (iii) TPGF can provide credit support to the Company within a short period of time, and this can reduce the Company's need to maintain a certain amount of reserves from time to time.

In this regard, as disclosed in the 21 May 2020 Annexure, the Company will open a deposit account with TPGF and deposit the funds in such account. Further, the maximum daily balance in the deposit account (including interest) shall not exceed RMB600 million. Please refer to the 21 May 2020 Annexure for further details on the scope and terms of the financial services provided by TPGF to the Company under the aforesaid financial services agreement.

Shareholders' approval for the Company's entry into the aforesaid financial services agreement was obtained at the annual general meeting of the Company held on 5 June 2020.

The deposit of approximately RMB583.7 million placed with TPGF falls within the limit of RMB600 million. Further details on the deposit are set out below:

Unit: RMB '000

Duration of deposit	Current deposit (1-7 days)	Fixed deposit (3 months)	Total
Balance of deposit	383,672	200,000	583,672

Note: The Company may withdraw the "current deposit" at any time, and may only withdraw the "fixed deposit" after its maturity.

Pursuant to Rule 904 of the listing manual of the SGX-ST, an "interested person transaction" means a transaction between an entity at risk and an interested person, and "transaction" includes, amongst others, the provision or receipt of goods or services, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities). As TPGF is a subsidiary of TPH, the controlling shareholder of the Company, the deposit services provided by TPGF to the Company constitute an interested person transaction. However, the deposit of approximately RMB583.7 million placed with TPGF as at 30 June 2021 has not been included in the IPT table set out above to prevent confusion to Shareholders. Due to the nature of deposit, the monies deposited in the account can be withdrawn and/or deposited as and when necessary, save as disclosed above in relation to fixed deposit and subject to the maximum daily balance limit as stated above. As such, it is not calculated across a financial period, and the Company is of the view that it is more meaningful to disclose the amount of the deposit placed with TPGF as at the end of the financial period under review. Accordingly, this disclosure has been presented separately from the IPT table set out above.

26. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual.

27. Person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13)

Pursuant to Rule 704(13) of the Listing Manual, the Company confirms that, to the best of its knowledge, belief and information, as of the date hereof, none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a Director, Chief Executive Officer or Substantial Shareholder of the Company.

28. Statement pursuant to Rule 705(5) of the Listing Manual

The Board of Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim consolidated financial results for the financial period ended 30 June 2021, to be false or misleading in any material respect.

29. Additional information required on acquisitions and realisations pursuant to Rule 706A of the Listing Manual

As disclosed in note 4 above, for the current financial period reported on, the Group had not disposed of shares resulting in a company ceasing to be a subsidiary or an associated company of the Company, and had also not disposed of shares resulting in the Company reducing its shareholding percentage in a subsidiary or an associated company.

As disclosed in note 6 above, for the current financial period reported on, the Group had not acquired any shares of a company resulting in such company becoming a subsidiary or an associated company of the Company, and had also not acquired any shares resulting in the Company increasing its shareholding percentage in a subsidiary or an associated company.

As disclosed in note 7 above, during the current financial period reported on, Tianjin Hebei Da Ren Tang Hospital Co., Ltd and Tianjin Zhongxin Medicine Research Institute Co., Ltd were incorporated.

The details of the incorporation of the abovementioned companies are set out below:

The Company incorporated a wholly-owned subsidiary, Tianjin Hebei Da Ren Tang Hospital Co., Ltd (天津河北达仁堂医院有限公司) in the PRC on 26 April 2021. The registered capital of Tianjin Hebei Da Ren Tang Hospital Co., Ltd is RMB5,000,000 and its principal activity is provision of medical service (医疗服务).

The Company incorporated a wholly-owned subsidiary, Tianjin Zhongxin Medicine Research Institute Co., Ltd (中新药业研究院有限公司) in the PRC on 18 November 2020. The registered capital of Tianjin Zhongxin Medicine Research Institute Co., Ltd is RMB60,000,000 and its principal activity is the provision of inspection and testing services (检验检测服务).