

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

Full Year 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
	2013 RMB'000	2012 RMB'000	%
Revenue	6,010,137	5,129,926	17
Cost of Sales	(4,137,339)	(3,379,687)	22
Gross Profit	1,872,798	1,750,239	7
Other Items of Income			
Interest Income	6,402	5,138	25
Dividend Income	1,422	6,127	-77
Other Credits	76,845	93,577	-18
Other Items of Expense			
Marketing and Distribution Costs	(1,206,078)	(1,108,420)	9
Research and Development	(62,300)	(57,823)	8
Administrative Expenses	(264,171)	(287,062)	-8
Finance Cost	(55,534)	(53,676)	3
Other Charges	(10,069)	(28,296)	-64
Share of Profit of Associates	58,111	156,239	-63
Profit Before Income Tax	417,426	476,043	-12
Income Tax Expense	(56,473)	(59,146)	-5
Profit, Net of Tax	360,953	416,897	-13
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	1,202	2,407	-50
Share of Other Comprehensive Income / (Loss) of Associates	949	(168)	n.m
Other Comprehensive Income for the Year, Net	2,151	2,239	-4
Total Comprehensive Income for the Year	363,104	419,136	-13

	The Group		Change
	2013 RMB'000	2012 RMB'000	%
Profit, Net of Tax attributable to:			
Owners of the Parent	352,264	399,903	-12
Non-Controlling Interest	8,689	16,994	-49
	360,953	416,897	-13

Total Comprehensive Income attributable to:			
Owners of the Parent	354,415	402,142	-12
Non-Controlling Interest	8,689	16,994	-49
	363,104	419,136	-13

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	Group	
	2013 RMB'000	2012 RMB'000
Profit, Net of Tax is arrived at after crediting / (charging):		
Dividend income	1,422	6,127
Other income including interest income	22,972	22,690
Gain / (loss) on disposal of property, plant and equipment	(1,197)	1,676
Gain on deemed disposal of interest in subsidiary	-	6,538
Gain on disposal of an associate	44,153	-
Gain on disposal of subsidiary	-	66,264
Allowance for impairment on trade receivables reversal	15,346	1,504
Foreign currency translation gain, net	776	42
Interest on borrowings	(52,116)	(50,146)
Depreciation and amortization	(88,621)	(99,251)
Employment termination benefits	(6,290)	(12,120)
Impairment losses on inventories	(510)	(1,441)

Allowance for impairment on other receivables	(2,072)	(13,791)
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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	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	886,215	909,376	775,596	819,745
Investment properties	27,658	28,630	25,747	26,641
Land use rights	188,602	168,127	157,549	162,033
Intangibles assets	9,984	10,777	6,071	7,136
Investments in subsidiaries	-	-	305,606	189,956
Investments in associates	524,766	654,010	509,531	544,009
Other assets, non-current	17,853	10,008	13,046	3,503
Other financial assets, non-current	334,829	53,829	55,243	53,829
Deferred tax assets	84,819	86,206	78,293	82,153
Total non-current assets	2,074,726	1,920,963	1,926,682	1,889,005
Current assets				
Inventories	816,887	771,910	635,786	570,434
Trade and other receivables	1,448,984	1,161,388	1,306,909	1,045,842
Other assets, current	125,752	146,295	85,514	69,615
Other financial assets, current	51,250	-	-	-
Cash and cash equivalents	744,730	419,941	496,614	239,289
Total current assets	3,187,603	2,499,534	2,524,823	1,925,180
Total assets	5,262,329	4,420,497	4,451,505	3,814,185
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	309,840	273,625	387,731	352,465
Retained earnings	954,190	709,922	825,893	504,072
Equity, attributable to equity holders of the parent, total	2,417,380	2,136,897	2,366,974	2,009,887
Non-controlling interests	157,584	141,875	-	-
Total equity	2,574,964	2,278,772	2,366,974	2,009,887

