

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

Second 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 April to 30 June 2015 RMB'000	3-month period from 1 April to 30 June 2014 RMB'000	Change %	6-month period from 1 January to 30 June 2015 RMB'000	6-month period from 1 January to 30 June 2014 RMB'000	Change %
<b>Revenue</b>	<b>1,740,869</b>	1,783,125	-2	<b>3,361,681</b>	3,334,960	1
Cost of Sales	<b>(1,175,988)</b>	(1,224,622)	-4	<b>(2,240,943)</b>	(2,262,860)	-1
<b>Gross Profit</b>	<b>564,881</b>	558,503	1	<b>1,120,738</b>	1,072,100	5
<b>Other Items of Income:</b>						
Interest Income	<b>1,405</b>	1,123	25	<b>2,666</b>	2,425	10
Dividend Income	<b>487</b>	419	16	<b>487</b>	419	16
Other Credits	<b>43,942</b>	5,562	n.m	<b>49,766</b>	10,494	n.m
<b>Other Items of Expense:</b>						
Marketing and Distribution Costs	<b>(344,366)</b>	(361,585)	-5	<b>(701,819)</b>	(679,629)	3
Research and Development Costs	<b>(16,854)</b>	(16,640)	1	<b>(37,312)</b>	(29,676)	26
Administrative Expenses	<b>(69,198)</b>	(61,297)	13	<b>(134,789)</b>	(126,754)	6
Finance Costs	<b>(8,555)</b>	(12,728)	-33	<b>(17,732)</b>	(23,262)	-24
Other Charges	<b>(1,884)</b>	(1,070)	76	<b>(5,190)</b>	(1,236)	n.m
Share of (Loss)/ Profit of Associates	<b>(26,907)</b>	10,205	n.m	<b>12,611</b>	25,851	-51
<b>Profit Before Income Tax</b>	<b>142,951</b>	122,492	17	<b>289,426</b>	250,732	15
Income Tax Expense	<b>(25,703)</b>	(21,701)	18	<b>(46,972)</b>	(40,531)	16
<b>Profit, Net of Tax</b>	<b>117,248</b>	100,791	16	<b>242,454</b>	210,201	15

	<u>The Group</u>					
	<b>3-month period from 1 April to 30 June 2015 RMB'000</b>	3-month period from 1 April to 30 June 2014 RMB'000	Change %	<b>6-month period from 1 January to 30 June 2015 RMB'000</b>	6-month period from 1 January to 30 June 2014 RMB'000	Change %
<b>Other Comprehensive Income:</b>						
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Fair Value Gain / (Loss) on re-measuring Available-For-Sale Investments, Net of Tax	<b>1,970</b>	(519)	n.m	<b>13,092</b>	358	n.m
Share of Other Comprehensive Income / (Loss) of Associates	<b>2,659</b>	128	n.m	<b>2,659</b>	128	n.m
Other Comprehensive Income/(Loss) for the Year, Net	<b>4,629</b>	(391)	n.m	<b>15,751</b>	486	n.m
<b>Total Comprehensive Income</b>	<b>121,877</b>	100,400	21	<b>258,205</b>	210,687	23
<b>Profit, Net of Tax Attributable to:</b>						
Owners of the Parent	<b>119,451</b>	95,987	24	<b>238,619</b>	198,328	20
Non-Controlling Interests	<b>(2,203)</b>	4,804	n.m	<b>3,835</b>	11,873	-68
	<b>117,248</b>	100,791	16	<b>242,454</b>	210,201	15

	The Group					
	3-month period from 1 April to 30 June 2015 RMB'000	3-month period from 1 April to 30 June 2014 RMB'000	Change %	6-month period from 1 January to 30 June 2015 RMB'000	6-month period from 1 January to 30 June 2014 RMB'000	Change %
<b>Total Comprehensive Income Attributable to:</b>						
Owners of the Parent	<b>124,080</b>	95,596	30	<b>254,370</b>	198,814	28
Non-Controlling Interests	<b>(2,203)</b>	4,804	n.m	<b>3,835</b>	11,873	-68
	<b>121,877</b>	100,400	21	<b>258,205</b>	210,687	23

