

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

Full Year Financial Statement (*) And Dividend Announcement

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

	The Group		Change
	2021 RMB'000	2020 RMB'000	%
Revenue	6,907,544	6,603,652	5
Cost of sales	(4,214,548)	(4,086,048)	3
Gross profit	2,692,996	2,517,604	7
Interest income	50,483	28,072	80
Dividend income	-	1,447	n.m
Other income and gains	69,844	67,439	4
Marketing and distribution expenses	(1,556,447)	(1,457,878)	7
Research and development expenses	(161,052)	(149,202)	8
Administrative expenses	(388,769)	(358,552)	8
Finance costs	(1,909)	(2,509)	(24)
Other losses	(17,937)	(29,007)	(38)
Share of results of equity-accounted associates	185,597	150,644	23
Profit before tax	872,806	768,058	14
Income tax expense	(85,929)	(88,396)	(3)
Profit for the year	786,877	679,662	16
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value gain on equity investment measured at FVTOCI, net of tax	2,323	5,756	n.m(60)
Share of other comprehensive (loss) / income from equity-accounted associates, net of tax	5,111	(26,313)	n.m
Other comprehensive (loss) / Income for the year	7,434	(20,557)	n.m
Total comprehensive income for the year	794,311	659,105	21

	The Group		Change
	2021 RMB'000	2020 RMB'000	%
Profit for the year attributable to:			
Owners of the parent	769,143	661,705	16
Non-controlling interests	17,734	17,957	(1)
	786,877	679,662	16
Total comprehensive income for the year attributable to:			
Owners of the parent	776,577	641,148	21
Non-controlling interests	17,734	17,957	(1)
	794,311	659,105	21
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	1.00	0.86	16

(*) 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.

	Group		
	2021 RMB'000	2020 RMB'000	Change %
Profit for the year is arrived at after crediting / (charging):			
Other income (including government grants)	46,890	54,479	(14)
Interest income	50,483	28,072	80
Interest on borrowings	(1,909)	(2,509)	(24)
Allowance for impairment of trade receivables – (loss) / reversal	(4,893)	(6,349)	(23)
Allowance for impairment of other receivables – (loss) / reversal	(2,703)	(3,194)	(15)
Inventories written down – reversal / (loss)	(10,341)	4,114	n.m
Foreign currency translation gains / (losses), net	688	1,735	(60)
Employment termination benefits – reversal / (charge)	11,877	490	n.m
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	10,389	6,621	57
Dividend income	-	1,447	n.m
Share-based payments	(10,152)	(9,750)	4
Depreciation and amortisation	(117,794)	(113,554)	4

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

	Note	The Group			The Company		
		31 December 2021 RMB'000	31 December 2020 RMB'000	Change %	31 December 2021 RMB'000	31 December 2020 RMB'000	Change %
ASSETS							
Non-current assets							
Property, plant and equipment		1,483,273	1,457,053	2	1,047,816	1,035,555	1
Right-of-use assets		3,054	2,609	17	-		
Investment properties	7	15,177	21,512	(29)	14,349	20,634	(30)
Land use rights		182,638	188,289	(3)	156,907	161,744	(3)
Intangibles assets		20,270	15,734	29	18,568	13,045	42
Investment in subsidiaries	8	-	-		535,525	498,428	7
Investment in associates	9	729,660	687,538	6	729,660	687,538	6
Other financial assets	10	11,081	116,311	(90)	11,081	8,348	33
Deferred tax assets		154,605	165,480	(7)	140,059	150,376	(7)
Other assets		42,333	25,259	68	40,067	22,415	79
Total non-current assets		2,642,091	2,679,785	(1)	2,694,032	2,598,083	4
Current assets							
Inventories		1,525,089	1,487,715	3	1,391,957	1,344,912	3
Trade and other receivables	11	2,011,319	2,007,426	-	1,941,982	1,918,755	1
Other financial assets	10	484,464	-		374,829	-	
Other assets		120,940	121,127	-	103,188	104,942	(2)
Cash and cash equivalents		2,283,181	1,987,334	15	2,055,683	1,791,009	15
Total current assets		6,424,993	5,603,602	15	5,867,639	5,159,618	14
Total assets		9,067,084	8,283,387	9	8,561,671	7,757,701	10
EQUITY							
Equity							
Share capital	12	773,443	773,643	-	773,443	773,643	-
Treasury shares	12	-	-		-	-	
Share premium		1,228,740	1,229,980	-	1,228,740	1,229,980	-
Retained earnings		3,890,250	3,353,080	16	3,818,874	3,278,987	16
Other reserves		504,077	486,491	4	553,504	536,706	3
Total equity attributable to equity holders of the Company		6,396,510	5,843,194	9	6,374,561	5,819,316	10
Non-controlling interests		149,352	141,484	6	-	-	
Total equity		6,545,862	5,984,678	9	6,374,561	5,819,316	10

