

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

Full Year Financial Statement (*) And Dividend Announcement

1(a) A Statement of Comprehensive Income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group		Change
	2020 RMB'000	2019 RMB'000	%
Revenue	6,603,652	6,993,882	-6
Cost of sales	(4,086,048)	(4,112,388)	-1
Gross profit	2,517,604	2,881,494	-13
Interest income	28,072	14,896	88
Dividend income	1,447	2,361	-39
Other income and gains	67,439	51,606	31
Marketing and distribution expenses	(1,457,878)	(1,829,060)	-20
Research and development expenses	(149,202)	(133,361)	12
Administrative expenses	(358,552)	(363,325)	-1
Finance costs	(2,509)	(7,281)	-66
Other losses	(29,007)	(47,895)	-39
Share of profit from equity-accounted associates	150,644	173,710	-13
Profit before income tax	768,058	743,145	3
Income tax expense	(88,396)	(107,786)	-18
Profit, net of tax	679,662	635,359	7
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Fair value gain on equity investment measured at FVTOCI, net of tax	5,756	532	n.m
Share of other comprehensive (loss) / income from equity-accounted associates, net of tax	(26,313)	3,722	n.m
Total other comprehensive (loss) / income, net of tax	(20,557)	4,254	n.m
Total comprehensive income for the year	659,105	639,613	3

	The Group		Change
	2020 RMB'000	2019 RMB'000	%
Profit, net of tax attributable to:			
Owners of the parent	661,705	625,569	6
Non-controlling interests	17,957	9,790	83
	679,662	635,359	7
Total comprehensive income attributable to:			
Owners of the parent	641,148	629,823	2
Non-controlling interests	17,957	9,790	83
	659,105	639,613	3

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	Group	
	2020 RMB'000	2019 RMB'000
Profit, net of tax is arrived at after crediting / (charging):		
Other income (including government grant)	54,479	21,971
Interest income	28,072	14,896
Allowance for impairment on other receivables – (loss) / reversal	(3,194)	121
Gain on disposal of property, plant and equipment, intangible assets and other non-current assets	6,621	29,163
Dividend income	1,447	2,361
Foreign currency translation gains / (losses), net	1,735	(473)
Allowance for impairment loss on trade receivables – (loss) / reversal	(6,349)	351
Employment termination benefits – reversal / (charge)	490	(2,888)
Interest on borrowings	(2,509)	(4,893)
Inventories written down – reversal / (loss)	4,114	(26,378)
Share-based payments	(9,750)	(512)
Depreciation and amortisation	(113,554)	(101,238)

1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	The Group		The Company	
	31 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000
	ASSETS			
Non-current assets				
Property, plant and equipment	1,457,053	1,363,795	1,035,555	1,007,797
Investment properties	21,512	22,547	20,634	21,618
Right-of-use assets	2,609	3,603	-	-
Land use rights	188,289	157,997	161,744	130,638
Intangibles assets	15,734	17,575	13,045	14,700
Investment in subsidiaries	-	-	498,428	473,528
Investment in associates	687,538	657,906	687,538	657,906
Other financial assets	116,311	249,003	8,348	142,712
Deferred tax assets	165,480	183,804	150,376	167,119
Other assets	25,259	52,197	22,415	22,254
Total non-current assets	2,679,785	2,708,427	2,598,083	2,638,272
Current assets				
Inventories	1,487,715	1,594,558	1,344,912	1,469,193
Trade and other receivables	2,007,426	1,808,588	1,918,755	1,640,338
Other financial assets	-	43,525	-	-
Other assets	121,127	208,639	104,942	254,950
Cash and cash equivalents	1,987,334	1,479,441	1,791,009	1,290,160
Total current assets	5,603,602	5,134,751	5,159,618	4,654,641
Total assets	8,283,387	7,843,178	7,757,701	7,292,913
EQUITY				
Equity				
Share capital	773,643	768,873	773,643	768,873
Share premium	1,229,980	1,198,817	1,229,980	1,198,817
Retained earnings	3,353,080	2,881,174	3,278,987	2,798,064
Other reserves	486,491	539,310	536,706	589,525
Equity attributable to owners of the Company	5,843,194	5,388,174	5,819,316	5,355,279
Non-controlling interests	141,484	135,032	-	-
Total equity	5,984,678	5,523,206	5,819,316	5,355,279

