

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

**Third 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**

	The Group					
	3-month period from 1 July to 30 September 2019 RMB'000	3-month period from 1 July to 30 September 2018 RMB'000	Change %	9-month period from 1 January to 30 September 2019 RMB'000	9-month period from 1 January to 30 September 2018 RMB'000	Change %
<b>Revenue</b>	<b>1,643,758</b>	1,576,558	4	<b>5,177,476</b>	4,688,805	10
Cost of sales	<b>(956,883)</b>	(961,805)	-1	<b>(2,995,016)</b>	(2,743,574)	9
<b>Gross profit</b>	<b>686,875</b>	614,753	12	<b>2,182,460</b>	1,945,231	12
Interest income	<b>3,365</b>	3,521	-4	<b>10,467</b>	8,843	18
Dividend income	<b>317</b>	238	33	<b>1,643</b>	804	n.m
Other gains	<b>18,035</b>	17,093	6	<b>47,876</b>	49,915	-4
Marketing and distribution costs	<b>(464,434)</b>	(438,628)	6	<b>(1,458,742)</b>	(1,370,738)	6
Research and development costs	<b>(25,975)</b>	(17,415)	49	<b>(80,325)</b>	(54,886)	46
Administrative expenses	<b>(86,559)</b>	(67,179)	29	<b>(254,988)</b>	(194,699)	31
Finance costs	<b>(708)</b>	(3,001)	-76	<b>(4,778)</b>	(8,985)	-47
Other losses	<b>(18,312)</b>	(2,699)	n.m	<b>(19,987)</b>	(9,335)	n.m
Share of profit of associates	<b>39,125</b>	3,366	n.m	<b>123,276</b>	100,385	23
<b>Profit before income tax</b>	<b>151,729</b>	110,049	38	<b>546,902</b>	466,535	17
Income tax expense	<b>(52,127)</b>	(21,726)	n.m	<b>(93,443)</b>	(60,944)	53
<b>Profit, net of tax</b>	<b>99,602</b>	88,323	13	<b>453,459</b>	405,591	12

	<u>The Group</u>					
	<b>3-month period from 1 July to 30 September 2019 RMB'000</b>	3-month period from 1 July to 30 September 2018 RMB'000	Change %	<b>9-month period from 1 January to 30 September 2019 RMB'000</b>	9-month period from 1 January to 30 September 2018 RMB'000	Change %
<b>Other Comprehensive Income / (Loss) Items that will not be reclassified to profit or loss:</b>						
Fair Value Gain / (Loss) on equity investment measured at FVTOCI, net of tax	<b>(1,833)</b>	(1,726)	6	<b>881</b>	(8,226)	n.m
Share of other comprehensive income / (loss) from equity-accounted associates, net of tax	<b>(170)</b>	(284)	-40	<b>431</b>	(1,089)	n.m
<b>Other Comprehensive Income/(Loss) Items that may be reclassified subsequently to profit or loss:</b>						
Fair Value (Loss) / Gain on re-measuring of financial instruments, net of tax	-	(191)	n.m	-	8,852	n.m
Total Other Comprehensive Income / (Loss), Net of Tax	<b>(2,003)</b>	(2,201)	-9	<b>1,312</b>	(463)	n.m
<b>Total comprehensive income</b>	<b>97,599</b>	86,122	13	<b>454,771</b>	405,128	12

	<u>The Group</u>					
	<b>3-month period from 1 July to 30 September 2019 RMB'000</b>	3-month period from 1 July to 30 September 2018 RMB'000	Change %	<b>9-month period from 1 January to 30 September 2019 RMB'000</b>	9-month period from 1 January to 30 September 2018 RMB'000	Change %
<b>Profit, net of tax attributable to:</b>						
Owners of the parent	<b>98,201</b>	87,415	12	<b>445,064</b>	402,949	10
Non-controlling interests	<b>1,401</b>	908	54	<b>8,395</b>	2,642	n.m
	<b>99,602</b>	88,323	13	<b>453,459</b>	405,591	12
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	<b>96,198</b>	85,214	13	<b>446,376</b>	402,486	11
Non-controlling interests	<b>1,401</b>	908	54	<b>8,395</b>	2,642	n.m
	<b>97,599</b>	86,122	13	<b>454,771</b>	405,128	12

