

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

**Third 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 July to 30 September 2016 RMB'000	3-month period from 1 July to 30 September 2015 RMB'000	Change %	9-month period from 1 January to 30 September 2016 RMB'000	9-month period from 1 January to 30 September 2015 RMB'000	Change %
<b>Revenue</b>	<b>1,494,967</b>	1,663,330	-10	<b>4,741,439</b>	5,025,011	-6
Cost of sales	<b>(1,021,814)</b>	(1,228,546)	-17	<b>(3,286,292)</b>	(3,469,489)	-5
<b>Gross profit</b>	<b>473,153</b>	434,784	9	<b>1,455,147</b>	1,555,522	-6
Interest income	<b>1,226</b>	2,731	-55	<b>2,935</b>	5,397	-46
Dividend income	<b>319</b>	-	n.m	<b>700</b>	487	44
Other gains	<b>18,701</b>	65,808	-72	<b>55,093</b>	115,574	-52
Marketing and distribution costs	<b>(320,708)</b>	(317,751)	1	<b>(950,476)</b>	(1,019,570)	-7
Research and development costs	<b>(16,238)</b>	(12,700)	28	<b>(43,662)</b>	(50,012)	-13
Administrative expenses	<b>(78,691)</b>	(62,001)	27	<b>(213,852)</b>	(196,790)	9
Finance costs	<b>(4,379)</b>	(6,623)	-34	<b>(13,431)</b>	(24,355)	-45
Other losses	<b>(4,229)</b>	(1,643)	157	<b>(9,502)</b>	(6,833)	39
Share of profit of associates	<b>28,292</b>	9,142	209	<b>103,187</b>	21,753	374
<b>Profit before income tax</b>	<b>97,446</b>	111,747	-13	<b>386,139</b>	401,173	-4
Income tax expense	<b>(8,123)</b>	(16,863)	-52	<b>(46,488)</b>	(63,835)	-27
<b>Profit, net of tax</b>	<b>89,323</b>	94,884	-6	<b>339,651</b>	337,338	1

	The Group					
	3-month period from 1 July to 30 September 2016 RMB'000	3-month period from 1 July to 30 September 2015 RMB'000	Change %	9-month period from 1 January to 30 September 2016 RMB'000	9-month period from 1 January to 30 September 2015 RMB'000	Change %
<b>Other comprehensive income:</b>						
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Fair value gain / (loss) on re-measuring available-for-sale investments, net of tax	3,770	(24,451)	n.m	(11,307)	(11,359)	n.m
Share of other comprehensive income / (loss) of associates	409	(4,617)	n.m	420	(1,958)	n.m
Other comprehensive income / (loss), net	4,179	(29,068)	n.m	(10,887)	(13,317)	-18
<b>Total comprehensive income</b>	<b>93,502</b>	65,816	42	<b>328,764</b>	324,021	1
<b>Profit, net of tax attributable to:</b>						
Owners of the parent	90,628	96,168	-6	349,273	334,787	4
Non-controlling interests	(1,305)	(1,284)	-2	(9,622)	2,551	n.m
	89,323	94,884	-6	339,651	337,338	1
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	94,807	67,100	41	338,386	321,470	5
Non-controlling interests	(1,305)	(1,284)	-2	(9,622)	2,551	n.m
	93,502	65,816	42	328,764	324,021	1

(\*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	The Group			
	3-month period from 1 July to 30 September 2016 RMB'000	3-month period from 1 July to 30 September 2015 RMB'000	9-month period from 1 January to 30 September 2016 RMB'000	9-month period from 1 January to 30 September 2015 RMB'000
Profit, net of tax is arrived at after crediting / (charging):				
Dividend income	319	-	700	487
Other income including interest income	16,114	8,069	54,522	45,125
Gains / (losses) on disposal of property, plant and equipment, intangible assets and other non-current assets	9	(150)	(298)	(525)
Gain on disposal of an associate	3,120	60,459	3,120	75,717
Gain on deemed disposal of subsidiary	375	-	375	-
Allowance for impairment on trade and other receivables	(3,139)	(1,306)	(7,565)	(5,479)
Foreign exchange loss	(791)	(177)	(1,638)	(700)
Interest on borrowings	(4,379)	(6,623)	(13,431)	(24,355)
Depreciation and amortization	(16,808)	(14,125)	(58,310)	(57,773)

