

TIANJIN PHARMACEUTICAL DA REN TANG GROUP CORPORATION LIMITED

Full Year Financial Statement (\*) And Dividend Announcement

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

	The Group		Change
	2022 RMB'000	2021 RMB'000	%
<b>Revenue</b>	<b>8,249,250</b>	6,907,544	19
Cost of sales	<b>(5,032,282)</b>	(4,214,548)	19
<b>Gross profit</b>	<b>3,216,968</b>	2,692,996	19
Interest income	<b>56,125</b>	50,483	11
Dividend income	-	-	n.m
Other income and gains	<b>102,385</b>	69,844	47
Marketing and distribution expenses	<b>(1,969,265)</b>	(1,556,447)	27
Research and development expenses	<b>(153,147)</b>	(161,052)	(5)
Administrative expenses	<b>(388,355)</b>	(388,769)	0
Finance costs	<b>(13,158)</b>	(1,909)	n.m
Other losses	<b>(67,977)</b>	(17,937)	n.m
Share of results of equity-accounted associates	<b>196,613</b>	185,597	6
<b>Profit before tax</b>	<b>980,189</b>	872,806	12
Income tax expense	<b>(106,931)</b>	(85,929)	24
<b>Profit for the year</b>	<b>873,258</b>	786,877	11
<b>Other comprehensive income</b>			
<b><i>Items that will not be reclassified to profit or loss</i></b>			
Fair value gain on equity investment measured at FVTOCI, net of tax	<b>(944)</b>	2,323	n.m
Share of other comprehensive (loss) / income from equity-accounted associates, net of tax	<b>6,995</b>	5,111	37
<b>Other comprehensive (loss) / Income for the year</b>	<b>6,051</b>	7,434	n.m
<b>Total comprehensive income for the year</b>	<b>879,309</b>	794,311	10

	The Group		Change
	2022 RMB'000	2021 RMB'000	%
<b>Profit for the year attributable to:</b>			
Owners of the parent	<b>861,794</b>	769,143	12
Non-controlling interests	<b>11,464</b>	17,734	(35)
	<b>873,258</b>	786,877	11
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent	<b>867,845</b>	776,577	11
Non-controlling interests	<b>11,464</b>	17,734	(35)
	<b>879,309</b>	794,311	10
Earnings per ordinary share for the period based on net profits after deducting any provision for preference dividends:			
<b>Based on weighted average number of ordinary share on issue</b>	<b>1.12</b>	1.00	12

(\*) 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		
	2022 RMB'000	2021 RMB'000	Change %
Profit for the year is arrived at after crediting / (charging):			
Other income (including government grants)	<b>86,894</b>	46,890	85
Interest income	<b>56,125</b>	50,483	11
Interest on borrowings	<b>(13,158)</b>	(1,909)	n.m
Allowance for impairment of trade receivables – (loss) / reversal	<b>(9,223)</b>	(4,893)	88
Allowance for impairment of other receivables – (loss) / reversal	<b>6,728</b>	(2,703)	n.m
Impairment of goodwill	<b>(19,571)</b>	-	
Impairment of property, plant and equipment	<b>(180)</b>	-	
Inventories written down – reversal / (loss)	<b>(36,122)</b>	(10,341)	n.m
Foreign currency translation gains / (losses), net	<b>(2,436)</b>	688	n.m
Employment termination benefits – reversal / (charge)	<b>8,092</b>	11,877	n.m
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	<b>671</b>	10,389	(94)
-Dividend income	-	-	
Share-based payments	<b>(6,825)</b>	(10,152)	(33)
Depreciation and amortisation	<b>(120,669)</b>	(117,794)	2