(\*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	The Group			
	<b>3-month period from 1 July to 30 September 2019 RMB'000</b>	3-month period from 1 July to 30 September 2018 RMB'000	<b>9-month period from 1 January to 30 September 2019 RMB'000</b>	9-month period from 1 January to 30 September 2018 RMB'000
Profit, net of tax is arrived at after crediting / (charging):				
Other income including interest income	<b>11,946</b>	11,449	<b>28,484</b>	30,663
Allowance for impairment on other receivables – reversal	<b>88</b>	8,433	<b>926</b>	21,802
Gain on disposal of property, plant and equipment, intangible assets and other non-current assets	<b>9,366</b>	732	<b>28,934</b>	3,945
Dividend income	<b>317</b>	238	<b>1,643</b>	804
Gain on disposals of interests in subsidiaries, net	-	-	-	306
Foreign currency translation losses, net	<b>(922)</b>	(1,408)	<b>(984)</b>	(1,689)
Allowance for impairment loss on trade receivables	<b>(3,466)</b>	(1,025)	<b>(3,618)</b>	(3,229)
Interest on borrowings	<b>(705)</b>	(3,001)	<b>(4,664)</b>	(8,985)
inventories written down – reversal / (loss)	<b>(7,310)</b>	2,171	<b>(8,061)</b>	(593)
Depreciation and amortisation	<b>(22,773)</b>	(16,872)	<b>(69,546)</b>	(58,978)
Gain on dilution of interests in an associate	-	-	-	2,042

**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	
	30 September 2019 RMB'000	31 December 2018 RMB'000	30 September 2019 RMB'000	31 December 2018 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,244,131	1,199,669	906,627	877,159
Investment properties	22,806	23,582	21,865	22,602
Land use rights	159,314	163,296	131,754	135,124
Intangibles assets	15,083	11,563	12,144	8,605
Right-of-use assets	4,279	-	309	-
Investment in subsidiaries	-	-	490,578	630,578
Investment in associates	604,181	630,925	604,181	630,925
Other financial assets, non-current	248,745	142,086	143,123	142,086
Deferred tax assets	184,373	133,290	173,155	124,806
Other assets, non-current	52,426	20,858	17,416	22,881
<b>Total non-current assets</b>	<b>2,535,338</b>	<b>2,325,269</b>	<b>2,501,152</b>	<b>2,594,766</b>
<b>Current assets</b>				
Inventories	1,437,485	1,328,371	1,304,014	1,229,042
Trade and other receivables	1,989,509	1,728,508	1,876,816	1,606,278
Other financial assets, current	55,715	53,307	-	-
Other asset, current	194,159	202,766	180,339	191,798
Cash and cash equivalents	1,342,284	1,467,085	1,157,319	993,131
<b>Total current assets</b>	<b>5,019,152</b>	<b>4,780,037</b>	<b>4,518,488</b>	<b>4,020,249</b>
<b>Total assets</b>	<b>7,554,490</b>	<b>7,105,306</b>	<b>7,019,640</b>	<b>6,615,015</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
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	2,702,634	2,426,722	2,633,414	2,344,847
Other reserves	533,891	532,579	584,106	582,794
<b>Total equity, attributable to equity holders of the parent</b>	<b>5,204,215</b>	<b>4,926,991</b>	<b>5,185,210</b>	<b>4,895,331</b>
Non-controlling interests	133,636	127,406	-	-
<b>Total equity</b>	<b>5,337,851</b>	<b>5,054,397</b>	<b>5,185,210</b>	<b>4,895,331</b>

