

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 2019 RMB'000	3-month period ended 31 March 2018 RMB'000	%
Revenue	1,753,429	1,615,167	9
Cost of Sales	(998,069)	(913,993)	9
Gross Profit	755,360	701,174	8
Interest Income	3,538	2,184	62
Other Gains	22,884	23,048	-1
Marketing and Distribution Costs	(504,584)	(496,627)	2
Research and Development Costs	(20,317)	(19,668)	3
Administrative Expenses	(78,638)	(63,229)	24
Finance Costs	(2,178)	(2,889)	-25
Other Losses	(419)	(264)	59
Share of Profits From Equity-Accounted Associates	41,989	55,046	-24
Profit Before Income Tax	217,635	198,775	9
Income Tax Expense	(26,052)	(24,656)	6
Profit, Net of Tax	191,583	174,119	10
Other Comprehensive Income:			
Other Comprehensive Income Items that will not be reclassified to profit or loss:			
Fair Value Gain / (Loss) on Re-measuring of Financial Assets	6,633	(1,691)	n.m
Share of Other Comprehensive Loss From Equity-Accounted Associates, Net of Tax	1,066	(170)	n.m

	The Group		Change
	3-month period ended 31 March 2019 RMB'000	3-month period ended 31 March 2018 RMB'000	%
Other Comprehensive Income Items that may be reclassified subsequently to profit or loss:			
Fair Value Gain on Re-measuring of Financial Instruments, Net of Tax	-	4,260	n.m
Total Other Comprehensive Income, Net of Tax	7,699	2,399	221
Total Comprehensive Income	199,282	176,518	13
Profit, Net of Tax attributable to:			
Owners of the Parent	190,006	173,367	10
Non-Controlling Interests	1,577	752	110
	191,583	174,119	10

Total Comprehensive Income for the year attributable to:			
Owners of the Parent	197,705	175,766	12
Non-Controlling Interests	1,577	752	110
	199,282	176,518	13

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	Group	
	3-month period ended 31 March 2019 RMB'000	3-month period ended 31 March 2018 RMB'000
Profit, Net of Tax is arrived at after crediting / (charging):		
Other income including interest income	7,899	8,872
Gain / (loss) on disposal / written off of property, plant and equipment, intangible assets and land use rights, net	17,370	(279)
Gain on disposals of interests in subsidiaries, net	-	306
Allowance for impairment on trade receivables – (loss) / reversal	(411)	1,794
Foreign currency translation losses, net	596	886
Interest on borrowings	(2,178)	(2,889)
Depreciation and amortisation	(22,285)	(20,133)
Impairment loss on inventories – reversal / (loss)	532	(264)
Allowance for impairment on other receivables - reversal	26	13,374

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>	
	31 March 2019 RMB'000	31 December 2018 RMB'000	31 March 2019 RMB'000	31 December 2018 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,206,020	1,199,669	870,343	877,159
Investment properties	23,323	23,582	22,356	22,602
Land use rights	162,113	163,296	134,003	135,124
Intangibles assets	11,197	11,563	8,309	8,605
Investments in subsidiaries	-	-	630,578	630,578
Investments in associates	673,980	630,925	673,980	630,925
Other financial assets, non-current	189,889	142,086	149,889	142,086
Deferred tax assets	133,290	133,290	124,806	124,806
Other assets, non-current	21,782	20,858	23,797	22,881
Total non-current assets	2,421,594	2,325,269	2,638,061	2,594,766
Current assets				
Inventories	1,330,697	1,328,371	1,233,620	1,229,042
Trade and other receivables	1,995,269	1,728,508	1,898,046	1,606,278
Other financial assets, current	54,097	53,307	-	-
Other assets, current	182,711	202,766	183,657	191,798
Cash and cash equivalents	1,477,899	1,467,085	1,014,009	993,131
Total current assets	5,040,673	4,780,037	4,329,332	4,020,249
Total assets	7,462,267	7,105,306	6,967,393	6,615,015
EQUITY				
Equity attributable to the owners of the parent				
Share capital	768,873	768,873	768,873	768,873
Share premium	1,198,817	1,198,817	1,198,817	1,198,817
Retained earnings	2,616,728	2,426,722	2,542,511	2,344,847
Other reserves	540,278	532,579	590,493	582,794
Equity attributable to owners of the parent	5,124,696	4,926,991	5,100,694	4,895,331
Non-controlling interests	128,983	127,406	-	-
Total equity	5,253,679	5,054,397	5,100,694	4,895,331

