

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

Third Quarter Financial Statement (*) And Dividend Announcement

1(a) A statement of Comprehensive Income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	<u>The Group</u>					
	3-month period from 1 July to 30 September 2020 RMB'000	3-month period from 1 July to 30 September 2019 RMB'000	Change %	9-month period from 1 January to 30 September 2020 RMB'000	9-month period from 1 January to 30 September 2019 RMB'000	Change %
Revenue	1,666,590	1,643,758	1	4,957,027	5,177,476	-4
Cost of sales	(1,081,918)	(956,883)	13	(3,022,482)	(2,995,016)	1
Gross profit	584,672	686,875	-15	1,934,545	2,182,460	-11
Interest income	7,738	3,365	130	21,346	10,467	104
Dividend income	-	317	n.m	1,447	1,643	-12
Other income and gains	8,802	18,035	-51	29,809	47,876	-38
Marketing and distribution expenses	(337,678)	(464,434)	-27	(1,198,850)	(1,458,742)	-18
Research and development expenses	(28,874)	(25,975)	11	(75,364)	(80,325)	-6
Administrative expenses	(89,490)	(86,559)	3	(246,769)	(254,988)	-3
Finance costs	(33)	(708)	-95	(84)	(4,778)	-98
Other losses	(1,045)	(18,312)	-94	(29,473)	(19,987)	47
Share of profit of associates	38,273	39,125	-2	127,668	123,276	4
Profit before income tax	182,365	151,729	20	564,275	546,902	3
Income tax expense	(22,802)	(52,127)	-56	(70,886)	(93,443)	-24
Profit, net of tax	159,563	99,602	60	493,389	453,459	9

	The Group					
	3-month period from 1 July to 30 September 2020 RMB'000	3-month period from 1 July to 30 September 2019 RMB'000	Change %	9-month period from 1 January to 30 September 2020 RMB'000	9-month period from 1 January to 30 September 2019 RMB'000	Change %
Other comprehensive income / (loss):						
items that will not be reclassified to profit or loss:						
Fair value gain / (loss) on equity investment measured at FVTOCI, net of tax	1,229	(1,833)	n.m	(851)	881	n.m
Share of other comprehensive (loss) / income from equity-accounted associates, net of tax	(5,873)	(170)	n.m	(4,863)	431	n.m
Total other comprehensive (loss) / income, net of tax	(4,644)	(2,003)	132	(5,714)	1,312	n.m
Total comprehensive Income for the period	154,919	97,599	59	487,675	454,771	7
Profit, net of tax attributable to:						
Owners of the parent	153,338	98,201	56	476,800	445,064	7
Non-controlling interests	6,225	1,401	n.m	16,589	8,395	98
	159,563	99,602	60	493,389	453,459	9
Total comprehensive income attributable to:						
Owners of the parent	148,694	96,198	55	471,086	446,376	6
Non-controlling interests	6,225	1,401	n.m	16,589	8,395	98
	154,919	97,599	59	487,675	454,771	7

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	The Group			
	3-month period from 1 July to 30 September 2020 RMB'000	3-month period from 1 July to 30 September 2019 RMB'000	9-month period from 1 January to 30 September 2020 RMB'000	9-month period from 1 January to 30 September 2019 RMB'000
Profit, net of tax is arrived at after crediting / (charging):				
Other income including interest income	15,955	11,946	47,441	28,484
Allowance for impairment on other receivables – (loss) / reversal	(305)	88	(797)	926
(Loss) / Gain on disposal of property, plant and equipment, intangible assets and other non-current assets	(182)	9,366	2,947	28,934
Dividend income	-	317	1,447	1,643
Foreign currency translation gains / (losses), net	1,039	(922)	767	(984)
Allowance for impairment on trade receivables	(4,540)	(3,466)	(9,149)	(3,618)
Employment termination benefits	-	-	(447)	-
Interest on borrowings	(33)	(705)	(84)	(4,664)
Inventories written down – reversal / (loss)	3,841	(7,310)	(2,795)	(8,061)
Share-based payments	(2,795)	-	(6,953)	-
Depreciation and amortisation of property, plant and equipment, investment properties, right-of-use assets, land use rights and other non-current assets	(23,232)	(22,773)	(76,504)	(69,546)
Impairment allowance on debt assets instruments	(100)	-	(100)	-

