

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

	<u>The Group</u>					
	3-month period from 1 April to 30 June 2019 RMB'000	3-month period from 1 April to 30 June 2018 RMB'000	Change %	6-month period from 1 January to 30 June 2019 RMB'000	6-month period from 1 January to 30 June 2018 RMB'000	Change %
Revenue	1,780,289	1,497,080	19	3,533,718	3,112,247	14
Cost of sales	(1,040,064)	(867,776)	20	(2,038,133)	(1,781,769)	14
Gross profit	740,225	629,304	18	1,495,585	1,330,478	12
Interest income	3,564	3,138	14	7,102	5,322	33
Dividend income	1,326	566	134	1,326	566	134
Other gains	6,957	9,774	-29	29,841	32,822	-9
Marketing and distribution costs	(489,724)	(435,483)	12	(994,308)	(932,110)	7
Research and development costs	(34,033)	(17,803)	91	(54,350)	(37,471)	45
Administrative expenses	(89,791)	(64,291)	40	(168,429)	(127,520)	32
Finance costs	(1,892)	(3,095)	-39	(4,070)	(5,984)	-32
Other losses	(1,256)	(6,372)	-80	(1,675)	(6,636)	-75
Share of profit of associates	42,162	41,973	-	84,151	97,019	-13
Profit before income tax	177,538	157,711	13	395,173	356,486	11
Income tax expense	(15,264)	(14,562)	5	(41,316)	(39,218)	5
Profit, net of tax	162,274	143,149	13	353,857	317,268	12

	<u>The Group</u>					
	3-month period from 1 April to 30 June 2019 RMB'000	3-month period from 1 April to 30 June 2018 RMB'000	Change %	6-month period from 1 January to 30 June 2019 RMB'000	6-month period from 1 January to 30 June 2018 RMB'000	Change %
Other Comprehensive Loss Items that will not be reclassified to profit or loss:						
Fair Value Gain / (Loss) on equity investment measured at FVTOCI, net of tax	(3,919)	(4,809)	-19	2,714	(6,500)	n.m
Share of other comprehensive income / (loss) from equity-accounted associates, net of tax	(465)	(635)	-27	601	(805)	n.m
Other Comprehensive Income/(Loss) Items that may be reclassified subsequently to profit or loss:						
Fair Value Gain on re-measuring of financial instruments, net of tax	-	4,783	n.m	-	9,043	n.m
Total Other Comprehensive Income / (Loss), Net of Tax	(4,384)	(661)	563	3,315	1,738	91
Total comprehensive income	157,890	142,488	11	357,172	319,006	12

	<u>The Group</u>					
	3-month period from 1 April to 30 June 2019 RMB'000	3-month period from 1 April to 30 June 2018 RMB'000	Change %	6-month period from 1 January to 30 June 2019 RMB'000	6-month period from 1 January to 30 June 2018 RMB'000	Change %
Profit, net of tax attributable to:						
Owners of the parent	156,857	142,167	10	346,863	315,534	10
Non-controlling interests	5,417	982	452	6,994	1,734	303
	162,274	143,149	13	353,857	317,268	12
Total comprehensive income attributable to:						
Owners of the parent	152,473	141,506	8	350,178	317,272	10
Non-controlling interests	5,417	982	452	6,994	1,734	303
	157,890	142,488	11	357,172	319,006	12

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	The Group			
	3-month period from 1 April to 30 June 2019 RMB'000	3-month period from 1 April to 30 June 2018 RMB'000	6-month period from 1 January to 30 June 2019 RMB'000	6-month period from 1 January to 30 June 2018 RMB'000
Profit, net of tax is arrived at after crediting / (charging):				
Other income including interest income	8,639	10,342	16,538	19,214
Allowance for impairment on other receivables – reversal / (loss)	812	(5)	838	13,369
Gain on disposal of property, plant and equipment, intangible assets and other non-current assets	2,198	3,492	19,568	3,213
Dividend income	1,326	566	1,326	566
Gain on disposals of interests in subsidiaries, net	-	-	-	306
Foreign currency translation losses, net	(658)	(1,167)	(62)	(281)
Allowance for impairment on trade receivables – reversal / (loss)	259	(3,998)	(152)	(2,204)
Interest on borrowings	(1,781)	(3,095)	(3,959)	(5,984)
Impairment loss on inventories	(1,283)	(2,500)	(751)	(2,764)
Depreciation and amortisation	(24,488)	(21,973)	(46,773)	(42,106)
Gain on disposals of interests in an associate	-	2,042	-	2,042

