

TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

Third Quarter Financial Statement (*) And Dividend Announcement

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

	<u>The Group</u>					
	3-month period from 1 July to 30 September 2023 RMB'000	3-month period from 1 July to 30 September 2022 RMB'000	Change %	9-month period from 1 January to 30 September 2023 RMB'000	9-month period from 1 January to 30 September 2022 RMB'000	Change %
Revenue	1,704,731	1,788,247	(5)	5,793,040	5,563,011	4
Cost of sales	(1,034,435)	(1,076,523)	(4)	(3,247,206)	(3,334,948)	(3)
Gross profit	670,296	711,724	(6)	2,545,834	2,228,063	14
Interest income	10,298	10,461	(2)	46,029	39,967	15
Dividend income	100		n.m	100		n.m
Other gains	6,275	78,449	(92)	18,689	88,901	(79)
Marketing and distribution costs	(388,927)	(388,941)	0	(1,454,602)	(1,244,739)	17
Research and development costs	(34,465)	(37,088)	(7)	(86,494)	(92,260)	(6)
Administrative expenses	(100,474)	(95,973)	5	(264,550)	(275,407)	(4)
Finance costs	(8,716)	(251)	n.m	(19,650)	(288)	n.m
Other losses	(17,844)	(11,017)	62	(35,356)	(27,663)	28
Share of profit of associates	16,006	30,735	(48)	211,284	131,346	61
Profit before income tax	152,549	298,098	(49)	961,284	847,920	13
Income tax expense	(24,993)	(29,850)	(16)	(119,261)	(101,707)	17
Profit, net of tax	127,556	268,248	(52)	842,023	746,213	13

	<u>The Group</u>					
	3-month period from 1 July to 30 September 2023 RMB'000	3-month period from 1 July to 30 September 2022 RMB'000	Change %	9-month period from 1 January to 30 September 2023 RMB'000	9-month period from 1 January to 30 September 2022 RMB'000	Change %
Other Comprehensive Loss Items that will not be reclassified to profit or loss:						
Fair Value Gain / (Loss) on equity investment measured at FVTOCI, net of tax		(129)	n.m	(2)	(845)	(100)
Share of other comprehensive income / (loss) from equity-accounted associates, net of tax	(534)	2,888	n.m	839	2,564	(67)
Other Comprehensive Income/(Loss) Items that may be reclassified subsequently to profit or loss:						
Total Other Comprehensive Income / (Loss), Net of Tax	(534)	2,759	n.m	837	1,719	(51)
Total comprehensive income	127,022	271,007	(53)	842,860	747,932	13

	The Group					
	3-month period from 1 July to 30 September 2023 RMB'000	3-month period from 1 July to 30 September 2022 RMB'000	Change %	9-month period from 1 January to 30 September 2023 RMB'000	9-month period from 1 January to 30 September 2022 RMB'000	Change %
Profit, net of tax attributable to:						
Owners of the parent	135,700	260,176	(48)	858,191	728,961	18
Non-controlling interests	(8,144)	8,072	n.m	(16,168)	17,252	n.m
	127,556	268,248	(52)	842,023	746,213	13
Total comprehensive income attributable to:						
Owners of the parent	135,166	262,935	(49)	859,028	730,680	18
Non-controlling interests	(8,144)	8,072	n.m	(16,168)	17,252	n.m
	127,022	271,007	(53)	842,860	747,932	13
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	0.17	0.34	(50)	1.11	0.95	17

(*) 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.

	The Group					
	3-month period from 1 July to 30 September 2023 RMB'000	3-month period from 1 July to 30 September 2022 RMB'000	Change %	9-month period from 1 January to 30 September 2023 RMB'000	9-month period from 1 January to 30 September 2022 RMB'000	Change %
Profit, net of tax is arrived at after crediting / (charging):						
Other income (including government grant)	6,302	75,343	(92)	18,195	84,322	(78)
Interest income	10,298	10,461	(2)	46,029	39,967	15
Interest on borrowings	(8,716)	(251)	n.m	(19,650)	(288)	n.m
Allowance for impairment on trade receivables – reversal / (loss)	(6,940)	(3,816)	82	(17,070)	(9,982)	71
Allowance for impairment on other receivables – reversal / (loss)	40	3,106	(99)	414	4,579	(91)
Impairment loss on inventories	(11,269)	(5,459)	n.m	(17,183)	(14,397)	19
Foreign currency translation losses, net	364	(1,274)	n.m	(1,102)	(2,813)	(61)
Gain on disposal of property, plant and equipment, intangible assets and other non-current assets	(67)	(95)	(29)	80	(213)	n.m
Investment income – Dividend income	100	-	n.m	100	-	n.m
Share-based payments	(578)	(1,603)	(64)	19,127	(5,179)	n.m
Depreciation and amortisation	(31,820)	(45,135)	(30)	(96,909)	(103,534)	(6)

