TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

Full Year 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		Change
	2019 RMB'000	2018 RMB'000	%
Revenue	**6,993,882**	6,358,622	10
Cost of sales	**(4,112,388)**	(3,794,042)	8
Gross profit	**2,881,494**	2,564,580	12
Interest income	**14,896**	11,115	34
Dividend income	**2,361**	1,488	59
Other gains	**51,606**	39,922	29
Marketing and distribution costs	**(1,829,060)**	(1,699,293)	8
Research and development costs	**(133,361)**	(100,926)	32
Administrative expenses	**(363,325)**	(291,100)	25
Finance costs	**(7,281)**	(13,899)	-48
Other losses	**(47,895)**	(34,495)	39
Share of profit of associates	**173,710**	163,237	6
Profit before income tax	**743,145**	640,629	16
Income tax expense	**(107,786)**	(72,841)	48
Profit, net of tax	**635,359**	567,788	12
Other comprehensive income / (loss) Items that will not be reclassified to profit or loss:			
Fair value gain / (loss) on equity investment measured at FVTOCI, net of tax	**532**	(9,653)	n.m
Share of other comprehensive income / (loss) from equity-accounted associates, net of tax	**3,722**	(16,876)	n.m

	The Group		Change
	2019 **RMB'000**	2018 RMB'000	%
Other comprehensive income/(loss) Items that may be reclassified subsequently to profit or loss:			
Reclassification adjustments due to disposal of debt instruments at FVTOCI	**-**	19,379	n.m
Total other comprehensive income / (loss), net of tax	**4,254**	(7,150)	n.m

Total comprehensive income	**639,613**	560,638	14
Profit, net of tax attributable to:			
Owners of the parent	**625,569**	561,680	11
Non-controlling interests	**9,790**	6,108	60
	635,359	567,788	12

Total comprehensive income attributable to:			
Owners of the parent	**629,823**	554,530	14
Non-controlling interests	**9,790**	6,108	60
	639,613	560,638	14

(*) **prepared under International Financial Reporting Standards**

n.m **Not Meaningful**

	Group	
	2019 **RMB'000**	2018 RMB'000
Profit, net of tax is arrived at after crediting / (charging):		
Other income including interest income	**36,867**	28,168
Allowance for impairment on other receivables – reversal	**121**	19,087
Gain on disposal of property, plant and equipment, intangible assets and other non-current assets	**29,163**	3,476
Dividend income	**2,361**	1,488
Gain on disposals of interests in subsidiaries, net	**-**	306
Foreign currency translation losses, net	**(473)**	(1,806)
Allowance for impairment loss on trade receivables – reversal / (loss)	**351**	(5,481)
Employment termination benefits	**(2,888)**	(9,713)
Interest on borrowings	**(4,893)**	(11,382)
Inventories written down	**(26,378)**	(16,116)
Share-based payments	**(512)**	-
Depreciation and amortisation	**(101,238)**	(81,340)

1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	The Group		The Company	
	31 December 2019 RMB'000	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	**1,363,795**	1,199,669	**1,007,797**	877,159
Investment properties	**22,547**	23,582	**21,618**	22,602
Land use rights	**157,997**	163,296	**130,638**	135,124
Intangibles assets	**17,575**	11,563	**14,700**	8,605
Right-of-use assets	**3,603**	-	**-**	-
Investment in subsidiaries	**-**	-	**473,528**	630,578
Investment in associates	**657,906**	630,925	**657,906**	630,925
Other financial assets	**249,003**	142,086	**142,712**	142,086
Deferred tax assets	**183,804**	133,290	**167,119**	124,806
Other assets	**52,197**	20,858	**22,254**	22,881
Total non-current assets	**2,708,427**	2,325,269	**2,638,272**	2,594,766
Current assets				
Inventories	**1,594,558**	1,328,371	**1,469,193**	1,229,042
Trade and other receivables	**1,808,588**	1,728,508	**1,640,338**	1,606,278
Other financial assets	**43,525**	53,307	**-**	-
Other asset	**208,639**	202,766	**254,950**	191,798
Cash and cash equivalents	**1,479,441**	1,467,085	**1,290,160**	993,131
Total current assets	**5,134,751**	4,780,037	**4,654,641**	4,020,249
Total assets	**7,843,178**	7,105,306	**7,292,913**	6,615,015
EQUITY				
Equity				
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	**2,881,174**	2,426,722	**2,798,064**	2,344,847
Other reserves	**539,310**	532,579	**589,525**	582,794
Total equity, attributable to equity holders of the Company	**5,388,174**	4,926,991	**5,355,279**	4,895,331
Non-controlling interests	**135,032**	127,406	**-**	-
Total equity	**5,523,206**	5,054,397	**5,355,279**	4,895,331

