

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

Full Year 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

| | <u>The Group</u> | | Change |
|--|------------------------|-----------------|--------|
| | 2016 RMB'000 | 2015 RMB'000 | % |
| Revenue | 6,178,822 | 7,080,552 | -13 |
| Cost of Sales | (4,235,160) | (5,036,856) | -16 |
| Gross Profit | 1,943,662 | 2,043,696 | -5 |
| Interest Income | 5,512 | 7,874 | -30 |
| Dividend Income | 1,347 | 1,134 | 19 |
| Other Gains | 106,725 | 136,532 | -22 |
| Marketing and Distribution Costs | (1,269,862) | (1,265,974) | - |
| Research and Development Costs | (66,319) | (72,790) | -9 |
| Administrative Expenses | (286,940) | (269,415) | 7 |
| Finance Costs | (19,373) | (35,555) | -46 |
| Other Losses | (66,730) | (44,478) | 50 |
| Share of Profits From Equity-Accounted Associates | 117,501 | 33,937 | 246 |
| Profit Before Income Tax | 465,523 | 534,961 | -13 |
| Income Tax Expense | (57,911) | (79,303) | -27 |
| Profit, Net of Tax | 407,612 | 455,658 | -11 |
| Other Comprehensive Income Items that may be reclassified subsequently to profit or loss: | | | |
| Fair Value (Loss) Gain on Re-measuring of Available-For-Sale Investments, Net of Tax | (10,757) | 3,331 | n.m |
| Share of Other Comprehensive (Loss) Income From Equity-Accounted Associates, Net of Tax | (1,316) | 1,667 | n.m |
| Total Other Comprehensive Income, Net of Tax | (12,073) | 4,998 | n.m |
| Total Comprehensive Income | 395,539 | 460,656 | -14 |

| | The Group | | Change |
|--|-----------------|-----------------|--------|
| | 2016 RMB'000 | 2015 RMB'000 | % |
| Profit, Net of Tax attributable to: | | | |
| Owners of the Parent | 422,423 | 449,490 | -6 |
| Non-Controlling Interests | (14,811) | 6,168 | n.m |
| | 407,612 | 455,658 | -11 |

| | | | |
|---|-----------------|---------|-----|
| Total Comprehensive Income for the year attributable to: | | | |
| Owners of the Parent | 410,350 | 454,488 | -10 |
| Non-Controlling Interests | (14,811) | 6,168 | n.m |
| | 395,539 | 460,656 | -14 |

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

| | Group | |
|--|-----------------|-----------------|
| | 2016 RMB'000 | 2015 RMB'000 |
| Profit, Net of Tax is arrived at after crediting / (charging): | | |
| Dividend income | 1,347 | 1,134 |
| Other income including interest income | 74,422 | 70,203 |
| Gain (loss) on disposal / written off of property, plant and equipment, intangible assets and land use rights, net | 13,835 | (1,106) |
| Gain on disposals of interests in associates, net | 3,120 | 74,077 |
| Gain on deemed disposals of interests in subsidiaries | 20,860 | - |
| Allowance for impairment on trade receivables | (10,884) | (13,325) |
| Foreign currency translation losses, net | (1,754) | (644) |
| Interest on borrowings | (16,628) | (32,675) |
| Depreciation and amortisation | (74,545) | (77,031) |
| Employment termination benefits | (11,865) | (9,755) |
| Impairment loss on inventories | (12,015) | - |
| Inventories written down-reversal | - | 126 |
| Allowance for impairment on other receivables | (30,212) | (19,648) |