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	4,331	4,119	4,331	4,119
Other liabilities	75,287	52,677	50,440	45,607
Total non-current liabilities	79,618	56,796	54,771	49,726
Current liabilities				
Income tax payable	11,507	35,499	9,507	34,465
Trade and other payables	1,307,040	1,175,430	1,042,253	932,107
Other financial liabilities, current	1,289,200	874,000	978,000	788,000
Total current liabilities	2,607,747	2,084,929	2,029,760	1,754,572
Total liabilities	2,687,365	2,141,725	2,084,531	1,804,298
Total equity and liabilities	5,262,329	4,420,497	4,451,505	3,814,185

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

Amount repayable in one year or less, or on demand

As at 31/12/2013		As at 31/12/2012	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
245,200	1,044,000	38,000	836,000

Details of collateral for secured borrowings:

Bank loans of RMB 15 million (2012: RMB 15 million) are secured on legal mortgages over the subsidiaries' property, plant and equipment.

Bank loans totalled RMB 33 million (2012: RMB 23 million) are guaranteed by the non-controlling shareholder in a subsidiary.

Other loans of RMB 230 million (2012: nil) are secured by pledge of quoted bonds of corporations of the Group of the same amount.

Amount repayable after one year

As at 31/12/2013		As at 31/12/2012	
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

	The Group	
	<u>2013</u> RMB'000	<u>2012</u> RMB'000
<u>Cash Flows From Operating Activities</u>		
Profit Before Income Tax	417,426	476,043
Interest Income	(6,402)	(5,138)
Interest Expense	55,534	50,146
Dividend Income	(1,422)	(6,127)
Gain Upon Maturity of Held-to-Maturity Investments	(1,804)	(752)
Share of Profit of Equity-Accounted Associates	(58,111)	(156,239)
Gain on Disposal of Interest in Subsidiary	-	(66,264)
Gain on Deemed Disposal of Interest in Subsidiary	-	(6,538)
Gain on Disposal of Interests in an Associate	(44,153)	-
Depreciation and Amortisation of Property, Plant and Equipment, Investment Property, Land Use Rights and Intangible Assets	88,621	99,251
Loss / (Gain) on Disposal of Property, Plant and Equipment, Intangible Assets and Other Non-Current Assets	1,197	(1,676)
Impairment of Receivables and Inventories	(12,764)	13,728
Operating Cash Flows Before Changes in Working Capital	438,122	396,434
Inventories	(45,487)	(98,561)
Trade and Other Receivables and Other Assets	(227,820)	(371,313)
Trade and Other Payables	133,886	175,960
Net Cash Flows From Operations	298,701	102,520
Income Tax Paid	(81,444)	(43,467)
Net Cash Flow From Operating Activities	217,257	59,053
<u>Cash Flows From Investing Activities</u>		
Purchase of Property, Plant and Equipment, Intangibles, Land Use Rights and Investment Property	(72,422)	(41,175)
Proceeds From Disposals of Property, Plant and Equipment, Intangible Assets and Other Assets	530	1,854
Acquisition of Subsidiary (Net of Cash Acquired)	-	1,087
Acquisition of Available-For-Sale Financial Assets	(3,155,768)	-
Proceeds From Disposal of Available-For-Sale Financial Assets	2,823,496	30,794
Acquisition of Investments in Associate	-	(211,680)
Proceeds From Disposal of Subsidiary (Net of Cash Disposed)	-	195,205
Cash Decrease Due to Disposal of Subsidiary From Dilution of Equity Interest	-	(1,821)
Proceeds From Disposals of Associate	60,000	-
Interest Income Received	6,402	5,138