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

	The Group		The Company	
	30 June 2019 RMB'000	31 December 2018 RMB'000	30 June 2019 RMB'000	31 December 2018 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,206,273	1,199,669	866,621	877,159
Investment properties	23,064	23,582	22,111	22,602
Land use rights	160,645	163,296	132,881	135,124
Intangibles assets	14,800	11,563	11,799	8,605
Right-of-use assets	4,597	-	371	-
Investment in subsidiaries	-	-	630,578	630,578
Investment in associates	695,678	630,925	695,678	630,925
Other financial assets, non-current	250,601	142,086	145,279	142,086
Deferred tax assets	184,335	133,290	169,433	124,806
Other assets, non-current	39,817	20,858	39,424	22,881
Total non-current assets	2,579,810	2,325,269	2,714,175	2,594,766
Current assets				
Inventories	1,346,572	1,328,371	1,243,674	1,229,042
Trade and other receivables	2,041,968	1,728,508	1,946,661	1,606,278
Other financial assets, current	333,773	53,307	120,010	-
Other assets, current	254,929	202,766	240,255	191,798
Cash and cash equivalents	1,012,788	1,467,085	783,124	993,131
Total current assets	4,990,030	4,780,037	4,333,724	4,020,249
Total assets	7,569,840	7,105,306	7,047,899	6,615,015
EQUITY				
Equity attributable to the owners of the parent				
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	2,604,433	2,426,722	2,533,399	2,344,847
Other reserves	535,894	532,579	586,109	582,794
Total equity, attributable to equity holders of the parent	5,108,017	4,926,991	5,087,198	4,895,331
Non-controlling interests	134,400	127,406	-	-
Total equity	5,242,417	5,054,397	5,087,198	4,895,331

	The Group		The Company	
	30 June 2019 RMB'000	31 December 2018 RMB'000	30 June 2019 RMB'000	31 December 2018 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	6,390	5,911	6,390	5,911
Trade payables, non-current	41,450	41,450	41,241	41,241
Lease liabilities, non-current	3,419	-	128	-
Other liabilities, non-current	86,710	89,485	49,949	51,191
Total non-current liabilities	137,969	136,846	97,708	98,343
Current liabilities				
Income tax payable	66,402	41,185	64,254	39,146
Trade and other payables	1,845,495	1,385,479	1,528,170	1,109,652
Other financial liabilities	52,000	252,000	50,000	250,000
Lease liabilities, current	1,209	-	247	-
Other liabilities, current	224,348	235,399	220,322	222,543
Total current liabilities	2,189,454	1,914,063	1,862,993	1,621,341
Total liabilities	2,327,423	2,050,909	1,960,701	1,719,684
Total equity and liabilities	7,569,840	7,105,306	7,047,899	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 30/06/2019		As at 31/12/2018	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	52,000	-	252,000