	The Group		The Company	
	30 September 2019 RMB'000	31 December 2018 RMB'000	30 September 2019 RMB'000	31 December 2018 RMB'000
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	6,067	5,911	6,067	5,911
Trade payables, non-current	41,450	41,450	41,241	41,241
Other financial liabilities, non-current	29,426	-	-	-
Lease liabilities, non-current	3,380	-	88	-
Other liabilities, non-current	85,269	89,485	49,367	51,191
<b>Total non-current liabilities</b>	<b>165,592</b>	<b>136,846</b>	<b>96,763</b>	<b>98,343</b>
<b>Current liabilities</b>				
Income tax payable	21,051	41,185	18,919	39,146
Trade and other payables, current	1,769,099	1,385,479	1,464,147	1,109,652
Other financial liabilities, current	52,000	252,000	50,000	250,000
Lease liabilities, current	1,210	-	249	-
Other liabilities, current	207,687	235,399	204,352	222,543
<b>Total current liabilities</b>	<b>2,051,047</b>	<b>1,914,063</b>	<b>1,737,667</b>	<b>1,621,341</b>
<b>Total liabilities</b>	<b>2,216,639</b>	<b>2,050,909</b>	<b>1,834,430</b>	<b>1,719,684</b>
<b>Total equity and liabilities</b>	<b>7,554,490</b>	<b>7,105,306</b>	<b>7,019,640</b>	<b>6,615,015</b>

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

**Amount repayable in one year or less, or on demand**

As at 30 September 2019		As at 31 December 2018	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	52,000	-	252,000

**Amount repayable after one year**

As at 30 September 2019		As at 31 December 2018	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
29,426	-	-	-

**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 from 1 July to 30 September 2019 RMB'000	3-month period from 1 July to 30 September 2018 RMB'000	9-month period from 1 January to 30 September 2019 RMB'000	9-month period from 1 January to 30 September 2018 RMB'000
<b>Cash flows from operating activities</b>				
Profit before income tax	<b>151,729</b>	110,049	<b>546,902</b>	466,535
Interest income	<b>(3,365)</b>	(3,521)	<b>(10,467)</b>	(8,843)
Interest expense	<b>708</b>	3,001	<b>4,778</b>	8,985
Dividend income	<b>(317)</b>	(238)	<b>(1,643)</b>	(804)
Gain upon maturity and disposal of financial assets	<b>(2,512)</b>	(1,465)	<b>(6,327)</b>	(10,025)
Share of profit of equity-accounted associates	<b>(39,125)</b>	(3,366)	<b>(123,276)</b>	(100,385)
Gain on disposals of interests in subsidiaries, net	-	-	-	(306)
Gain on dilution of interests in an associate	-	-	-	(2,042)
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	<b>22,773</b>	16,872	<b>69,546</b>	58,978
Gain disposals of property, plant and equipment, intangible assets and other non-current assets	<b>(9,366)</b>	(732)	<b>(28,934)</b>	(3,945)
Allowance for impairment on property, plant and equipment, receivables and inventories – (reversal) / loss	<b>10,688</b>	(9,579)	<b>10,753</b>	(17,980)
Fair value loss / (gain) on derivative financial instruments	<b>(846)</b>	2,621	<b>(2,408)</b>	2,063
<b>Operating cash flows before changes in working capital</b>	<b>130,367</b>	113,642	<b>458,924</b>	392,231