	<u>The Group</u>	
	<u>2013</u> RMB'000	<u>2012</u> RMB'000
Dividends Income Received From Available-For-Sale Financial Assets and Associates	177,947	48,144
Net Cash Flow (Used In) / From Investing Activities	(159,815)	27,546
<u>Cash Flows From Financing Activities</u>		
Increase in Capital Contributed by Non-Controlling Interest	9,850	-
Proceeds From New Borrowings	1,599,000	1,208,000
Repayments of Borrowings	(1,414,000)	(1,145,000)
Proceeds From Other Borrowings	3,005,682	-
Repayment of Other Borrowings	(2,776,275)	-
Dividends Paid to Equity Owners	(105,168)	(81,531)
Distribution to Non-Controlling Interests	(2,830)	(4,955)
Interest Expense Paid	(49,792)	(51,833)
Cash Restricted in Use and/or Maturing After 3 Months	(10,224)	(43,380)
Net Cash Flows From / (Used in) Financing Activities	256,243	(118,699)
Net Increase / (Decrease) in Cash and Cash Equivalents	313,685	(32,100)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	879	54
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Beginning Balance	344,655	376,701
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Ending Balance	659,219	344,655

Cash and Cash Equivalents in Consolidated Statement of Cash Flows:		
Amount as Shown in the Statement of Financial Position	744,730	419,941
Restricted Cash Deposits for Bank Notes Payables	(85,511)	(75,286)
Cash and Cash Equivalents for Consolidated Cash Flows Statement Purposes at End of the Year	659,219	344,655

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 2013	739,308	414,042	273,625	709,922	2,136,897	141,875	2,278,772
Total Comprehensive Income for the Year	-	-	2,151	352,264	354,415	8,689	363,104
Dividend	-	-	-	(73,932)	(73,932)	-	(73,932)
Appropriation of Statutory Common Reserve	-	-	34,064	(34,064)	-	-	-
Increase in Capital contributed by Non-controlling Interests	-	-	-	-	-	9,850	9,850
Distribution to Non-controlling Interests	-	-	-	-	-	(2,830)	(2,830)
Balance at 31 December 2013	739,308	414,042	309,840	954,190	2,417,380	157,584	2,574,964

Group	Share capital	Share premium	Other Reserves	Retained earnings	Total	Non-cont rolling interests	Total equity
Balance at 1 January 2012	739,308	414,042	217,582	511,685	1,882,617	322,444	2,205,061
Total Comprehensive Income for the Year	-	-	2,239	399,903	402,142	16,994	419,136
Dividend	-	-	-	(147,862)	(147,862)	-	(147,862)
Appropriation of Statutory Common Reserve	-	-	53,804	(53,804)	-	-	-
Increase in Capital contributed by Non-controlling Interests	-	-	-	-	-	2,371	2,371
Disposal of subsidiary	-	-	-	-	-	(194,979)	(194,979)
Distribution to Non-controlling Interests	-	-	-	-	-	(4,955)	(4,955)
Balance at 31 December 2012	739,308	414,042	273,625	709,922	2,136,897	141,875	2,278,772

All in RMB'000

Company	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
Balance at 1 January 2013	739,308	414,042	352,465	504,072	2,009,887
Total Comprehensive Income for the Year	-	-	1,202	429,817	431,019
Dividend	-	-	-	(73,932)	(73,932)
Appropriation of Statutory Common Reserve	-	-	34,064	(34,064)	-
Balance at 31 December 2013	739,308	414,042	387,731	825,893	2,366,974

Company	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
Balance at 1 January 2012	739,308	414,042	296,254	292,017	1,741,621
Total Comprehensive Income for the Year	-	-	2,407	413,721	416,128
Dividend	-	-	-	(147,862)	(147,862)
Appropriation of Statutory Common Reserve	-	-	53,804	(53,804)	-
Balance at 31 December 2012	739,308	414,042	352,465	504,072	2,009,887

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 2012.

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 December 2013 and 31 December 2012.

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 December 2013	As at 31 December 2012
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”) and audited in accordance with International Standards on Auditing.