		The Group			The Company		
		31 December 2021 RMB'000	31 December 2020 RMB'000	Change %	31 December 2021 RMB'000	31 December 2020 RMB'000	Change %
LIABILITIES							
Non-current liabilities							
Deferred tax liabilities		4,212	3,802	11	4,212	3,802	11
Trade payables		12,445	30,659	(59)	12,297	30,507	(60)
Lease liabilities		1,572	1,710	(8)	-	-	
Other financial liabilities		-	30,000	n.m	-	-	
Other liabilities		101,124	103,471	(2)	66,757	67,618	(1)
Total non-current liabilities		119,353	169,642	(30)	83,266	101,927	(18)
Current liabilities							
Income tax payable		9,530	10,492	(9)	-	1,760	n.m
Trade and other payables	14	2,145,133	1,870,907	15	1,896,456	1,598,324	19
Other financial liabilities		30,000	-	n.m	-	-	
Lease liabilities		1,597	1,000	60	-	-	
Other liabilities		215,609	246,668	(13)	207,388	236,374	(12)
Total current liabilities		2,401,869	2,129,067	13	2,103,844	1,836,458	15
Total liabilities		2,521,222	2,298,709	10	2,187,110	1,938,385	13
Total equity and liabilities		9,067,084	8,283,387	9	8,561,671	7,757,701	10

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

All in RMB'000

Group	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-controlling interests	Total equity
Balance at 1 January 2021	773,643	-	1,229,980	486,491	3,353,080	5,843,194	141,484	5,984,678
Restricted A-Shares buy-back	(200)	-	(1,240)	-	-	(1,440)	-	(1,440)
Total comprehensive income for the period	-	-	-	7,434	769,143	776,577	17,734	794,311
Dividends	-	-	-	-	(231,973)	(231,973)	-	(231,973)
Distributions to non-controlling interests	-	-	-	-	-	-	(9,866)	(9,866)
Share-based	-	-	-	10,152	-	10,152	-	10,152

payments								
Balance at 31 December 2021	773,443	-	1,228,740	504,077	3,890,250	6,396,510	149,352	6,545,862

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-controlling interests	Total equity
Balance at 1 January 2020	768,873	1,198,817	539,310	2,881,174	5,388,174	135,032	5,523,206
Issuance of shares under Restricted A-Shares	4,870	31,783	-	-	36,653	-	36,653
Restricted A-Shares buy-back	(100)	(620)	-	-	(720)	-	(720)
Total comprehensive income for the period	-	-	(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)
Distributions 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

All in RMB'000

Company	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2021	773,643	-	1,229,980	536,706	3,278,987	5,819,316
Restricted A-Shares buy-back	(200)	-	(1,240)	-	-	(1,440)
Total comprehensive income for the period	-	-	-	7,434	771,860	779,294
Dividends	-	-	-	-	(231,973)	(231,973)
Non-cash contribution to subsidiary	-	-	-	(788)	-	(788)
Share-based payments	-	-	-	10,152	-	10,152
Balance at 31 December 2021	773,443	-	1,228,740	553,504	3,818,874	6,374,561

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2020	768,873	1,198,817	589,525	2,798,064	5,355,279
Issuance of shares under Restricted A-Shares	4,870	31,783	-	-	36,653
Restricted A-Shares buy-back	(100)	(620)	-	-	-720
Total comprehensive income for the period	-	-	(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

