

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 2016 RMB'000 | 3-month period from 1 April to 30 June 2015 RMB'000 | Change % | 6-month period from 1 January to 30 June 2016 RMB'000 | 6-month period from 1 January to 30 June 2015 RMB'000 | Change % |
| Revenue | 1,602,615 | 1,740,869 | -8 | 3,246,472 | 3,361,681 | -3 |
| Cost of sales | (1,139,800) | (1,175,988) | -3 | (2,264,478) | (2,240,943) | 1 |
| Gross profit | 462,815 | 564,881 | -18 | 981,994 | 1,120,738 | -12 |
| Interest income | 974 | 1,405 | n.m | 1,709 | 2,666 | n.m |
| Dividend income | 381 | 487 | -22 | 381 | 487 | -22 |
| Other gains | 22,980 | 43,942 | -48 | 36,392 | 49,766 | -27 |
| Marketing and distribution costs | (279,566) | (344,366) | -19 | (629,768) | (701,819) | -10 |
| Research and development costs | (14,911) | (16,854) | -12 | (27,424) | (37,312) | -27 |
| Administrative expenses | (66,392) | (69,198) | -4 | (135,161) | (134,789) | - |
| Finance costs | (4,886) | (8,555) | -43 | (9,052) | (17,732) | -49 |
| Other losses | (4,307) | (1,884) | n.m | (5,273) | (5,190) | 2 |
| Share of profit / (loss) of associates | 36,314 | (26,907) | n.m | 74,895 | 12,611 | n.m |
| Profit before income tax | 153,402 | 142,951 | 7 | 288,693 | 289,426 | - |
| Income tax expense | (18,360) | (25,703) | -29 | (38,365) | (46,972) | -18 |
| Profit, net of tax | 135,042 | 117,248 | 15 | 250,328 | 242,454 | 3 |

| | <u>The Group</u> | | | | | |
|---|--|--|-------------|--|---|-------------|
| | 3-month period from 1 April to 30 June 2016 RMB'000 | 3-month period from 1 April to 30 June 2015 RMB'000 | Change % | 6-month period from 1 January to 30 June 2016 RMB'000 | 6-month period from 1 January to 30 June 2015 RMB'000 | Change % |
| 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 | (2,294) | 1,970 | n.m | (15,077) | 13,092 | n.m |
| Share of other comprehensive income of associates | 11 | 2,659 | n.m | 11 | 2,659 | n.m |
| Other comprehensive (loss) / income, net | (2,283) | 4,629 | n.m | (15,066) | 15,751 | n.m |
| Total comprehensive income | 132,759 | 121,877 | 9 | 235,262 | 258,205 | -9 |
| Profit, net of tax attributable to: | | | | | | |
| Owners of the parent | 139,063 | 119,451 | 16 | 258,645 | 238,619 | 8 |
| Non-controlling interests | (4,021) | (2,203) | -83 | (8,317) | 3,835 | n.m |
| | 135,042 | 117,248 | 15 | 250,328 | 242,454 | 3 |
| | | | | | | |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the parent | 136,780 | 124,080 | 10 | 243,579 | 254,370 | -4 |
| Non-controlling interests | (4,021) | (2,203) | -83 | (8,317) | 3,835 | n.m |
| | 132,759 | 121,877 | 9 | 235,262 | 258,205 | -9 |

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

| | The Group | | | |
|--|--|--|--|--|
| | 3-month period from 1 April to 30 June 2016 RMB'000 | 3-month period from 1 April to 30 June 2015 RMB'000 | 6-month period from 1 January to 30 June 2016 RMB'000 | 6-month period from 1 January to 30 June 2015 RMB'000 |
| Profit, net of tax is arrived at after crediting / (charging): | | | | |
| Dividend income | 381 | 487 | 381 | 487 |
| Other income including interest income | 24,261 | 29,970 | 38,408 | 37,056 |
| Losses on disposal of property, plant and equipment, intangible assets and other non-current assets | (258) | (324) | (307) | (375) |
| Gain on disposal of an associate | - | 15,258 | - | 15,258 |
| Allowance for impairment on trade and other receivables | (4,258) | (1,029) | (4,426) | (4,170) |
| Foreign exchange (loss) / gain | (82) | 409 | (847) | 523 |
| Interest on borrowings | (4,886) | (8,555) | (9,052) | (17,732) |
| Depreciation and amortization | (19,985) | (20,974) | (41,502) | (43,648) |

