

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

First 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>		Change
	3-month period ended 31 March 2021 RMB'000	3-month period ended 31 March 2020 RMB'000	%
Revenue	1,826,865	1,655,961	10
Cost of sales	(1,073,474)	(989,480)	8
Gross profit	753,391	666,481	13
Interest income	7,779	5,333	46
Other gains	9,514	16,109	-41
Marketing and distribution expenses	(431,531)	(433,019)	-
Research and development expenses	(28,975)	(20,081)	44
Administrative expenses	(100,837)	(78,961)	28
Finance expenses	(18)	-	n.m
Other losses	(9,331)	(6,973)	34
Share of profit of associates	48,473	47,747	2
Profit before income tax	248,465	196,636	26
Income tax expense	(31,649)	(22,039)	44
Profit, net of tax	216,816	174,597	24
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value loss on equity investments measured at FVTOCI, net of tax	(1,122)	(2,194)	-49
Share of other comprehensive income from equity-accounted associates, net of tax	1,044	204	n.m
Total other comprehensive loss, net of tax	(78)	(1,990)	-96
Total comprehensive income	216,738	172,607	26

	The Group		Change
	3-month period ended 31 March 2021 RMB'000	3-month period ended 31 March 2020 RMB'000	%
Profit, net of tax attributable to:			
Owners of the Company	212,948	169,890	25
Non-controlling interests	3,868	4,707	-18
	216,816	174,597	24
Total comprehensive income attributable to:			
Owners of the Company	212,870	167,900	27
Non-controlling interests	3,868	4,707	-18
	216,738	172,607	26

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	Group	
	3-month period ended 31 March 2021 RMB'000	3-month period ended 31 March 2020 RMB'000
Profit, net of tax is arrived at after crediting / (charging):		
Other income (including government grant)	3,844	16,109
Interest income	7,779	5,333
Allowance for impairment loss on trade receivables, net of loss and reversal	(1,088)	(3,973)
Allowance for impairment on other receivables, net of loss and reversal	(3,845)	-
Gain on disposal of property, plant and equipment, intangible assets and other non-current assets	5,670	(30)
Foreign currency translation losses, net	(103)	(244)
Interest expense on lease liabilities	(18)	-
Inventories written down	(4,292)	(2,726)
Share-based payments	(2,579)	(2,075)
Depreciation and amortisation	(30,401)	(25,045)

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

	The Group		The Company	
	31 March 2021 RMB'000	31 December 2020 RMB'000	31 March 2021 RMB'000	31 December 2020 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,453,669	1,457,053	1,032,176	1,035,555
Investment properties	21,254	21,512	20,388	20,634
Land use rights	186,871	188,289	160,530	161,744
Intangibles assets	15,420	15,734	12,648	13,045
Right-of-use assets	2,361	2,609	-	-
Investment in subsidiaries	-	-	523,428	498,428
Investment in associates	713,054	687,538	713,054	687,538
Other financial assets	115,763	116,311	7,027	8,348
Deferred tax assets	166,197	165,480	150,376	150,376
Other assets	29,069	25,259	27,724	22,415
Total non-current assets	2,703,658	2,679,785	2,647,351	2,598,083
Current assets				
Inventories	1,421,357	1,487,715	1,291,112	1,344,912
Trade and other receivables	2,433,375	2,007,426	2,226,452	1,918,755
Other assets	152,215	121,127	237,119	104,942
Cash and cash equivalents	2,090,718	1,987,334	1,870,866	1,791,009
Total current assets	6,097,665	5,603,602	5,625,549	5,159,618
Total assets	8,801,323	8,283,387	8,272,900	7,757,701
EQUITY				
Equity				
Share capital	773,643	773,643	773,643	773,643
Share premium	1,229,980	1,229,980	1,229,980	1,229,980
Retained earnings	3,566,028	3,353,080	3,496,543	3,278,987
Other reserves	488,992	486,491	539,207	536,706
Total equity, attributable to equity holders of the Company	6,058,643	5,843,194	6,039,373	5,819,316
Non-controlling interests	145,352	141,484	-	-
Total equity	6,203,995	5,984,678	6,039,373	5,819,316

