

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

First 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

	<u>The Group</u>		Change
	3-month period ended 31 March 2015 RMB'000	3-month period ended 31 March 2014 RMB'000	%
Revenue	1,620,812	1,551,835	4
Cost of sales	(1,064,955)	(1,038,238)	3
Gross profit	555,857	513,597	8
Other items of income:			
Interest income	1,261	1,302	-3
Other gains	5,824	4,932	18
Other items of expense:			
Marketing and distribution costs	(357,453)	(318,044)	12
Research and development costs	(20,458)	(13,036)	57
Administrative expenses	(65,591)	(65,457)	-
Finance costs	(9,177)	(10,534)	-13
Other losses	(3,306)	(166)	n.m
Share of profits of associates	39,518	15,646	153
Profit before income tax	146,475	128,240	14
Income tax expense	(21,269)	(18,830)	13
Profit, net of tax	125,206	109,410	14
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on re-measuring available-for-sale Investments, net of tax	11,122	877	n.m
Other comprehensive income for the year, net	11,122	877	n.m
Total comprehensive income	136,328	110,287	24

	<u>The Group</u>		Change
	3-month period ended 31 March 2015 RMB'000	3-month period ended 31 March 2014 RMB'000	%
Profit, net of tax attributable to:			
Owners of the parent	119,168	102,341	16
Non-controlling interests	6,038	7,069	-15
	125,206	109,410	14
Total comprehensive income attributable to:			
Owners of the parent	130,290	103,218	26
Non-controlling interests	6,038	7,069	-15
	136,328	110,287	24

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	Group	
	3-month period ended 31 March 2015 RMB'000	3-month period ended 31 March 2014 RMB'000
Profit, net of tax is arrived at after crediting / (charging):		
Other income including interest income	7,086	6,135
Losses on disposal of property, plant and equipment	(51)	(165)
Reversal of allowance for doubtful debts and bad debts written-off	(3,141)	40
Foreign exchange loss/(gain), net	(114)	59
Interest on borrowings	(9,177)	(10,534)
Depreciation and amortization	(22,674)	(23,728)

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>	
	31 March 2015 RMB'000	31 December 2014 RMB'000	31 March 2015 RMB'000	31 December 2014 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	877,271	870,231	725,637	732,802
Investment properties	26,463	26,710	24,650	24,878
Land use rights	182,819	183,596	152,357	153,064
Intangibles assets	9,126	9,488	4,469	4,882
Investments in subsidiaries	-	-	314,366	314,366
Investments in associates	581,570	542,053	510,431	510,431
Other assets, non-current	18,597	15,539	13,705	15,946
Other financial assets, non-current	333,412	319,499	96,149	83,065
Deferred tax assets	88,122	88,122	83,920	83,920
Total non-current assets	2,117,380	2,055,238	1,925,684	1,923,354
Current assets				
Inventories	909,120	859,891	685,003	645,638
Trade and other receivables	1,592,294	1,693,613	1,412,821	1,515,793
Other assets, current	206,689	197,530	176,549	154,449
Cash and cash equivalents	859,961	630,935	597,000	408,586
Total current assets	3,568,064	3,381,969	2,871,373	2,724,466
Total assets	5,685,444	5,437,207	4,797,057	4,647,820
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	739,308	739,308	739,308	739,308
Share premium	414,042	414,042	414,042	414,042
Other reserves	382,202	371,080	458,180	447,058
Retained earnings	1,358,515	1,239,347	1,189,006	1,095,568
Equity, attributable to equity holders of the parent, total	2,894,067	2,763,777	2,800,536	2,695,976
Non-controlling interests	182,820	182,860	-	-
Total equity	3,076,887	2,946,637	2,800,536	2,695,976

