

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 2018 RMB'000	3-month period from 1 July to 30 September 2017 RMB'000	Change %	9-month period from 1 January to 30 September 2018 RMB'000	9-month period from 1 January to 30 September 2017 RMB'000	Change %
Revenue	1,576,558	1,306,130	21	4,688,805	4,293,569	9
Cost of sales	(961,805)	(804,313)	20	(2,743,574)	(2,726,376)	1
Gross profit	614,753	501,817	23	1,945,231	1,567,193	24
Interest income	3,521	2,560	38	8,843	6,179	43
Dividend income	238	134	78	804	880	-9
Other gains	17,093	7,452	n.m	49,915	73,515	-32
Marketing and distribution costs	(438,628)	(352,927)	24	(1,370,738)	(1,077,057)	27
Research and development costs	(17,415)	(14,442)	21	(54,886)	(43,937)	25
Administrative expenses	(67,179)	(62,334)	8	(194,699)	(193,074)	1
Finance costs	(3,001)	(2,551)	18	(8,985)	(7,492)	20
Other losses	(2,699)	(1,961)	38	(9,335)	(1,969)	n.m
Share of profit of associates	3,366	19,321	-83	100,385	81,053	24
Profit before income tax	110,049	97,069	13	466,535	405,291	15
Income tax expense	(21,726)	(13,804)	57	(60,944)	(48,043)	27
Profit, net of tax	88,323	83,265	6	405,591	357,248	14

	<u>The Group</u>					
	3-month period from 1 July to 30 September 2018 RMB'000	3-month period from 1 July to 30 September 2017 RMB'000	Change %	9-month period from 1 January to 30 September 2018 RMB'000	9-month period from 1 January to 30 September 2017 RMB'000	Change %
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Fair value (loss) / gain on re-measuring finance assets	(1,917)	699	n.m	626	552	13
Share of other comprehensive (loss) / income of associates	(284)	205	n.m	(1,089)	(873)	25
Other comprehensive (loss) / income, net	(2,201)	904	n.m	(463)	(321)	n.m
Total comprehensive income	86,122	84,169	2	405,128	356,927	14
Profit, net of tax attributable to:						
Owners of the parent	87,415	82,001	7	402,949	357,864	13
Non-controlling interests	908	1,264	-28	2,642	(616)	n.m
	88,323	83,265	6	405,591	357,248	14
Total comprehensive income attributable to:						
Owners of the parent	85,214	82,905	3	402,486	357,543	13
Non-controlling interests	908	1,264	-28	2,642	(616)	n.m
	86,122	84,169	2	405,128	356,927	14

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	The Group			
	3-month period from 1 July to 30 September 2018 RMB'000	3-month period from 1 July to 30 September 2017 RMB'000	9-month period from 1 January to 30 September 2018 RMB'000	9-month period from 1 January to 30 September 2017 RMB'000
Profit, net of tax is arrived at after crediting / (charging):				
Dividend income	238	134	804	880
Other income including interest income	11,449	11,741	30,663	39,851
Gains / (losses) on disposal of property, plant and equipment, intangible assets and other non-current assets	732	(121)	3,945	5,234
Allowance for impairment on trade receivables	(1,025)	(2,489)	(3,229)	(1,275)
Gain on disposal of an associate	-	-	-	33,525
Gain on disposals of interests in subsidiaries, net	-	-	306	-
Gain on dilution of interests in an associate	-	-	2,042	-
Foreign exchange (loss) / gain	(1,408)	431	(1,689)	642
Interest on borrowings	(3,001)	(2,552)	(8,985)	(7,492)
Depreciation and amortization	(16,872)	(16,629)	(58,978)	(59,754)
Allowance for impairment on inventories – reversal / (loss)	2,171	(1,510)	(593)	(392)
Allowance for impairment on other receivables – reversal	8,433	-	21,802	150
Impairment loss on property, plant and equipment	-	-	-	(8)