	<u>The Group</u>			
	<b>3-month period from 1 July to 30 September 2019 RMB'000</b>	3-month period from 1 July to 30 September 2018 RMB'000	<b>9-month period from 1 January to 30 September 2019 RMB'000</b>	9-month period from 1 January to 30 September 2018 RMB'000
Inventories	<b>(98,223)</b>	(59,898)	<b>(117,175)</b>	(101,156)
Trade and other receivables	<b>37,699</b>	20,924	<b>(245,308)</b>	(191,730)
Other assets	<b>47,245</b>	(50,120)	<b>(25,488)</b>	(45,542)
Trade and other payables	<b>30,286</b>	120,885	<b>305,132</b>	334,753
Cash restricted in use	<b>7,962</b>	-	<b>9,981</b>	-
Other liabilities	<b>11,324</b>	(18,041)	<b>(2,502)</b>	712
<b>Net cash flows from operations</b>	<b>166,660</b>	127,392	<b>383,564</b>	389,268
Income tax paid	<b>(52,680)</b>	(19,859)	<b>(119,705)</b>	(69,908)
<b>Net cash flows from operating activities</b>	<b>113,980</b>	107,533	<b>263,859</b>	319,360
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	<b>(63,024)</b>	(74,105)	<b>(132,662)</b>	(136,430)
Acquisition of financial assets	<b>(17,711,008)</b>	(9,591,408)	<b>(54,889,988)</b>	(25,011,973)
Disposals of subsidiaries (net of cash disposal)	-	-	-	(11,582)
Proceeds from disposal of financial assets	<b>17,989,908</b>	9,591,824	<b>54,785,459</b>	25,074,213
Cash restricted in use	-	-	-	-
Dividends income received from associates and financial assets	<b>130,768</b>	129,496	<b>152,094</b>	147,080
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	<b>9,984</b>	1,273	<b>33,677</b>	1,512
Interest income received	<b>8,312</b>	7,065	<b>19,123</b>	19,943
<b>Net cash flows from / (used in) investing activities</b>	<b>364,940</b>	64,145	<b>(32,297)</b>	82,763



	<u>The Group</u>			
	<b>3-month period from 1 July to 30 September 2019 RMB'000</b>	3-month period from 1 July to 30 September 2018 RMB'000	<b>9-month period from 1 January to 30 September 2019 RMB'000</b>	9-month period from 1 January to 30 September 2018 RMB'000
<b>Cash flows from financing activities</b>				
Proceeds from new borrowings	<b>29,426</b>	50,000	<b>129,426</b>	220,000
Proceeds from other borrowings	-	3,212,480	-	10,967,144
Dividends paid to equity owners	<b>(168,292)</b>	(152,989)	<b>(168,292)</b>	(152,989)
Distribution to non-controlling interests	<b>(1,799)</b>	-	<b>(1,799)</b>	(5,152)
Interest expense paid	<b>(147)</b>	(3,149)	<b>(4,359)</b>	(9,274)
Repayment of borrowings	-	(50,000)	<b>(300,000)</b>	(230,000)
Repayment of other borrowings	<b>(650)</b>	(3,217,052)	<b>(1,358)</b>	(10,972,321)
Cash restricted in use and / or maturing after 3 months	-	3,484	-	(470)
<b>Net cash flows used in financing activities</b>	<b>(141,462)</b>	(157,226)	<b>(346,382)</b>	(183,062)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>337,458</b>	14,452	<b>(114,820)</b>	219,061
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	<b>1,012,788</b>	1,200,742	<b>1,455,066</b>	975,114
<b>Cash and cash equivalents, consolidated statement of cash flows, ending balance</b>	<b>1,350,246</b>	1,215,194	<b>1,340,246</b>	1,194,175

<b>Cash and cash equivalents in consolidated statement of cash flows</b>				
Amount as shown in the statement of financial positions	<b>1,342,284</b>	1,211,710	<b>1,342,284</b>	1,211,710
Restricted cash deposits for bank notes payables	<b>7,962</b>	3,484	<b>(2,038)</b>	(17,535)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	<b>1,350,246</b>	1,215,194	<b>1,340,246</b>	1,194,175

**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

<b>Group</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Parent sub-total</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
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	-	-	1,312	445,064	446,376	8,395	454,771
Dividends	-	-	-	(169,152)	(169,152)	-	(169,152)
Distribution to non-controlling interests	-	-	-	-	-	(2,165)	(2,165)
Balance at 30 September 2019	768,873	1,198,817	533,891	2,702,634	5,204,215	133,636	5,337,851

<b>Group</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Parent sub-total</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
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	-	-	(463)	402,949	402,486	2,642	405,128
Dividends	-	-	-	(153,775)	(153,775)	-	(153,775)
Distribution to non-controlling interests	-	-	-	-	-	(5,152)	(5,152)
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 30 September 2018	768,873	1,198,817	530,631	2,267,991	4,766,312	124,307	4,890,619