1(b)(i) A Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	<u>The Group</u>		<u>The Company</u>	
	30 September 2020 RMB'000	31 December 2019 RMB'000	30 September 2020 RMB'000	31 December 2019 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,419,428	1,363,795	1,004,702	1,007,797
Investment properties	21,771	22,547	20,880	21,618
Land use rights	160,633	157,997	133,885	130,638
Intangibles assets	16,513	17,575	13,767	14,700
Right-of-use assets	2,858	3,603	-	-
Investment in subsidiaries	-	-	473,428	473,528
Investment in associates	575,845	657,906	575,845	657,906
Other financial assets	238,132	249,003	129,455	142,712
Deferred tax assets	194,234	183,804	179,198	167,119
Other assets	23,693	52,197	22,664	22,254
Total non-current assets	2,653,107	2,708,427	2,553,824	2,638,272
Current assets				
Inventories	1,431,816	1,594,558	1,284,413	1,469,193
Trade and other receivables	2,039,661	1,808,588	1,991,364	1,640,338
Other financial assets	500,534	43,525	470,566	-
Other assets	99,850	208,639	84,440	254,950
Cash and cash equivalents	1,285,869	1,479,441	1,099,392	1,290,160
Total current assets	5,357,730	5,134,751	4,930,175	4,654,641
Total assets	8,010,837	7,843,178	7,483,999	7,292,913
EQUITY				
Equity				
Share capital	773,743	768,873	773,743	768,873
Share premium	1,230,600	1,198,817	1,230,600	1,198,817
Retained earnings	3,141,189	2,881,174	3,084,158	2,798,064
Other reserves	525,523	539,310	575,738	589,525
Total equity, attributable to owners of the company	5,671,055	5,388,174	5,664,239	5,355,279
Non-controlling interests	141,593	135,032	-	-
Total equity	5,812,648	5,523,206	5,664,239	5,355,279

	<u>The Group</u>		<u>The Company</u>	
	30 September 2020 RMB'000	31 December 2019 RMB'000	30 September 2020 RMB'000	31 December 2019 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	7,442	8,939	7,442	8,939
Trade payables	37,390	37,390	37,211	37,211
Lease liabilities	1,703	2,710	-	-
Other financial liabilities	30,000	30,000	-	-
Other liabilities	85,757	83,725	46,692	47,043
Total non-current liabilities	162,292	162,764	91,345	93,193
Current liabilities				
Income tax payable	41,294	59,366	32,226	49,638
Trade and other payables	1,779,408	1,732,580	1,483,888	1,437,421
Lease liabilities	999	962	-	-
Other liabilities	214,196	364,300	212,301	357,382
Total current liabilities	2,035,897	2,157,208	1,728,415	1,844,441
Total liabilities	2,198,189	2,319,972	1,819,760	1,937,634
Total equity and liabilities	8,010,837	7,843,178	7,483,999	7,292,913

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 September 2020		As at 31 December 2019	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	-	-	-

Amount repayable after one year

As at 30 September 2020		As at 31 December 2019	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
30,000	-	30,000	-

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	<u>The Group</u>			
	3-month period from 1 July to 30 September 2020 RMB'000	3-month period from 1 July to 30 September 2019 RMB'000	9-month period from 1 January to 30 September 2020 RMB'000	9-month period from 1 January to 30 September 2019 RMB'000
Cash flows from operating activities				
Profit before income tax	182,365	151,729	564,275	546,902
Interest income	(7,738)	(3,365)	(21,346)	(10,467)
Interest expense	33	708	84	4,778
Dividend income	-	(317)	(1,447)	(1,643)
Gain upon maturity and disposal of financial assets	(1,649)	(2,512)	(4,763)	(6,327)
Share of profit of equity-accounted associates	(38,273)	(39,125)	(127,668)	(123,276)
Depreciation and amortisation of property, plant and equipment, investment properties, right-of-use assets, land use rights and other non-current assets	23,232	22,773	76,504	69,546
Loss / (Gain) on disposals of property, plant and equipment, intangible assets and other non-current assets	182	(9,366)	(2,947)	(28,934)
Impairment losses on receivables and inventories, net	1,104	10,688	12,841	10,753
Share-based payments	2,795	-	6,953	-
Fair value gain on financial assets at FVTPL	-	(846)	-	(2,408)
Operating cash flows before changes in working capital	162,051	130,367	502,486	458,924

