

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 2017 RMB'000	3-month period ended 31 March 2016 RMB'000	%
Revenue	1,464,309	1,643,857	-11
Cost of Sales	(916,162)	(1,124,678)	-19
Gross Profit	548,147	519,179	6
Interest Income	1,779	735	n.m
Dividend Income	-	-	-
Other Gains	17,212	13,412	28
Marketing and Distribution Costs	(380,012)	(350,202)	9
Research and Development Costs	(11,762)	(12,513)	-6
Administrative Expenses	(60,391)	(68,769)	-12
Finance Costs	(2,360)	(4,166)	-43
Other Losses	(105)	(966)	-89
Share of Profits From Equity-Accounted Associates	38,363	38,581	-1
Profit Before Income Tax	150,871	135,291	12
Income Tax Expense	(17,586)	(20,005)	-12
Profit, Net of Tax	133,285	115,286	16
Other Comprehensive Income Items that may be reclassified subsequently to profit or loss:			
Fair Value (Loss) Gain on Re-measuring of Available-For-Sale Investments, Net of Tax	2,221	(12,783)	n.m
Share of Other Comprehensive (Loss) Income From Equity-Accounted Associates, Net of Tax	-	-	-
Total Other Comprehensive Income, Net of Tax	2,221	(12,783)	n.m
Total Comprehensive Income	135,506	102,503	32

	<u>The Group</u>		Change
	3-month period ended 31 March 2017 RMB'000	3-month period ended 31 March 2016 RMB'000	%
Profit, Net of Tax attributable to:			
Owners of the Parent	133,748	119,582	12
Non-Controlling Interests	(463)	(4,296)	-89
	133,285	115,286	16

Total Comprehensive Income for the year attributable to:			
Owners of the Parent	135,969	106,799	27
Non-Controlling Interests	(463)	(4,296)	-89
	135,506	102,503	32

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	Group	
	3-month period ended 31 March 2017 RMB'000	3-month period ended 31 March 2016 RMB'000
Profit, Net of Tax is arrived at after crediting / (charging):		
Other income including interest income	12,177	14,147
Gain (loss) on disposal / written off of property, plant and equipment, intangible assets and land use rights, net	5,496	(49)
Allowance for impairment on trade receivables – reversal / (loss)	117	(168)
Foreign currency translation losses, net	39	(765)
Interest on borrowings	(2,360)	(4,166)
Depreciation and amortisation	(20,078)	(21,517)
Impairment loss on inventories - reversal	1,162	-

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 2017 RMB'000	31 December 2016 RMB'000	31 March 2017 RMB'000	31 December 2016 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	973,166	982,240	736,201	745,242
Investment properties	25,983	26,248	24,326	24,572
Land use rights	169,620	170,760	142,966	144,091
Intangibles assets	7,689	7,869	5,271	5,410
Investments in subsidiaries	-	-	380,413	380,413
Investments in associates	597,060	561,031	597,060	561,031
Other financial assets, non-current	577,800	615,796	151,940	149,327
Deferred tax assets	86,356	86,356	83,926	83,926
Other assets, non-current	18,432	18,762	41,624	18,071
Total non-current assets	2,456,106	2,469,062	2,163,727	2,112,083
Current assets				
Inventories	891,817	908,716	789,895	798,672
Trade and other receivables	1,570,628	1,465,777	1,613,409	1,445,450
Other financial assets, current	270,555	200,660	270,555	200,660
Other assets, current	181,130	163,609	152,040	155,032
Cash and cash equivalents	1,045,135	1,152,856	768,539	910,521
Total current assets	3,959,265	3,891,618	3,594,438	3,510,335
Total assets	6,415,371	6,360,680	5,758,165	5,622,418
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	1,868,919	1,735,171	1,749,931	1,601,496
Other reserves	438,990	436,769	516,333	514,112
Equity attributable to owners of the parent	4,275,599	4,139,630	4,233,954	4,083,298
Non-controlling interests	157,396	162,659	-	-
Total equity	4,432,995	4,302,289	4,233,954	4,083,298

	<u>The Group</u>		<u>The Company</u>	
	31 March 2017 RMB'000	31 December 2016 RMB'000	31 March 2017 RMB'000	31 December 2016 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	7,684	7,293	7,684	7,293
Trade payables, non-current	47,271	47,271	47,197	47,197
Other liabilities, non-current	74,638	75,314	37,621	38,309
Total non-current liabilities	129,593	129,878	92,502	92,799
Current liabilities				
Income tax payable	31,000	17,374	28,909	14,402
Trade and other payables	1,248,799	1,269,110	1,074,749	1,090,441
Other financial liabilities	511,145	575,490	270,000	290,000
Other liabilities, current	61,839	66,539	58,051	51,478
Total current liabilities	1,852,783	1,928,513	1,431,709	1,446,321
Total liabilities	1,982,376	2,058,391	1,524,211	1,539,120
Total equity and liabilities	6,415,371	6,360,680	5,758,165	5,622,418

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 2017		As at 31 December 2016	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
226,645	284,500	270,990	304,500

Details of collateral for secured borrowings:

As at 31 March 2017, loans of RMB 226,645,000 (31 December 2016: RMB 270,990,000) are secured by pledges of corporate and government bonds of the same amount.

