

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 2020 RMB'000	3-month period ended 31 March 2019 RMB'000	%
Revenue	1,655,961	1,753,429	-6
Cost of sales	(989,480)	(998,069)	-1
Gross profit	666,481	755,360	-12
Interest income	5,333	3,538	51
Other gains	16,109	22,884	-30
Marketing and distribution expenses	(433,019)	(504,584)	-14
Research and development expenses	(20,081)	(20,317)	-1
Administrative expenses	(78,961)	(78,638)	0
Finance expenses	-	(2,178)	n.m
Other losses	(6,973)	(419)	n.m
Share of profit of associates	47,747	41,989	14
Profit before income tax	196,636	217,635	-10
Income tax expense	(22,039)	(26,052)	-15
Profit, net of tax	174,597	191,583	-9
Other comprehensive income / (loss) Items that will not be reclassified to profit or loss:			
Fair value (loss) / gain on equity investment measured at FVTOCI, net of tax	(2,194)	6,633	n.m
Share of other comprehensive income from equity-accounted associates, net of tax	204	1,066	-81
Total other comprehensive (loss)/income, net of tax	(1,990)	7,699	n.m
Total comprehensive income	172,607	199,282	-13

	The Group		Change
	3-month period ended 31 March 2020 RMB'000	3-month period ended 31 March 2019 RMB'000	%
Profit, net of tax attributable to:			
Owners of the parent	169,890	190,006	-11
Non-controlling interests	4,707	1,577	n.m
	174,597	191,583	-9
Total comprehensive income attributable to:			
Owners of the parent	167,900	197,705	-15
Non-controlling interests	4,707	1,577	n.m
	172,607	199,282	-13

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	Group	
	3-month period ended 31 March 2020 RMB'000	3-month period ended 31 March 2019 RMB'000
Profit, net of tax is arrived at after crediting / (charging):		
Other income including interest income	21,442	7,898
Reversal of allowance for impairment on other receivables	-	26
Gain on disposal of property, plant and equipment, intangible assets and other non-current assets	(30)	17,370
Foreign currency translation (losses)/ gains, net	(244)	596
Allowance for impairment loss on trade receivables	(3,973)	(411)
Interest expense on borrowings	-	(2,178)
Inventories written down	(2,726)	532
Share-based payments	(2,075)	-
Depreciation and amortisation	(25,045)	(22,285)

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 2020 RMB'000	31 December 2019 RMB'000	31 March 2020 RMB'000	31 December 2019 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,397,493	1,363,795	999,156	1,007,797
Investment properties	22,288	22,547	21,372	21,618
Land use rights	163,407	157,997	136,253	130,638
Intangibles assets	17,175	17,575	14,287	14,700
Right-of-use assets	3,355	3,603	-	-
Investment in subsidiaries	-	-	473,528	473,528
Investment in associates	671,257	657,906	671,257	657,906
Other financial assets	247,372	249,003	140,131	142,712
Deferred tax assets	185,325	183,804	167,119	167,119
Other assets	28,544	52,197	28,950	22,254
Total non-current assets	2,736,216	2,708,427	2,652,053	2,638,272
Current assets				
Inventories	1,373,565	1,594,558	1,243,318	1,469,193
Trade and other receivables	2,157,138	1,808,588	2,072,387	1,640,338
Other financial assets	35,995	43,525	-	-
Other assets	151,353	208,639	133,839	254,950
Cash and cash equivalents	1,600,610	1,479,441	1,424,853	1,290,160
Total current assets	5,318,661	5,134,751	4,874,397	4,654,641
Total assets	8,054,877	7,843,178	7,526,450	7,292,913
EQUITY				
Equity				
Share capital	772,803	768,873	772,803	768,873
Share premium	1,223,183	1,198,817	1,223,183	1,198,817
Retained earnings	3,051,064	2,881,174	2,986,680	2,798,064
Other reserves	539,395	539,310	589,610	589,525
Total equity, attributable to equity holders of the Company	5,586,445	5,388,174	5,572,276	5,355,279
Non-controlling interests	134,939	135,032	-	-
Total equity	5,721,384	5,523,206	5,572,276	5,355,279