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

| | <u>The Group</u> | | <u>The Company</u> | |
|--|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
| | 30 June 2016 RMB'000 | 31 December 2015 RMB'000 | 30 June 2016 RMB'000 | 31 December 2015 RMB'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 924,270 | 921,476 | 712,244 | 721,936 |
| Investment properties | 26,780 | 27,311 | 25,064 | 25,556 |
| Land use rights | 176,610 | 178,929 | 146,337 | 148,580 |
| Intangibles assets | 8,274 | 9,042 | 5,327 | 3,911 |
| Investment in subsidiaries | - | - | 406,146 | 300,146 |
| Investment in associates | 510,024 | 531,220 | 510,024 | 531,220 |
| Other financial assets, non-current | 350,269 | 304,501 | 144,245 | 86,983 |
| Deferred tax assets | 82,410 | 82,410 | 78,606 | 78,606 |
| Other assets, non-current | 13,782 | 15,467 | 23,671 | 13,766 |
| Total non-current assets | 2,092,419 | 2,070,356 | 2,051,664 | 1,910,704 |
| Current assets | | | | |
| Inventories | 982,337 | 974,155 | 779,191 | 742,780 |
| Trade and other receivables | 1,672,417 | 1,538,956 | 1,560,504 | 1,415,055 |
| Other asset, current | 203,252 | 175,808 | 177,244 | 164,940 |
| Other financial assets, current | 201,038 | 201,494 | 201,038 | 201,494 |
| Cash and cash equivalents | 1,101,279 | 1,108,107 | 897,411 | 884,523 |
| Total current assets | 4,160,323 | 3,998,520 | 3,615,388 | 3,408,792 |
| | | | | |
| Total assets | 6,252,742 | 6,068,876 | 5,667,052 | 5,319,496 |
| | | | | |
| 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 | 406,630 | 421,696 | 483,762 | 498,828 |
| Retained earnings | 1,675,637 | 1,532,323 | 1,587,101 | 1,424,054 |
| Total equity, attributable to equity holders of the parent | 4,049,957 | 3,921,709 | 4,038,553 | 3,890,572 |
| Non-controlling interests | 170,349 | 183,466 | - | - |
| Total equity | 4,220,306 | 4,105,175 | 4,038,553 | 3,890,572 |

| | <u>The Group</u> | | <u>The Company</u> | |
|--------------------------------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
| | 30 June 2016 RMB'000 | 31 December 2015 RMB'000 | 30 June 2016 RMB'000 | 31 December 2015 RMB'000 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 6,655 | 9,316 | 6,655 | 9,316 |
| Trade payables, non-current | 47,652 | 47,652 | 47,408 | 47,408 |
| Other liabilities, non-current | 80,610 | 66,412 | 42,041 | 41,165 |
| Total non-current liabilities | 134,917 | 123,380 | 96,104 | 97,889 |
| Current liabilities | | | | |
| Income tax payable | 14,954 | 10,264 | 14,636 | 5,731 |
| Trade and other payables | 1,406,942 | 1,229,789 | 1,167,448 | 960,561 |
| Other financial liabilities, current | 383,291 | 535,650 | 270,000 | 320,000 |
| Other liabilities, current | 92,332 | 64,618 | 80,311 | 44,743 |
| Total current liabilities | 1,897,519 | 1,840,321 | 1,532,395 | 1,331,035 |
| Total liabilities | 2,032,436 | 1,963,701 | 1,628,499 | 1,428,924 |
| | | | | |
| Total equity and liabilities | 6,252,742 | 6,068,876 | 5,667,052 | 5,319,496 |

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 30/06/2016 | | As at 31/12/2015 | |
| Secured RMB'000 | Unsecured RMB'000 | Secured RMB'000 | Unsecured RMB'000 |
| 20,881 | 362,410 | 138,600 | 397,050 |

1 Amount repayable after one year

| <u>The Group</u> | | | |
|----------------------------|------------------------------|-------------------------|----------------------|
| As at 30/06/2016 | | As at 31/12/2015 | |
| Secured RMB'000 | Unsecured RMB'000 | Secured RMB'000 | Unsecured RMB'000 |
| - | - | - | - |

Details of collateral for secured borrowings:

As at 30 June 2016, bank loans of RMB 21 million (31 December 2015: RMB 22 million) are secured on legal mortgages over the subsidiaries' property, plant and equipment. Bank loans totalled of RMB 40 million (31 December 2015: RMB 40 million) are guaranteed by the non-controlling shareholder in a subsidiary.