	<u>The Group</u>		<u>The Company</u>	
	31 March 2021 RMB'000	31 December 2020 RMB'000	31 March 2021 RMB'000	31 December 2020 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	3,604	3,802	3,604	3,802
Trade payables	30,659	30,659	30,507	30,507
Lease liabilities	1,223	1,710	-	-
Other financial liabilities	30,000	30,000	-	-
Other liabilities	103,568	103,471	67,226	67,618
Total non-current liabilities	169,054	169,642	101,337	101,927
Current liabilities				
Income tax payable	36,617	10,492	27,225	1,760
Trade and other payables	2,185,097	1,870,907	1,907,602	1,598,324
Lease liabilities	1,000	1,000	-	-
Other liabilities	205,560	246,668	197,363	236,374
Total current liabilities	2,428,274	2,129,067	2,132,190	1,836,458
Total liabilities	2,597,328	2,298,709	2,233,527	1,938,385
Total equity and liabilities	8,801,323	8,283,387	8,272,900	7,757,701

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

Amount repayable in one year or less, or on demand

As at 31 March 2021		As at 31 December 2020	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 31 March 2021		As at 31 December 2020	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
30,000 ^(a)	-	30,000 ^(a)	-

- (a) Borrowings were secured by pledges of legal mortgages over a subsidiary's land use rights.

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

	The Group	
	3-month period ended 31 March 2021 RMB'000	3-month period ended 31 March 2020 RMB'000
<u>Cash flows from operating activities</u>		
Profit before income tax	248,465	196,636
Adjustments for:		
Interest income	(7,779)	(5,333)
Finance costs	18	-
Gain on maturity and disposal of financial assets	(1,087)	(2,061)
Share of profit of equity-accounted associates	(48,473)	(47,747)
Depreciation and amortisation of property, plant and equipment, right-of-use assets, investment properties, land use rights and intangible assets	30,401	25,045
(Gains)/Loss on disposals of property, plant and equipment, intangible assets and other non-current assets	(5,670)	30
Allowance for Impairment losses on property, plant and equipment, receivables and inventories – net of loss and (reversal)	9,225	6,699
Share-based payments	2,579	2,075
Operating cash flows before changes in working capital	227,679	175,344
Inventories	62,066	218,267
Trade and other receivables	(430,143)	(378,053)
Other assets	(35,553)	80,271
Trade and other payables	325,599	80,624
Cash restricted in use	-	38
Other liabilities	(41,011)	(41,943)
Net cash flows from operations	108,637	134,548
Income tax paid	(3,451)	(1,804)
Net cash flows from operating activities	105,186	132,744
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment and intangibles assets	(40,305)	(54,862)
Acquisition of financial assets	-	(7,420,403)
Proceeds from disposal of financial assets	-	7,427,933
Dividends income received from equity accounted associates	24,000	34,600
Proceeds from disposals of property, plant and equipment and intangible assets	7,323	27
Interest income received	8,092	6,498
Net cash flows used in investing activities	(890)	(6,207)

	<u>The Group</u>	
	3-month period ended 31 March 2021 RMB'000	3-month period ended 31 March 2020 RMB'000
<u>Cash flows from financing activities</u>		
Dividends paid to equity owners	(80)	-
Distribution to non-controlling interests	-	(4,800)
Interest expense paid	(302)	-
Repayment of lease liabilities	(530)	(530)
Net cash flows used in financing activities	(912)	(5,330)
Net increase in cash and cash equivalents	103,384	121,207
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	1,987,334	1,479,403
Cash and cash equivalents, consolidated statement of cash flows, ending balance	2,090,718	1,600,610

	<u>The Group</u>	
	3-month period ended 31 March 2021 RMB'000	3-month period ended 31 March 2020 RMB'000
Cash and cash equivalents in consolidated statement of cash flows:		
Amount as shown in the statement of financial positions	2,090,718	1,600,610
Restricted cash deposits for bank notes payables	-	-
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	2,090,718	1,600,610