	The Group		The Company	
	31 December 2019 RMB'000	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	**8,939**	5,911	**8,939**	5,911
Trade payables	**37,390**	41,450	**37,211**	41,241
Other financial liabilities	**30,000**	-	**-**	-
Lease liabilities	**2,710**	-	**-**	-
Other liabilities	**83,725**	89,485	**47,043**	51,191
Total non-current liabilities	**162,764**	136,846	**93,193**	98,343
Current liabilities				
Income tax payable	**59,366**	41,185	**49,638**	39,146
Trade and other payables	**1,732,580**	1,385,479	**1,437,421**	1,109,652
Other financial liabilities	**-**	252,000	**-**	250,000
Lease liabilities	**962**	-	**-**	-
Other liabilities	**364,300**	235,399	**357,382**	222,543
Total current liabilities	**2,157,208**	1,914,063	**1,844,441**	1,621,341
Total liabilities	**2,319,972**	2,050,909	**1,937,634**	1,719,684
Total equity and liabilities	**7,843,178**	7,105,306	**7,292,913**	6,615,015

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

Amount repayable in one year or less, or on demand

As at 31 December 2019		As at 31 December 2018	
Secured RMB'000	**Unsecured** RMB'000	Secured RMB'000	Unsecured RMB'000
-	**-**	-	252,000

Amount repayable after one year

As at 31 December 2019		As at 31 December 2018	
Secured RMB'000	**Unsecured** RMB'000	Secured RMB'000	Unsecured RMB'000
30,000	**-**	-	-

1(c) A Statement of Cash Flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group	
	2019 **RMB'000**	2018 RMB'000
Cash flows from operating activities		
Profit before income tax	**743,145**	640,629
Adjustments for:		
Interest income	**(14,896)**	(11,115)
Interest expense	**7,281**	13,899
Dividend income	**(2,361)**	(1,488)
Gain on maturity and disposal of financial assets	**(9,964)**	(2,173)
Share of profit of equity-accounted associates	**(173,710)**	(163,237)
Gain on disposals of interests in subsidiaries, net	**-**	(306)
Depreciation and amortisation of property, plant and equipment, right-of-use assets, investment properties, land use rights and intangible assets	**101,238**	81,340
Gains on disposals of property, plant and equipment, intangible assets and other non-current assets	**(29,163)**	(3,476)
Impairment losses on property, plant and equipment, receivables and inventories	**25,906**	2,510
Share-based payments	**512**	-
Fair value losses/(gains) on financial assets at FVTPL	**3,307**	(3,307)
Operating cash flows before changes in working capital	**651,295**	553,276
Inventories	**(292,565)**	(239,999)
Trade and other receivables	**(62,401)**	(170,830)
Other assets	**(40,302)**	10,000
Trade and other payables	**230,256**	85,519
Cash restricted in use	**11,981**	5,045
Other liabilities	**123,141**	181,799
Net cash flows from operations	**621,405**	424,810
Income tax paid	**(140,812)**	(85,779)
Net cash flows from operating activities	**480,593**	339,031
Cash flows from investing activities		
Purchase of property, plant and equipment and intangibles assets	**(205,615)**	(175,809)
Acquisition of financial assets	**(71,552,594)**	(38,655,165)
Disposals of subsidiaries (net of cash disposal)	**-**	(11,582)
Proceeds from disposal of financial assets	**71,454,541**	39,066,926
Dividends income received from associates and financial assets	**155,440**	144,666
Proceeds from disposals of property, plant and equipment and intangible assets	**38,346**	1,530
Interest income received	**23,988**	31,198
Net cash flows (used in)/from investing activities	**(85,894)**	401,764

	The Group	
	2019	2018
	RMB'000	RMB'000
Cash flows from financing activities		
Advances received from issuance of restricted A-shares	**28,296**	-
Acquisition of non-controlling interests without a changes in control	**-**	(8,698)
Proceeds from new borrowings	**130,000**	372,000
Proceeds from other borrowings	**-**	12,379,238
Dividends paid to equity owners	**(168,331)**	(153,034)
Distribution to non-controlling interests	**(2,164)**	(5,446)
Interest expense paid	**(5,022)**	(11,715)
Repayment of borrowings	**(352,000)**	(382,000)
Repayment of lease liabilities	**(1,141)**	**-**
Repayment of other borrowings	**-**	(12,451,188)
Net cash flows used in financing activities	**(370,362)**	(260,843)
Net increase in cash and cash equivalents	**24,337**	479,952
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	**1,455,066**	975,114
Cash and cash equivalents, consolidated statement of cash flows, ending balance	**1,479,403**	1,455,066