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

	Note	The Group			The Company		
		31 December 2022 RMB'000	31 December 2021 RMB'000	Change %	31 December 2022 RMB'000	31 December 2021 RMB'000	Change %
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment		1,461,594	1,483,273	(1)	987,931	1,047,816	(6)
Right-of-use assets		2,994	3,054	(2)	-	-	
Investment properties		14,099	15,177	(7)	13,321	14,349	(7)
Land use rights		204,021	182,638	12	152,096	156,907	(3)
Intangibles assets		88,109	20,270	n.m	17,257	18,568	(7)
Goodwill	12	84,693					
Investment in subsidiaries	7	-	-		1,536,265	535,525	n.m
Investment in associates	8	760,193	729,660	4	760,193	729,660	4
Other financial assets	9	41,272	11,081	n.m	321	11,081	(97)
Deferred tax assets		208,352	154,605	35	179,689	140,059	28
Other assets	10	46,210	42,333	9	40,550	40,067	1
<b>Total non-current assets</b>		<b>2,911,537</b>	<b>2,642,091</b>	<b>10</b>	<b>3,687,623</b>	<b>2,694,032</b>	<b>37</b>
<b>Current assets</b>							
Inventories		1,429,452	1,525,089	(6)	785,984	1,391,957	(44)
Trade and other receivables	11	2,785,117	2,011,319	38	2,337,302	1,941,982	20
Other financial assets	9	40,615	484,464	(92)	-	374,829	
Other assets	10	107,736	120,940	(11)	14,377	103,188	(86)
Cash and cash equivalents		2,882,524	2,283,181	26	2,075,925	2,055,683	1
<b>Total current assets</b>		<b>7,245,444</b>	<b>6,424,993</b>	<b>13</b>	<b>5,213,588</b>	<b>5,867,639</b>	<b>(11)</b>
<b>Total assets</b>		<b>10,156,981</b>	<b>9,067,084</b>	<b>12</b>	<b>8,901,211</b>	<b>8,561,671</b>	<b>4</b>
<b>EQUITY</b>							
<b>Equity</b>							
Share capital	13	773,443	773,443	0	773,443	773,443	0
Treasury shares		0	-	n.m	0	-	n.m
Share premium		1,228,740	1,228,740	0	1,228,740	1,228,740	0
Retained earnings		4,372,462	3,890,250	12	4,275,060	3,818,874	12
Other reserves		176,564	504,077	(65)	559,241	553,504	1
<b>Total equity attributable to equity holders of the Company</b>		<b>6,551,209</b>	<b>6,396,510</b>	<b>2</b>	<b>6,836,484</b>	<b>6,374,561</b>	<b>7</b>
Non-controlling interests		30,493	149,352	(80)	-	-	
<b>Total equity</b>		<b>6,581,702</b>	<b>6,545,862</b>	<b>1</b>	<b>6,836,484</b>	<b>6,374,561</b>	<b>7</b>

		The Group			The Company		
		31 December 2022 RMB'000	31 December 2021 RMB'000	Change %	31 December 2022 RMB'000	31 December 2021 RMB'000	Change %
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
Deferred tax liabilities		8,818	4,212	n.m	0	4,212	n.m
Trade payables		10,091	12,445	(19)	9,005	12,297	(27)
Lease liabilities		871	1,572	(45)	-	-	
Other financial liabilities	14	151,300	-	n.m	123,310	-	
Other liabilities		100,513	101,124	(1)	55,379	66,757	(17)
<b>Total non-current liabilities</b>		<b>271,593</b>	<b>119,353</b>	<b>n.m</b>	<b>187,694</b>	<b>83,266</b>	<b>n.m</b>
<b>Current liabilities</b>							
Income tax payable		93,280	9,530	n.m	76,138	0	n.m
Trade and other payables	15	2,885,422	2,145,133	35	1,516,835	1,896,456	(20)
Other financial liabilities	14	101,639	30,000	n.m	80,531	-	
Lease liabilities		4,097	1,597	n.m	-	-	
Other liabilities		219,248	215,609	2	203,529	207,388	(2)
<b>Total current liabilities</b>		<b>3,303,686</b>	<b>2,401,869</b>	<b>38</b>	<b>1,877,033</b>	<b>2,103,844</b>	<b>(11)</b>
<b>Total liabilities</b>		<b>3,575,279</b>	<b>2,521,222</b>	<b>42</b>	<b>2,064,727</b>	<b>2,187,110</b>	<b>(6)</b>
<b>Total equity and liabilities</b>		<b>10,156,981</b>	<b>9,067,084</b>	<b>12</b>	<b>8,901,211</b>	<b>8,561,671</b>	<b>4</b>

## 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-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	-	-	6,051	861,794	867,845	11,464	879,309
Transfers from equity instruments at FVTOCI reserve	-	-	(7,139)	7,139	-	-	-
Dividends	-	-	-	(386,721)	(386,721)	-	(386,721)
Distributions to non-controlling interests	-	-	-	-	-	(14,965)	(14,965)
Acquisition of a non-controlling interest without change in control	-	-	(323,976)	-	(323,976)	(126,024)	(450,000)
Acquisition of subsidiary	-	-	(9,274)	-	(9,274)	10,666	1,392
Share-based payments	-	-	6,825	-	6,825	-	6,825
Balance at 31 December 2022	773,443	1,228,740	176,564	4,372,462	6,551,209	30,493	6,581,702