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>	
	30 September 2018 RMB'000	31 December 2017 RMB'000	30 September 2018 RMB'000	31 December 2017 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,146,949	1,075,695	848,987	810,984
Investment properties	24,389	25,186	22,849	23,587
Land use rights	164,489	168,020	136,241	139,605
Intangibles assets	10,900	11,315	8,421	8,967
Investment in subsidiaries	-	-	630,578	437,080
Investment in associates	520,617	562,458	520,617	562,458
Other financial assets, non-current	-	691,169	-	149,221
Financial assets at fair value through other comprehensive income	402,092	-	139,543	-
Deferred tax assets	107,570	109,497	96,714	96,714
Other assets, non-current	41,257	17,912	43,116	19,570
Total non-current assets	2,418,263	2,661,252	2,447,066	2,248,186
Current assets				
Inventories	1,205,051	1,104,488	1,071,763	991,505
Trade and other receivables	1,788,230	1,541,127	1,884,821	1,619,286
Other financial assets, current	-	100,500	-	-
Financial assets at fair value through profit or loss	194,460	-	-	-
Financial assets at amortised cost	30,000	-	-	-
Other asset, current	244,457	222,260	204,305	208,055
Cash and cash equivalents	1,211,710	992,178	805,213	863,858
Total current assets	4,673,908	3,960,553	3,966,102	3,682,704
Total assets	7,092,171	6,621,805	6,413,168	5,930,890

	The Group		The Company	
	30 September 2018 RMB'000	31 December 2017 RMB'000	30 September 2018 RMB'000	31 December 2017 RMB'000
EQUITY				
Capital and reserves attributable to the Company's equity holders				
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	2,267,991	2,018,817	2,166,885	1,922,178
Other reserves	470,392	490,251	531,134	540,449
Total equity, attributable to equity holders of the parent	4,706,073	4,476,758	4,665,709	4,430,317
Non-controlling interests	124,307	148,733	-	-
Total equity	4,830,380	4,625,491	4,665,709	4,430,317
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	5,530	6,982	5,530	6,982
Trade payables, non-current	39,915	39,915	39,470	39,470
Other liabilities, non-current	91,308	87,956	52,240	48,586
Total non-current liabilities	136,753	134,853	97,240	95,038
Current liabilities				
Other financial liabilities at fair value through profit or loss	192,899	-	-	-
Income tax payable	15,978	27,072	13,923	25,346
Trade and other payables	1,619,425	1,282,903	1,346,205	1,077,156
Other financial liabilities at amortised cost	252,000	496,357	250,000	260,000
Other liabilities, current	44,736	55,129	40,091	43,033
Total current liabilities	2,125,038	1,861,461	1,650,219	1,405,535
Total liabilities	2,261,791	1,996,314	1,747,459	1,500,573
Total equity and liabilities	7,092,171	6,621,805	6,413,168	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

<u>The Group</u>			
As at 30/09/2018		As at 31/12/2017	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
192,899	252,000	234,357	262,000

Details of collateral for secured borrowings:

As at 30 September 2018, loans of RMB 192,899,000 (31 December 2017: RMB 234,357,000) are secured by pledges of corporate and government bonds of the same amount.

Amount repayable after one year

<u>The Group</u>			
As at 30/09/2018		As at 31/12/2017	
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 from 1 July to 30 September 2018 RMB'000	3-month period from 1 July to 30 September 2017 RMB'000	9-month period from 1 January to 30 September 2018 RMB'000	9-month period from 1 January to 30 September 2017 RMB'000
<u>Cash flows from operating activities</u>				
Profit before income tax	110,049	97,069	466,535	405,291
Interest income	(3,521)	(2,560)	(8,843)	(6,179)
Interest expense	3,001	2,551	8,985	7,492
Dividend income	(238)	(134)	(804)	(880)
Gain upon maturity and disposal of financial assets	(1,465)	(8,165)	(10,025)	(26,381)
Share of profit of equity-accounted associates	(3,366)	(19,321)	(100,385)	(81,053)
Gain on disposal of an associate	-	-	-	(33,525)
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	16,872	16,629	58,978	59,754
(Gain) / loss on disposals of property, plant and equipment, intangible assets and other non-current assets	(732)	121	(3,945)	(5,234)
Allowance for impairment on property, plant and equipment, receivables and inventories – (reversal) / loss	(9,579)	3,999	(17,980)	1,525
Fair value loss / (gain) on derivative financial instruments	2,621	272	2,063	(2,591)
Operating cash flows before changes in working capital	113,642	90,461	392,231	318,219