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

	Note	The Group			The Company		
		As at 30 September 2023 RMB'000	As at 31 December 2022 RMB'000	Change %	As at 30 September 2023 RMB'000	As at 31 December 2022 RMB'000	Change %
ASSETS							
Non-current assets							
Property, plant and equipment		1,421,829	1,461,594	(3)	960,179	987,931	(3)
Right-of-use assets		1,501	2,994	(50)			
Investment properties		13,296	14,099	(6)	12,555	13,321	(6)
Land use rights		256,003	204,021	25	205,165	152,096	35
Intangibles assets		81,995	88,109	(7)	19,229	17,257	11
Goodwill	12	84,693	84,693	-			
Investment in subsidiaries	7				1,673,455	1,536,265	9
Investment in associates	8	795,086	760,193	5	795,086	760,193	5
Other financial assets	9	637,979	41,272	n.m	556,286	321	-
Deferred tax assets		236,090	208,352	13	205,244	179,689	14
Other non-financial assets	10	45,583	46,210	(1)	38,794	40,550	(4)
Total non-current assets		3,574,055	2,911,537	23	4,465,993	3,687,623	21
Current assets							
Inventories		1,674,592	1,429,452	17	1,173,731	785,984	49
Trade and other receivables	11	2,858,365	2,785,117	3	1,780,401	2,337,302	(24)
Other financial assets	9	41,067	40,615	1			
Other non-financial assets	10	113,728	107,736	6	49,077	14,377	n.m
Cash and cash equivalents		2,019,893	2,882,524	(30)	1,575,036	2,075,925	(24)
Total current assets		6,707,645	7,245,444	(7)	4,578,245	5,213,588	(12)
Total assets		10,281,700	10,156,981	1	9,044,238	8,901,211	2
EQUITY							
Equity							
Share capital	13	770,250	773,443	-	770,250	773,443	-
Share premium		1,207,895	1,228,740	(2)	1,207,895	1,228,740	(2)
Retained earnings		4,371,300	4,372,462	-	4,306,935	4,275,060	1
Other reserves		126,108	176,564	(29)	540,951	559,241	(3)
Total equity attributable to equity holders of the Company		6,475,553	6,551,209	(1)	6,826,031	6,836,484	-
Non-controlling interests		49,190	30,493	61			
Total equity		6,524,743	6,581,702	(1)	6,826,031	6,836,484	-

	The Group				The Company		
	As at 30 September 2023 RMB'000	As at 31 December 2022 RMB'000	Change %	As at 30 September 2023 RMB'000	As at 31 December 2022 RMB'000	Change %	
LIABILITIES							
Non-current liabilities							
Deferred tax liabilities	7,570	8,818	-				
Trade payables	10,091	10,091	-	9,005	9,005	-	
Lease liabilities	597	871	(31)				
Other financial liabilities	14	151,300	60	241,443	123,310	96	
Other non-financial liabilities		100,513	-	58,175	55,379	-	
Total non-current liabilities	360,760	271,593	33	308,623	187,694	64	
Current liabilities							
Income tax payable	71,559	93,280	(23)	57,152	76,138	(25)	
Trade and other payables	15	2,885,422	(8)	1,587,441	1,516,835	5	
Other financial liabilities	14	101,639	n.m	150,169	80,531	86	
Lease liabilities		4,097	(79)				
Other non-financial liabilities		219,248	(43)	114,822	203,529	(44)	
Total current liabilities	3,396,197	3,303,686	3	1,909,584	1,877,033	2	
Total liabilities	3,756,957	3,575,279	5	2,218,207	2,064,727	7	
Total equity and liabilities	10,281,700	10,156,981	1	9,044,238	8,901,211	2	

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

All in RMB'000

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-cont rolling interests	Total equity
Balance at 1 January 2023	773,443	1,228,740	176,564	4,372,462	6,551,209	30,493	6,581,702
Owner's contribution	-	-	-	-	-	2,880	2,880
Total comprehensive income for the period	-	-	837	858,191	859,028	(16,168)	842,860
Restricted A-Shares buy-back	(3,193)	(20,845)	-	3,326	(20,712)	-	(20,712)
Dividends	-	-	-	(862,679)	(862,679)	-	(862,679)
Non-cash contribution to subsidiary	-	-	(32,166)	-	(32,166)	31,985	(181)

Share-based payments	-	-	(19,127)	-	(19,127)	-	(19,127)
Balance at 30 September 2023	770,250	1,207,895	126,108	4,371,300	6,475,553	49,190	6,524,743

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-controlling interests	Total equity
Balance at 1 January 2022	773,443	1,228,740	504,077	3,890,250	6,396,510	149,352	6,545,862
Total comprehensive income for the period	-	-	1,719	728,961	730,680	17,252	747,932
Transfers from equity instruments at FVTOCI reserve	-	-	(6,813)	6,813	-	-	-
Dividends	-	-	-	(386,722)	(386,722)	-	(386,722)
Distribution to non-controlling interests	-	-	-	-	-	(14,965)	(14,965)
Acquisition of subsidiary	-	-	(9,073)	-	(9,073)	17,534	8,461
Share-based payments	-	-	5,179	-	5,179	-	5,179
Balance at 30 September 2022	773,443	1,228,740	495,089	4,239,302	6,736,574	169,173	6,905,747

