

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 2017 RMB'000	3-month period from 1 April to 30 June 2016 RMB'000	Change %	6-month period from 1 January to 30 June 2017 RMB'000	6-month period from 1 January to 30 June 2016 RMB'000	Change %
		Restated			Restated	
Revenue	1,505,607	1,616,476	-7	2,987,439	3,278,169	-9
Cost of sales	(995,972)	(1,146,808)	-13	(1,922,063)	(2,284,281)	-16
Gross profit	509,635	469,668	9	1,065,376	993,888	7
Interest income	1,840	974	89	3,619	1,709	112
Dividend income	746	381	96	746	381	96
Other gains	48,813	22,985	112	66,063	36,412	81
Marketing and distribution costs	(342,695)	(280,783)	22	(724,130)	(632,843)	14
Research and development costs	(17,733)	(15,639)	13	(29,495)	(28,152)	5
Administrative expenses	(64,600)	(69,491)	-7	(130,740)	(142,811)	-8
Finance costs	(2,579)	(4,884)	-47	(4,940)	(9,048)	-45
Other losses	381	(4,412)	n.m	(8)	(5,408)	n.m
Share of profit / (loss) of associates	23,369	36,314	-36	61,732	74,895	-18
Profit before income tax	157,177	155,113	1	308,223	289,023	7
Income tax expense	(16,486)	(18,574)	-11	(34,240)	(38,777)	-12
Profit, net of tax	140,691	136,539	3	273,983	250,246	9

	<u>The Group</u>					
	3-month period from 1 April to 30 June 2017 RMB'000	3-month period from 1 April to 30 June 2016 RMB'000	Change %	6-month period from 1 January to 30 June 2017 RMB'000	6-month period from 1 January to 30 June 2016 RMB'000	Change %
		Restated			Restated	
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Fair value (loss) / gain on re-measuring available-for-sale investments, net of tax	(2,368)	(2,294)	3	(147)	(15,077)	-99
Share of other comprehensive income of associates	(1,078)	11	n.m	(1,078)	11	n.m
Other comprehensive (loss) / income, net	(3,446)	(2,283)	51	(1,225)	(15,066)	-92
Total comprehensive income	137,245	134,256	2	272,758	235,180	16
Profit, net of tax attributable to:						
Owners of the parent	142,108	140,560	1	275,863	258,563	7
Non-controlling interests	(1,417)	(4,021)	-65	(1,880)	(8,317)	-77
	140,691	136,539	3	273,983	250,246	9
Total comprehensive income attributable to:						
Owners of the parent	138,662	138,277	-	274,638	243,497	13
Non-controlling interests	(1,417)	(4,021)	-65	(1,880)	(8,317)	-77
	137,245	134,256	2	272,758	235,180	16

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	The Group			
	3-month period from 1 April to 30 June 2017 RMB'000	3-month period from 1 April to 30 June 2016 RMB'000	6-month period from 1 January to 30 June 2017 RMB'000	6-month period from 1 January to 30 June 2016 RMB'000
		Restated		Restated
Profit, net of tax is arrived at after crediting / (charging):				
Dividend income	746	381	746	381
Other income including interest income	15,892	24,266	28,107	38,428
(Losses) / gain on disposal of property, plant and equipment, intangible assets and other non-current assets	(141)	(258)	5,355	(307)
Allowance for impairment on trade receivables – reversal / (loss)	1,097	(4,258)	1,214	(4,426)
Gain on disposal of associate	33,525	-	33,525	-
Foreign exchange (loss) / gain	175	(82)	214	(847)
Interest on borrowings	(2,580)	(4,886)	(4,940)	(9,052)
Depreciation and amortization	(22,620)	(20,293)	(43,125)	(42,227)
Allowance for impairment on inventories – (loss) / reversal	(44)	-	1,118	-
Allowance for impairment on other receivables	150	-	150	-
Impairment loss on property, plant and equipment	(8)	-	(8)	-