	<u>The Group</u>			
	3-month period from 1 July to 30 September 2018 RMB'000	3-month period from 1 July to 30 September 2017 RMB'000	9-month period from 1 January to 30 September 2018 RMB'000	9-month period from 1 January to 30 September 2017 RMB'000
Inventories	(59,898)	(53,592)	(101,156)	(123,763)
Trade and other receivables	20,924	(101,719)	(191,730)	(251,168)
Other assets	(50,120)	87,728	(45,542)	23,601
Trade and other payables	120,885	(71,306)	334,753	97,224
Other liabilities	(18,041)	15,313	712	(32,900)
Net cash flows from operations	127,392	(33,115)	389,268	31,213
Income tax paid	(19,859)	(17,798)	(69,908)	(53,762)
Net cash flows from / (used in) operating activities	107,533	(50,913)	319,360	(22,549)
Cash flows from investing activities				
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	(74,105)	(28,611)	(136,430)	(72,782)
Acquisition of financial assets	(9,591,408)	(11,667,393)	(25,011,973)	(29,611,034)
Disposals of subsidiaries (net of cash disposal)	-	-	(11,582)	-
Proceeds from disposal of financial assets	9,591,824	11,523,095	25,074,213	29,194,516
Cash restricted in use	-	-	-	200,000
Dividends income received from associates and financial assets	129,496	94,678	147,080	97,758
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	1,273	214	1,512	326
Interest income received	7,065	10,780	19,943	29,357
Net cash flows from / (used in) investing activities	64,145	(67,237)	82,763	(161,859)

	<u>The Group</u>			
	3-month period from 1 July to 30 September 2018 RMB'000	3-month period from 1 July to 30 September 2017 RMB'000	9-month period from 1 January to 30 September 2018 RMB'000	9-month period from 1 January to 30 September 2017 RMB'000
Cash flows from financing activities				
Proceeds from new borrowings	50,000	270,000	220,000	370,000
Proceeds from other borrowings	3,212,480	4,194,880	10,967,144	6,531,825
Dividends paid to equity owners	(152,989)	(114,737)	(152,989)	(114,768)
Distribution to non-controlling interests	-	-	(5,152)	(5,119)
Interest expense paid	(3,149)	(2,713)	(9,274)	(10,010)
Repayment of borrowings	(50,000)	(290,000)	(230,000)	(370,000)
Repayment of other borrowings	(3,217,052)	(4,156,430)	(10,972,321)	(6,449,950)
Cash restricted in use and / or maturing after 3 months	3,484	(2,000)	(470)	7,876
Net cash flows used in financing activities	(157,226)	(101,000)	(183,062)	(40,146)
Net increase / (decrease) in cash and cash equivalents	14,452	(219,150)	219,061	(224,554)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	1,200,742	1,348,634	975,114	943,038
Cash and cash equivalents, consolidated statement of cash flows, ending balance	1,215,194	1,129,484	1,194,175	718,484

Cash and cash equivalents in consolidated statement of cash flows				
Amount as shown in the statement of financial positions	1,211,710	1,131,484	1,211,710	1,131,484
Restricted cash deposits for bank notes payables	3,484	(2,000)	(17,535)	(413,000)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	1,215,194	1,129,484	1,194,175	718,484

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 2018	768,873	1,198,817	490,251	2,018,817	4,476,758	148,733	4,625,491
Restatements	-	-	(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	-	-	(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	470,392	2,267,991	4,706,073	124,307	4,830,380

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-controlling 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	-	-	(321)	357,864	357,543	(616)	356,927
Dividends	-	-	-	(115,331)	(115,331)	-	(115,331)
Distribution to non-controlling interests	-	-	-	-	-	(5,119)	(5,119)
Adjustment to Merger reserves	-	-	(62,712)	-	(62,712)	-	(62,712)
Acquisition from non-controlling interests	-	-	(30)	-	(30)	(5,987)	(6,017)

Balance at 30 September 2017	768,873	1,198,817	443,980	1,950,530	4,362,200	150,937	4,513,137
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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	-	-	(9,315)	398,482	389,167
Dividends	-	-	-	(153,775)	(153,775)
Balance at 30 September 2018	768,873	1,198,817	531,134	2,166,885	4,665,709

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	-	-	(321)	381,861	381,540
Dividends	-	-	-	(115,331)	(115,331)
Deficit on acquisition of subsidiary accounted under Pooling-of-Interests method	-	-	(3,922)	-	(3,922)
Balance at 30 September 2017	768,873	1,198,817	509,869	1,868,026	4,345,585

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 30 September 2018 and 31 December 2017.