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-controlling interests	Total equity
Balance at 1 January 2021	773,643	1,229,980	486,491	3,353,080	5,843,194	141,484	5,984,678
Restricted A-Shares buy-back	(200)	(1,240)	-	-	(1,440)	-	(1,440)
Total comprehensive income for the period	-	-	7,434	769,143	776,577	17,734	794,311
Dividends	-	-	-	(231,973)	(231,973)	-	(231,973)
Distributions to non-controlling interests	-	-	-	-	-	(9,866)	(9,866)
Share-based payments	-	-	10,152	-	10,152	-	10,152
Balance at 31 December 2021	773,443	1,228,740	504,077	3,890,250	6,396,510	149,352	6,545,862

All in RMB'000

<b>Company</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 January 2022	773,443	1,228,740	553,504	3,818,874	6,374,561
Total comprehensive income for the period	-	-	6,051	835,768	841,819
Transfers from equity instruments at FVTOCI reserve	-	-	(7,139)	7,139	-
Dividends	-	-	-	(386,721)	(386,721)
Share-based payments	-	-	6,825	-	6,825
Balance at 31 December 2022	773,443	1,228,740	559,241	4,275,060	6,836,484

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

**1(c) Condensed Interim Consolidated Statement of Cash Flows**

	The Group	
	<b>2022</b> RMB'000	2021 RMB'000
<b>Cash flows from operating activities</b>		
Profit before tax	<b>980,188</b>	872,806
Adjustments for:		
Interest income	<b>(56,125)</b>	(50,483)
Interest expense	<b>13,158</b>	1,909
Dividend income	-	-
Gain on maturity and disposal of financial assets	<b>(5,597)</b>	(27,888)
Share of results of equity-accounted associates	<b>(196,613)</b>	(185,597)
Depreciation and amortisation of property, plant and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other assets	<b>120,669</b>	117,794
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	<b>(671)</b>	(10,389)
Impairment losses on receivables and inventories	<b>58,369</b>	17,937
Share-based payments	<b>6,825</b>	10,152
Gain on fair value re-measurement of previously held equity interest in an associate	<b>(72,010)</b>	-
<b>Operating cash flows before changes in working capital</b>	<b>848,193</b>	<b>746,241</b>
Inventories	<b>58,873</b>	(47,401)
Trade and other receivables	<b>(737,508)</b>	(7,421)
Other assets	<b>5,216</b>	(19,147)
Trade and other payables	<b>694,948</b>	271,731
Cash restricted in use	<b>(170,991)</b>	-
Other liabilities	<b>3,028</b>	(33,406)
<b>Net cash flows from operations</b>	<b>701,759</b>	<b>910,597</b>
Income tax paid	<b>(80,638)</b>	(93,177)
<b>Net cash flows from operating activities</b>	<b>621,121</b>	<b>817,420</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	<b>(107,902)</b>	(156,949)
Acquisition of additional equity in a subsidiary	<b>(450,000)</b>	-
Acquisition of financial assets	<b>(80,000)</b>	(349,920)
Acquisition of a subsidiary, net of cash acquired	<b>(47,611)</b>	-
Proceeds from disposal of financial assets	<b>464,924</b>	15,000
Dividend income received from associates and financial assets	<b>173,075</b>	148,586
Proceeds from disposal of property, plant and equipment and intangible assets	<b>1,488</b>	28,713
Interest income received	<b>89,871</b>	37,700
<b>Net cash flows (used in)/from investing activities</b>	<b>43,845</b>	<b>(276,870)</b>



	<u>The Group</u>	
	<u>2022</u> RMB'000	<u>2021</u> RMB'000
<b><u>Cash flows from financing activities</u></b>		
Increase in new loans and borrowings	<b>205,645</b>	-
Dividends paid to equity owners	<b>(385,954)</b>	(230,873)
Distributions to non-controlling interests	<b>(14,965)</b>	(9,866)
Interest expense paid	<b>(1,480)</b>	(1,186)
Loans and borrowings paid	<b>(24,173)</b>	-
Repurchase of restricted A-shares	-	(1,349)
Repayment of lease liabilities	<b>(15,693)</b>	(1,429)
<b>Net cash flows used in financing activities</b>	<b>(236,620)</b>	<b>(244,703)</b>
<b>Net increase in cash and cash equivalents</b>	<b>428,346</b>	<b>295,847</b>
Unrealised foreign exchange adjustments	<b>6</b>	-
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	<b>2,283,181</b>	1,987,334
<b>Cash and cash equivalents, consolidated statement of cash flows, ending balance</b>	<b>2,711,533</b>	2,283,181

## Notes to the Condensed Interim Financial Statements

31 December 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 approved and authorised these condensed interim financial statements for issue on 30 March 2023.

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

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

The financial information contained in this announcement has been audited in accordance with International Standards on Auditing.