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-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
Total comprehensive income for the period	-	-	(78)	212,948	212,870	3,868	216,738
Share-based payments	-	-	2,579	-	2,579	-	2,579
Balance at 31 March 2021	773,643	1,229,980	488,992	3,566,028	6,058,643	145,352	6,203,995

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-controlling 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	3,930	24,366	-	-	28,296	-	28,296
Total comprehensive income for the period	-	-	(1,990)	169,890	167,900	4,707	172,607
Distribution to non-controlling interests	-	-	-	-	-	(4,800)	(4,800)
Share-based payments	-	-	2,075	-	2,075	-	2,075
Balance at 31 March 2020	772,803	1,223,183	539,395	3,051,064	5,586,445	134,939	5,721,384

All in RMB'000

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

Company	Share capital	Share premium	Other reserves (Restated)	Retained earnings (Restated)	Total equity (Restated)
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	3,930	24,366	-	-	28,296
Total comprehensive income for the period	-	-	(1,990)	188,616	186,626
Share-based payments	-	-	2,075	-	2,075
Balance at 31 March 2020	772,803	1,223,183	589,610	2,986,680	5,572,276

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.

There has been no change in the Company's share capital since 31 December 2020.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 March 2021 and 31 December 2020.

The Company does not hold any treasury shares and there is no subsidiary holding as at 31 March 2021 and 31 December 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 31 March 2021	As at 31 December 2020
Number of issued shares excluding : treasury shares	773,643,076	773,643,076
Number of treasury shares held :	NIL	NIL

1(d)(iv) A statement showing all sales, transfers, 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 auditors’ report (including any modifications 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 2020.

5. If there are any changes 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 2021. The adoption of these new and revised IFRSs 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

	<u>The Group</u>	
	3-month period ended 31 March 2021 RMB	3-month period ended 31 March 2020 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	0.28	0.22

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

	Group		Company	
	31 March 2021 RMB	31 December 2020 RMB	31 March 2021 RMB	31 December 2020 RMB
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	7.83	7.55	7.81	7.53

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 first quarter of FY2021 ("1Q FY2021") was approximately RMB 1,827 million, an increase of approximately RMB 171 million or 10%, from RMB 1,656 million in the first quarter of FY2020 ("1Q FY2020").

(b) Gross Profit Margin:

The Group's gross profit in 1Q FY2021 increased by approximately 13% from approximately RMB 666 million in 1Q FY2020 to approximately RMB 753 million. The gross profit margin increased from 40% in 1Q FY2020 to 41% in 1Q FY2021.

(c) Other Gains:

Other gains in 1Q FY2021 was approximately RMB 9.5 million, a decrease of approximately RMB 6.6 million or 41%, from RMB 16 million in the first quarter of FY2020. This is mainly because of decrease in government grants.

(d) Major Expenses:

- (i) Marketing and Distribution expenses in 1Q FY2021 was approximately RMB 432 million, a decrease of approximately RMB 1 million, or 0.3% over the previous corresponding period.

- (ii) Research and development expenses in 1Q FY2021 was approximately RMB 29 million, an increase of approximately RMB 9 million or 44% over the previous corresponding period. This was mainly due to higher outlay for research and development projects.
- (iii) Administrative expenses in 1Q FY2021 was approximately RMB 101 million, an increase of approximately RMB 22 million or 28% over the previous corresponding period. This was mainly due to increase in employee benefits.
- (iv) Other losses in 1Q FY2021 increased by approximately RMB 2 million, from approximately RMB 7 million in 1Q FY2020 to approximately RMB 9 million. The increase was due to higher impairment losses.

(e) Shares of results of associated companies:

The Group's share of profits of associates in 1Q FY2021 was approximately RMB 48 million, an increase of 2% over the previous corresponding period.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 1Q FY2021 was approximately RMB 217 million, an increase of RMB 44 million, or 26% over the previous corresponding period. This was mainly due to increase in sales.