(\* ) prepared under International Financial Reporting Standards

n.m Not Meaningful

	The Group			
	3-month period from 1 April to 30 June 2015 RMB'000	3-month period from 1 April to 30 June 2014 RMB'000	6-month period from 1 January to 30 June 2015 RMB'000	6-month period from 1 January to 30 June 2014 RMB'000
Profit, Net of Tax is arrived at after crediting / (charging):				
Dividend income	<b>487</b>	419	<b>487</b>	419
Other income including interest income	<b>29,970</b>	6,304	<b>37,056</b>	12,439
Gain / (loss) on disposal of property, plant and equipment	<b>(324)</b>	(214)	<b>(375)</b>	(379)
Gain on disposal of an associate	<b>15,258</b>	-	<b>15,258</b>	-
Interest on borrowings	<b>8,555</b>	12,728	<b>17,732</b>	23,262
Foreign exchange gain / (loss)	<b>409</b>	23	<b>523</b>	(36)
Depreciation and amortization	<b>20,974</b>	26,619	<b>43,648</b>	50,347
Employment termination benefits	-	436	-	436
Reversal /(allowance) for doubtful debts and bad debts written-off	<b>1,029</b>	17	<b>4,170</b>	(23)

**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	
	30 June 2015 RMB'000	31 December 2014 RMB'000	30 June 2015 RMB'000	31 December 2014 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	876,081	870,231	717,817	732,802
Investment properties	27,842	26,710	26,049	24,878
Land use rights	181,246	183,596	150,822	153,064
Intangibles assets	9,635	9,488	4,749	4,882
Investment in subsidiaries	-	-	314,366	314,366
Investment in associates	532,581	542,053	466,530	510,431
Other assets	16,561	15,539	12,299	15,946
Other financial assets, non-current	334,113	319,499	98,467	83,065
Deferred tax assets	88,122	88,122	83,920	83,920
<b>Total non-current assets</b>	<b>2,066,181</b>	<b>2,055,238</b>	<b>1,875,019</b>	<b>1,923,354</b>
<b>Current assets</b>				
Inventories	1,011,172	859,891	796,851	645,638
Trade and other receivables	1,474,240	1,693,613	1,325,438	1,515,793
Other asset, current	375,126	197,530	261,938	154,449
Cash and cash equivalents	1,491,322	630,935	1,276,859	408,586
<b>Total current assets</b>	<b>4,351,860</b>	<b>3,381,969</b>	<b>3,661,086</b>	<b>2,724,466</b>
<b>Total assets</b>	<b>6,418,041</b>	<b>5,437,207</b>	<b>5,536,105</b>	<b>4,647,820</b>
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	768,872	739,308	768,872	739,308
Share premium	1,198,818	414,042	1,198,818	414,042
Other reserves	386,831	371,080	460,150	447,058
Retained earnings	1,367,070	1,239,347	1,198,512	1,095,568
<b>Total equity attributable to owners of the parent</b>	<b>3,721,591</b>	<b>2,763,777</b>	<b>3,626,352</b>	<b>2,695,976</b>
Non-controlling interests	180,617	182,860	-	-
<b>Total equity</b>	<b>3,902,208</b>	<b>2,946,637</b>	<b>3,626,352</b>	<b>2,695,976</b>

