

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 2016 RMB'000	3-month period ended 31 March 2015 RMB'000	%
Revenue	1,643,857	1,620,812	1
Cost of sales	(1,124,678)	(1,064,955)	6
Gross profit	519,179	555,857	-7
Other items of income:			
Interest income	735	1,261	n.m
Other gains	13,412	5,824	n.m
Other items of expense:			
Marketing and distribution costs	(350,202)	(357,453)	-2
Research and development costs	(12,513)	(20,458)	-39
Administrative expenses	(68,769)	(65,591)	5
Finance costs	(4,166)	(9,177)	-55
Other losses	(966)	(3,306)	-71
Share of profits of associates	38,581	39,518	-2
Profit before income tax	135,291	146,475	-8
Income tax expense	(20,005)	(21,269)	-6
Profit, net of tax	115,286	125,206	-8
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on re-measuring available-for-sale investments, net of tax	(12,783)	11,122	n.m
Other comprehensive income, net	(12,783)	11,122	n.m
Total comprehensive income	102,503	136,328	-25

	<u>The Group</u>		Change
	3-month period ended 31 March 2016 RMB'000	3-month period ended 31 March 2015 RMB'000	%
Profit, net of tax attributable to:			
Owners of the parent	119,582	119,168	-
Non-controlling interests	(4,296)	6,038	n.m
	115,286	125,206	-8
Total comprehensive income attributable to:			
Owners of the parent	106,799	130,290	-18
Non-controlling interests	(4,296)	6,038	n.m
	102,503	136,328	-25

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	Group	
	3-month period ended 31 March 2016 RMB'000	3-month period ended 31 March 2015 RMB'000
Profit, net of tax is arrived at after crediting / (charging):		
Other income including interest income	14,147	7,085
Losses on disposal of property, plant and equipment, intangible assets and other non-current assets	(49)	(51)
Reversal of allowance for doubtful debts and bad debts written-off	(168)	(3,141)
Foreign exchange loss, net	(765)	(114)
Interest on borrowings	(4,166)	(9,177)
Depreciation and amortisation	(21,517)	(22,674)

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>	
	31 March 2016 RMB'000	31 December 2015 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	925,963	921,476
Investment properties	27,045	27,311
Land use rights	177,769	178,929
Intangibles assets	6,901	9,042
Investments in associates	569,801	531,220
Other financial assets, non-current	280,367	304,501
Deferred tax assets	82,410	82,410
Other assets, non-current	15,052	15,467
Total non-current assets	2,085,308	2,070,356
Current assets		
Inventories	954,201	974,155
Trade and other receivables	1,635,876	1,538,956
Other assets, current	290,942	175,808
Other financial assets, current	201,211	201,494
Cash and cash equivalents	1,125,302	1,108,107
Total current assets	4,207,532	3,998,520
Total assets	6,292,840	6,068,876
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	768,873	768,873
Share premium	1,198,817	1,198,817
Other reserves	408,913	421,696
Retained earnings	1,651,905	1,532,323
Total equity, attributable to equity holders of the parent	4,028,508	3,921,709
Non-controlling interests	174,370	183,466
Total equity	4,202,878	4,105,175

	<u>The Group</u>	
	31 March 2016 RMB'000	31 December 2015 RMB'000
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	7,060	9,316
Trade payables, non-current	47,652	47,652
Other liabilities, non-current	77,802	66,412
Total non-current liabilities	132,514	123,380
Current liabilities		
Income tax payable	19,346	10,264
Trade and other payables	1,344,713	1,229,789
Other financial liabilities	471,110	535,650
Other liabilities, current	122,279	64,618
Total current liabilities	1,957,448	1,840,321
Total liabilities	2,089,962	1,963,701
Total equity and liabilities	6,292,840	6,068,876

	<u>The Company</u>		
	31 March 2016 RMB'000	31 December 2015 RMB'000 (Restated)	1 January 2015 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	716,503	721,936	732,802
Investment properties	25,310	25,556	24,878
Land use rights	147,459	148,580	153,064
Intangibles assets	3,893	3,911	4,882
Investments in subsidiaries	300,146	300,146	314,366
Investments in associates	569,801	531,220	542,053
Other financial assets, non-current	71,944	86,983	83,065
Deferred tax assets	78,606	78,606	83,920
Other assets, non-current	14,223	13,766	15,946
Total non-current assets	1,927,885	1,910,704	1,954,976
Current assets			
Inventories	740,565	742,780	645,638
Trade and other receivables	1,499,880	1,415,055	1,515,793
Other assets, current	257,116	164,940	154,449
Other financial assets, current	201,211	201,494	-
Cash and cash equivalents	939,880	884,523	408,586
Total current assets	3,638,652	3,408,792	2,724,466
Total assets	5,566,537	5,319,496	4,679,442
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	768,873	768,873	739,308
Share premium	1,198,817	1,198,817	414,042
Other reserves	486,045	498,828	449,853
Retained earnings	1,574,634	1,424,054	1,124,398
Total equity, attributable to equity holders of the parent	4,028,369	3,890,572	2,727,601