1(c) A cash flow statement (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 2016 RMB'000 | 3-month period from 1 April to 30 June 2015 RMB'000 | 6-month period from 1 January to 30 June 2016 RMB'000 | 6-month period from 1 January to 30 June 2015 RMB'000 |
| <u>Cash flows from operating activities</u> | | | | |
| Profit before income tax | 153,402 | 142,951 | 288,693 | 289,426 |
| Interest income | (974) | (1,405) | (1,709) | (2,666) |
| Interest expense | 4,886 | 8,555 | 9,052 | 17,732 |
| Dividend income | (381) | (487) | (381) | (487) |
| Gain upon maturity of held-to-maturity investments | (12,163) | (4,554) | (19,997) | (7,669) |
| Share of loss / (profit) of equity-accounted associates | (36,314) | 26,907 | (74,895) | (12,611) |
| Gain on disposal of an associate | - | (15,258) | - | (15,258) |
| Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets | 19,985 | 20,974 | 41,502 | 43,648 |
| Loss on disposals of property, plant and equipment, intangible assets and other non-current assets | 258 | 324 | 307 | 375 |
| Allowance for impairment on trade and other receivables | 4,258 | 1,032 | 4,426 | 4,173 |
| Fair value loss on derivative financial instruments | 173 | - | (1,038) | - |
| Operating cash flows before changes in working capital | 133,130 | 179,039 | 245,960 | 316,663 |

| | <u>The Group</u> | | | |
|---|--|--|--|--|
| | 3-month period from 1 April to 30 June 2016 RMB'000 | 3-month period from 1 April to 30 June 2015 RMB'000 | 6-month period from 1 January to 30 June 2016 RMB'000 | 6-month period from 1 January to 30 June 2015 RMB'000 |
| Inventories | (28,136) | (110,283) | (8,182) | (170,778) |
| Trade and other receivables | 5,814 | 148,664 | (140,476) | 255,210 |
| Other assets | 88,960 | (168,437) | (25,759) | (177,596) |
| Trade and other payables | (116,611) | 135,475 | 44,767 | 54,954 |
| Other liabilities | (27,139) | (88,865) | 41,912 | 35 |
| Net cash flows from operations | 56,018 | 95,593 | 158,222 | 278,488 |
| Income tax paid | (30,514) | (29,460) | (33,688) | (32,306) |
| Net cash flows from operating activities | 25,504 | 66,133 | 124,534 | 246,182 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment, intangibles, land use rights and investment properties | (11,371) | (11,455) | (33,616) | (40,238) |
| Acquisition of available-for-sale financial assets | (6,806,203) | (7,076,601) | (16,046,942) | (13,282,029) |
| Proceeds from disposal of available-for-sale financial assets | 6,737,632 | 7,032,257 | 15,990,838 | 13,238,274 |
| Cash restricted in use | 30,000 | 40,000 | 60,000 | 40,000 |
| Dividends income received from associates and available-for-sale financial assets | 96,484 | 487 | 96,484 | 487 |
| Proceeds from disposals of property, plant and equipment, intangible assets and other assets | 16 | 33 | 205 | 81 |
| Interest income received | 10,990 | 11,408 | 19,170 | 15,606 |
| Net cash flows from / (used in) investing activities | 57,548 | (3,871) | 86,139 | (27,819) |

| | <u>The Group</u> | | | |
|--|--|--|--|--|
| | 3-month period from 1 April to 30 June 2016 RMB'000 | 3-month period from 1 April to 30 June 2015 RMB'000 | 6-month period from 1 January to 30 June 2016 RMB'000 | 6-month period from 1 January to 30 June 2015 RMB'000 |
| Cash flows from financing activities | | | | |
| Proceeds from issue of new shares | - | 815,950 | - | 815,950 |
| Proceeds from new borrowings | 95,820 | 60,000 | 235,820 | 456,000 |
| Proceeds from other borrowings | 2,047,785 | 9,923,057 | 10,462,948 | 18,517,420 |
| Dividends paid to equity owners | - | (61,426) | - | (61,426) |
| Distribution to non-controlling interests | - | - | (4,800) | (6,078) |
| Interest expense paid | (4,786) | (5,054) | (9,197) | (14,212) |
| Repayment of borrowings | (60,819) | (245,000) | (271,579) | (578,000) |
| Repayment of other borrowings | (2,155,075) | (9,918,428) | (10,570,695) | (18,487,630) |
| Cash restricted in use and/or maturing after 3 months | (19) | 5,142 | 18,724 | (23,367) |
| Net cash flows (used in) / from financing activities | (77,094) | 574,241 | (138,779) | 618,657 |
| Net increase in cash and cash equivalents | 5,958 | 636,503 | 71,894 | 837,020 |
| Cash and cash equivalents, consolidated statement of cash flows, beginning balance | 828,895 | 757,579 | 762,959 | 557,062 |
| Cash and cash equivalents, consolidated statement of cash flows, ending balance | 834,853 | 1,394,082 | 834,853 | 1,394,082 |