3. Where the figures have been audited or reviewed, the auditor’s report (including any qualification or emphasis of matter)

Report on the Financial Statements

We have audited the accompanying financial statements of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

RSM Chio Lim LLP
Public Accountants and Chartered Accountants

8 Wilkie Road,
#03-08 Wilkie Edge,
Singapore 228095

28 March 2014

Partner-in-charge: Chan Weng Keen
Effective from year ended 31 December 2013

Ruihua Certified Public Accountants LLP
Certified Public Accountants

5-11F, West Tower, China Overseas Property Plaza,
No. 8, XiBinhe Road, YongDing Men
DongCheng District, Beijing,
People's Republic of China 100077

28 March 2014

Partner-in-charge: Luo Jun
Effective from year ended 31 December 2013

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 2013. 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 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 to 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>	
	2013	2012
	RMB	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	0.48	0.54

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	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	3.27	2.89	3.20	2.72

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 for the financial year ended 31 December 2013 ("FY2013") was approximately RMB 6,010 million, an increase of approximately RMB 880 million, or 17%, from RMB 5,130 million for the financial year ended 31 December 2012 ("FY2012"). 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 FY2013 increased by approximately 7% from approximately RMB 1,750 million in FY2012 to approximately RMB 1,873 million. Gross profit margin decreased from 34.1% in FY2012 to 31.2% in FY2013. 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 FY2013 was approximately RMB 76 million, a decrease of approximately RMB 18 million over the previous corresponding period, which was RMB 94 million. The decrease in other credits was mainly attributable to the gain on disposal of Tianjin Central and JinKang in FY2012.

(d) Major expenses:

(i) Marketing and Distribution costs in FY2013 was approximately RMB 1,206 million, an increase of approximately RMB 98 million, or 9% over the previous corresponding period. The increase was mainly attributable to the increase in sale expenses driven by sales revenue growth.

(ii) Administration expenses in FY2013 decreased by approximately RMB 23 million, from approximately RMB 287 million in FY2012 to approximately RMB 264 million. The decrease in administrative expenses was mainly due to the disposals of two subsidiaries, Tianjin Central Pharmaceutical Co., Ltd. ("Tianjin Central") and Tianjin Cinorch Pharmaceutical Co., Ltd. ("Tianjin Cinorch") in FY2012. Tianjin Central and Tianjin Cinorch ceased to be the Group's subsidiaries in July 2012.

(iii) Other charges in FY2013 decreased by approximately RMB 19 million, from approximately RMB 28 million in FY2012 to approximately RMB 10 million. The decrease in other charges was mainly due to the decrease in allowance for impairment as compared to the corresponding period in FY2012.

(iv) Finance costs in FY2013 increased by approximately RMB 2 million or 3% from approximately RMB 54 million to approximately RMB 56 million.

(e) Shares of results of associated companies:

The Group's share of results of associated companies in FY2013 decreased by RMB 98 million, or 63%, from approximately RMB 156 million in FY2012 to approximately RMB 58 million. This was mainly because Sino-American Tianjin Smithkline & French Lab., Ltd.'s profit in FY2013 decreased by approximately RMB 118 million compared to the corresponding period in FY2012.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in FY2013 was approximately RMB 363 million, a decrease of 13% over the previous corresponding period. The profit attributable to equity holders of parent (net of tax) in FY2013 was approximately RMB 352 million, a decrease of approximately RMB 48 million, or 12%, from the corresponding period in FY2012. The decrease was mainly due to disposal of a subsidiary, Tianjin Central and decrease in share of profits from an associated company, Tianjin Smithkline & French Lab., Ltd. compared to the corresponding period in FY2012. Excluding the impact of Tianjin Central and Tianjin Cinorch, operating profit of the Group (excluding investment income) has increased by RMB 88 million, or 41% compared to the corresponding period in FY2012.

(g) Major changes in statement of financial positions:

As at 31 December 2013, the Group's cash and cash equivalents amounted to approximately

RMB 745 million, which is an increase of approximately RMB 325 million, or 77% over FY2012. This is mainly attributable to rollover of borrowings at year end. In FY2013, the Group's short-term borrowings were approximately RMB 1,289 million, which is an increase of approximately RMB 415 million, or 48% over FY2012.

Trade and other receivables was approximately RMB 1,449 million at 31 December 2013, which is an increase of approximately RMB 288 million, or 25% over FY2012. Bill receivable increased by approximately RMB 102 million. Trade receivables increased by approximately RMB 282 million, which is mainly due to increase in sales. Other receivables increased by approximately RMB 6 million. Inventories increased by 6% to approximately RMB 817 million to meet the anticipated higher sales in the coming months.