(g) Major changes in statement of financial positions:

- (i) As at 31 March 2021, the Group's cash and cash equivalents amounted to approximately RMB 2,091 million, which is an increase of approximately RMB 103 million, or 5% over the balance as at 31 December 2020. The Group's short-term borrowings as at 31 March 2021 amounted to RMB 30 million which is consistent with 31 December 2020.
- (ii) Trade and other receivables was approximately RMB 2,433 million at 31 March 2021, which is an increase of approximately RMB 426 million, or 21% over the balance as at 31 December 2020. Bills receivables increased by approximately RMB 154 million. Trade receivables increased by approximately RMB 274 million. Inventories was approximately RMB 1,421 million at 31 March 2021, which is a decrease of approximately RMB 66 million, or 4% over the balance as at 31 December 2020. This is due to decrease in finished goods.
- (iii) Other current assets increased by approximately 26% or RMB 31 million to approximately RMB 152 million as at 31 March 2021.

- (iv) Investments in associates of the Group increased by 4% to approximately RMB 713 million due to sharing of profits from associates.
- (v) Property, plant and equipment decreased by approximately RMB 3 million or 0.2% to RMB 1,454 million.
- (h) Changes in cash flow position:
 - (i) In 1Q FY2021, the Group recorded net cash inflow from operating activities of approximately RMB 105 million which has decreased by RMB 28 million as compared to 1Q FY2020. The decrease was mainly due to more working capital employed.
 - (ii) Cash flow used in investing activities was approximately RMB 0.9 million in 1Q FY2021. This was mainly attributable to decrease in cash outflows of various investing activities.
 - (iii) Cash flow used in financing activities was approximately RMB 0.9 million in 1Q FY2021. This was mainly contributed by absence of dividend payment to non-controlling interest.

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 the first quarter of 2021, the China domestic economy opened the domestic and international double cycle development pattern with strong repair capability. With the continuous deepening of medical reform in the pharmaceutical industry, medical insurance fee control and structural adjustment have become the main theme in all fields of the pharmaceutical industry. The three major policies of medical insurance negotiation, centralized procurement and expansion, and consistency evaluation continue to intensify the industry reshuffle. At the level of Traditional Chinese medicine segmentation, from the demand side, with the continuous improvement of China's per capita income, the residents' awareness of health care is gradually enhanced, the consumer demand for higher-level health care is also gradually growing, and the pharmaceutical consumption market is expected to continue to expand. Healthy China 2030 Initiative guides consumers from passive treatment to active self-diagnosis and treatment at the policy level. Traditional Chinese medicine plays a unique role in the prevention, diagnosis and treatment and rehabilitation of chronic diseases such as

cardiovascular, cerebrovascular and digestive systems. It is expected to open up the market in the future with consumption upgrading.

In face of the epidemic pressure and policy opportunities, the Group takes the market as the guidance, the benefit as the center, and the management as the guarantee to further improve the scientific research and innovation ability; Strengthen management awareness, reduce operating costs, improve product market coverage, enhance brand value. In the first quarter of 2021, the operating revenue of the Group was RMB1.827 billion, a year-on-year increase of 10%; The net profit attributable to the owners of the Company was RMB213 million, a year-on-year increase of 25%, and the business has achieved high-quality growth.

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

Not applicable. 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 of the SGX Listing Manual)		Aggregate value of all interested person transactions conducted during the financial year under review under a shareholders’ mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S\$100,000)	
		3-month period ended 31 March 2021 RMB’000	3-month period ended 31 March 2020 RMB’000	3-month period ended 31 March 2021 RMB’000	3-month period ended 31 March 2020 RMB’000
Tianjin Pharmaceutical Group Finance Co., Ltd (“TPGF”) (天津医药集团财务有限公司)	Subsidiary of Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), the controlling shareholder of the Company	The interest payable on the credit facilities provided by TPGF: 302	269	-	-
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		302	7,026	-	-

Note: As at 31 March 2021, placement of deposit with TPGF amounted to RMB 593 million.

14. 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 Directors which may render the unaudited interim consolidated financial results for the quarter ended 31 March 2021, 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

The Company did not acquire or dispose of any shares since 31 December 2020 which would result in any entity 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.