

**FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER NINE MONTHS ENDED 30 SEPTEMBER 2019**
**PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS**

**1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**1(a)(i)**

**UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

	Group 3Q 2019 RMB'000	Group 3Q 2018 RMB'000	+ / (-) %	Group 9M 2019 RMB'000	Group 9M 2018 RMB'000	+ / (-) %
<b>Revenue</b>	18,824	9,676	94.5	28,176	31,278	(9.9)
Cost of sales	(21,193)	(8,838)	139.8	(31,566)	(28,585)	10.4
Gross profit	(2,369)	838	n.m.	(3,389)	2,693	n.m.
Other operating income	6,858	690	n.m.	8,130	1,674	n.m.
Administrative expenses	(2,720)	(2,592)	4.9	(6,841)	(7,336)	(6.7)
Selling and distribution expenses	(129)	(287)	(55.2)	(555)	(465)	19.3
<b>Loss before income tax</b>	1,640	(1,351)	n.m.	(2,655)	(3,434)	(22.7)
Income tax	(0)	(90)	(99.9)	-87	-232	(62.5)
<b>Loss for the period representing total comprehensive income for the period and attributable to owners of the company</b>	<u>1,640</u>	<u>(1,441)</u>	n.m.	<u>(2,742)</u>	<u>(3,666)</u>	(25.2)

**1(a)(ii)**

**Other Credits/(Charges)**

Staff costs	(907)	(1,286)	(29.5)	(2,397)	(2,878)	(16.7)
Depreciation	(410)	(530)	(22.6)	(1,323)	(1,707)	(22.5)
Amortisation	(89)	(109)	(18.7)	(267)	(327)	(18.5)
Exchange differences	(163)	(291)	(43.9)	(249)	(288)	(13.5)
Interest income	386	665	(41.9)	1,616	1,650	(2.0)
Research expenses	-	(124)	n.m.	-	(998)	n.m.
Reversal of allowance for inventories	3,010	-	n.m.	3,010	-	n.m.

n.m.= not meaningful

**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.**

**1(b)(i)**

**UNAUDITED STATEMENTS OF FINANCIAL POSITION**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>30/09/2019</b>	<b>31/12/2018</b>	<b>30/09/2019</b>	<b>31/12/2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash and cash equivalents	40,192	75,019	409	281
Structured deposits	43,040	-	-	-
Trade receivables	13,052	10,301	-	-
Other receivables and prepayments	2,332	2,544	7	-
Prepaid lease premium	355	355	-	-
Property held for sale	13,795	13,795	-	-
Inventories	58	20,208	-	-
Total current assets	112,824	122,222	416	281
<b>Non-current assets</b>				
Prepaid lease premium	13,206	13,473	-	-
Properties under development	-	-	-	-
Property, plant and equipment	85	1,717	-	-
Intangible assets	-	-	-	-
Subsidiaries	-	-	131,406	131,406
Total non-current assets	13,291	15,190	131,406	131,406
<b>Total assets</b>	<b>126,115</b>	<b>137,412</b>	<b>131,822</b>	<b>131,687</b>
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities</b>				
Trade payables	9,223	20,905	-	-
Other payables and accruals	29,459	26,286	11,657	10,172
Income tax payable	1,604	1,650	-	-
Total current liabilities	40,286	48,841	11,657	10,172
<b>Capital and reserves</b>				
Share capital	162,713	162,713	162,713	162,713
Statutory reserves	577	577	-	-
Accumulated losses	(77,461)	(74,719)	(42,548)	(41,198)
Net equity	85,829	88,571	120,165	121,515
<b>Total liabilities and equity</b>	<b>126,115</b>	<b>137,412</b>	<b>131,822</b>	<b>131,687</b>

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

**Amount repayable in one year or less, or on demand**

As at 30/09/2019		As at 31/12/2018	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Nil	10,603	Nil	8,822

**Amount repayable after one year**

As at 30/09/2019		As at 31/12/2018	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Nil	Nil	Nil	Nil

