

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

**Second 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 April to 30 June 2020 RMB'000	3-month period from 1 April to 30 June 2019 RMB'000	Change %	6-month period from 1 January to 30 June 2020 RMB'000	6-month period from 1 January to 30 June 2019 RMB'000	Change %
<b>Revenue</b>	<b>1,634,476</b>	1,780,289	-8	<b>3,290,437</b>	3,533,718	-7
Cost of sales	<b>(951,084)</b>	(1,040,064)	-9	<b>(1,940,564)</b>	(2,038,133)	-5
<b>Gross profit</b>	<b>683,392</b>	740,225	-8	<b>1,349,873</b>	1,495,585	-10
Interest income	<b>8,275</b>	3,564	n.m	<b>13,608</b>	7,102	92
Dividend income	<b>1,447</b>	1,326	9	<b>1,447</b>	1,326	9
Other gains	<b>4,898</b>	6,957	-30	<b>21,007</b>	29,841	-30
Marketing and distribution costs	<b>(428,153)</b>	(489,724)	-13	<b>(861,172)</b>	(994,308)	-13
Research and development costs	<b>(26,409)</b>	(34,033)	-22	<b>(46,490)</b>	(54,350)	-14
Administrative expenses	<b>(78,318)</b>	(89,791)	-13	<b>(157,279)</b>	(168,429)	-7
Finance costs	<b>(51)</b>	(1,892)	-97	<b>(51)</b>	(4,070)	-99
Other losses	<b>(21,455)</b>	(1,256)	n.m	<b>(28,428)</b>	(1,675)	n.m
Share of profit of associates	<b>41,648</b>	42,162	-1	<b>89,395</b>	84,151	6
<b>Profit before income tax</b>	<b>185,274</b>	177,538	4	<b>381,910</b>	395,173	-3
Income tax expense	<b>(26,045)</b>	(15,264)	71	<b>(48,084)</b>	(41,316)	16
<b>Profit, net of tax</b>	<b>159,229</b>	162,274	-2	<b>333,826</b>	353,857	-6

	<u>The Group</u>					
	<b>3-month period from 1 April to 30 June 2020 RMB'000</b>	3-month period from 1 April to 30 June 2019 RMB'000	Change %	<b>6-month period from 1 January to 30 June 2020 RMB'000</b>	6-month period from 1 January to 30 June 2019 RMB'000	Change %
<b>Other Comprehensive 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>114</b>	(3,919)	n.m	<b>(2,080)</b>	2,714	n.m
Share of other comprehensive income / (loss) from equity-accounted associates, net of tax	<b>806</b>	(465)	n.m	<b>1,010</b>	601	68
<b>Other Comprehensive Income/(Loss) Items that may be reclassified subsequently to profit or loss:</b>						
Total Other Comprehensive Income / (Loss), Net of Tax	<b>920</b>	(4,384)	n.m	<b>(1,070)</b>	3,315	n.m
<b>Total comprehensive income</b>	<b>160,149</b>	157,890	1	<b>332,756</b>	357,172	-7

	<u>The Group</u>					
	<b>3-month period from 1 April to 30 June 2020 RMB'000</b>	3-month period from 1 April to 30 June 2019 RMB'000	Change %	<b>6-month period from 1 January to 30 June 2020 RMB'000</b>	6-month period from 1 January to 30 June 2019 RMB'000	Change %
<b>Profit, net of tax attributable to:</b>						
Owners of the parent	<b>153,572</b>	156,857	-2	<b>323,462</b>	346,863	-7
Non-controlling interests	<b>5,657</b>	5,417	4	<b>10,364</b>	6,994	48
	<b>159,229</b>	162,274	-2	<b>333,826</b>	353,857	-6
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	<b>154,492</b>	152,473	-1	<b>322,392</b>	350,178	-8
Non-controlling interests	<b>5,657</b>	5,417	4	<b>10,364</b>	6,994	48
	<b>160,149</b>	157,890	1	<b>332,756</b>	357,172	-7