All in RMB'000

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2023	773,443	1,228,740	559,241	4,275,060	6,836,484
Total comprehensive income for the period	-	-	837	891,228	892,065
Restricted A-Shares buy-back	(3,193)	(20,845)	-	3,326	(20,712)
Dividends	-	-	-	(862,679)	(862,679)
Share-based payments	-	-	(19,127)	-	(19,127)
Balance at 30 September 2023	770,250	1,207,895	540,951	4,306,935	6,826,031

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2022	773,443	1,228,740	553,504	3,818,874	6,374,561
Total comprehensive income for the period	-	-	1,719	745,708	747,427
Transfers from equity instruments at FVTOCI reserve	-	-	(6,813)	6,813	-
Dividends	-	-	-	(386,721)	(386,721)
Share-based payments	-	-	5,179	-	5,179
Balance at 30 September 2022	773,443	1,228,740	553,589	4,184,674	6,740,446

1(c) Condensed Interim Consolidated Statement of Cash Flows

	The Group			
	3-month period from 1 July to 30 September 2023 RMB'000	3-month period from 1 July to 30 September 2022 RMB'000	9-month period from 1 January to 30 September 2023 RMB'000	9-month period from 1 January to 30 September 2022 RMB'000
<u>Cash flows from operating activities</u>				
Profit before income tax	152,549	298,098	961,284	847,920
Interest income	(10,298)	(10,461)	(46,029)	(39,967)
Interest expense	8,716	251	19,650	288
Dividend income	(100)		(100)	-
Other gains	(4,685)	(72,611)	(8,012)	(77,059)
Share of profit of equity-accounted associates	(16,006)	(30,735)	(211,284)	(131,346)
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	31,820	45,135	96,909	103,534
Gain on disposals of property, plant and equipment, intangible assets and other non-current assets	67	95	(80)	213
Impairment on trade and other receivables – loss / (reversal)	18,169	6,168	33,839	19,800

	<u>The Group</u>			
	3-month period from 1 July to 30 September 2023 RMB'000	3-month period from 1 July to 30 September 2022 RMB'000	9-month period from 1 January to 30 September 2023 RMB'000	9-month period from 1 January to 30 September 2022 RMB'000
Share-based payments	578	1,603	(19,127)	5,179
Operating cash flows before changes in working capital	180,810	237,544	827,050	728,563
Inventories	(7,919)	(41,882)	(262,323)	189,857
Trade and other receivables	(24,406)	(118,063)	(109,347)	(782,692)
Other assets	(15,319)	6,590	(7,278)	61,614
Trade and other payables	(164,958)	40,851	(229,186)	213,600
Cash restricted in use	11,301	(63,324)	79,861	(149,210)
Other liabilities	757	(10,883)	(93,640)	(125,438)
Net cash flows from operations	(19,734)	50,833	205,137	136,294
Income tax paid	(31,813)	(23,875)	(169,981)	(49,787)
Net cash flows from operating activities	(51,547)	26,958	35,156	86,507
Cash flows from investing activities				
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	(18,549)	(16,928)	(83,649)	(70,324)
Acquisition of financial assets	(50,000)	(300,000)	(630,000)	(380,000)
Acquisition of subsidiary (net of cash acquired)		(47,848)		(47,848)
Proceeds from disposal of financial assets			49,649	454,920
Dividends income received from associates and financial assets	70,099		177,330	165,075
Proceeds from disposals of property, plant and equipment, intangible assets and other assets		(91)	186	(87)
Interest income received	10,298	10,461	46,881	73,715
Net cash flows used in investing activities	11,848	(354,406)	(439,603)	195,451

	<u>The Group</u>			
	3-month period from 1 July to 30 September 2023 RMB'000	3-month period from 1 July to 30 September 2022 RMB'000	9-month period from 1 January to 30 September 2023 RMB'000	9-month period from 1 January to 30 September 2022 RMB'000
Cash flows from financing activities				
Cash Received from Minority Shareholders for Subsidiary Equity Absorption			2,880	
Increase in new loans and borrowings	150,000	17,409	719,058	38,940
Dividends paid to equity owners	(1,017)	(120)	(859,425)	(385,357)
Distribution to non-controlling interests		(565)		(14,965)
Interest paid	(3,644)	(262)	(11,454)	(802)
Loans and borrowings paid	(177,890)	(10)	(200,383)	(2,010)
Repayment of borrowings and lease liabilities	(520)	(168)	(28,183)	(1,059)
Net cash flows used in financing activities	(33,071)	16,284	(377,507)	(365,253)
Net (decrease) / increase in cash and cash equivalents	(72,770)	(311,164)	(781,954)	(83,295)
Unrealised foreign exchange adjustments	6		(816)	
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	2,001,527	2,511,050	2,711,533	2,283,181
Cash and cash equivalents, consolidated statement of cash flows, ending balance	1,928,763	2,199,886	1,928,763	2,199,886

Notes to the Condensed Interim Financial Statements

30 September 2023

1. General

Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (formerly known as Tianjin Zhong Xin Pharmaceutical Group Corporation Limited) (the “**Company**”) is incorporated in the People’s Republic of China (the “**PRC**”) as a joint stock limited company. The Company is listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the Shanghai Stock Exchange (the “**SSE**”).