Amount repayable after one year

As at 31 March 2017		As at 31 December 2016	
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 2017 RMB'000	3-month period ended 31 March 2016 RMB'000
<u>Cash flows from operating activities</u>		
Profit before income tax	150,872	135,291
Interest income	(1,779)	(735)
Interest expense	2,360	4,166
Gain upon maturity of held-to-maturity investments	(8,683)	(7,834)
Share of profits of equity-accounted associates	(38,363)	(38,581)
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	20,078	21,517
Gain / (loss) on disposals of property, plant and equipment, intangible assets and other non-current assets	(5,496)	49
Impairment of receivables and inventories – (reversal) / loss	(1,279)	168
Fair value loss on derivative financial instruments	105	(1,211)
Operating cash flows before changes in working capital	117,815	112,830
Inventories	18,061	19,954
Trade and other receivables	(102,251)	(146,290)
Other assets	(17,191)	(114,719)
Trade and other payables	(9,815)	161,378
Other liabilities	(5,376)	69,051
Net cash flows from operations	1,243	102,204
Income tax paid	(3,762)	(3,174)
Net cash flows (used in) / from operating activities	(2,519)	99,030

	The Group	
	3-month period ended 31 March 2017 RMB'000	3-month period ended 31 March 2016 RMB'000
Cash flows from investing activities		
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	(16,799)	(22,245)
Acquisition of available-for-sale financial assets	(7,023,581)	(8,940,739)
Proceeds from disposals of available-for-sale financial assets	6,374,528	9,251,081
Cash restricted in use	290,000	(270,000)
Investment income received	2,334	-
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	13	2,314
Interest income received	8,094	8,180
Net cash flows (used in) / from investing activities	(365,411)	28,591
Cash flows from financing activities		
Proceeds from new borrowings	-	140,000
Proceeds from other borrowings	683,094	8,415,163
Dividends paid to equity owners	(31)	-
Distribution to non-controlling interests	(4,800)	(4,800)
Interest expense paid	(4,764)	(4,411)
Repayment of borrowings	(20,000)	(210,760)
Repayment of other borrowings	(683,290)	(8,415,620)
Cash restricted in use and/or maturing after 3 months	2,222	18,743
Net cash flows used in financing activities	(27,569)	(61,685)
Net (decrease) / increase in cash and cash equivalents	(395,499)	65,936
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	931,980	762,959
Cash and cash equivalents, consolidated statement of cash flows, ending balance	536,481	828,895

Cash and cash equivalents in consolidated statement of cash flows		
Amount as shown in the statement of financial positions	1,045,135	1,125,302
Restricted bank deposits	(508,654)	(296,407)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	536,481	828,895

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 2017	768,873	1,198,817	436,769	1,735,171	4,139,630	162,659	4,302,289
Total comprehensive income for the period	-	-	2,221	133,748	135,969	(463)	135,506
Distribution to non-controlling interests	-	-	-	-	-	(4,800)	(4,800)
Balance at 31 March 2017	768,873	1,198,817	438,990	1,868,919	4,275,599	157,396	4,432,995

Group	Share capital	Share premium	Other Reserves	Retained earnings	Total	Non-cont rolling interests	Total equity
Balance at 1 January 2016	768,873	1,198,817	421,696	1,532,323	3,921,709	183,466	4,105,175
Total comprehensive income for the period	-	-	(12,783)	119,582	106,799	(4,296)	102,503
Distribution to non-controlling interests	-	-	-	-	-	(4,800)	(4,800)
Balance at 31 March 2016	768,873	1,198,817	408,913	1,651,905	4,028,508	174,370	4,202,878

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

All in RMB'000

Company	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
Balance at 1 January 2016	768,873	1,198,817	496,007	1,323,934	3,787,631
Restatements	-	-	2,821	100,120	102,941
Restated balance at 1 January 2016	768,873	1,198,817	498,828	1,424,054	3,890,572
Total comprehensive income for the period	-	-	(12,783)	150,580	137,797
Balance at 31 March 2016	768,873	1,198,817	486,045	1,574,634	4,028,369

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 2016.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 March 2017 and 31 December 2016.

The Company does not hold any treasury shares and there is no subsidiary holding as at 31 March 2017 and 31 December 2016.