| Cash and cash equivalents in consolidated statement of cash flows | | | | |
|---|------------------|-----------|------------------|-----------|
| Amount as shown in the statement of financial positions | 1,101,279 | 1,491,322 | 1,101,279 | 1,491,322 |
| Restricted cash deposits for bank notes payables | (266,426) | (97,240) | (266,426) | (97,240) |
| Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period | 834,853 | 1,394,082 | 834,853 | 1,394,082 |

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 2016 | 768,873 | 1,198,817 | 421,696 | 1,532,323 | 3,921,709 | 183,466 | 4,105,175 |
| Total comprehensive income for the year | - | - | (12,783) | 119,582 | 106,799 | (4,296) | 102,503 |
| Distribution to non-controlling interests | - | - | - | - | - | (4,800) | (4,800) |
| Balance at 31 March 2016 | 768,873 | 1,198,817 | 408,913 | 1,651,905 | 4,028,508 | 174,370 | 4,202,878 |
| Total comprehensive income for the year | - | - | (2,283) | 139,063 | 136,780 | (4,021) | 132,759 |
| Dividends | - | - | - | (115,331) | (115,331) | - | (115,331) |
| Balance at 30 June 2016 | 768,873 | 1,198,817 | 406,630 | 1,675,637 | 4,049,957 | 170,349 | 4,220,306 |

| Group | Share capital | Share premium | Other reserves | Retained earnings | Parent sub-total | Non-controlling interests | Total equity |
|---|----------------------|----------------------|-----------------------|--------------------------|-------------------------|----------------------------------|---------------------|
| Balance at 1 January 2015 | 739,308 | 414,042 | 371,080 | 1,239,347 | 2,763,777 | 182,860 | 2,946,637 |
| Total comprehensive income for the period | - | - | 11,122 | 119,168 | 130,290 | 6,038 | 136,328 |
| Distribution to non-controlling interests | - | - | - | - | - | (6,078) | (6,078) |
| Balance at 31 March 2015 | 739,308 | 414,042 | 382,202 | 1,358,515 | 2,894,067 | 182,820 | 3,076,887 |
| Total comprehensive income for the year | - | - | 4,629 | 119,451 | 124,080 | (2,203) | 121,877 |
| Dividends | - | - | - | (110,896) | (110,896) | - | (110,896) |
| Issue of new shares | 29,565 | 784,775 | - | - | 814,340 | - | 814,340 |
| Balance at 30 June 2015 | 768,873 | 1,198,817 | 386,831 | 1,367,070 | 3,721,591 | 180,617 | 3,902,208 |

All in RMB'000

| 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 | - | - | 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 Year | - | - | (12,783) | 150,580 | 137,797 |
| Balance at 31 March 2016 | 768,873 | 1,198,817 | 486,045 | 1,574,634 | 4,028,369 |
| Total Comprehensive Income for the Year | - | - | (2,283) | 127,798 | 125,515 |
| Dividends | - | - | - | (115,331) | (115,331) |
| Balance at 30 June 2016 | 768,873 | 1,198,817 | 483,762 | 1,587,101 | 4,038,553 |

| Company | Share capital | Share premium | Other reserves | Retained earnings | Total equity |
|---|----------------------|----------------------|-----------------------|--------------------------|---------------------|
| Balance at 1 January 2015 | 739,308 | 414,042 | 447,058 | 1,095,568 | 2,695,976 |
| Restatements | - | - | 2,795 | 28,830 | 31,625 |
| Restated balance at 1 January 2015 | 739,308 | 414,042 | 449,853 | 1,124,398 | 2,727,601 |
| Total Comprehensive Income for the Year | - | - | 877 | 91,485 | 92,362 |
| Balance at 31 March 2015 | 739,308 | 414,042 | 450,730 | 1,215,883 | 2,819,963 |
| Total Comprehensive Income for the Year | - | - | 12,215 | 122,355 | 134,570 |
| Issue of New Shares | 29,565 | 784,775 | - | - | 814,340 |
| Dividends | - | - | - | (110,896) | (110,896) |
| Balance at 30 June 2015 | 768,873 | 1,198,817 | 462,945 | 1,227,342 | 3,657,977 |

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, as well as the number of shares held as treasury shares, 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.