The financial statements are presented in Chinese Renminbi (“**RMB**”) and have been rounded to the nearest thousand (“RMB’000”) unless when otherwise indicated, and they cover the Company and its subsidiaries (collectively, the “**Group**”), and the Group’s interests in associates.

The board of directors of the Company had, on 30 October 2023, approved and authorised these condensed interim financial statements for announcement on SGXNET.

The principal activities of the Group are disclosed in note 2 on segment information.

The registered office of the Company is located at 17 Baidi Road, Nankai District, Tianjin, the PRC 300193. The principal place of business of the Company is in Tianjin, the PRC.

The financial information contained in this announcement has neither been audited nor reviewed by the auditors.

The latest audited annual financial statements were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

The Company is not required to announce its quarterly financial statements on SGXNET pursuant to the requirements of the listing manual of the SGX-ST (the “**Listing Manual**”). However, since the Company is required to announce its quarterly financial statements in accordance with the requirements of the SSE, the Company is voluntarily announcing its quarterly financial statements on SGXNET.

The COVID-19 pandemic has no significant adverse effect on the Group’s financial position and results for the current financial period reported on.

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the provisions of the SGX Mainboard Listing Rules.

The accounting policies and methods of computation applied in these condensed consolidated interim financial statements are consistent with those of the latest audited annual financial statements. However, the typical notes and information included in the latest audited annual financial statements are not included in these interim financial statements except for the selected explanatory notes included to explain events and transactions that are significant to an understanding of the changes in the performance and financial position of the Group since the latest audited annual financial statements.

The estimates and assumptions contained in these condensed consolidated interim financial statements are periodically monitored to ensure that they incorporate all relevant information available at the date when the financial statements are prepared. However, this does not prevent actual figures differing from estimates. The nature and the carrying amount of such significant assets and liabilities are disclosed with further details in the relevant Notes to these condensed consolidated interim financial statements.

2. Financial information by operating segments

2A. Information about reportable segment profit or loss

For management purposes, the Group is segregated into the Chinese Medicine and Western Medicine major strategic operating segments.

2B. Profit or loss from continuing operations and reconciliations

	<u>Chinese medicine</u>	<u>Western medicine</u>	<u>Other</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
9-month period ended 30 September 2023				
Revenue	4,194,699	1,084,442	513,899	5,793,040
Cost of sales	1,808,724	1,006,962	431,520	3,247,206
Gross profit	2,385,975	77,480	82,379	2,545,834
9-month period ended 30 September 2022				
Revenue	3,926,852	1,211,843	424,316	5,563,011
Cost of sales	1,845,606	1,103,753	385,589	3,334,948
Gross profit	2,081,246	108,090	38,727	2,228,063

2C. Disaggregation of revenue from contracts with customers

	Group	
	9-month period ended 30 September 2023 RMB'000	9-month period ended 30 September 2022 RMB'000
Sale of goods recognised at point in time	5,785,025	5,549,376
Revenue recognised over time	8,015	13,635
	5,793,040	5,563,011

3. Income tax

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

	Group	
	9-month period ended 30 September 2023 RMB'000	9-month period ended 30 September 2022 RMB'000
<u>Current income tax</u>		
Current income tax	150,899	130,089
Adjustments in respect of prior years	(2,651)	350
	148,248	130,439
<u>Deferred tax</u>		
Deferred tax	(28,987)	(28,732)
	119,261	101,707

3B. Adjustments for current income tax

	Group	
	9-month period ended 30 September 2023 RMB'000	9-month period ended 30 September 2022 RMB'000
Profit (Loss) before tax	961,284	847,919
Loss: Share of profit of equity-accounted associates	(211,284)	(131,346)
	750,000	716,573
Income tax expense at the above rate	187,500	179,143
Effect of concessionary tax rate at 15%	(51,713)	(39,214)
Non-deductible items	99	97
Non-taxable items	(31,708)	(40,084)
Unrecognised deferred tax assets	17,734	1,415

Adjustments in respect of prior years	(2,651)	350
	119,261	101,707

4. Disposal of subsidiaries

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

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

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

5. Dividends on equity shares

	9-month period ended 30 September 2023	9-month period ended 30 September 2022
Type	Cash	Cash
Dividend rate	RMB1.12 per ordinary share	RMB0.5 per ordinary share
Record date	29 May 2023	25 May 2022
Date paid or payable	6 June 2023	2 June 2022

