

TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

Second Quarter Financial Statement (*) And Dividend Announcement

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

	The Group					
	3-month period from 1 April to 30 June 2023 RMB'000	3-month period from 1 April to 30 June 2022 RMB'000	Change %	6-month period from 1 January to 30 June 2023 RMB'000	6-month period from 1 January to 30 June 2022 RMB'000	Change %
Revenue	1,933,903	1,885,470	3	4,088,309	3,774,764	8
Cost of sales	(1,088,293)	(1,095,928)	(1)	(2,212,771)	(2,258,425)	(2)
Gross profit	845,610	789,542	7	1,875,538	1,516,339	24
Interest income	23,443	16,428	43	35,731	29,506	21
Other income and gains	2,593	5,390	(52)	12,414	10,452	19
Marketing and distribution costs	(475,324)	(430,005)	11	(1,065,675)	(855,798)	25
Research and development costs	(27,834)	(35,839)	(22)	(52,029)	(55,172)	(6)
Administrative expenses	(95,562)	(82,554)	16	(164,076)	(179,434)	(9)
Finance costs	(2,867)	(9)	n.m	(10,934)	(37)	n.m
Other losses	(11,195)	(2,123)	n.m	(17,512)	(16,645)	5
Share of profit of associates	95,083	56,192	69	195,278	100,611	94
Profit before income tax	353,947	317,022	12	808,735	549,822	47
Income tax expense	(37,262)	(41,303)	(10)	(94,268)	(71,857)	31
Profit, net of tax	316,685	275,719	15	714,467	477,965	49

	<u>The Group</u>					
	3-month period from 1 April to 30 June 2023 RMB'000	3-month period from 1 April to 30 June 2022 RMB'000	Change %	6-month period from 1 January to 30 June 2023 RMB'000	6-month period from 1 January to 30 June 2022 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	(2)	89	n.m	(2)	(716)	n.m
Share of other comprehensive income / (loss) from equity-accounted associates, net of tax	1,271	(789)	n.m	1,373	(324)	n.m
Other Comprehensive Income/(Loss) Items that may be reclassified subsequently to profit or loss:						
Total Other Comprehensive Income / (Loss), Net of Tax	1,269	(700)	n.m	1,371	(1,040)	n.m
Total comprehensive income	317,954	275,019	16	715,838	476,925	50

	<u>The Group</u>					
	3-month period from 1 April to 30 June 2023 RMB'000	3-month period from 1 April to 30 June 2022 RMB'000	Change %	6-month period from 1 January to 30 June 2023 RMB'000	6-month period from 1 January to 30 June 2022 RMB'000	Change %
Profit, net of tax attributable to:						
Owners of the parent	321,703	269,181	20	722,491	468,785	54
Non-controlling interests	(5,018)	6,538	n.m	(8,024)	9,180	n.m
	316,685	275,719	15	714,467	477,965	49
Total comprehensive income attributable to:						
Owners of the parent	322,972	268,481	20	723,862	467,745	55
Non-controlling interests	(5,018)	6,538	n.m	(8,024)	9,180	n.m
	317,954	275,019	16	715,838	476,925	50
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	0.42	0.35	20	0.94	0.61	54

(*) 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 2023 RMB'000	3-month period from 1 April to 30 June 2022 RMB'000	Change %	6-month period from 1 January to 30 June 2023 RMB'000	6-month period from 1 January to 30 June 2022 RMB'000	Change %
Profit, net of tax is arrived at after crediting / (charging):						
Other income (including government grant)	3,397	3,932	(14)	11,893	8,097	47
Interest income	23,443	16,428	43	35,731	29,506	21
Interest on borrowings	(2,867)	(9)	n.m	(10,934)	(37)	n.m
Allowance for impairment on trade receivables – reversal / (loss)	(4,302)	(600)	n.m	(10,130)	(6,166)	64
Allowance for impairment on other receivables – reversal / (loss)	861	5,986	(86)	374	1,473	(75)
Impairment loss on inventories	(6,968)	(4,494)	55	(5,914)	(8,938)	(34)
Foreign currency translation losses, net	(1,679)	(1,625)	3	(1,466)	(1,539)	(5)
Gain on disposal of property, plant and equipment, intangible assets and other non-current assets	89	(47)	n.m	147	(118)	n.m
Share-based payments	(571)	(1,794)	(68)	19,705	(3,576)	n.m
Depreciation and amortisation	(32,545)	(28,463)	14	(65,089)	(58,399)	11