(\*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	The Group			
	<b>3-month period from 1 April to 30 June 2020 RMB'000</b>	3-month period from 1 April to 30 June 2019 RMB'000	<b>6-month period from 1 January to 30 June 2020 RMB'000</b>	6-month period from 1 January to 30 June 2019 RMB'000
Profit, net of tax is arrived at after crediting / (charging):				
Other income including interest income	<b>10,044</b>	8,639	<b>31,486</b>	16,538
Allowance for impairment on other receivables – reversal / (loss)	<b>(492)</b>	812	<b>(492)</b>	838
Gain on disposal of property, plant and equipment, intangible assets and other non-current assets	<b>3,159</b>	2,198	<b>3,129</b>	19,568
Dividend income	<b>1,447</b>	1,326	<b>1,447</b>	1,326
Foreign currency translation losses, net	<b>(28)</b>	(658)	<b>(272)</b>	(62)
Allowance for impairment on trade receivables – reversal / (loss)	<b>(636)</b>	259	<b>(4,609)</b>	(152)
Employment termination benefits	<b>(447)</b>	-	<b>(447)</b>	-
Interest on borrowings	<b>(51)</b>	(1,781)	<b>(51)</b>	(3,959)
Impairment loss on inventories	<b>(3,910)</b>	(1,283)	<b>(6,636)</b>	(751)
Share-based payments	<b>(2,083)</b>	-	<b>(4,158)</b>	-
Depreciation and amortisation	<b>(28,227)</b>	(24,488)	<b>(53,272)</b>	(46,773)

**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>	
	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	<b>1,399,427</b>	1,363,795	<b>997,835</b>	1,007,797
Investment properties	<b>22,030</b>	22,547	<b>21,126</b>	21,618
Land use rights	<b>162,020</b>	157,997	<b>135,069</b>	130,638
Intangibles assets	<b>16,651</b>	17,575	<b>13,858</b>	14,700
Right-of-use assets	<b>3,106</b>	3,603	-	-
Investment in subsidiaries	-	-	<b>473,428</b>	473,528
Investment in associates	<b>714,711</b>	657,906	<b>714,711</b>	657,906
Other financial assets	<b>240,284</b>	249,003	<b>132,408</b>	142,712
Deferred tax assets	<b>208,578</b>	183,804	<b>192,087</b>	167,119
Other assets	<b>36,664</b>	52,197	<b>17,039</b>	22,254
<b>Total non-current assets</b>	<b>2,803,471</b>	2,708,427	<b>2,697,561</b>	2,638,272
<b>Current assets</b>				
Inventories	<b>1,478,455</b>	1,594,558	<b>1,336,030</b>	1,469,193
Trade and other receivables	<b>2,127,905</b>	1,808,588	<b>2,061,300</b>	1,640,338
Other financial assets	<b>30,067</b>	43,525	-	-
Other assets	<b>146,606</b>	208,639	<b>133,505</b>	254,950
Cash and cash equivalents	<b>1,510,626</b>	1,479,441	<b>1,300,620</b>	1,290,160
<b>Total current assets</b>	<b>5,293,659</b>	5,134,751	<b>4,831,455</b>	4,654,641
<b>Total assets</b>	<b>8,097,130</b>	7,843,178	<b>7,529,016</b>	7,292,913
<b>EQUITY</b>				
<b>Equity</b>				
Share capital	<b>772,803</b>	768,873	<b>772,803</b>	768,873
Share premium	<b>1,223,183</b>	1,198,817	<b>1,223,183</b>	1,198,817
Retained earnings	<b>2,977,681</b>	2,881,174	<b>2,919,353</b>	2,798,064
Other reserves	<b>537,512</b>	539,310	<b>587,727</b>	589,525
<b>Total equity, attributable to equity holders of the Company</b>	<b>5,511,179</b>	5,388,174	<b>5,503,066</b>	5,355,279
Non-controlling interests	<b>140,168</b>	135,032	-	-
<b>Total equity</b>	<b>5,651,347</b>	5,523,206	<b>5,503,066</b>	5,355,279