	The Group			
	3-month period from 1 July to 30 September 2020 RMB'000	3-month period from 1 July to 30 September 2019 RMB'000	9-month period from 1 January to 30 September 2020 RMB'000	9-month period from 1 January to 30 September 2019 RMB'000
Inventories	50,480	(98,223)	159,947	(117,175)
Trade and other receivables	77,008	37,699	(281,095)	(245,308)
Other assets	58,950	47,245	135,196	(25,488)
Trade and other payables	(152,935)	30,286	126,927	305,132
Cash restricted in use	-	7,962	38	9,981
Other liabilities	(66,617)	11,324	(148,072)	(2,502)
Net cash flows from operations	128,937	166,660	495,427	383,564
Income tax paid	(29,340)	(52,680)	(104,822)	(119,705)
Net cash flows from operating activities	99,597	113,980	390,605	263,859
Cash flows from investing activities				
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	(41,874)	(63,024)	(135,387)	(132,662)
Acquisition of financial assets	(6,403,667)	(17,711,008)	(13,825,070)	(54,889,988)
Proceeds from disposal of financial assets	5,945,355	17,989,908	13,379,216	54,785,459
Dividends income received from associates and financial assets	171,266	130,768	207,313	152,094
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	85	9,984	175	33,677
Interest income received	8,617	8,312	23,809	19,123
Net cash flows (used in) / from investing activities	(320,218)	364,940	(349,944)	(32,297)

	The Group			
	3-month period from 1 July to 30 September 2020 RMB'000	3-month period from 1 July to 30 September 2019 RMB'000	9-month period from 1 January to 30 September 2020 RMB'000	9-month period from 1 January to 30 September 2019 RMB'000
Cash flows from financing activities				
Advances received for issuance of Restricted A-Shares	8,357	-	8,357	-
Proceeds from new borrowings	-	29,426	-	129,426
Dividends paid to equity owners	(6,467)	(168,292)	(230,768)	(168,292)
Distribution to non-controlling interests	(4,800)	(1,799)	(10,028)	(1,799)
Interest expense paid	-	(147)	-	(4,359)
Repayment of borrowings	-	-	-	(300,000)
Repayment of other borrowings	(1,226)	(650)	(1,756)	(1,358)
Net cash flows used in financing activities	(4,136)	(141,462)	(234,195)	(346,382)
Net (decrease) / increase in cash and cash equivalents	(224,757)	337,458	(193,534)	(114,820)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	1,510,626	1,012,788	1,479,403	1,455,066
Cash and cash equivalents, consolidated statement of cash flows, ending balance	1,285,869	1,350,246	1,285,869	1,340,246

Cash and cash equivalents in consolidated statement of cash flows				
Amount as shown in the statement of financial positions	1,285,869	1,342,284	1,285,869	1,342,284
Restricted cash deposits for bank notes payables	-	7,962	-	(2,038)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	1,285,869	1,350,246	1,285,869	1,340,246

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

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 2020	768,873	1,198,817	539,310	2,881,174	5,388,174	135,032	5,523,206
Issuance of shares under Restricted A-Shares	4,870	31,783	-	-	36,653	-	36,653
Total comprehensive income for the period	-	-	(5,714)	476,800	471,086	16,589	487,675
Transfers from equity instruments at FVTOCI reserve	-	-	(15,026)	15,026	-	-	-
Dividends	-	-	-	(231,811)	(231,811)	-	(231,811)
Distribution to non-controlling interests	-	-	-	-	-	(10,028)	(10,028)
Share-based payments	-	-	6,953	-	6,953	-	6,953
Balance at 30 September 2020	773,743	1,230,600	525,523	3,141,189	5,671,055	141,593	5,812,648

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-cont rolling interests	Total equity
Balance at 1 January 2019	768,873	1,198,817	532,579	2,426,722	4,926,991	127,406	5,054,397
Total comprehensive income for the period	-	-	1,312	445,064	446,376	8,395	454,771
Dividends	-	-	-	(169,152)	(169,152)	-	(169,152)
Distribution to non-controlling interests	-	-	-	-	-	(2,165)	(2,165)
Balance at 30 September 2019	768,873	1,198,817	533,891	2,702,634	5,204,215	133,636	5,337,851

All in RMB'000

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2020	768,873	1,198,817	589,525	2,798,064	5,355,279
Issuance of shares under Restricted A-Shares	4,870	31,783	-	-	36,653
Total comprehensive income for the period	-	-	(5,714)	502,879	497,165
Transfers from equity instruments at FVTOCI reserve	-	-	(15,026)	15,026	-
Dividends	-	-	-	(231,811)	(231,811)
Share-based payments	-	-	6,953	-	6,953
Balance at 30 September 2020	773,743	1,230,600	575,738	3,084,158	5,664,239