	The Group		The Company	
	31 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	3,802	8,939	3,802	8,939
Trade payables	30,659	37,390	30,507	37,211
Other financial liabilities	30,000	30,000	-	-
Lease liabilities	1,710	2,710	-	-
Other liabilities	103,471	83,725	67,618	47,043
Total non-current liabilities	169,642	162,764	101,927	93,193
Current liabilities				
Income tax payable	10,492	59,366	1,760	49,638
Trade and other payables	1,870,907	1,732,580	1,598,324	1,437,421
Lease liabilities	1,000	962	-	-
Other liabilities	246,668	364,300	236,374	357,382
Total current liabilities	2,129,067	2,157,208	1,836,458	1,844,441
Total liabilities	2,298,709	2,319,972	1,938,385	1,937,634
Total equity and liabilities	8,283,387	7,843,178	7,757,701	7,292,913

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31 December 2020		As at 31 December 2019	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	-	-	-

Amount repayable after one year

As at 31 December 2020		As at 31 December 2019	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
30,000	-	30,000	-

Borrowings were secured by pledges of legal mortgages over a subsidiary's land use rights.

1(c) A Statement of Cash Flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group	
	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Profit before income tax	768,058	743,145
Adjustments for:		
Interest income	(28,072)	(14,896)
Interest expense	2,509	7,281
Dividend income	(1,447)	(2,361)
Gain on maturity and disposal of financial assets	(8,319)	(9,964)
Share of profit of equity-accounted associates	(150,644)	(173,710)
Depreciation and amortisation of property, plant and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other assets	113,554	101,238
Gains on disposals of property, plant and equipment, intangible assets and other non-current assets	(6,621)	(29,163)
Impairment losses on receivables and inventories	5,429	25,906
Share-based payments	9,750	512
Fair value losses on financial assets at FVTPL	-	3,307
Operating cash flows before changes in working capital	704,197	651,295
Inventories	110,957	(292,565)
Trade and other receivables	(225,549)	(62,401)
Other assets	111,744	(40,302)
Trade and other payables	166,221	230,256
Cash restricted in use	38	11,981
Other liabilities	(97,886)	123,141
Net cash flows from operations	769,722	621,405
Income tax paid	(126,373)	(140,812)
Net cash flows from operating activities	643,349	480,593
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(189,162)	(205,615)
Acquisition of financial assets	(34,473,715)	(71,552,594)
Acquisition of associate	(1,000)	-
Proceeds from disposal of financial assets	34,502,007	71,454,541
Dividends income received from associates and financial asset	207,313	155,440
Proceeds from disposals of property, plant and equipment and intangible assets	6,769	38,346
Proceeds from unquoted bonds	13,758	-
Interest income received	35,874	23,988
Net cash flows from / (used in) investing activities	101,844	(85,894)

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

	<u>The Group</u>	
	<u>2020</u> RMB'000	<u>2019</u> RMB'000
Cash and cash equivalents in consolidated statement of cash flows:		
Amount as shown in the statement of financial positions	1,987,334	1,479,441
Restricted cash deposits for bank notes payables	-	(38)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	1,987,334	1,479,403

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

All in RMB'000

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-controlling interests	Total equity
Current year							
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	4,870	31,783	-	-	36,653	-	36,653
Repurchase and cancellation of restricted A-shares	(100)	(620)	-	-	(720)	-	(720)
Total comprehensive income for the year	-	-	(20,557)	661,705	641,148	17,957	659,105
Transfers from equity instruments at FVTOCI reserve	-	-	(42,432)	42,432	-	-	-
Dividends	-	-	-	(231,811)	(231,811)	-	(231,811)
Distribution to non-controlling interests	-	-	-	-	-	(11,505)	(11,505)
Appropriation of statutory common reserve	-	-	420	(420)	-	-	-
Share-based payments	-	-	9,750	-	9,750	-	9,750
Balance at 31 December 2020	773,643	1,229,980	486,491	3,353,080	5,843,194	141,484	5,984,678
Previous year							
Balance at 1 January 2019	768,873	1,198,817	532,579	2,426,722	4,926,991	127,406	5,054,397
Total comprehensive income for the year	-	-	4,254	625,569	629,823	9,790	639,613
Dividends	-	-	-	(169,152)	(169,152)	-	(169,152)
Distribution to non-controlling interests	-	-	-	-	-	(2,164)	(2,164)
Appropriation of statutory common reserve	-	-	1,965	(1,965)	-	-	-
Share-based payments	-	-	512	-	512	-	512
Balance at 31 December 2019	768,873	1,198,817	539,310	2,881,174	5,388,174	135,032	5,523,206