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

	Note	The Group			The Company		
		As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000	Change %	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000	Change %
ASSETS							
Non-current assets							
Property, plant and equipment		1,430,433	1,461,594	(2)	967,554	987,931	(2)
Right-of-use assets		1,939	2,994	(35)	-	-	
Investment properties		13,564	14,099	(4)	12,810	13,321	(4)
Land use rights		257,852	204,021	26	206,652	152,096	36
Intangibles assets		84,870	88,109	(4)	19,513	17,257	13
Goodwill	12	84,693	84,693	-			
Investment in subsidiaries	7	-	-	-	1,499,605	1,536,265	(2)
Investment in associates	8	849,612	760,193	12	849,612	760,193	12
Other financial assets	9	562,943	41,272	n.m	502,123	321	-
Deferred tax assets		240,464	208,352	15	208,849	179,689	16
Other assets	10	44,646	46,210	(3)	38,914	40,550	(4)
Total non-current assets		3,571,016	2,911,537	23	4,305,632	3,687,623	17
Current assets							
Inventories		1,677,799	1,429,452	17	1,100,488	785,984	40
Trade and other receivables	11	2,850,478	2,785,117	2	1,886,128	2,337,302	(19)
Other financial assets	9	60,823	40,615	50	-	-	
Other assets	10	99,933	107,736	(7)	23,245	14,377	62
Cash and cash equivalents		2,103,958	2,882,524	(27)	1,682,541	2,075,925	(19)
Total current assets		6,792,991	7,245,444	(6)	4,692,402	5,213,588	(10)
Total assets		10,364,007	10,156,981	2	8,998,034	8,901,211	1
EQUITY							
Equity							
Share capital	13	770,250	773,443	-	770,250	773,443	-
Treasury shares		-	-	-	-	-	
Share premium		1,207,895	1,228,740	(2)	1,207,895	1,228,740	(2)
Retained earnings		4,235,599	4,372,462	(3)	4,172,006	4,275,060	(2)
Other reserves		126,064	176,564	(29)	540,907	559,241	(3)
Total equity attributable to equity holders of the Company		6,339,808	6,551,209	(3)	6,691,058	6,836,484	(2)
Non-controlling interests		57,334	30,493	88	-	-	
Total equity		6,397,142	6,581,702	(3)	6,691,058	6,836,484	(2)

	The Group				The Company		
	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000	Change %		As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000	Change %
LIABILITIES							
Non-current liabilities							
Deferred tax liabilities	7,878	8,818	-		-	-	-
Trade payables	10,091	10,091	-		9,005	9,005	-
Lease liabilities	608	871	(30)		-	-	-
Other financial liabilities	14 241,443	151,300	60		241,443	123,310	96
Other liabilities	100,993	100,513	-		56,509	55,379	-
Total non-current liabilities	361,013	271,593	33		306,957	187,694	64
Current liabilities							
Income tax payable	82,450	93,280	(12)		67,073	76,138	(12)
Trade and other payables	15 2,839,664	2,885,422	(2)		1,666,789	1,516,835	10
Other financial liabilities	14 558,060	101,639	n.m		150,169	80,531	86
Lease liabilities	1,307	4,097	(68)		-	-	-
Other liabilities	124,371	219,248	(43)		115,988	203,529	(43)
Total current liabilities	3,605,852	3,303,686	9		2,000,019	1,877,033	7
Total liabilities	3,966,865	3,575,279	11		2,306,976	2,064,727	12
Total equity and liabilities	10,364,007	10,156,981	2		8,998,034	8,901,211	1

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 2023	773,443	1,228,740	176,564	4,372,462	6,551,209	30,493	6,581,702
Owner's contribution	-	-	-	-	-	2,880	2,880
Total comprehensive income for the period	-	-	1,371	722,491	723,862	(8,024)	715,838
Restricted A-Shares buy-back	(3,193)	(20,845)	-	3,326	(20,712)	-	(20,712)
Dividends	-	-	-	(862,680)	(862,680)	-	(862,680)
Non-cash contribution to subsidiary	-	-	(32,166)	-	(32,166)	31,985	(181)