There has been no change in the Company's share capital since 31 December 2015.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 30 June 2016 and 31 December 2015.

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 2016 | As at 31 December 2015 |
|---|---|-----------------------|---------------------------|
| 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.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statement), or an equivalent standard)

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 2016. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior reporting years, except for changes stated as follows:

On 1 January 2016, the Company adopted Amendments to IAS 27 titled Equity Method in Separate Financial Statements which is effective from the reporting year beginning on or after 1 January 2016. The Amendment to IAS 27 allows the Company to use equity method to account for investments in associates in its separate financial statements. In the past, the Company accounted for investment in associates at cost in its separate financial statements.

The change in accounting policy has been applied retrospectively. The effects of adoption of the Amendments to IAS 27 are as follows:

| <u>Company</u> | After <u>adjustment</u> RMB'000 | Before <u>adjustment</u> RMB'000 | <u>Difference</u> RMB'000 |
|---|---------------------------------------|--|------------------------------|
| Statement of financial position <u>as at 31 December 2015:</u> | | | |
| Investment in associates | 531,220 | 428,279 | 102,941 |
| Retained earnings | 1,424,054 | 1,323,934 | 100,120 |
| Other reserves | 498,828 | 496,007 | 2,821 |

| <u>Company</u> | After <u>adjustment</u> RMB'000 | Before <u>adjustment</u> RMB'000 | <u>Difference</u> RMB'000 |
|---|---------------------------------------|--|------------------------------|
| Statement of financial position <u>as at 1 January 2015:</u> | | | |
| Investment in associates | 542,053 | 510,428 | 31,625 |
| Retained earnings | 1,124,398 | 1,095,568 | 28,830 |
| Other reserves | 449,853 | 447,058 | 2,795 |

As is required by IAS 1 the statement of financial position at the end of the current reporting year and the beginning and end of the preceding reporting year is presented.

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

Refer Paragraph 4 above.

6. Earnings per 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

| | Group | | | |
|---|--|--|--|--|
| | 3-month period from 1 April to 30 June 2016 RMB | 3-month period from 1 April to 30 June 2015 RMB | 6-month period from 1 January to 30 June 2016 RMB | 6-month period from 1 January to 30 June 2015 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 | 0.16 | 0.34 | 0.32 |

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 issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

| | Group | | Company | |
|---|------------------------|----------------------------|------------------------|----------------------------|
| | 30 June 2016 RMB | 31 December 2015 RMB | 30 June 2016 RMB | 31 December 2015 RMB |
| Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on | 5.27 | 5.10 | 5.25 | 5.06 |

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 FY2016 ("2Q FY2016") was approximately RMB 1,603 million, a decrease of approximately RMB 138 million, or 8%, from RMB1,741 million in the second quarter of FY2015 ("2Q FY2015"). For the 6 months ended 30 June 2016 ("1H16"), the Group recorded a revenue of approximately RMB 3,246 million, a decrease of approximately RMB 115 million, approximately 3% over the corresponding period in FY2015.

(b) Gross Profit Margin:

The Group's gross profit in 2Q FY2016 decreased by approximately 18% from approximately RMB 565 million in 2Q FY2015 to approximately RMB 463 million. For 1H16, the Group's gross profit was approximately RMB 982 million compared to approximately RMB 1,121 million in the corresponding period of FY2015, with a decrease of approximately 12% amounting to approximately RMB 139 million. The gross profit margin has decreased from 33% in first half financial year of FY2015 ("1H15") to 30% in 1H16.

(c) Other Gains:

Other gains in 2Q FY2016 were RMB 23 million. For 1H16, the Group's other gains were approximately RMB 36 million, a decrease of approximately RMB 13 million over the previous corresponding period. The decrease in other gains was mainly due to no transfer of equity interest of Tianjin Hualida Biotech Co., Ltd and no compensation for demolition and relocation in 1H16 compared to 1H15.