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

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

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

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

The accounting policies and methods of computation applied in these condensed consolidated interim financial statements are consistent with those of the latest audited annual financial

statements. However, the typical notes and information included in the latest audited annual financial statements are not included in these interim financial statements except for the selected explanatory notes included to explain events and transactions that are significant to an understanding of the changes in the performance and financial position of the Group since the latest audited annual financial statements.

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

## 2. Financial information by operating segments

### 2A. Information about reportable segment profit or loss

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

### 2B. Profit or loss from continuing operations and reconciliations

	Chinese <u>medicine</u>	Western <u>medicine</u>	<u>Others</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
12 months ended 31 December 2022				
Revenue	5,652,053	1,783,068	814,129	8,249,250
Cost of sales	2,663,598	1,625,324	743,360	5,032,282
Gross profit	2,988,455	157,744	70,769	3,216,968
12 months ended 31 December 2021				
Revenue	4,669,541	1,595,779	642,224	6,907,544
Cost of sales	2,292,889	1,329,588	592,070	4,214,547
Gross profit	2,376,652	266,191	50,154	2,692,997

## 2C. Disaggregation of revenue from contracts with customers

	Group	
	12-month period ended 31 December 2022 RMB'000	12-month period ended 31 December 2021 RMB'000
Sale of goods recognised at point in time	8,231,380	6,892,216
Revenue recognised over time	17,870	15,328
	8,249,250	6,907,544

## 3. Income tax

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

	Group	
	12-month period ended 31 December 2022 RMB'000	12-month period ended 31 December 2021 RMB'000
<u>Current tax</u>		
Current tax expense	163,300	79,039
Adjustments in respect of prior years	28	(3,985)
	163,328	75,054
<u>Deferred tax</u>		
Deferred tax expense	(56,397)	10,875
	106,931	85,929

Adjustments for current tax:

	Group	
	12-month period ended 31 December 2022 RMB'000	12-month period ended 31 December 2021 RMB'000
Profit before tax	980,188	872,806
Loss: Share of results of equity-accounted associates	(196,613)	(185,597)
	783,575	687,209
Income tax expense at tax rate of 25%	195,894	171,802
Effect of concessionary tax rate at 15%	(53,386)	(59,693)
Non-deductible items	5,100	1,125
Non-taxable items	(54,022)	(33,346)
Unrecognised deferred tax assets	13,317	10,026
Adjustments in respect of prior years	28	(3,985)
	106,931	85,929

#### 4. Disposal of subsidiaries

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 12-month period ended 31 December 2022, the Company transferred the entire equity interest held by it in its wholly-owned subsidiary, Tianjin Da Ren Tang (Bozhou) Chinese Medicine Co., Ltd. (天津达仁堂 (亳州) 中药饮片有限公司) (“**Da Ren Tang (Bozhou)**”), to its other wholly-owned subsidiary, Da Ren Tang (Tianjin) Chinese Medicinal Slices Co., Ltd. (达仁堂 (天津) 中药饮片有限公司) (“**Chinese Medicinal Slices Co.**”) (the “**Transfer**”). Upon the completion of the Transfer, Da Ren Tang (Bozhou) became a direct wholly-owned subsidiary of Chinese Medicinal Slices Co. and indirect subsidiary of the Company. During the current financial period reported on, the Company’s wholly-owned subsidiary, Zhong Xin Bohai Rim Pharmaceutical Co., Ltd. (天津中新药业集团环渤海药业有限公司), was deregistered.

In addition, the Company transferred 53.6% of its equity interest in the subsidiary, Tianjin Zhongxin Pharmaceutical Binhai Co., Ltd. (天津中新药业滨海有限公司); 51% of its equity interest in the subsidiary, Tianjin Zhongxin Pharmaceutical Group Guowei Medicine Co., Ltd. (天津中新药业集团国卫医药有限公司); and 51% of its equity interest in the subsidiary, Tianjin Zhongxin Pharmaceutical Group Xuzhi Pharmaceutical Technology Co., Ltd. (天津中新药业集团旭志医药科技有限公司) respectively to its wholly-owned subsidiary, Tianjin Zhongxin Medicine Co., Ltd. (“**TJZX Medicine**”) (天津中新医药有限公司).

#### 5. Dividends on equity shares

	12-month period ended 31 December 2022 RMB'000	12-month period ended 31 December 2021 RMB'000
Type	Cash	Cash
Dividend rate	RMB0.5 per ordinary share	RMB0.3 per ordinary share
Record date	25 May 2022	16 June 2021
Date paid or payable	2 June 2022	24 June 2021

The total dividends paid on ordinary shares for the financial year ended 31 December 2021 (“**FY2021**”) was RMB386,721,538 (2020: RMB230,942,593.20).

