

**TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED**

(Company Registration No.: 120000000004711)

(Incorporated in the People's Republic of China (the "PRC"))

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**Resolutions Passed at the 7<sup>th</sup> Board Meeting for FY2014**

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*The board of directors of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "Board") collectively and individually accept full responsibility for the accuracy of the information given in this announcement, and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, the facts stated in this announcement are fair and accurate in all material respects as at the date of this announcement, and that there are no material facts the omission of which would make any statement in this announcement misleading.*

Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "**Company**") had on 18 July 2014 issued a notice of board meeting to its directors in respect of the 7<sup>th</sup> board meeting for FY2014, and the board meeting was duly convened on 28 July 2014. The following resolutions were discussed and passed by the full Board of 9 directors.

The said meeting was convened in compliance with the applicable Companies law, Securities Law and the Memorandum & Articles of Association of the Company, and the following resolutions were passed:

- (1) **That** the public sale of the Company's 30% shareholding in Baxter Healthcare (Tianjin) Co., Ltd. ("**Tianjin Baxter**") be approved. (Please refer to Appendix 1 for details)
- (2) **That** the composition of the Board and the change of Board Committee members of the Company be approved.

The composition of Board Committees of the Company shall henceforth be as follows:

**Audit Committee:**

Mr. Chen Timothy Teck Leng @ Chen Teck Leng (Independent Director) (**Chairman**)

Mr. Toe Teow Heng (Independent Director)

Mr. Gao Xue Min (Independent Director)

**Strategy Committee:**

Mr. Wang Zhi Qiang (Director) (**Chairman**)

Mr. Zhang Jian Jin (Non-Executive Director)

Mr. Ma Gui Zhong (Non-Executive Director)

Mr. Xu Dao Qing (Executive Director)

Mr. Gao Xue Min (Independent Director)

**Nominating Committee:**

Mr. Gao Xue Min (Independent Director) (**Chairman**)

Mr. Toe Teow Heng (Independent Director)

Mr. Ma Gui Zhong (Non-Executive Director)

**Remuneration Committee:**

Mr. Toe Teow Heng (Independent Director) (**Chairman**)

Mr. Chen Timothy Teck Leng @ Chen Teck Leng (Independent Director)

Mr. Zhang Jian Jin (Non-Executive Director)

By order of the Board

28 July 2014

## Appendix 1

### Public Sale Of the Company's 30% Shareholding in Baxter Healthcare (Tianjin) Co., Ltd ("Tianjin Baxter")

#### 1. TRANSACTION OVERVIEW

The Company is proposing to publicly sell its 30% shareholding in Tianjin Baxter (the "Sale Shares"), which shall be subject to the approval of the Board at the 7<sup>th</sup> Board Meeting for FY2014 on 28 July 2014 (the "Transaction").

#### 2. DESCRIPTION OF THE TRANSACTION

- (1) **Name of Sale Shares:** 30% shareholding of Tianjin Baxter
- (2) **Registered Address:** Tiedong Road, Beichen District, Tianjin City
- (3) **Legal Representative:** Wang Zhi Qiang
- (4) **Business Scope:** the manufacture and sales of products involved in chemical pharmaceutical preparations and related technical consulting services. Currently, Tianjin Baxter is involved in the manufacturing of infusion bags for glucose and saline.
- (5) **Major Shareholders:**

Serial No.	Name of Shareholders	Shareholding
1	Tianjin Zhong Xin Pharmaceutical Group Corporation Limited	30%
2	Baxter (China) Investment Co., Ltd.	70%
	Total	100%

- (6) **Financial Ratios:**

	31 December 2013 (RMB million)	30 June 2014 (RMB million)
Total Assets	329.18	275.72
Total Liabilities	275.00	231.18
Net Assets	54.18	44.54
	January 2013 to December 2013 (RMB million)	January 2014 to June 2014 (RMB million)
Revenues	110.40	95.66
Net Profits	7.62	-9.65

- (7) **Valuation of Sale Shares**

The Sale Shares was assessed by Beijing Zhong Tong Hua Assets Appraisal

Co., Ltd. According to the valuation report, the valuation of Tianjin Baxter is RMB65,128,500; therefore, the Company's 30% shareholding is valued at RMB19,538,600. The cost of investment in the Company's books is RMB38,130,000.

### **3. TRANSACTION FORM**

The Company will publicly sell its 30% shareholding in Tianjin Baxter in the Tianjin Property Rights Exchange Center.

### **4. PRICING PRINCIPLES**

The listed price of the Sale Shares will be at a premium over the valuation. According to the valuation report issued by Beijing Zhong Tong Hua Assets Appraisal Co., Ltd., Company's 30% shareholding in Tianjin Baxter is valued at RMB19,538,600 and the carrying amount of Company's investment in Tianjin Baxter is approximately RMB38.13 million. Hence, the listed price of the Sale Shares will be not less than RMB80 million.

### **5. RATIONALE OF THE TRANSACTION**

- (1) The other shareholder intends to make a substantial investment in Tianjin Baxter; however the new investment does not match the planned development direction of the Company. The other shareholder plans to invest RMB600 million to RMB650 million in Tianjin Baxter to support its new project involving the processing of peritoneal dialysis solution. Based on the Company's 30% shareholding in Tianjin Baxter, the Company is required to invest about RMB200 million. Since the new project only involves further processing of products made by Baxter Healthcare (GuangZhou) Co., Ltd, the profit margins are too low and the return of investment is 15.9 years.. Therefore, the Company has decided not to participate in this new project.
- (2) Tianjin Baxter is encountering increasing losses and cash flow difficulties. Because of the high raw material and manufacturing costs of the new semi-automated production lines, Tianjin Baxter has been making losses for two consecutive years. The accumulated losses have reached RMB50 million and the loss will be expected to reach RMB19 million in 2014. Tianjin Baxter's shareholders' equity is deteriorating, the current liabilities are far larger than its current assets, its ability to obtain short term loans is weak, and the asset-liability ratio has already exceeded 80%, which makes Tianjin Baxter a risky investment.
- (3) The market outlook of Tianjin Baxter's new product is not optimistic. Since the technology of the domestic pharmaceutical industry is improving and the

favourable price policy for the foreign enterprises has been phased out, the price of the dialysis solution will be further reduced and Tianjin Baxter will be confronted with increasing competition in the industry. Currently, the products of Tianjin Baxter can only maintain its existing market share, and will face difficulties in increasing its market share.

**6. IMPACT ON THE COMPANY**

- (1) Due to Tianjin Baxter's continued losses, the transfer of the Sale Shares will not affect the Company's earnings.
- (2) The transfer of the Sale Shares at a premium will add profits to the Company and will supplement the Company's working capital to invest in other profitable project.