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

6. Acquisition of subsidiaries / subsidiary / business combination

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

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

7. Investments in subsidiaries

	<u>Company</u>
	9-month period ended 30 September 2023
	RMB'000
Movements during the period:	
At beginning of the period	1,536,265
Additions	229,770
Reductions	92,580
At the end of the period	1,673,455

During the current financial period reported on, the Company made capital injections into its two (3) subsidiaries, namely NewScen Coast Bio-Pharmaceutical Co., Ltd. (天津中新科炬生物制药股份有限公司), Tianjin Hebei Da Ren Tang Hospital Co., Ltd. (天津河北达仁堂医院有限公司) and Tianjin Zhong Xin Xinxin Pharmaceutical (Cang Zhou) Co., Ltd. (天津中新药业集团新新(沧州)制药有限公司). Additionally, an impairment provision was recognized for the equity of Tianjin Shin Poong Pharmaceutical Co., Ltd. (天津新丰制药有限公司), being a subsidiary of the Company. As mentioned above, during the current financial period reported on, the Company's two (2) wholly-owned subsidiaries, namely, Zhejiang Zhongxin Chuangrui Investment Co., Ltd. (浙江中新创睿投资有限公司) and Tianjin Zhongxin Pharmaceutical Research Institute Co., Ltd. (天津中新药业研究院有限公司) were deregistered.

8. Investments in associates

	<u>Group</u>
	9-month period ended 30 September 2023
	RMB'000
Movements in carrying value:	
At beginning of the period	760,193
Share of profit of associates	211,284
Dividends	(177,230)
Other equity movements	839
At end of the period	795,086

9. Other financial assets

	<u>Group</u>	
	As at 30 September 2023 RMB'000	As at 31 December 2022 RMB'000
Other financial assets - current assets		
Investment in debt instruments at amortised cost	41,067	40,615
Other financial assets - non-current assets		
Investment in debt instruments at amortised cost	637,660	40,951
Investment in equity instruments at fair value through other comprehensive income	319	321
	637,979	41,272
	679,046	81,887

10. Other non-financial assets

	<u>Group</u>	
	As at 30 September 2023 RMB'000	As at 31 December 2022 RMB'000
Current assets		
Prepayments	84,103	71,529
Value-added taxes recoverable	29,625	35,968
Income tax recoverable		239
	113,728	107,736
Non-current assets		
Prepayment	45,583	46,210
	159,311	153,946

11. Trade and other receivables

	<u>Group</u>	
	As at 30 September 2023 RMB'000	As at 31 December 2022 RMB'000
<u>Trade receivables</u>		
Bills receivable	234,178	578,369
Outside parties	2,714,419	2,260,367
Associates	3,153	4,758
Related parties	51,417	35,586
Less: Allowance for credit impaired	(7,387)	(10,203)
Less: Allowance for expected credit	(163,408)	(144,295)

losses		
	2,832,372	2,724,582
<u>Other receivable</u>		
Outside parties	37,630	56,507
Associates	17,535	17,561
Related parties	10,638	26,690
Less: Allowance for expected credit losses	(39,810)	(40,223)
	25,993	60,535
Total	2,858,365	2,785,117

The ageing of the trade receivables balances was as follows:

	<u>Group</u>		
	<u>Gross amount</u> RMB'000	<u>ECL</u> %	<u>Loss allowance</u> RMB'000
As at 30 September 2023			
Within 1 year	2,521,938	0.13	3,278
1 – 2 years	95,659	20.00	19,132
2 – 3 years	6,015	50.00	3,008
Over 3 years	137,990	100.00	137,990
Total	2,761,602		163,408
As at 31 December 2022			
Within 1 year	2,108,454	0.14	2,936
1 – 2 years	42,443	19.00	8,212
2 – 3 years	5,847	31.00	1,815
Over 3 years	133,765	98.00	131,332
Total	2,290,509		144,295

12. Goodwill

There was no change in goodwill in the current financial period reported on.

13. Share capital and treasury shares

	Group	
	Number of treasury shares	Amount of treasury shares
	As at 30 September 2023 '000	As at 30 September 2022 RMB'000
Movements in share capital:		
At beginning of the period	-	-
Restricted A-Shares buy-back	(3,193)	(3,193)
At end of the period	-	-

There has been no change in the Company's share capital since the end of the previous period reported on, being 30 June 2023.

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

As announced on 10 January 2023, an aggregate of 3,193,000 Restricted A-Shares will be repurchased or cancelled by the Company in accordance with the relevant provisions of the 2019 Restricted A-Shares Incentive Scheme. Upon completion, the total number of shares in the capital of the Company will be reduced from 773,443,076 shares to 770,250,076 shares. Accordingly, during the 9-month period ended 30 September 2023, 3,193,000 Restricted A-Shares were bought back and cancelled.

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

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

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

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

14A. Details of any collaterals

The aforementioned loan of principal amount of RMB27.99 million was secured by a subsidiary's land use rights valued at a valuation of approximately RMB24.75 million as at 30 September 2023. This loan has been repaid in the current financial period reported on.

