

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 2018 RMB'000	3-month period ended 31 March 2017 RMB'000	%
Revenue	1,615,167	1,481,832	9
Cost of Sales	(913,993)	(926,091)	-1
Gross Profit	701,174	555,741	26
Interest Income	2,184	1,779	23
Dividend Income	-	-	-
Other Gains	23,048	17,248	34
Marketing and Distribution Costs	(496,627)	(381,435)	30
Research and Development Costs	(19,668)	(11,762)	67
Administrative Expenses	(63,229)	(66,141)	-4
Finance Costs	(2,889)	(2,360)	22
Other Losses	(264)	(389)	-32
Share of Profits From Equity-Accounted Associates	55,046	38,363	43
Profit Before Income Tax	198,775	151,044	32
Income Tax Expense	(24,656)	(17,753)	39
Profit, Net of Tax	174,119	133,291	31
Other Comprehensive Income:			
Other Comprehensive Income Items that will not be reclassified to profit or loss:			
Share of Other Comprehensive Loss From Equity-Accounted Associates, Net of Tax	(170)	-	n.m
Fair Value Loss on Re-measuring of Financial Assets	(1,691)	-	n.m

	<u>The Group</u>		Change
	3-month period ended 31 March 2018 RMB'000	3-month period ended 31 March 2017 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
Fair Value Gain on Re-measuring of Available-For-Sale Investments, Net of Tax	-	2,220	n.m
Total Other Comprehensive Income, Net of Tax	2,399	2,220	8
Total Comprehensive Income	176,518	135,511	30
Profit, Net of Tax attributable to:			
Owners of the Parent	173,367	133,754	30
Non-Controlling Interests	752	(463)	n.m
	174,119	133,291	31

Total Comprehensive Income for the year attributable to:			
Owners of the Parent	175,766	135,974	29
Non-Controlling Interests	752	(463)	n.m
	176,518	135,511	30

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	Group	
	3-month period ended 31 March 2018 RMB'000	3-month period ended 31 March 2017 RMB'000
Profit, Net of Tax is arrived at after crediting / (charging):		
Other income including interest income	8,872	12,177
(Loss) / gain on disposal / written off of property, plant and equipment, intangible assets and land use rights, net	(279)	5,496
Gain on disposals of interests in subsidiaries, net	306	-
Allowance for impairment on trade receivables	1,794	117
Foreign currency translation losses, net	886	39
Interest on borrowings	(2,889)	(2,360)
Depreciation and amortisation	(20,133)	(20,505)
Impairment loss on inventories – (loss) / reversal	(264)	1,162
Allowance for impairment on other receivables	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

	The Group		The Company	
	31 March 2018 RMB'000	31 December 2017 RMB'000	31 March 2018 RMB'000	31 December 2017 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,088,574	1,075,695	823,689	810,984
Investment properties	24,920	25,186	23,341	23,587
Land use rights	166,838	168,020	138,484	139,605
Intangibles assets	11,134	11,315	8,581	8,967
Investments in subsidiaries	-	-	455,478	437,080
Investments in associates	601,333	562,458	601,333	562,458
Other financial assets, non-current	-	691,169	-	149,221
Financial assets at fair value through other comprehensive income	556,328	-	147,231	-
Deferred tax assets	111,203	109,497	96,714	96,714
Other assets, non-current	23,727	17,912	23,564	19,570
Total non-current assets	2,584,057	2,661,252	2,318,415	2,248,186
Current assets				
Inventories	1,091,439	1,104,488	964,551	991,505
Trade and other receivables	1,689,530	1,541,127	1,748,488	1,619,286
Other financial assets, current	-	100,500	-	-
Financial assets at fair value through profit or loss	50,611	-	-	-
Financial assets at amortised cost	80,000	-	-	-
Other assets, current	209,788	222,260	201,318	208,055
Cash and cash equivalents	1,186,149	992,178	1,029,888	863,858
Total current assets	4,307,517	3,960,553	3,944,245	3,682,704
Total assets	6,891,574	6,621,805	6,262,660	5,930,890
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	2,192,184	2,018,817	2,093,716	1,922,178
Other reserves	473,254	490,251	538,588	540,449
Equity attributable to owners of the parent	4,633,128	4,476,758	4,599,994	4,430,317
Non-controlling interests	127,569	148,733	-	-
Total equity	4,760,697	4,625,491	4,599,994	4,430,317

