

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

Third 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 July to 30 September 2014 RMB'000	3-month period from 1 July to 30 September 2013 RMB'000	Change %	9-month period from 1 January to 30 September 2014 RMB'000	9-month period from 1 January to 30 September 2013 RMB'000	Change %
<b>Revenue</b>	<b>1,750,757</b>	1,396,241	25	<b>5,085,717</b>	4,474,694	14
Cost of Sales	<b>(1,283,803)</b>	(995,546)	29	<b>(3,546,663)</b>	(3,062,107)	16
<b>Gross Profit</b>	<b>466,954</b>	400,695	17	<b>1,539,054</b>	1,412,587	9
<b>Other Items of Income:</b>						
Interest Income	<b>1,953</b>	1,781	10	<b>4,378</b>	4,789	-9
Dividend Income	-	-	-	<b>419</b>	275	52
Other Credits	<b>5,063</b>	3,667	38	<b>15,557</b>	9,035	72
<b>Other Items of Expense:</b>						
Marketing and Distribution Costs	<b>(325,615)</b>	(260,363)	25	<b>(1,005,244)</b>	(891,737)	13
Research and Development Costs	<b>(16,469)</b>	(11,703)	41	<b>(46,145)</b>	(38,706)	19
Administrative Expenses	<b>(69,352)</b>	(74,634)	-7	<b>(196,106)</b>	(209,063)	-6
Finance Costs	<b>(9,013)</b>	(13,399)	-33	<b>(32,275)</b>	(39,910)	-19
Other Charges	<b>(1,098)</b>	(361)	204	<b>(2,334)</b>	(738)	216
Share of Profit of Associates	<b>23,490</b>	12,842	83	<b>49,341</b>	41,193	20
<b>Profit Before Income Tax</b>	<b>75,913</b>	58,525	30	<b>326,645</b>	287,725	14
Income Tax Expense	<b>(11,855)</b>	(8,521)	39	<b>(52,386)</b>	(44,105)	19
<b>Profit, Net of Tax</b>	<b>64,058</b>	50,004	28	<b>274,259</b>	243,620	13

	The Group					
	3-month period from 1 July to 30 September 2014 RMB'000	3-month period from 1 July to 30 September 2013 RMB'000	Change %	9-month period from 1 January to 30 September 2014 RMB'000	9-month period from 1 January to 30 September 2013 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	10,660	3,632	194	11,018	(1,575)	n.m
Share of Other Comprehensive Income / (Loss) of Associates	1,579	291	443	1,707	(601)	n.m
Others (government subsidy)	-	-	-	-	600	n.m
Other Comprehensive Income/(Loss) for the Year, Net	12,239	3,923	212	12,725	(1,576)	n.m
<b>Total Comprehensive Income</b>	<b>76,297</b>	<b>53,927</b>	<b>41</b>	<b>286,984</b>	<b>242,044</b>	<b>19</b>
<b>Profit, Net of Tax Attributable to:</b>						
Owners of the Parent	58,509	47,626	23	256,837	236,820	8
Non-Controlling Interests	5,549	2,378	133	17,422	6,800	156
	<b>64,058</b>	<b>50,004</b>	<b>28</b>	<b>274,259</b>	<b>243,620</b>	<b>13</b>

	The Group					
	3-month period from 1 July to 30 September 2014 RMB'000	3-month period from 1 July to 30 September 2013 RMB'000	Change %	9-month period from 1 January to 30 September 2014 RMB'000	9-month period from 1 January to 30 September 2013 RMB'000	Change %
<b>Total Comprehensive Income Attributable to:</b>						
Owners of the Parent	<b>70,748</b>	51,549	37	<b>269,562</b>	235,244	15
Non-Controlling Interests	<b>5,549</b>	2,378	133	<b>17,422</b>	6,800	156
	<b>76,297</b>	53,927	41	<b>286,984</b>	242,044	19

(\*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	The Group			
	3-month period from 1 July to 30 September 2014 RMB'000	3-month period from 1 July to 30 September 2013 RMB'000	9-month period from 1 January to 30 September 2014 RMB'000	9-month period from 1 January to 30 September 2013 RMB'000
Profit, Net of Tax is arrived at after crediting / (charging):				
Dividend income	-	-	<b>419</b>	275
Other income including interest income	<b>6,772</b>	5,208	<b>19,211</b>	13,239
Gain / (loss) on disposal of property, plant and equipment	<b>(99)</b>	(190)	<b>(478)</b>	(244)
Reversal of allowance for doubtful debts and bad debts written-off	<b>183</b>	115	<b>206</b>	271
Foreign exchange gain	<b>(477)</b>	126	<b>(441)</b>	315
Interest on borrowings	<b>9,013</b>	13,399	<b>32,275</b>	39,910
Depreciation and amortization	<b>15,045</b>	19,486	<b>65,392</b>	67,273
Employment termination benefits	<b>462</b>	-	<b>898</b>	-