Share-based payments	-	-	(19,705)	-	(19,705)	-	(19,705)
Balance at 30 June 2023	770,250	1,207,895	126,064	4,235,599	6,339,808	57,334	6,397,142

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-controlling interests	Total equity
Balance at 1 January 2022	773,443	1,228,740	504,077	3,890,250	6,396,510	149,352	6,545,862
Total comprehensive income for the period	-	-	(1,040)	468,785	467,745	9,180	476,925
Transfers from equity instruments at FVTOCI reserve	-	-	(3,048)	3,048	-	-	-
Dividends	-	-	-	(386,721)	(386,721)	-	(386,721)
Distribution to non-controlling interests	-	-	-	-	-	(14,400)	(14,400)
Share-based payments	-	-	3,576	-	3,576	-	3,576
Balance at 30 June 2022	773,443	1,228,740	503,565	3,975,362	6,481,110	144,132	6,625,242

All in RMB'000

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2023	773,443	1,228,740	559,241	4,275,060	6,836,484
Total comprehensive income for the period	-	-	1,371	756,300	757,671
Restricted A-Shares buy-back	(3,193)	(20,845)	-	3,326	(20,712)
Dividends	-	-	-	(862,680)	(862,680)
Share-based payments	-	-	(19,705)	-	(19,705)
Balance at 30 June 2023	770,250	1,207,895	540,907	4,172,006	6,691,058

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2022	773,443	1,228,740	553,504	3,818,874	6,374,561
Total comprehensive income for the period	-	-	(1,040)	538,513	537,473

Transfers from equity instruments at FVTOCI reserve	-	-	(3,048)	3,048	-
Dividends	-	-	-	(386,721)	(386,721)
Share-based payments	-	-	3,576	-	3,576
Balance at 30 June 2022	773,443	1,228,740	552,992	3,973,714	6,528,889

1(c) Condensed Interim Consolidated Statement of Cash Flows

	The Group			
	3-month period from 1 April to 30 June 2023 RMB'000	3-month period from 1 April to 30 June 2022 RMB'000	6-month period from 1 January to 30 June 2023 RMB'000	6-month period from 1 January to 30 June 2022 RMB'000
<u>Cash flows from operating activities</u>				
Profit before income tax	353,947	317,022	808,735	549,822
Interest income	(23,443)	(16,428)	(35,731)	(29,506)
Interest expense	2,867	9	10,934	37
Gain upon maturity and disposal of financial assets	(2,206)	(578)	(3,327)	(4,448)
Share of profit of equity-accounted associates	(95,083)	(56,192)	(195,278)	(100,611)
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	32,545	28,463	65,089	58,399
Gain on disposals of property, plant and equipment, intangible assets and other non-current assets	(89)	47	(147)	118
Impairment on trade and other receivables – loss / (reversal)	10,408	(891)	15,670	13,632
Share-based payments	571	1,794	(19,705)	3,576
Operating cash flows before changes in working capital	279,517	273,246	646,240	491,019

	<u>The Group</u>			
	3-month period from 1 April to 30 June 2023 RMB'000	3-month period from 1 April to 30 June 2022 RMB'000	6-month period from 1 January to 30 June 2023 RMB'000	6-month period from 1 January to 30 June 2022 RMB'000
Inventories	(221,274)	123,320	(254,404)	231,739
Trade and other receivables	(34,490)	(307,469)	(84,941)	(664,629)
Other non-financial assets	29,329	804	8,041	55,024
Trade and other payables	(76,840)	82,578	(64,228)	172,749
Cash restricted in use	59,003	(85,886)	68,560	(85,886)
Other non-financial liabilities	(2,773)	(68,594)	(94,397)	(114,555)
Net cash flows from operations	32,472	17,999	224,871	85,461
Income tax paid	(120,448)	(24,191)	(138,168)	(25,912)
Net cash flows from operating activities	(87,976)	(6,192)	86,703	59,549
Cash flows from investing activities				
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	(20,623)	(7,886)	(65,100)	(53,396)
Acquisition of financial assets	(580,000)	(40,000)	(580,000)	(80,000)
Proceeds from disposal of financial assets	40,000	65,000	49,649	454,920
Dividends income received from associates and financial assets	525	153,075	107,231	165,075
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	183		186	4
Interest income received	24,296	16,791	36,583	63,254
Net cash flows used in investing activities	(535,619)	186,980	(451,451)	549,857

