

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

First Quarter Financial Statement (*) And Dividend Announcement

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

	<u>The Group</u>		Change
	3-month period ended 31 March 2022 RMB'000	3-month period ended 31 March 2021 RMB'000	%
Revenue	1,889,294	1,826,865	3
Cost of sales	(1,162,497)	(1,073,474)	8
Gross profit	726,797	753,391	(4)
Interest income	13,078	7,779	68
Other income and gains	5,062	9,514	(47)
Marketing and distribution expenses	(425,793)	(431,531)	(1)
Research and development expenses	(19,333)	(28,975)	(33)
Administrative expenses	(96,880)	(100,837)	(4)
Finance costs	(28)	(18)	56
Other losses	(14,522)	(9,331)	56
Share of results of equity-accounted associates	44,419	48,473	(8)
Profit before tax	232,800	248,465	(6)
Income tax expense	(30,554)	(31,649)	(3)
Profit, net of tax	202,246	216,816	(7)
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	(805)	(1,122)	(28)
Share of other comprehensive (loss) / income from equity-accounted associates, net of tax	465	1,044	(55)
Other comprehensive (loss) / Income	(340)	(78)	n.m
Total comprehensive income	201,906	216,738	(7)

	The Group		Change
	3-month period ended 31 March 2022 RMB'000	3-month period ended 31 March 2021 RMB'000	%
Profit, net of tax attributable to:			
Owners of the parent	199,604	212,948	(6)
Non-controlling interests	2,642	3,868	(32)
	202,246	216,816	(7)
Total comprehensive income attributable to:			
Owners of the parent	199,264	212,870	(6)
Non-controlling interests	2,642	3,868	(32)
	201,906	216,738	(7)
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	0.26	0.28	(7)

(*) 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		
	3-month period ended 31 March 2022 RMB'000	3-month period ended 31 March 2021 RMB'000	Change %
Profit for the year is arrived at after crediting / (charging):			
Other income (including government grants)	5,047	3,844	31
Interest income	13,078	7,779	68
Interest on borrowings	(28)	(18)	56
Allowance for impairment of trade receivables – (loss) / reversal	(5,566)	(1,088)	n.m
Allowance for impairment of other receivables – (loss) / reversal	(4,513)	(3,845)	17
Inventories written down – reversal / (loss)	(4,444)	(4,292)	4
Foreign currency translation gains / (losses), net	86	(103)	n.m
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	(71)	5,670	n.m
Share-based payments	(1,782)	(2,579)	(31)
Depreciation and amortisation	(29,936)	(30,401)	(2)

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

		The Group			The Company		
	Note	31 March 2022 RMB'000	31 December 2021 RMB'000	Change %	31 March 2022 RMB'000	31 December 2021 RMB'000	Change %
ASSETS							
Non-current assets							
Property, plant and equipment		1,495,007	1,483,273	1	1,054,027	1,047,816	1
Right-of-use assets		2,517	3,054	(18)	-	-	
Investment properties		14,908	15,177	(2)	14,092	14,349	(2)
Land use rights		181,234	182,638	(1)	155,706	156,907	(1)
Intangibles assets		22,430	20,270	11	20,795	18,568	12
Investment in subsidiaries	7	-	-		535,525	535,525	0
Investment in associates	8	762,544	729,660	5	762,544	729,660	5
Other financial assets	9	30,134	11,081	n.m	10,134	11,081	(9)
Deferred tax assets		170,242	154,605	10	154,444	140,059	10
Other assets	10	22,223	42,333	(48)	20,374	40,067	(49)
Total non-current assets		2,701,239	2,642,091	2	2,727,641	2,694,032	1
Current assets							
Inventories		1,412,226	1,525,089	(7)	1,276,537	1,391,957	(8)
Trade and other receivables	11	2,336,026	2,011,319	16	2,538,308	1,941,982	31
Other financial assets	9	85,361	484,464	(82)	-	374,829	
Other assets	10	86,216	120,940	(29)	69,033	103,188	(33)
Cash and cash equivalents		2,694,279	2,283,181	18	2,188,336	2,055,683	6
Total current assets		6,614,108	6,424,993	3	6,072,214	5,867,639	3
Total assets		9,315,347	9,067,084	3	8,799,855	8,561,671	3
EQUITY							
Equity							
Share capital	12	773,443	773,443	-	773,443	773,443	-
Share premium		1,228,740	1,228,740	-	1,228,740	1,228,740	-
Retained earnings		4,089,854	3,890,250	5	4,044,926	3,818,874	6
Other reserves		505,519	504,077	0	554,946	553,504	0
Total equity attributable to equity holders of the Company		6,597,556	6,396,510	3	6,602,055	6,374,561	4
Non-controlling interests		137,594	149,352	(8)	-	-	
Total equity		6,735,150	6,545,862	3	6,602,055	6,374,561	4