	<u>The Group</u>		<u>The Company</u>	
	31 March 2015 RMB'000	31 December 2014 RMB'000	31 March 2015 RMB'000	31 December 2014 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	10,467	8,504	10,467	8,504
Trade payables, non-current	53,947	53,947	53,507	53,507
Other liabilities, non-current	67,004	66,173	41,202	39,680
Total non-current liabilities	131,418	128,624	105,176	101,691
Current liabilities				
Income tax payable	27,249	8,735	23,544	4,886
Trade and other payables	1,298,539	1,380,160	987,233	1,095,889
Other financial liabilities	1,011,100	921,700	778,000	720,000
Other liabilities, current	140,251	51,351	102,568	29,378
Total current liabilities	2,477,139	2,361,946	1,891,345	1,850,153
Total liabilities	2,608,557	2,490,570	1,996,521	1,951,844
Total equity and liabilities	5,685,444	5,437,207	4,797,057	4,647,820

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

Amount repayable in one year or less, or on demand

As at 31/3/2015		As at 31/12/2014	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
182,100	829,000	155,700	766,000

Details of collateral for secured borrowings:

As at 31 March 2015 and 31 December 2014, bank loans of RMB 20 million are secured on legal mortgages over the subsidiaries' property, plant and equipment. Bank loans totalled of RMB 23 million are guaranteed by the non-controlling shareholder in a subsidiary. Other loans of RMB 136 million are secured by pledge of quoted bonds of corporations of the Group of the same amount.

Amount repayable after one year

As at 31/3/2015		As at 31/12/2014	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	-	-	-

1(c) A consolidated cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group	
	3-month period ended 31 March 2015 RMB'000	3-month period ended 31 March 2014 RMB'000
<u>Cash flows from operating activities</u>		
Profit before income tax	146,475	128,240
Interest income	(1,261)	(1,302)
Interest expense	9,177	10,534
Gain upon maturity of held-to-maturity investments	(3,115)	(3,012)
Share of profits of equity-accounted associates	(39,518)	(15,646)
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	22,674	23,728
Gain on disposals of property, plant and equipment, intangible assets and other non-current assets	51	165
Impairment of receivables and inventories	3,141	(40)
Operating cash flows before changes in working capital	137,624	142,667
Inventories	(60,495)	(47,436)
Trade and other receivables	106,546	(50,167)
Other assets	(9,159)	(29,008)
Trade and other payables	(80,521)	18,694
Other liabilities	88,900	(13,233)
Net cash flows from operations	182,895	21,517
Income tax paid	(2,846)	(1,741)
Net cash flows from operating activities	180,049	19,776

	The Group	
	3-month period ended 31 March 2015 RMB'000	3-month period ended 31 March 2014 RMB'000
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment, intangibles, Land use rights and investment properties	(28,783)	(5,136)
Acquisition of available-for-sale financial assets	(6,205,428)	(2,867,644)
Proceeds from disposal of available-for-sale financial assets	6,206,017	2,876,282
Investment income received	2,937	2,937
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	48	71
Interest income received	1,261	1,302
Net cash flows (used in) / from investing activities	(23,948)	7,812
<u>Cash flows from financing activities</u>		
Increase in capital contributed by non-controlling interest	-	2,940
Proceeds from new borrowings	396,000	415,000
Proceeds from other borrowings	8,594,363	9,897,152
Dividends paid to equity owners	-	(32,561)
Distribution to non-controlling interests	(6,078)	(4,037)
Interest expense paid	(9,158)	(12,471)
Repayment of borrowings	(333,000)	(613,000)
Repayment of other borrowings	(8,569,202)	(9,909,152)
Cash restricted in use and/or maturing after 3 months	(28,509)	(5,508)
Net cash flows from / (used in) financing activities	44,416	(261,637)
Net increase / (decrease) in cash and cash equivalents	200,517	(234,049)
Effect of exchange rate changes on cash and cash equivalents	-	59
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	557,062	659,220
Cash and cash equivalents, consolidated statement of cash flows, ending balance	757,579	425,230