15. Trade and other payables

	<u>Group</u>	
	As at 30 September 2023	As at 31 December 2022
	RMB'000	RMB'000
<u>Trade payables</u>		
Bills payable	404,984	681,563
Outside parties	570,987	688,693
Associates	4,004	6,352
Related parties	28,200	29,280
Employee benefits payables	209,973	206,061
	1,218,148	1,611,949
<u>Other payables</u>		
Outside parties	1,346,304	1,135,590
taxes payables	66,849	103,575
Dividend payable	24,007	17,596
Associates	-	3,800

Related parties	13,244	12,912
Subtotal	1,450,404	1,273,473
Total	2,668,552	2,885,422

16. Capital commitments

	Group	
	As at 30 September 2023 RMB'000	As at 31 December 2022 RMB'000
Contractual obligations to purchase and construct	180,747	180,009

17. Categories of financial assets and liabilities

	Group	
	As at 30 September 2023 RMB'000	As at 31 December 2022 RMB'000
<u>Financial assets</u>		
Financial assets at amortised cost	5,556,985	5,749,207
Financial assets at fair value through other comprehensive income	319	321
	5,557,304	5,749,528
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	2,680,095	2,900,482

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

The Group has applied the same accounting policies and method of computation as presented in the audited financial statements of the Group for the reporting year ended 31 December 2022.

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

(a) Based on the weighted average number of ordinary shares on issue; and

(b) On a fully diluted basis (detailing any adjustments made to the earnings)

	Group	
	9-month period ended 30 September 2023	9-month period ended 30 September 2022
	RMB	RMB
Based on weighted average number of ordinary shares in issue	1.11	0.95

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

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

(a) current financial period reported on; and

(b) immediately preceding financial year.

	Group		Company	
	As at 30 September 2023	As at 31 December 2022	As at 30 September 2023	As at 31 December 2022
	RMB	RMB	RMB	RMB
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	8.41	8.47	8.86	8.84

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

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

(a) Revenue:

The Group's revenue in the third quarter of FY2023 ("**3Q FY2023**") was approximately RMB 1,705 million, a decrease of approximately RMB 84 million, or 5%, from RMB 1,788 million in the third quarter of FY2022 ("**3Q FY2022**"). For the 9-month period ended 30 September 2023 ("**9M 2023**"), the Group recorded a revenue of approximately RMB 5,793 million, an increase of approximately RMB 230 million, or approximately 4% over the corresponding period in FY2022, which was mainly driven by the Company's implementation of the "Three Cores and Nine Wings" strategic plan and thus, a significant year-on-year increase in sales revenue, particularly in key and major product categories.

(b) Gross Profit Margin:

The Group's gross profit in 3Q FY2023 decreased by approximately 6% from approximately RMB 712 million in 3Q FY2022 to approximately RMB 670 million. For 9M 2023, the Group's gross profit was approximately RMB 2,546 million compared to approximately RMB 2,228 million in the corresponding period of FY2022, with an increase of approximately 14% amounting to approximately RMB 318 million. The gross profit margin has increased from 40% in the 9-month period ended 30 September 2022 ("**9M 2022**") to 44% in 9M 2023. The increase was mainly due to changes in sales structure, with a higher proportion of sales revenue from major products with higher gross margins, which increased the overall gross margin.

(c) Other Gains:

Other gains in 3Q FY2023 were RMB 6 million. For 9M 2023, the Group's other gains were approximately RMB 19 million, a decrease of approximately RMB 70 million over the previous corresponding period mainly due to the increase in investment income of RMB72.01 million resulting from the acquisition of NewScen Coast Bio-Pharmaceutical Co., Ltd. (天津中新科炬生物制药股份有限公司) in FY2022.

(d) Major Expenses:

(i) Marketing and Distribution costs in 3Q FY2023 were approximately RMB 389 million. For 9M 2023, the Marketing and Distribution costs were approximately RMB 1,455 million, an increase of approximately RMB 210 million or 17% over the previous corresponding period, mainly due to the year-on-year increase in sales revenue.

(ii) Research and Development costs in 3Q FY2023 were approximately RMB 34 million, a decrease of approximately RMB 3 million or 7% over the previous corresponding period. For 9M 2023, the Research and Development costs decreased by approximately RMB 6 million, from approximately RMB 92 million in 9M 2022 to approximately RMB 86 million.

(iii) Administrative expenses in 3Q FY2023 increased by approximately RMB 5 million, from approximately RMB 96 million in 3Q FY2022. For 9M 2023, the administration expenses were approximately RMB 265 million, a decrease of approximately RMB 11 million. The decrease was mainly due to the repurchase of some Restricted A-Shares as mentioned in note 13 above and a year-on-year decrease of RMB 24.31 million in equity incentive expenses.

(iv) Finance costs in 3Q FY2023 increased by approximately RMB 8 million to approximately RMB 9 million, while for 9M 2023, the finance costs increased by approximately RMB 19 million from approximately RMB 0.29 million to approximately RMB 20 million. This was mainly due to a year-on-year increase in loan interest expenses.