	<u>The Group</u>			
	3-month period from 1 April to 30 June 2023 RMB'000	3-month period from 1 April to 30 June 2022 RMB'000	6-month period from 1 January to 30 June 2023 RMB'000	6-month period from 1 January to 30 June 2022 RMB'000
Cash flows from financing activities				
Cash Received from Minority Shareholders for Subsidiary Equity Absorption	2,880		2,880	
Proceeds from new borrowings	196,202	21,531	569,058	21,531
Dividends paid to equity owners	(858,408)	(385,237)	(858,408)	(385,237)
Distribution to non-controlling interests				(14,400)
Interest expense paid	(6,761)	(267)	(7,810)	(540)
Repayment of borrowings	(1,516)		(22,493)	(2,000)
Repayment of lease liabilities	(329)	(44)	(27,663)	(891)
Net cash flows used in financing activities	(667,932)	(364,017)	(344,436)	(381,537)
Net (decrease) / increase in cash and cash equivalents	(1,291,527)	(183,229)	(709,184)	227,869
Unrealised foreign exchange adjustments	(820)		(822)	
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	3,293,874	2,694,279	2,711,533	2,283,181
Cash and cash equivalents, consolidated statement of cash flows, ending balance	2,001,527	2,511,050	2,001,527	2,511,050

Notes to the Condensed Interim Financial Statements

30 June 2023

1. General

Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited) (the “**Company**”) is incorporated in the People’s Republic of China (the “**PRC**”) as a joint stock limited company. The Company is listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the Shanghai Stock Exchange (the “**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 had, on 14 August 2023, approved and authorised these condensed interim financial statements for announcement on SGXNET.

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, the PRC 300193. The principal place of business of the Company is in Tianjin, the PRC.

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 (the “**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.

The estimates and assumptions contained in these condensed consolidated interim financial statements 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-month period ended 30 June 2023				
Revenue	3,050,909	735,670	301,730	4,088,309
Cost of sales	1,266,601	683,454	262,716	2,212,771
Gross profit	1,784,308	52,216	39,014	1,875,538
6-month period ended 30 June 2022				
Revenue	2,480,801	853,769	440,194	3,774,764
Cost of sales	1,084,882	767,769	405,774	2,258,425
Gross profit	1,395,919	86,000	34,420	1,516,339

2C. Disaggregation of revenue from contracts with customers

	Group	
	6-month period ended 30 June 2023 RMB'000	6-month period ended 30 June 2022 RMB'000
Sale of goods recognised at point in time	4,081,972	3,765,841
Revenue recognised over time	6,337	8,923
	4,088,309	3,774,764

3. Income tax

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

	Group	
	6-month period ended 30 June 2023 RMB'000	6-month period ended 30 June 2022 RMB'000
<u>Current income tax</u>		
Current income tax	128,894	104,028
Adjustments in respect of prior years	(1,573)	350
	127,320	104,378
<u>Deferred tax</u>		
Deferred tax	(33,052)	(32,521)
	94,268	71,857

3B. Adjustments for current income tax

	Group	
	6-month period ended 30 June 2023 RMB'000	6-month period ended 30 June 2022 RMB'000
Profit (Loss) before tax	808,736	549,822
Loss: Share of profit of equity-accounted associates	(195,278)	(100,611)
	613,458	449,211
Income tax expense at the above rate	153,364	112,303
Effect of concessionary tax rate at 15%	(36,625)	(34,191)
Non-deductible items	63	47
Non-taxable items	(29,292)	(15,514)
Unrecognised deferred tax assets	8,331	8,862
Adjustments in respect of prior years	(1,573)	350
	94,268	71,857

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.

During the current financial period reported on, the Company's two (2) wholly-owned subsidiaries, namely Zhejiang Zhongxin Chuangrui Investment Co., Ltd. (浙江中新创睿投资有限公司) and Tianjin Zhongxin Pharmaceutical Research Institute Co., Ltd. (天津中新药业研究院有限公司), were deregistered.

