

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED
(Company Registration No. 91120000103100784F)
(Incorporated in People's Republic of China)

RESPONSE TO SGX QUERIES ON UNAUDITED INTERIM RESULTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2021

All capitalised terms used herein, unless the context otherwise requires, shall bear the meanings ascribed to them in the HY2021 Results Announcement.

Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) has received queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) regarding the Company's unaudited interim results for the 6-month period ended 30 June 2021 (“**HY2021**”) announced on 13 August 2021 (the “**HY2021 Results Announcement**”). The Company's responses to the SGX-ST's queries are set out below:-

SGX Query 1

Please disclose the reasons for allowance for impairment loss on other receivables of RMB 3.9 million in 1H2021 and why there was a significant increase compared to allowance for impairment loss on other receivables of RMB 0.49 million in 1H2020. Please disclose if the Company has difficulty collecting these receivables from its debtors.

Company's response:

The Group's impairment loss of other receivables in 1H2021 was RMB3.87 million, an increase of 3.38 million yuan year-on-year, mainly due to provision of impairment allowance of RMB5.55 million and the reversal of impairment allowance of RMB1.67 million in 1H2021.

In 1H2021, the allowance for impairment of RMB5.55 million was provided according to expected credit loss estimation based on aging profile of other receivables. In fact, the Group has filed a lawsuit against the debtor and obtained pledge on the debtor's properties. The Group has closely monitored the execution of the court's ruling, actively recovered the amounts in arrears with the debtor, and earnestly safeguarded the interests of the Group.

SGX Query 2

Please elaborate on the underlying reasons for the increase in administrative expenses by 29% to RMB 100 million for 2Q2021 (as compared to 1Q2020) and by 28% to RMB 201.8 million for 1H2021 (as compared to 1H2020), noting that revenue had only increased by 11% for the same periods.

Company's response:

Administrative expenses are not directly related to revenue. Administrative expenses incurred by the Group in 2Q2021 was RMB100.96 million, a year-on-year increase of 22.64 million yuan, or an increase by 29%. The administrative expenses incurred by the Group in 1H2021 was RMB201.8 million, a year-on-year increase of 44.52 million yuan, or an increase by 28%. The reason for the year-on-year increase is mainly due to an increase in employees' benefits expenses in the respective periods in 2021 compared with corresponding periods of 2020. In 2020, due to the COVID-19 pandemic, the local government waived the contribution to certain social insurance funds. However, in 2021, the Group no

longer enjoyed such waiver. In addition, due to the COVID-19 pandemic, the Group suspended production for a few months in the first half of 2020, which resulted in a lesser amount of other administrative expense items for the first half of 2020.

By order of the Board

Jiao Yan
Company Secretary
23 August 2021