(v) Other losses in 3Q FY2023 increased by approximately RMB 7 million, while for 9M 2023, the other losses were approximately RMB 35 million, an increase of approximately RMB 8 million. The increase was mainly due to a year-on-year decrease in the collection of historical debts.

(e) Share of results of associated companies:

The Group's share of profits of associated companies in 3Q FY2023 was approximately RMB 16 million, a decrease of approximately RMB 15 million or 48% over the previous corresponding period. The Group's share of profits of associated companies in 9M 2023 increased from approximately RMB 131 million to approximately RMB 211 million. This was mainly due to a year-on-year increase in investment income from Sino-American Tianjin SmithKline & French Lab., Ltd. (中美天津史克制药有限公司)'s profit growth.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 3Q FY2023 was approximately RMB 127 million, a decrease of 53% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 9M 2023 was approximately RMB 843 million, an increase of approximately RMB 95 million or 13% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 3Q FY2023 was approximately RMB 136 million, a decrease of 48% over the previous corresponding period. The profit attributable to equity holders of parent (net of tax) in 9M 2023 was approximately RMB 858 million, an increase of approximately RMB 129 million, or 18% from RMB 729 million of the corresponding period in 9M 2022.

(g) Major changes in statement of financial positions:

As at 30 September 2023, the Group's cash and cash equivalents amounted to approximately RMB 2,020 million, which is a decrease of approximately RMB 863 million, or 30% over the balance as at 31 December 2022. The Group's borrowings as at 30 September 2023 amounted to RMB 772 million, which is an increase of approximately RMB 519 million over the balance as at 31 December 2022.

Trade and other receivables increased by approximately 3% or RMB 73 million to approximately RMB 2,858 million as at 30 September 2023.

Inventories were approximately RMB 1,675 million as at 30 September 2023, which is an increase of approximately RMB 245 million, or 17% over the balance as at 31 December 2022.

Other current assets increased by approximately 6% or RMB 6 million to approximately RMB 114 million as at 30 September 2023.

Investment in associates of the Group increased by 5% to approximately RMB 795 million due to the decrease in sharing of profits from associates.

Property, plant and equipment decreased by approximately RMB 40 million to approximately RMB 1,422 million.

(h) Change in cash flow position:

In 9M 2023, the Group recorded net cash inflow from operating activities of approximately RMB 35 million which has decreased by RMB 51 million as compared to 9M 2022. The decrease was mainly due to a year-on-year increase in cash payments for the purchase of goods and receipt of services.

Cash outflow from investing activities was approximately RMB 440 million in 9M 2023 which has decreased by RMB 635 million as compared to 9M 2022. This was mainly attributable to a decrease of RMB 405.27 million in cash received from investment recovery, and an increase of RMB 250 million in cash paid for investments.

Cash outflow from financing activities was approximately RMB 378 million in 9M 2023 which has increased by RMB 12 million as compared to 9M 2022. The increase was mainly due to a year-on-year increase of RMB 481.74 million in the net cash flow from borrowings received and repayments made, a year-on-year increase of RMB 459.10 million in dividend payments and a year-on-year increase of RMB 27.12 million in payments for restricted stock buybacks.

22. Forecast, or a prospect statement

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

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

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

In recent years, China has been encouraging the development of Traditional Chinese Medicine (TCM), and the policy direction is favorable for the long-term growth of companies in the TCM sector. Various factors, including the impact of the COVID-19 pandemic, have contributed to the resurgence of interest in TCM. On one hand, with the shift in the focus of epidemic prevention and control from "infection prevention" to "health maintenance and severe condition prevention," as indicated in the newly introduced "14th Five-Year Plan for the Development of Traditional Chinese Medicine," "Several Policy Measures to Accelerate the Development of Traditional Chinese Medicine," and the "Major Project Implementation Plan for the Revitalization and Development of Traditional Chinese Medicine," China supports the application and popularity of TCM clinical departments at the grassroots level, and the demand for TCM in clinical practice is expected to increase significantly.

On the other hand, China has issued a series of policies and regulations in relation to drug innovation, creating a more favorable market environment for TCM research and development. The continuous improvement of internet medical management policies supports companies in exploring new models of "Internet + Medicine," integrating online and offline services. The ongoing deepening of healthcare reform, represented by the "three-tiered medical linkage" model, significantly influences the direction of the pharmaceutical industry. The frequent introduction of policies such as the "Regulations for Quality Management of Chinese Medicinal Materials Production" and the "14th Five-Year Plan for Drug Regulation Network Security and Informatization Construction" sets new requirements for the higher-quality development of the pharmaceutical industry. In a landscape of the coexistence of opportunities and challenges, the TCM industry is poised to play a more significant role in the construction of a Healthy China.