5. Dividends on equity shares

	6-month period ended 30 June 2023	6-month period ended 30 June 2022
Type	Cash	Cash
Dividend rate	RMB1.12 per ordinary share	RMB0.5 per ordinary share
Record date	29 May 2023	25 May 2022
Date paid or payable	6 June 2023	2 June 2022

The total dividends paid on ordinary shares for the financial year ended 31 December 2022 (“FY2022”) were RMB862,680,085.12 (2021: RMB386,721,538).

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. Investments in subsidiaries

	<u>Company</u>
	6-month period ended 30 June 2023
	RMB'000
Movements during the period:	
At beginning of the period	1,536,265
Additions	55,920
Reductions	92,580
At the end of the period	1,499,605

During the current financial period reported on, the Company made capital injections into its two (2) subsidiaries, namely NewScen Coast Bio-Pharmaceutical Co., Ltd. (天津中新科炬生物制药股份有限公司) and Tianjin Hebei Da Ren Tang Hospital Co., Ltd. (天津河北达仁堂医院有限公司). Additionally, an impairment provision was recognized for the equity of Tianjin Shin Poong Pharmaceutical Co., Ltd. (天津新丰制药有限公司), being a subsidiary of the Company. As mentioned above, during the current financial period reported on, the Company's two (2) wholly-owned subsidiaries, namely, Zhejiang Zhongxin Chuangrui Investment Co., Ltd. (浙江中新创睿投资有限公司) and Tianjin Zhongxin Pharmaceutical Research Institute Co., Ltd. (天津中新药业研究院有限公司) were deregistered.

8. Investments in associates

	<u>Group</u>
	6-month period ended 30 June 2023
	RMB'000
Movements in carrying value:	
At beginning of the period	760,193
Share of profit of associates	195,278
Dividends	(107,231)
Other equity movements	1,372
At end of the period	849,612

9. Other financial assets

	<u>Group</u>	
	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Other financial assets - current assets		
Investment in debt instruments at amortised cost	60,823	40,615
Other financial assets - non-current assets		
Investment in debt instruments at amortised cost	562,624	40,951
Investment in equity instruments at fair value through other comprehensive income	319	321
	562,943	41,272
	623,766	81,887

10. Other non-financial assets

	<u>Group</u>	
	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Current assets		
Prepayments	68,245	71,529
Value-added taxes recoverable	31,688	35,968
Income tax recoverable		239
	99,933	107,736
Non-current assets		
Prepayment	44,646	46,210
	144,579	153,946

11. Trade and other receivables

	<u>Group</u>	
	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
<u>Trade receivables</u>		
Bills receivable	309,824	578,369
Outside parties	2,629,172	2,260,367
Associates	3,703	4,758
Related parties	46,029	35,586
Less: Allowance for credit impaired	(7,429)	(10,203)
Less: Allowance for expected credit losses	(156,432)	(144,295)
	2,824,867	2,724,582
<u>Other receivable</u>		
Outside parties	40,501	56,507
Associates	17,574	17,561
Related parties	7,385	26,690
Less: Allowance for expected credit losses	(39,849)	(40,223)
	25,611	60,535
Total	2,850,478	2,785,117

The ageing of the trade receivables balances was as follows:

	<u>Group</u>		
	<u>Gross amount</u> RMB'000	<u>ECL</u> %	<u>Loss allowance</u> RMB'000
As at 30 June 2023			
Within 1 year	2,434,094	0.14	3,493
1 – 2 years	96,574	20	19,255
2 – 3 years	4,474	40	1,803
Over 3 years	136,332	97	131,881
Total	2,671,474		156,432
As at 31 December 2022			
Within 1 year	2,108,454	0.14	2,936
1 – 2 years	42,443	19	8,212
2 – 3 years	5,847	31	1,815
Over 3 years	133,765	98	131,332
Total	2,290,509		144,295

12. Goodwill

There was no change in goodwill in the current period.

13. Share capital and treasury shares

	Group	
	Number of treasury shares	Amount of treasury shares
	As at 30 June 2023 '000	As at 30 June 2023 RMB'000
Movements in share capital:		
At beginning of the period	-	-
Restricted A-Shares buy-back	(3,193)	(3,193)
At end of the period	-	-

There has been no change in the Company's share capital since the end of the previous period reported on, being 31 March 2023.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 30 June 2023 and 30 June 2022.