Amount repayable after one year

As at 30/06/2019		As at 31/12/2018	
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 April to 30 June 2019 RMB'000	3-month period from 1 April to 30 June 2018 RMB'000	6-month period from 1 January to 30 June 2019 RMB'000	6-month period from 1 January to 30 June 2018 RMB'000
<u>Cash flows from operating activities</u>				
Profit before income tax	177,538	157,711	395,173	356,486
Interest income	(3,564)	(3,138)	(7,102)	(5,322)
Interest expense	1,892	3,095	4,070	5,984
Dividend income	(1,326)	(566)	(1,326)	(566)
Gain upon maturity and disposal of financial assets	(2,259)	(3,150)	(3,815)	(8,560)
Share of profit of equity-accounted associates	(42,162)	(41,973)	(84,151)	(97,019)
Gain on disposals of interests in subsidiaries, net	-	-	-	(306)
Gain on dilution of interests in an associate	-	(2,042)	-	(2,042)
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	24,488	21,973	46,773	42,106
Gain on disposals of property, plant and equipment, intangible assets and other non-current assets	(2,198)	(3,492)	(19,568)	(3,213)
Impairment on trade and other receivables – loss / (reversal)	212	6,503	65	(8,401)
Fair value (gain) / loss on derivative financial instruments	(817)	53	(1,562)	(558)
Operating cash flows before changes in working capital	151,804	134,974	328,557	278,589

	<u>The Group</u>			
	3-month period from 1 April to 30 June 2019 RMB'000	3-month period from 1 April to 30 June 2018 RMB'000	6-month period from 1 January to 30 June 2019 RMB'000	6-month period from 1 January to 30 June 2018 RMB'000
Inventories	(17,159)	(54,043)	(18,952)	(41,258)
Trade and other receivables	(17,739)	(64,031)	(283,007)	(212,654)
Other assets	(91,025)	(2,079)	(72,733)	4,578
Trade and other payables	62,782	60,492	274,846	213,868
Cash restricted in use	2,000	-	2,019	-
Other liabilities	(2,662)	10,271	(13,826)	18,753
Net cash flows from operations	88,001	85,584	216,904	261,876
Income tax paid	(49,579)	(48,166)	(67,025)	(50,049)
Net cash flows from operating activities	38,422	37,418	149,879	211,827
Cash flows from investing activities				
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	(36,775)	(30,916)	(69,638)	(62,325)
Acquisition of financial assets	(22,965,046)	(8,644,195)	(37,178,980)	(15,420,565)
Disposals of subsidiaries (net of cash disposal)	-	-	-	(11,582)
Proceeds from disposal of financial assets	22,621,177	8,695,189	36,795,551	15,482,389
Dividends income received from associates and financial assets	21,326	1,584	21,326	17,584
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	4,831	151	23,693	239
Interest income received	5,624	4,934	10,811	12,878
Net cash flows (used in) / from investing activities	(348,863)	26,747	(397,237)	18,618

	<u>The Group</u>			
	3-month period from 1 April to 30 June 2019 RMB'000	3-month period from 1 April to 30 June 2018 RMB'000	6-month period from 1 January to 30 June 2019 RMB'000	6-month period from 1 January to 30 June 2018 RMB'000
Cash flows from financing activities				
Proceeds from new borrowings	100,000	-	100,000	170,000
Proceeds from other borrowings	-	4,306,782	-	7,754,664
Dividends paid to equity owners	-	-	-	-
Distribution to non-controlling interests	-	(5,152)	-	(5,152)
Interest expense paid	(1,962)	(3,028)	(4,212)	(6,125)
Repayment of borrowings	(250,000)	(40,000)	(300,000)	(180,000)
Repayment of other borrowings	(708)	(4,308,174)	(708)	(7,755,269)
Cash restricted in use and/or maturing after 3 months	-	(5,854)	-	(3,954)
Net cash flows used in financing activities	(152,670)	(55,426)	(204,920)	(25,836)
Net (decrease) / increase in cash and cash equivalents	(463,111)	8,739	(452,278)	204,609
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	1,477,899	1,186,149	1,455,066	975,114
Cash and cash equivalents, consolidated statement of cash flows, ending balance	1,014,788	1,194,888	1,002,788	1,179,723

Cash and cash equivalents in consolidated statement of cash flows				
Amount as shown in the statement of financial positions	1,012,788	1,200,742	1,012,788	1,200,742
Restricted cash deposits for bank notes payables	2,000	(5,854)	(10,000)	(21,019)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	1,014,788	1,194,888	1,002,788	1,179,723

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	-	-	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

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	-	-	1,738	315,534	317,272	1,734	319,006
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 June 2018	768,873	1,198,817	532,832	2,180,576	4,681,098	123,399	4,804,497

All in RMB'000

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
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

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2018	768,873	1,198,817	600,688	1,922,178	4,490,556
Total comprehensive income for the period	-	-	(7,305)	319,068	311,763
Dividends	-	-	-	(153,775)	(153,775)
Balance at 30 June 2018	768,873	1,198,817	593,383	2,087,471	4,648,544

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There has been no change in the Company's share capital since 31 December 2018.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 30 June 2019 and 31 December 2018.