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

| | The Group | | The Company | | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------|
| | 31 December 2016 RMB'000 | 31 December 2015 RMB'000 | 31 December 2016 RMB'000 | 31 December 2015 RMB'000 | 1 January 2015 RMB'000 |
| ASSETS | | | | (Restated) | (Restated) |
| Non-current assets | | | | | |
| Property, plant and equipment | 982,240 | 921,476 | 745,242 | 721,936 | 732,802 |
| Investment properties | 26,248 | 27,311 | 24,572 | 25,556 | 24,878 |
| Land use rights | 170,760 | 178,929 | 144,091 | 148,580 | 153,064 |
| Intangibles assets | 7,869 | 9,042 | 5,410 | 3,911 | 4,882 |
| Investments in subsidiaries | - | - | 380,413 | 300,146 | 314,366 |
| Investments in associates | 561,031 | 531,220 | 561,031 | 531,220 | 542,053 |
| Other financial assets, non-current | 615,796 | 304,501 | 149,327 | 86,983 | 83,065 |
| Deferred tax assets | 86,356 | 82,410 | 83,926 | 78,606 | 83,920 |
| Other assets, non-current | 18,762 | 15,467 | 18,071 | 13,766 | 15,946 |
| Total non-current assets | 2,469,062 | 2,070,356 | 2,112,083 | 1,910,704 | 1,954,976 |
| Current assets | | | | | |
| Inventories | 908,716 | 974,155 | 798,672 | 742,780 | 645,638 |
| Trade and other receivables | 1,465,777 | 1,538,956 | 1,445,450 | 1,415,055 | 1,515,793 |
| Other financial assets, current | 200,660 | 201,494 | 200,660 | 201,494 | - |
| Other assets, current | 163,609 | 175,808 | 155,032 | 164,940 | 154,449 |
| Cash and cash equivalents | 1,152,856 | 1,108,107 | 910,521 | 884,523 | 408,586 |
| Total current assets | 3,891,618 | 3,998,520 | 3,510,335 | 3,408,792 | 2,724,466 |
| Total assets | 6,360,680 | 6,068,876 | 5,622,418 | 5,319,496 | 4,679,442 |
| EQUITY | | | | | |
| Equity attributable to the owners of the parent | | | | | |
| Share capital | 768,873 | 768,873 | 768,873 | 768,873 | 739,308 |
| Share premium | 1,198,817 | 1,198,817 | 1,198,817 | 1,198,817 | 414,042 |
| Retained earnings | 1,735,171 | 1,532,323 | 1,601,496 | 1,424,054 | 1,124,398 |
| Other reserves | 436,769 | 421,696 | 514,112 | 498,828 | 449,853 |
| Equity attributable to owners of the parent | 4,139,630 | 3,921,709 | 4,083,298 | 3,890,572 | 2,727,601 |
| Non-controlling interests | 162,659 | 183,466 | - | - | - |
| Total equity | 4,302,289 | 4,105,175 | 4,083,298 | 3,890,572 | 2,727,601 |

| | The Group | | The Company | | |
|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------|
| | 31 December 2016 RMB'000 | 31 December 2015 RMB'000 | 31 December 2016 RMB'000 | 31 December 2015 RMB'000 | 1 January 2015 RMB'000 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | (Restated) | (Restated) |
| Deferred tax liabilities | 7,293 | 9,316 | 7,293 | 9,316 | 8,504 |
| Trade payables, non-current | 47,271 | 47,652 | 47,197 | 47,408 | 53,507 |
| Other liabilities, non-current | 75,314 | 66,412 | 38,309 | 41,165 | 39,680 |
| Total non-current liabilities | 129,878 | 123,380 | 92,799 | 97,889 | 101,691 |
| Current liabilities | | | | | |
| Income tax payable | 17,374 | 10,264 | 14,402 | 5,731 | 4,886 |
| Trade and other payables | 1,269,110 | 1,229,789 | 1,090,441 | 960,561 | 1,095,886 |
| Other financial liabilities | 575,490 | 535,650 | 290,000 | 320,000 | 720,000 |
| Other liabilities, current | 66,539 | 64,618 | 51,478 | 44,743 | 29,378 |
| Total current liabilities | 1,928,513 | 1,840,321 | 1,446,321 | 1,331,035 | 1,850,150 |
| Total liabilities | 2,058,391 | 1,963,701 | 1,539,120 | 1,428,924 | 1,951,841 |
| | | | | | |
| Total equity and liabilities | 6,360,680 | 6,068,876 | 5,622,418 | 5,319,496 | 4,679,442 |