	The Group	
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents in consolidated statement of cash flows:		
Amount as shown in the statement of financial positions	**1,479,441**	1,467,085
Restricted cash deposits for bank notes payables	**(38)**	(12,019)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	**1,479,403**	1,455,066

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 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	-	-	4,254	625,569	629,823	9,790	639,613
Dividends	-	-	-	(169,152)	(169,152)	-	(169,152)
Distribution to non-controlling interests	-	-	-	-	-	(2,164)	(2,164)
Appropriation of statutory common reserve	-	-	1,965	(1,965)	-	-	-
Share-based payments	-	-	512	-	512	-	512
Balance at 31 December 2019	768,873	1,198,817	539,310	2,881,174	5,388,174	135,032	5,523,206

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	531,111	2,018,817	4,517,618	148,733	4,666,351
Total comprehensive income for the period	-	-	(7,150)	561,680	554,530	6,108	560,638
Dividends	-	-	-	(153,775)	(153,775)	-	(153,775)
Distribution to non-controlling interests	-	-	-	-	-	(5,519)	(5,519)
Disposal of subsidiary	-	-	-	-	-	(13,236)	(13,236)
Acquisition from non-controlling interest without a change in control	-	-	(17)	-	(17)	(8,680)	(8,697)
Equity share of changes in other net assets of associates	-	-	8,635	-	8,635	-	8,635
Balance at 31 December 2018	768,873	1,198,817	532,579	2,426,722	4,926,991	127,406	5,054,397

All in RMB'000

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Opening balance at 1 January 2019	768,873	1,198,817	582,794	2,344,847	4,895,331
Total comprehensive income for the period	-	-	4,254	624,334	628,588
Dividends	-	-	-	(169,152)	(169,152)
Appropriation of statutory common reserve	-	-	1,965	(1,965)	-
Share-based payments	-	-	512	-	512
Closing balance at 31 December 2019	768,873	1,198,817	589,525	2,798,064	5,355,279

Company	Share capital	Share premium	Other reserves (Restated)	Retained earnings (Restated)	Total equity (Restated)
Opening balance at 1 January 2018	768,873	1,198,817	600,688	1,922,178	4,490,556
Total comprehensive income for the period	-	-	(26,529)	576,444	549,915
Dividends	-	-	-	(153,775)	(153,775)
Equity share of changes in other net assets of associates	-	-	8,635	-	8,635
Closing balance at 31 December 2018	768,873	1,198,817	582,794	2,344,847	4,895,331

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 except for the company granted 3,930,000 shares to its employees under Restricted A-Shares Scheme as announced on 9 December 2019. However, these shares were only registered on 7 January 2020.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 December 2019 and 31 December 2018.

The Company did not hold any treasury shares and there were no subsidiary holdings as at 31 December 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 31 December 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

These figures have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and audited in accordance with International Standards on Auditing.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualification or emphasis of matter)

Audit Opinion as extracted from the auditors' report:

Opinion

We have audited the consolidated financial statements of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Impairment assessment of trade receivables

Please refer to Notes 2C, 2D and 22 to the financial statements for the relevant accounting policy and key assumptions used in assessing the impairment of trade receivables.

Trade receivables of the Group are significant as at the end of the reporting year. The allowance for impairment of trade receivables is estimated by management through the application of judgement and use of subjective assumptions. Any impairment of significant receivables could have material impact to the Group's and the Company's profit or loss.

The estimate of impairment allowance is based on the historical trend of trade receivables, which includes analysis of the age of these receivables, credit worthiness of the profile of the customers and historical default rates.

For the samples selected, our audit procedures included, but not limited to (a) assessing the recoverability of the significant aged debts by discussing with management, checking subsequent collections and corroborating to the historical payment records; (b) assessing whether disclosures in respect of the credit risk of trade receivables is appropriate; and (c) evaluating the qualitative adjustment to the allowance and challenging the key assumptions in determining the allowance.

Based on the audit procedures performed, we found management's assessment to be consistent with the results of our procedures.