1(c) Condensed Interim Consolidated Statement of Cash Flows

	The Group	
	2021 RMB'000	2020 RMB'000
Cash flows from operating activities		
Profit before tax	872,806	768,058
Adjustments for:		
Interest income	(50,483)	(28,072)
Interest expense	1,909	2,509
Dividend income	-	(1,447)
Gain on maturity and disposal of financial assets	(27,888)	(8,319)
Share of results of equity-accounted associates	(185,597)	(150,644)
Depreciation and amortisation of property, plant and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other assets	117,794	113,554
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	(10,389)	(6,621)
Impairment losses on receivables and inventories	17,937	5,429
Share-based payments	10,152	9,750
Operating cash flows before changes in working capital	746,241	704,197
Inventories	(47,401)	110,957
Trade and other receivables	(7,421)	(225,549)
Other assets	(19,147)	111,744
Trade and other payables	271,731	166,221
Cash restricted in use	-	38
Other liabilities	(33,406)	(97,886)
Net cash flows from operations	910,597	769,722
Income tax paid	(93,177)	(126,373)
Net cash flows from operating activities	817,420	643,349
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(156,949)	(189,162)
Acquisition of financial assets	(349,920)	(34,473,715)
Proceeds from disposal of financial assets	15,000	34,502,007
Dividend income received from associates and financial assets	148,586	207,313
Proceeds from disposal of property, plant and equipment and intangible assets	28,713	6,769
Acquisition of associate	-	(1,000)
Proceeds from unquoted bonds	-	13,758
Interest income received	37,700	35,874
Net cash flows (used in)/from investing activities	(276,870)	101,844

	<u>The Group</u>	
	<u>2021</u> RMB'000	<u>2020</u> RMB'000
<u>Cash flows from financing activities</u>		
Advances received from issuance of restricted A-shares	-	8,357
Dividends paid to equity owners	(230,873)	(230,769)
Distributions to non-controlling interests	(9,866)	(11,209)
Interest expense paid	(1,186)	(1,839)
Repurchase of restricted A-shares	(1,349)	(697)
Repayment of lease liabilities	(1,429)	(1,105)
Net cash flows used in financing activities	(244,703)	(237,262)
Net increase in cash and cash equivalents	295,847	507,931
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	1,987,334	1,479,403
Cash and cash equivalents, consolidated statement of cash flows, ending balance	2,283,181	1,987,334

Notes to the Condensed Interim Financial Statements

31 December 2021

1. General

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 approved and authorised these condensed interim financial statements for issue on 29 March 2022.

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 been audited in accordance with International Standards on Auditing.

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

	Chinese <u>medicine</u>	Western <u>medicine</u>	<u>Others</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
12 months ended 31 December 2021				
Revenue	4,669,541	1,595,779	642,224	6,907,544
Cost of sales	2,292,889	1,329,588	592,070	4,214,547
Gross profit	2,376,652	266,191	50,154	2,692,997
12 months ended 31 December 2020				
Revenue	4,369,713	1,645,029	588,910	6,603,652
Cost of sales	2,157,969	1,419,690	508,389	4,086,048
Gross profit	2,211,744	225,338	80,521	2,517,604

2C. Disaggregation of revenue from contracts with customers

	Group	
	12-month period ended 31 December 2021 RMB'000	12-month period ended 31 December 2020 RMB'000
Sale of goods recognised at point in time	6,892,216	6,590,008
Revenue recognised over time	15,328	13,644
	6,907,544	6,603,652

3. Income tax

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

	Group	
	12-month period ended 31 December 2021 RMB'000	12-month period ended 31 December 2020 RMB'000
<u>Current tax</u>		
Current tax expense	79,039	70,250
Adjustments in respect of prior years	(3,985)	(178)
	75,054	70,072
<u>Deferred tax</u>		
Deferred tax expense	10,875	18,324
	85,929	88,396

Adjustments for current tax:

	Group	
	12-month period ended 31 December 2021 RMB'000	12-month period ended 31 December 2020 RMB'000
Profit before tax	872,806	768,058
Loss: Share of results of equity-accounted associates	(185,597)	(150,644)
	687,208	617,414
Income tax expense at tax rate of 25%	171,802	154,354
Effect of concessionary tax rate at 15%	(59,693)	(54,600)
Non-deductible items	1,125	6,812
Non-taxable items	(33,346)	(26,737)
Unrecognised deferred tax assets	10,026	8,745
Adjustments in respect of prior years	(3,985)	(178)
	85,929	88,396

4. Disposal of subsidiaries

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

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

5. Dividends on equity shares

	12-month period ended 31 December 2021 RMB'000	12-month period ended 31 December 2020 RMB'000
Type	Cash	Cash
Dividend rate	RMB0.3 per ordinary share	RMB0.3 per ordinary share
Record date	16 June 2021	16 June 2020
Date paid or payable	24 June 2021	24 June 2020

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

6. Acquisition of subsidiaries / subsidiary / business combination

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

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

7. Investment property

	<u>Group</u>
	12-month period ended 31 December 2021
	RMB'000
Cost:	
At beginning of period	38,511
Additions	13,132
Disposal	(17,512)
At end of period	34,131
Accumulated depreciation:	
At beginning of period	16,999
Depreciation for the period	8,372
Disposal	(6,418)
At end of period	18,953
Carrying amount:	
At beginning of period	21,512
At end of period	15,177
Fair value:	
At beginning of period	204,319
At end of period	210,629

All investment properties of the Group are located in Tianjin, the PRC.