Cash and cash equivalents in consolidated statement of cash flows		
Amount as shown in the statement of financial positions	859,961	516,248
Restricted cash deposits for bank notes payables	(102,382)	(91,018)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	757,579	425,230

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 2015	739,308	414,042	371,080	1,239,347	2,763,777	182,860	2,946,637
Total comprehensive income for the period	-	-	11,122	119,168	130,290	6,038	136,328
Distribution to non-controlling interests	-	-	-	-	-	(6,078)	(6,078)
Balance at 31 March 2015	739,308	414,042	382,202	1,358,515	2,894,067	182,820	3,076,887

Group	Share capital	Share premium	Other Reserves	Retained earnings	Total	Non-cont rolling interests	Total equity
Balance at 1 January 2014	739,308	414,042	309,840	954,190	2,417,380	157,584	2,574,964
Total comprehensive income for the period	-	-	877	102,341	103,218	7,069	110,287
Increase in capital contributed by non-controlling interests	-	-	-	-	-	2,940	2,940
Distribution to non-controlling interests	-	-	-	-	-	(4,037)	(4,037)
Balance at 31 March 2014	739,308	414,042	310,717	1,056,531	2,520,598	163,556	2,684,154

Company	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
Balance at 1 January 2015	739,308	414,042	447,058	1,095,568	2,695,976
Total comprehensive income for the period	-	-	11,122	93,438	104,560
Balance at 31 March 2015	739,308	414,042	458,180	1,189,006	2,800,536

All in RMB'000

Company	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
Balance at 1 January 2014	739,308	414,042	387,731	825,894	2,366,975
Total comprehensive income for the period	-	-	877	91,485	92,362
Balance at 31 March 2014	739,308	414,042	388,608	917,379	2,459,337

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 2014.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 March 2015 and 31 December 2014.

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 March 2015	As at 31 December 2014
Number of issued shares excluding treasury shares	:	739,308,720	739,308,720
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"), being standards and interpretations issued by the International Accounting Standards Board that are relevant to its operations and effective on the beginning of its current reporting year on 1 January 2015. 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.

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 2014.

5. If there are any change in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Refer Paragraph 4 above.

6. Earnings per share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	3-month period ended 31 March 2015 RMB	3-month period ended 31 March 2014 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	0.16	0.14

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 March 2015 RMB	31 December 2014 RMB	31 March 2015 RMB	31 December 2014 RMB
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	3.91	3.74	3.79	3.65

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 first quarter of FY2015 ("**1Q FY2015**") was approximately RMB 1,621 million, an increase of approximately RMB 69 million or 4%, from RMB 1,552 million in the first quarter of FY2014 ("**1Q FY2014**").

(b) Gross Profit Margin:

The Group's gross profit in 1Q FY2015 increased by approximately 8% from approximately RMB 514 million in 1Q FY2014 to approximately RMB 556 million. The gross profit margin increased from 33.1% in 1Q FY2014 to 34.3% in 1Q FY2015.

(c) Other Gains:

Other gains in 1Q FY2015 was approximately RMB 5.8 million, an increase of 18% or approximately RMB 0.9 million over the previous corresponding period. The increase was due to higher non-operating income in 1Q FY2015.

(d) Major Expenses:

- (i) Marketing and Distribution costs in 1Q FY2015 was approximately RMB 357 million, an increase of approximately RMB 39 million, or 12% over the previous corresponding period. The increase in major expenses was due mainly to the increase in marketing expenses.
- (ii) Research and Development Costs in 1Q FY2015 was approximately RMB 20 million, an increase of approximately RMB 7 million or 57% over the previous corresponding period. The Group increased its research and development activities on its major products in 1Q FY2015 which led to higher costs.
- (iii) Administration expenses in 1Q FY2015 increased by approximately RMB 0.1 million, from approximately RMB 65 million in 1Q FY2014.
- (iv) Finance costs in 1Q FY2015 decreased by approximately RMB 1 million or 13% from approximately RMB 10 million to approximately RMB 9 million.

