

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

	The Group		Change
	3-month period ended 31 March 2014 RMB'000	3-month period ended 31 March 2013 RMB'000	%
Revenue	1,551,835	1,449,036	7
Cost of Sales	(1,038,238)	(919,837)	13
Gross Profit	513,597	529,199	-3
Other Items of Income:			
Interest Income	1,302	1,389	-6
Dividend Income	-	-	-
Other Credits	4,932	1,151	328
Other Items of Expense:			
Marketing and Distribution Costs	(318,044)	(313,349)	1
Research and Development Costs	(13,036)	(12,089)	8
Administrative Expenses	(65,457)	(73,401)	-11
Finance Costs	(10,534)	(12,980)	-19
Other Charges	(166)	(91)	82
Share of Profits of Associates	15,646	23,122	-32
Profit Before Income Tax	128,240	142,951	-10
Income Tax Expense	(18,830)	(21,038)	-10
Profit, Net of Tax	109,410	121,913	-10
Other Comprehensive Income:			
Items that may be reclassified subsequently to profit or loss:			
Fair Value Gain / (Loss) on re-measuring Available-For-Sale Investments, Net of Tax	877	(735)	-219
Share of Other Comprehensive Income / (Loss) of Associates	-	(45)	n.m
Other Comprehensive Income/(Loss) for the Year, Net	877	(780)	-212
Total Comprehensive Income	110,287	121,133	-9

	<u>The Group</u>		Change
	3-month period ended 31 March 2014 RMB'000	3-month period ended 31 March 2013 RMB'000	%
Profit, Net of Tax Attributable to:			
Owners of the Parent	102,341	118,466	-14
Non-Controlling Interests	7,069	3,447	105
	109,410	121,913	-10
Total Comprehensive Income Attributable to:			
Owners of the Parent	103,218	117,686	-12
Non-Controlling Interests	7,069	3,447	105
	110,287	121,133	-9

(*) prepared under International Financial Reporting Standards

n.m Not Meaningful

	Group	
	3-month period ended 31 March 2014 RMB'000	3-month period ended 31 March 2013 RMB'000
Profit, Net of Tax is arrived at after crediting / (charging):		
Dividend income	-	-
Other income including interest income	6,135	2,372
Gain / (loss) on disposal of property, plant and equipment	(165)	(73)
Reversal of allowance for doubtful debts and bad debts written-off	40	140
Foreign exchange gain	59	28
Interest on borrowings	(10,534)	(12,980)
Depreciation and amortization	(23,728)	(23,572)

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>		<u>The Company</u>	
	31 March 2014 RMB'000	31 December 2013 RMB'000	31 March 2014 RMB'000	31 December 2013 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	870,142	886,215	759,798	775,596
Investment properties	27,411	27,658	25,520	25,747
Land use rights	187,351	188,602	156,428	157,549
Intangibles assets	9,810	9,984	5,949	6,071
Investments in subsidiaries	-	-	308,666	305,606
Investments in associates	541,313	524,766	510,431	509,531
Other assets, non-current	17,225	17,853	12,423	13,046
Other financial assets, non-current	337,382	334,829	56,276	55,243
Deferred tax assets	84,819	84,819	78,293	78,293
Total non-current assets	2,075,453	2,074,726	1,913,784	1,926,682
Current assets				
Inventories	864,323	816,887	666,135	635,786
Trade receivables and other receivables	1,485,954	1,448,984	1,306,755	1,306,909
Other assets, current	168,174	125,752	134,118	85,514
Other financial assets, current	40,146	51,250	-	-
Cash and cash equivalents	516,248	744,730	315,956	496,614
Total current assets	3,074,845	3,187,603	2,422,964	2,524,823
Total assets	5,150,298	5,262,329	4,336,748	4,451,505
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	310,717	309,840	388,608	387,731
Retained earnings	1,056,531	954,190	917,379	825,893
Equity, attributable to equity holders of the parent, total	2,520,598	2,417,380	2,459,337	2,366,974
Non-controlling interests	163,556	157,584	-	-
Total equity	2,684,154	2,574,964	2,459,337	2,366,974

	<u>The Group</u>		<u>The Company</u>	
	31 March 2014 RMB'000	31 December 2013 RMB'000	31 March 2014 RMB'000	31 December 2013 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	4,486	4,331	4,486	4,331
Other liabilities	74,546	75,287	50,018	50,440
Total non-current liabilities	79,032	79,618	54,504	54,771
Current liabilities				
Income tax payable	28,669	11,507	26,825	9,507
Trade and other payables	1,279,243	1,307,040	1,018,082	1,042,253
Other financial liabilities, current	1,079,200	1,289,200	778,000	978,000
Total current liabilities	2,387,112	2,607,747	1,822,907	2,029,760
Total liabilities	2,466,144	2,687,365	1,877,411	2,084,531
Total equity and liabilities	5,150,298	5,262,329	4,336,748	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