All in RMB'000

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Current year					
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	4,870	31,783	-	-	36,653
Repurchase and cancellation of restricted A-shares	(100)	(620)	-	-	(720)
Total comprehensive income for the year	-	-	(20,557)	670,722	650,165
Transfers from equity instruments at FVTOCI reserve	-	-	(42,432)	42,432	-
Dividends	-	-	-	(231,811)	(231,811)
Appropriation of statutory common reserve	-	-	420	(420)	-
Share-based payments	-	-	9,750	-	9,750
Balance at 31 December 2020	773,643	1,229,980	536,706	3,278,987	5,819,316
Previous year					
Balance at 1 January 2019	768,873	1,198,817	582,794	2,344,847	4,895,331
Total comprehensive income for the year	-	-	4,254	624,334	628,588
Dividends	-	-	-	(169,152)	(169,152)
Appropriation of statutory common reserve	-	-	1,965	(1,965)	-
Share-based payments	-	-	512	-	512
Balance at 31 December 2019	768,873	1,198,817	589,525	2,798,064	5,355,279

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The changes in the Company's share capital were as follows:

1. as announced on 9 December 2019, the Company granted 3,930,000 Restricted A-Shares to its employees under the 2019 Restricted A-Shares Incentive Scheme (the "Scheme"). The registration of the Restricted A-Shares was completed on 7 January 2020. Subsequently on 6 July 2020, the Company granted an additional 940,000 Restricted A-Shares to its employees and the registration was completed on 27 July 2020.
2. as announced on 17 February 2020 and 13 August 2020, 100,000 Restricted A-Shares, representing 0.013% of the total share capital of the Company were repurchased or cancelled by the Company in accordance with the relevant provisions of the Scheme. The repurchase and cancellation were completed on 30 October 2020.

The total number of shares in the capital of the Company as at 31 December 2020 were 773,643,076 shares. Save as disclosed above, there have been no other changes to the Company's share capital.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 December 2020 and 31 December 2019.

The Company did not hold any treasury shares and there were no subsidiary holdings as at 31 December 2020 and 31 December 2019.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31 December 2020	As at 31 December 2019
Number of issued shares excluding : treasury shares	773,643,076	768,873,076
Number of treasury shares held :	NIL	NIL

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

These figures have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and audited in accordance with International Standards on Auditing.

3. Where the figures have been audited or reviewed, the auditors’ report (including any modifications or emphasis of a matter)

Audit Opinion as extracted from the auditors’ report:

Opinion

We have audited the consolidated financial statements of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the International Financial Reporting Standards (“IFRS”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis for opinion

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

Key audit matters

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

(a) Impairment assessment of trade receivables

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

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

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

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

challenging the key assumptions in determining the allowance.

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

(b) Assessment of allowance for impairment of inventories

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

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

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

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

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

Other information

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

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

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

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

RSM Chio Lim LLP
Public Accountants and Chartered Accountants

8 Wilkie Road,
#03-08 Wilkie Edge,
Singapore 228095

29 March 2021

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

ShineWing Certified Public Accountants
Certified Public Accountants

9/F, Block A, Fu Hua Mansion,
No. 8, Chaoyang Men Beidajie,
Dongcheng District, Beijing,
People's Republic of China 100027

29 March 2021

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

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

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

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as in the most recently audited financial statements.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) that are relevant to its operations and effective on the beginning of its current reporting year on 1 January 2020. The adoption of these new and revised IFRS did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior periods.

6. 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

	<u>The Group</u>	
	2020	2019
	RMB	RMB
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	0.86	0.81

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.

7. 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	
	31 December	31 December	31 December	31 December
	2020	2019	2020	2019
	RMB	RMB	RMB	RMB
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	7.55	7.01	7.53	6.97

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

(a) Revenue:

The Group's revenue for the financial year ended 31 December 2020 ("FY2020") was approximately RMB 6,604 million, a decrease of approximately RMB 390 million, or 6%, as compared to RMB 6,994 million for the financial year ended 31 December 2019 ("FY2019").

(b) Gross profit margin:

The Group's gross profit in FY2020 decreased by approximately 13% from approximately RMB 2,881 million in FY2019 to approximately RMB 2,518 million. Gross profit margin decreased from 41% in FY2019 to 38% in FY2020.

(c) Other operating income:

Other gains in FY2020 were approximately RMB 67 million, an increase of approximately RMB 16 million over the previous year, which was RMB 52 million. The increase was mainly due to more government subsidies during the year.