		The Group			The Company		
		31 March 2022 RMB'000	31 December 2021 RMB'000	Change %	31 March 2022 RMB'000	31 December 2021 RMB'000	Change %
LIABILITIES							
Non-current liabilities							
Deferred tax liabilities		4,070	4,212	(3)	4,070	4,212	(3)
Trade payables		12,445	12,445	-	12,297	12,297	0
Lease liabilities		804	1,572	(49)	-	-	
Other liabilities		99,332	101,124	(2)	65,850	66,757	(1)
Total non-current liabilities		116,651	119,353	(2)	82,217	83,266	(1)
Current liabilities							
Income tax payable		32,206	9,530	n.m	21,476	-	n.m
Trade and other payables	14	2,230,303	2,145,133	4	1,927,482	1,896,455	2
Other financial liabilities		28,000	30,000	(7)	-	-	
Lease liabilities		1,597	1,597	0	-	-	
Other liabilities		171,440	215,609	(20)	166,625	207,388	(20)
Total current liabilities		2,463,546	2,401,869	3	2,115,583	2,103,843	1
Total liabilities		2,580,197	2,521,222	2	2,197,800	2,187,110	0
Total equity and liabilities		9,315,347	9,067,084	3	8,799,855	8,561,671	3

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 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	-	-	(340)	199,604	199,264	2,642	201,906
Distributions to non-controlling interests	-	-	-	-	-	(14,400)	(14,400)
Share-based payments	-	-	1,782	-	1,782	-	1,782
Balance at 31 March 2022	773,443	1,228,740	505,519	4,089,854	6,597,556	137,594	6,735,150

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-cont rolling 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
Total comprehensive income for the period	-	-	(78)	212,948	212,870	3,868	216,738
Share-based payments	-	-	2,579	-	2,579	-	2,579
Balance at 31 March 2021	773,643	1,229,980	488,992	3,566,028	6,058,643	145,352	6,203,995

All in RMB'000

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	-	-	(340)	226,052	225,712
Share-based payments	-	-	1,782	-	1,782
Balance at 31 March 2022	773,443	1,228,740	554,946	4,044,926	6,602,055

Company	Share capital	Share premium	Other reserves (Restated)	Retained earnings (Restated)	Total equity (Restated)
Balance at 1 January 2021	773,643	1,229,980	536,706	3,278,987	5,819,316
Total comprehensive income for the period	-	-	(78)	217,556	217,478
Share-based payments	-	-	2,579	-	2,579
Balance at 31 March 2021	773,643	1,229,980	539,207	3,496,543	6,039,373