	<u>The Group</u>		<u>The Company</u>	
	<b>30 June 2015 RMB'000</b>	31 December 2014 RMB'000	<b>30 June 2015 RMB'000</b>	31 December 2014 <b>RMB'000</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	<b>10,815</b>	8,504	<b>10,815</b>	8,504
Trade payables, non-current	<b>53,947</b>	53,947	<b>53,507</b>	53,507
Other liabilities, non-current	<b>67,205</b>	66,173	<b>41,709</b>	39,680
<b>Total non-current liabilities</b>	<b>131,967</b>	128,624	<b>106,031</b>	101,691
<b>Current liabilities</b>				
Income tax payable	<b>26,005</b>	8,735	<b>22,622</b>	4,886
Trade and other payables	<b>1,474,875</b>	1,380,160	<b>1,141,886</b>	1,095,889
Other financial liabilities, current	<b>831,600</b>	921,700	<b>598,000</b>	720,000
Other liabilities, current	<b>51,386</b>	51,351	<b>41,214</b>	29,378
<b>Total current liabilities</b>	<b>2,383,866</b>	2,361,946	<b>1,803,722</b>	1,850,153
<b>Total liabilities</b>	<b>2,515,833</b>	2,490,570	<b>1,909,753</b>	1,951,844
<b>Total equity and liabilities</b>	<b>6,418,041</b>	5,437,207	<b>5,536,105</b>	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**

<u>The Group</u>			
<b>As at 30/06/2015</b>		<b>As at 31/12/2014</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>187,600</b>	<b>644,000</b>	155,700	766,000

Details of collateral for secured borrowings:

As at 30 June 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**

<u>The Group</u>			
<b>As at 30/06/2015</b>		<b>As at 31/12/2014</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
-	-	-	-

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

	<u>The Group</u>			
	<b>3-month period from 1 April to 30 June 2015 RMB'000</b>	3-month period from 1 April to 30 June 2014 RMB'000	<b>6-month period from 1 January to 30 June 2015 RMB'000</b>	6-month period from 1 January to 30 June 2014 RMB'000
<b><u>Cash Flows from Operating</u></b>				
<b><u>Activities</u></b>				
Profit Before Income Tax	<b>142,951</b>	122,492	<b>289,426</b>	250,732
Interest Income	<b>(1,405)</b>	(1,123)	<b>(2,666)</b>	(2,425)
Interest Expense	<b>8,555</b>	12,728	<b>17,732</b>	23,262
Dividend Income	<b>(487)</b>	(419)	<b>(487)</b>	(419)
Gain Upon Maturity of Held-to-Maturity Investments	<b>(4,554)</b>	(2,496)	<b>(7,669)</b>	(5,508)
Share of Loss/( Profit) of Equity-Accounted Associates	<b>26,907</b>	(10,205)	<b>(12,611)</b>	(25,851)
Gain on Disposal of an Associate	<b>(15,258)</b>	-	<b>(15,258)</b>	-
Depreciation and Amortisation of Property, Plant and Equipment, Investment Properties, Land Use Rights and Intangible Assets	<b>20,974</b>	26,619	<b>43,648</b>	50,347
Loss / (Gain) on Disposals of Property, Plant and Equipment, Intangible Assets and Other Non-Current Assets	<b>324</b>	214	<b>375</b>	379
Impairment / (Reversal of Impairment) of Receivables and Inventories	<b>1,032</b>	17	<b>4,173</b>	(23)
<b>Operating Cash Flows Before Changes in Working Capital</b>	<b>179,039</b>	147,827	<b>316,663</b>	290,494
Inventories	<b>(110,283)</b>	(78,495)	<b>(170,778)</b>	(125,931)
Trade and Other Receivables	<b>148,664</b>	176,331	<b>255,210</b>	126,164
Other assets	<b>(168,437)</b>	(168,310)	<b>(177,596)</b>	(197,318)
Trade and Other Payables	<b>135,475</b>	73,555	<b>54,954</b>	92,250
Other liabilities	<b>(88,865)</b>	3,917	<b>35</b>	(9,316)
<b>Net Cash Flows From Operations</b>	<b>95,593</b>	154,825	<b>278,488</b>	176,343
Income Tax Paid	<b>(29,460)</b>	(23,972)	<b>(32,306)</b>	(25,713)
<b>Net Cash Flows From Operating Activities</b>	<b>66,133</b>	130,853	<b>246,182</b>	150,630