Other current assets decreased by approximately 14% or RMB 21 million to approximately RMB 126 million as at 31 December 2013. This was mainly attributed to the decrease in specific prepayments.

Investment in associates decreased by 20% to approximately RMB 525 million, which is mainly attributable to the decrease in Group's share of associates' profits, but mitigated by the increase in investment income.

Property, plant and equipment decreased by approximately RMB 23 million or 3% to RMB 886 million, which was mainly due to depreciation charge for the period, partially offset by additions of assets.

(h) Changes in cash flow position:

In FY2013, the Group recorded net cash inflow from operating activities of approximately RMB 217 million.

Cash outflow from investment activities was approximately RMB 160 million in FY2013.

Cash inflow from financing activities was approximately RMB 256 million in FY2013.

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) controls over the price of pharmaceutical products by the PRC government, and (iii) relatively high financing costs.

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

The Board believes that with the strengthening of its marketing efforts, the Company's operating profits will be improved in 2014.

11. Dividend

(a) Current Financial Period Reported On

The Directors propose to seek approval from the shareholders of the Company (the "Shareholders") for declaring a final dividend of RMB36,965,436 on the basis of RMB 0.5 for every 10 shares in the capital of the Company. Such proposed declaration of dividends will be subject to approval by Shareholders at the forthcoming annual general meeting to be held on 15 May 2014, and thus has not been included as a liability in these financial statements of the Company and/or Group. Upon obtaining the Shareholders' approval, the proposed dividend is payable in respect of all issued ordinary shares in the capital of the Company as at the end of the FY2013.

The proposed dividend is subject to applicable tax rates as set out below:

(i) S-Shares

The dividend payable to S-Shareholders shall be subject to a tax rate of 10% under the PRC tax law.

(ii) A-Shares

The dividend payable to A-Shareholders shall be subject to the differential tax rates as set out in the PRC tax law. A-Shareholders should consult their own tax advisers concerning the tax consequences in relation to any dividends paid by the Company.

(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

To be announced by the Company upon approval being granted by the Shareholders at the annual general meeting to be held on 15 May 2014, for the payment of the final dividend.

(d) Books closure date

To be announced by the Company upon approval being granted by the Shareholders at the annual general meeting to be held on 15 May 2014, for the payment of the final dividend.

(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. Financial Information by Operating Segments

The financial information by operating segments for the Group is as follows:

2013	Revenue	Cost of sales	Operating profit
	RMB'000	RMB'000	RMB'000
Chinese medicine	3,695,837	2,029,896	1,665,941
Western medicine	2,029,328	1,872,348	156,980
Others	265,283	189,462	75,821
Total	5,990,448	4,091,706	1,898,742

2012	Revenue	Cost of sales	Operating profit
	RMB'000	RMB'000	RMB'000
Chinese medicine	3,302,371	1,794,658	1,507,713
Western medicine	1,652,726	1,421,886	230,840
Others	160,876	119,563	41,313
Total	5,115,973	3,336,107	1,779,866

The Group operates predominantly in the PRC.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable

15. A breakdown of sales as follows:

	Group		
	2013	2012	Increase/ (Decrease)
	RMB'000	RMB'000	%
(a) Sales reported for first half year	3,078,453	2,580,212	19%
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	193,616	336,416	-43%
(c) Sales reported for second half year	2,931,684	2,549,714	15%
(d) Operating profit after tax before deducting non-controlling interests reported for second half year	167,337	80,481	108%

16. A breakdown of the total annual dividend (in dollar value) for the issue's latest full year and its previous full year

	FY2013 RMB'000	FY2012 RMB'000
Ordinary - Interim	73,932	147,862
- Final	-	-
Preference	N.A.	N.A.
Total	73,932	147,862

17. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholders of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make appropriate negative statement.

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company confirms that, to the best of its knowledge, belief and information, as of the date hereof, none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a Director, Chief Executive Officer or Substantial Shareholder of the Company.