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

Amount repayable in one year or less, or on demand

| As at 31 December 2016 | | As at 31 December 2015 | |
|------------------------|----------------------|------------------------|----------------------|
| Secured RMB'000 | Unsecured RMB'000 | Secured RMB'000 | Unsecured RMB'000 |
| 270,990 | 304,500 | 138,600 | 397,050 |

Details of collateral for secured borrowings:

As at 31 December 2016, loans of RMB 270,990,000 (31 December 2015: RMB 116,600,000) are secured by pledges of bonds in Corporation and country of the same amount. In 2015, bank loans totalled RMB 22,000,000 were secured on legal mortgages over the subsidiaries' property, plant and equipment and land use rights.

Amount repayable after one year

| As at 31 December 2016 | | As at 31 December 2015 | |
|------------------------|----------------------|------------------------|----------------------|
| Secured RMB'000 | Unsecured RMB'000 | Secured RMB'000 | Unsecured RMB'000 |
| - | - | - | - |

1(c) A Statement of Cash Flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

| | <u>The Group</u> | |
|---|------------------------|------------------------|
| | <u>2016</u> RMB'000 | <u>2015</u> RMB'000 |
| <u>Cash Flows From Operating Activities</u> | | |
| Profit Before Income Tax | 465,523 | 534,961 |
| Adjustments for: | | |
| Interest Income | (5,512) | (7,874) |
| Interest Expense | 19,373 | 35,555 |
| Dividend Income | (1,347) | (1,134) |
| Gain on Maturity and Disposal of Financial Assets | (37,518) | (21,084) |
| Share of Profits of Equity-Accounted Associates | (117,501) | (33,937) |
| Gain on Disposals of Interests in Associates, net | (3,120) | (74,077) |
| Gain on Deemed Disposals of Interest in Subsidiaries | (20,860) | - |
| Depreciation of Property, Plant and Equipment, and Investment Property, and Amortisation of Land Use Rights, Intangible Assets and Other Assets | 74,545 | 77,031 |
| (Gain) losses on Disposal of Property, Plant and Equipment, Intangible Assets and Other Non-Current Assets | (13,835) | 1,106 |
| Impairment of Receivables and Inventories | 53,111 | 32,847 |
| Fair Value Gains on Derivative Financial Instruments | (660) | (1,494) |
| Operating Cash Flows Before Changes in Working Capital | 412,199 | 541,900 |
| Inventories | 15,295 | (114,138) |
| Trade and Other Receivables | (102,742) | 119,817 |
| Other Assets | 8,904 | 16,290 |
| Trade and Other Payables | 104,991 | (179,185) |
| Other Liabilities | 10,823 | 13,506 |
| Net Cash Flows From Operations | 449,470 | 398,190 |
| Income Tax Paid | (59,359) | (74,206) |
| Net Cash Flow From Operating Activities | 390,111 | 323,984 |
| | | |
| <u>Cash Flows From Investing Activities</u> | | |
| Purchase of Property, Plant and Equipment, Investment Property, Land Use Rights and Intangibles Assets | (116,203) | (92,641) |
| Proceeds From Disposals of Property, Plant and Equipment, Intangible Assets and Other Assets | 18,022 | 112 |
| Acquisition of Financial Assets | (36,031,471) | (23,969,255) |
| Proceeds From Disposal of Financial Assets | 35,972,632 | 23,784,639 |
| Proceeds From Disposal of Interests in Associates | 3,120 | 120,000 |
| Deemed Disposals of Subsidiaries (net of cash disposed) | (3,779) | - |
| Interest Income Received | 45,073 | 35,107 |
| Cash Restricted in Use | 100,000 | (300,000) |