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

	The Group		The Company	
	30 June 2017 RMB'000	31 December 2016 RMB'000	30 June 2017 RMB'000	31 December 2016 RMB'000
		Restated		
ASSETS				
Non-current assets				
Property, plant and equipment	1,016,357	995,403	760,419	745,242
Investment properties	25,717	26,248	24,080	24,572
Land use rights	170,384	172,749	141,848	144,091
Intangibles assets	7,554	7,908	5,021	5,410
Goodwill	1,851	1,851	-	-
Investment in subsidiaries	-	-	439,204	380,413
Investment in associates	605,075	561,031	591,575	561,031
Other financial assets, non-current	549,429	615,796	163,397	149,327
Deferred tax assets	87,191	87,192	83,926	83,926
Other assets, non-current	18,256	19,144	36,600	18,071
Total non-current assets	2,481,814	2,487,322	2,246,070	2,112,083
Current assets				
Inventories	1,001,131	929,842	883,500	798,672
Trade and other receivables	1,645,088	1,512,153	1,686,237	1,445,450
Other financial assets, current	124,123	200,660	876	200,660
Other asset, current	230,001	164,986	201,165	155,032
Cash and cash equivalents	1,348,634	1,163,915	1,119,271	910,521
Total current assets	4,348,977	3,971,556	3,891,049	3,510,335
Total assets	6,830,791	6,458,878	6,137,119	5,622,418
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	768,873	768,873	768,873	768,873
Share premium	1,198,817	1,198,817	1,198,817	1,198,817
Other reserves	443,106	507,043	508,965	514,112
Retained earnings	1,883,837	1,723,305	1,774,369	1,601,496
Total equity, attributable to equity holders of the parent	4,294,633	4,198,038	4,251,024	4,083,298
Non-controlling interests	155,660	162,659	-	-
Total equity	4,450,293	4,360,697	4,251,024	4,083,298

	<u>The Group</u>		<u>The Company</u>	
	30 June 2017 RMB'000	31 December 2016 RMB'000	30 June 2017 RMB'000	31 December 2016 RMB'000
		Restated		
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	7,267	7,293	7,267	7,293
Trade payables, non-current	47,271	47,762	47,197	47,197
Other liabilities, non-current	75,626	75,314	36,093	38,309
Total non-current liabilities	130,164	130,369	90,557	92,799
Current liabilities				
Income tax payable	14,856	17,374	14,361	14,402
Trade and other payables	1,651,920	1,308,260	1,458,603	1,090,441
Other financial liabilities, current	565,395	575,490	310,000	290,000
Other liabilities, current	18,163	66,688	12,574	51,478
Total current liabilities	2,250,334	1,967,812	1,795,538	1,446,321
Total liabilities	2,380,498	2,098,181	1,886,095	1,539,120
Total equity and liabilities	6,830,791	6,458,878	6,137,119	5,622,418

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

Amount repayable in one year or less, or on demand

<u>The Group</u>			
As at 30/06/2017		As at 31/12/2016	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
240,895	324,500	270,990	304,500

Amount repayable after one year

<u>The Group</u>			
As at 30/06/2017		As at 31/12/2016	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	-	-	-

Details of collateral for secured borrowings:

As at 30 June 2017, loans of RMB 240,895,000 (31 December 2016: RMB 270,990,000) are secured by pledges of corporate and government bonds of the same amount.

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

	<u>The Group</u>			
	3-month period from 1 April to 30 June 2017 RMB'000	3-month period from 1 April to 30 June 2016 RMB'000	6-month period from 1 January to 30 June 2017 RMB'000	6-month period from 1 January to 30 June 2016 RMB'000
<u>Cash flows from operating activities</u>				
Profit before income tax	157,177	155,113	308,223	289,023
Interest income	(1,840)	(974)	(3,619)	(1,709)
Interest expense	2,580	4,886	4,940	9,052
Dividend income	(746)	(381)	(746)	(381)
Gain upon maturity of held-to-maturity investments	(9,533)	(12,163)	(18,216)	(19,997)
Share of loss / (profit) of equity-accounted associates	(23,369)	(36,314)	(61,732)	(74,895)
Gain on disposal of an associate	(33,525)	-	(33,525)	-
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	22,620	20,293	43,125	42,227
Loss on disposals of property, plant and equipment, intangible assets and other non-current assets	141	258	(5,355)	307
Allowance for impairment on trade and other receivables	(1,195)	4,258	(2,474)	4,426
Fair value loss on derivative financial instruments	(2,968)	173	(2,863)	(1,038)
Operating cash flows before changes in working capital	109,342	135,149	227,758	247,015