8. Investments in subsidiaries

	<u>Company</u>
	12-month period ended 31 December 2021
	RMB'000
Movements during the period:	
At beginning of the period	498,428
Additions	37,097
At the end of the period	535,525

During the 12-month period ended 31 December 2021, Tianjin Hebei Da Ren Tang Hospital Co., Ltd. (天津河北达仁堂医院有限公司) and Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司) were incorporated.

9. Investments in associates

	<u>Group</u>
	12-month period ended 31 December 2021
	RMB'000
Movements in carrying value:	
At beginning of the period	687,538
Share of results of associates	185,597
Dividends	(148,586)
Other equity movements	5,111
At end of the period	729,660

10. Other financial assets

	<u>Group</u>	
	31 December 2021 RMB'000	31 December 2020 RMB'000
Other financial assets - current assets		
Investment in debt instruments at amortised cost	484,464	-
Other financial assets - non-current assets		
Investment in debt instruments at amortised cost	-	107,963
Investment in equity instruments at fair value through other comprehensive income	11,081	8,348
	495,545	116,311

11. Trade and other receivables

	<u>Group</u>	
	31 December 2021 RMB'000	31 December 2020 RMB'000
<u>Trade receivables</u>		
Bills receivable	433,592	457,981
Interest receivable	15,550	
Outside parties	1,649,775	1,625,068
Associates	4,937	6,117
Related parties	26,125	20,579
Less: Allowance for credit impaired	(6,349)	(7,740)
Less: Allowance for expected credit losses	(137,495)	(131,211)

	1,986,135	1,970,794
<u>Other receivable</u>		
Outside parties	52,428	58,651
Associates	27,861	30,309
Related parties	-	74
Less: Allowance for expected credit losses	(55,105)	(52,402)
	25,184	36,632
Total	2,011,319	2,007,426

The ageing of the trade receivables balances were as follows:

	<u>Group</u>		
	<u>Gross amount</u> RMB'000	<u>ELR</u> %	<u>Loss allowance</u> RMB'000
31 December 2021			
Within 1 year	1,528,997	0.013	1,990
1 – 2 years	11,060	20.00	2,212
2 – 3 years	2,277	50.00	1,139
Over 3 years	132,154	100.00	132,154
Total	1,674,488		137,495
31 December 2020			
Within 1 year	1,501,584	0.03	451
1 – 2 years	11,362	20.00	2,272
2 – 3 years	5,180	50.00	2,590
Over 3 years	125,898	100.00	125,898
Total	1,644,024		131,211

12. Share capital and treasury shares

	<u>Group</u>	
	Number of treasury shares	Amount of treasury shares
	31 December 2021 '000	31 December 2021 RMB'000
Movements in share capital:		
At beginning of the period	773,643	773,643
Restricted A-Shares buy-back	200	200
At end of the period	773,443	773,443

As announced on 13 August 2021, 200,000 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 773,643,076 shares to 773,443,076 shares. The repurchase and cancellation of the 200,000 Restricted A-Shares was completed in November 2021.

Accordingly, during the current financial year reported on, 200,000 Restricted A-Shares were bought back and cancelled.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 December 2021 and 31 December 2020. There are no subsidiary holdings as at 31 December 2021 and 31 December 2020.

	As at 31 December 2021	As at 31 December 2020
Number of issued shares excluding treasury shares	773,443,076	773,643,076
Number of treasury shares held	Nil	Nil

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

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

13A. Details of any collaterals

The aforementioned loan of principal amount of RMB30 million is secured by a subsidiary's land use rights at the valuation of approximately RMB28 million as at 31 December 2021.