	<u>The Group</u>			
	<b>3-month period from 1 April to 30 June 2015 RMB'000</b>	3-month period from 1 April to 30 June 2014 RMB'000	<b>6-month period from 1 January to 30 June 2015 RMB'000</b>	6-month period from 1 January to 30 June 2014 RMB'000
<b><u>Cash Flows From Investing Activities</u></b>				
Purchase of Property, Plant and Equipment, Intangibles, Land Use Rights and Investment Properties	<b>(11,455)</b>	(15,971)	<b>(40,238)</b>	(21,107)
Acquisition of Investment in Available-for-Sale and Held-to-Maturity Financial Assets	<b>(7,076,601)</b>	(6,184,927)	<b>(13,282,029)</b>	(9,052,571)
Proceeds From Disposal of Available-For-Sale Financial Assets	<b>7,032,257</b>	6,256,860	<b>13,238,274</b>	9,133,142
Proceeds From Disposal of an Associate	<b>40,000</b>	-	<b>40,000</b>	-
Acquisition of Investments in Associates	<b>10,490</b>	1,902	<b>13,427</b>	4,839
Proceeds From Disposals of Property, Plant and Equipment, Intangible Assets and Other Assets	<b>33</b>	37	<b>81</b>	108
Interest Income Received	<b>1,405</b>	1,123	<b>2,666</b>	2,425
<b>Net Cash Flows From / (Used in) Investing Activities</b>	<b>(3,871)</b>	59,024	<b>(27,819)</b>	66,836
<b><u>Cash Flows From Financing Activities</u></b>				
Proceeds From Issue of New Shares	<b>815,950</b>	-	<b>815,950</b>	-
Increase in Capital contributed by Non-controlling interest	-	-	-	2,940
Proceeds From New Borrowings	<b>60,000</b>	170,000	<b>456,000</b>	585,000
Proceeds From Other Borrowings	<b>9,923,057</b>	10,383,259	<b>18,517,420</b>	20,280,411
Dividends Paid to Equity Owners	<b>(61,426)</b>	(1,535)	<b>(61,426)</b>	(34,096)
Distribution to Non-Controlling Interests	-	-	<b>(6,078)</b>	(4,037)
Interest Expense Paid	<b>(5,054)</b>	(10,361)	<b>(14,212)</b>	(22,832)
Repayment of Borrowings	<b>(245,000)</b>	(170,000)	<b>(578,000)</b>	(783,000)
Repayment of Other Borrowings	<b>(9,918,428)</b>	(10,454,982)	<b>(18,487,630)</b>	(20,364,134)
Cash Restricted in Use and/or Maturing After 3 Months	<b>5,142</b>	26,390	<b>(23,367)</b>	20,882



	<u>The Group</u>			
	<b>3-month period from 1 April to 30 June 2015 RMB'000</b>	3-month period from 1 April to 30 June 2014 RMB'000	<b>6-month period from 1 January to 30 June 2015 RMB'000</b>	6-month period from 1 January to 30 June 2014 RMB'000
<b>Net Cash Flows From/(Used in) Financing Activities</b>	<b>574,241</b>	(57,229)	<b>618,657</b>	(318,866)
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>	<b>636,503</b>	132,648	<b>837,020</b>	(101,400)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-	(23)	-	36
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	<b>757,579</b>	425,230	<b>557,062</b>	659,219
<b>Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance</b>	<b>1,394,082</b>	557,855	<b>1,394,082</b>	557,855

<b>Cash and Cash Equivalents in Consolidated Statement of Cash Flows</b>				
Amount as Shown in the Statement of Financial Positions	<b>1,491,322</b>	622,484	<b>1,491,322</b>	622,484
Less: Cash and Cash Equivalent Restricted in Use	<b>(97,240)</b>	(64,629)	<b>(97,240)</b>	(64,629)
Cash and Cash Equivalents for Consolidated Statement of Cash Flows Purpose at End of the Period	<b>1,394,082</b>	557,855	<b>1,394,082</b>	557,855