	<u>The Group</u>		<u>The Company</u>	
	31 March 2020 RMB'000	31 December 2019 RMB'000	31 March 2020 RMB'000	31 December 2019 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	8,552	8,939	8,552	8,939
Trade payables	37,390	37,390	37,211	37,211
Lease liabilities	2,206	2,710	-	-
Other financial liabilities	30,000	30,000	-	-
Other liabilities	84,799	83,725	46,353	47,043
Total non-current liabilities	162,947	162,764	92,116	93,193
Current liabilities				
Income tax payable	80,778	59,366	71,526	49,638
Trade and other payables	1,767,523	1,732,580	1,473,225	1,437,421
Other financial liabilities	-	-	-	-
Lease liabilities	962	962	-	-
Other liabilities	321,283	364,300	317,307	357,382
Total current liabilities	2,170,546	2,157,208	1,862,058	1,844,441
Total liabilities	2,333,493	2,319,972	1,954,174	1,937,634
Total equity and liabilities	8,054,877	7,843,178	7,526,450	7,292,913

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

Amount repayable in one year or less, or on demand

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

Amount repayable after one year

As at 31 March 2020		As at 31 December 2019	
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 2020 RMB'000	3-month period ended 31 March 2019 RMB'000
<u>Cash flows from operating activities</u>		
Profit before income tax	196,636	217,635
Adjustments for:		
Interest income	(5,333)	(3,538)
Interest expense	-	2,178
Gain on maturity and disposal of financial assets	(2,061)	(1,556)
Share of profit of equity-accounted associates	(47,747)	(41,989)
Depreciation and amortisation of property, plant and equipment, right-of-use assets, investment properties, land use rights and intangible assets	25,045	22,285
Loss/(Gains) on disposals of property, plant and equipment, intangible assets and other non-current assets	30	(17,370)
Allowance for Impairment losses on property, plant and equipment, receivables and inventories – loss / (reversal)	6,699	(147)
Share-based payments	2,075	-
Fair value gains on financial assets at FVTPL	-	(745)
Operating cash flows before changes in working capital	175,344	176,753
Inventories	218,267	(1,793)
Trade and other receivables	(378,053)	(265,268)
Other assets	80,271	18,292
Trade and other payables	80,624	212,064
Cash restricted in use	38	19
Other liabilities	(41,943)	(11,164)
Net cash flows from operations	134,548	128,903
Income tax paid	(1,804)	(17,446)
Net cash flows from operating activities	132,744	111,457
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment and intangibles assets	(54,862)	(32,863)
Acquisition of financial assets	(7,420,403)	(14,213,934)
Proceeds from disposal of financial assets	7,427,933	14,174,374
Dividends income received from equity accounted associates	34,600	-
Proceeds from disposals of property, plant and equipment and intangible assets	27	18,862
Interest income received	6,498	5,187
Net cash flows used in investing activities	(6,207)	(48,374)

	<u>The Group</u>	
	3-month period ended 31 March 2020 RMB'000	3-month period ended 31 March 2019 RMB'000
<u>Cash flows from financing activities</u>		
Distribution to non-controlling interests	(4,800)	-
Repayment of lease liabilities	(530)	-
Interest expense paid	-	(2,250)
Repayment of borrowings	-	(50,000)
Net cash flows used in financing activities	(5,330)	(52,250)
Net increase in cash and cash equivalents	121,207	10,833
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	1,479,403	1,455,066
Cash and cash equivalents, consolidated statement of cash flows, ending balance	1,600,610	1,465,899

	<u>The Group</u>	
	3-month period ended 31 March 2020 RMB'000	3-month period ended 31 March 2019 RMB'000
Cash and cash equivalents in consolidated statement of cash flows:		
Amount as shown in the statement of financial positions	1,600,610	1,477,899
Restricted cash deposits for bank notes payables	-	(12,000)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	1,600,610	1,465,899

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 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

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-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

All in RMB'000

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2020	768,873	1,198,817	589,525	2,798,064	5,355,279
Issuance of shares under Restricted A-Shares	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

Company	Share capital	Share premium	Other reserves (Restated)	Retained earnings (Restated)	Total equity (Restated)
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

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.