1(c) Condensed Interim Consolidated Statement of Cash Flows

	The Group	
	3-month period ended 31 March 2022 RMB'000	3-month period ended 31 March 2021 RMB'000
<u>Cash flows from operating activities</u>		
Profit before tax	232,800	248,465
Adjustments for:		
Interest income	(13,078)	(7,779)
Interest expense	28	18
Gain on maturity and disposal of financial assets	(3,870)	(1,087)
Share of results of equity-accounted associates	(44,419)	(48,473)
Depreciation and amortisation of property, plant and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other assets	29,936	30,401
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	71	(5,670)
Impairment losses on receivables and inventories	14,523	9,225
Share-based payments	1,782	2,579
Operating cash flows before changes in working capital	217,773	227,679
Inventories	108,419	62,066
Trade and other receivables	(357,160)	(430,143)
Other assets	54,220	(35,553)
Trade and other payables	90,171	325,599
Other liabilities	(45,961)	(41,011)
Net cash flows from operations	67,462	108,637
Income tax paid	(1,721)	(3,451)
Net cash flows from operating activities	65,741	105,186
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment and intangible assets	(45,510)	(40,305)
Acquisition of financial assets	(40,000)	-
Proceeds from disposal of financial assets	389,920	-
Dividend income received from associates and financial assets	12,000	24,000
Proceeds from disposal of property, plant and equipment and intangible assets	4	7,323
Interest income received	46,463	8,092
Net cash flows (used in)/from investing activities	362,877	(890)

	<u>The Group</u>	
	3-month period ended 31 March 2022 RMB'000	3-month period ended 31 March 2021 RMB'000
<u>Cash flows from financing activities</u>		
Dividends paid to equity owners	-	(80)
Distributions to non-controlling interests	(14,400)	-
Interest expense paid	(271)	(302)
repayment of borrowings	(2,000)	-
Repayment of lease liabilities	(849)	(530)
Net cash flows used in financing activities	(17,520)	(912)
Net increase in cash and cash equivalents	411,098	103,384
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	2,283,181	1,987,334
Cash and cash equivalents, consolidated statement of cash flows, ending balance	2,694,279	2,090,718

Notes to the Condensed Interim Financial Statements

31 March 2022

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 had, on 28 April 2022, 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>Others</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
3-month period ended 31 March 2022				
Revenue	1,238,028	486,937	164,329	1,889,294
Cost of sales	577,594	438,567	146,336	1,162,497
Gross profit	660,434	48,370	17,993	726,797
3-month period ended 31 March 2021				
Revenue	1,252,549	426,276	148,040	1,826,865
Cost of sales	581,855	368,094	123,525	1,073,474
Gross profit	670,694	58,182	24,515	753,391

2C. Disaggregation of revenue from contracts with customers

	<u>Group</u>	
	3-month period ended 31 March 2022 RMB'000	3-month period ended 31 March 2021 RMB'000
Sale of goods recognised at point in time	1,885,539	1,823,721
Revenue recognised over time	3,755	3,144
	1,889,294	1,826,865

3. Income tax

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

	<u>Group</u>	
	3-month period ended 31 March 2022 RMB'000	3-month period ended 31 March 2021 RMB'000
<u>Current tax</u>		
Current tax expense	45,843	31,847
Adjustments in respect of prior years	348	519
	46,191	32,366
<u>Deferred tax</u>		
Deferred tax expense	(15,637)	(717)
	30,554	31,649

Adjustments for current tax:

	<u>Group</u>	
	3-month period ended 31 March 2022 RMB'000	3-month period ended 31 March 2021 RMB'000
Profit before tax	232,800	248,465
Loss: Share of results of equity-accounted associates	(44,419)	(48,473)
	188,381	199,992
Income tax expense at tax rate of 25%	47,095	49,998
Effect of concessionary tax rate at 15%	(13,461)	(13,403)
Non-deductible items	89	17
Non-taxable items	(9,425)	(25,594)
Unrecognised deferred tax assets	5,908	20,112
Adjustments in respect of prior years	348	519
	30,554	31,649

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

No dividend has been declared for the current financial period reported on. No dividend was declared for the corresponding period of the immediately preceding financial year.

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

There was no addition in investment in subsidiaries during the current reporting period.

8. Investments in associates

	<u>Group</u>
	3-month period ended 31 March 2022
	RMB'000
Movements in carrying value:	
At beginning of the period	729,660
Share of results of associates	44,419
Dividends	(12,000)

Other equity movements	465
At end of the period	762,544

9. Other financial assets

	<u>Group</u>	
	31 March 2022 RMB'000	31 December 2021 RMB'000
Other financial assets - current assets		
Investment in debt instruments at amortised cost	85,361	484,464
Other financial assets - non-current assets		
Investment in debt instruments at amortised cost	20,000	-
Investment in equity instruments at fair value through other comprehensive income	10,134	11,081
	30,134	11,081
	115,495	495,545