	<u>The Group</u>		<u>The Company</u>	
	31 March 2019 RMB'000	31 December 2018 RMB'000	31 March 2019 RMB'000	31 December 2018 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	7,082	5,911	7,082	5,911
Trade payables, non-current	41,450	41,450	41,241	41,241
Other liabilities, non-current	87,544	89,485	50,985	51,191
Total non-current liabilities	136,076	136,846	99,308	98,343
Current liabilities				
Income tax payable	49,671	41,185	48,362	39,146
Trade and other payables	1,594,665	1,385,479	1,298,450	1,109,652
Other financial liabilities	202,000	252,000	200,000	250,000
Other liabilities, current	226,176	235,399	220,579	222,543
Total current liabilities	2,072,512	1,914,063	1,767,391	1,621,341
Total liabilities	2,208,588	2,050,909	1,866,699	1,719,684
Total equity and liabilities	7,462,267	7,105,306	6,967,393	6,615,015

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 2019		As at 31 December 2018	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	202,000	-	252,000

Amount repayable after one year

As at 31 March 2019		As at 31 December 2018	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'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 ended 31 March 2019 RMB'000	3-month period ended 31 March 2018 RMB'000
<u>Cash flows from operating activities</u>		
Profit before income tax	217,635	198,775
Interest income	(3,538)	(2,184)
Interest expense	2,178	2,889
Gain upon maturity of financial instruments	(1,556)	(5,410)
Share of profits of equity-accounted associates	(41,989)	(55,046)
Gain on disposals of interests in subsidiaries, net	-	(306)
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	22,285	20,133
(Gain) / loss on disposals of property, plant and equipment, intangible assets and other non-current assets	(17,370)	279
Impairment of receivables and inventories – (reversal) / loss	(147)	(14,904)
Fair value (gain) / loss on derivative financial instruments	(745)	(611)
Operating cash flows before changes in working capital	176,753	143,615
Inventories	(1,793)	12,785
Trade and other receivables	(265,268)	(148,623)
Other assets	18,292	6,657
Trade and other payables	212,064	153,376
Cash restricted in use	19	-
Other liabilities	(11,164)	8,482
Net cash flows from operations	128,903	176,292
Income tax paid	(17,446)	(1,883)
Net cash flows from operating activities	111,457	174,409

	<u>The Group</u>	
	3-month period ended 31 March 2019 RMB'000	3-month period ended 31 March 2018 RMB'000
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	(32,863)	(31,409)
Acquisition of financial assets	(14,213,934)	(6,776,370)
Disposals of subsidiaries (net of cash disposal)	-	(11,582)
Proceeds from disposals of financial assets	14,174,374	6,787,200
Investment income received	-	16,000
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	18,862	88
Interest income received	5,187	7,944
Net cash flows used in investing activities	(48,374)	(8,129)
<u>Cash flows from financing activities</u>		
Proceeds from new borrowings	-	170,000
Proceeds from other borrowings	-	3,447,882
Interest expense paid	(2,250)	(3,097)
Repayment of borrowings	(50,000)	(140,000)
Repayment of other borrowings	-	(3,447,095)
Cash restricted in use and/or maturing after 3 months	-	1,900
Net cash flows (used in) / from financing activities	(52,250)	29,590
Net increase in cash and cash equivalents	10,833	195,870
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	1,455,066	975,114
Cash and cash equivalents, consolidated statement of cash flows, ending balance	1,465,899	1,170,984

