

TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED
(Formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited)
(Company Registration No.91120000103100784F)
(Incorporated in the People's Republic of China)

RESPONSE TO SGX QUERIES ON UNAUDITED INTERIM RESULTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2022

All capitalised terms used herein, unless the context otherwise requires, shall bear the meanings ascribed to them in the HY2022 Results Announcement (as defined below).

Tianjin Pharmaceutical Da Ren Tang 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 2022 (“**HY2022**”) announced on 12 August 2022 (the “**HY2022 Results Announcement**”). The Company's responses to the SGX-ST's queries are set out below:-

SGX Query 1

Please disclose the reasons for the changes in each expense item described at 20(d)(ii), (iii), (iv) and (v) of the Company's interim financial statements. Please also disclose the reasons for the material increases in interest income in 3Q2022 and 1H2022 as compared to the corresponding period in the preceding financial year.

Company's response:

1. Research and development expenses:

As at the 6-month period ended 30 June 2022, the Group's research and development expenses were RMB 55.17 million, a decrease of RMB 11.03 million or decrease by 17% from RMB 66.2 million compared with the same period last year. The main reason was that research and development expenses were not fixed throughout the year.

2. Administrative Expenses:

As at the 6-month period ended 30 June 2022, the Group's administrative expenses were RMB 179.43 million, a decrease of RMB 22.37 million or decrease by 11% from RMB 201.8 million compared with the same period last year. It was mainly due to a decrease in consulting service fees and adjustments to party building (党建) expenses.

3. Financial costs:

As at the 6-month period ended 30 June 2022, the Group's financial costs were RMB 40,000, which was the same as the financial costs for the same period last year.

4. Other losses:

As at the 6-month period ended 30 June 2022, the Group's other losses were RMB 16.65 million, an increase of RMB 2.46 million or increase by 17% from RMB 14.19 million compared with the same period last year. The increase was mainly due to recognition of inventory impairment loss of RMB 2.31 million.

5. Interest income:

As at the 6-month period ended 30 June 2022, the interest income was RMB 29.51 million, an increase of RMB 9.67 million compared with RMB 19.84 million in the same period last year. This is mainly due to the fact that our Group is implementing more effective assets management measures to maintain positive operating cash inflow. Compared with the same period last year, the cash and cash equivalence in the first half year of 2022 increased by RMB 500 million, resulting in higher interest income.

SGX Query 2

With reference to the Condensed Interim Statements of Financial Position, please disclose the reasons for the material increase of 32% or RMB 648 million in Trade and other receivables amounting to RMB 2,659 million, which indicates that a significant 70% of 1H2022 revenue of RMB 3774.8 billion has not been collected.

Company's response:

As at the 6-month period ended 30 June 2022, Group's trade and other receivables were RMB 2.659 billion, an increase of RMB 648 million compared with the beginning of the year. This was mainly due to an increase of trade receivables by RMB 638 million, contributed by an increase in the Group's revenue. In addition, due to the on-going COVID-19 pandemic impact in China, the hospital collection period has been extended, resulting in an increase in the balance of accounts receivables.

SGX Query 3

For trade and other payables amounting to RMB 2.4 billion as at 30 June 2022, please disclose the aging and nature of these other payables and the reasons why the amount outstanding is so significant. To also disclose the identity of the significant creditors and the nature of the underlying transactions and disclose whether the counterparties are related parties and their identity where applicable.

Company's response:

The composition of Group's trade and other payables as at 30 June 2022 is as follows:

	As at 30 June 2022 RMB'000
Trade payables	
Outside parties	553,360
Associates	3,948
Related parties	41,536
Sub-total	598,844
Bills payable	496,778
Employee benefits payables	215,494
Tax payable	90,154
Dividends payable	17,667
Other payables	
Outside parties	887,469
Related parties	330
Sub-total	887,799
Total	2,306,736

The majority of the payables listed above are aged within one year. Trade payables are pertaining to the purchase amount due to trade suppliers. The creditors include suppliers of traditional Chinese medicine, western medicine, raw materials, packaging materials and material processing, etc. Bills payable are bank acceptance bills with term of more than 6 months for payment to suppliers. Employee benefits payables are unpaid staff salaries and accrued bonus. Other payables are mainly sales expenses accrued. Taxes payable are unpaid value-added tax.

In addition, the nature of the trade and other payables are as follow:

	<u>Group</u>	
	At 30 June 2022 RMB'000	%
Trade payables		
Chinese and Western Medicines Purchase	534,279	89.22%
Other Purchases	64,564	10.78%
Sub-total	598,843	
Other payables		
Sales expense	609,384	68.64%
Payable to customers	157,712	17.76%
Other	120,705	13.60%
Sub-total	887,801	

By Order of the Board

Jiao Yan
Secretary to the Board of Directors
29 August 2022