**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>	
	<b>30 September 2016 RMB'000</b>	<b>31 December 2015 RMB'000</b>	<b>30 September 2016 RMB'000</b>	<b>31 December 2015 RMB'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	<b>948,221</b>	<b>921,476</b>	<b>732,462</b>	<b>721,936</b>
Investment properties	<b>26,514</b>	<b>27,311</b>	<b>24,818</b>	<b>25,556</b>
Land use rights	<b>175,453</b>	<b>178,929</b>	<b>145,216</b>	<b>148,580</b>
Intangibles assets	<b>7,555</b>	<b>9,042</b>	<b>4,989</b>	<b>3,911</b>
Investment in subsidiaries	-	-	<b>390,846</b>	<b>300,146</b>
Investment in associates	<b>541,394</b>	<b>531,220</b>	<b>541,019</b>	<b>531,220</b>
Other financial assets, non-current	<b>359,710</b>	<b>304,501</b>	<b>148,681</b>	<b>86,983</b>
Deferred tax assets	<b>82,410</b>	<b>82,410</b>	<b>78,606</b>	<b>78,606</b>
Other assets, non-current	<b>29,514</b>	<b>15,467</b>	<b>27,790</b>	<b>13,766</b>
<b>Total non-current assets</b>	<b>2,170,771</b>	<b>2,070,356</b>	<b>2,094,427</b>	<b>1,910,704</b>
<b>Current assets</b>				
Inventories	<b>959,696</b>	<b>974,155</b>	<b>789,340</b>	<b>742,780</b>
Trade and other receivables	<b>1,645,976</b>	<b>1,538,956</b>	<b>1,554,979</b>	<b>1,415,055</b>
Other financial assets, current	<b>1,398</b>	<b>201,494</b>	<b>1,398</b>	<b>201,494</b>
Other asset, current	<b>162,229</b>	<b>175,808</b>	<b>148,013</b>	<b>164,940</b>
Cash and cash equivalents	<b>1,265,509</b>	<b>1,108,107</b>	<b>1,069,556</b>	<b>884,523</b>
<b>Total current assets</b>	<b>4,034,808</b>	<b>3,998,520</b>	<b>3,563,286</b>	<b>3,408,792</b>
<b>Total assets</b>	<b>6,205,579</b>	<b>6,068,876</b>	<b>5,657,713</b>	<b>5,319,496</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital	<b>768,873</b>	<b>768,873</b>	<b>768,873</b>	<b>768,873</b>
Share premium	<b>1,198,817</b>	<b>1,198,817</b>	<b>1,198,817</b>	<b>1,198,817</b>
Retained earnings	<b>1,766,265</b>	<b>1,532,323</b>	<b>1,658,144</b>	<b>1,424,054</b>
Other reserves	<b>410,809</b>	<b>421,696</b>	<b>487,941</b>	<b>498,828</b>
<b>Total equity, attributable to equity holders of the parent</b>	<b>4,144,764</b>	<b>3,921,709</b>	<b>4,113,775</b>	<b>3,890,572</b>
Non-controlling interests	<b>164,495</b>	<b>183,466</b>	-	-
<b>Total equity</b>	<b>4,309,259</b>	<b>4,105,175</b>	<b>4,113,775</b>	<b>3,890,572</b>