10. Other assets

	<u>Group</u>	
	31 March 2022 RMB'000	31 December 2021 RMB'000
Current assets		
Prepayments	34,718	48,538
Value-added taxes recoverable	51,498	59,202
Income tax recoverable	-	13,200
	86,216	120,940
Non-current assets		
Prepayment	22,223	42,333
	108,439	163,273

11. Trade and other receivables

	<u>Group</u>	
	31 March 2022 RMB'000	31 December 2021 RMB'000
<u>Trade receivables</u>		
Bills receivable	372,895	433,592
Interest receivable	-	15,550
Outside parties	2,061,979	1,649,775
Associates	4,776	4,937
Related parties	27,238	26,125
Less: Allowance for credit impaired	(8,308)	(6,349)
Less: Allowance for expected credit losses	(141,102)	(137,495)
	2,317,478	1,986,135
<u>Other receivable</u>		
Outside parties	50,331	52,428
Associates	27,835	27,861
Less: Allowance for expected credit losses	(59,618)	(55,105)
	18,548	25,184
Total	2,336,026	2,011,319

The ageing of the trade receivables balances was as follows:

	<u>Group</u>		
	<u>Gross amount</u> RMB'000	<u>ELR</u> %	<u>Loss allowance</u> RMB'000
31 March 2022			
Within 1 year	1,922,654	0.13	2,504
1 – 2 years	29,807	20.00	5,961
2 – 3 years	1,016	50.00	508
Over 3 years	132,208	100.00	132,208
Total	2,085,685		141,182
31 December 2021			
Within 1 year	1,528,997	0.13	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

12. Share capital and treasury shares

	<u>Group</u>	
	Number of treasury shares	Amount of treasury shares
	31 March 2022 '000	31 March 2022 RMB'000
Movements in share capital:		
At beginning of the period	-	-
Restricted A-Shares buy-back	-	-
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 December 2021.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 March 2022 and 31 March 2021.

The Company does not hold any treasury shares and there are no subsidiary holdings as at 31 March 2022 and 31 March 2021.

	As at 31 March 2022	As at 31 December 2021
Number of issued shares excluding treasury shares	773,443,076	773,443,076
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 March 2022 RMB'000	31 December 2021 RMB'000	31 March 2022 RMB'000	31 December 2021 RMB'000
<u>Repayable in</u> <u>one year or less,</u> <u>or on demand:</u>				
Bank borrowings	28,000	30,000	-	-
Subtotal	28,000	30,000	-	-
<u>Repayable after</u> <u>one year:</u>				
Bank borrowings	-	-	-	-
Subtotal	-	-	-	-
Total	28,000	30,000	-	-

13A. Details of any collaterals

The aforementioned loan of principal amount of RMB28 million is secured by a subsidiary's land use rights valued at a valuation of approximately RMB28 million as at 31 March 2022.

14. Trade and other payables

	<u>Group</u>	
	31 March 2022 RMB'000	31 December 2021 RMB'000
<u>Trade payables</u>		
Bills payable	570,481	643,887
Outside parties	547,328	588,094
Associates	3,500	2,178
Related parties	30,422	8,340
Employee benefits payables	176,152	132,057
	1,327,883	1,374,556
<u>Other payables</u>		
Outside parties	818,089	719,461
taxes payables	68,065	34,548
Dividend payable	15,725	15,725
Associates	-	39
Related parties	541	804
Subtotal	902,420	770,577
Total	2,230,303	2,145,133

15. Capital commitments

	<u>Group</u>	
	31 March 2022 RMB'000	31 December 2021 RMB'000
Contractual obligations to purchase and construct	193,450	219,231

16. Categories of financial assets and liabilities

	Group	
	31 March 2022 RMB'000	31 December 2021 RMB'000
<u>Financial assets</u>		
Financial assets at amortised cost	5,135,666	4,778,964
Financial assets at fair value through other comprehensive income	10,134	11,081
	5,145,800	4,790,045
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	2,237,010	2,160,747

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 2021.