	<u>The Group</u>		<u>The Company</u>	
	31 March 2018 RMB'000	31 December 2017 RMB'000	31 March 2018 RMB'000	31 December 2017 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	6,683	6,982	6,683	6,982
Trade payables, non-current	39,915	39,915	39,470	39,470
Other liabilities, non-current	89,669	87,956	50,122	48,586
Total non-current liabilities	136,267	134,853	96,275	95,038
Current liabilities				
Income tax payable	46,659	27,072	44,922	25,346
Trade and other payables	1,414,999	1,282,903	1,181,490	1,077,156
Other financial liabilities	-	496,357	-	260,000
Other financial liabilities at fair value through profit or loss	182,578	-	-	-
Other financial liabilities at amortised cost	292,000	-	290,000	-
Other liabilities, current	58,374	55,129	49,979	43,033
Total current liabilities	1,994,610	1,861,461	1,566,391	1,405,535
Total liabilities	2,130,877	1,996,314	1,662,666	1,500,573
Total equity and liabilities	6,891,574	6,621,805	6,262,660	5,930,890

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 2018		As at 31 December 2017	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
182,578	292,000	234,357	262,000

Details of collateral for secured borrowings:

As at 31 March 2018, loans of RMB 182,578,000 (31 December 2017: RMB 234,357,000) are secured by pledges of investment in corporate and government bonds of the same amount.

Amount repayable after one year

As at 31 March 2018		As at 31 December 2017	
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

	The Group	
	3-month period ended 31 March 2018 RMB'000	3-month period ended 31 March 2017 RMB'000
<u>Cash flows from operating activities</u>		
Profit before income tax	198,775	151,044
Interest income	(2,184)	(1,779)
Interest expense	2,889	2,360
Gain upon maturity of financial instruments	(5,410)	(8,683)
Share of profits of equity-accounted associates	(55,046)	(38,363)
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	20,133	20,505
Loss / (gain) on disposals of property, plant and equipment, intangible assets and other non-current assets	279	(5,496)
Impairment of receivables and inventories – (reversal) / loss	(14,904)	(1,279)
Fair value (gain) / loss on derivative financial instruments	(611)	105
Operating cash flows before changes in working capital	143,615	118,414
Inventories	12,785	22,722
Trade and other receivables	(148,623)	(106,643)
Other assets	6,657	(17,191)
Trade and other payables	153,376	(7,608)
Other liabilities	8,482	(5,376)
Net cash flows from operations	176,292	4,318
Income tax paid	(1,883)	(3,929)
Net cash flows from operating activities	174,409	389

	The Group	
	3-month period ended 31 March 2018 RMB'000	3-month period ended 31 March 2017 RMB'000
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	(31,409)	(16,862)
Acquisition of available-for-sale financial assets	(6,776,370)	(7,023,581)
Disposals of subsidiaries (net of cash disposal)	(11,582)	-
Proceeds from disposals of available-for-sale financial assets	6,787,200	6,374,528
Cash restricted in use	-	290,000
Investment income received	16,000	2,334
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	88	13
Interest income received	7,944	8,094
Net cash flows used in investing activities	(8,129)	(365,474)
<u>Cash flows from financing activities</u>		
Proceeds from new borrowings	170,000	-
Proceeds from other borrowings	3,447,882	683,094
Dividends paid to equity owners	-	(31)
Distribution to non-controlling interests	-	(4,800)
Interest expense paid	(3,097)	(4,764)
Repayment of borrowings	(140,000)	(20,000)
Repayment of other borrowings	(3,447,095)	(683,290)
Cash restricted in use and/or maturing after 3 months	1,900	2,222
Net cash flows from / (used in) financing activities	29,590	(27,569)
Net increase / (decrease) in cash and cash equivalents	195,870	(392,654)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	975,114	943,039
Cash and cash equivalents, consolidated statement of cash flows, ending balance	1,170,984	550,385