As announced on 10 January 2023, an aggregate of 3,193,000 Restricted A-Shares will be repurchased or cancelled by the Company in accordance with the relevant provisions of the 2019 Restricted A-Shares Incentive Scheme. Upon completion, the total number of shares in the capital of the Company will be reduced from 773,443,076 shares to 770,250,076 shares. As at 30 June 2023, these repurchases or cancellations have been completed.

The Company does not hold any treasury shares and there are no subsidiary holdings as at 30 June 2023 and 30 June 2022.

	As at 30 June 2023	As at 31 December 2022
Number of issued shares excluding treasury shares	770,250,076	773,443,076
Number of treasury shares held	Nil	Nil

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

	<u>Secured</u>		<u>Unsecured</u>	
	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
<u>Repayable in</u> <u>one year or less,</u> <u>or on demand:</u>				
Bank borrowings	27,890	10,230	530,169	91,409
Subtotal	27,890	10,230	530,169	91,409
<u>Repayable after</u> <u>one year:</u>				
Bank borrowings	-	27,990	241,443	123,310
Subtotal	-	27,990	241,443	123,310
Total	27,890	38,220	771,612	214,719

14A. Details of any collaterals

The aforementioned loan of principal amount of RMB27.89 million is secured by a subsidiary's land use rights valued at a valuation of approximately RMB24.89 million as at 30 June 2023.

15. Trade and other payables

	<u>Group</u>	
	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
<u>Trade payables</u>		
Bills payable	441,162	681,563
Outside parties	650,781	688,693
Associates	8,920	6,352
Related parties	26,713	29,280
Employee benefits payables	274,232	206,061
	1,401,808	1,611,949
<u>Other payables</u>		
Outside parties	1,333,536	1,135,590
taxes payables	62,555	103,575
Dividend payable	22,435	17,596
Associates	5	3,800

Related parties	19,325	12,912
Subtotal	1,437,856	1,273,473
Total	2,839,664	2,885,422

16. Capital commitments

	Group	
	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Contractual obligations to purchase and construct	169,881	180,009

17. Categories of financial assets and liabilities

	Group	
	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
<u>Financial assets</u>		
Financial assets at amortised cost	5,577,883	5,749,207
Financial assets at fair value through other comprehensive income	319	321
	5,578,202	5,749,528
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	2,851,670	2,900,482

18. 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 2022.

19. 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 2023	6-month period ended 30 June 2022
	RMB	RMB
Based on weighted average number of ordinary shares in issue	0.94	0.61

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.

20. 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	
	As at 30 June 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022
	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	8.23	8.47	8.69	8.84

21. 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 the financial year ending 31 December 2023 ("2Q FY2023") was approximately RMB 1,934 million, an increase of approximately RMB 48 million, or 3%, from RMB 1,885 million in the second quarter of FY2022 ("2Q FY2022"). For the 6 months ended 30 June 2023 ("1H23"), the Group recorded a revenue of approximately RMB 4,088 million, an increase of approximately RMB 314 million, approximately 8% over the corresponding period in FY2022, which was mainly driven by the Company's implementation of the "Three Cores and Nine Wings" strategic plan and thus, a significant year-on-year increase in sales revenue, particularly in key and major product categories.

(b) Gross Profit Margin:

The Group's gross profit in 2Q FY2023 increased by approximately 7% from approximately RMB 790 million in 2Q FY2022 to approximately RMB 846 million. For 1H23, the Group's gross profit was approximately RMB 1,876 million compared to approximately RMB 1,516 million in the corresponding period of FY2022, with an increase of approximately 24% amounting to approximately RMB 359 million. The gross profit margin increased from 40% in the 6 months ended 30 June 2022 ("1H22") to 46% in 1H23. The increase was mainly due to changes in sales structure, with a higher proportion of sales revenue from major products with higher gross margins, which increased the overall gross margin.

(c) Other Gains:

Other gains in 2Q FY2023 were RMB 3 million. For 1H23, the Group's other gains were approximately RMB 12 million, an increase of approximately RMB 2 million over the previous corresponding period, mainly due to increase in government subsidies on a year-on-year basis.

(d) Major Expenses:

(i) Marketing and Distribution costs in 2Q FY2023 increased by approximately 11% to approximately RMB 475 million. For 1H23, the Marketing and Distribution costs were approximately RMB 1,065 million, an increase of approximately RMB 210 million or 25% over the previous corresponding period, mainly due to the year-on-year increase in sales revenue.

