

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED
(Company Registration No.120000000004711)
(Incorporated in the People's Republic of China)

RESPONSE TO QUERIES FROM SGX-ST ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (THE "ANNUAL REPORT")

The Company would like to provide the following information in response to a query from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 5 May 2014 in respect of the Annual Report:

Query of SGX-ST

We note on page 96 of the Company's annual report that the Company and its subsidiaries "subscribe fully to the importance of practicing high standards of corporate governance and recognize that the principles and guidelines contained in the Code of Corporate Governance 2005 represent best practices and the pursuit of which would enhance the standard of corporate governance". Please disclose the Company's corporate governance practices with reference to the principles of the revised Code of Corporate Governance 2012. Please explain any deviation from the amendments in the Code of Corporate Governance 2012.

Company's response

The Company would like to clarify that the Group subscribes fully to the importance of practicing high standards of corporate governance and recognize that the principles and guidelines contained in the Code of Corporate Governance 2012 (the "**Code**") represent best practices and the pursuit of which would enhance the standard of corporate governance.

Pursuant to SGX-ST's query above, the Company has set out additional disclosure and explanation on any deviation from the guidelines in the Code:

Guideline 2.4

"Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed."

Pursuant to Article 14 under the "Guidelines of Filing and Training for Independent Director in the Listed Companies" promulgated by Shanghai Stock Exchange in 2010, an independent director cannot serve on the board of a listed company for more than six years. As the Company adheres to this Article 14, it does not have, and will not have, any independent directors who have served on the Board for more than nine years.

Guideline 3.1

“Relationship between the Chairman and the CEO where they are immediate family members”

Mr. Wang Zhi Qiang is currently both the Chairman and CEO of the Company.

Guideline 4.4

“The maximum number of listed company board representations which directors may hold should be disclosed.”

The Nominating Committee (“NC”) has not set a limit on the maximum number of listed company board representations which directors may hold, as such a limit is not meaningful. The contributions of each director should be assessed based on the specific circumstances applicable to him, such as whether he has a full time vocation or other responsibilities, his capabilities, and his appointment in the Company. The NC will assess each director on a regular basis to ensure that he is adequately carrying out his duties as a director.

Guideline 4.6

“Process for the selection, appointment and re-appointment of new directors to the board, including the search and nomination process”

The responsibilities of the NC are to determine the criteria for identifying candidates and reviewing nominations for the appointment and re-appointment of directors to the Board. As part of the process, the NC will evaluate the relevant background, skills and experience of the proposed director, to ensure that his skills and experience are a good fit for the Board’s existing attributes and requirements.

Guideline 9.1

“Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO).”

The remuneration of directors, the CEO and the top six key management personnel (who are not also directors or the CEO) of the Company is disclosed on page 101 of the Annual Report.

There are no termination, retirement and post-employment benefits granted to Directors, the CEO or the top five key management personnel (who are not directors or the CEO).

Guideline 9.2

“Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.”

The remuneration of each individual director and the CEO on a named basis and a breakdown (in dollar terms) of each director's and the CEO's remuneration earned through salary, bonus, directors' fee is disclosed on page 101 of the Annual Report.

No share-based incentives and awards were granted to the directors and the CEO.

Guideline 9.3

“Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.”

The remuneration of the top six key management personnel (who are not directors or the CEO) is disclosed on page 101 of the Annual Report.

A breakdown of the level and mix of remuneration of the top 6 key executives is as follows:

	Salary %	Bonus %	Termination, Retirement and Post-employment benefits %	Other Benefits %	Total %
Xu Shi Hui	100	-	-	-	100
Xie Qing Feng	100	-	-	-	100
Zhang Jian	100	-	-	-	100
Tian Gang	100	-	-	-	100
Wang Xin	100	-	-	-	100
Wang Lei	100	-	-	-	100

The aggregate total remuneration paid to or accrued to the 6 key executives amounted to RMB3.5 million.

Guideline 9.4

“Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000.”

There are no employees of the Company who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year.

Guideline 9.5

“Details and important terms of employee share schemes.”

The Company does not currently have any employee share schemes.

Guideline 11.3

“The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems.

The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems.

The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems.”

The Company will ensure that through the review of the findings of the internal audit and of the external auditors, and such other reviews and examinations as are considered necessary from time to time, the Board seeks to ascertain the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems.

After taking into account the above factors as well as the assistance/services rendered to the Company by both its internal and external auditors, the Board is of the view that the present internal controls of the Group are satisfactory for the nature and the size of the Group's operations and business. The Audit Committee similarly concurs with the views of the Board on the adequacy of the present internal controls of the Group to address its financial,

operational, compliance and information technology risk areas.

The Board had received assurance from the CEO and Chief Financial Officer that the financial records as at 31 December 2013 have been properly maintained and the financial statements for the financial year ended 31 December 2013 give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems.

Guideline 12.7

"The existence of a whistle-blowing policy should be disclosed in the company's Annual Report."

The Company has put in place a whistle-blowing policy whereby the staff can have direct access to the Discipline Inspection Committee to raise concerns about possible improprieties, suspected corruption, bribery, embezzlement, or other matters within the Group.

Guideline 12.8

"Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements."

The AC takes measures to keep abreast of the changes to accounting standards and issues which have impact on financial statements, by participating in training conducted by professionals or external consultants.

By order of the Board

Jiao Yan
Company Secretary

8 May 2014