Cash and cash equivalents in consolidated statement of cash flows		
Amount as shown in the statement of financial positions	1,186,149	1,059,039
Restricted bank deposits	(15,165)	(508,654)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	1,170,984	550,385

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 2018	768,873	1,198,817	490,251	2,018,817	4,476,758	148,733	4,625,491
Restatements (Note 4)	-	-	(19,379)	-	(19,379)	-	(19,379)
Restated balance at 1 January 2018	768,873	1,198,817	470,872	2,018,817	4,457,379	148,733	4,606,112
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	473,254	2,192,184	4,633,128	127,569	4,760,697

Group	Share capital	Share premium	Other Reserves	Retained earnings	Total	Non-cont rolling interests	Total equity
Balance at 1 January 2017	768,873	1,198,817	507,043	1,707,997	4,182,730	162,659	4,345,389
Total comprehensive income for the period	-	-	2,220	133,754	135,974	(463)	135,511
Distribution to non-controlling interests	-	-	-	-	-	(4,800)	(4,800)
Balance at 31 March 2017	768,873	1,198,817	509,263	1,841,751	4,318,704	157,396	4,476,100

All in RMB'000

Company	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
Balance at 1 January 2018	768,873	1,198,817	540,449	1,922,178	4,430,317
Total comprehensive income for the period	-	-	(1,861)	171,538	169,677
Balance at 31 March 2018	768,873	1,198,817	538,588	2,093,716	4,599,994

Company	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
Balance at 1 January 2017	768,873	1,198,817	514,112	1,601,496	4,083,298
Total comprehensive income for the period	-	-	2,221	148,435	150,656
Balance at 31 March 2017	768,873	1,198,817	516,333	1,749,931	4,233,954

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 2017.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 March 2018 and 31 December 2017.

The Company does not hold any treasury shares and there is no subsidiary holding as at 31 March 2018 and 31 December 2017.

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 2018	As at 31 December 2017
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 2018. 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.

On 1 January 2018, the Company adopted SFRS(I) 9 Financial Instruments and SFRS(I) 15 Revenue from Contracts with Customers which are effective from the reporting year beginning on or after 1 January 2018. As a result, certain balance sheet items and reserves were adjusted as at 1 January 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 2018 RMB	3-month period ended 31 March 2017 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	0.23	0.17

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

	The Group		The Company	
	31 March 2018 RMB	31 December 2017 RMB	31 March 2018 RMB	31 December 2017 RMB
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	6.03	5.82	5.98	5.76

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 FY2018 ("1Q FY2018") was approximately RMB 1,615 million, an increase of approximately RMB 133 million or 9%, from RMB 1,482 million in the first quarter of FY2017 ("1Q FY2017").

(b) Gross Profit Margin:

The Group's gross profit in 1Q FY2018 increased by approximately 26% from approximately RMB 556 million in 1Q FY2017 to approximately RMB 701 million. The gross profit margin increased from 37.5% in 1Q FY2017 to 43.41% in 1Q FY2018.

(c) Other Gains:

Other gains in 1Q FY2018 was approximately RMB 23 million, an increase of 34% or approximately RMB 5.8 million over the previous corresponding period. The increase was mainly due to reversal of allowance for impairment on other receivables.

(d) Major Expenses:

(i) Marketing and Distribution costs in 1Q FY2018 was approximately RMB 497 million, an increase of approximately RMB 115 million, or 30% over the previous corresponding period. The increase in major expenses was due mainly to the increase in sales promotion expenses.