**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.**

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

	Group		Group	
	3Q 2019 RMB'000	3Q 2018 RMB'000	9M 2019 RMB'000	9M 2018 RMB'000
<b>Operating activities:</b>				
Gain (loss) before income tax	1,640	(1,351)	(2,655)	(3,434)
Adjustments for:				
Depreciation of property, plant and equipment	410	530	1,323	1,707
Amortisation on prepaid lease premium	89	89	267	267
Amortisation of intangible assets	-	20	(0)	60
Reversal of allowance for inventories	(3,010)	-	(3,010)	0
Gain on disposal of property, plant and equipment	(4,666)	-	(4,666)	0
Interest income	(386)	(665)	(1,616)	(1,650)
Unrealised exchange loss	128	228	193	216
<b>Operating loss before working capital changes</b>	<b>(5,796)</b>	<b>(1,149)</b>	<b>(10,165)</b>	<b>(2,834)</b>
Trade receivables	(10,202)	2,059	(2,751)	1,955
Other receivables and prepayments	242	(441)	212	(224)
Inventories	21,403	(3,091)	23,160	(6,174)
Property for sale	-	1,284	-	7,959
Trade payables	(4,076)	3,024	(11,682)	4,667
Other payables	2,189	(443)	1,392	(1,906)
<b>Cash generated from operations</b>	<b>3,761</b>	<b>1,243</b>	<b>167</b>	<b>3,443</b>
Interest received	386	665	1,616	1,650
Income tax paid	78	110	(133)	(392)
<b>Net cash generated from operating activities</b>	<b>4,225</b>	<b>2,018</b>	<b>1,650</b>	<b>4,701</b>
<b>Investing activities:</b>				
Decrease (increase) in structured deposits	26,000	(41,200)	(43,040)	(68,200)
Purchase of property, plant and equipment	(4)	(303)	(146)	(830)
Proceeds from disposal of property, plant and equipment	5,121	79	5,121	79
<b>Net cash generated from(used in) investing activities</b>	<b>31,117</b>	<b>(41,424)</b>	<b>(38,065)</b>	<b>(68,951)</b>
<b>Financing activities</b>				
Receipt of advances from a director, representing net cash generated from financing activity	531	0	1,576	1,469
Net increase (decrease) in cash and cash equivalents	35,873	(39,406)	(34,839)	(62,781)
Cash and cash equivalents at beginning of financial period	4,309	42,991	75,019	66,363
Effect of exchange rate changes on the balance of cash held in foreign currencies	10	11	12	14
<b>Cash and cash equivalents at end of financial period</b>	<b>40,192</b>	<b>3,596</b>	<b>40,192</b>	<b>3,596</b>

**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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**(1)(d)(i) UNAUDITED STATEMENTS OF CHANGES IN EQUITY**

	Share capital RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
<b>Group</b>				
Balance as at 1 January 2019	162,713	577	(74,719)	88,571
Loss for the period, representing total comprehensive loss for the period	-	-	(1,262)	(1,262)
Balance as at 31 March 2019	162,713	577	(75,981)	87,309
Loss for the period, representing total comprehensive loss for the period	-	-	(3,120)	(3,120)
Balance as at 30 June 2019	162,713	577	(79,101)	84,189
Loss for the period, representing total comprehensive loss for the period	-	-	1,640	1,640
Balance as at 30 September 2019	162,713	577	(77,461)	85,829
Balance as at 1 January 2018	162,713	434	(61,082)	102,065
Total comprehensive income for the year	-	-	(954)	(954)
Balance as at 31 March 2018	162,713	434	(62,036)	101,111
Loss for the period, representing total comprehensive loss for the period	-	-	(1,271)	(1,271)
Balance as at 30 June 2018	162,713	434	(63,307)	99,840
Loss for the period, representing total comprehensive loss for the period	-	-	(1,441)	(1,441)
Balance as at 30 September 2018	162,713	434	(64,748)	98,399
<b>Company</b>				
Balance as at 1 January 2019	162,713	-	(41,198)	121,515
Total comprehensive income for the year	-	-	(51)	(51)
Balance as at 31 March 2019	162,713	-	(41,249)	121,464
Loss for the period, representing total comprehensive loss for the period	-	-	(572)	(572)
Balance as at 30 June 2019	162,713	-	(41,821)	120,892
Loss for the period, representing total comprehensive loss for the period	-	-	(727)	(727)
Balance as at 30 September 2019	162,713	-	(42,548)	120,165
Balance as at 1 January 2018	162,713	-	(39,166)	123,547
Total comprehensive income for the year	-	-	(31)	(31)
Balance as at 31 March 2018	162,713	-	(39,197)	123,516
Loss for the period, representing total comprehensive loss for the period	-	-	(525)	(525)
Balance as at 30 June 2018	162,713	-	(39,722)	122,991
Loss for the period, representing total comprehensive loss for the period	-	-	(783)	(783)
Balance as at 30 September 2018	162,713	-	(40,505)	122,208

**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.**

Not applicable.

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

	<b>As at 30 September 2019</b>	<b>As at 31 December 2018</b>
Total number of issued shares	<u>62,759,999</u>	<u>62,759,999</u>

There are no treasury shares as at 31 December 2018 and 30 September 2019.

**1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period report 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 auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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.**

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current period as those of the audited financial statements as of 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.**

The Group and the Company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2019. The adoption of the new and revised FRSs does not have significant impact to the Group's and the Company's accounting policies.