	<u>The Company</u>		
	31 March 2016 RMB'000	31 December 2015 RMB'000	1 January 2015 RMB'000
LIABILITIES		(Restated)	(Restated)
Non-current liabilities			
Deferred tax liabilities	7,060	9,316	8,504
Trade payables, non-current	47,408	47,408	53,507
Other liabilities, non-current	41,932	41,165	39,680
Total non-current liabilities	96,400	97,889	101,691
Current liabilities			
Income tax payable	17,926	5,731	4,886
Trade and other payables	1,070,459	960,561	1,095,886
Other financial liabilities	250,000	320,000	720,000
Other liabilities, current	103,383	44,743	29,378
Total current liabilities	1,441,768	1,331,035	1,850,150
Total liabilities	1,538,168	1,428,924	1,951,841
Total equity and liabilities	5,566,537	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 31/3/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
129,000	342,110	138,600	397,050

Details of collateral for secured borrowings:

As at 31 March 2016, bank loans of RMB 22 million (31 December 2015: RMB 22 million) are secured on legal mortgages over the subsidiaries' property, plant and equipment. Bank loans totalled of RMB 40 million (31 December 2015: RMB 40 million) are guaranteed by the non-controlling shareholder in a subsidiary. Other loans of RMB 117 million (31 December 2015: RMB 117 million) are secured by pledge of the Group's unquoted bonds in corporations.

Amount repayable after one year

As at 31/3/2016		As at 31/12/2015	
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 2016 RMB'000	3-month period ended 31 March 2015 RMB'000
<u>Cash flows from operating activities</u>		
Profit before income tax	135,291	146,475
Interest income	(735)	(1,261)
Interest expense	4,166	9,177
Gain upon maturity of held-to-maturity investments	(7,834)	(3,115)
Share of profits of equity-accounted associates	(38,581)	(39,518)
Depreciation and amortisation of property, plant and equipment, investment properties, land use rights and intangible assets	21,517	22,674
Losses on disposals of property, plant and equipment, intangible assets and other non-current assets	49	51
Impairment of receivables and inventories	168	3,141
Fair value loss on derivative financial instruments	(1,211)	-
Operating cash flows before changes in working capital	112,830	137,624
Inventories	19,954	(60,495)
Trade and other receivables	(146,290)	106,546
Other assets	(114,719)	(9,159)
Trade and other payables	161,378	(80,521)
Other liabilities	69,051	88,900
Net cash flows from operations	102,204	182,895
Income tax paid	(3,174)	(2,846)
Net cash flows from operating activities	99,030	180,049

	The Group	
	3-month period ended 31 March 2016 RMB'000	3-month period ended 31 March 2015 RMB'000
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment, intangibles, land use rights and investment properties	(22,245)	(28,783)
Acquisition of available-for-sale financial assets	(8,940,739)	(6,205,428)
Proceeds from disposals of available-for-sale financial assets	9,251,081	6,206,017
Cash restricted in use	(270,000)	-
Investment income received	-	2,937
Proceeds from disposals of property, plant and equipment, intangible assets and other assets	2,314	48
Interest income received	8,180	1,261
Net cash flows from / (used in) investing activities	28,591	(23,948)
<u>Cash flows from financing activities</u>		
Proceeds from new borrowings	140,000	396,000
Proceeds from other borrowings	8,415,163	8,594,363
Distribution to non-controlling interests	(4,800)	(6,078)
Interest expense paid	(4,411)	(9,158)
Repayment of borrowings	(210,760)	(333,000)
Repayment of other borrowings	(8,415,620)	(8,569,202)
Cash restricted in use and/or maturing after 3 months	18,743	(28,509)
Net cash flows (used in) / from financing activities	(61,685)	44,416
Net increase in cash and cash equivalents	65,936	200,517
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	828,895	757,579

Cash and cash equivalents in consolidated statement of cash flows		
Amount as shown in the statement of financial positions	1,125,302	859,961
Restricted bank deposits	(296,407)	(102,382)
Cash and cash equivalents for consolidated statement of cash flows purpose at end of the period	828,895	757,579

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 period	-	-	(12,783)	119,582	106,799	(4,296)	102,503
Distribution to non-controlling interests	-	-	-	-	-	(4,800)	(4,800)
Balance at 31 March 2016	768,873	1,198,817	408,913	1,651,905	4,028,508	174,370	4,202,878

Group	Share capital	Share premium	Other Reserves	Retained earnings	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

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
Restatements	-	-	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 period	-	-	(12,783)	150,580	137,797
Balance at 31 March 2016	768,873	1,198,817	486,045	1,574,634	4,028,369