The Company did not hold any treasury shares and there were no subsidiary holdings as at 30 September 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 30 September 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 IFRS 9 Financial Instruments and IFRS 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 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

	Group			
	3-month period from 1 July to 30 September 2018 RMB	3-month period from 1 July to 30 September 2017 RMB	9-month period from 1 January to 30 September 2018 RMB	9-month period from 1 January to 30 September 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	0.11	0.11	0.52	0.47

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	
	30 September 2018 RMB	31 December 2017 RMB	30 September 2018 RMB	31 December 2017 RMB
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	6.12	5.82	6.07	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 third quarter of FY2018 ("**3Q FY2018**") was approximately RMB 1,577 million, an increase of approximately RMB 270 million, or 21%, from RMB 1,306 million in the third quarter of FY2017 ("**3Q FY2017**"). For the 9 months ended 30 September 2018 ("**9M 2018**"), the Group recorded a revenue of approximately RMB 4,689 million, an increase of approximately RMB 395 million, approximately 9% over the corresponding period in FY2017.

(b) Gross Profit Margin:

The Group's gross profit in 3Q FY2018 increased by approximately 23% from approximately RMB 502 million in 3Q FY2017 to approximately RMB 615 million. For 9M 2018, the Group's gross profit was approximately RMB 1,945 million compared to approximately RMB 1,567 million in the corresponding period of FY2017, with an increase of approximately 24% amounting to approximately RMB 378 million. The gross profit margin has increased from 37% in 9 months ended 30 September 2017 ("**9M 2017**") to 41% in 9M 2018.

(c) Other Gains:

Other gains in 3Q FY2018 were RMB 17 million. For 9M 2018, the Group's other gains were approximately RMB 50 million, a decrease of approximately RMB 24 million over the previous corresponding period. The decrease in other gains was mainly due to gain on disposal of equity interest of Tianjin Sinobioway Biomedicine Co., Ltd in previous year.

(d) Major Expenses:

(i) Marketing and Distribution costs in 3Q FY2018 increased by approximately 24% to approximately RMB 439 million. For 9M 2018, the Marketing and Distribution costs was approximately RMB 1,371 million, an increase of approximately RMB 294 million or 27% 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 3Q FY2018 increased by approximately RMB 3 million, to approximately RMB 17 million. For 9M 2018, the Research and Development costs increased by approximately RMB 11 million, from approximately RMB 44 million in 9M 2017 to approximately RMB 55 million. This was mainly due to expenditure on generic drug evaluation.

(iii) Administrative expenses in 3Q FY2018 increased by approximately RMB 5 million, to approximately RMB 67 million. For 9M 2018, the administration expenses was approximately RMB 195 million, an increase of approximately RMB 2 million.

(iv) Finance costs in 3Q FY2018 increased by approximately 18% to approximately RMB 3 million, while for 9M 2018, the finance costs increased by approximately RMB 2 million or 20% from approximately RMB 7 million to approximately RMB 9 million.

(v) Other losses in 3Q FY2018 increased by approximately RMB 0.7 million, while for 9M 2018, the other losses were approximately RMB 9 million, an increase of approximately RMB 7 million.

(e) Share of results of associated companies:

The Group's share of profits from associated companies in 3Q FY2018 has decreased by approximately RMB 16 million to approximately RMB 3 million. The Group's share of profits from associated companies in 9M 2018 increased by approximately RMB 19 million to approximately RMB 100 million. This was mainly due to the increase in profits of Sino-American Tianjin Smithkline & French Lab., Ltd and Tianjin Hong Ren Tang Pharmaceutical Co., Ltd in 9M 2018 increased compared to 9M 2017.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 3Q FY2018 was approximately RMB 86 million, an increase of 2% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 9M 2018 was approximately RMB 405 million, an increase of approximately RMB 48 million or 14% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 3Q FY2018 was approximately RMB 87 million, an increase of approximately RMB 5 million, or 7% from RMB 82 million of the corresponding period in 3Q FY2017. The profit attributable to equity holders of parent (net of tax) in 9M 2018 was approximately RMB 403 million, an increase of approximately RMB 45 million, or 13% from RMB 358 million of the corresponding period in 9M 2017.