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2019	768,873	1,198,817	582,794	2,344,847	4,895,331
Total comprehensive income for the period	-	-	1,312	457,719	459,031
Dividends	-	-	-	(169,152)	(169,152)
Balance at 30 September 2019	768,873	1,198,817	584,106	2,633,414	5,185,210

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

As announced on 9 December 2019, the Company granted 3,930,000 Restricted A-Shares to its employees under the 2019 Restricted A-Shares Incentive Scheme (the “**Scheme**”). The registration of Restricted A-Shares was completed on 7 January 2020. Subsequently on 6 July 2020, the Company granted additional 940,000 Restricted A-Shares to its employees and the registration was completed on 27 July 2020.

As announced on 17 February 2020 and 13 August 2020, 100,000 Restricted A-Shares, representing 0.013% of the total share capital of the Company will be repurchased or cancelled by the Company in accordance with the relevant provisions of the Scheme. Upon completion, the total number of shares in the capital of the Company will be reduced from 773,743,076 to 773,643,076 shares. As at 30 September 2020, these repurchases or cancellations have not been completed¹.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 30 September 2020 and 30 September 2019.

The Company does not hold any treasury shares and there is no subsidiary holding as at 30 September 2020 and 30 September 2019.

¹ As announced by the Company on 27 October 2020, it is estimated that the cancellation of the 100,000 Restricted A-Shares will be completed on 30 October 2020.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

		As at 30 September 2020	As at 31 December 2019
Number of issued shares excluding treasury shares	:	773,743,076	768,873,076
Number of treasury shares held	:	NIL	NIL

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Refer 1(d)(ii) above.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

These figures have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditor's report (including any modification or emphasis of a matter)

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

4. 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 2019.

5. If there are any change in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective on the beginning of its current reporting year on 1 January 2020. The adoption of these new and revised IFRS did not result in significant changes to the Group's accounting policies and amounts reported for the current and prior periods.

6. 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

	Group			
	3-month period from 1 July to 30 September 2020 RMB	3-month period from 1 July to 30 September 2019 RMB	9-month period from 1 January to 30 September 2020 RMB	9-month period from 1 January to 30 September 2019 RMB
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 shares on issue	0.20	0.13	0.62	0.58

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.

7. 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 period reported on and (b) immediately preceding financial year

	Group		Company	
	30 September 2020 RMB	31 December 2019 RMB	30 September 2020 RMB	31 December 2019 RMB
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	7.33	7.01	7.32	6.97

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

(a) Revenue:

The Group's revenue in the third quarter of FY2020 ("**3Q FY2020**") was approximately RMB 1,666 million, an increase of approximately RMB 22 million, or 1%, from RMB 1,644 million in the third quarter of FY2019 ("**3Q FY2019**"). For the 9 months ended 30 September 2020 ("**9M 2020**"), the Group recorded revenue of approximately RMB 4,957 million, a decrease of approximately RMB 220 million, approximately 4% over the corresponding period in FY2019. This was a result of work stoppages and logistical and movement control caused by the Coronavirus pandemic in first and second quarters of FY2020.

(b) Gross Profit Margin:

The Group's gross profit in 3Q FY2020 decreased by approximately 15% from approximately RMB 687 million in 3Q FY2019 to approximately RMB 585 million. For 9M 2020, the Group's gross profit was approximately RMB 1,935 million compared to approximately RMB 2,182 million in the corresponding period of FY2019, with a decrease of approximately 11% amounting to approximately RMB 247 million. The gross profit margin has decreased from 42% in 9M 2019 to 39% in 9M 2020.

(c) Other Income (including interest income) and Gains:

Other income (including interest income) and gains in 3Q FY2020 were RMB 17 million. In 9M 2020, the Group's other income (including interest income) and gains were approximately RMB 51 million, a overall decrease of approximately RMB 7 million over the previous corresponding period. This was mainly contributed by increase in interest income and government subsidies of RMB 11 million and 12 million respectively but offset by a decrease in gains on disposal of property, plant and equipment, intangible assets and other non-current assets of RMB 26 million (including demolition and relocation compensation of RMB 16 million).

(d) Major Expenses:

(i) Marketing and Distribution costs in 3Q FY2020 decreased by approximately 27% to approximately RMB 338 million. For 9M 2020, the Marketing and Distribution costs was approximately RMB 1,199 million, a decrease of approximately RMB 259 million or 18% over the previous corresponding period due mainly to the decrease of sales promotion and consulting fees.