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	
	3-month period ended 31 March 2022	3-month period ended 31 March 2021
	RMB	RMB
Based on weighted average number of ordinary shares in issue	0.26	0.28

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 March 2022	31 December 2021	31 March 2022	31 December 2021
	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	8.53	8.27	8.54	8.24

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 in the first quarter of the financial year ending 31 December 2022 ("**1Q FY2022**") was approximately RMB 1,889 million, an increase of approximately RMB 62 million or 3.4%, from RMB 1,827 million in the first quarter of the financial year ended 31 December 2021 ("**1Q FY2021**").

(b) Gross Profit Margin:

The Group's gross profit in 1Q FY2022 decreased by approximately RMB 27 million or 4% from approximately RMB 753 million in 1Q FY2021 to approximately RMB 727 million in 1Q FY2022. The gross profit margin decreased from 41% in 1Q FY2021 to 38% in 1Q FY2022.

(c) Other Gains:

Other gains in 1Q FY2022 was approximately RMB 5 million, a decrease of approximately RMB 4 million or 47%, from RMB 9 million in 1Q FY2021.

(d) Major Expenses:

- (i) Marketing and Distribution expenses in 1Q FY2022 was approximately RMB 426 million, a decrease by approximately RMB 6 million or 1.3% from approximately RMB 432 million in the previous corresponding period.

- (ii) Research and development expenses in 1Q FY2022 was approximately RMB 19 million, a decrease by approximately RMB 10 million or 33% from approximately RMB 29 million in the previous corresponding period.
- (iii) Administrative expenses in 1Q FY2022 was approximately RMB 97 million, a decrease by approximately RMB 4 million or 4% from approximately RMB 101 million in the previous corresponding period. This was mainly due to decrease in repair and maintenance.
- (iv) Other losses in 1Q FY2022 increased by approximately RMB 5 million or 56%, from approximately RMB 9 million in 1Q FY2021 to approximately RMB 14 million in 1Q FY2022. The increase was due to increase in the allowance for impairment of trade receivables compared to that in the corresponding reporting period end.

(e) Share of results of associated companies:

The Group's share of profits of associates in 1Q FY2022 was approximately RMB 44 million, a decrease by approximately RMB 4 million or 8% from approximately RMB 48 million in the previous corresponding period. This was mainly due to decrease in share of profits from Tianjin Hong Ren Tang Pharmaceutical Co., Ltd. (天津宏仁堂药业有限公司).

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 1Q FY2022 was approximately RMB 202 million, a decrease by RMB 15 million or 7% from approximately RMB 217 million in the previous corresponding period.

(g) Major changes in statement of financial positions:

- (i) As at 31 March 2022, the Group's cash and cash equivalents amounted to approximately RMB 2,694 million, which is an increase of approximately RMB 411 million or 18% over the balance as at 31 December 2021. The Group's short-term borrowings as at 31 March 2022 amounted to RMB 28 million, which is a decrease of approximately RMB 2 million over the balance as at 31 December 2021.
- (ii) Trade and other receivables was approximately RMB 2,336 million as at 31 March 2022, which is an increase of approximately RMB 325 million or 16% over the balance as at 31 December 2021. Of which, bills receivables decreased by approximately RMB 61 million, whereas trade receivables excluding bills receivables increased by approximately RMB 408 million.
- (iii) Inventories were approximately RMB 1,412 million as at 31 March 2022, which is a decrease by approximately RMB 113 million or 7% from the balance as at 31 December 2021.

- (iv) Other current assets decreased by approximately RMB 35 million or 29% to approximately RMB 86 million as at 31 March 2022.
 - (v) Investments in associates of the Group increased by approximately RMB 33 million or 5% to approximately RMB 763 million due to the increase in sharing of profits from associates.
 - (vi) Property, plant and equipment increased by approximately RMB 12 million or 1% to RMB 1,495 million.
- (h) Changes in cash flow position:
- (i) In 1Q FY2022, the Group recorded net cash inflow from operating activities of approximately RMB 66 million which has decreased by RMB 39 million as compared to 1Q FY2021. The decrease was mainly due to the increase in amount used in working capital.
 - (ii) Cash inflow from investing activities was approximately RMB 363 million in 1Q FY2022 which has increased by RMB 364 million as compared to 1Q FY2021. This was mainly attributable to proceeds received from disposal of other financial assets during the current reporting period.
 - (iii) Cash outflow from financing activities was approximately RMB 18 million in 1Q FY2022 which has increased by RMB 17 million as compared to 1Q FY2021. This was mainly attributable to the payment of dividends to the holders of the non-controlling interest during current reporting period.