The Company did not hold any treasury shares and there were no subsidiary holdings as at 30 June 2019 and 31 December 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

		As at 30 June 2019	As at 31 December 2018
Number of issued shares excluding treasury shares	:	768,873,076	768,873,076
Number of treasury shares held	:	NIL	NIL

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

Not applicable.

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

Not applicable.

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

These figures have been prepared in accordance with International Financial Reporting Standards (“IFRS”). They have not been audited or reviewed.

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

Not applicable.

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

The Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) that are relevant to its operations and effective on the beginning of its current reporting year on 1 January 2019. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior periods.

Except for the above, the Group has applied same accounting policies and method of computation as presented in the audited financial statements of the Group for the reporting year ended 31 December 2018.

5. If there are any 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

Refer 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 April to 30 June 2019 RMB	3-month period from 1 April to 30 June 2018 RMB	6-month period from 1 January to 30 June 2019 RMB	6-month period from 1 January to 30 June 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	0.20	0.18	0.45	0.41

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 2019 RMB	31 December 2018 RMB	30 June 2019 RMB	31 December 2018 RMB
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	6.64	6.41	6.62	6.37

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

(a) Revenue:

The Group's revenue in the second quarter of FY2019 ("**2Q FY2019**") was approximately RMB 1,780 million, an increase of approximately RMB 283 million, or 19%, from RMB1,497 million in the second quarter of FY2018 ("**2Q FY2018**"). For the 6 months ended 30 June 2019 ("**1H19**"), the Group recorded a revenue of approximately RMB 3,534 million, an increase of approximately RMB 421 million, approximately 14% over the corresponding period in FY2018.

(b) Gross Profit Margin:

The Group's gross profit in 2Q FY2019 increased by approximately 18% from approximately RMB 629 million in 2Q FY2018 to approximately RMB 740 million. For 1H19, the Group's gross profit was approximately RMB 1,496 million compared to approximately RMB 1,330 million in the corresponding period of FY2018, with an increase of approximately 12% amounting to approximately RMB 165 million. The gross profit margin has decreased from 42.75% in first half financial year of FY2018 ("**1H18**") to 42.32% in 1H19.

(c) Other Gains:

Other gains in 2Q FY2019 were RMB 7 million. For 1H19, the Group's other gains were approximately RMB 30 million, a decrease of approximately RMB 3 million over the previous corresponding period.

(d) Major Expenses:

(i) Marketing and Distribution costs in 2Q FY2019 increased by approximately 12% to approximately RMB 490 million. For 1H19, the Marketing and Distribution costs was approximately RMB 994 million, an increase of approximately RMB 62 million or 7% over the previous corresponding period.

(ii) Research and Development costs in 2Q FY2019 were approximately RMB 34 million, an increase of approximately RMB 16 million or 91% over the previous corresponding period. For 1H19, the Research and Development costs increased by approximately RMB 17 million, from approximately RMB 37 million in 1H18 to approximately RMB 54 million due to higher outlay for research and development projects.

(iii) Administrative expenses in 2Q FY2019 increased by approximately RMB 26 million, from approximately RMB 64 million in 2Q FY2018. For 1H19, the administration expenses were approximately RMB 168 million, an increase of approximately RMB 41 million. The increase was due to higher staff salaries, maintenance and depreciation expenses.

(iv) Finance costs in 2Q FY2019 decreased by approximately 39% to approximately RMB 2 million, while for 1H19, the finance costs decreased by approximately RMB 2 million or 32% from approximately RMB 6 million to approximately RMB 4 million. The decrease was in line with decrease in intercompany borrowings.