(ii) Research and Development costs in 3Q FY2020 increased by approximately RMB 3 million, to approximately RMB 29 million. For 9M 2020, the Research and Development costs decreased by approximately RMB 5 million, from approximately RMB 80 million in 9M 2019 to approximately RMB 75 million due to lower outlay for research and development.

(iii) Administrative expenses in 3Q FY2020 increased by approximately RMB 3 million, to approximately RMB 89 million. For 9M 2020, administrative expenses was approximately RMB 247 million, a decrease of approximately RMB 8 million. The decrease was mainly due to lower repair and maintenance expenses.

(iv) Finance costs in 3Q FY2020 decreased by approximately 95% to approximately RMB 0.03 million, while for 9M 2020, the finance costs decreased by approximately RMB 5 million or 98% from approximately RMB 5 million to approximately RMB 0.08 million. The decrease was in line with the decrease of borrowings.

(v) Other losses in 3Q FY2020 decreased by approximately RMB 17 million, while in 9M 2020, other losses were approximately RMB 29 million, an increase of approximately RMB 9 million or 47% over the previous corresponding period due mainly to additional allowance made to trade and other receivables of approximately RMB 6 million.

(e) Share of results of associated companies:

The Group's share of profits from associated companies in 3Q FY2020 decreased by approximately RMB 1 million to approximately RMB 38 million. The Group's share of profits from associated companies in 9M 2020 increased by approximately RMB 4 million to approximately RMB 128 million. This was mainly due to profit attributable from Tianjin Hong Ren Tang Pharmaceutical Co., Ltd. in 9M 2020 compared to 9M 2019.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 3Q FY2020 was approximately RMB 155 million, an increase of 59% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 9M 2020 was approximately RMB 488 million, an increase of approximately RMB 33 million or 7% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 3Q FY2020 was approximately RMB 153 million, an increase of approximately RMB 55 million, or 56% from RMB 98 million of the corresponding period in 3Q FY2019. The profit attributable to equity holders of parent (net of tax) in 9M 2020 was approximately RMB 477 million, an increase of approximately RMB 32 million, or 7% from RMB 445 million of the corresponding period in 9M 2019.

(g) Major changes in statement of financial positions:

As at 30 September 2020, the Group's cash and cash equivalents amounted to approximately RMB 1,286 million, which is a decrease of approximately RMB 194 million, or 13% over the balance as at 31 December 2019. The Group's borrowings as at 30 September 2020 amounted to approximately RMB 30 million which is consistent with 31 December 2019.

Trade and other receivables increased by approximately 13% or RMB 231 million to approximately RMB 2,040 million as at 30 September 2020. This was mainly due to increase in trade receivables balances by approximately RMB 445 million as a result of delay in settlement by certain commercial customers and public medical institutions during the aftermath of the COVID-19 pandemic. The company has made additional expected credit loss allowances.

Bills receivables decreased by approximately RMB 214 million. Inventories decreased by 10% to approximately RMB 1,432 million. This is due to reduction in inventory level as at 30 September 2020.

Other current asset decreased by approximately 52% or RMB 109 million to approximately RMB 100 million as at 30 September 2020. This was mainly contributed by decrease in prepayments.

Investment in associates of the Group decreased by 12% or approximately RMB 82 million to

approximately RMB 576 million, attributable to higher dividend distributed from associates. They are Sino-American Tianjin Smithkline & French Lab., Ltd. and Tianjin Hong Ren Tang Pharmaceutical Co., Ltd.

Property, plant and equipment increased by 4% or approximately RMB 56 million to approximately RMB 1,419 million. This was mainly due to increase in construction in progress.

(h) Change in cash flow position:

In 9M 2020, the Group recorded net cash inflow from operating activities of approximately RMB 391 million, an increase of approximately of RMB 127 million over corresponding periods. This was due to decrease in payments for operating expenses and taxes.

Cash outflow used in investing activities increased by approximately RMB 318 million to approximately RMB 350 million in 9M 2020 mainly due to additional investment made in debt assets in 9M 2020.

Cash outflow used in financing activities decreased by 32% or approximately RMB 112 million to approximately RMB 234 million in 9M 2020 mainly due to no repayment of borrowings in 9M 2020.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the 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 2020, the Covid-19 pandemic that swept the world hit the world economy. The industry supply chain cycle was disrupted. Domestic consumption, investment, exports, manufacturing and employment were all affected to a certain extent. The uncertainty of economic development increased significantly.