	The Group		The Company	
	30 June 2020 RMB'000	31 December 2019 RMB'000	30 June 2020 RMB'000	31 December 2019 RMB'000
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	7,709	8,939	7,709	8,939
Trade payables	37,390	37,390	37,211	37,211
Lease liabilities	2,165	2,710	-	-
Other financial liabilities	30,000	30,000	-	-
Other liabilities	81,615	83,725	43,295	47,043
<b>Total non-current liabilities</b>	<b>158,879</b>	<b>162,764</b>	<b>88,215</b>	<b>93,193</b>
<b>Current liabilities</b>				
Income tax payable	61,597	59,366	51,943	49,638
Trade and other payables	1,939,353	1,732,580	1,605,649	1,437,421
Lease liabilities	999	962	-	-
Other liabilities	284,955	364,300	280,143	357,382
<b>Total current liabilities</b>	<b>2,286,904</b>	<b>2,157,208</b>	<b>1,937,735</b>	<b>1,844,441</b>
<b>Total liabilities</b>	<b>2,445,783</b>	<b>2,319,972</b>	<b>2,025,950</b>	<b>1,937,634</b>
<b>Total equity and liabilities</b>	<b>8,097,130</b>	<b>7,843,178</b>	<b>7,529,016</b>	<b>7,292,913</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 30/06/2020		As at 31/12/2019	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	-	-	-

**Amount repayable after one year**

As at 30/06/2020		As at 31/12/2019	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
30,000	-	30,000	-

**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			
	<b>3-month period from 1 April to 30 June 2020 RMB'000</b>	3-month period from 1 April to 30 June 2019 RMB'000	<b>6-month period from 1 January to 30 June 2020 RMB'000</b>	6-month period from 1 January to 30 June 2019 RMB'000
<b><u>Cash flows from operating activities</u></b>				
Profit before income tax	<b>185,274</b>	177,538	<b>381,910</b>	395,173
Interest income	<b>(8,275)</b>	(3,564)	<b>(13,608)</b>	(7,102)
Interest expense	<b>51</b>	1,892	<b>51</b>	4,070
Dividend income	<b>(1,447)</b>	(1,326)	<b>(1,447)</b>	(1,326)
Gain upon maturity and disposal of financial assets	<b>(1,053)</b>	(2,259)	<b>(3,114)</b>	(3,815)
Share of profit of equity-accounted associates	<b>(41,648)</b>	(42,162)	<b>(89,395)</b>	(84,151)
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	<b>28,227</b>	24,488	<b>53,272</b>	46,773
Gain on disposals of property, plant and equipment, intangible assets and other non-current assets	<b>(3,159)</b>	(2,198)	<b>(3,129)</b>	(19,568)
Impairment on trade and other receivables – loss / (reversal)	<b>5,038</b>	212	<b>11,737</b>	65
Share-based payments	<b>2,083</b>	-	<b>4,158</b>	-
Fair value gains on financial assets at FVTPL	-	(817)	-	(1,562)
<b>Operating cash flows before changes in working capital</b>	<b>165,091</b>	151,804	<b>340,435</b>	328,557

	<u>The Group</u>			
	<b>3-month period from 1 April to 30 June 2020 RMB'000</b>	3-month period from 1 April to 30 June 2019 RMB'000	<b>6-month period from 1 January to 30 June 2020 RMB'000</b>	6-month period from 1 January to 30 June 2019 RMB'000
Inventories	<b>(108,800)</b>	(17,159)	<b>109,467</b>	(18,952)
Trade and other receivables	<b>19,950</b>	(17,739)	<b>(358,103)</b>	(283,007)
Other assets	<b>(4,025)</b>	(91,025)	<b>76,246</b>	(72,733)
Trade and other payables	<b>199,238</b>	62,782	<b>279,862</b>	274,846
Cash restricted in use	-	2,000	<b>38</b>	2,019
Other liabilities	<b>(39,512)</b>	(2,662)	<b>(81,455)</b>	(13,826)
<b>Net cash flows from operations</b>	<b>231,942</b>	88,001	<b>366,490</b>	216,904
Income tax paid	<b>(73,678)</b>	(49,579)	<b>(75,482)</b>	(67,025)
<b>Net cash flows from operating activities</b>	<b>158,264</b>	38,422	<b>291,008</b>	149,879
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	<b>(38,651)</b>	(36,775)	<b>(93,513)</b>	(69,638)
Acquisition of financial assets	<b>(1,000)</b>	(22,965,046)	<b>(7,421,403)</b>	(37,178,980)
Proceeds from disposal of financial assets	<b>5,928</b>	22,621,177	<b>7,433,861</b>	36,795,551
Dividends income received from associates and financial assets	<b>1,447</b>	21,326	<b>36,047</b>	21,326
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	<b>63</b>	4,831	<b>90</b>	23,693
Interest income received	<b>8,694</b>	5,624	<b>15,192</b>	10,811
<b>Net cash flows used in investing activities</b>	<b>(23,519)</b>	(348,863)	<b>(29,726)</b>	(397,237)