## 6. Acquisition of subsidiaries / subsidiary / business combination

During the 12-month period ended 31 December 2022, the Company acquired additional 5,735,899 shares in its associate, Newscen Coast Bio-Pharmaceutical Co., Ltd. (“**NewScen Coast**”) (天津中新科炬生物制药股份有限公司), at a price of RMB9.00 per share, representing 21.56% of the total equity interests of NewScen Coast. Prior to this acquisition, the Company held approximately 26.29% of the total equity interests in NewScen Coast. Upon completion of this acquisition, the Company holds approximately 47.85%% of the total equity interests in NewScen Coast, and in substance, NewScen Coast became a subsidiary of the Company.

The consideration of this acquisition was RMB51.62 million and, as part of this acquisition, the Company recognised in profit or loss a gain on previously held interest in the associate of RMB72.01 million and goodwill of RMB104.26 million.

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>
	12-month period ended 31 December 2022
	RMB'000
Movements during the period:	
At beginning of the period	535,525
Additions	1,041,573
Disposals	40,833
At the end of the period	1,536,265

During the 12-month period ended 31 December 2022, the Company increased its investment in its subsidiaries and Tianjin Hebei Da Ren Tang Hospital Co., Ltd. (天津河北达仁堂医院有限公司). The Company acquired remaining 47.9826% of minority equity interests in Tianjin Da Ren Tang Jingwanhong Pharmaceutical Co., Ltd. (天津达仁堂京万红药业有限公司). The Company newly incorporated two subsidiaries Tianjin Pharmaceutical Da Ren Tang Hongkong Development Limited (津药达仁堂香港发展有限公司) and Tianjin Pharmaceutical Da Ren Tang Singapore Development Co, Pte. Ltd. (津药达仁堂新加坡发展有限公), the capital of both two newly incorporated subsidiaries have not yet been injected as at financial year ended 31 December 2022.

In addition, the Company acquired additional shareholding in its associate, Newscen Coast (天津中新科炬生物制药股份有限公司). Upon completion of the acquisition, NewScen Coast

became subsidiary of the Company. The Company further increased its investment in NewScen Coast via private equity placement after its first acquisition.

As at financial year ended 31 December 2022, the Company made impairment provision for its equity in subsidiary Tianjin Shin Poong Pharmaceutical Co., Ltd. (天津新丰制药有限公司).

## 8. Investments in associates

	<u>Group</u>
	12-month period ended 31 December 2022
	RMB'000
Movements in carrying value:	
At beginning of the period	729,660
Share of profit of associates	196,613
Dividends	(173,075)
Other equity movements	6,995
At end of the period	760,193

## 9. Other financial assets

	<u>Group</u>	
	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Other financial assets - current assets		
Investment in debt instruments at amortised cost	40,615	484,464
Other financial assets - non-current assets		
Investment in debt instruments at amortised cost	40,951	-
Investment in equity instruments at fair value through other comprehensive income	321	11,081
	41,272	11,081
	81,887	495,545

During the current financial period reported on, the Group redeemed its matured investment in debt instruments.

The decrease in other financial assets in the current period is mainly due to the redemption of its debt investments.

## 10. Other non-financial assets

	Group	
	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Current assets		
Prepayments	71,529	48,538
Value-added taxes recoverable	35,968	59,202
Income tax recoverable	239	13,200
	107,736	120,940
Non-current assets		
Prepayment	46,210	42,333
	153,946	163,273

## 11. Trade and other receivables

	Group	
	31 December 2022 RMB'000	31 December 2021 RMB'000
<u>Trade receivables</u>		
Bills receivable	578,369	433,592
Interest receivable		15,550
Outside parties	2,260,367	1,649,775
Associates	4,758	4,937
Related parties	35,586	26,125
Less: Allowance for credit impaired	(10,203)	(6,349)
Less: Allowance for expected credit losses	(144,295)	(137,495)
	2,724,582	1,986,135
<u>Other receivable</u>		
Outside parties	56,507	52,428
Associates	17,561	27,861
Related parties	26,690	-
Less: Allowance for expected credit losses	(40,223)	(55,105)
	60,535	25,184
Total	2,785,117	2,011,319

The ageing of the trade receivables balances were as follows:

	Group		
	Gross amount RMB'000	ELR %	Loss allowance RMB'000
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
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. Goodwill

During the 12-month period ended 31 December 2022, the Company acquired additional 26.29% of shareholding in its associate, Newscen Coast (天津中新科炬生物制药股份有限公司). Upon completion of the acquisition, NewScen Coast became the Company's subsidiary and Company recognised acquisition goodwill RMB104.26 million.