All in RMB'000

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
Restatements	-	-	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 period	-	-	11,122	93,438	104,560
Balance at 31 March 2015	739,308	414,042	460,975	1,217,836	2,832,161

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 March 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 March 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"). 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") 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>	<u>After adjustment</u> RMB'000	<u>Before 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>	<u>After adjustment</u> RMB'000	<u>Before 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 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 2016 RMB	3-month period ended 31 March 2015 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	0.16

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 2016 RMB	31 December 2015 RMB	31 March 2016 RMB	31 December 2015 RMB	1 January 2015 RMB
				(Restated)	(Restated)
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	5.24	5.10	5.24	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 in the first quarter of FY2016 ("**1Q FY2016**") was approximately RMB 1,644 million, an increase of approximately RMB 23 million or 1%, from RMB 1,621 million in the first quarter of FY2015 ("**1Q FY2015**").

(b) Gross Profit Margin:

The Group's gross profit in 1Q FY2016 decreased by approximately 7% from approximately RMB 556 million in 1Q FY2015 to approximately RMB 519 million. The gross profit margin decreased from 34% in 1Q FY2015 to 32% in 1Q FY2016.

(c) Other Gains:

Other gains in 1Q FY2016 was approximately RMB 13 million, an increase of 130% or approximately RMB 8 million over the previous corresponding period. The increase was mainly due to returns from short-term investment products and government subsidy.

(d) Major Expenses:

- (i) Marketing and Distribution costs in 1Q FY2016 was approximately RMB 350 million, a decrease of approximately RMB 7 million, or 2% over the previous corresponding period. The decrease in major expenses was due mainly to the decrease in marketing expenses.

- (ii) Research and development costs in 1Q FY2016 was approximately RMB 13 million, a decrease of approximately RMB 8 million or 39% over the previous corresponding period.
- (iii) Administrative expenses in 1Q FY2016 increased by approximately RMB 3 million, from approximately RMB 66 million in 1Q FY2015. The increase in major expenses was due mainly to the increase in staff salaries.
- (iv) Finance costs in 1Q FY2016 decreased by approximately RMB 5 million or 55% from approximately RMB 9 million to approximately RMB 4 million. The decrease in financial costs was mainly due to the decrease in loan amounts.
- (v) Other losses in 1Q FY2016 decreased by approximately RMB 2 million, from approximately RMB 3 million in 1Q FY2015 to approximately RMB 1 million. The decrease in other losses was mainly due to the decrease in allowance for doubtful debts.

(e) Shares of results of associated companies:

The Group's share of profits of associates in 1Q FY2016 decreased by approximately RMB 1 million, or 2%, from approximately RMB 40 million in 1Q FY2015 to approximately RMB 39 million.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 1Q FY2016 was approximately RMB 103 million, a decrease of 25% over the previous corresponding period. The profit attributable to equity holders of parent (net of tax) in 1Q FY2016 was approximately RMB 120 million, an increase of approximately RMB 0.4 million from the corresponding period in 1Q FY2015.

(g) Major changes in statement of financial positions:

As at 31 March 2016, the Group's cash and cash equivalents amounted to approximately RMB 1,125 million, which is an increase of approximately RMB 17 million, or 2% over the balance as at 31 December 2015. The Group's short-term borrowings as at 31 March 2016 amounted to approximately RMB 471 million, which is a decrease of approximately RMB 65 million, or 12% over the balance as at 31 December 2015.

Trade and other receivables was approximately RMB 1,636 million at 31 March 2016, which is an increase of approximately RMB 97 million, or 6% over the balance as at 31 December 2015. Notes receivable increased by approximately RMB 26 million. Trade receivables increased by approximately RMB 61 million. Other receivables increased by approximately RMB 10 million. Inventories was approximately RMB 954 million at 31 March 2016, which is a decrease of approximately RMB 20 million, or 2% over the balance as at 31 December 2015.

Other current asset increased by approximately 65% or RMB 115 million to approximately RMB 291 million as at 31 March 2016. 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 570 million, which is mainly attributable to the Group's share of the associates' profits in 1Q FY2016.

Property, plant and equipment increased by approximately RMB 4 million or 0.5% to RMB 926 million.

(h) Changes in cash flow position:

In 1Q FY2016, the Group recorded net cash inflow from operating activities of approximately RMB 99 million.

Cash inflow from investing activities was approximately RMB 29 million in 1Q FY2016.

Cash outflow used in financing activities was approximately RMB 62 million in 1Q 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

With the current challenging economic conditions and downward pressure for the pricing of the pharmaceutical products in recent years, the Group 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 Group is continuing to carry out established policies in order to improve its capabilities in the following areas: -

- (1) strengthening its marketing plans 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) strengthening the internal controls and management of the Group to enhance its 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 31 March 2016, to be false or misleading in any material respect.