**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 September 2014 RMB'000	31 December 2013 RMB'000	30 September 2014 RMB'000	31 December 2013 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	890,211	886,215	738,777	775,596
Investment properties	26,958	27,658	25,106	25,747
Land use rights	159,368	188,602	154,186	157,549
Intangibles assets	9,747	9,984	5,250	6,071
Investment in subsidiaries	-	-	314,366	305,606
Investment in associates	576,714	524,766	510,431	509,531
Other assets	15,825	17,853	11,705	13,046
Other financial assets	362,426	334,829	68,206	55,243
Deferred tax assets	84,819	84,819	78,293	78,293
<b>Total non-current assets</b>	<b>2,126,068</b>	<b>2,074,726</b>	<b>1,906,320</b>	<b>1,926,682</b>
<b>Current assets</b>				
Inventories	944,867	816,887	731,032	635,786
Trade and other receivables	1,276,202	1,448,984	1,149,791	1,306,909
Other asset, current	313,630	125,752	276,475	85,514
Other financial assets, current	-	51,250	-	-
Cash and cash equivalents	598,762	744,730	413,051	496,614
<b>Total current assets</b>	<b>3,133,461</b>	<b>3,187,603</b>	<b>2,570,349</b>	<b>2,524,823</b>
<b>Total assets</b>	<b>5,259,529</b>	<b>5,262,329</b>	<b>4,476,669</b>	<b>4,451,505</b>
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	739,308	739,308	739,308	739,308
Share premium	414,042	414,042	414,042	414,042
Reserves	322,565	309,840	398,749	387,731
Retained earnings	1,174,062	954,190	1,001,502	825,893
<b>Total equity attributable to owners of the parent</b>	<b>2,649,977</b>	<b>2,417,380</b>	<b>2,553,601</b>	<b>2,366,974</b>
Non-Controlling interests	179,091	157,584	-	-
<b>Total equity</b>	<b>2,829,068</b>	<b>2,574,964</b>	<b>2,553,601</b>	<b>2,366,974</b>

	<u>The Group</u>		<u>The Company</u>	
	<b>30 September 2014 RMB'000</b>	31 December 2013 RMB'000	<b>30 September 2014 RMB'000</b>	31 December 2013 <b>RMB'000</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	<b>6,275</b>	4,331	<b>6,275</b>	4,331
Other financial liabilities, non-current	-	-	-	-
Other non-current liabilities	<b>130,713</b>	130,466	<b>104,643</b>	105,020
<b>Total non-current liabilities</b>	<b>136,988</b>	134,797	<b>110,918</b>	109,351
<b>Current liabilities</b>				
Income tax payable	<b>17,845</b>	11,507	<b>15,522</b>	9,507
Trade and other payables	<b>1,266,028</b>	1,251,861	<b>1,008,628</b>	987,673
Other financial liabilities, current	<b>1,009,600</b>	1,289,200	<b>788,000</b>	978,000
<b>Total current liabilities</b>	<b>2,293,473</b>	2,552,568	<b>1,812,150</b>	1,975,180
<b>Total liabilities</b>	<b>2,430,461</b>	2,687,365	<b>1,923,068</b>	2,084,531
<b>Total equity and liabilities</b>	<b>5,259,529</b>	5,262,329	<b>4,476,669</b>	4,451,505

**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>			
As at 30/09/2014		As at 31/12/2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
198,600	811,000	245,200	1,044,000

Details of collateral for secured borrowings:

As at 30 September 2014 and 31 December 2013, borrowings of RMB 15 million and RMB 33 million were secured by legal mortgages over the Group's and a joint venture partner's property, plant and equipment.