(g) Major changes in statement of financial positions:

As at 30 September 2018, the Group's cash and cash equivalents amounted to approximately RMB 1,212 million, which is an increase of approximately RMB 220 million, or 22% over the balance as at 31 December 2017. The Group's short-term borrowings as at 30 September 2018 amounted to approximately RMB 252 million, which is a decrease of approximately RMB 244 million, or 49% over the balance as at 31 December 2017.

Trade and other receivables increased by approximately 16% or RMB 247 million to approximately RMB 1,788 million as at 30 September 2018. Notes receivable decreased by approximately RMB 17 million. Trade receivables increased by approximately RMB 252 million. Other receivables increased by approximately RMB 4 million. Inventories increased by 9% to approximately RMB 1,205 million.

Other current asset increased by approximately 10% or RMB 22 million to approximately RMB 244 million as at 30 September 2018.

Investment in associates of the Group decreased by 7% to approximately RMB 521 million, which is mainly attributable to the dividends received from associates.

Property, plant and equipment increased by approximately RMB 71 million to approximately RMB 1,147 million.

(h) Change in cash flow position:

In 9M 2018, the Group recorded net cash inflow from operating activities of approximately RMB 319 million.

Cash inflow from investing activities was approximately RMB 83 million in 9M 2018.

Cash outflow used in financing activities was approximately RMB 183 million in 9M 2018.

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 first three quarters of 2018, the domestic economy continued on the path of stable and moderate growth. Moderate price increases, market conditions and corporate efficiency continued to improve. However, the external environment is complicated and volatile which exerted downward pressure on the domestic economy.

In the face of such complicated economic conditions, the Chinese government has further reduced taxes, accelerated the opening up of the domestic market, and lowered import tariffs. The overall tariffs will be reduced from 9.8% in the previous year to 7.5%. In the financial market, liquidity is maintained at reasonable level on a moderately loose monetary policy. The central bank has initiated 4 cuts to the reserve ratios during the year.

The export business of the Company is relatively small, and foreign tariffs on exports have minimal impact.

The pharmaceutical industry is presented with new opportunities and challenges from continuing reforms, two invoice system, no additional mark-up on drugs, consistent evaluation and drug registration. The Company promotes healthy and sustainable development through market-oriented and innovation-driven transformation and upgrading. In the first three quarters of 2018, the company's main focus includes:

- (1) Innovative marketing to create “major product cluster”;
- (2) Optimize sharing of resources;
- (3) Seize opportunities in the market and strengthen its business segments;
- (4) Commence operation of the research institute to stimulate scientific research;
- (5) Strengthen quality management and enhance product quality
- (6) Focus on property rights protection and patent registration
- (7) Improve internal controls to strengthen risk prevention and control

Under the joint efforts of management and employees, for the 3 quarters ended 30 September 2018, the net profit of the Group attributable to the Company was approximately RMB400.91 million, which was an increase of approximately RMB41.4 million compared to the corresponding period of the previous year, representing an increase of approximately 12%. The Group relied on stable self-operating business to achieve a substantial increase in profits, thereby generating positive cash flow. The net cash flows from operating activities was approximately RMB319.37 million, which was an increase of approximately RMB341.92 million compared to the corresponding period of the previous year. In view of the domestic monetary tightening situation, the company had strengthened capital control and reserves for future development.

In the fourth quarter of 2018, in the face of changes in the domestic policy environment, the company continues to overcome difficulties and embark on innovation and work towards the execution of the Company's strategy.

11. Dividend

(a) Current Financial Period Reported On

No dividend has been declared for the current financial period reported on.

(b) Corresponding Period of the Immediately Preceding Financial Year

No dividend was declared for the corresponding period of the immediately preceding financial year.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, 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: (1,735) The interest receivable on the placement of deposit with TPGF: 0	0
Total	(1,735)	0

Note: As at 30 September 2018, placement of deposit with TPGF amounted to RMB 525,113,260 (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 30 September 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.