14. Trade and other payables

	Group	
	31 December 2021 RMB'000	31 December 2020 RMB'000
<u>Trade payables</u>		
Bills payable	643,887	235,907
Outside parties	588,094	651,708
Associates	2,178	3,396
Related parties	8,340	11,240
Employee benefits payables	132,057	131,113
	1,374,556	1,033,364
<u>Other payables</u>		
Outside parties	719,425	790,515
taxes payables	34,548	32,197
Dividend payable	15,760	14,610
Associates	39	40
Related parties	804	181
Subtotal	770,577	837,543
Total	2,145,133	1,870,907

15. Capital commitments

	Group	
	31 December 2021 RMB'000	31 December 2020 RMB'000
Contractual obligations to purchase and construct	219,231	202,293

16. Categories of financial assets and liabilities

	Group	
	31 December 2021 RMB'000	31 December 2020 RMB'000
<u>Financial assets</u>		
Financial assets at amortised cost	4,679,767	4,102,723
Financial assets at fair value through other comprehensive income	110,278	8,348
	4,790,045	4,111,071
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	2,160,747	1,934,276

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

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

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

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

	Group	
	12-month period ended 31 December 2021	12-month period ended 31 December 2020
	RMB	RMB
Based on weighted average number of ordinary shares in issue	1.00	0.86

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

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

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

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	RMB	RMB	RMB	RMB
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	8.27	7.55	8.24	7.52

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

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

(a) Revenue:

The Group's revenue for the financial year ended 31 December 2021 ("FY2021") was approximately RMB 6,908 million, an increase of approximately RMB 304 million, or 5%, as compared to RMB 6,604 million for the financial year ended 31 December 2020 ("FY2020"). The increase in revenue as compared to the corresponding period last year was primarily because the revenue in the corresponding period last year was affected by the COVID-19 pandemic.

(b) Gross Profit Margin:

The Group's gross profit in FY2021 increased by approximately 7% from approximately RMB 2,518 million in FY2020 to approximately RMB 2,693 million in FY2021. The gross profit margin has increased from 38% in FY2020 to 39% in FY2021.

(c) Other Gains:

Other gains in FY2021 were approximately RMB 70 million, an increase of approximately RMB 2 million over the previous corresponding period.

(d) Major Expenses:

(i) Marketing and Distribution costs in FY2021 was approximately RMB 1,556 million, an increase of approximately RMB 99 million or 7% over the previous corresponding period.

(ii) Research and Development costs in FY2021 were approximately RMB 161 million, an increase of approximately RMB 12 million or 8% over the previous corresponding period due to higher outlay for research and development projects.

(iii) Administrative expenses in FY2021 were approximately RMB 389 million, an increase of approximately RMB 30 million. The increase was mainly due to the fact that the social insurance contribution relief previously granted by the government in view of the COVID-19 situation was no longer available in FY2021, resulting in a year-on-year increase in employee compensation.

(iv) Finance costs in FY2021 decreased by approximately RMB 1 million or 24% from approximately RMB 3 million to approximately RMB 2 million.

(v) Other losses in FY2021 decreased by approximately RMB 11 million. This is mainly due to decrease in penalties.

(e) Share of profits of associated companies:

The Group's share of profits of associated companies in FY2021 was approximately RMB 186 million, an increase of approximately RMB 35 million or 23% over the previous corresponding period. This increase was mainly due to the increase of the Company's share of profit from Sino-American Tianjin SmithKline & French Lab., Ltd. (中美天津史克制药有限公司) year-on-year.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in FY2021 was approximately RMB 794 million, an increase of approximately RMB 135 million or 21% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in FY2021 was approximately RMB 769 million, an increase of approximately RMB 107 million or 16% over the previous corresponding period. This was mainly due to increase in sales.

(g) Major changes in statement of financial positions:

As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately RMB 2,283 million, which is an increase of approximately RMB 296 million, or 15% over the balance as at 31 December 2020. The Group's borrowings as at 31 December 2021 amounted to RMB 30 million which remains the same amount as at 31 December 2020.

Trade and other receivables increased by approximately 0.2% or RMB 4 million to approximately RMB 2,011 million as at 31 December 2021. Trade receivables increased by approximately RMB 24 million. Bills receivables decreased by approximately RMB 24 million.

Inventories were approximately RMB 1,525 million as at 31 December 2021, which is an increase of approximately RMB 37 million, or 3% over the balance as at 31 December 2020. This was due to the increase in raw materials.

Other current assets decreased by approximately 0.2% to approximately RMB 121 million as at 31 December 2021.

Investment in associates of the Group increased by 6% to approximately RMB 730 million due to the increase in sharing of profits from associates.