	<u>The Group</u>			
	<b>3-month period from 1 April to 30 June 2020 RMB'000</b>	3-month period from 1 April to 30 June 2019 RMB'000	<b>6-month period from 1 January to 30 June 2020 RMB'000</b>	6-month period from 1 January to 30 June 2019 RMB'000
<b>Cash flows from financing activities</b>				
Proceeds from new borrowings	-	100,000	-	100,000
Dividends paid to equity owners	<b>(224,301)</b>	-	<b>(224,301)</b>	-
Distribution to non-controlling interests	<b>(428)</b>	-	<b>(5,228)</b>	-
Interest expense paid	-	(1,962)	-	(4,212)
Repayment of borrowings	-	(250,000)	-	(300,000)
Repayment of other borrowings	-	(708)	<b>(530)</b>	(708)
<b>Net cash flows used in financing activities</b>	<b>(224,729)</b>	(152,670)	<b>(230,059)</b>	(204,920)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(89,984)</b>	(463,111)	<b>31,223</b>	(452,278)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	<b>1,600,610</b>	1,477,899	<b>1,479,403</b>	1,455,066
<b>Cash and cash equivalents, consolidated statement of cash flows, ending balance</b>	<b>1,510,626</b>	1,014,788	<b>1,510,626</b>	1,002,788

<b>Cash and cash equivalents in consolidated statement of cash flows</b>				
Amount as shown in the statement of financial positions	<b>1,510,626</b>	1,012,788	<b>1,510,626</b>	1,012,788
Restricted cash deposits for bank notes payables	-	2,000	-	(10,000)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	<b>1,510,626</b>	1,014,788	<b>1,510,626</b>	1,002,788

**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 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	-	-	(1,070)	323,462	322,392	10,364	332,756
Transfers from equity instruments at FVTOCI reserve	-	-	(4,886)	4,886	-	-	-
Dividends	-	-	-	(231,841)	(231,841)	-	(231,841)
Distribution to non-controlling interests	-	-	-	-	-	(5,228)	(5,228)
Share-based payments	-	-	4,158	-	4,158	-	4,158
Balance at 30 June 2020	772,803	1,223,183	537,512	2,977,681	5,511,179	140,168	5,651,347

<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	-	-	3,315	346,863	350,178	6,994	357,172
Dividends	-	-	-	(169,152)	(169,152)	-	(169,152)
Balance at 30 June 2019	768,873	1,198,817	535,894	2,604,433	5,108,017	134,400	5,242,417

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 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	-	-	(1,070)	348,244	347,174
Transfers from equity instruments at FVTOCI reserve	-	-	(4,886)	4,886	-
Dividends	-	-	-	(231,841)	(231,841)
Share-based payments	-	-	4,158	-	4,158
Balance at 30 June 2020	772,803	1,223,183	587,727	2,919,353	5,503,066

<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	-	-	3,315	357,704	361,019
Dividends	-	-	-	(169,152)	(169,152)
Balance at 30 June 2019	768,873	1,198,817	586,109	2,533,399	5,087,198

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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, representing 0.009% of the total share capital of the Company 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 shares. To date, this repurchase or cancellation has not been completed.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 30 June 2020 and 31 December 2019.

The Company does not hold any treasury shares and there is no subsidiary holding as at 30 June 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 30 June 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, 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 auditing 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 modifications or emphasis of matter)**

Not applicable.