**Amount repayable after one year**

<u>The Group</u>			
As at 30/09/2014		As at 31/12/2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	-	-	-

**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 July to 30 September 2014 RMB'000</b>	3-month period from 1 July to 30 September 2013 RMB'000	<b>9-month period from 1 January to 30 September 2014 RMB'000</b>	9-month period from 1 January to 30 September 2013 RMB'000
<b><u>Cash Flows from Operating Activities</u></b>				
Profit Before Income Tax	<b>75,913</b>	58,525	<b>326,645</b>	287,725
Interest Income	<b>(1,953)</b>	(1,781)	<b>(4,378)</b>	(4,789)
Interest Expense	<b>9,013</b>	13,399	<b>32,275</b>	39,910
Dividend Income	-	-	<b>(419)</b>	(275)
Gain Upon Maturity of Held-to-Maturity Investments	<b>(3,067)</b>	-	<b>(8,575)</b>	-
Share of Profits of Equity-Accounted Associates	<b>(23,490)</b>	(12,842)	<b>(49,341)</b>	(41,193)
Depreciation and Amortisation of Property, Plant and Equipment, Investment Properties, Land Use Rights and Intangible Assets	<b>15,045</b>	19,486	<b>65,392</b>	67,273
Loss / (Gain) on Disposals of Property, Plant and Equipment, Intangible Assets and Other Non-Current Assets	<b>99</b>	190	<b>478</b>	244
Impairment / (Reversal of Impairment) of Receivables and Inventories	<b>(183)</b>	(115)	<b>(206)</b>	(271)
<b>Operating Cash Flows Before Changes in Working Capital</b>	<b>71,377</b>	76,862	<b>361,871</b>	348,624
Inventories	<b>(2,048)</b>	23,246	<b>(127,979)</b>	(42,341)
Trade and Other Receivables and Other Assets	<b>19,731</b>	8,908	<b>(51,423)</b>	(189,018)
Trade and Other Payables	<b>(9,401)</b>	(171,165)	<b>73,534</b>	3,377
<b>Net Cash Flows From / (Used in) Operations</b>	<b>79,659</b>	(62,149)	<b>256,003</b>	120,642
Income Tax Paid	<b>(20,408)</b>	(15,107)	<b>(46,121)</b>	(70,391)
<b>Net Cash Flows From Operating Activities</b>	<b>59,251</b>	(77,256)	<b>209,882</b>	50,251

	The Group			
	3-month period from 1 July to 30 September 2014 RMB'000	3-month period from 1 July to 30 September 2013 RMB'000	9-month period from 1 January to 30 September 2014 RMB'000	9-month period from 1 January to 30 September 2013 RMB'000
<b><u>Cash Flows From Investing Activities</u></b>				
Purchase of Property, Plant and Equipment, Intangibles, Land Use Rights and Investment Properties	(20,632)	(17,498)	(41,739)	(37,294)
Investments in Financial Assets	(5,285,366)	-	(14,337,937)	-
Proceeds From Financial Assets	5,244,964	-	14,378,106	-
Dividends Income Received From Available-For-Sale Financial Assets and Associates	7,406	169,543	12,245	172,130
Proceeds From Disposals of Property, Plant and Equipment, Intangible Assets and Other Assets	80	(8)	188	268
Interest Income Received	1,953	1,781	4,378	4,789
<b>Net Cash Flows From / (Used in) Investing Activities</b>	<b>(51,595)</b>	<b>153,818</b>	<b>15,241</b>	<b>139,893</b>
<b><u>Cash Flows From Financing Activities</u></b>				
Increase in Capital contributed by Non-controlling interest	3,910	2,450	6,850	2,450
Proceeds From New Borrowings	20,000	310,000	605,000	1,143,000
Proceeds From Other Borrowings	10,262,847	-	30,543,258	-
Dividends Paid to Equity Owners	(18,948)	-	(53,044)	(65,046)
Distribution to Non-Controlling Interests	(393)	-	(4,430)	-
Interest Expense Paid	(12,030)	(12,051)	(34,862)	(38,352)
Repayment of Borrowings	(57,000)	(285,000)	(840,000)	(1,117,000)
Repayment of Other Borrowings	(10,229,288)	-	(30,593,422)	-
Cash Restricted in Use and/or Maturing After 3 Months	16,476	5,350	37,358	1,563
<b>Net Cash Flows Used in Financing Activities</b>	<b>(14,426)</b>	<b>20,749</b>	<b>(333,292)</b>	<b>(73,385)</b>



	<u>The Group</u>			
	<b>3-month period from 1 July to 30 September 2014 RMB'000</b>	3-month period from 1 July to 30 September 2013 RMB'000	<b>9-month period from 1 January to 30 September 2014 RMB'000</b>	9-month period from 1 January to 30 September 2013 RMB'000
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>	<b>(6,770)</b>	97,311	<b>(108,169)</b>	116,759
Effect of Exchange Rate Changes on Cash and Cash Equivalents	<b>(476)</b>	126	<b>(441)</b>	315
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	<b>557,855</b>	364,292	<b>659,219</b>	344,655
<b>Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance</b>	<b>550,609</b>	461,729	<b>550,609</b>	461,729