As at 31/3/2014		As at 31/12/2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
235,200	844,000	245,200	1,044,000

Details of collateral for secured borrowings:

As at 31 March 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

As at 31/3/2014		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>	
	3-month period ended 31 March 2014 RMB'000	3-month period ended 31 March 2013 RMB'000
<u>Cash Flows from Operating Activities</u>		
Profit Before Income Tax	128,240	142,951
Interest Income	(1,302)	(1,389)
Interest Expense	10,534	12,980
Dividend Income	-	-
Gain Upon Maturity of Held-to-Maturity Investments	(3,012)	-
Share of Profits of Equity-Accounted Associates	(15,646)	(23,122)
Depreciation and Amortisation of Property, Plant and Equipment, Investment Properties, Land Use Rights and Intangible Assets	23,728	23,572
Gain on Disposals of Property, Plant and Equipment, Intangible Assets and Other Non-Current Assets	165	73
Impairment of Receivables and Inventories	(40)	(140)
Operating Cash Flows Before Changes in Working Capital	142,667	154,925
Inventories	(47,436)	(77,567)
Trade and Other Receivables and Other Assets	(79,175)	(103,404)
Trade and Other Payables	5,461	124,575
Net Cash Flows From Operations	21,517	98,529
Income Tax Paid	(1,741)	(33,012)
Net Cash Flows From Operating Activities	19,776	65,517
<u>Cash Flows From Investing Activities</u>		
Purchase of Property, Plant and Equipment, Intangibles, Land Use Rights and Investment Properties	(5,136)	(7,739)
Acquisition of Available-For-Sale Financial Assets	(2,867,644)	-
Proceeds From Disposal of Available-For-Sale Financial Assets	2,876,282	-
Acquisition of Investments in Associates	2,937	-
Proceeds From Disposals of Property, Plant and Equipment, Intangible Assets and Other Assets	71	130
Interest Income Received	1,302	1,389
Net Cash Flows From Investing Activities	7,812	(6,220)

	<u>The Group</u>	
	3-month period ended 31 March 2014 RMB'000	3-month period ended 31 March 2013 RMB'000
<u>Cash Flows From Financing Activities</u>		
Increase in Capital Contributed by Non-Controlling Interest	2,940	-
Proceeds From New Borrowings	415,000	543,000
Proceeds From Other Borrowings	9,897,152	-
Dividends Paid to Equity Owners	(32,561)	(65,046)
Distribution to Non-Controlling Interests	(4,037)	-
Interest Expense Paid	(12,471)	(12,350)
Repayment of Borrowings	(613,000)	(435,000)
Repayment of Other Borrowings	(9,909,152)	-
Cash Restricted in Use and/or Maturing After 3 Months	(5,508)	4,454
Net Cash Flows From / (Used in) Financing Activities	(261,637)	35,058
Net Increase / (Decrease) in Cash and Cash Equivalents	(234,049)	94,355
Effect of Exchange Rate Changes on Cash and Cash Equivalents	59	40
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	659,220	344,655
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	425,230	439,050

Cash and Cash Equivalents in Consolidated Statement of Cash Flows		
Amount as Shown in the Statement of Financial Positions	516,248	509,883
Restricted Cash Deposits for Bank Notes Payables	(91,018)	(70,833)
Cash and Cash Equivalents for Consolidated Statement of Cash Flows Purpose at End of the Period	425,230	439,050

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 2014	739,308	414,042	309,840	954,190	2,417,380	157,584	2,574,964
Total Comprehensive Income for the Year	-	-	877	102,341	103,218	7,069	110,287
Increase in Capital contributed by Non-controlling Interests	-	-	-	-	-	2,940	2,940
Distribution to Non-controlling Interests	-	-	-	-	-	(4,037)	(4,037)
Balance at 31 March 2014	739,308	414,042	310,717	1,056,531	2,520,598	163,556	2,684,154

Group	Share capital	Share premium	Other Reserves	Retained earnings	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	-	-	(780)	118,466	117,686	3,447	121,133
Balance at 31 March 2013	739,308	414,042	272,845	828,388	2,254,583	145,322	2,399,905