| | <u>The Group</u> | |
|--|------------------------|------------------------|
| | <u>2016</u> RMB'000 | <u>2015</u> RMB'000 |
| Dividends Income Received From Associates and Available-For-Sale Financial Assets | 97,450 | 1,648 |
| Compensation Income From Immediate Parent Company | 9,199 | - |
| Net Cash Flow From / (Used in) Investing Activities | 94,043 | (420,390) |
| | | |
| <u>Cash Flows From Financing Activities</u> | | |
| Issue of Shares | - | 814,340 |
| Increase in Capital Contributed by Non-Controlling Interests | - | 1,725 |
| Proceeds From New Borrowings | 745,820 | 807,050 |
| Repayments of Borrowings | (765,200) | (1,174,000) |
| Proceeds From Other Borrowings | 13,807,635 | 36,810,400 |
| Repayment of Other Borrowings | (13,915,001) | (36,834,764) |
| Dividends Paid to Equity Owners | (191,718) | (110,395) |
| Distribution to Non-Controlling Interests | (7,144) | (7,287) |
| Interest Expense Paid | (13,797) | (33,491) |
| Cash Restricted in Use | 24,272 | 28,725 |
| Net Cash Flows (Used in) / From Financing Activities | (315,133) | 302,303 |
| | | |
| Net Increase in Cash and Cash Equivalents | 169,021 | 205,897 |
| Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Beginning Balance | 762,959 | 557,062 |
| Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Ending Balance | 931,980 | 762,959 |

| | <u>The Group</u> | |
|---|------------------------|------------------------|
| | <u>2016</u> RMB'000 | <u>2015</u> RMB'000 |
| Cash and Cash Equivalents in Consolidated Statement of Cash Flows: | | |
| Amount as Shown in Statement of Financial Position | 1,152,856 | 1,108,107 |
| Cash and Cash Equivalents Restricted in Use | (220,876) | (345,148) |
| Cash and Cash Equivalents for Consolidated Cash Flows Statement Purposes at End of the Year | 931,980 | 762,959 |

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-cont rolling 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 | - | - | (12,073) | 422,423 | 410,350 | (14,811) | 395,539 |
| Dividends Paid | - | - | - | (192,218) | (192,218) | - | (192,218) |
| Appropriation of Statutory Common Reserve | - | - | 27,357 | (27,357) | - | - | - |
| Distribution to Non-controlling Interests | - | - | - | - | - | (7,144) | (7,144) |
| Deemed Disposal of Subsidiaries | - | - | (211) | - | (211) | 1,148 | 937 |
| Balance at 31 December 2016 | 768,873 | 1,198,817 | 436,769 | 1,735,171 | 4,139,630 | 162,659 | 4,302,289 |

| Group | Share capital | Share premium | Other reserves | Retained earnings | Parent sub-total | Non-cont rolling 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 Year | - | - | 4,998 | 449,490 | 454,488 | 6,168 | 460,656 |
| Issue of New Shares | 29,565 | 784,775 | - | - | 814,340 | - | 814,340 |
| Dividends paid | - | - | - | (110,896) | (110,896) | - | (110,896) |
| Appropriation of Statutory Common Reserve | - | - | 45,618 | (45,618) | - | - | - |
| Increase in Capital contributed by Non-controlling Interests | - | - | - | - | - | 1,725 | 1,725 |
| Distribution to Non-controlling Interests | - | - | - | - | - | (7,287) | (7,287) |
| Balance at 31 December 2015 | 768,873 | 1,198,817 | 421,696 | 1,532,323 | 3,921,709 | 183,466 | 4,105,175 |

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 |
| Adjustments to beginning balance | - | - | 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 | - | - | (12,073) | 397,017 | 384,944 |
| Dividends | - | - | - | (192,218) | (192,218) |
| Appropriation of Statutory Common Reserve | - | - | 27,357 | (27,357) | - |
| Balance at 31 December 2016 | 768,873 | 1,198,817 | 514,112 | 1,601,496 | 4,083,298 |

| Company | Share capital | Share premium | Other reserves (Restated) | Retained earnings (Restated) | Total equity (Restated) |
|--|----------------------|----------------------|----------------------------------|-------------------------------------|--------------------------------|
| Balance at 1 January 2015 | 739,308 | 414,042 | 447,058 | 1,095,568 | 2,695,976 |
| Adjustments to beginning balance | - | - | 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 (Restated) | - | - | 3,357 | 456,170 | 459,527 |
| Dividends | - | - | - | (110,896) | (110,896) |
| Issue of New Shares | 29,565 | 784,775 | - | - | 814,340 |
| Appropriation of Statutory Common Reserve | - | - | 45,618 | (45,618) | - |
| Balance at 31 December 2015 | 768,873 | 1,198,817 | 498,828 | 1,424,054 | 3,890,572 |