(e) Shares of results of associated companies:

The Group's share of profits of associates in 1Q FY2015 increased by approximately RMB 24 million, or 153%, from approximately RMB 16 million in 1Q FY2014 to approximately RMB 40 million. This was mainly because Sino-American Tianjin Smithkline & French Lab., Ltd.'s profit

in 1Q FY2015 increased by approximately RMB 23 million compared to the corresponding period in FY2014.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 1Q FY2015 was approximately RMB 136 million, an increase of 24% over the previous corresponding period. The profit attributable to equity holders of Parent (net of tax) in 1Q FY2015 was approximately RMB 119 million, an increase of approximately RMB 17 million or 16%, from the corresponding period in 1Q FY2014.

(g) Major changes in statement of financial positions:

As at 31 March 2015, the Group's cash and cash equivalents amounted to approximately RMB 860 million, which is an increase of approximately RMB 229 million, or 36% over the balance as at 31 December 2014. The Group's short-term borrowings as at 31 March 2015 amounted to approximately RMB 1,011 million, which is an increase of approximately RMB 89 million, or 10% over the balance as at 31 December 2014.

Trade and other receivables was approximately RMB 1,592 million at 31 March 2015, which is a decrease of approximately RMB 101 million, or 6% over the balance as at 31 December 2014. Notes receivable increased by approximately RMB 1.71 million. Trade receivables decreased by approximately RMB 117 million. Other receivables increased by approximately RMB 14 million. Inventories increased by 6% to approximately RMB 909 million to meet the anticipated higher sales in the coming months.

Other current asset increased by approximately 5% or RMB 9 million to approximately RMB 207 million as at 31 March 2015. This was mainly attributed to the increase in procurement of which advance payments are required.

Investments in associates of the Group increased by 7% to approximately RMB 582 million, which is mainly attributable to the Group's share of the associates' profits in 1Q FY2015.

Property, plant and equipment increased by approximately RMB 7 million or 1% to RMB 877 million.

(h) Changes in cash flow position:

In 1Q FY2015, the Group recorded net cash inflow from operating activities of approximately RMB 180 million.

Cash outflow from investment activities was approximately RMB 24 million in 1Q FY2015.

Cash inflow from financing activities was approximately RMB 44 million in 1Q FY2015.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Nil.

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

The Company has managed to overcome the difficulties caused by the increases in employees' salaries and financing costs, and improved its operating results in recent years. However, the Company expects to face challenges from (i) the increase in costs of raw materials, energy and human resources, (ii) relatively high financing costs, and (iii) highly competitive environment due to the increasing competition from e-commerce.

Taking into account the competitive environment, the Company is continuing to carry out the established policies of the Group in order to improve its capabilities in the following areas: -

- (1) strengthening its marketing and innovation efforts to enhance the Group's core competitiveness;
- (2) focusing on research and development activities to enhance the Group's competitive edge on technology innovation;
- (3) ensuring that funds are used efficiently to enhance the Group's core competitiveness; and
- (4) strengthening the internal controls and information management of the Company to enhance the Group's management.

11. Dividend

(a) Current Financial Period Reported On

No dividend has been declared for the current financial period reported on.

(b) Corresponding Period of the Immediately Preceding Financial Year

No dividend was declared for the corresponding period of the immediately preceding financial year.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

(e) If no dividend has been declared/recommended, a statement to that effect

Not applicable.

12. Interested Person Transaction disclosure

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**"), the Company discloses the aggregate value of interested person transactions as follows:-

In RMB'000

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under a shareholders' mandate pursuant to Rule 920 of SGX Listing Manual (excluding transactions less than S\$100,000)
Total	NIL	NIL

13. Statement Pursuant to SGX Listing Rule 705(5) of the Listing Manual

The Board of Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Directors which may render the unaudited interim consolidated financial results for the quarter ended 31 March 2015, to be false or misleading in any material respect.