**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

<u>The Group</u>	Share capital	Share premium	Other Reserves	Retained earnings	Parent sub-total	Non-controlling 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	-	-	15,751	238,619	254,370	3,835	258,205
Dividends	-	-	-	(110,896)	(110,896)	-	(110,896)
Issue of New Shares	29,564	784,776	-	-	814,340	-	814,340
Distribution to Non-controlling Interests	-	-	-	-	-	(6,078)	(6,078)
Balance at 30 June 2015	768,872	1,198,818	386,831	1,367,070	3,721,591	180,617	3,902,208

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 Year	-	-	486	198,328	198,814	11,873	210,687
Dividends	-	-	-	(36,965)	(36,965)	-	(36,965)
Increase in Capital contributed by Non-controlling Interests	-	-	-	-	-	4,605	4,605
Distribution to Non-controlling Interests	-	-	-	-	-	(4,037)	(4,037)
Balance at 30 June 2014	739,308	414,042	310,326	1,115,553	2,579,229	170,025	2,749,254

All in RMB'000

<u>The Company</u>	<b>Share capital</b>	<b>Share premium</b>	<b>Other Reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 January 2015	739,308	414,042	447,058	1,095,568	2,695,976
Total Comprehensive Income for the Year	-	-	13,092	213,840	226,932
Issue of New Shares	29,564	784,776	-	-	814,340
Dividends	-	-	-	(110,896)	(110,896)
Balance at 30 June 2015	768,872	1,198,818	460,150	1,198,512	3,626,352

Balance at 1 January 2014	739,308	414,042	387,731	825,894	2,366,975
Total Comprehensive Income for the Year	-	-	358	181,603	181,961
Dividends	-	-	-	(36,965)	(36,965)
Balance at 30 June 2014	739,308	414,042	388,089	970,532	2,511,971

**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 30 June 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 30 June 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

Note: For the new allotment of shares, the proceeds were received on 26 June 2015 but the new shares were issued and registered on 10 July 2015. Hence, the number of issued shares was increased to 768,873,076 with effect from 10 July 2015.

**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**

	<u>The Group</u>			
	<b>3-month period from 1 April to 30 June 2015  RMB</b>	3-month period from 1 April to 30 June 2014  RMB	<b>6-month period from 1 January to 30 June 2015  RMB</b>	6-month period from 1 January to 30 June 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 in issue	<b>0.16</b>	0.13	<b>0.32</b>	0.27

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**

	<u>The Group</u>		<u>The Company</u>	
	<b>30 June 2015</b> RMB	31 December 2014 RMB	<b>30 June 2015</b> 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	<b>5.03</b>	3.74	<b>4.91</b>	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 second quarter of FY2015 ("2Q FY2015") was approximately RMB 1,741 million, a decrease of approximately RMB 42 million, or 2%, from RMB1,783 million in the second quarter of FY2014 ("2Q FY2014"). For the 6 months ended 30 June 2015 ("1H15"), the Group recorded a revenue of approximately RMB 3,362 million, an increase of approximately RMB 27 million, approximately 1% over the corresponding period in FY2014.

(b) Gross Profit Margin:

The Group's gross profit in 2Q FY2015 increased by approximately 1% from approximately RMB 559 million in 2Q FY2014 to approximately RMB 565 million. For 1H15, the Group's gross profit was approximately RMB 1,121 million compared to approximately RMB 1,072 million in the corresponding period of FY2014, with an increase of approximately 5% amounting to approximately RMB 49 million. The gross profit margin has increased from 32.1% in first half financial year of FY2014 ("1H14") to 33.3% in 1H15.

(c) Other Credits:

Other credits in 2Q FY2015 were RMB 44 million. For 1H15, the Group's other credits were approximately RMB 50 million, an increase of approximately RMB 39 million over the previous corresponding period. The increase in other credits was due mainly to the increase in the proceeds from the transfer of equity interest of Tianjin Hualida Biotech Co., Ltd and the proceeds from compensation for demolition and relocation.