## 13. Share capital and treasury shares

	Group	
	Number of ordinary shares issued	Amount of share capital
	As at 31 December 2022 '000	As at 31 December 2022 RMB'000
Movements in share capital:		
At beginning of the period	773,443	773,443
Restricted A-Shares buy-back	-	-
At end of the period	773,443	773,443

There has been no change in the Company's share capital since the end of the previous period reported on, being 31 December 2022.

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

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

	As at 31 December 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

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

	<u>Secured</u>		<u>Unsecured</u>	
	31 December 2022 RMB'000	31 December 2021 RMB'000	31 December 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	10,230	30,000	91,409	-
Subtotal	10,230	30,000	91,409	-
<u>Repayable after</u> <u>one year:</u>				
Bank borrowings	27,990	-	123,310	-
Subtotal	27,990	-	123,310	-
Total	38,220	30,000	214,719	-

#### 14A. Details of any collaterals

The aforementioned loan of principal amount of RMB28 million is secured by a subsidiary's land use rights at the valuation of approximately RMB25 million; Loan of principal amount of RMB16 million is secured by a subsidiary's properties at the valuation of approximately RMB13 million; And loan of principal amount of RMB10 million is secured by shareholders' equity interests at the valuation of approximately RMB1.4 million.

## 15. Trade and other payables

	<u>Group</u>	
	31 December 2022 RMB'000	31 December 2021 RMB'000
<u>Trade payables</u>		
Bills payable	681,563	643,887
Outside parties	688,693	588,094
Associates	6,352	2,178
Related parties	29,280	8,340
Employee benefits payables	206,061	132,057
	1,611,949	1,374,556
<u>Other payables</u>		
Outside parties	1,135,591	719,461
taxes payables	103,575	34,548
Dividend payable	17,596	15,725
Associates	3,800	39
Related parties	12,912	804
Subtotal	1,273,474	770,577
Total	2,885,423	2,145,133

## 16. Capital commitments

	<u>Group</u>	
	31 December 2022 RMB'000	31 December 2021 RMB'000
Contractual obligations to purchase and construct	180,009	219,231

## 17. Categories of financial assets and liabilities

	<u>Group</u>	
	31 December 2022 RMB'000	31 December 2021 RMB'000
<u>Financial assets</u>		
Financial assets at amortised cost	5,749,207	4,778,964
Financial assets at fair value through other comprehensive income	321	11,081
	5,749,528	4,790,045
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	2,900,482	2,160,747

**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 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.

**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	
	12-month period ended 31 December 2022	12-month period ended 31 December 2021
	RMB	RMB
Based on weighted average number of ordinary shares in issue	1.12	1.00

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	
	31 December 2022	31 December 2021	31 December 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	8.47	8.27	8.84	8.24

**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 of the Group is not significantly affected by any of the seasonality or cyclicity of interim operations.

(a) Revenue:

The Group's revenue for the financial year ended 31 December 2022 ("FY2022") was approximately RMB 8,249 million, an increase of approximately RMB 1,342 million, or 19%, as compared to RMB 6,907 million for the financial year ended 31 December 2021 ("FY2021"). The increase in revenue as compared to the corresponding period last year was primarily because of the increase in sales revenue from major product categories.

(b) Gross Profit Margin:

The Group's gross profit in FY2022 increased by approximately 19% from approximately RMB 2,693 million in FY2021 to approximately RMB 3,217 million in FY2022. The gross profit margin 39% in FY2022 which remains the same amount in FY2021.

(c) Other Gains:

Other gains in FY2022 were approximately RMB 102 million, an increase of approximately RMB 33 million over the previous corresponding period. The increase is mainly due to acquisition gain on previously held interest in the associate NewScen Coast of RMB72.01 million, offset by decrease in investment income of RMB 22.29 million from investment in financial assets, and decrease in gain from disposal of fixed assets of RMB 9.72 million.

(d) Major Expenses:

(i) Marketing and Distribution costs in FY2022 was approximately RMB 1,969 million, an increase of approximately RMB 413 million or 27% over the previous corresponding period due to the year-on-year increase in sales revenue.

(ii) Research and Development costs in FY2022 were approximately RMB 153 million, a decrease of approximately RMB 8 million or 5% over the previous corresponding period due to lower outlay for research and development projects.

(iii) Administrative expenses in FY2022 were approximately RMB 388 million, a decrease of approximately RMB 1 million which remained largely unchanged from the previous year.

(iv) Finance costs in FY2022 decreased by approximately RMB 11 million from approximately RMB 2 million to approximately RMB 13 million which is mainly due to increase in discounted bills interests.