The company granted 3,930,000 shares to its employees under 2019 Restricted A-Shares Incentive Scheme (the "Scheme") as announced on 9 December 2019. The registration of issued restricted shares were completed on 7 January 2020.

As announced on 17 February 2020, 70,000 Restricted A-shares, represents 0.009% of the total share capital will be repurchased or cancelled by the Company in accordance with the relevant provisions of the Scheme. Upon completion, the total number of shares in the capital of the Company will be reduced from 772,803,076 to 772,733,076.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 March 2020 and 31 December 2019.

The Company does not hold any treasury shares and there is no subsidiary holding as at 31 March 2020 and 31 December 2019.

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 2020	As at 31 December 2019
Number of issued shares excluding : treasury shares	772,803,076	768,873,076
Number of treasury shares held :	NIL	NIL

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

Refer 1(d)(ii) above.

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

Not applicable.

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

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 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 applied same accounting policies and method of computation as presented in the audited financial statements of the Group for the reporting year ended 31 December 2019.

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

The Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) that are relevant to its operations and effective on the beginning of its current reporting year on 1 January 2020. The adoption of these new and revised 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 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 2020 RMB	3-month period ended 31 March 2019 RMB
Earnings per ordinary share for the period based on net profits after deducting any provision for preference dividends:		
Based on weighted average number of ordinary share on issue	0.22	0.25

Diluted earnings per share is the same as basic earnings per share as the Company does not have any potential ordinary shares that have a dilutive effect on earnings per share as at the end of the period reported on.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	31 March 2020 RMB	31 December 2019 RMB	31 March 2020 RMB	31 December 2019 RMB
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	7.23	7.01	7.21	6.97

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

(a) Revenue:

The Group's revenue in the first quarter of FY2020 ("1Q FY2020") was approximately RMB 1,656 million, a decrease of approximately RMB 97 million or 6%, from RMB 1,753 million in the first quarter of FY2019 ("1Q FY2019"). This was a result of work stoppages and logistical and traffic control caused by the Coronavirus pandemic.

(b) Gross Profit Margin:

The Group's gross profit in 1Q FY2020 decreased by approximately 12% from approximately RMB 755 million in 1Q FY2019 to approximately RMB 666 million. The gross profit margin decreased from 43% in 1Q FY2019 to 40% in 1Q FY2020.

(c) Other Gains:

Other gains in 1Q FY2020 was approximately RMB 16 million, a decrease of approximately RMB 7 million or 30%, from RMB 23 million in the first quarter of FY2019. This is mainly contributed by increase in government subsidies of RMB 10 million but offset by a decrease in demolition and relocation compensation of RMB 17 million.

(d) Major Expenses:

- (i) Marketing and Distribution expenses in 1Q FY2020 was approximately RMB 433 million, a decrease of approximately RMB 72 million, or 14% over the previous corresponding period mainly due to the decrease of sales promotion and consulting fees.
- (ii) Research and development expenses in 1Q FY2020 was approximately RMB 20 million, a decrease of approximately RMB 0.2 million or 1% over the previous corresponding period.
- (iii) Administrative expenses in 1Q FY2020 was approximately RMB 79 million, which remained flat compared with the previous corresponding period.
- (iv) Finance expenses in 1Q FY2020 decreased by approximately RMB 2 million or 100%, from RMB 2 million in the first quarter of FY2019. The decrease was in line with the decrease of borrowings. The interest expense of approximately RMB269,000 relating to RMB 30 million borrowings was capitalised into projects under construction in progress.
- (v) Other losses in 1Q FY2020 increased by approximately RMB 7 million, from approximately RMB 0.4 million in 1Q FY2019 to approximately RMB 7 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 FY2020 was approximately RMB 48 million, an increase of 14% over the previous corresponding period. This was mainly due to the increase in profits of Sino-American Tianjin Smithkline & French Lab., Ltd in 1Q FY 2020 as compared to 1Q FY 2019.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 1Q FY2020 was approximately RMB 173 million, a decrease of 13% over the previous corresponding period. The profit attributable to equity holders of parent (net of tax) in 1Q FY2020 was approximately RMB 170 million, a decrease of approximately RMB 20 million from the corresponding period in 1Q FY2019.