The Group has a long and illustrious history with a deep-rooted brand heritage. Through over a century of inheritance and continuous exploration, the Group's business has achieved a comprehensive coverage of the entire TCM industry chain. With a rich product portfolio, it boasts a range of well-known Chinese patent medicine products, with the famous Suxiao Jiuxin Wan (速效救心丸) as a prominent example. The Group is wholeheartedly committed to the implementation of the "Three Cores and Nine Wings" overall strategic plan, focusing on the

market and integrated marketing, constructing a responsive marketing system, and enhancing the quality and efficiency of the entire industry chain to drive business performance growth. In the third quarter of 2023, the Group achieved operating revenue of RMB 5.79 billion, representing a year-on-year growth of 4.1%. The net profit attributable to the parent company reached RMB 860 million, reflecting a year-on-year increase of 17.6%.

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

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

If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared for the current financial period reported on. The Company will conduct a review at the end of the financial year.

Please refer to note 5 above for further details on the dividends declared and paid in respect of FY2022 during the 9-month period ended 30 September 2023.

25. Related party transactions

There are transactions and arrangements between the Group and its subsidiaries and associates and the effects of these transactions as determined between the parties are reflected in these financial statements. The related company balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intra-group transactions and balances that have been eliminated in these condensed consolidated financial statements are not disclosed as related party transactions and balances below.

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	<u>9-month period ended 30 September</u>	
	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Sale of goods to associates	907	239
Purchase of goods from associates	(60,711)	(54,771)
Interest income from an associate	11,994	8,153
Interest expense payable to an associate	(6,513)	(802)

	<u>9-month period ended 30 September</u>	
	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Sale of goods to related companies	157,872	117,200
Purchase of goods from related companies	(172,271)	(196,787)
Rental expenses to related companies	(2,189)	(2,263)
Rental income from related companies	184	55

26. Interested Person Transaction disclosure

The Group has obtained a general mandate (the “**IPT General Mandate**”) from the Shareholders for interested person transactions (the “**IPTs**”) at the annual general meeting held on 15 May 2023 for FY2022. 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 169 to 189 of the Company’s annual report for FY2022) 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 15 May 2023 for FY2022. Please refer to the annexure dated 28 April 2023 (the “**28 April 2023 Annexure**”) in relation to the foregoing IPT 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)	
		9-month period ended 30 September 2023	9-month period ended 30 September 2022	9-month period ended 30 September 2023	9-month period ended 30 September 2022
		RMB'000	RMB'000	RMB'000	RMB'000
Tianjin Pharmaceutical Group Finance Co., Ltd (天津医药集团财务有限公司) ("TPGF")	Subsidiary of Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司) ("TPH"), the controlling shareholder of the Company	The interest payable on the credit facilities provided by TPGF: 6,513	802	-	-
Total		6,513	802	-	-

Note: As at 30 September 2023, placement of deposit with TPGF amounted to approximately RMB 579.085 million.

As disclosed in the 28 April 2023 Annexure in relation to the proposed financial services agreement to be entered into between the Company and TPGF as an interested person transaction, TPGF shall provide certain financial services to the Company under the aforesaid financial services agreement, including deposit business services.

As further disclosed in the 28 April 2023 Annexure, the deposit services provided by TPGF will enhance the management of funds of the Company and improve the Company's efficiency in the use of available funds. The management of funds is enhanced as:

(i) there is security of funds as TPGF provides safe and efficient online banking services to the member entities in the TPH Group (comprising TPH, its subsidiaries and associated

companies, including the Company), and these member entities can monitor the changes in the funds deposited in their accounts with TPGF at any time;

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

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

In this regard, as disclosed in the 28 April 2023 Annexure, the Company has opened/ will open a deposit account with TPGF and deposit the funds in such account. Further, the maximum daily balance in the deposit account (including interest) shall not exceed RMB 1,500 million. Please refer to the 28 April 2023 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 15 May 2023 for FY2022.

The deposit of approximately RMB 579.085 million placed with TPGF as at 30 September 2023 falls within the limit of RMB 1,500 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	359,085	220,000	579,085

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 579.085 million placed with TPGF as at 30 September 2023 has not been included in the IPT table set out above to prevent confusion to Shareholders. Due to the nature of deposit, the monies deposited in the account can be withdrawn and/or deposited as and when necessary, save as disclosed above in relation to fixed deposit and subject to the maximum daily balance limit as stated above. As such, it is not calculated across a financial period, and the Company is of the

view that it is more meaningful to disclose the amount of the deposit placed with TPGF as at the end of the financial period under review. Accordingly, this disclosure has been presented separately from the IPT table set out above.

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

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual.

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

Pursuant to Rule 704(13) of the Listing Manual, the Company confirms that, to the best of its knowledge, belief and information, as of the date hereof, none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a Director, Chief Executive Officer or Substantial Shareholder of the Company.

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

The Board of Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim consolidated financial results for the financial period ended 30 September 2023, to be false or misleading in any material respect.

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

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

As disclosed in note 6 above, for the current financial period reported on, the Group had not acquired any shares of a company resulting in such company becoming a subsidiary or an associated company of the Company, and had also not acquired any shares resulting in the Company increasing its shareholding percentage in a subsidiary or an associated company.