21. Forecast, or a prospect statement

There was no forecast or 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

In recent years, since the institutional reform of the State Council of the PRC (国务院) (the "State Council") straightened out the management of the "three medicals (三医)" (namely, medicine (医药), medical insurance (医保), and medical care (医疗)) from the perspective of

the top-level design, the pharmaceutical industry has ushered in a new era of "three medical linkages (三医联动)", and the traditional Chinese medicine ("TCM") industry has been more obviously affected by the relevant policies. The State Council's regular policy briefing held on 11 February 2022 clearly pointed out that the reform of the centralized procurement with volume (集中带量采购) has entered a new stage of normalization and institutionalisation. Further to the alliance procurement (联盟采购) that has already been organized by some provinces last year, the scope of development will be further expanded in an orderly manner this year, with the centralized procurement of medicines to be carried out in an all-round way in the three major sectors, namely, chemical drugs, proprietary Chinese medicines, and biological drugs, and the promotion of the acceleration and expansion of the centralized procurement, which will bring uncertainties to the development of the TCM industry.

At the same time, the PRC government attaches great importance to the development of the TCM industry, and the Central Committee of the Communist Party of China has placed the work in relation to the TCM industry in a prominent position. In particular, after the outbreak of the COVID-19 pandemic, TCM has made important contributions to the prevention and control of the pandemic. The 2022 National Conference of Directors of Traditional Chinese Medicine pointed out that the implementation of major projects for the revitalization and development of the TCM industry should be taken as the starting point, with focus on the main line of high-quality development. It should place more emphasis on honing internal skills, strengthen academic development and improvement of disease prevention and treatment capabilities, strive to deepen the comprehensive reform of TCM industry, build a high-quality and efficient TCM service system, build a team of unique talents, and accelerate scientific and technological innovation of the TCM industry. Hence, it is expected that the TCM industry will develop rapidly.

The Company has always been firmly implementing high-quality requirements, seizing development opportunities, and responding to risks and challenges. The Company explores the market and promotes the growth of sales by focusing on improving quality and efficiency; actively promotes its brands and expands the brand influence; focuses on scientific research and serves market needs; strives to strengthen production management and control, continuously reduces costs and improves efficiency; and focuses on the daily management development of the Company. In the first quarter of 2022, despite the COVID-19 epidemic pandemic, the Group achieved an operating income of RMB 1.889 billion, a year-on-year increase of 3.4%, and net profit attributable to the parent of RMB 199 million, a year-on-year decrease of 6.4%.

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

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.

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>3 months ended 31 March</u>	
	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Sale of goods to associates	227	1,836
Purchase of goods from associates	(19,040)	(26,166)
Interest income from an associate	1,354	782
Interest expense payable to an associate	(271)	(302)
Rental income from an associate	-	147

	<u>3 months ended 31 March</u>	
	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Sale of goods to related companies	37,320	29,604
Purchase of goods from related companies	(61,832)	(42,420)
Rental expenses to related companies	(770)	(729)
Rental income from related companies	27	14

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 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)	
		3-month period ended 31 March 2022	3-month period ended 31 March 2021	3-month period ended 31 March 2022	3-month period ended 31 March 2021
		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), the controlling shareholder of the Company	The interest payable on the credit facilities provided by TPGF: 271	302	-	-

Total		271	302	-	-
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Note: As at 31 March 2022, placement of deposit with TPGF amounted to approximately RMB 594 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 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 FY2019.

The deposit of approximately RMB 594 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 (12 months)	Total
Balance of deposit	394,106	200,000	594,106

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 594 million placed with TPGF as at 31 March 2022 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 March 2022, 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.