(b) Assessment of allowance for impairment of inventories

Please refer to Notes 2C, 2D and 21 to the financial statements for the relevant accounting policy and key assumptions used in assessing the impairment of inventories.

The Group is principally engaged in the manufacturing and sale of traditional Chinese and western medicine in the People's Republic of China. Inventories of the Group are significant as at the end of the reporting year. The cost of inventories may not be recoverable in full if those inventories are damaged, or if they become obsolete, or if their selling prices have declined. The allowance for impairment of inventories is estimated by management through the application of judgement and use of subjective assumptions.

The estimate of allowance for obsolete inventories is based on the age of the inventories, prevailing market conditions in the pharmaceutical industry and historical allowance experience which requires management's judgement, including judgement in the areas relating to inventory allowance based on forecast inventory usage. This methodology relies upon assumptions made in determining appropriate allowance percentages categories of inventory.

For the samples selected, our audit procedures included, but not limited to (a) checking the net realisable value of the inventories by comparing cost to subsequent selling prices; (b) reviewing the inventory turnover days and aging of the inventories to assess if there were any significant build up of aged inventories and assessing the reasonableness of the allowance for inventory obsolescence; (c) obtaining assurance over the appropriateness of management's assumptions applied in calculating the value of inventory allowances by assessing the Group's inventory allowance policy, as well as inventory turnover calculations including the impact of demand from government procurement policy for pharmaceuticals and expectations for future sales; and (d) assessing whether disclosures in respect of the impairment allowance of inventory is appropriate.

Based on the audit procedures performed, we found management's assessment to be consistent with the results of our procedures.

Other information

Management is responsible for the other information. The other information comprises the information included in the statement by directors and the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

RSM Chio Lim LLP
Public Accountants and Chartered Accountants

8 Wilkie Road,
#03-08 Wilkie Edge,
Singapore 228095

17 April 2020

Partner-in-charge: Ng Thiam Soon
Effective from year ended 31 December 2016

ShineWing Certified Public Accountants
Certified Public Accountants

9/F, Block A, Fu Hua Mansion,
No. 8, Chaoyang Men Beidajie,
Dongcheng District, Beijing,
People's Republic of China 100027

17 April 2020

Partner-in-charge: Jiang Bin
Effective from year ended 31 December 2015

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as in the most recently audited financial statements.

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

The Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective on the beginning of its current reporting year on 1 January 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:

IFRS 16 *Leases*

IFRS 16 *Leases* is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessee almost all leases are brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Thus, the Group has recognised a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements.

The Group elected to apply the modified retrospective approach for this new standard. Under the modified retrospective approach the comparative Information is not restated and therefore there is no presentation of a third column for the statement of financial position. Any cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application.

The amount by which each financial statement line item is impacted (debits / (credits)) in the current reporting year 2019 by the application of the new standard on leases are disclosed below:

	As reported on 31.12.2018	Adjustments on date of initial recognition	Adjusted balances on 1.1.2019
	RMB'000	RMB'000	RMB'000
Statement of Financial Position			
Group			
Right-of-use assets	-	4,597	4,597
Lease liabilities, non-current	-	(3,684)	(3,684)
Lease liabilities, current	-	(913)	(913)

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	The Group	
	2019 **RMB**	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	**0.81**	0.73

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

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

	Group		Company	
	31 December 2019 **RMB**	31 December 2018 RMB	**31 December 2019** **RMB**	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	**7.01**	6.41	**6.97**	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 for the financial year ended 31 December 2019 ("**FY2019**") was approximately RMB 6,994 million, an increase of approximately RMB 635 million, or 10%, as compared to RMB 6,359 million for the financial year ended 31 December 2018 ("**FY2018**").

(b) Gross profit margin:

The Group's gross profit in FY2019 increased by approximately 12% from approximately RMB 2,565 million in FY2018 to approximately RMB 2,881 million. Gross profit margin increased from 40% in FY2018 to 41% in FY2019.

(c) Other operating income:

Other gains in FY2019 were approximately RMB 52 million, an increase of approximately RMB 12 million over the previous year, which was RMB 40 million. The increase was mainly due to gains on disposal of property during the year.

(d) Major expenses:

(i) Marketing and Distribution costs in FY2019 was approximately RMB 1,829 million, an increase of approximately RMB 130 million, or 8% over the previous year. The increase in major expenses was due mainly to the increase in sales promotion expenses.

(ii) Research and Development costs in FY2019 increased by approximately RMB 32 million, to approximately RMB 133 million. This was mainly due to higher outlay for research and development projects.