**3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

**(a) Updates on the efforts taken to resolve each outstanding audit issue.**

**(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

**This is not required for any audit issue that is a material uncertainty relating to going concern.**

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 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**

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 IFRS 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 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 April to 30 June 2020 RMB	3-month period from 1 April to 30 June 2019 RMB	6-month period from 1 January to 30 June 2020 RMB	6-month period from 1 January to 30 June 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	<b>0.20</b>	0.20	<b>0.42</b>	0.45

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 June 2020 RMB	31 December 2019 RMB	30 June 2020 RMB	31 December 2019 RMB
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	7.13	7.01	7.12	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 second quarter of FY2020 ("**2Q FY2020**") was approximately RMB 1,634 million, a decrease of approximately RMB 146 million, or 8%, from RMB1,780 million in the second quarter of FY2019 ("**2Q FY2019**"). For the 6 months ended 30 June 2020 ("**1H20**"), the Group recorded a revenue of approximately RMB 3,290 million, a decrease of approximately RMB 243 million, approximately 7% over the corresponding period in 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 2Q FY2020 decreased by approximately 8% from approximately RMB 740 million in 2Q FY2019 to approximately RMB 683 million. For 1H20, the Group's gross profit was approximately RMB 1,350 million compared to approximately RMB 1,496 million in the corresponding period of FY2019, with a decrease of approximately 10% amounting to approximately RMB 146 million. The gross profit margin has decreased from 42% in first half financial year of FY2019 ("**1H19**") to 41% in 1H20.

(c) Other Gains:

Other gains in 2Q FY2020 were RMB 5 million. For 1H20, the Group's other gains were approximately RMB 21 million, a decrease of approximately RMB 9 million over the previous corresponding period. This was mainly contributed by increase in government subsidies of RMB 11 million but offset by a decrease in demolition and relocation compensation of RMB 16

million.

(d) Major Expenses:

(i) Marketing and Distribution costs in 2Q FY2020 decreased by approximately 13% to approximately RMB 428 million. For 1H20, the Marketing and Distribution costs was approximately RMB 861 million, a decrease of approximately RMB 133 million or 13% over the previous corresponding period mainly due to the decrease of sales promotion and consulting fees.

(ii) Research and Development costs in 2Q FY2020 were approximately RMB 26 million, a decrease of approximately RMB 8 million or 22% over the previous corresponding period. For 1H20, the Research and Development costs decreased by approximately RMB 8 million, from approximately RMB 54 million in 1H19 to approximately RMB 46 million due to lower outlay for research and development projects.

(iii) Administrative expenses in 2Q FY2020 decreased by approximately RMB 11 million, from approximately RMB 90 million in 2Q FY2019. For 1H20, the administration expenses were approximately RMB 157 million, a decrease of approximately RMB 11 million. The decrease was mainly due to lower maintenance expenses.

(iv) Finance costs in 2Q FY2020 decreased by approximately 97% to approximately RMB 0.05 million, while for 1H20, the finance costs decreased by approximately RMB 4 million or 99% from approximately RMB 4 million to approximately RMB 0.05 million. The decrease was in line with the decrease of borrowings.

(v) Other losses in 2Q FY2020 increased by approximately RMB 20 million, while for 1H20, the other losses were approximately RMB 28 million. The increase was due to additional allowance made to trade and other receivables and inventories of approximately RMB 5 million and RMB 7 million respectively.

(e) Share of results of associated companies:

The Group's share of profits of associated in 2Q FY2020 was approximately RMB 42 million, which is comparable to previous year. The Group's share of profits of associated in 1H20 increased from approximately RMB 84 million to approximately RMB 89 million. This was mainly because profit of Sino-American Tianjin Smithkline & French Lab., Ltd. and Tianjin Hong Ren Tang Pharmaceutical Co., Ltd. in 2Q FY2020 increased compared to 2Q FY2019.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 2Q FY2020 was approximately RMB 159 million, a decrease of 2% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 1H20 was approximately RMB 333 million, a decrease of



approximately RMB 24 million or 7% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 2Q FY2020 was approximately RMB 154 million, a decrease of 2% over the previous corresponding period. The profit attributable to equity holders of parent (net of tax) in 1H20 was approximately RMB 323 million, a decrease of approximately RMB 23 million, or 7% from RMB 347 million of the corresponding period in 1H19.

(g) Major changes in statement of financial positions:

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately RMB 1,511 million, which is an increase of approximately RMB 31 million, or 2% over the balance as at 31 December 2019. The Group's borrowings as at 30 June 2020 amounted to RMB 30 million which is consistent with 31 December 2019.