	<u>The Group</u>		<u>The Company</u>	
	<b>30 September 2016 RMB'000</b>	31 December 2015 RMB'000	<b>30 September 2016 RMB'000</b>	31 December 2015 RMB'000
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	7,321	9,316	7,321	9,316
Trade payables, non-current	47,652	47,652	47,408	47,408
Other liabilities, non-current	79,159	66,412	40,552	41,165
<b>Total non-current liabilities</b>	<b>134,132</b>	<b>123,380</b>	<b>95,281</b>	<b>97,889</b>
<b>Current liabilities</b>				
Income tax payable	6,501	10,264	5,050	5,731
Trade and other payables	1,261,771	1,229,789	1,015,661	960,561
Other financial liabilities, current	394,500	535,650	350,000	320,000
Other liabilities, current	99,416	64,618	77,947	44,743
<b>Total current liabilities</b>	<b>1,762,188</b>	<b>1,840,321</b>	<b>1,448,658</b>	<b>1,331,035</b>
<b>Total liabilities</b>	<b>1,896,320</b>	<b>1,963,701</b>	<b>1,543,939</b>	<b>1,428,924</b>
<b>Total equity and liabilities</b>	<b>6,205,579</b>	6,068,876	<b>5,657,714</b>	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>			
<b>As at 30/09/2016</b>		<b>As at 31/12/2015</b>	
<b>Secured RMB'000</b>	<b>Unsecured RMB'000</b>	Secured RMB'000	Unsecured RMB'000
18,859	375,641	138,600	397,050

**Amount repayable after one year**

<u>The Group</u>			
<b>As at 30/09/2016</b>		<b>As at 31/12/2015</b>	
<b>Secured RMB'000</b>	<b>Unsecured RMB'000</b>	Secured RMB'000	Unsecured RMB'000
-	-	-	-

Details of collateral for secured borrowings:

As at 30 September 2016, bank loans of RMB 19 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>			
	<b>3-month period from 1 July to 30 September 2016 RMB'000</b>	3-month period from 1 July to 30 September 2015 RMB'000	<b>9-month period from 1 January to 30 September 2016 RMB'000</b>	9-month period from 1 January to 30 September 2015 RMB'000
<b><u>Cash flows from operating activities</u></b>				
Profit before income tax	<b>97,446</b>	111,747	<b>386,139</b>	401,173
Interest income	<b>(1,226)</b>	(2,731)	<b>(2,935)</b>	(5,397)
Interest expense	<b>4,379</b>	6,623	<b>13,431</b>	24,355
Dividend income	<b>(319)</b>	-	<b>(700)</b>	(487)
Gain upon maturity of held-to-maturity investments	<b>(10,726)</b>	(3,009)	<b>(30,723)</b>	(10,678)
Share of loss / (profit) of equity-accounted associates	<b>(28,292)</b>	(9,142)	<b>(103,187)</b>	(21,753)
Gain on disposal of an associate	<b>(3,120)</b>	(60,459)	<b>(3,120)</b>	(75,717)
Gain on deemed disposal of subsidiary	<b>(375)</b>	-	<b>(375)</b>	-
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	<b>16,808</b>	14,125	<b>58,310</b>	57,773
Loss on disposals of property, plant and equipment, intangible assets and other non-current assets	<b>(9)</b>	150	<b>298</b>	525
Allowance for impairment on trade and other receivables	<b>3,128</b>	1,306	<b>7,554</b>	5,479
Fair value loss on derivative financial instruments	<b>(360)</b>	-	<b>(1,398)</b>	-
<b>Operating cash flows before changes in working capital</b>	<b>77,334</b>	58,610	<b>323,294</b>	375,273

	<u>The Group</u>			
	<b>3-month period from 1 July to 30 September 2016 RMB'000</b>	3-month period from 1 July to 30 September 2015 RMB'000	<b>9-month period from 1 January to 30 September 2016 RMB'000</b>	9-month period from 1 January to 30 September 2015 RMB'000
Inventories	(7,633)	(34,892)	(15,815)	(205,670)
Trade and other receivables	(15,203)	(151,150)	(155,679)	104,060
Other assets	25,291	(3,807)	(468)	(181,403)
Trade and other payables	(23,131)	(19,288)	21,636	35,666
Other liabilities	5,633	99,012	47,545	99,047
<b>Net cash flows from operations</b>	<b>62,291</b>	(51,515)	<b>220,513</b>	226,973
Income tax paid	(18,981)	(25,534)	(52,669)	(57,840)
<b>Net cash flows from operating activities</b>	<b>43,310</b>	(77,049)	<b>167,844</b>	169,133
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	(43,014)	(25,610)	(76,630)	(65,848)
Acquisition of available-for-sale financial assets	(9,605,364)	(2,231,273)	(25,652,306)	(15,513,302)
Deemed disposal of subsidiary	(479)	-	(479)	-
Proceeds from disposal of available-for-sale financial assets	9,807,158	2,291,192	25,797,996	15,529,466
Cash restricted in use	(160,000)	80,000	(100,000)	120,000
Dividends income received from associates and available-for-sale financial assets	319	487	96,803	487
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	227	58	432	139
Interest income received	6,327	11,408	25,497	15,606
<b>Net cash flows from / (used in) investing activities</b>	<b>5,174</b>	123,135	<b>91,313</b>	95,316

	<u>The Group</u>			
	<b>3-month period from 1 July to 30 September 2016 RMB'000</b>	3-month period from 1 July to 30 September 2015 RMB'000	<b>9-month period from 1 January to 30 September 2016 RMB'000</b>	9-month period from 1 January to 30 September 2015 RMB'000
<b>Cash flows from financing activities</b>				
Proceeds from issue of new shares	-	(395)	-	815,555
Increase in capital contributed by non-controlling interests	-	1,725	-	1,725
Proceeds from new borrowings	<b>430,000</b>	222,000	<b>665,820</b>	678,000
Proceeds from other borrowings	<b>2,969,188</b>	10,928,454	<b>13,432,136</b>	29,445,874
Dividends paid to equity owners	<b>(114,735)</b>	(48,878)	<b>(114,735)</b>	(110,304)
Distribution to non-controlling interests	<b>(1,844)</b>	-	<b>(6,644)</b>	(6,078)
Interest expense paid	<b>(3,772)</b>	(10,993)	<b>(12,969)</b>	(25,205)
Repayment of borrowings	<b>(353,621)</b>	(538,000)	<b>(625,200)</b>	(1,116,000)
Repayment of other borrowings	<b>(2,969,470)</b>	(10,987,880)	<b>(13,540,165)</b>	(29,475,510)
Cash restricted in use and/or maturing after 3 months	<b>99</b>	21,356	<b>18,823</b>	(2,011)
<b>Net cash flows (used in) / from financing activities</b>	<b>(44,155)</b>	(412,611)	<b>(182,934)</b>	206,046
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>4,329</b>	(366,525)	<b>76,223</b>	470,495
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	<b>834,853</b>	1,394,082	<b>762,959</b>	557,062
<b>Cash and cash equivalents, consolidated statement of cash flows, ending balance</b>	<b>839,182</b>	1,027,557	<b>839,182</b>	1,027,557

<b>Cash and cash equivalents in consolidated statement of cash flows</b>				
Amount as shown in the statement of financial positions	<b>1,265,509</b>	1,103,440	<b>1,265,509</b>	1,103,440
Restricted cash deposits for bank notes payables	<b>(426,327)</b>	(75,883)	<b>(426,327)</b>	(75,883)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	<b>839,182</b>	1,027,557	<b>839,182</b>	1,027,557



**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

<b>Group</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Parent sub-total</b>	<b>Non-cont rolling interests</b>	<b>Total equity</b>
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	-	-	(15,066)	258,645	243,579	(8,317)	235,262
Dividends paid	-	-	-	(115,331)	(115,331)	(4,800)	(120,131)
Balance at 30 June 2016	768,873	1,198,817	406,630	1,675,637	4,049,957	170,349	4,220,306
Total comprehensive income for the year	-	-	4,179	90,628	94,807	(1,305)	93,502
Dividends	-	-	-	-	-	(2,344)	(2,344)
Deemed disposal of subsidiary	-	-	-	-	-	(2,205)	(2,205)
Balance at 30 September 2016	768,873	1,198,817	410,809	1,766,265	4,144,764	164,495	4,309,259

<b>Group</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Parent sub-total</b>	<b>Non-cont rolling interests</b>	<b>Total equity</b>
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	-	-	15,751	238,619	254,370	3,835	258,205
Dividends paid	-	-	-	(110,896)	(110,896)	(6,078)	(116,974)
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
Total comprehensive income for the year	-	-	(29,068)	96,168	67,100	(1,284)	65,816
Increase in capital contributed by non-controlling interests	-	-	-	-	-	1,725	1,725
Balance at 30 September 2015	768,873	1,198,817	357,763	1,463,238	3,788,691	181,058	3,969,749

All in RMB'000

<b>Company</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 January 2016	768,873	1,198,817	496,007	1,323,934	3,787,631
Restatements	-	-	2,821	94,511	97,332
Restated balance at 1 January 2016	768,873	1,198,817	498,828	1,418,445	3,884,963
Total Comprehensive Income for the Year	-	-	(15,066)	278,378	263,312
Dividends	-	-	-	(115,331)	(115,331)
Balance at 30 June 2016	768,873	1,198,817	483,762	1,581,492	4,032,944
Total Comprehensive Income for the Year	-	-	4,179	76,652	80,831
Balance at 30 September 2016	768,873	1,198,817	487,941	1,658,144	4,113,775

<b>Company</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 January 2015	739,308	414,042	447,058	1,095,568	2,695,976
Restatements	-	-	2,795	30,492	33,287
Restated balance at 1 January 2015	739,308	414,042	449,853	1,126,060	2,729,263
Total Comprehensive Income for the Year	-	-	13,092	213,840	226,932
Dividends	-	-	-	(110,896)	(110,896)
Balance at 30 June 2015	739,308	414,042	462,945	1,229,004	2,845,299
Total Comprehensive Income for the Year	-	-	(24,451)	60,467	36,016
Issue of New Shares	29,565	784,775	-	-	814,340
Balance at 30 September 2015	768,873	1,198,817	438,494	1,289,471	3,695,655

**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 September 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 September 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>	<u>After</u> <u>adjustment</u> RMB’000	<u>Before</u> <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>	<u>After</u> <u>adjustment</u> RMB’000	<u>Before</u> <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 to 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 July to 30 September 2016 RMB	3-month period from 1 July to 30 September 2015 RMB	9-month period from 1 January to 30 September 2016 RMB	9-month period from 1 January to 30 September 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	<b>0.12</b>	0.13	<b>0.45</b>	0.45

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 September 2016 RMB	31 December 2015 RMB	30 September 2016 RMB	31 December 2015 RMB
Net asset backing per ordinary share based on existing issued share capital as at the end of	<b>5.39</b>	5.10	<b>5.35</b>	5.06

the period reported on				
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**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 third quarter of FY2016 ("**3Q FY2016**") was approximately RMB 1,495 million, a decrease of approximately RMB 168 million, or 10%, from RMB 1,663 million in the third quarter of FY2015 ("**3Q FY2015**"). For the 9 months ended 30 September 2016 ("**9M 2016**"), the Group recorded a revenue of approximately RMB 4,741 million, a decrease of approximately RMB 284 million, approximately 6% over the corresponding period in FY2015.

(b) Gross Profit Margin:

The Group's gross profit in 3Q FY2016 increased by approximately 9% from approximately RMB 435 million in 3Q FY2015 to approximately RMB 473 million. For 9M 2016, the Group's gross profit was approximately RMB 1,455 million compared to approximately RMB 1,556 million in the corresponding period of FY2015, with a decrease of approximately 6% amounting to approximately RMB 100 million. The gross profit margin has decreased from 30.96% in 9 months ended 30 September 2015 ("**9M 2015**") to 30.69% in 9M 2016.

(c) Other Gains:

Other gains in 3Q FY2016 were RMB 19 million. For 9M 2016, the Group's other gains were approximately RMB 55 million, a decrease of approximately RMB 60 million over the previous corresponding period. The decrease in other gains was mainly due to higher gain on disposal of associates and no compensation for demolition and relocation in 9M 2015 compared to 9M 2016.

(d) Major Expenses:

(i) Marketing and Distribution costs in 3Q FY2016 increased by approximately 1% to approximately RMB 321 million. For 9M 2016, the Marketing and Distribution costs was approximately RMB 950 million, a decrease of approximately RMB 69 million or 7% 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 3Q FY2016 increased by approximately RMB 4 million, to approximately RMB 16 million. For 9M 2016, the Research and Development costs decreased by approximately RMB 6 million, from approximately RMB 50 million in 9M 2015 to approximately RMB 44 million. The decrease in research and development costs was mainly due to decrease in expenses for medical research.

(iii) Administrative expenses in 3Q FY2016 increased by approximately RMB 17 million, to approximately RMB 79 million. For 9M 2016, the administration expenses was approximately RMB 214 million, an increase of approximately RMB 17 million.

(iv) Finance costs in 3Q FY2016 decreased by approximately 34% to approximately RMB 4 million, while for 9M 2016, the finance costs decreased by approximately RMB 11 million or 45% from approximately RMB 24 million to approximately RMB 13 million. The decrease in financial costs was mainly due to the decrease in loan amounts and interest rate.

(v) Other losses in 3Q FY2016 increased by approximately RMB 3 million, while for 9M 2016, the other charges was approximately RMB 10 million, an increase of approximately RMB 3 million.

(e) Share of results of associated companies:

The Group's share of profits from associated companies in 3Q FY2016 has increased by approximately RMB 19 million to approximately RMB 28 million. The Group's share of profits from associated companies in 9M 2016 increased by approximately RMB 81 million to approximately RMB 103 million. This was mainly because Sino-American Tianjin Smithkline & French Lab., Ltd.'s profit in 9M 2016 increased compared to 9M 2015.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 3Q FY2016 was approximately RMB 94 million, an increase of 42% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 9M 2016 was approximately RMB 329 million, an increase of approximately RMB 5 million or 1% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 3Q FY2016 was approximately RMB 91 million, a decrease of approximately RMB 6 million, or 6% from RMB 96 million of the corresponding period in 3Q FY2015. The profit attributable to equity holders of parent (net of tax) in 9M 2016 was approximately RMB 349 million, an increase of approximately RMB 14 million, or 4% from RMB 335 million of the corresponding period in 9M 2015.

(g) Major changes in statement of financial positions:

As at 30 September 2016, the Group's cash and cash equivalents amounted to approximately RMB 1,266 million, which is an increase of approximately RMB 157 million, or 14% over the balance as at 31 December 2015. The Group's short-term borrowings as at 30 September 2016 amounted to approximately RMB 395 million, which is a decrease of approximately RMB 141 million, or 26% over the balance as at 31 December 2015.

Trade and other receivables increased by approximately 7% or RMB 107 million to approximately RMB 1,646 million as at 30 September 2016. Notes receivable increased by

approximately RMB 11 million. Trade receivables increased by approximately RMB 95 million. Inventories decreased by 1% to approximately RMB 960 million.

Other current asset decreased by approximately 8% or RMB 14 million to approximately RMB 162 million as at 30 September 2016. This was mainly attributed to the decrease in procurement of which advance payments are required.

Investment in associates of the Group increased by 2% to approximately RMB 541 million, which is mainly attributable to the increase in the share of profit from associates.

Property, plant and equipment increased by approximately RMB 27 million to approximately RMB 948 million.

(h) Change in cash flow position:

In 9M 2016, the Group recorded net cash inflow from operating activities of approximately RMB 168 million.

Cash inflow from investing activities was approximately RMB 91 million in 9M 2016.

Cash outflow used in financing activities was approximately RMB 183 million in 9M 2016.

**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**

In light of the challenging economic conditions in recent years and taking into account the competitive environment, the Group is striving to improve its operational efficiencies through the following measures: -

- (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; and
- (3) strengthening the internal controls and management of the Group to reduce operational costs and enhance risk management.

The Board believes that with the above measures, the Company is using its best efforts to improve its operations.

**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:-

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

## 14. Undertakings

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