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 2017	As at 31 December 2016
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 2017. 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 the same accounting policies and methods of computation as presented in the audited financial statements of the Group for the reporting year ended 31 December 2016.

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 2017 RMB	3-month period ended 31 March 2016 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	0.174	0.156

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 2017 RMB	31 December 2016 RMB	31 March 2017 RMB	31 December 2016 RMB
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	5.56	5.38	5.51	5.31

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 FY2017 ("**1Q FY2017**") was approximately RMB 1,464 million, a decrease of approximately RMB 180 million or 11%, from RMB 1,644 million in the first quarter of FY2016 ("**1Q FY2016**").

(b) Gross Profit Margin:

The Group's gross profit in 1Q FY2017 increased by approximately 6% from approximately RMB 519 million in 1Q FY2016 to approximately RMB 548 million. The gross profit margin increased from 31.58% in 1Q FY2016 to 37.43% in 1Q FY2017.

(c) Other Gains:

Other gains in 1Q FY2017 was approximately RMB 17 million, an increase of 28% or approximately RMB 4 million over the previous corresponding period. The increase was mainly due to returns from short-term investments and government bonds.

(d) Major Expenses:

- (i) Marketing and Distribution costs in 1Q FY2017 was approximately RMB 380 million, an increase of approximately RMB 30 million, or 9% 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 FY2017 was approximately RMB 12 million, a decrease of approximately RMB 1 million or 6% over the previous corresponding period.
- (iii) Administrative expenses in 1Q FY2017 decreased by approximately RMB 8 million, from approximately RMB 69 million in 1Q FY2016.
- (iv) Finance costs in 1Q FY2017 decreased by approximately RMB 2 million or 43% from approximately RMB 4 million to approximately RMB 2 million. The decrease in finance costs was mainly due to the decrease in loan amounts.
- (v) Other losses in 1Q FY2017 decreased by approximately RMB 0.9 million, from approximately RMB 1 million in 1Q FY2016 to approximately RMB 0.1 million.

(e) Shares of results of associated companies:

The Group's share of profits of associates in 1Q FY2017 was approximately RMB 38 million, a

decrease of 1% over the previous corresponding period.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 1Q FY2017 was approximately RMB 136 million, an increase of 32% over the previous corresponding period. The profit attributable to equity holders of parent (net of tax) in 1Q FY2017 was approximately RMB 134 million, an increase of approximately RMB 14 million from the corresponding period in 1Q FY2016.

(g) Major changes in statement of financial positions:

As at 31 March 2017, the Group's cash and cash equivalents amounted to approximately RMB 1,045 million, which is a decrease of approximately RMB 108 million, or 9% over the balance as at 31 December 2016. The Group's short-term borrowings as at 31 March 2017 amounted to approximately RMB 511 million, which is a decrease of approximately RMB 64 million, or 11% over the balance as at 31 December 2016.

Trade and other receivables was approximately RMB 1,571 million at 31 March 2017, which is an increase of approximately RMB 105 million, or 7% over the balance as at 31 December 2016. Notes receivable decreased by approximately RMB 50 million. Trade receivables increased by approximately RMB 161 million. Other receivables decreased by approximately RMB 6 million. Inventories was approximately RMB 892 million at 31 March 2017, which is a decrease of approximately RMB 17 million, or 2% over the balance as at 31 December 2016.

Other current asset increased by approximately 11% or RMB 18 million to approximately RMB 181 million as at 31 March 2017. This was mainly attributed to the increase in procurement of which advance payments are required.

Investments in associates of the Group increased by 6% approximately RMB 597 million, which is mainly attributable to the Group's share of the associates' profits in 1Q FY2017.

Property, plant and equipment decreased by approximately RMB 9 million or 1% to RMB 973 million.

(h) Changes in cash flow position:

In 1Q FY2017, the Group recorded net cash outflow from operating activities of approximately RMB 2 million.

Cash outflow from investing activities was approximately RMB 365 million in 1Q FY2017.

Cash outflow from financing activities was approximately RMB 28 million in 1Q FY2017.

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 light of the challenging economic conditions in recent years and taking into account the competitive environment, the Company is striving to further strengthen its operations through the following measures: -

- (1) placing greater emphasis on innovation and creation and establishing the importance of scientific development;
- (2) strengthening its marketing plans to increase the amount of industrial sales so as to create more profits for the Company;
- (3) focusing on research and development activities to enhance the Group's core competitiveness in technology;
- (4) strengthening the internal controls and management of the Group.

The Board believes that with the above measures, the Company is using its best efforts to improve its operations, so as to continually gear the Company towards greater scientific progress and development.

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)	<p>The balance in the deposit account of TPGF: 38,528.85</p> <p>The interest payable on the credit facilities provided by TPGF: 478.50</p>	0
Total	39,007.35	0

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 2017, 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.