<b>Cash and Cash Equivalents in Consolidated Statement of Cash Flows</b>				
Amount as Shown in the Statement of Financial Positions	<b>598,762</b>	535,452	<b>598,762</b>	535,452
Less: Cash and Cash Equivalent Restricted in Use	<b>48,153</b>	73,723	<b>48,153</b>	73,723
Cash and Cash Equivalents for Consolidated Statement of Cash Flows Purpose at End of the Period	<b>550,609</b>	461,729	<b>550,609</b>	461,729

**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 2014	739,308	414,042	309,840	954,190	2,417,380	157,584	2,574,964
Total Comprehensive Income for the Year	-	-	12,725	256,837	269,562	17,422	286,984
Dividend	-	-	-	(36,965)	(36,965)	-	(36,965)
Increase in Capital contributed by Non-controlling Interests							
Increase in Capital contributed by Non-controlling Interests	-	-	-	-	-	8,515	8,515
Distribution to Non-controlling Interests	-	-	-	-	-	(4,430)	(4,430)
Balance at 30 September 2014	739,308	414,042	322,565	1,174,062	2,649,977	179,091	2,829,068

Balance at 1 January 2013	739,308	414,042	273,625	709,922	2,136,897	141,875	2,278,772
Total Comprehensive Income / (Loss) for the Year	-	-	(1,576)	236,820	235,244	6,800	242,044
Increase in Capital contributed by Non-controlling Interests	-	-	-	-	-	2,450	2,450
Distribution to Non-controlling Interests	-	-	-	-	-	(294)	(294)
Balance at 30 September 2013	739,308	414,042	272,049	946,742	2,372,141	150,831	2,522,972

<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 2014	739,308	414,042	387,731	825,894	2,366,975
Total Comprehensive Income for the Year	-	-	11,018	212,573	223,591
Dividend	-	-	-	(36,965)	(36,965)
Balance at 30 September 2014	739,308	414,042	398,749	1,001,502	2,553,601

Balance at 1 January 2013	739,308	414,042	352,465	504,072	2,009,887
Total Comprehensive Income / (Loss) for the Year	-	-	(1,575)	365,800	364,225
Balance at 30 September 2013	739,308	414,042	350,890	869,872	2,374,112

**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 2013.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 30 September 2014 and 31 December 2013.

**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 September 2014	As at 31 December 2013
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”) that are relevant to its operations and effective on the beginning of its current reporting year on 1 January 2014. 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 2013.

**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 July to 30 September 2014 RMB</b>	3-month period from 1 July to 30 September 2013 RMB	<b>9-month period from 1 January to 30 September 2014 RMB</b>	9-month period from 1 January to 30 September 2013 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	0.08	0.06	0.35	0.32

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 September 2014 RMB</b>	31 December 2013 RMB	<b>30 September 2014 RMB</b>	31 December 2013 RMB
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	<b>3.58</b>	3.27	<b>3.45</b>	3.20

**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 third quarter of FY2014 ("3Q FY2014") was approximately RMB 1,751 million, an increase of approximately RMB 355 million, or 25%, from RMB 1,396 million in the third quarter of FY2013 ("3Q FY2013"). For the 9 months ended 30 September 2014 ("9M 2014"), the Group recorded a revenue of approximately RMB 5,086 million, an increase of approximately RMB 611 million, approximately 14% over the corresponding period in FY2013. The increase was due to appropriate allocation of marketing resources, consolidating the sales and sourcing channels, and optimising the services to end customers.

(b) Gross Profit Margin:

The Group's gross profit in 3Q FY2014 increased by approximately 17% from approximately RMB 401 million in 3Q FY2013 to approximately RMB 467 million. For 9M 2014, the Group's gross profit was approximately RMB 1,539 million compared to approximately RMB 1,413 million in the corresponding period of FY2013, with an increase of approximately 9% amounting to approximately RMB 126 million. The gross profit margin has decreased from 31.6% in 9 months ended 30 September 2013 ("9M 2013") to 30.3% in 9M 2014. The decrease in gross profit margin was mainly due to the increase in the percentage of revenue contributed by the Group's commercial enterprises which yielded lower gross profit margin.

(c) Other Operating Income:

Other credits in 3Q FY2014 were RMB 5 million. For 9M 2014, the Group's other credits were approximately RMB 16 million, an increase of approximately RMB 7 million over the previous corresponding period. The increase in other credits was due mainly to investment gain in 9M 2014.

(d) Major Expenses:

(i) Marketing and Distribution costs in 3Q FY2014 increased by approximately 25% to approximately RMB 326 million. For 9M 2014, the Marketing and Distribution costs was approximately RMB 1,005 million, an increase of approximately RMB 114 million or 13% over the previous corresponding period. The increase in Marketing and Distribution costs was due mainly to an increase in advertising expenses, so as to build greater brand awareness for the Group's products.