	<u>The Group</u>			
	3-month period from 1 April to 30 June 2017 RMB'000	3-month period from 1 April to 30 June 2016 RMB'000	6-month period from 1 January to 30 June 2017 RMB'000	6-month period from 1 January to 30 June 2016 RMB'000
Inventories	(92,893)	(26,368)	(70,171)	(4,411)
Trade and other receivables	(42,806)	8,562	(149,449)	(143,856)
Other assets	(46,936)	88,960	(64,127)	(25,759)
Trade and other payables	176,138	(117,782)	168,529	43,666
Other liabilities	(42,837)	(27,139)	(48,213)	41,912
Net cash flows from operations	60,008	61,382	64,327	158,567
Income tax paid	(32,035)	(30,728)	(35,964)	(34,100)
Net cash flows from operating activities	27,973	30,654	28,363	124,467
Cash flows from investing activities				
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	(27,309)	(11,799)	(44,171)	(34,596)
Acquisition of available-for-sale financial assets	(10,920,060)	(7,106,203)	(17,943,641)	(16,046,942)
Proceeds from disposal of available-for-sale financial assets	11,296,893	6,739,757	17,671,421	15,990,838
Cash restricted in use	(90,000)	330,000	200,000	60,000
Dividends income received from associates and available-for-sale financial assets	746	94,170	3,080	96,484
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	99	205	112	205
Interest income received	10,483	10,990	18,577	19,170
Net cash flows from / (used in) investing activities	270,852	57,120	(94,622)	85,159

	<u>The Group</u>			
	3-month period from 1 April to 30 June 2017 RMB'000	3-month period from 1 April to 30 June 2016 RMB'000	6-month period from 1 January to 30 June 2017 RMB'000	6-month period from 1 January to 30 June 2016 RMB'000
Cash flows from financing activities				
Proceeds from new borrowings	100,000	95,820	100,000	235,820
Proceeds from other borrowings	1,653,851	2,047,785	2,336,945	10,462,948
Dividends paid to equity owners	-	-	(31)	-
Distribution to non-controlling interests	(319)	-	(5,119)	(4,800)
Interest expense paid	(2,533)	(4,786)	(7,297)	(9,197)
Repayment of borrowings	(60,000)	(60,819)	(80,000)	(271,579)
Repayment of other borrowings	(1,610,229)	(2,155,075)	(2,293,519)	(10,570,695)
Cash restricted in use and/or maturing after 3 months	7,654	(19)	9,876	18,724
Net cash flows from / (used in) financing activities	88,424	(77,094)	60,855	(138,779)
Net increase / (decrease) in cash and cash equivalents	387,249	10,680	(5,404)	70,847
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	1,059,039	1,134,690	943,038	778,115
Cash and cash equivalents, consolidated statement of cash flows, ending balance	1,446,288	1,145,370	937,634	848,962

Cash and cash equivalents in consolidated statement of cash flows				
Amount as shown in the statement of financial positions	1,348,634	1,115,389	1,348,634	1,115,389
Restricted cash deposits for bank notes payables	97,654	29,981	(411,000)	(266,427)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	1,446,288	1,145,370	937,634	848,962

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 2017	768,873	1,198,817	436,769	1,735,171	4,139,630	162,659	4,302,289
Restatements from application of pooling-of-interests method	-	-	70,274	(11,866)	58,408	-	58,408
Restated balance at 1 January 2017	768,873	1,198,817	507,043	1,723,305	4,198,038	162,659	4,360,697
Total comprehensive income for the period	-	-	(1,225)	275,863	274,638	(1,880)	272,758
Dividends	-	-	-	(115,331)	(115,331)	-	(115,331)
Distribution to non-controlling interests	-	-	-	-	-	(5,119)	(5,119)
Adjustment to Merger reserves	-	-	(62,712)	-	(62,712)	-	(62,712)
Balance at 30 June 2017	768,873	1,198,817	443,106	1,883,837	4,294,633	155,660	4,450,293

Group	Share capital	Share premium	Other reserves	Retained earnings	Parent sub-total	Non-controlling interests	Total equity
Balance at 1 January 2016	768,873	1,198,817	421,696	1,532,323	3,921,709	183,466	4,105,175
Restatements from application of pooling-of-interests method	-	-	70,316	(14,983)	55,333	-	55,333
Restated balance at 1 January 2016	768,873	1,198,817	492,012	1,517,340	3,977,042	183,466	4,160,508
Total comprehensive income for the period	-	-	(15,066)	258,563	243,497	(8,317)	235,180
Dividends	-	-	-	(115,331)	(115,331)	-	(115,331)
Distribution to non-controlling interests	-	-	-	-	-	(4,800)	(4,800)
Balance at 30 June 2016	768,873	1,198,817	476,946	1,660,572	4,105,208	170,349	4,275,557

All in RMB'000

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2017	768,873	1,198,817	514,112	1,601,496	4,083,298
Total comprehensive income for the period	-	-	(1,225)	288,204	286,979
Dividends	-	-	-	(115,331)	(115,331)
Deficit on acquisition of subsidiary accounted under Pooling-of-Interests method	-	-	(3,922)	-	(3,922)
Balance at 30 June 2017	768,873	1,198,817	508,965	1,774,369	4,251,024

Company	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2016	768,873	1,198,817	496,007	1,323,934	3,787,631
Restatements from adoption of Amendments to IAS 27	-	-	2,821	100,120	102,941
Restated balance at 1 January 2016	768,873	1,198,817	498,828	1,424,054	3,890,572
Total comprehensive income for the period	-	-	(15,066)	278,378	263,312
Dividends	-	-	-	(115,331)	(115,331)
Balance at 30 June 2016	768,873	1,198,817	483,762	1,587,101	4,038,553

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 also 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 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 2016.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 30 June 2017 and 30 June 2016.

