

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Company Registration No. 91120000103100784F)

(Incorporated in People's Republic of China)

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS
PRIOR TO THE COMPANY'S ANNUAL GENERAL MEETING TO BE HELD ON 16 MAY 2022**

The board of directors (the "Board") and every individual director of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "Company", together with its subsidiaries, the "Group") hereby confirm that they will individually and collectively accept full responsibility for the accuracy of the information given in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated in this announcement are fair and accurate in all material respects as at the date of this announcement, and that there are no material facts the omission of which would make any statement in this announcement misleading.

The Company would like to thank shareholders of the Company (the "**Shareholders**") for submitting their questions in advance of the Company's annual general meeting for the financial year ended 31 December 2021 (the "**2022 AGM**") to be held on Monday, 16 May 2022 at 1:30 p.m..

The Company had conducted a virtual information session (the "**VIS**") on 6 May 2022. Please refer to the minutes of the VIS (including the responses to the relevant and substantial questions addressed during the VIS) announced by the Company on 10 May 2022 for further details. Shareholders may also view a recording of the proceedings of the VIS at <https://roadshow.eastmoney.com/luyan/4146159>.

Further substantial and relevant questions received from the Shareholders relating to the resolutions to be tabled for approval at the 2022 AGM, and the responses of the Company to the same, are set out below.

Question 1: Noted that the Company declared a dividend payment rate of more than 50% (of Net earnings). If the Company's result is stable for the few years, can the Company maintain the same kind of dividend pay-out to reward stakeholders?

Company's Response: The current dividend policy is in accordance with the Company's "2020-2022 Shareholders Return Plan" (as set out on pages 28 to 31 of the Company's annual report for the financial year ended 31 December 2019 ("**FY2019**") which was approved by the Shareholders at the annual general meeting of the Company for FY2019 convened on 5 June 2020. The Board will formulate the detailed profit distribution plan for the given year after full consideration of factors including the profitability, future capital needs and the development stage of the Company. The Board will use its best endeavours to provide better returns to the shareholders of the Company.

Question 2: Would like to clarify on the substantial wrote-down of inventories amounting to RMB10,341,000, which represents 17% of the Group's total assets, and what actions have been taken to ensure this would not happen again.

Company's Response: In 2021, the Company provided inventory impairment allowance of RMB10.341 million, accounting for 0.11% of the Group's total assets, which represents a small proportion. The inventory impairment allowance was provided in view of risk of inventory impairment. In accordance with the principle of prudence, the inventory impairment allowance will be provided for inventories with costs higher than the

market value as well as slow-moving inventories in accordance with the Group's accounting policy for inventories. When the risk of inventory impairment no longer exists, the allowance previously provided will be written back. Meanwhile, in terms of inventory management, the Group will strive to optimize inventory structure, reduce capital occupation, improve inventory turnover rate and reduce risk of loss by strengthening the combination of production and sales, scientific production scheduling, strengthening inventory age analysis, dynamic monitoring and other measures.

By Order of the Board

Jiao Yan
Secretary to the Board of Directors
10 May 2022