(v) Other losses in FY2022 increased by approximately RMB 50 million.

(e) Share of profits of associated companies:

The Group's share of profits of associated companies in FY2022 was approximately RMB 197 million, an increase of approximately RMB 11 million or 6% over the previous corresponding period.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in FY2022 was approximately RMB 872 million, an increase of approximately RMB 78 million or 10% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in FY2022 was approximately RMB 862 million, an increase of approximately RMB 93 million or 12% over the previous corresponding period. This was mainly due to increase in sales.

(g) Major changes in statement of financial positions:

As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately RMB 2,883 million, which is an increase of approximately RMB 599 million, or 26% over the balance as at 31 December 2021. The Group's borrowings as at 31 December 2022 amounted to RMB 102 million which is an increase of approximately RMB 72 million over the balance as at 31 December 2021.

Trade and other receivables increased by approximately 38% or RMB 774 million to approximately RMB 2,785 million as at 31 December 2022. Trade receivables increased by approximately RMB 609 million.

Inventories were approximately RMB 1,429 million as at 31 December 2022, which is a decrease of approximately RMB 96 million, or 6% over the balance as at 31 December 2021.

Other current assets decreased by approximately 11% to approximately RMB 108 million as at 31 December 2022.

Investment in associates of the Group increased by 4% to approximately RMB 760 million.

Property, plant and equipment decreased by approximately RMB 22 million to approximately RMB 1,462 million.

(h) Change in cash flow position:

In FY2022, the Group recorded net cash inflow from operating activities of approximately RMB 621 million which has decreased by RMB 196 million as compared to FY2021. The decrease

was mainly due to cash received for the sale of products and provision of services increased in FY2022. The main factor contributing to the year-on-year increase in cash payments is the rise in cash payments for purchasing goods and receiving services.

Cash inflow from investing activities was approximately RMB 44 million in FY2022 which has increased by RMB 321 million as compared to FY2021. The increase was mainly due to decrease in proceeds used in acquisition of financial assets. The year-on-year increase in net cash inflows from the collection of investments and payments for investments is mainly due to higher amounts of cash received from divestments and cash payments for investments.

Cash outflow from financing activities was approximately RMB 237 million in FY2022 which has decreased by RMB 8 million as compared to FY2021. The decrease is mainly due to an increase of RMB 179.83 million in cash received from borrowings and repayments of debt. Additionally, there was an increase of RMB 155.08 million in cash payments for dividends compared to the same period last year.

## **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**

As a critical component of China's pharmaceutical industry and a significant national industry, the traditional Chinese medicine (TCM) industry has sustained consistent growth in market size despite the uncertainties in the post-pandemic economic and market environment. The TCM industry is poised for substantial growth opportunities in the future, underpinned by numerous favorable factors. In recent years, the state and government have issued supportive TCM policies more intensively, and the ongoing medical and health system reform has continued to deepen. The National Healthcare Security Administration, the State Administration of Traditional Chinese Medicine, and other departments have released several policy documents to enhance the reform of medical treatment, healthcare, and pharmaceuticals. These policies have facilitated the gradual implementation of industry standards and TCM implementation rules. The recent publication of the "Special Regulations for Registration Management of Chinese Medicine" in February 2023 is expected to further catalyze the TCM industry's inheritance and innovation. As a national treasure of China, TCM will play an increasingly important role in the construction of a healthy China, particularly in the prevention and treatment of common diseases, frequent diseases, chronic diseases, difficult

and complex diseases, and major infectious diseases, leveraging its unique and remarkable features of efficacy and cost-effectiveness.

The Company proactively adapts to the evolving industry landscape and prepares for forthcoming challenges under the auspices of national policies and opportunities. In 2022, the Company rebranded itself, upgraded its marketing resources, focused on industrial marketing, deepened its market penetration, stimulated sales growth, optimized its organizational structure, improved management efficiency, lowered costs and increased efficiency, promoted production and sales coordination, ensured market supply, strengthened scientific research and innovation, refined operational and management control, and demonstrated the Company's social responsibility and commitment during the pandemic. The Company generated an operating income of RMB 8.25 billion, representing a YoY increase of 19%, and a net profit attributable to the parent company of RMB 860 million, representing a YoY increase of 12% in 2022.

**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**

The Directors propose to seek approval from the shareholders of the Company (the “Shareholders”) for declaring a final dividend of RMB 8,662,562,451.2 on the basis of RMB 11.2 for every 10 shares in the capital of the Company. Such proposed declaration of dividends will be subject to approval by Shareholders at the forthcoming annual general meeting to be held on 15 May 2023, and thus has not been included as a liability in these condensed consolidated interim financial statements of the Company and/or Group. Upon obtaining the Shareholders’ approval, the proposed dividend is payable in respect of all issued ordinary shares in the capital of the Company as at the end of the FY2022.