(d) Major expenses:

- (i) Marketing and Distribution costs in FY2020 was approximately RMB 1,458 million, a decrease of approximately RMB 371 million, or 20% over the previous year. The decrease was in line with the decrease in revenue.
- (ii) Research and Development costs in FY2020 increased by approximately RMB 16 million, to approximately RMB 149 million. This was mainly due to higher outlay for research and development projects.
- (iii) Administrative expenses in FY2020 decreased by approximately RMB 5 million, from approximately RMB 363 million in FY2019 to approximately RMB 359 million. The decrease was mainly due to lower repair and maintenance expenses.
- (iv) Finance costs in FY2020 decreased by approximately RMB 5 million or 66% from approximately RMB 7 million to approximately RMB 2 million. The decrease was in line with the decrease of borrowings.
- (v) Other losses in FY2020 decreased by approximately RMB 19 million, from approximately RMB 48 million in FY2019 to approximately RMB 29 million. The decrease was due to lower impairment losses.

(e) Shares of results of associated companies:

The Group's share of results of associated companies in FY2020 decreased by RMB 23 million, or 13%, from approximately RMB 174 million in FY2019 to approximately RMB 151 million. This was mainly due to the decrease in profits of Sino-American Tianjin Smithkline & French Lab., Ltd in FY 2020 as compared to FY2019.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in FY2020 was approximately RMB 659 million, an increase of 3% over the previous year. The profit attributable to owners of the Company (net of tax) in FY2020 was approximately RMB 662 million, an increase of approximately RMB 36 million, or 6%, from FY2019.

(g) Major changes in statement of financial positions:

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB 1,987 million, which is an increase of approximately RMB 508 million, or 34% over previous year. The Group's borrowings as at 31 December 2020 amounted to approximately RMB 30 million which was consistent with 31 December 2019.

Trade and other receivables amounted to approximately RMB 2,007 million at 31 December 2020, which is an increase of approximately RMB 199 million, or 11% over previous year. Bills receivables and contract assets increased by approximately RMB 34 million. Trade receivables increased by approximately RMB 140 million. Other receivables increased by approximately RMB 25 million. Inventories decreased by 7% to approximately RMB 1,488 million.

Other current assets decreased by approximately 42% or RMB 88 million to approximately RMB 121 million as at 31 December 2020.

Investments in associates increased by approximately RMB 30 million to approximately RMB 688 million due to new associates.

Property, plant and equipment increased by approximately RMB 93 million or 7% to RMB 1,457 million. This was mainly due to increase in construction in progress.

(h) Changes in cash flow position:

In FY2020, the Group recorded net cash inflow from operating activities of approximately RMB 643 million which has increased by RMB 163 million as compared to FY2019. The increase was mainly due to lower cash outflows from operations.

Cash inflow from investment activities was approximately RMB 102 million in FY2020 compared to cash outflow of RMB 86 million in FY2019. This was mainly contributed by higher returns from investments.

Cash outflow from financing activities was approximately RMB 237 million in FY2020 compared to cash outflow of RMB 370 million in FY2019. This was mainly contributed by higher payout of dividends and less repayment of borrowings during the year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

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

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

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

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

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

In prevention and control of the pandemic, the Company has carried out in-depth "Three system reforms" by promoting market-based recruitment, improving market-driven operations, streamlining roles and responsibilities, and optimizing the corporate governance. The

Company also embarked on innovative marketing through online promotion, consumer development, academic promotion, establishing sales channels, brand promotion to promote continuing sales growth. To be the leading edge in innovation, the Company accelerates its product development, achieves evaluation consistency of generic drugs, and enhance scientific research capabilities.

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

In 2020, while revenue of the Group decreased by 5.6% year-on-year, the net profit attributable to the parent increased by 6% year-on-year, and the operating performance continues to be good.

11. Dividend

(a) Current Financial Period Reported On

The Directors propose to seek approval from the shareholders of the Company (the "Shareholders") for declaring a final dividend of RMB 232,092,922.80 on the basis of RMB 3.0 for every 10 shares in the capital of the Company. Such proposed declaration of dividends will be subject to approval by Shareholders at the forthcoming annual general meeting to be held on 17 May 2021, and thus has not been included as a liability in these financial statements of the Company and/or Group. Upon obtaining the Shareholders' approval, the proposed dividend is payable in respect of all issued ordinary shares in the capital of the Company as at the end of the FY2020.

The proposed dividend is subject to applicable tax rates as set out below:

(i) S-Shares

The dividend payable to S-Shareholders shall be subject to a tax rate of 10% under the PRC tax law.

(ii) A-Shares

The dividend payable to A-Shareholders shall be subject to the differential tax rates as set out in the PRC tax law. A-Shareholders should consult their own tax advisers concerning the tax consequences in relation to any dividends paid by the Company.

(b) Corresponding Period of the Immediately Preceding Financial Year

The Directors had proposed a final dividend of RMB 230,661,922 on the basis of RMB 3.0 for every 10 shares in the capital of the Company for FY2019. The proposed dividend then was payable in respect of all issued ordinary shares in the capital of the Company as at the end of the financial year 2019.