(iii) Administrative expenses in FY2019 increased by approximately RMB 72 million, from approximately RMB 291 million in FY2018 to approximately RMB 363 million. The increase was due to higher staff salaries, depreciation and utilities expenses.

(iv) Finance costs in FY2019 decreased by approximately RMB 7 million or 48% from approximately RMB 14 million to approximately RMB 7 million. The decrease was in line with the decrease of borrowings.

(v) Other losses in FY2019 increased by approximately RMB 14 million, from approximately RMB 34 million in FY2018 to approximately RMB 48 million. The increase was due to higher impairment losses.

(e) Shares of results of associated companies:

The Group’s share of results of associated companies in FY2019 increased by RMB 11 million, or 6%, from approximately RMB 163 million in FY2018 to approximately RMB 174 million. This was mainly due to the increase in profits of Sino-American Tianjin Smithkline & French Lab., Ltd in FY 2019 as compared to FY2018.

(f) Total comprehensive income:

The Group’s total comprehensive income (net of tax) in FY2019 was approximately RMB 640 million, an increase of 14% over the previous year. The profit attributable to equity holders of parent (net of tax) in FY2019 was approximately RMB 626 million, an increase of approximately RMB 64 million, or 11%, from FY2018.

(g) Major changes in statement of financial positions:

As at 31 December 2019, the Group’s cash and cash equivalents amounted to approximately RMB 1,479 million, which is an increase of approximately RMB 12 million, or 1% over previous year. As at 31 December 2019, the Group’s short-term borrowings has decreased by approximately RMB 222 million, or 88% as compared to previous year.

Trade and other receivables amounted to approximately RMB 1,809 million at 31 December 2019, which is an increase of approximately RMB 80 million, or 5% over previous year. Bills receivables increased by approximately RMB 38 million. Trade receivables increased by approximately RMB 53 million. Other receivables decreased by approximately RMB 11 million. Inventories increased by 20% to approximately RMB 1,595 million.

Other current assets increased by approximately 3% or RMB 6 million to approximately RMB 209 million as at 31 December 2019.

Investments in associates increased by approximately RMB 27 million to approximately RMB 658 million, which is mainly attributable from higher profits of associate, Sino-American Tianjin Smithkline & French Lab., Ltd.

Property, plant and equipment increased by approximately RMB 164 million or 14% to RMB 1,364 million. The increase was mainly due to increase in construction in progress projects.

(h) Changes in cash flow position:

In FY2019, the Group recorded net cash inflow from operating activities of approximately RMB 481 million which has increased by RMB 142 million as compared to FY2018. The increase was mainly due to faster collections generated from the sales of goods during the year.

Cash outflow from investment activities was approximately RMB 86 million in FY2019. This was mainly contributed by lower proceeds from disposal of financial assets as compared to previous year.

Cash outflow from financing activities was approximately RMB 370 million in FY2019. This was mainly contributed by higher repayment of borrowings during the year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any know factors or events that may affect the group in the next reporting period and the next 12 months

There were significant changes in the pharmaceutical industry in 2019. The advancement of the industry which was contributed by new products and increasing consumption has slowed down.

On one hand, the following continue to present operational challenges:

- i) Medical insurance cost control
- ii) Decrease in tender prices
- iii) Dual bargaining
- iv) Purchases in bulk
- v) Quality control over major products
- vi) Regulations on management of medical products.

On the other hand, the following policy changes present opportunities for growth of the pharmaceutical industry:

- i) Revised National Medical Insurance Directory
- ii) Consistent evaluation
- iii) Accelerated review and approval of new innovative drugs
- iv) State encouragement for traditional Chinese medicine to embark on innovative development

With the full implementation of the two-tier invoicing system, medical oriented products and enterprises have to make adjustments to the supply chain. The number of first-level distributors have increased and the network have become more wide-reaching. This pose challenges to the ability to control commercial channels and receivables.

At the same time, prices of traditional Chinese medicines fluctuates significantly, and there is rising trend of raw materials prices. With the improvement of labor compensation and social security, labor costs continue to increase.

In early 2020, the outbreak of the new coronavirus epidemic has brought uncertainty to the company's operation. The degree of impact depends on the progress and duration of the epidemic prevention and control.

Faced with difficulties, the company adjusted its business plan timely by adopting effective measures such as strengthening capital management and control, controlling production costs, and strengthening academic promotion, to ensure the smooth and effective development of various business operations.