Property, plant and equipment increased by approximately RMB 26 million to approximately RMB 1,483 million.

(h) Change in cash flow position:

In FY2021, the Group recorded net cash inflow from operating activities of approximately RMB 817 million which has increased by RMB 174 million as compared to FY2020. The increase was mainly due to cash received for the sale of products and provision of services increased over the same period last year.

Cash outflow from investing activities was approximately RMB 277 million in FY2021 which has decreased by RMB 379 million as compared to FY2020. The decrease was mainly due to decrease in proceeds used in acquisition of financial assets.

Cash outflow from financing activities was approximately RMB 245 million in FY2021 which has increased by RMB 7 million as compared to FY2020. The increase was mainly due to the fact that proceeds to be received from the issuance of Restricted A-Shares were not received in FY2020 and were only received in FY2021.

21. Forecast, or a prospect statement

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

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

22. Significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Along with a series of medical and health system reforms in the PRC, including industrial development planning in the medical field, quality management of drug distribution, and establishment of grass-roots pharmaceutical markets, the PRC has imposed stricter supervision over the development, production, operation, usage and post-marketing management of drugs in the traditional Chinese medicine industry. The in-depth reform of the medical and health system, the two-invoice system, the quantity procurement, tender bidding, and the adjustment of medical insurance policies, etc., have resulting in the reshuffling of the pharmaceutical industry and result in higher demand for pharmaceutical enterprises.

At the same time, the PRC attaches great importance to the development of traditional Chinese medicine, and has been continuously implementing new policies to boost the development of the industry. In July 2021, the National Administration of Traditional Chinese Medicine (国家中医药管理局) issued the *Opinions on Further Strengthening the Work of Traditional Chinese Medicine in General Hospitals to Promote the Coordinated Development of Traditional Chinese and Western Medicine* (《关于进一步加强综合医院中医药工作推动中西

医协同发展意见》), which requires further strengthening of the clinical departments of traditional Chinese medicine in general hospitals, and encourages innovation in the collaborative medical model of traditional Chinese and Western medicine. This enables traditional Chinese medicine to achieve the advantages and functions of “prevention before cure” (未病先防).

On 17 December 2021, the Tianjin Municipal People’s Government held the 174th executive meeting to review the "Tianjin Biomedical Industry Chain Work Plan" (《天津市生物医药产业链工作方案》) and "Tianjin Traditional Chinese Medicine Industry Chain Work Plan" (《天津市中医药产业链工作方案》) and other agendas. Emphasis was placed on strengthening weak links in key industrial chains. In addressing the needs of enterprises, precise and refined services on R&D transformation, financial investment and project development are provided, thus effectively coordinating and solving the difficulties faced by enterprises.

It is necessary to give full play to the advantages of Tianjin City in the biomedicine and traditional Chinese medicine industries, by creating an environment conducive to innovation and building a complete industrial ecology to support enterprises to grow and thrive. In 2021, the traditional Chinese medicine industry chain in Tianjin City achieved a total industrial output value of RMB11.5 billion with a growth rate of 12.6%. In the future, with assistance from new policies, the innovation and development of the traditional Chinese medicine industry will accelerate and bring new opportunities for the enterprises.

In this period of innovation and reform in the pharmaceutical industry where challenges and opportunities coexist, the Company has adapted its development to the trend of the industry, responded to risks and challenges, and promoted high-quality development. With the joint efforts of all staff, the Company will seize market opportunities, promote time-honored brands, carry out promotion activities for revenue growth, and strengthen cost control through monitoring energy consumption, production cost reduction and increasing efficiency. We will also optimize the use of capital and leverage on information technology to improve quality and promote brand development and spread the cultural value of traditional Chinese medicine. In the process of our development, we continue to put emphasis on quality and production safety and risk prevention. In 2021, the total revenue of the Company was RMB 6.908 billion, a year-on-year increase of 5%. Net profit attributable to the parent company of the Company was RMB 769 million, a year-on-year increase of 16%.

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

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

The Directors propose to seek approval from the shareholders of the Company (the “**Shareholders**”) for declaring a final dividend of RMB 386,721,538 on the basis of RMB 5.0 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 16 May 2022, and thus has not been included as a liability in these condensed consolidated interim 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 FY2021.

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 under 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.