All in RMB'000

Company	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
Balance at 1 January 2014	739,308	414,042	387,731	825,894	2,366,975
Total Comprehensive Income for the Year	-	-	877	91,485	92,362
Balance at 31 March 2014	739,308	414,042	388,608	917,379	2,459,337

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	-	-	(735)	94,457	93,722
Balance at 31 March 2013	739,308	414,042	351,730	598,529	2,103,609

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 31 March 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 31 March 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

	Group	
	3-month period ended 31 March 2014 RMB	3-month period ended 31 March 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 on issue	0.14	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 2014 RMB	31 December 2013 RMB	31 March 2014 RMB	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	3.41	3.27	3.33	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 first quarter of FY2014 ("1Q FY2014") was approximately RMB 1,552 million, an increase of approximately RMB 103 million or 7%, from RMB 1,449 million in the first quarter of FY2013 ("1Q 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 1Q FY2014 decreased by approximately 3% from approximately RMB 529 million in 1Q FY2013 to approximately RMB 514 million. The gross profit margin decreased from 36.5% in 1Q FY2013 to 33.1% in 1Q FY2014. 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 1Q FY2014 was approximately RMB 4.9 million, an increase of 328% over the previous corresponding period. The increase in other credits was due mainly to investment gain from held-to-maturity investments in 1Q FY2014.

(d) Major Expenses:

- (i) Marketing and Distribution costs in 1Q FY2014 was approximately RMB 318 million, an increase of approximately RMB 5 million, or 1% over the previous corresponding period.
- (ii) Administration expenses in 1Q FY2014 decreased by approximately RMB 8 million, from approximately RMB 73 million in 1Q FY2013 to approximately RMB 65 million. The decrease in administrative expenses was mainly due to decrease in staff costs and entertainment expenses.
- (iii) Finance costs in 1Q FY2014 decreased by approximately RMB 2 million or 19% from approximately RMB 13 million to approximately RMB 11 million.

(e) Shares of results of associated companies:

The Group's share of profits of associates in 1Q FY2014 decreased by approximately RMB 7 million, or 32%, from approximately RMB 23 million in 1Q FY2013 to approximately RMB 16 million. This was mainly because Sino-American Tianjin Smithkline & French Lab., Ltd.'s profit in 1Q FY2014 decreased by approximately RMB 8 million compared to the corresponding period in FY2013.

(f) Total comprehensive income:

The Group's total comprehensive income (net of tax) in 1Q FY2014 was approximately RMB 110 million, a decrease of 9% over the previous corresponding period. The profit attributable to equity holders of Parent (net of tax) in 1Q FY2014 was approximately RMB 102 million, a decrease of approximately RMB 16 million or 14%, from the corresponding period in 1Q FY2013.

(g) Major changes in statement of financial positions:

As at 31 March 2014, the Group's cash and cash equivalents amounted to approximately RMB 516 million, which is a decrease of approximately RMB 228 million, or 31% over the balance as at 31 December 2013. The Group's short-term borrowings as at 31 March 2014 amounted to approximately RMB 1,079 million, which is a decrease of approximately RMB 210 million, or 16% over the balance as at 31 December 2013. This is contributed by the partial repayment of short-term borrowings.

Trade and other receivables was approximately RMB 1,486 million at 31 March 2014, which is an increase of approximately RMB 37 million, or 3% over the balance as at 31 December 2013. Notes receivable decreased by approximately RMB 70.15 million. Trade receivables increased by approximately RMB 102.54 million, which is mainly due to increase in sales. Other receivables increased by approximately RMB 4.2 million. Inventories increased by 6% to approximately RMB 864 million to meet the anticipated higher sales in the coming months.

Other current asset increased by approximately 34% or RMB 42 million to approximately RMB 168 million as at 31 March 2014. This was mainly attributed to the increase in procurement of which advance payments are required.

Investments in associates of the Group increased by 3% to approximately RMB 541 million, which is mainly attributable to the Group's share of the associates' profits in 1Q FY2014.

Property, plant and equipment decreased by approximately RMB 16 million or 2% to RMB 870 million, which was mainly due to depreciation charge for the period, partially offset by additions of assets.

(h) Changes in cash flow position:

In 1Q FY2014, the Group recorded net cash inflow from operating activities of approximately RMB 20 million.

Cash inflow from investment activities was approximately RMB 8 million in 1Q FY2014.

Cash outflow from financing activities was approximately RMB 262 million in 1Q FY2014.

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

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 2014, to be false or misleading in any material respect.