**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.**

**Earnings Per Share**

	<b>Group 3Q 2019 RMB Cents</b>	<b>Group 3Q 2018 RMB Cents</b>	<b>Group 9M 2019 RMB Cents</b>	<b>Group 9M 2018 RMB Cents</b>
Loss per ordinary share were:				
Based on the weighted average number of ordinary shares on issue; and	2.61	(2.30)	(4.37)	(5.84)
On a fully diluted basis	2.61	(2.30)	(4.37)	(5.84)

**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 financial period reported on; and**  
**(b) immediately preceding financial year.**

**Net Asset Value**

	<b>Group 30/09/2019 RMB Cents</b>	<b>Group 31/12/2018 RMB Cents</b>	<b>Company 30/09/2019 RMB Cents</b>	<b>Company 31/12/2018 RMB Cents</b>
Net asset value per ordinary share based on total number of issued shares	136.76	141.13	191.47	193.62

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

#### **Income Statement**

The Group's revenue increased by RMB9.1 million or 94.5% to RMB18.8 million for the three months ended 30 September 2019 ("3Q 2019") compared to the corresponding period in 2018. All revenue in 3Q 2019 was from pharmaceutical ingredient product segment. This was an increase of RMB1.2 million from RMB7.9 million in 3Q 2018. The Group has shut down the manufacturing operations in its Xi'an facility due to the tightening of environment controls and all inventories of pharmaceutical ingredient product have been sold. The Group did not record revenue from property development segment in 3Q 2019 compared to 2 residential units and 4 car park lot sold in 3Q 2018.

The Group recorded gross loss of RMB2.4 million for 3Q 2019 as compared to gross profit of RMB0.8 million for 3Q 2018. The gross loss in 3Q 2019 was attributable to negative gross profit margin of our main pharmaceutical ingredients product named Dexamethasone sodium phosphate. The unit selling price for this product dropped in 3Q 2019 due to the intense market competition.

Other operating income recorded RMB6.9 million for 3Q 2019 compared to RMB0.7 million in the corresponding period. The higher other income is mainly due to gain on the disposal of assets related to the group's shutdown of its Xi'an facility.

Administrative expenses increased by 4.9% or RMB0.1 million in 3Q 2019 compared to 3Q 2018 mainly due to some expenses incurred from the pharmaceutical ingredients products segment due to the facility shutdown.

#### **Statement of Financial Position**

The Group had structured deposits of RMB43.0 million which were principal guaranteed as at 30 September 2019.

Trade receivables increased from RMB10.3 million by RMB2.8 million to RMB13.1 million and inventories decreased by RMB20.2 million to RMB0.06 million as at 30 September 2019 due to the clearance of inventories of pharmaceutical ingredient product in 3Q 2019.

Property, plant and equipment for pharmaceutical ingredients product was disposed in 3Q 2019, which result in the decreased of PPE by RMB1.6 million to RMB0.09 million as at 30 September 2019

Trade payables decreased by RMB11.7 million to RMB9.2 million from RMB20.9 million due to the decrease in advance payment relating to pharmaceutical ingredients products.

#### **Statement of Cash Flows**

The overall net cash increase in cash and cash equivalent of RMB35.9 million for three months period ended 30 September 2019 was mainly attributable to net cash generated from operating activities amounting to RMB4.2 million, the receipt of cash amounting to RMB26 million due to the maturity of structured deposit and the proceeds from disposal of property, plant and equipment amounting to RMB5.1 million.



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

The current results for 3Q 2019 are in line with the general prospect commentary previously disclosed in the results announcement for the financial period ended 30 June 2019.

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 known factors or events that may affect the group in the next reporting period and the next 12 months.**

The area around the scenic Wei river where our pharmaceutical manufacturing facility was located has long been an area of focus for environmental regulatory bodies. Recent events in 2018 in Xi'an relating to possible environmental damages caused by unauthorized development in Qin mountains, as well as the resignation of Xi'an mayor Shangguan Jiqing, has led to a further tightening of environmental controls. As such, the Group has shut down the manufacturing operations in its Xi'an facility, and is in the process of disposing the remaining assets, including inventory and property, plant and equipment to prepare the land for further development into residential properties in due course.

Sales of the remaining units in the Lan County project will be expected to continue to contribute to the Group's revenue.

11. **If a decision regarding dividend has been made:-**

- (a) **Whether an interim (final) ordinary dividend has been declared (recommended); and**

None.

- (b) **(i) Amount per share ..... cents**

Nil.

- (ii) Previous corresponding period ..... cents**

Nil.

- (c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

- (d) **The date the dividend is payable.**

Not applicable.

- (e) **The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

12. **If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.**

No dividends have been declared or recommended as there was no operating profit.

- 13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group has not obtained a general mandate from shareholders for Interested Person Transaction.

- 14. Use of initial public offering proceeds**

Please refer to the Company's announcements through SGXnet on 14 November 2013, 19 May 2015 and 3 May 2016 for the use of IPO proceeds.

- 15. Negative confirmation pursuant to Rule 705(5) of the Listing Manual.**

The Directors hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Company for 3Q 2019 to be false or misleading in any material aspect.

- 16. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720 (1).**

The Company confirms that undertakings have been procured from all Directors and Executive Officers under Rule 720 (1).

**BY ORDER OF THE BOARD**

**Dr Lan Weiguang**  
**Non-Independent Non-Executive Chairman**

**13 November 2019**