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 31 December 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 31 December 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”) and audited in accordance with International Standards on Auditing.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualification or emphasis of matter)

Audit Opinion as extracted from the auditors' report:

“Opinion

We have audited the financial statements of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the International Financial Reporting Standards (“IFRSs”) so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2016 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1) Trade receivables

Please refer to Notes 2A, 2C and 21 to the financial statements for the relevant accounting policy and key assumptions used in assessing the impairment of trade receivables and balances.

Trade receivables of the Group are significant as at the end of the reporting year. The allowance for impairment of trade receivables is estimated by management through the application of judgement and use of subjective assumptions. Any impairment of significant receivables could have material impact to the Group's and the Company's profit or loss.

The estimate of impairment allowance is based on the historical trend of trade receivables, which includes analysis of the age of these receivables, credit worthiness of the profile of the customers and future collectability.

For the samples selected, our audit procedures included, but not limited to (a) assessing the recoverability of the significant aged debts by discussing with management, checking subsequent collections and corroborating to the historical payment records; (b) assessing whether disclosures in respect of the credit risk of trade receivables is appropriate and (c) evaluating the qualitative adjustment to the allowance and challenging the key assumptions in determining the allowance.

2) Inventories

Please refer to Notes 2A, 2C and 20 to the financial statements for the relevant accounting policy and key assumptions used in assessing the impairment of inventories, respectively.

The Group is principally engaged in the manufacturing and sale of traditional Chinese medicine in the People's Republic of China. Inventories of the Group are significant as at the end of the reporting year. The cost of inventories may not be recoverable in full if those inventories are damaged, or if they become obsolete, or if their selling prices have declined. The allowance for impairment of inventories is estimated by management through the application of judgement and use of subjective assumptions.

The estimate of allowance for obsolete inventories is based on the age of the inventories, prevailing market conditions in the pharmaceutical industry and historical allowance experience which requires management's judgement, including judgement in the areas relating to inventory allowance based on forecast inventory usage. This methodology relies upon assumptions made in determining appropriate allowance percentages categories of inventory.

For the samples selected, our audit procedures included, but not limited to (a) checking the net realisable value of the inventories by comparing cost to subsequent selling prices; (b) reviewing the inventory turnover days and aging of the inventories to assess if there were any significant build up of aged inventories and assessing the reasonableness of the allowance for inventory obsolescence; (c) obtaining assurance over the appropriateness of management's assumptions applied in calculating the value of inventory allowances by assessing the Group's inventory allowance policy, as well as inventory turnover calculations including the impact of demand from government procurement policy for pharmaceuticals and expectations for future sales.

Other information

Management is responsible for the other information. The other information comprises the statement by directors and the annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

RSM Chio Lim LLP
Public Accountants and Chartered Accountants

8 Wilkie Road,
#03-08 Wilkie Edge,
Singapore 228095

29 March 2017

Partner-in-charge: Ng Thiam Soon
Effective from year ended 31 December 2016

Ruihua Certified Public Accountants LLP
Certified Public Accountants

5-11F, West Tower,
No. 8, XiBinhe Road, YongDing Men
DongCheng District, Beijing,
People's Republic of China 100077

29 March 2017

Partner-in-charge: Jiang Bin
Effective from year ended 31 December 2015"

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 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

| | <u>The Group</u> | |
|---|------------------|------|
| | 2016 | 2015 |
| | RMB | 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 | 0.55 | 0.60 |

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 | | |
|---|---|-------------------------------|---|---|--|
| | 31 December 2016 RMB | 31 December 2015 RMB | 31 December 2016 RMB | 31 December 2015 RMB (Restated) | 1 January 2015 RMB (Restated) |
| Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on | 5.38 | 5.10 | 5.31 | 5.06 | 3.69 |

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 for the financial year ended 31 December 2016 ("FY2016") was approximately RMB 6,179 million, a decrease of approximately RMB 902 million, or 13%, from RMB 7,081 million for the financial year ended 31 December 2015 ("FY2015").