Cash and cash equivalents in consolidated statement of cash flows		
Amount as shown in the statement of financial positions	1,477,899	1,186,149
Restricted bank deposits	(12,000)	(15,165)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	1,465,899	1,170,984

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	Total	Non-controlling 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	-	-	7,699	190,006	197,705	1,577	199,282
Balance at 31 March 2019	768,873	1,198,817	540,278	2,616,728	5,124,696	128,983	5,253,679

Group	Share capital	Share premium	Other Reserves	Retained earnings	Parent sub-total	Non-controlling interests	Total equity
Balance at 1 January 2018	768,873	1,198,817	531,111	2,018,817	4,517,618	148,733	4,666,351
Total comprehensive income for the period	-	-	2,399	173,367	175,766	752	176,518
Disposal of subsidiary	-	-	-	-	-	(13,235)	(13,235)
Acquisition from non-controlling interest without a change in control	-	-	(17)	-	(17)	(8,681)	(8,698)
Balance at 31 March 2018	768,873	1,198,817	533,493	2,192,184	4,693,367	127,569	4,820,936

All in RMB'000

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	-	-	7,699	197,664	205,363
Balance at 31 March 2019	768,873	1,198,817	590,493	2,542,511	5,100,694

Company	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
Balance at 1 January 2018	768,873	1,198,817	600,688	1,922,178	4,490,556
Total comprehensive income / (loss) for the period	-	-	(1,861)	171,538	169,677
Balance at 31 March 2018	768,873	1,198,817	598,827	2,093,716	4,660,233

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, 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 2018.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 March 2019 and 31 December 2018.

The Company does not hold any treasury shares and there is no subsidiary holding as at 31 March 2019 and 31 December 2018.

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 2019	As at 31 December 2018
Number of issued shares excluding treasury shares	768,873,076	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

Not applicable.

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 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 qualification or emphasis of matter)

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 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 2019. 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.

Except for the above, 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 2018.

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

Refer Paragraph 4 above.

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 ended 31 March 2019 RMB	3-month period ended 31 March 2018 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 share on issue	0.25	0.23

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

	<u>The Group</u>		<u>The Company</u>	
	31 March 2019 RMB	31 December 2018 RMB	31 March 2019 RMB	31 December 2018 RMB
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	6.67	6.41	6.63	6.37

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 FY2019 ("1Q FY2019") was approximately RMB 1,753 million, an increase of approximately RMB 138 million or 9%, from RMB 1,615 million in the first quarter of FY2018 ("1Q FY2018").

(b) Gross Profit Margin:

The Group's gross profit in 1Q FY2019 increased by approximately 8% from approximately RMB 701 million in 1Q FY2018 to approximately RMB 755 million. The gross profit margin decreased from 43.41% in 1Q FY2018 to 43.08% in 1Q FY2019.

(c) Other Gains:

Other gains in 1Q FY2019 was approximately RMB 23 million, which stayed flat with the previous corresponding period.

(d) Major Expenses:

(i) Marketing and Distribution costs in 1Q FY2019 was approximately RMB 505 million, an increase of approximately RMB 8 million, or 2% over the previous corresponding period.

(ii) Research and development costs in 1Q FY2019 was approximately RMB 20 million, an increase of approximately RMB 0.6 million or 3% over the previous corresponding period.

(iii) Administrative expenses in 1Q FY2019 increased by approximately RMB 15 million, from approximately RMB 63 million in 1Q FY2018.

(iv) Finance costs in 1Q FY2019 decreased by approximately RMB 0.7 million or 25% from approximately RMB 2.9 million to approximately RMB 2.2 million.

(v) Other losses in 1Q FY2019 increased by approximately RMB 0.1 million, from approximately RMB 0.3 million in 1Q FY2018 to approximately RMB 0.4 million.