24. 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 condensed consolidated interim 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 interim 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>12 months ended 31 December</u>	
	<u>2021</u> RMB'000	<u>2020</u> RMB'000
Sale of goods to associates	2,859	1,101
Purchase of goods from associates	(76,365)	(69,473)
Interest income from an associate	6,626	2,789
Interest expense payable to an associate	(1,186)	(1,230)
Gain on disposal of investment properties from an associate	12,652	-
Rental income from an associate	220	881

	<u>12 months ended 31 December</u>	
	<u>2021</u> RMB'000	<u>2020</u> RMB'000
Sale of goods to related companies	148,547	107,163
Purchase of goods from related companies	(201,345)	(190,750)
Rental expenses to related companies	(3,051)	(4,871)
Rental income from related companies	57	-

25. Interested Person Transactions 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. 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. 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 the financial year ended 31 December 2019) for further details.

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)		Aggregate value of all interested person transactions conducted during the financial period under review under a shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)	
		12-month period ended 31 December 2021	12-month period ended 31 December 2020	12-month period ended 31 December 2021	12-month period ended 31 December 2020
		RMB'000	RMB'000	RMB'000	RMB'000
Tianjin Pharmaceutical Group Finance Co., Ltd. ("TPGF") (天津医药集团财务有限公司)	Subsidiary of TPH (as defined below), the controlling shareholder of the Company	The interest payable on the credit facilities provided by TPGF: 1,186	1,230	-	-
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		1,186	7,987	-	-

Note: As at 31 December 2021, placement of deposit with TPGF amounted to approximately RMB 591.6 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 the financial year ended 31 December 2019), TPGF shall provide certain financial services to the Company under the aforesaid financial services agreement, including deposit business services.

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

(i) there is security of funds as TPGF provides safe and efficient online banking services to the member entities in the TPH Group (comprising TPH and its subsidiaries and associated companies, including the Company), and these member entities can monitor the changes in the funds deposited in their accounts with TPGF at any time;

(ii) funds payment can be made and settled efficiently as any payment made by the Company for its branches can be realized through the internal transfer function of TPGF's online banking system, which is efficient and convenient; and

(iii) TPGF can provide credit support to the Company within a short period of time, and this can reduce the Company's need to maintain a certain amount of reserves from time to time.

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

Shareholders' approval for the Company's entry into the aforesaid financial services agreement was obtained at the annual general meeting of the Company held on 5 June 2020 for the financial year ended 31 December 2019.

The deposit of approximately RMB591.6 million placed with TPGF falls within the limit of RMB600 million. Further details on the deposit are set out below:

Unit: RMB '000

Duration of deposit	Current deposit (1-7 days)	Fixed deposit (3 months)	Total
Balance of deposit	391,615	200,000	591,615

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 RMB591.6 million placed with TPGF as at 31 December 2021 has not been included in the IPT table set out above to

prevent confusion to Shareholders. Due to the nature of deposit, the monies deposited in the account can be withdrawn and/or deposited as and when necessary, save as disclosed above in relation to fixed deposit and subject to the maximum daily balance limit as stated above. As such, it is not calculated across a financial period, and the Company is of the view that it is more meaningful to disclose the amount of the deposit placed with TPGF as at the end of the financial period under review. Accordingly, this disclosure has been presented separately from the IPT table set out above.

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

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

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

The Board of Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render these condensed consolidated interim financial results for the financial period ended 31 December 2021, to be false or misleading in any material respect.

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

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

As disclosed in note 6 above, for the current financial period reported on, the Group had not acquired any shares of a company resulting in such company becoming a subsidiary or an

associated company of the Company, and had also not acquired any shares resulting in the Company increasing its shareholding percentage in a subsidiary or an associated company.

As disclosed in note 8 above, during the 12-month period ended 31 December 2021, Tianjin Hebei Da Ren Tang Hospital Co., Ltd. (天津河北达仁堂医院有限公司) (“**Da Ren Tang Hospital**”) and Tianjin Zhongxin Medicine Co., Ltd. (天津中新医药有限公司) (“**TJZX Medicine**”) were incorporated.

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

Da Ren Tang Hospital was incorporated by the Company as a wholly-owned subsidiary in the PRC on 26 April 2021. The registered capital of Da Ren Tang Hospital is RMB5,000,000 and its principal activity is provision of medical service (医疗服务).

TJZX Medicine was incorporated by the Company as a wholly-owned subsidiary of the Company in the PRC on 24 August 2021. The registered capital of TJZX Medicine is RMB5,000,000 and its principal activity is wholesale of pharmaceutical products.