(b) Gross profit margin:

The Group's gross profit in FY2016 decreased by approximately 5% from approximately RMB 2,044 million in FY2015 to approximately RMB 1,944 million. Gross profit margin increased from 29% in FY2015 to 31% in FY2016.

(c) Other operating income:

Other gains in FY2016 were approximately RMB 107 million, a decrease of approximately RMB 30 million over the previous year, which was RMB 137 million. The higher in other gains of FY2015 was mainly due to gain on transfer of equity interest of Tianjin Hualida Biotech Co., Ltd and Baxter Healthcare (Tianjin) Co. Ltd. and compensation for demolition and relocation in FY2015.

(d) Major expenses:

(i) Marketing and Distribution costs in FY2016 was approximately RMB 1,270 million, an increase of approximately RMB 4 million, or 0.3% over the previous year.

(ii) Research and Development costs in FY2016 decreased by approximately RMB 6 million, to approximately RMB 66 million. The decrease in research and development costs was mainly due to decrease in expenses for medical research.

(iii) Administrative expenses in FY2016 increased by approximately RMB 18 million, from approximately RMB 269 million in FY2015 to approximately RMB 287 million. The increase in administrative expenses was contributed by higher staff salary and benefits and repair and maintenance costs.

(iv) Finance costs in FY2016 decreased by approximately RMB 16 million or 46% from approximately RMB 36 million to approximately RMB 19 million. The decrease in financial costs was mainly due to the decrease in loan amounts and interest rate.

(v) Other losses in FY2016 increased by approximately RMB 22 million, from approximately RMB 44 million in FY2015 to approximately RMB 67 million. The increase in other losses was mainly due to the increase in allowances for impairment for receivables and inventories.

(e) Shares of results of associated companies:

The Group's share of results of associated companies in FY2016 increased by RMB 84 million, or 247%, from approximately RMB 34 million in FY2015 to approximately RMB 118 million. This was mainly because of the increase in profits of Sino-American Tianjin Smithkline & French Lab., Ltd. in FY2016 compared to FY2015.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in FY2016 was approximately RMB 396 million, a decrease of 14% over the previous year. The total comprehensive income attributable to equity holders of parent (net of tax) in FY2016 was approximately RMB 410 million, a decrease of approximately RMB 44 million, or 10%, from FY2015.

(g) Major changes in statement of financial positions:

As at 31 December 2016, the Group's cash and cash equivalents amounted to approximately RMB 1,153 million, which is an increase of approximately RMB 45 million, or 4% over previous year. As at 31 December 2016, the Group's short-term borrowings were approximately RMB 575 million, which is an increase of approximately RMB 40 million, or 7% over previous year.

Trade and other receivables amounted to approximately RMB 1,466 million at 31 December 2016, which is a decrease of approximately RMB 73 million, or 5% over previous year. Bills receivable increased by approximately RMB 36 million. Trade receivables decreased by approximately RMB 105 million. Inventories decreased by 7% to approximately RMB 909 million.

Other current assets decreased by approximately 7% or RMB 12 million to approximately RMB 164 million as at 31 December 2016. This was mainly attributed to the decrease in the balance of "input taxes to be credited".

Investments in associates increased by 6% to approximately RMB 561 million, which is mainly attributable to the increase in net impact of share of profits and dividends received.

Property, plant and equipment increased by approximately RMB 61 million or 7% to RMB 982 million.

(h) Changes in cash flow position:

In FY2016, the Group recorded net cash inflow from operating activities of approximately RMB 390 million.

Cash inflow from investment activities was approximately RMB 94 million in FY2016.