The production and operation activities of the pharmaceutical industry were affected by the pandemic. In the first three quarters of the year, China's GDP increased by 0.7% year-on-year while the industry grew by 5.8% year-on-year, an increase of 1.4% over the second quarter of FY2020. The pandemic has caused the pharmaceutical industry to undergo adjustments. While some pharmaceutical companies have grown stronger, there were some which have collapsed.

Faced with the pressure of the external environment, the Company persisted with the prevention and control of the pandemic and development of the business. In the first three quarters of the year, all departments within the Company worked towards implementing the "Double Hundred Action" reform project.

Market-based recruitment and incentive program of mid-level management at the headquarters and affiliated companies were completed. This boosted the morale of managers, which in turn enhances the vitality of business operations. Innovative marketing models and online promotion has led to increase in market share and new profit growth avenues.

Through strengthening scientific and technological innovation, developing and launching new products, process improvement, secondary development of main product varieties, and consistency evaluation of generic drugs, the Company's core competitiveness has been enhanced.

In the first three quarters of the year, while the Group's revenue fell by 4.3% year-on-year, net profit attributable to the parent company increased by 7.1% year-on-year. Operating performance is slowly improving.

11. Dividend

(a) Current Financial Period Reported On

No dividend has been declared for the current financial period reported on.

(b) Corresponding Period of the Immediately Preceding Financial Year

No dividend was declared for the corresponding period of the immediately preceding financial year.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

The Company will conduct a review at the end of the financial year.

13. Interested Person Transaction disclosure

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”), the Company discloses the aggregate value of interested person transactions as follows:-

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted during the financial year under review under a shareholders' mandate pursuant to Rule 920 of SGX Listing Manual (excluding transactions less than S\$100,000)	
		9-month period ended 30 September 2020	9-month period ended 30 September 2019	9-month period ended 30 September 2020	9-month period ended 30 September 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Tianjin Pharmaceutical Group Finance Co., Ltd (“ TPGF ”) (天津市医药集团财务有限公司)	Subsidiary of Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), the controlling shareholder of the Company	The interest payable on the credit facilities provided by TPGF: 921	1,017	-	-
Tianjin Pharmaceutical Holdings Co., Ltd. (“ TPH ”) (天津市医药集团有限公司)	Controlling shareholder of the Company	Additional payment to TPH for upsize of land area of land use right: 6,757	-	-	-
Total		7,678	1,017	-	-

Note: As at 30 September 2020, placement of deposit with TPGF amounted to RMB 584,239,000 (31 December 2019: RMB 427,152,860).

14. Statement Pursuant to SGX Listing 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 Directors which may render the unaudited interim consolidated financial results for the quarter ended 30 September 2020, to be false or misleading in any material respect.

15. 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.

16. Additional Information Required On Acquisitions and Realisations Pursuant to Rule 706A of the Listing Manual

On 29 April 2020, the Company announced the proposed merger of two of its wholly-owned subsidiaries, Tianjin Chinese Medicine Yinpian Factory Co., Ltd. (天津市中药饮片厂有限公司) (“Yinpian Factory Co.”) and Tianjin Long Shun Rong Development Pharmaceutical Co., Ltd. (天津隆顺榕发展制药有限公司) (“Long Shun Rong Development Co.”). The proposed merger will take the form of merger by absorption, and upon completion of the proposed merger, Long Shun Rong Development Co. will be dissolved and all the assets, debts, businesses and personnel of Long Shun Rong Development Co. will be taken over by Yinpian Factory Co.. The proposed merger has yet to be completed as at the date of this announcement. Please refer to the Company’s announcement dated 29 April 2020 for further details on the foregoing.

On 7 May 2020, Tianjin Pharmaceutical Marketing Management Co., Ltd (天津医药集团营销管理有限公司) (“TPMM”) was incorporated in the People’s Republic of China, with an initial registered and paid-in capital of RMB5 million. The Company had contributed RMB1 million in cash to the initial registered and paid-in capital of TPMM, and owns 20% equity interest in TPMM. Accordingly, TPMM is an associated company of the Company.

In addition, the Company has deregistered Tianjin Zhong Xin International Trading Co., Ltd. (天津中新药业国际贸易有限公司), a wholly-owned subsidiary, with effect from 25 March 2020.

Other than the above, the Company did not acquire or dispose of any shares in 9M 2020 which would result in any company becoming or ceasing to be a subsidiary or associated company of the Company, or increase or reduce the Company’s shareholding percentage in any subsidiary or associated company.