(d) Major Expenses:

(i) Marketing and Distribution costs in 2Q FY2016 decreased by approximately 19% to approximately RMB 280 million. For 1H16, the Marketing and Distribution costs was approximately RMB 630 million, a decrease of approximately RMB 72 million or 10% over the previous corresponding period. The decrease in major expenses was mainly due to the decrease in marketing expenses.

(ii) Research and Development costs in 2Q FY2016 decreased by approximately RMB 2 million, to approximately RMB 15 million. For 1H16, the Research and Development costs decreased by approximately RMB 10 million, from approximately RMB 37 million in 1H15 to approximately RMB 27 million. The decrease in research and development costs was mainly due to decrease in expenses for medical research.

(iii) Administrative expenses in 2Q FY2016 decreased by approximately RMB 3 million, to approximately RMB 66 million. For 1H16, the administration expenses was approximately RMB 135 million, an increase of approximately RMB 0.37 million.

(iv) Finance costs in 2Q FY2016 decreased by approximately 43% to approximately RMB 5 million, while for 1H16, the finance costs decreased by approximately RMB 9 million or 49% from approximately RMB 18 million to approximately RMB 9 million. The decrease in financial costs was mainly due to the decrease in loan amounts.

(v) Other losses in 2Q FY2016 increased by approximately RMB 2 million, while for 1H16, the other charges was approximately RMB 5 million, an increase of approximately RMB 0.08 million.

(e) Share of results of associated companies:

The Group's share of profits of associated in 2Q FY2016 has increased by approximately RMB 63 million to approximately RMB 36 million. The Group's share of profits of associated in 1H16 increased by approximately RMB 62 million to approximately RMB 75 million. This was mainly because Sino-American Tianjin Smithkline & French Lab., Ltd.'s profit in 1H16 increased compared to 1H15.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 2Q FY2016 was approximately RMB 133 million, an increase of 9% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 1H16 was approximately RMB 235 million, a decrease of approximately RMB 23 million or 9% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 2Q FY2016 was approximately RMB 139 million, an increase of approximately RMB 20 million, or 16% from RMB 119 million of the corresponding period in 2Q FY2015. The profit attributable to equity holders of parent (net of tax) in 1H16 was approximately RMB 259 million, an increase of approximately RMB 20 million, or 8% from RMB 239 million of the corresponding period in 1H15.

(g) Major changes in statement of financial positions:

As at 30 June 2016, the Group's cash and cash equivalents amounted to approximately RMB 1,101 million, which is a decrease of approximately RMB 7 million, or 1% over the balance as at 31 December 2015. The Group's short-term borrowings as at 30 June 2016 amounted to approximately RMB 383 million, which is a decrease of approximately RMB 152 million, or 28% over the balance as at 31 December 2015.

Trade and other receivables increased by approximately 9% or RMB 133 million to approximately RMB 1,672 million as at 30 June 2016. Notes receivable increased by

approximately RMB 100 million. Trade receivables increased by approximately RMB. Inventories increased by 1% to approximately RMB 982 million.

Other current asset increased by approximately 16% or RMB 27 million to approximately RMB 203 million as at 30 June 2016. This was mainly attributed to the increase in procurement of which advance payments are required.

Investment in associates of the Group decreased by 4% to approximately RMB 510 million, which is mainly attributable to dividends received charged against the Group's share of the associates' profits.

Property, plant and equipment increased by approximately RMB 3 million to approximately RMB 924 million.

(h) Change in cash flow position:

In 1H16, the Group recorded net cash inflow from operating activities of approximately RMB 125 million.

Cash inflow from investing activities was approximately RMB 86 million in 1H16.

Cash outflow used in financing activities was approximately RMB 139 million in 1H16.

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 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

With the current challenging economic conditions in recent years and taking into account the competitive environment, the Group is continuing to carry out established policies in order to improve its capabilities in the following areas: -

- (1) strengthening its marketing plans to enhance the Group's core competitiveness;
- (2) focusing on research and development activities to enhance the Group's competitive edge on technology innovation;
- (3) strengthening the internal controls and management of the Group to enhance its 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.

(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:-

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) |
|---------------------------|--|---|
| Total | NIL | NIL |

13. 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 2016, to be false or misleading in any material respect.