The proposed dividend is subject to applicable tax rates as set out below:

(i) S-Shares

The dividend payable to S-Shareholders shall be subject to a tax rate of 10% under the PRC tax law.



(ii) A-Shares

The dividend payable to A-Shareholders shall be subject to the differential tax rates as set out under the PRC tax law. A-Shareholders should consult their own tax advisers concerning the tax consequences in relation to any dividends paid by the Company.

## 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 condensed consolidated interim financial statements. The related company balances and transfer of resources, services or obligations (if any) are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

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

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

	<u>12 months ended 31 December</u>	
	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Sale of goods to associates	1,309	2,859
Purchase of goods from associates	(98,686)	(76,365)
Interest income from an associate	9,054	6,626
Interest expense payable to an associate	(1,400)	(1,186)
Gain on disposal of investment properties from an associate	-	12,652
Rental income from an associate	-	220

	<u>12 months ended 31 December</u>	
	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Sale of goods to related companies	226,194	148,547
Purchase of goods from related companies	(383,609)	(201,345)
Rental expenses to related companies	(3,753)	(3,051)
Rental income from related companies	73	57

## 26. Interested Person Transactions disclosure

The Group has obtained a general mandate (the “**IPT General Mandate**”) from the Shareholders for interested person transactions (the “**IPTs**”) at the annual general meeting held on 17 May 2021. Please refer to the annexure accompanying the notice of annual general meeting in relation to the proposed renewal of mandate for IPTs (as set out on pages 165 to 186 of the Company’s annual report for the financial year ended 31 December 2020) for further details on the IPT General Mandate.

Shareholders’ approval has also been obtained for the Company’s entry into a financial services agreement with Tianjin Pharmaceutical Group Finance Co., Ltd. (天津医药集团财务有限公司) as an IPT and all transactions arising therefrom, at the annual general meeting held on 5 June 2020 for the financial year ended 31 December 2019. Please refer to the annexure dated 21 May 2020 (the “**21 May 2020 Annexure**”) in relation to the foregoing IPT (as set out on pages 187 to 224 of the Company’s annual report for the financial year ended 31 December 2019) for further details.

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920 of the Listing Manual)		Aggregate value of all interested person transactions conducted during the financial period under review under a shareholders’ mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)	
		<b>12-month period ended 31 December 2022</b>	12-month period ended 31 December 2021	<b>12-month period ended 31 December 2022</b>	12-month period ended 31 December 2021
		RMB’000	RMB’000	RMB’000	RMB’000
Tianjin Pharmaceutical Group Finance Co., Ltd. (“ <b>TPGF</b> ”) (天津医药集团财务有限公司)	Subsidiary of TPH (as defined below), the controlling shareholder of the Company	The interest payable on the credit facilities provided by TPGF: 1,400	1,186	-	-
<b>Total</b>		<b>1,400</b>	<b>1,186</b>	<b>-</b>	<b>-</b>

Note: As at 31 December 2022, placement of deposit with TPGF amounted to approximately RMB 590.76 million.

As disclosed in the 21 May 2020 Annexure in relation to the proposed financial services agreement to be entered into between the Company and TPGF as an interested person transaction (as set out on pages 187 to 224 of the Company's annual report for the financial year ended 31 December 2019), TPGF shall provide certain financial services to the Company under the aforesaid financial services agreement, including deposit business services.

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

- (i) there is security of funds as TPGF provides safe and efficient online banking services to the member entities in the TPH Group (comprising TPH and its subsidiaries and associated companies, including the Company), and these member entities can monitor the changes in the funds deposited in their accounts with TPGF at any time;
- (ii) funds payment can be made and settled efficiently as any payment made by the Company for its branches can be realized through the internal transfer function of TPGF's online banking system, which is efficient and convenient; and
- (iii) TPGF can provide credit support to the Company within a short period of time, and this can reduce the Company's need to maintain a certain amount of reserves from time to time.

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

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

The deposit of approximately RMB590.76 million placed with TPGF falls within the limit of RMB600 million. Further details on the deposit are set out below:

Unit: RMB '000

<b>Duration of deposit</b>	<b>Current deposit (1-7 days)</b>	<b>Fixed deposit (3 months)</b>	<b>Total</b>
Balance of deposit	370,758	220,000	590,758

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 RMB590.76 million placed with TPGF as at 31 December 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.

**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 these condensed consolidated interim financial results for the financial period ended 31 December 2022, 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.