All in RMB'000

<b>Company</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 January 2019	768,873	1,198,817	582,794	2,344,847	4,895,331
Total comprehensive income for the period	-	-	1,312	457,719	459,031
Dividends	-	-	-	(169,152)	(169,152)
Balance at 30 September 2019	768,873	1,198,817	584,106	2,633,414	5,185,210

<b>Company</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 January 2018	768,873	1,198,817	600,688	1,922,178	4,490,556
Total comprehensive income for the period	-	-	(9,315)	398,482	389,167
Dividends	-	-	-	(153,775)	(153,775)
Balance at 30 September 2018	768,873	1,198,817	591,373	2,166,885	4,725,948

**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 30 September 2019 and 31 December 2018.

The Company did not hold any treasury shares and there were no subsidiary holdings as at 30 September 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 30 September 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 period.

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 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**

Refer to 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**

	<b>Group</b>			
	<b>3-month period from 1 July to 30 September 2019 RMB</b>	3-month period from 1 July to 30 September 2018 RMB	<b>9-month period from 1 January to 30 September 2019 RMB</b>	9-month period from 1 January to 30 September 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	<b>0.13</b>	0.11	<b>0.58</b>	0.52

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**

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2019 RMB</b>	31 December 2018 RMB	<b>30 September 2019 RMB</b>	31 December 2018 RMB
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	<b>6.77</b>	6.41	<b>6.74</b>	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 third quarter of FY2019 ("**3Q FY2019**") was approximately RMB 1,644 million, an increase of approximately RMB 67 million, or 4%, from RMB 1,577 million in the third quarter of FY2018 ("**3Q FY2018**"). For the 9 months ended 30 September 2019 ("**9M 2019**"), the Group recorded a revenue of approximately RMB 5,177 million, an increase of approximately RMB 489 million, approximately 10% over the corresponding period in FY2018.

(b) Gross Profit Margin:

The Group's gross profit in 3Q FY2019 increased by approximately 12% from approximately RMB 615 million in 3Q FY2018 to approximately RMB 687 million. For 9M 2019, the Group's gross profit was approximately RMB 2,182 million compared to approximately RMB 1,945 million in the corresponding period of FY2018, with an increase of approximately 12% amounting to approximately RMB 237 million. The gross profit margin has increased from 41.49% in 9 months ended 30 September 2018 ("**9M 2018**") to 42.15% in 9M 2019.

(c) Other Gains:

Other gains in 3Q FY2019 were RMB 18 million. For 9M 2019, the Group's other gains were approximately RMB 48 million, a decrease of approximately RMB 2 million over the previous corresponding period.

(d) Major Expenses:

(i) Marketing and Distribution costs in 3Q FY2019 increased by approximately 6% to approximately RMB 464 million. For 9M 2019, the Marketing and Distribution costs was approximately RMB 1,459 million, an increase of approximately RMB 88 million or 6% over the previous corresponding period.

(ii) Research and Development costs in 3Q FY2019 increased by approximately RMB 9 million, to approximately RMB 26 million. For 9M 2019, the Research and Development costs increased by approximately RMB 25 million, from approximately RMB 55 million in 9M 2018 to approximately RMB 80 million due to higher outlay for research and development projects.

(iii) Administrative expenses in 3Q FY2019 increased by approximately RMB 19 million, to approximately RMB 87 million. For 9M 2019, the administration expenses was approximately RMB 255 million, an increase of approximately RMB 60 million. The increase was due to higher staff salaries, maintenance and depreciation expenses.

(iv) Finance costs in 3Q FY2019 decreased by approximately 76% to approximately RMB 0.7

million, while for 9M 2019, the finance costs decreased by approximately RMB 4 million or 47% from approximately RMB 9 million to approximately RMB 5 million. The decrease was in line with the repayment of borrowings.

(v) Other losses in 3Q FY2019 increased by approximately RMB 16 million, while for 9M 2019, the other losses were approximately RMB 20 million, an increase of approximately RMB 11 million. The increase was due to higher impairment losses.