(d) Major Expenses:

(i) Marketing and Distribution costs in 2Q FY2015 decreased by approximately 5% to approximately RMB 344 million. For 1H15, the Marketing and Distribution costs was approximately RMB 702 million, an increase of approximately RMB 22 million or 3% 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 2Q FY2015 increased by approximately RMB 0.2 million, to approximately RMB 17 million. For 1H15, the Research and Development costs increased by approximately RMB 8 million, from approximately RMB 29 million in 1H14 to approximately RMB 37 million. The increase in research and development costs was due mainly to increase in expenses for medical research.

(iii) Administrative expenses in 2Q FY2015 increased by approximately RMB 8 million, to approximately RMB 69 million. For 1H15, the administration expenses increased by approximately RMB 8 million, from approximately RMB 127 million in 1H14 to approximately RMB 135 million.

(iv) Finance costs in 2Q FY2015 decreased by approximately 33% to approximately RMB 9 million, while for 1H15, the finance costs decreased by approximately RMB 5 million or 24% from approximately RMB 23 million to approximately RMB 18 million. The decrease in financial costs was mainly due to the decrease in loan amounts and interest rates.

(v) Other charges in 2Q FY2015 increased by approximately RMB 1 million, while for 1H15, the other charges increased by approximately RMB 4 million from approximately RMB 1 million to approximately RMB 5 million. The increase in other charges was mainly due to the increase in allowance for bad debts.

(e) Share of (Loss)/ Profit of Associates:

The Group's share of results of associated companies in 2Q FY2015 has decreased by approximately RMB 37 million to approximately RMB -27 million. The Group's share of results of associated companies in 1H15 decreased by approximately RMB 13 million to approximately RMB 13 million. This was mainly because Sino-American Tianjin Smithkline & French Lab., Ltd.'s profit in 1H15 decreased compared to 1H14.

(f) Comprehensive Income:

The Group's total comprehensive income (net of tax) in 2Q FY2015 was approximately RMB 122 million, an increase of 21% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 1H15 was approximately RMB 258 million, an increase of approximately RMB 48 million or 23% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 2Q FY2015 was approximately RMB 119 million, an increase of approximately RMB 23 million, or 24% from RMB 96 million of the corresponding period in 2Q FY2014. The profit attributable to equity holders of parent (net of tax) in 1H15 was approximately RMB 239 million, an increase of approximately RMB 41 million, or 20% from RMB 198 million of the corresponding period in 1H14.

(g) Major Changes in Statement of Financial Positions:

As at 30 June 2015, the Group's cash and cash equivalents amounted to approximately RMB 1,491 million, which is an increase of approximately RMB 860 million, or 136% over the balance as at 31 December 2014. The Group's short-term borrowings as at 30 June 2015 amounted to approximately RMB 832 million, which is a decrease of approximately RMB 90 million, or 10% over the balance as at 31 December 2014.

Trade and other receivables decreased by approximately 13% or RMB 219 million to approximately RMB 1,474 million as at 30 June 2015. Notes receivable decreased by approximately RMB 53 million. Trade receivables decreased by approximately RMB 170 million. Inventories increased by 18% to approximately RMB 1,011 million to meet the anticipated higher sales in the coming months.

Other current asset increased by approximately 90% or RMB 178 million to approximately RMB 375 million as at 30 June 2015. This was mainly attributed to the increase in procurement of which advance payments are required.

Investment in associates of the Group decreased by 2% to approximately RMB 533 million, which is mainly attributable to the decrease in the Group's share of the associates' profits after the disposal of the equity interest of Tianjin Hualida Biotech Co., Ltd..

Property, plant and equipment increased by approximately RMB 6 million to approximately RMB 876 million.

(h) Change in Cash Flow Position:

In 1H15, the Group recorded net cash inflow from operating activities of approximately RMB 246 million.

Cash outflow from investment activities was approximately RMB 28 million in 1H15.

Cash inflow from financing activities was approximately RMB 619 million in 1H15.



**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**

Accompanying the economical pressure and slow growth of the pharmaceutical industry in recent years, the Company expects to face challenges from (i) the increase in costs of raw materials, energy and human resources; and (ii) the uncertainty in government procurement policy for pharmaceuticals.

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 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.

**(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 30 June 2015, to be false or misleading in any material respect.