(g) Major changes in statement of financial positions:

As at 31 March 2020, the Group's cash and cash equivalents amounted to approximately RMB 1,601 million, which is an increase of approximately RMB 121 million, or 8% over the balance as at 31 December 2019. The Group's short-term borrowings as at 31 March 2020 amounted to RMB 30 million which is consistent with 31 December 2019.

Trade and other receivables was approximately RMB 2,157 million at 31 March 2020, which is an increase of approximately RMB 349 million, or 19% over the balance as at 31 December 2019. Bills receivables decreased by approximately RMB 62 million. Trade receivables increased by approximately RMB 413 million. Inventories was approximately RMB 1,374 million at 31 March 2020, which is a decrease of approximately RMB 221 million, or 14% over the balance as at 31 December 2019. This is due to reduction in finished goods.

Other current assets decreased by approximately 27% or RMB 57 million to approximately RMB 151 million as at 31 March 2020 due mainly to a decrease in prepayments by RMB 34 million.

Investments in associates of the Group increased by 2% to approximately RMB 671 million, which is mainly attributable to higher profits of associate, Sino-American Tianjin Smithkline & French Lab., Ltd.

Property, plant and equipment increased by approximately RMB 34 million or 2% to RMB 1,397 million. The increase was mainly due to increase in projects under construction in progress.

(h) Changes in cash flow position:

In 1Q FY2020, the Group recorded net cash inflow from operating activities of approximately RMB 133 million which has increased by RMB 21 million as compared to 1Q FY2019 due mainly to lower cash payout for purchasing of inventories and taxes.

Cash flow used in investing activities was approximately RMB 6 million in 1Q FY2020. This was mainly attributable to dividend received from associates as compared to previous year.

Cash flow used in financing activities was approximately RMB 5 million in 1Q FY2020. This was mainly contributed by higher repayment of borrowings during the previous year.

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 know factors or events that may affect the group in the next reporting period and the next 12 months

In the first quarter of 2020, due to the impact of the new coronavirus pandemic in China and other parts of the world, China's economic development is facing unprecedented challenges. The National Bureau of Statistics released the first quarter macroeconomic data, with the GDP at -6.8% growth year-on-year. Exports, manufacturing, and employment are all affected with rising uncertainty in economic development.

The pharmaceutical industry is also significantly affected by the pandemic. The measures taken to stop the spread of the virus, such as work stoppages, logistical and traffic control, have caused production and sales to decline significantly. Fixed overheads such as labor, depreciation and fixed expenditures have not decreased, resulting in high costs and squeezed profits.

In the face of the pandemic, the Company has to discharge its social responsibility of stepping up production of relevant medicines listed in the national health treatment program to fulfill supplies to the community.

In order to reduce the impact of the pandemic and uphold the confidence of its employees, the Company actively pursues the maximization of the benefits offered by the various governmental policies issued in response to the pandemic and, at the same time, seek out suitable personnel from the market to strengthen its core management team in its attempt to boost enthusiasm and motivation of the management staff.

In the first quarter, the Company's revenue decreased by 6% year-on-year, and net profit attributable to the owners of the Company decreased by 11% year-on-year. With the effective control of the pandemic and the orderly progressive resumption of production, the short-term impact of the pandemic will gradually ease and the operating results of the Company will gradually improve.

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.

(e) If no dividend has been declared/recommended, a statement to that effect

Not applicable. The Company will conduct a review at the end of the financial year.

12. 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	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)	
	3-month period ended 31 March 2020	3-month period ended 31 March 2019	3-month period ended 31 March 2020	3-month period ended 31 March 2019
	RMB'000	RMB'000	RMB'000	RMB'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: 269	501	-	-
Tianjin Pharmaceutical Holdings Co., Ltd. (“ TPH ”) (天津市医药集团有限公司)	Addition payment to TPH for upsize of land area of land use right: 6,757			
Total	7,026	501	-	-

Note: As at 31 March 2020, placement of deposit with TPGF amounted to RMB 417 million.

13. 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 2020, to be false or misleading in any material respect.

14. 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.