(e) Share of results of associated companies:

The Group's share of profits from associated companies in 3Q FY2019 has increased by approximately RMB 36 million to approximately RMB 39 million. The Group's share of profits from associated companies in 9M 2019 increased by approximately RMB 23 million to approximately RMB 123 million. This was mainly due to the increase in profits of Sino-American Tianjin Smithkline & French Lab., Ltd in 9M 2019 compared to 9M 2018.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 3Q FY2019 was approximately RMB 98 million, an increase of 13% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 9M 2019 was approximately RMB 455 million, an increase of approximately RMB 50 million or 12% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 3Q FY2019 was approximately RMB 98 million, an increase of approximately RMB 11 million, or 12% from RMB 87 million of the corresponding period in 3Q FY2018. The profit attributable to equity holders of parent (net of tax) in 9M 2019 was approximately RMB 445 million, an increase of approximately RMB 42 million, or 10% from RMB 403 million of the corresponding period in 9M 2018.

(g) Major changes in statement of financial positions:

As at 30 September 2019, the Group's cash and cash equivalents amounted to approximately RMB 1,342 million, which is a decrease of approximately RMB 125 million, or 9% over the balance as at 31 December 2018. The Group's short-term borrowings as at 30 September 2019 amounted to approximately RMB 52 million, which is a decrease of approximately RMB 200 million, or 79% over the balance as at 31 December 2018.

Trade and other receivables increased by approximately 15% or RMB 261 million to approximately RMB 1,989 million as at 30 September 2019. Notes receivable decreased by approximately RMB 81 million. Trade receivables increased by approximately RMB 337 million. Inventories increased by 8% to approximately RMB 1,437 million. This was mainly contributed by increase in raw materials.

Other current asset decreased by approximately 4% or RMB 9 million to approximately RMB



194 million as at 30 September 2019. This was mainly contributed by increase in prepayments.

Investment in associates of the Group decreased by 4% to approximately RMB 604 million, which is mainly attributable to the share of profit from associates over the reporting period.

Property, plant and equipment increased by approximately RMB 44 million to approximately RMB 1,244 million.

(h) Change in cash flow position:

In 9M 2019, the Group recorded net cash inflow from operating activities of approximately RMB 264 million. The decrease over last year was mainly due to increase in payments for staff salaries and taxes.

Cash outflow used in investing activities was approximately RMB 32 million in 9M 2019. This was mainly contributed by lower proceeds from disposal of financial assets.

Cash outflow used in financing activities was approximately RMB 346 million in 9M 2019. This was mainly contributed by higher repayment of borrowings.

**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 significant trends and announcement of the 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 third quarter of 2019, complications continued in the world economy and trade. The recovery momentum weakened and the growth rate has slowed down. Due to insufficient growth momentum of the economy, monetary policy has started to ease. China's economic development has remained within a reasonable range, but downward pressure has increased.

With the increase of medical insurance fees and the introduction of a number of medical and health reform policies, the pharmaceutical industry has resulted in a new competitive landscape. The pharmaceutical industry is facing operational pressures due to multiple factors such as rising raw material prices, rising wages, rising energy costs and environmental safety.

Faced with the above challenges, the company continues to focus on improving the quality

and efficiency of its development. In marketing, focus was on end consumer promotion, innovative marketing model and modernized logistics. In scientific research, focus was on acceleration of the construction of the research and development institute, direct connection to market demand and deepening of quality supervision. In group management and control, focus was on strengthening of monitoring of the product chain, project management and talent development.

In the first three quarters of 2019, the company achieved revenue of 5.2 billion yuan, a year-on-year increase of 10%. Net profit attributable to the parent company was 446 million yuan, an increase of 11% year-on-year.

The company will further promote marketing, reform and adjustment, technological innovation, scientific management and control, and to improve overall quality.

## **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 (“ <b>TPGF</b> ”) (天津医药集团财务有限公司)	The interest payable on the credit facilities provided by TPGF:  (1,017)	0
Total	(1,017)	0

Note: As at 30 September 2019, placement of deposit with TPGF amounted to RMB 427,152,860 (31 December 2018: RMB 525,113,260).

### 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 30 September 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.