At the same time, the company accelerates reforms and implements equity incentive scheme to attract external managers。 This binds the development of the enterprise with the interests of individuals and stimulates the enthusiasm, creativity and vitality of the management team. Management also strives to minimize the impact of the epidemic situation and aim to complete all goals in 2020.

11. Dividend

(a) Current Financial Period Reported On

The Directors propose to seek approval from the shareholders of the Company (the “Shareholders”) for declaring a final dividend of RMB 230,661,922 on the basis of RMB 3.0 for every 10 shares in the capital of the Company. Such proposed declaration of dividends will be subject to approval by Shareholders at the forthcoming annual general meeting to be held on 5 June 2020, and thus has not been included as a liability in these financial statements of the Company and/or Group. Upon obtaining the Shareholders’ approval, the proposed dividend is payable in respect of all issued ordinary shares in the capital of the Company as at the end of the FY2019.

The proposed dividend is subject to applicable tax rates as set out below:

(i) S-Shares

The dividend payable to S-Shareholders shall be subject to a tax rate of 10% under the PRC tax law.

(ii) A-Shares

The dividend payable to A-Shareholders shall be subject to the differential tax rates as set out in the PRC tax law. A-Shareholders should consult their own tax advisers concerning the tax consequences in relation to any dividends paid by the Company.

(b) Corresponding Period of the Immediately Preceding Financial Year

The Directors proposed a final dividend of RMB 169,152,076.72 on the basis of RMB 2.2 for every 10 shares in the capital of the Company for FY2018. The proposed dividend is payable in respect of all issued ordinary shares in the capital of the Company as at the end of the financial year 2018.

The proposed dividend is subject to applicable tax rates as set out below:

(iii) S-Shares

The dividend payable to S-Shareholders shall be subject to a tax rate of 10% under the PRC tax law.

(iv) A-Shares

The dividend payable to A-Shareholders shall be subject to the differential tax rates as set out in the PRC tax law. A-Shareholders should consult their own tax advisers concerning the tax consequences in relation to any dividends paid by the Company.

(c) Date payable

To be announced by the Company upon approval being granted by the Shareholders at the annual general meeting to be held on 5 June 2020, for the payment of the final dividend.

(d) Books closure date

To be announced by the Company upon approval being granted by the Shareholders at the annual general meeting to be held on 5 June 2020, for the payment of the final dividend.

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

Not applicable.

12. Interested Person Transaction disclosure

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**"), the Company discloses the aggregate value of interested person transactions as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted during the financial year under review under a shareholders' mandate pursuant to Rule 920 of SGX Listing Manual (excluding transactions less than S$100,000)	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Tianjin Pharmaceutical Group Finance Co., Ltd ("**TPGF**") (天津医药集团财务有限公司)	The interest payable on the credit facilities provided by TPGF: 1,460	2,217	-	-
Total	1,460	2.217	-	-

Note: As at 31 December 2019, placement of deposit with TPGF amounted to RMB 589,423,150.

13. Financial Information by Operating Segments

The financial information by operating segments for the Group is as follows:

2019	Revenue	Cost of sales	Gross profit
	RMB'000	RMB'000	RMB'000
Chinese medicine	4,845,374	(2,339,683)	2,505,691
Western medicine	1,696,785	(1,417,236)	279,549
Others	451,723	(355,469)	96,254
Total	**6,993,882**	**(4,112,388)**	**2,881,494**

2018	Revenue	Cost of sales	Gross profit
	RMB'000	RMB'000	RMB'000
Chinese medicine	4,199,609	(2,036,387)	2,163,222
Western medicine	1,774,235	(1,438,309)	335,926
Others	384,778	(319,346)	65,432
Total	**6,358,622**	**(3,794,042)**	**2,564,580**

The Group operates predominantly in the PRC.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

15. A breakdown of sales as follows:

	Group		
	2019	**2018**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
(a) Sales reported for first half year	3,533,718	3,112,247	13.54%
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	353,857	317,268	11.53%
(c) Sales reported for second half year	3,460,164	3,246,375	6.59%
(d) Operating profit after tax before deducting non-controlling interests reported for second half year	281,502	250,519	12.37%

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	FY2019 RMB'000	FY2018 RMB'000
Ordinary - Interim	-	-
- Final (Proposed)	231,841	169,152
Preference	N.A.	N.A.
Total	**231,841**	**169,152**

17. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholders of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make appropriate negative statement

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company confirms that, to the best of its knowledge, belief and information, as of the date hereof, none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a Director, Chief Executive Officer or Substantial Shareholder of the Company.

18. 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.