The Company did not hold any treasury shares and there were no subsidiary holdings as at 30 June 2017 and 30 June 2016.

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 2017	As at 31 December 2016
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 2017. 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.

In June 2017, the Company acquired the entire equity interest in Tianjin Chinese Medicinal Slices Co., Ltd at a consideration of RMB62.7 million which is determined based on the valuation report issued by China Alliance Appraisal Co. Ltd. The net book value at the time of acquisition was RMB58.8 million. The financial statements of the Company and Group for the financial period ended 30 June 2017 have been prepared using the “pooling-of-interests” method as the newly acquired subsidiary was under common control before and after the acquisition exercise. In applying the “pooling-of-interests” method, the financial statement items of the combining entities for the reporting period in which the common control combination occurs ,and for the comparative periods disclosed, are included in the consolidated financial statements of the Company as if the combination had occurred from the date when the combining entities first came under the control of the controlling party, The effects are as follows:

Statement of Comprehensive Income for the Group						
	3-month period from 1 April to 30 June 2016			6-month period from 1 January to 30 June 2016		
	After restatement	Before restatement	Difference	After restatement	Before restatement	Difference
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,616,476	1,602,615	13,861	3,278,169	3,246,472	31,697
Gross profit	469,668	462,815	6,853	993,888	981,994	11,894
Profit net of tax	136,539	135,042	1,497	250,246	250,328	(82)
Total comprehensive income	134,256	132,759	1,497	235,180	235,262	(82)
	RMB	RMB	RMB	RMB	RMB	RMB
Earnings per share	0.18	0.18	-	0.34	0.34	-

Statement of Financial Position for the Group			
	31 December 2016		
	After restatement	Before restatement	Difference
	RMB'000	RMB'000	RMB'000
Total assets	6,458,878	6,360,680	98,198
Total liabilities	2,098,181	2,058,391	39,790
Total equity attributable to equity holders of the parent	4,198,038	4,139,630	58,408
	RMB	RMB	RMB
Net asset value per ordinary share	5.46	5.38	0.08

Except for the above, the Group has applied the same accounting policies and methods of computation as presented in the audited financial statements of the Group for the reporting year ended 31 December 2016.

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 2017 RMB	3-month period from 1 April to 30 June 2016 RMB	6-month period from 1 January to 30 June 2017 RMB	6-month period from 1 January to 30 June 2016 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	0.18	0.18	0.36	0.34

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 2017 RMB	31 December 2016 RMB	30 June 2017 RMB	31 December 2016 RMB
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	5.59	5.46	5.53	5.31

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 FY2017 ("2Q FY2017") was approximately RMB 1,505 million, a decrease of approximately RMB 111 million, or 7%, from RMB1,616 million in the second quarter of FY2016 ("2Q FY2016"). For the 6 months ended 30 June 2017 ("1H17"), the Group recorded a revenue of approximately RMB 2,987 million, a decrease of approximately RMB 291 million, approximately 9% over the corresponding period in FY2016.

(b) Gross Profit Margin:

The Group's gross profit in 2Q FY2017 increased by approximately 9% from approximately RMB 470 million in 2Q FY2016 to approximately RMB 510 million. For 1H17, the Group's gross profit was approximately RMB 1,065 million compared to approximately RMB 994 million in the corresponding period of FY2016, with an increase of approximately 7% amounting to approximately RMB 71 million. The gross profit margin has increased from 30.32% in first half financial year of FY2016 ("1H16") to 35.66% in 1H17.

(c) Other Gains:

Other gains in 2Q FY2017 were RMB 49 million. For 1H17, the Group's other gains were approximately RMB 66 million, an increase of approximately RMB 30 million over the previous corresponding period. The increase in other gains was mainly due to gain on disposal of equity interest of Tianjin Sinobioway Biomedicine Co., Ltd.

(d) Major Expenses:

(i) Marketing and Distribution costs in 2Q FY2017 increased by approximately 22% to approximately RMB 343 million. For 1H17, the Marketing and Distribution costs was approximately RMB 724 million, an increase of approximately RMB 91 million or 14% over the previous corresponding period. The increase in major expenses was due mainly to the increase in sales promotion expenses.