(ii) Administrative expenses in 3Q FY2014 decreased by approximately RMB 5 million, to approximately RMB 69 million. For 9M 2014, the administration expenses decreased by approximately RMB 13 million, from approximately RMB 209 million in 9M 2013 to approximately RMB 196 million. The decrease in administrative expenses was mainly due to decreases in expenses arising from business trips, meetings and business entertainment as compared to the previous corresponding period.

(iii) Finance costs in 3Q FY2014 decreased by approximately 33% to approximately RMB 9 million, while for 9M 2014, the finance costs decreased by approximately RMB 8 million or 19% from approximately RMB 40 million to approximately RMB 32 million.

(iv) Other charges in 3Q FY2014 increased by approximately RMB 0.7 million, while for 9M 2014, the other charges increased by approximately RMB 1.6 million from approximately RMB 0.7 million to approximately RMB 2.3 million. The increase in other charges was mainly due to losses from disposal of property, plant and equipment, and increase in expenses arising from provision for of employee early retirement benefits as compared to the previous corresponding period.

(e) Shares of Profits of Associates:

The Group's share of results of associated companies in 3Q FY2014 has increased by approximately RMB 11 million to approximately RMB 23 million. The Group's share of results of associated companies in 9M 2014 increased by approximately RMB 8 million to approximately RMB 49 million. This was mainly because Sino-American Tianjin Smithkline & French Lab., Ltd.'s profit in 9M 2014 increased over the same period of last year.

(f) Comprehensive Income:

The Group's total comprehensive income (net of tax) in 3Q FY2014 was approximately RMB 76 million, an increase of 41% over the previous corresponding period. The Group's total comprehensive income (net of tax) in 9M 2014 was approximately RMB 287 million, an increase of approximately RMB 45 million or 19% over the previous corresponding period.

The profit attributable to equity holders of parent (net of tax) in 3Q FY2014 was approximately RMB 59 million, an increase of approximately RMB 11 million, or 23% from RMB 48 million of the corresponding period in 3Q FY2013. The profit attributable to equity holders of parent (net of tax) in 9M 2014 was approximately RMB 257 million, an increase of approximately RMB 20 million, or 8% from RMB 237 million of the corresponding period in 9M 2013.

(g) Major Changes in Statement of Financial Positions:

As at 30 September 2014, the Group's cash and cash equivalents amounted to approximately RMB 599 million, which is a decrease of approximately RMB 146 million, or 20% over the balance as at 31 December 2013. The Group's short-term borrowings as at 30 September 2014 amounted to approximately RMB 1,010 million, which is a decrease of approximately RMB 280 million, or 22% over the balance as at 31 December 2013. This is contributed by the partial repayment of short-term borrowings.

Trade and other receivables decreased by approximately 12% or RMB 173 million to approximately RMB 1,276 million as at 30 September 2014. Notes receivable decreased by approximately RMB 58 million. Trade receivables decreased by approximately RMB 108 million. Other receivables decreased by approximately RMB 6 million. Inventories increased by 16% to approximately RMB 945 million to meet the anticipated higher sales in the coming months.

Other current asset increased by approximately 149% or RMB 188 million to approximately RMB 314 million as at 30 September 2014. This was mainly attributed to the increase in procurement of which advance payments are required.

Investment in associates of the Group increased by 10% to approximately RMB 577 million, which is mainly attributable to the Group's share of the associates' profits in 9M 2014.

Property, plant and equipment increased by approximately RMB 4 million to approximately RMB 890 million.

(h) Change in Cash Flow Position:

In 9M 2014, the Group recorded net cash inflow from operating activities of approximately



RMB 210 million.

Cash inflow from investment activities was approximately RMB 15 million in 9M 2014.

Cash outflow from financing activities was approximately RMB 333 million in 9M 2014.

**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**

In an increasingly competitive industry, the Company is faced with challenges from the increase in costs of raw materials, energy and human resources, and high financing costs. However, the Company has managed to overcome these challenges and has steadily improved its operating results in recent years.

The Company will continue to carry out the following policies in order to remain competitive:

- (1) strengthening its marketing efforts to increase the sales of the Group's main products;
- (2) increasing scientific and technological innovation to enhance the Group's competitiveness;
- (3) expanding the Group's focus both upstream and downstream so as to establish a presence across the value chain; and
- (4) strengthening the Group's internal management controls.

## **11. Dividend**

### **(a) Current Financial Period Reported On**

None.

### **(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 September 2014, to be false or misleading in any material respect.