(e) Shares of results of associated companies:

The Group's share of profits of associates in 1Q FY2019 was approximately RMB 42 million, a decrease of 24% over the previous corresponding period. This was mainly because profit of Sino-American Tianjin Smithkline & French Lab., Ltd. and Tianjin Hong Ren Tang Pharmaceutical Co., Ltd. in 1Q FY2019 decreased compared to 1Q FY2018.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 1Q FY2019 was approximately RMB 199 million, an increase of 13% over the previous corresponding period. The profit attributable to equity holders of parent (net of tax) in 1Q FY2019 was approximately RMB 190 million, an increase of approximately RMB 17 million from the corresponding period in 1Q FY2018.

(g) Major changes in statement of financial positions:

As at 31 March 2019, the Group's cash and cash equivalents amounted to approximately RMB 1,478 million, which is an increase of approximately RMB 11 million, or 1% over the balance as at 31 December 2018. The Group's short-term borrowings as at 31 March 2019 amounted to approximately RMB 202 million, which is a decrease of approximately RMB 50 million, or 20% over the balance as at 31 December 2018.

Trade and other receivables was approximately RMB 1,995 million at 31 March 2019, which is an increase of approximately RMB 267 million, or 15% over the balance as at 31 December 2018. Notes receivable increased by approximately RMB 2 million. Trade receivables increased by approximately RMB 266 million. Other receivables decreased by approximately RMB 2 million. Inventories was approximately RMB 1,331 million at 31 March 2019, which is an increase of approximately RMB 2 million, or 0.2% over the balance as at 31 December 2018.

Other current asset decreased by approximately 10% or RMB 20 million to approximately RMB 183 million as at 31 March 2019.

Investments in associates of the Group increased by 7% to approximately RMB 674 million, which is mainly attributable to the share of profit from associates over the reporting period.

Property, plant and equipment increased by approximately RMB 6 million or 0.5% to RMB 1,206 million.

(h) Changes in cash flow position:

In 1Q FY2019, the Group recorded net cash inflow from operating activities of approximately RMB 111 million.

Cash outflow from investing activities was approximately RMB 48 million in 1Q FY2019.

Cash outflow from financing activities was approximately RMB 52 million in 1Q FY2019.

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 2019, China's economy grows at a steady and positive pace. Market expectations and confidence have increased. However, the domestic economy still faces both internal and external pressures of slowing international economic growth and domestic structural changes. Economic downward pressure still exists. The pharmaceutical industry is undergoing reforms. The National Medical Insurance Bureau was established. There are now three new institutions of health care committee, drug supervision bureau and medical insurance bureau. Policy reforms resulting from the advancement of the new medical policies, the two-tier invoicing system, zero add-on for drug pricing, consistency in drug registration, and "4+7 centralized drug procurement in cities, which are Beijing, Tianjin, Shanghai, Chongqing, Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xi'an, have presented new opportunities and challenges. At the same time, unfavorable factors such as rising raw material prices, wages and rising energy costs have caused cost pressure on the company's operations.

Facing the above internal and external environmental pressures, the company constantly updates its development and regards the quality development and efficiency as the top priority. It uses innovative thinking to maximise the potential and vitality of all resources and focuses on marketing, technological innovation, and group management and control to achieve good return on performance. In the first quarter of 2019, the company achieved revenue of RMB 1.753 billion, a year-on-year increase of 9%. Net profit attributable to the parent company was RMB 190 million, a year-on-year increase of 10%.

In the next step, the company will resolve its determination and courage to overcome challenges, innovate work ideas, consolidate and accomplish all tasks with high standards and create a "quality Zhong Xin", and contribute towards the healthy China strategy.

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:-

In RMB'000

Name of Interested Person	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)
Tianjin Pharmaceutical Group Finance Co., Ltd (“ TPGF ”) (天津医药集团财务有限公司)	The interest payable on the credit facilities provided by TPGF: 501	0
Total	501	0

Note: As at 31 March 2019, placement of deposit with TPGF amounted to RMB 577,537,730 (31 December 2018: RMB566,619,790).

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 31 March 2019, 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)

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.