(ii) Research and development costs in 1Q FY2018 was approximately RMB 20 million, an increase of approximately RMB 8 million or 67% over the previous corresponding period.

(iii) Administrative expenses in 1Q FY2018 decreased by approximately RMB 3 million, from approximately RMB 66 million in 1Q FY2017.

(iv) Finance costs in 1Q FY2018 increased by approximately RMB 0.5 million or 22% from approximately RMB 2.4 million to approximately RMB 2.9 million.

(v) Other losses in 1Q FY2018 decreased by approximately RMB 0.1 million, from approximately RMB 0.4 million in 1Q FY2017 to approximately RMB 0.3 million.

(e) Shares of results of associated companies:

The Group's share of profits of associates in 1Q FY2018 was approximately RMB 55 million, an increase of 43% 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 FY2018 increased compared to 1Q FY2017.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 1Q FY2018 was approximately RMB 177 million, an increase of 30% over the previous corresponding period. The profit attributable to equity holders of parent (net of tax) in 1Q FY2018 was approximately RMB 173 million, an increase of approximately RMB 40 million from the corresponding period in 1Q FY2017.

(g) Major changes in statement of financial positions:

As at 31 March 2018, the Group's cash and cash equivalents amounted to approximately RMB 1,186 million, which is an increase of approximately RMB 194 million, or 20% over the balance as at 31 December 2017. The Group's short-term borrowings as at 31 March 2018 amounted to approximately RMB 292 million, which is an increase of approximately RMB 30 million, or 11% over the balance as at 31 December 2017.

Trade and other receivables was approximately RMB 1,689 million at 31 March 2018, which is an increase of approximately RMB 148 million, or 10% over the balance as at 31 December 2017. Notes receivable decreased by approximately RMB 67 million. Trade receivables increased by approximately RMB 192 million. Other receivables increased by approximately RMB 12 million. Inventories was approximately RMB 1,091 million at 31 March 2018, which is a decrease of approximately RMB 13 million, or 1% over the balance as at 31 December 2017.

Other current asset decreased by approximately 6% or RMB 12 million to approximately RMB 210 million as at 31 March 2018.

Investments in associates of the Group increased by 7% to approximately RMB 601 million, which is mainly attributable to the increase in the share of profit from associates.

Property, plant and equipment increased by approximately RMB 13 million or 1% to RMB 1,089 million.

(h) Changes in cash flow position:

In 1Q FY2018, the Group recorded net cash inflow from operating activities of approximately RMB 174 million.

Cash outflow from investing activities was approximately RMB 8 million in 1Q FY2018.

Cash inflow from financing activities was approximately RMB 30 million in 1Q FY2018.

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

The reform of the pharmaceutical industry continues to deepen, and enterprises have to change their thinking, adapt to the new norm, and achieve stable and high-quality development. Under current situation and after careful analysis of the market environment, the company will do the following:

1. With the goals of “high market position, high starting point, wide distribution, and fast volume”, focus on the sales and quality of major product groups.
2. Under the direction of technological innovation and market demand, further integrate and upgrade the research resources from emphasis on market integration to market leadership, change from research and development to comprehensive development, shift from decentralized management to centralized management, and increase the level of internal and external resource utilization.
3. Promote learning with close attention to the development of the industry, improve the ability to judge and adapt to trends, strengthen the company’s strategic management and control functions, enhance the sense of responsibility, improve the horizontal communication, coordination, and cooperation, enhance service awareness by more involvement in the operation and resolve the operational problems in a timely manner.

The company's development has entered a critical phase with both opportunities and challenges. The company continues towards the mission of development of traditional Chinese medicine and achieve the company’s strategy through good work and innovation on a progressive manner.

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

Not applicable.

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: (604) The interest receivable on the placement of deposit with TPGF: 422	0
Total	(182)	0

Note: As at 31 March 2018, placement of deposit with TPGF amounted to RMB 518,684,620 (31 December 2017: RMB287,675,910).

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 2018, 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.