(v) Other losses in 2Q FY2019 decreased by approximately RMB 5 million, while for 1H19, the other losses were approximately RMB 2 million. The decrease was due to lower impairment losses.

(e) Share of results of associated companies:

The Group's share of profits of associated in 2Q FY2019 was approximately RMB 42 million, which is comparable to previous year. The Group's share of profits of associated in 1H19 decreased from approximately RMB 97 million to approximately RMB 84 million. This was mainly because profit of Sino-American Tianjin Smithkline & French Lab., Ltd. and Tianjin Hong Ren Tang Pharmaceutical Co., Ltd. in 2Q FY2019 decreased compared to 2Q FY2018.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 2Q FY2019 was approximately RMB 158 million, an increase of 11% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 1H19 was approximately RMB 357 million, an increase of approximately RMB 38 million or 12% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 2Q FY2019 was approximately RMB 157 million, an increase of 10% over the previous corresponding period. The profit attributable to equity holders of parent (net of tax) in 1H19 was approximately RMB 347 million, an increase of approximately RMB 31 million, or 10% from RMB 315 million of the corresponding period in 1H18.

(g) Major changes in statement of financial positions:

As at 30 June 2019, the Group's cash and cash equivalents amounted to approximately RMB 1,013 million, which is a decrease of approximately RMB 454 million, or 31% over the balance as at 31 December 2018. The Group's short-term borrowings as at 30 June 2019 amounted to approximately RMB 52 million, which is a decrease of approximately RMB 200 million, or 79% over the balance as at 31 December 2018.

Trade and other receivables increased by approximately 18% or RMB 313 million to approximately RMB 2,042 million as at 30 June 2019. Notes receivable decreased by approximately RMB 3.9 million. Trade receivables increased by approximately RMB 318 million. Inventories increased by 1% to approximately RMB 1,347 million.

Other current assets increased by approximately 26% or RMB 52 million to approximately

RMB 255 million as at 30 June 2019.

Investment in associates of the Group increased by 10% to approximately RMB 696 million, which is mainly attributable to the share of profit from associates over the reporting period.

Property, plant and equipment increased by approximately RMB 7 million to approximately RMB 1,206 million.

(h) Change in cash flow position:

In 1H19, the Group recorded net cash inflow from operating activities of approximately RMB 150 million.

Cash outflow from investing activities was approximately RMB 397 million in 1H19.

Cash outflow from financing activities was approximately RMB 205 million in 1H19.

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 half of 2019, new risks and challenges posed by conditions locally and abroad, exert downward pressure on China's economy. In spite of such pressures, the pharmaceutical industry continues to progress. With greater control over medical insurance cost, the various reforms of the medical and health system have resulted in a new competitive landscape in China's pharmaceutical industry. Factors such as rising raw material prices, rising wages, rising energy costs and environmental safety have put pressure on the company's operations. Faced with the above internal and external environmental pressures, the company constantly updates its development and regards the quality development and efficiency as the top priority.

In marketing, the company embarks on strengthening end customer promotion, increasing sales volume; innovative marketing to enhance branding; and building logistics. In quality scientific research, the company accelerates the construction of the research institute to strengthen its innovation capability; optimizes research management process to meet market demand; and enhances quality supervision. In group management and control, the company strengthens the monitoring of its processes; improves project management; and builds and

develops a talented pool of employees.

In the first half of 2019, the company achieved revenue of RMB 3.53 billion, a year-on-year increase of 14%. Net profit attributable to the parent company was RMB 347 million, a year-on-year increase of 10%. The company resolves to accomplish major tasks such as increase market penetration at a steady pace, reforms and technological innovation with the goal of creating a "quality Zhong Xin", and contribute towards the healthy China 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/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:-

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: (991)	0
Total	(991)	0

Note: As at 30 June 2019, placement of deposit with TPGF amounted to RMB 535,208,880 (31 December 2018: RMB566,619,790).

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 2019, to be false or misleading in any material respect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual.