

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 2017 RMB'000	3-month period from 1 July to 30 September 2016 RMB'000	Change %	9-month period from 1 January to 30 September 2017 RMB'000	9-month period from 1 January to 30 September 2016 RMB'000	Change %
		Restated			Restated	
<b>Revenue</b>	<b>1,306,130</b>	1,511,033	-14	<b>4,293,569</b>	4,789,202	-10
Cost of sales	<b>(804,313)</b>	(1,030,434)	-22	<b>(2,726,376)</b>	(3,314,715)	-18
<b>Gross profit</b>	<b>501,817</b>	480,599	4	<b>1,567,193</b>	1,474,487	6
Interest income	<b>2,560</b>	1,226	n.m	<b>6,179</b>	2,935	n.m
Dividend income	<b>134</b>	319	-58	<b>880</b>	700	26
Other gains	<b>7,452</b>	18,742	-60	<b>73,515</b>	55,154	33
Marketing and distribution costs	<b>(352,927)</b>	(322,078)	10	<b>(1,077,057)</b>	(954,921)	13
Research and development costs	<b>(14,442)</b>	(16,238)	-11	<b>(43,937)</b>	(44,390)	-1
Administrative expenses	<b>(62,334)</b>	(83,490)	-25	<b>(193,074)</b>	(226,301)	-15
Finance costs	<b>(2,551)</b>	(4,377)	-42	<b>(7,492)</b>	(13,425)	-44
Other losses	<b>(1,961)</b>	(4,240)	-54	<b>(1,969)</b>	(9,648)	-80
Share of profit of associates	<b>19,321</b>	28,292	-32	<b>81,053</b>	103,187	-21
<b>Profit before income tax</b>	<b>97,069</b>	98,755	-2	<b>405,291</b>	387,778	5
Income tax expense	<b>(13,804)</b>	(8,412)	64	<b>(48,043)</b>	(47,189)	2
<b>Profit, net of tax</b>	<b>83,265</b>	90,343	-8	<b>357,248</b>	340,589	5

	The Group					
	3-month period from 1 July to 30 September 2017 RMB'000	3-month period from 1 July to 30 September 2016 RMB'000	Change %	9-month period from 1 January to 30 September 2017 RMB'000	9-month period from 1 January to 30 September 2016 RMB'000	Change %
		Restated			Restated	
<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	699	3,770	-81	552	(11,307)	n.m
Share of other comprehensive income / (loss) of associates	205	409	-50	(873)	420	n.m
Other comprehensive income / (loss), net	904	4,179	-78	(321)	(10,887)	-97
<b>Total comprehensive income</b>	<b>84,169</b>	94,522	-11	<b>356,927</b>	329,702	8
<b>Profit, net of tax attributable to:</b>						
Owners of the parent	82,001	91,648	-11	357,864	350,211	2
Non-controlling interests	1,264	(1,305)	n.m	(616)	(9,622)	-94
	<b>83,265</b>	90,343	-8	<b>357,248</b>	340,589	5
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	82,905	95,827	-13	357,543	339,324	5
Non-controlling interests	1,264	(1,305)	n.m	(616)	(9,622)	-94
	<b>84,169</b>	94,522	-11	<b>356,927</b>	329,702	8

(\*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	The Group			
	<b>3-month period from 1 July to 30 September 2017 RMB'000</b>	3-month period from 1 July to 30 September 2016 RMB'000	<b>9-month period from 1 January to 30 September 2017 RMB'000</b>	9-month period from 1 January to 30 September 2016 RMB'000
		Restated		Restated
Profit, net of tax is arrived at after crediting / (charging):				
Dividend income	<b>134</b>	319	<b>880</b>	700
Other income including interest income	<b>11,741</b>	16,155	<b>39,851</b>	54,583
Gains / (losses) on disposal of property, plant and equipment, intangible assets and other non-current assets	<b>(121)</b>	9	<b>5,234</b>	(298)
Gain on disposal of an associate	-	3,120	<b>33,525</b>	3,120
Gain on deemed disposal of subsidiary	-	375	-	375
Allowance for impairment on trade receivables	<b>(2,489)</b>	(3,139)	<b>(1,275)</b>	(7,565)
Foreign exchange gain / (loss)	<b>431</b>	(791)	<b>642</b>	(1,638)
Interest on borrowings	<b>(2,552)</b>	(4,379)	<b>(7,492)</b>	(13,431)
Depreciation and amortization	<b>(16,629)</b>	(17,216)	<b>(59,754)</b>	(59,443)
Allowance for impairment on inventories – (loss) / reversal	<b>(1,510)</b>	11	<b>(392)</b>	11
Allowance for impairment on other receivables	-	-	<b>150</b>	-
Impairment loss on property, plant and equipment	-	-	<b>(8)</b>	-

**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 2017 RMB'000</b>	31 December 2016 RMB'000	<b>30 September 2017 RMB'000</b>	31 December 2016 RMB'000
		Restated		Restated
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	<b>1,037,314</b>	995,403	<b>778,704</b>	745,242
Investment properties	<b>25,452</b>	26,248	<b>23,834</b>	24,572
Land use rights	<b>169,202</b>	172,749	<b>140,727</b>	144,091
Intangibles assets	<b>8,151</b>	7,908	<b>5,546</b>	5,410
Goodwill	<b>1,851</b>	1,851	-	-
Investment in subsidiaries	-	-	<b>445,220</b>	380,413
Investment in associates	<b>530,056</b>	561,031	<b>530,084</b>	561,031
Other financial assets, non-current	<b>549,436</b>	615,796	<b>149,977</b>	149,327
Deferred tax assets	<b>87,191</b>	87,192	<b>83,926</b>	83,926
Other assets, non-current	<b>29,640</b>	19,144	<b>30,505</b>	18,071
<b>Total non-current assets</b>	<b>2,438,293</b>	2,487,322	<b>2,188,523</b>	2,112,083
<b>Current assets</b>				
Inventories	<b>1,053,212</b>	929,842	<b>917,257</b>	798,672
Trade and other receivables	<b>1,668,113</b>	1,512,153	<b>1,725,939</b>	1,445,450
Other financial assets, current	<b>182,561</b>	200,660	<b>1,808</b>	200,660
Other asset, current	<b>314,833</b>	164,986	<b>302,333</b>	155,032
Cash and cash equivalents	<b>1,131,484</b>	1,163,915	<b>916,764</b>	910,521
<b>Total current assets</b>	<b>4,350,203</b>	3,971,556	<b>3,864,101</b>	3,510,335
<b>Total assets</b>	<b>6,788,496</b>	6,458,878	<b>6,052,624</b>	5,622,418
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital	<b>768,873</b>	768,873	<b>768,873</b>	768,873
Share premium	<b>1,198,817</b>	1,198,817	<b>1,198,817</b>	1,198,817
Retained earnings	<b>1,965,838</b>	1,723,305	<b>1,868,026</b>	1,601,496
Other reserves	<b>443,980</b>	507,043	<b>509,869</b>	514,112
<b>Total equity, attributable to equity holders of the parent</b>	<b>4,377,508</b>	4,198,038	<b>4,345,585</b>	4,083,298
Non-controlling interests	<b>150,937</b>	162,659	-	-
<b>Total equity</b>	<b>4,528,445</b>	4,360,697	<b>4,345,585</b>	4,083,298

	<u>The Group</u>		<u>The Company</u>	
	<b>30 September 2017 RMB'000</b>	31 December 2016 RMB'000	<b>30 September 2017 RMB'000</b>	31 December 2016 RMB'000
		Restated		Restated
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	<b>7,390</b>	7,293	<b>7,390</b>	7,293
Trade payables, non-current	<b>47,271</b>	47,762	<b>47,197</b>	47,197
Other liabilities, non-current	<b>81,994</b>	75,314	<b>42,521</b>	38,309
<b>Total non-current liabilities</b>	<b>136,655</b>	130,369	<b>97,108</b>	92,799
<b>Current liabilities</b>				
Income tax payable	<b>13,183</b>	17,374	<b>12,423</b>	14,402
Trade and other payables	<b>1,488,819</b>	1,308,260	<b>1,284,753</b>	1,090,441
Other financial liabilities, current	<b>594,286</b>	575,490	<b>290,000</b>	290,000
Other liabilities, current	<b>27,108</b>	66,688	<b>22,755</b>	51,478
<b>Total current liabilities</b>	<b>2,123,396</b>	1,967,812	<b>1,609,931</b>	1,446,321
<b>Total liabilities</b>	<b>2,260,051</b>	2,098,181	<b>1,707,039</b>	1,539,120
<b>Total equity and liabilities</b>	<b>6,788,496</b>	6,458,878	<b>6,052,624</b>	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>			
<b>As at 30/09/2017</b>		<b>As at 31/12/2016</b>	
<b>Secured RMB'000</b>	<b>Unsecured RMB'000</b>	<b>Secured RMB'000</b>	<b>Unsecured RMB'000</b>
<b>289,786</b>	<b>304,500</b>	270,990	304,500

**Amount repayable after one year**

<u>The Group</u>			
<b>As at 30/09/2017</b>		<b>As at 31/12/2016</b>	
<b>Secured RMB'000</b>	<b>Unsecured RMB'000</b>	<b>Secured RMB'000</b>	<b>Unsecured RMB'000</b>
-	-	-	-

Details of collateral for secured borrowings:

As at 30 September 2017, loans of RMB 289,786,000 (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**

	The Group			
	3-month period from 1 July to 30 September 2017 RMB'000	3-month period from 1 July to 30 September 2016 RMB'000	9-month period from 1 January to 30 September 2017 RMB'000	9-month period from 1 January to 30 September 2016 RMB'000
		Restated		Restated
<b><u>Cash flows from operating activities</u></b>				
Profit before income tax	97,069	98,755	405,291	387,778
Interest income	(2,560)	(1,226)	(6,179)	(2,935)
Interest expense	2,551	4,379	7,492	13,431
Dividend income	(134)	(319)	(880)	(700)
Gain upon maturity of held-to-maturity investments	(8,165)	(10,726)	(26,381)	(30,723)
Share of profit of equity-accounted associates	(19,321)	(28,292)	(81,053)	(103,187)
Gain on disposal of an associate	-	(3,120)	(33,525)	(3,120)
Gain on deemed disposal of subsidiary	-	(375)	-	(375)
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	16,629	17,216	59,754	59,443
Loss on disposals of property, plant and equipment, intangible assets and other non-current assets	121	(9)	(5,234)	298
Allowance for impairment on property, plant and equipment, receivables and inventories	3,999	3,128	1,525	7,554
Fair value loss on derivative financial instruments	272	(360)	(2,591)	(1,398)
<b>Operating cash flows before changes in working capital</b>	<b>90,461</b>	<b>79,051</b>	<b>318,219</b>	<b>326,066</b>

	<u>The Group</u>			
	<b>3-month period from 1 July to 30 September 2017 RMB'000</b>	3-month period from 1 July to 30 September 2016 RMB'000	<b>9-month period from 1 January to 30 September 2017 RMB'000</b>	9-month period from 1 January to 30 September 2016 RMB'000
		Restated		Restated
Inventories	<b>(53,592)</b>	(10,516)	<b>(123,763)</b>	(14,927)
Trade and other receivables	<b>(101,719)</b>	(14,032)	<b>(251,168)</b>	(157,888)
Other assets	<b>87,728</b>	25,291	<b>23,601</b>	(468)
Trade and other payables	<b>(71,306)</b>	(22,512)	<b>97,224</b>	21,153
Other liabilities	<b>15,313</b>	5,633	<b>(32,900)</b>	47,545
<b>Net cash flows from operations</b>	<b>(33,115)</b>	62,915	<b>31,213</b>	221,481
Income tax paid	<b>(17,798)</b>	(19,270)	<b>(53,762)</b>	(53,370)
<b>Net cash flows (used in) / from operating activities</b>	<b>(50,913)</b>	43,645	<b>(22,549)</b>	168,111
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	<b>(28,611)</b>	(43,310)	<b>(72,782)</b>	(77,906)
Acquisition of available-for-sale financial assets	<b>(11,667,393)</b>	(9,605,364)	<b>(29,611,034)</b>	(25,652,306)
Deemed disposal of subsidiary	-	(479)	-	(479)
Proceeds from disposal of available-for-sale financial assets	<b>11,523,095</b>	9,807,158	<b>29,194,516</b>	25,797,996
Cash restricted in use	-	(160,000)	<b>200,000</b>	(100,000)
Dividends income received from associates and available-for-sale financial assets	<b>94,678</b>	319	<b>97,758</b>	96,803
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	<b>214</b>	227	<b>326</b>	432
Interest income received	<b>10,780</b>	6,327	<b>29,357</b>	25,497
<b>Net cash flows (used in) / from investing activities</b>	<b>(67,237)</b>	4,878	<b>(161,859)</b>	90,037

	<u>The Group</u>			
	<b>3-month period from 1 July to 30 September 2017 RMB'000</b>	3-month period from 1 July to 30 September 2016 RMB'000	<b>9-month period from 1 January to 30 September 2017 RMB'000</b>	9-month period from 1 January to 30 September 2016 RMB'000
		Restated		Restated
<b>Cash flows from financing activities</b>				
Proceeds from new borrowings	<b>270,000</b>	430,000	<b>370,000</b>	665,820
Proceeds from other borrowings	<b>4,194,880</b>	2,969,188	<b>6,531,825</b>	13,432,136
Dividends paid to equity owners	<b>(114,737)</b>	(114,735)	<b>(114,768)</b>	(114,735)
Distribution to non-controlling interests	-	(1,844)	<b>(5,119)</b>	(6,644)
Interest expense paid	<b>(2,713)</b>	(3,772)	<b>(10,010)</b>	(12,969)
Repayment of borrowings	<b>(290,000)</b>	(353,621)	<b>(370,000)</b>	(625,200)
Repayment of other borrowings	<b>(4,156,430)</b>	(2,969,471)	<b>(6,449,950)</b>	(13,540,165)
Cash restricted in use and / or maturing after 3 months	<b>(2,000)</b>	99	<b>7,876</b>	18,823
<b>Net cash flows used in financing activities</b>	<b>(101,000)</b>	(44,156)	<b>(40,146)</b>	(182,934)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(219,150)</b>	4,367	<b>(224,554)</b>	75,214
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	<b>1,348,634</b>	1,115,388	<b>943,038</b>	778,115
<b>Cash and cash equivalents, consolidated statement of cash flows, ending balance</b>	<b>1,129,484</b>	1,119,755	<b>718,484</b>	853,329

<b>Cash and cash equivalents in consolidated statement of cash flows</b>				
Amount as shown in the statement of financial positions	<b>1,131,484</b>	1,279,656	<b>1,131,484</b>	1,279,656
Restricted cash deposits for bank notes payables	<b>(2,000)</b>	(159,901)	<b>(413,000)</b>	(426,327)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	<b>1,129,484</b>	1,119,755	<b>718,484</b>	853,329



**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-controlling interests</b>	<b>Total equity</b>
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	-	-	(321)	357,864	357,543	(616)	356,927
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)
Acquisition from non-controlling interests	-	-	(30)	-	(30)	(5,987)	(6,017)
Balance at 30 September 2017	768,873	1,198,817	443,980	1,965,838	4,377,508	150,937	4,528,445

<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-controlling 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
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	-	-	(10,887)	350,211	339,324	(9,622)	329,702
Dividends	-	-	-	(115,331)	(115,331)	-	(115,331)

Distribution to non-controlling interests	-	-	-	-	-	(7,144)	(7,144)
Deemed disposal of subsidiary	-	-	-	-	-	(2,205)	(2,205)
Balance at 30 September 2016	768,873	1,198,817	481,125	1,752,220	4,201,035	164,495	4,365,530

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	-	-	(321)	381,861	381,540
Dividends	-	-	-	(115,331)	(115,331)
Deficit on acquisition of subsidiary accounted under Pooling-of-Interests method	-	-	(3,922)	-	(3,922)
Balance at 30 September 2017	768,873	1,198,817	509,869	1,868,026	4,345,585

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	-	-	(10,887)	355,030	344,143
Dividends	-	-	-	(115,331)	(115,331)
Balance at 30 September 2016	768,873	1,198,817	487,941	1,663,753	4,119,384

**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 September 2017 and 30 September 2016.

The Company did not hold any treasury shares and there were no subsidiary holdings as at 30 September 2017 and 30 September 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 September 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 September 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 July to 30 September 2016			9-month period from 1 January to 30 September 2016		
	After restatement	Before restatement	Difference	After restatement	Before restatement	Difference
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,511,033	1,494,967	16,066	4,789,202	4,741,439	47,763
Gross profit	480,599	473,153	7,446	1,474,487	1,455,147	19,340
Profit net of tax	90,343	89,323	1,020	340,589	339,651	938
Total	94,522	93,502	1,020	329,702	328,764	938

comprehensive income						
	RMB	RMB	RMB	RMB	RMB	RMB
Earnings per share	0.12	0.12	-	0.46	0.46	-

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 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 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**

	<b>Group</b>			
	<b>3-month period from 1 July to 30 September 2017 RMB</b>	3-month period from 1 July to 30 September 2016 RMB	<b>9-month period from 1 January to 30 September 2017 RMB</b>	9-month period from 1 January to 30 September 2016 RMB
		Restated		Restated
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>0.11</b>	0.12	<b>0.47</b>	0.46

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**

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2017 RMB</b>	31 December 2016 RMB	<b>30 September 2017 RMB</b>	31 December 2016 RMB
		Restated		Restated
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	<b>5.69</b>	5.46	<b>5.65</b>	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 third quarter of FY2017 ("**3Q FY2017**") was approximately RMB 1,306 million, a decrease of approximately RMB 205 million, or 14%, from RMB 1,511 million in the third quarter of FY2016 ("**3Q FY2016**"). For the 9 months ended 30 September 2017 ("**9M 2017**"), the Group recorded a revenue of approximately RMB 4,294 million, a decrease of approximately RMB 496 million, approximately 10% over the corresponding period in FY2016.

(b) Gross Profit Margin:

The Group's gross profit in 3Q FY2017 increased by approximately 4% from approximately RMB 481 million in 3Q FY2016 to approximately RMB 502 million. For 9M 2017, the Group's gross profit was approximately RMB 1,567 million compared to approximately RMB 1,474 million in the corresponding period of FY2016, with an increase of approximately 6% amounting to approximately RMB 93 million. The gross profit margin has increased from 30.79% in 9 months ended 30 September 2016 ("**9M 2016**") to 36.50% in 9M 2017.

(c) Other Gains:

Other gains in 3Q FY2017 were RMB 7 million. For 9M 2017, the Group's other gains were approximately RMB 74 million, an increase of approximately RMB 18 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 3Q FY2017 increased by approximately 10% to approximately RMB 353 million. For 9M 2017, the Marketing and Distribution costs was approximately RMB 1,077 million, an increase of approximately RMB 122 million or 13% 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 3Q FY2017 decreased by approximately RMB 2 million, to approximately RMB 14 million. For 9M 2017, the Research and Development costs decreased by approximately RMB 0.5 million, from approximately RMB 44.4 million in 9M 2016 to approximately RMB 43.9 million.

(iii) Administrative expenses in 3Q FY2017 decreased by approximately RMB 21 million, to approximately RMB 62 million. For 9M 2017, the administration expenses was approximately RMB 193 million, a decrease of approximately RMB 33 million.

(iv) Finance costs in 3Q FY2017 decreased by approximately 42% to approximately RMB 3 million, while for 9M 2017, the finance costs decreased by approximately RMB 6 million or 44% from approximately RMB 13 million to approximately RMB 7 million. The decrease in financial costs was mainly due to the decrease in loan amounts and decrease in interest rates.

(v) Other losses in 3Q FY2017 decreased by approximately RMB 2 million, while for 9M 2017, the other losses was approximately RMB 2 million, a decrease of approximately RMB 8 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 from associated companies in 3Q FY2017 has decreased by approximately RMB 9 million to approximately RMB 19 million. The Group's share of profits from associated companies in 9M 2017 decreased by approximately RMB 22 million to approximately RMB 81 million. This was mainly because Sino-American Tianjin Smithkline & French Lab., Ltd.'s profit in 9M 2017 decreased compared to 9M 2016.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 3Q FY2017 was approximately RMB 84 million, a decrease of 11% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 9M 2017 was approximately RMB 357 million, an increase of approximately RMB 27 million or 8% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 3Q FY2017 was approximately RMB 82 million, a decrease of approximately RMB 10 million, or 11% from RMB 92 million of the corresponding period in 3Q FY2016. The profit attributable to equity holders of parent (net of tax) in 9M 2017 was approximately RMB 358 million, an increase of approximately RMB 8 million, or 2% from RMB 350 million of the corresponding period in 9M 2016.

(g) Major changes in statement of financial positions:

As at 30 September 2017, the Group's cash and cash equivalents amounted to approximately RMB 1,131 million, which is a decrease of approximately RMB 32 million, or 3% over the balance as at 31 December 2016. The Group's short-term borrowings as at 30 September 2017 amounted to approximately RMB 594 million, which is an increase of approximately RMB 19 million, or 3% over the balance as at 31 December 2016.



Trade and other receivables increased by approximately 10% or RMB 156 million to approximately RMB 1,668 million as at 30 September 2017. Notes receivable decreased by approximately RMB 59 million. Trade receivables increased by approximately RMB 199 million. Other trade receivables increased by approximately RMB 16 million. Inventories increased by 13% to approximately RMB 1,053 million.

Other current asset increased by approximately 91% or RMB 150 million to approximately RMB 315 million as at 30 September 2017.

Investment in associates of the Group decreased by 6% to approximately RMB 530 million, which is mainly attributable to the decrease in the share of profit from associates and disposal of an associate.

Property, plant and equipment increased by approximately RMB 42 million to approximately RMB 1,037 million.

(h) Change in cash flow position:

In 9M 2017, the Group recorded net cash outflow from operating activities of approximately RMB 23 million.

Cash outflow from investing activities was approximately RMB 162 million in 9M 2017.

Cash outflow used in financing activities was approximately RMB 40 million in 9M 2017.

**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 increase the market share 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/recommended, 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 (“ <b>TPGF</b> ”) (天津医药集团财务有限公司)	The interest payable on the credit facilities provided by TPGF: 1,457	0
Acquisition of the entire equity interest in Tianjin Chinese Medicinal Slices Co., Ltd. from Tianjin Jincao Guoyao Investment Co., Ltd	62,712	0
Total	64,169	0

Note: As at 30 September 2017, placement of deposit with TPGF amounted to RMB 295,176,630.

### 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 September 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.