Cash outflow from financing activities was approximately RMB 315 million in FY2016.

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 further strengthen its operations through the following measures: -

- (1) placing greater emphasis on innovation and the importance of scientific development;
- (2) strengthening its marketing plans to enhance the Group's core competitiveness;
- (3) focusing on research and development activities to enhance the Group's competitive edge on technology innovation;
- (4) optimising resource allocation and promoting industrial structure upgrading; and
- (5) 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

The Directors propose to seek approval from the shareholders of the Company (the "Shareholders") for declaring a final dividend of RMB 115,330,961.4 on the basis of RMB 1.5 for every 10 shares in the capital of the Company. Such proposed declaration of dividends will be subject to approval by Shareholders at the forthcoming annual general meeting to be held on 15 May 2017, and thus has not been included as a liability in these financial statements of the Company and/or Group. Upon obtaining the Shareholders' approval, the proposed dividend is payable in respect of all issued ordinary shares in the capital of the Company as at the end of the FY2016.

The proposed dividend is subject to applicable tax rates as set out below:

(i) S-Shares

The dividend payable to S-Shareholders shall be subject to a tax rate of 10% under the PRC tax law.

(ii) A-Shares

The dividend payable to A-Shareholders shall be subject to the differential tax rates as set out in the PRC tax law. A-Shareholders should consult their own tax advisers concerning the tax consequences in relation to any dividends paid by the Company.

(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

To be announced by the Company upon approval being granted by the Shareholders at the annual general meeting to be held on 15 May 2017, for the payment of the final dividend.

(d) Books closure date

To be announced by the Company upon approval being granted by the Shareholders at the annual general meeting to be held on 15 May 2017, for the payment of the final dividend.

(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. Financial Information by Operating Segments

The financial information by operating segments for the Group is as follows:

| 2016 | Revenue | Cost of sales | Gross profit |
|------------------|------------------|------------------|------------------|
| | RMB'000 | RMB'000 | RMB'000 |
| Chinese medicine | 4,066,791 | (2,240,697) | 1,826,094 |
| Western medicine | 1,640,385 | (1,557,228) | 83,157 |
| Others | 471,646 | (437,235) | 34,411 |
| Total | 6,178,822 | 4,235,160 | 1,943,662 |

| 2015 | Revenue | Cost of sales | Gross profit |
|------------------|------------------|------------------|------------------|
| | RMB'000 | RMB'000 | RMB'000 |
| Chinese medicine | 4,361,732 | (2,525,068) | 1,836,664 |
| Western medicine | 2,162,446 | (2,026,420) | 136,026 |
| Others | 556,374 | (485,368) | 71,006 |
| Total | 7,080,552 | 5,036,856 | 2,043,696 |

The Group operates predominantly in the PRC.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable

15. A breakdown of sales as follows:

| | Group | | |
|---|----------------|----------------|---------------------------------|
| | 2016 | 2015 | Increase/ (Decrease) |
| | RMB'000 | RMB'000 | % |
| (a) Sales reported for first half year | 3,246,472 | 3,361,681 | -3.43% |
| (b) Operating profit after tax before deducting non-controlling interests reported for first half year | 250,328 | 242,454 | 3.25% |
| (c) Sales reported for second half year | 2,932,350 | 3,718,871 | -21.15% |
| (d) Operating profit after tax before deducting non-controlling interests reported for second half year | 157,284 | 213,204 | -26.23% |

16. A breakdown of the total annual dividend (in dollar value) for the issue's latest full year and its previous full year

| | FY2016 RMB'000 | FY2015 RMB'000 |
|--------------------|---------------------------|---------------------------|
| Ordinary - Interim | 76,887 | - |
| - Final (Proposed) | 115,331 | 115,331 |
| Preference | N.A. | N.A. |
| Total | 192,218 | 115,331 |

17. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholders of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make appropriate negative statement.

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company confirms that, to the best of its knowledge, belief and information, as of the date hereof, none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a Director, Chief Executive Officer or Substantial Shareholder of the Company.