The proposed dividend then was subject to applicable tax rates as set out below:

(i) S-Shares

The dividend payable to S-Shareholders shall be subject to a tax rate of 10% under the PRC tax law.

(ii) A-Shares

The dividend payable to A-Shareholders shall be subject to the differential tax rates as set out in the PRC tax law. A-Shareholders should consult their own tax advisers concerning the tax consequences in relation to any dividends paid by the Company.

(c) Date payable

To be announced by the Company upon approval being granted by the Shareholders at the annual general meeting to be held on 17 May 2021, for the payment of the final dividend.

(d) Books closure date

To be announced by the Company upon approval being granted by the Shareholders at the annual general meeting to be held on 17 May 2021, for the payment of the final dividend.

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

Not applicable.

12. Interested Person Transaction disclosure

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”), the Company discloses the aggregate value of interested person transactions as follows:-

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)		Aggregate value of all interested person transactions conducted during the financial year under review under a shareholders’ mandate pursuant to Rule 920 of SGX Listing Manual (excluding transactions less than S\$100,000)	
		2020	2019	2020	2019
		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: 1,267	1,460	-	-
Tianjin Pharmaceutical Holdings Co., Ltd. (“ TPH ”) (天津市医药集团有限公司)	Controlling shareholder of the Company	Additional payment to TPH for upsize of land area of land use right: 6,757	-	-	-
Total		8,024	1,460	-	-

Note: As at 31 December 2020, placement of deposit with TPGF amounted to RMB 594,659,000.

13. Financial Information by Operating Segments

The financial information by operating segments for the Group is as follows:

2020	Revenue	Cost of sales	Gross profit
	RMB'000	RMB'000	RMB'000
Chinese medicine	4,369,713	2,157,969	2,211,744
Western medicine	1,645,029	1,419,690	225,339
Others	588,910	508,389	80,521
Total	6,603,652	4,086,048	2,517,604

2019	Revenue	Cost of sales	Gross profit
	RMB'000	RMB'000	RMB'000
Chinese medicine	4,845,374	2,339,683	2,505,691
Western medicine	1,696,785	1,417,236	279,549
Others	451,723	355,469	96,254
Total	6,993,882	4,112,388	2,881,494

The Group operates predominantly in the PRC.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

15. A breakdown of sales as follows:

	Group		
	2020	2019	Increase/ (Decrease)
	RMB'000	RMB'000	%
(a) Sales reported for first half year	3,290,437	3,533,718	(6.88%)
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	333,826	353,857	(5.66%)
(c) Sales reported for second half year	3,313,215	3,460,164	(4.25%)
(d) Operating profit after tax before deducting non-controlling interests reported for second half year	345,836	281,502	22.85%

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	FY2020 RMB'000	FY2019 RMB'000
Ordinary - Interim	-	-
- Final (Proposed)	232,093	231,811
Preference	N.A.	N.A.
Total	232,093	231,811

17. Disclosure of 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 shareholders of the issuer pursuant to Rule 704(13). If there are no such persons, the issuer must make an appropriate negative statement

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.

18. 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.

19. Additional Information Required On Acquisitions and Realisations Pursuant to Rule 706A

On 29 April 2020, the Company announced the proposed merger of two of its wholly-owned subsidiaries, Tianjin Chinese Medicine Yinpian Factory Co., Ltd. (天津市中药饮片厂有限公司) (“Yinpian Factory Co.”) and Tianjin Long Shun Rong Development Pharmaceutical Co., Ltd. (天津隆顺榕发展制药有限公司) (“Long Shun Rong Development Co.”). Long Shun Rong Development Co. was dissolved and all the assets, debts, businesses and personnel of Long Shun Rong Development Co. were taken over by Yinpian Factory Co..

On 7 May 2020, Tianjin Pharmaceutical Marketing Management Co., Ltd (天津医药集团营销管理有限公司) (“TPMM”) was incorporated in the People’s Republic of China, with an initial registered and paid-in capital of RMB5 million. The Company had contributed RMB1 million in cash to the initial registered and paid-in capital of TPMM, and owns 20% equity interest in TPMM. Accordingly, TPMM is an associated company of the Company. In addition, the Company has deregistered Tianjin Zhong Xin International Trading Co., Ltd. (天津中新药业国际贸易有限公司), a wholly-owned subsidiary, with effect from 25 March 2020.

Other than the above, the Company did not acquire or dispose of any shares in 2020 which would result in any company becoming or ceasing to be a subsidiary or associated company of the Company, or increase or reduce the Company’s shareholding percentage in any subsidiary or associated company.