Trade and other receivables increased by approximately 18% or RMB 319 million to approximately RMB 2,128 million as at 30 June 2020. Trade receivables increased by approximately RMB 343 million. Bills receivables decreased by approximately RMB 33 million. Inventories was approximately RMB 1,478 million at 30 June 2020, which is a decrease of approximately RMB 116 million, or 7% over the balance as at 31 December 2019. This is due to reduction in finished goods.

Other current assets decreased by approximately 30% or RMB 62 million to approximately RMB 147 million as at 30 June 2020.

Investment in associates of the Group increased by 9% to approximately RMB 715 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 36 million to approximately RMB 1,399 million. The increase was mainly due to increase in projects under construction in progress.

(h) Change in cash flow position:

In 1H20, the Group recorded net cash inflow from operating activities of approximately RMB 291 million mainly due to decrease in cash for purchasing goods and paying for other operating activities.

Cash outflow from investing activities was approximately RMB 30 million in 1H20 mainly for purchase of property, plant and equipment.

Cash outflow from financing activities was approximately RMB 230 million in 1H20 mainly for dividend paid in respect of FY2019.

**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 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 the first half of 2020, the Covid-19 pandemic that swept the world hit the world economy. The industrial supply chain cycle was blocked. Domestic consumption, investment, exports, manufacturing and employment were all affected to a certain extent. The uncertainty of economic development increased significantly.

The production and operation activities of the pharmaceutical industry were also adversely affected by the pandemic. In the first half of the year, China's GDP fell by 1.6% year-on-year while year-on-year industrial growth rate rebounded from 4.4% to 4.8%. The pandemic has caused the pharmaceutical industry to undergo adjustments. While some pharmaceutical companies have grown stronger, there were also some which have collapsed.

Faced with the pressure of the external environment, the Company persisted with the prevention and control of the epidemic and development of the business. In the first half of the year, the Company completed the recruitment of professional managers. Market-based competition for middle-level managers at the headquarters and affiliated companies have boosted the enthusiasm of managers, which in turn spurred the vitality of business operations. At the same time, internal management and control; strict control over receivables collection and near expiry inventory; and strengthening of asset quality supervision, have continued to enhance corporate competitiveness, innovation, control and risk management. In the first half of the year, the Group's revenue fell by 6.9% year-on-year, and net profit attributable to the parent fell by 6.7% year-on-year. Operating performance is slowly improving.

**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 and the reason(s) for the decision**

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

**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:-

Name of Interested Person	Nature of relationship	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)	
		6-month period ended 30 June 2020	6-month period ended 30 June 2019	6-month period ended 30 June 2020	6-month period ended 30 June 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Tianjin Pharmaceutical Group Finance Co., Ltd (" <b>TPGF</b> ") (天津医药集团财务有限公司)	Subsidiary of Tianjin Pharmaceutical Holdings Co., Ltd. (天津市医药集团有限公司), the	The interest payable on the credit facilities provided by TPGF:			

	controlling shareholder of the Company	612	991	-	-
Tianjin Pharmaceutical Holdings Co., Ltd. (“TPH”) (天津市医药集团有限公司)	Controlling shareholder of the Company	Additional payment to TPH for upside of land area of land use right: 6,757	-	-	-
Total		7,369	991	-	-

Note: As at 30 June 2020, placement of deposit with TPGF amounted to RMB 555 million.

#### 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 June 2020, 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.

#### 16. Additional Information Required On Acquisitions and Realisations Pursuant to Rule 706A

On 29 April 2020, the Company announced the merger of two of its wholly-owned subsidiaries, Tianjin Chinese Medicine Yinpian Factory Co., Ltd. (天津市中药饮片厂有限公司) (“Yinpian Factory Co.”) and Tianjin Long Shun Rong Development Pharmaceutical Co., Ltd. (天津隆顺榕发展制药有限公司) (“Long Shun Rong Development Co.”). The businesses and personnel of Long Shun Rong Development Co. were taken over by Yinpian Factory Co.

In addition, the Company has deregistered Tianjin Zhong Xin International Trading Co., Ltd. (天津中新药业国际贸易有限公司), a wholly-owned subsidiary.

Other than the above, the Company did not acquire or dispose of any shares during FY2020

which would result in any company becoming or ceasing to be a subsidiary or associated company of the Company, or increase or reduce the Company's shareholding percentage in any subsidiary or associated company.