(ii) Research and Development costs in 2Q FY2023 were approximately RMB 28 million, a decrease of approximately RMB 8 million or 22% over the previous corresponding period. For

1H23, the Research and Development costs decreased by approximately RMB 3 million, from approximately RMB 55 million in 1H22 to approximately RMB 52 million.

(iii) Administrative expenses in 2Q FY2023 increased by approximately RMB 13 million, from approximately RMB 83 million in 2Q FY2022. For 1H23, the administration expenses were approximately RMB 164 million, a decrease of approximately RMB 15 million. The decrease was mainly due to the repurchase of some Restricted Shares and a year-on-year decrease of RMB 23.28 million in equity incentive expenses.

(iv) Finance costs in 2Q FY2023 increased by approximately RMB 2.86 million to approximately RMB 2.87 million, while for 1H23, the finance costs were approximately RMB 11 million, an increase of approximately RMB 10.9 million over the previous corresponding period. This was mainly due to a year-on-year increase in loan interest expenses.

(v) Other losses in 2Q FY2023 increased by approximately RMB 9 million. For 1H23, the other losses were approximately RMB 18 million, an increase of approximately RMB 1 million over the previous corresponding period, mainly due to a year-on-year increase in impairment losses.

(e) Share of results of associated companies:

The Group's share of profits of associated companies in 2Q FY2023 was approximately RMB 95 million, an increase of approximately RMB 38 million or 69% over the previous corresponding period. The Group's share of profits of associated companies in 1H23 increased from approximately RMB 95 million to approximately RMB 195 million. This was mainly due to a year-on-year increase in investment income from Sino-American Tianjin SmithKline & French Lab., Ltd. (中美天津史克制药有限公司)'s profit growth.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 2Q FY2023 was approximately RMB 318 million, an increase of 16% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 1H23 was approximately RMB 716 million, an increase of approximately RMB 239 million or 50% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 2Q FY2023 was approximately RMB 322 million, an increase of 20% over the previous corresponding period. The profit attributable to equity holders of parent (net of tax) in 1H23 was approximately RMB 722 million, an increase of approximately RMB 254 million, or 54% from RMB 469 million of the corresponding period in 1H22.

(g) Major changes in statement of financial positions:

As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB

2,104 million, which is a decrease of approximately RMB 779 million, or 27% over the balance as at 31 December 2022. The Group's borrowings as at 30 June 2023 amounted to RMB 799.5 million.

Trade and other receivables increased by approximately 2% or RMB 65 million to approximately RMB 2,850 million as at 30 June 2023.

Inventories was approximately RMB 1,678 million at 30 June 2023, which is an increase of approximately RMB 248 million, or 17% over the balance as at 31 December 2022.

Other current assets decreased by approximately 7% or RMB 8 million to approximately RMB 100 million as at 30 June 2023.

Investment in associates of the Group increased by 12% to approximately RMB 850 million.

Property, plant and equipment decreased by approximately RMB 31 million to approximately RMB 1,430 million.

(h) Change in cash flow position:

In 1H23, the Group recorded net cash inflow from operating activities of approximately RMB 87 million which has increased by RMB 27 million as compared to 1H22. The increase was mainly due to a year-on-year increase in cash received from sales of goods and provision of services compared to the same period last year.

Cash outflow from investing activities was approximately RMB 451 million in 1H23 which has decreased by RMB 1,001 million as compared to 1H22. This was mainly attributable to a decrease of RMB 40.527 million in cash received from investment recovery, and an increase of RMB 50.000 million in cash paid for investments.

Cash outflow from financing activities was approximately RMB 344 million in 1H23 which has decreased by RMB 37 million as compared to 1H22. The decrease was mainly due to a year-on-year increase of RMB 52.703 million in the net cash flow from borrowings received and repayments made, a year-on-year increase of RMB 45.877 million in dividend payments and a year-on-year increase of RMB 2.677 million in payments for restricted stock buybacks, leases, and similar transactions.

22. 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.