(ii) Research and Development costs in 2Q FY2017 increased by approximately RMB 2 million, to approximately RMB 18 million. For 1H17, the Research and Development costs increased by approximately RMB 1 million, from approximately RMB 28 million in 1H16 to approximately RMB 29 million.

(iii) Administrative expenses in 2Q FY2017 decreased by approximately RMB 5 million, to approximately RMB 65 million. For 1H17, the administration expenses was approximately RMB 131 million, a decrease of approximately RMB 12 million.

(iv) Finance costs in 2Q FY2017 decreased by approximately 47% to approximately RMB 3 million, while for 1H17, the finance costs decreased by approximately RMB 4 million or 45% from approximately RMB 9 million to approximately RMB 5 million. The decrease in financial costs was mainly due to the decrease in loan amounts and decrease in interest rates.

(v) Other losses in 2Q FY2017 decreased by approximately RMB 5 million, while for 1H17, the other losses was approximately RMB 0.008 million, a decrease of approximately RMB 5 million. The decrease was mainly due to the decrease in allowance for doubtful debts.

(e) Share of results of associated companies:

The Group's share of profits of associated in 2Q FY2017 has decreased by approximately RMB 13 million to approximately RMB 23 million. The Group's share of profits of associated in 1H17 decreased from approximately RMB 75 million to approximately RMB 62 million.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 2Q FY2017 was approximately RMB 137 million, an increase of 2% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 1H17 was approximately RMB 273 million, an increase of approximately RMB 38 million or 16% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 2Q FY2017 was approximately RMB 142 million, an increase of approximately RMB 2 million, or 1% from RMB 141 million of the corresponding period in 2Q FY2016. The profit attributable to equity holders of parent (net of tax) in 1H17 was approximately RMB 276 million, an increase of approximately RMB 17 million, or 7% from RMB 259 million of the corresponding period in 1H16.

(g) Major changes in statement of financial positions:

As at 30 June 2017, the Group's cash and cash equivalents amounted to approximately RMB 1,349 million, which is an increase of approximately RMB 185 million, or 16% over the balance as at 31 December 2016. The Group's short-term borrowings as at 30 June 2017 amounted to approximately RMB 565 million, which is a decrease of approximately RMB 10 million, or 2% over the balance as at 31 December 2016.

Trade and other receivables increased by approximately 9% or RMB 133 million to approximately RMB 1,645 million as at 30 June 2017. Notes receivable decreased by approximately RMB 50 million. Trade receivables increased by approximately RMB 181. Other receivables increased by approximately RMB 2 million. Inventories increased by 8% to approximately RMB 1,001 million.

Other current asset increased by approximately 39% or RMB 65 million to approximately RMB 230 million as at 30 June 2017. This was mainly attributed to the increase in procurement of

which advance payments are required.

Investment in associates of the Group increased by 8% to approximately RMB 605 million, which is mainly attributable to the Group's share of the associates' profits in 1H17.

Property, plant and equipment increased by approximately RMB 21 million to approximately RMB 1,016 million.

(h) Change in cash flow position:

In 1H17, the Group recorded net cash inflow from operating activities of approximately RMB 28 million.

Cash outflow from investing activities was approximately RMB 95 million in 1H17.

Cash inflow from financing activities was approximately RMB 61 million in 1H17.

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 light of the challenging economic conditions in recent years and taking into account the competitive environment and continuing reforms to the pharmaceutical industry, the Company is striving to further strengthen its operations through the following measures: -

- (1) strengthening its marketing plans to increase the amount of industrial sales so as to create more profits for the Company;
- (2) focusing on research and development activities to enhance the Group's core competitiveness in technology;
- (3) strengthening the internal controls and management of the Group.

The Board believes that with the above measures, the Company is using its best efforts to improve its operations, so as to continually gear the Company towards greater scientific progress and development.

11. Dividend

(a) Current Financial Period Reported On

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

Not applicable.

13. Interested Person Transaction disclosure

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

In RMB'000

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under a shareholders' mandate pursuant to Rule 920 of SGX Listing Manual (excluding transactions less than S\$100,000)
Tianjin Pharmaceutical Group Finance Co., Ltd (“ TPGF ”) (天津医药集团财务有限公司)	Placement of deposit with TPGF: 53,999.99 The interest payable on the credit facilities provided by TPGF: 967.63	0
Acquisition of the entire equity interest in Tianjin Chinese Medicinal Slices Co., Ltd. from Tianjin Jincao Guoyao Investment Co., Ltd	62,712.30	0
Total	117,679.92	0

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 2017, 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.