23. 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

In recent years, the increasing aging population, global uncertainties, and the significant role played by the traditional Chinese medicine during the COVID-19 pandemic have reignited public interest in "traditional Chinese medicine fever". In the post-pandemic era, the development of the traditional Chinese medicine industry is showing positive trends in the medium and long term, though short-term pressures are also present. On one hand, the "Fourteenth Five-Year Plan for National Economic and Social Development and Long-Term Goals for 2035" of the PRC has provided guidance for the development direction of the traditional Chinese medicine industry. The said document emphasizes the importance of maintaining a balance between traditional Chinese medicine and Western medicine, as well as exploiting their respective advantages, and encourages the robust development of traditional Chinese medicine. It calls for the establishment of a comprehensive traditional Chinese medicine service system, leveraging the unique strengths of traditional Chinese medicine in disease prevention, treatment, and recovery. On the other hand, the policy driven "Three Collaborations among Medical Services" has led to a more pronounced impact on the industry as a whole, with the sustained rise in medicinal herb prices imposing higher demands on the cost control capabilities of enterprises within the sector. Nevertheless, it is undeniable that amidst the coexistence of opportunities and challenges, the traditional Chinese medicine industry will play an even more significant role in the construction of a healthier China.

The Group, with its rich historical heritage and abundant traditional Chinese medicine resources, has developed over more than a century. It has established a development strategy centered around traditional Chinese medicine innovation. The Company is dedicated to innovative research, development, and manufacturing of comprehensive, high-quality, efficient, and fast-acting medicinal products, as well as firmly committed to the "Focus on the Market, Effective Innovation, Organizational Governance, Co-creation and Sharing, Dual-drive of Production and Finance, Cost Control and Loss Reduction, Digital Empowerment, and Cultural Branding" eight-action framework, with all employees showing great enthusiasm, striving to excel and steadily advancing various tasks.

In the first half of 2023, the Group achieved an operating income of RMB 4.09 billion, representing a year-on-year increase of 8.3%, and net profit attributable to the parent of RMB

720 million, representing a year-on-year increase of 54.8%.

24. 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. The Company will conduct a review at the end of the financial year.

Please refer to note 5 above for details on the dividends declared and paid in respect of FY2022 during the current period reported on.

25. Related party transactions

There are transactions and arrangements between the Group and its subsidiaries and associates and the effects of these transactions as 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-month period ended 30 June</u>	
	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Sale of goods to associates	407	239
Purchase of goods from associates	(47,933)	(38,848)
Interest income from an associate	8,957	7,282

Interest expense payable to an associate	(3,530)	(540)
Rental income from an associate	-	-

	6-month period ended 30 June	
	2023 RMB'000	2022 RMB'000
Sale of goods to related companies	112,632	74,789
Purchase of goods from related companies	(106,976)	(131,775)
Rental expenses to related companies	(1,214)	(1,504)
Rental income from related companies	123	28

26. Interested Person Transaction disclosure

The Group has obtained a general mandate (the “**IPT General Mandate**”) from the Shareholders for interested person transactions (the “**IPTs**”) at the annual general meeting held on 17 May 2021 for the financial year ended 31 December 2020. 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. (天津医药集团财务有限公司) as an IPT and all transactions arising therefrom, at the annual general meeting held on 5 June 2020 for the financial year ended 31 December 2019 (“**FY2019**”). Please refer to the annexure dated 21 May 2020 (the “**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 FY2019) 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 2023	6-month period ended 30 June 2022	6-month period ended 30 June	6-month period ended 30 June 2022

		2023			
		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) (“ TPH ”), the controlling shareholder of the Company	The interest payable on the credit facilities provided by TPGF: 3,530	540	-	-
Total		3,530	540	-	-

Note: As at 30 June 2023, placement of deposit with TPGF amounted to approximately RMB 589 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 TPGF as an interested person transaction (as set out on pages 187 to 224 of the Company’s annual report for FY2019), 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 TPH, 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 has opened / 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 RMB 600 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 for FY2019.

The deposit of approximately RMB 589 million placed with TPGF as at 30 June 2023 falls within the limit of RMB 600 million. Further details on the deposit are set out below:

Unit: RMB '000

Duration of deposit	Current deposit (1-7 days)	Fixed deposit (12 months)	Total
Balance of deposit	368,766	200,000	588,766

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, 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 RMB 589 million placed with TPGF as at 30 June 2023 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.

27. 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) of the Listing Manual

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.

28. 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) of the Listing Manual

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.

29. 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 2023, to be false or misleading in any material respect.

30. 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.