

**TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED**

(Company Registration No. 91120000103100784F)

(Incorporated in People's Republic of China)

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**PROPOSED MERGER BETWEEN THE TWO WHOLLY-OWNED SUBSIDIARIES OF THE COMPANY**

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*The board of directors (the “Board”) and every individual director of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the “Company”, together with its subsidiaries, the “Group”) hereby confirm that they will individually and collectively accept full responsibility for the accuracy of the information given in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated in this announcement are fair and accurate in all material respects as at the date of this announcement, and that there are no material facts the omission of which would make any statement in this announcement misleading.*

**I. INTRODUCTION**

On 29 April 2020, the Company duly convened its 4<sup>th</sup> Board meeting for the financial year ending 31 December 2020, and the Board considered and approved the proposed merger between the two wholly-owned subsidiaries of the Company, namely Tianjin Chinese Medicine Yinpian Factory Co., Ltd. (天津市中药饮片厂有限公司) (“**Yinpian Factory Co.**”) and Tianjin Long Shun Rong Development Pharmaceutical Co., Ltd. (天津隆顺德发展制药有限公司) (“**Long Shun Rong Development Co.**”) (the “**Proposed Merger**”). The Proposed Merger will take the form of merger by absorption, and upon completion of the Proposed Merger, Long Shun Rong Development Co. will be dissolved and all the assets, debts, businesses and personnel of Long Shun Rong Development Co. will be succeeded by Yinpian Factory Co.

The Proposed Merger does not constitute an interested person transaction, nor a material asset reorganization. The Proposed Merger shall take effect upon its consideration and approval by the Board of the Company and does not need to be submitted to the general meeting of shareholders of the Company for consideration and approval.

**II. INFORMATION ON THE PARTIES**

**1. Yinpian Factory Co.**

(1) Yinpian Factory Co. will continue to operate upon the completion of the Proposed Merger and its information as at the date of this announcement is as follows:

Name of company	:	Tianjin Chinese Medicine Yinpian Factory Co., Ltd. (天津市中药饮片厂有限公司)
Type of enterprise	:	Limited liability company
Registered Capital	:	RMB20 million
Legal Representative	:	Huo Sheng (霍圣)

Date of Incorporation : 4 January 1993

Registered Address : No. 278 Xiqing Road, Xiqing District, Tianjin, the People's Republic of China (the "PRC")

Business Scope : Production of Chinese herbal slices (including toxic Chinese herbal slices, oral Chinese herbal slices, and the scope of processing covers netting, cutting, steaming, stir-baking, stir-frying and calcining); wholesale of Chinese medicinal raw materials, Chinese herbal slices and Chinese patent medicine; general freight transportation; import and export of goods (excluding those prohibited by laws and administrative regulations of the PRC); property services; cleaning services; technical development and technical services of drugs (excluding narcotic drugs and psychotropic drugs).

- (2) The financial figures of Yingpian Factory Co. for the latest full year and the latest financial period are as follows:

Unit: RMB

Item	As at 31 December 2019	As at 31 March 2020
Total assets	108,554,400	101,260,600
Net assets	60,543,400	61,161,500
Item	Year 2019	January 2020 to March 2020
Operating income	89,806,200	23,434,300
Net profit	2,961,500	618,100

## 2. Long Shun Rong Development Co.

- (1) Long Shun Rong Development Co. will be dissolved upon the completion of the Proposed Merger and its information as at the date of this announcement is as follows:

Name of company : Tianjin Long Shun Rong Development Pharmaceutical Co., Ltd.  
(天津隆顺榕发展制药有限公司)

Type of enterprise : Limited liability company

Registered Capital : RMB45 million

Legal Representative : Xu Guijin (许桂金)

Date of Incorporation : 27 December 2005

Registered Address : No. 21 Yanmen Road, Hebei District, Tianjin, the PRC

Business Scope : Acquisition of Chinese medicinal raw materials; production and processing of Chinese patent medicine and Chinese herbal slices (the business scope shall be subject to the production license); preserved fruit (sub-packaging), tea products and substitute tea [substitute tea (sub-packaging)]; health food; production and operation of Long Shun Rong brand protein powder and Long Shun Rong brand spore powder of broken ganoderma lucidum; wholesale and retail of pre-packaged food, bulk food, sanitary products, fitness equipment, disinfection products for daily life and environmental sanitation, general merchandise and daily necessities; warehousing (excluding hazardous article); leasing of factory, leasing of machinery and equipment, enterprise management services; development, transfer, consultation and services of pharmaceutical technology; import and export of goods and technologies; graphic design and production, advertising business. The following scope of business is limited to branches: retail of medicines, medical equipment and healthcare food. (In the case of items which require approval pursuant to laws, activities shall be carried out only upon approval by the relevant authorities.)

- (2) The financial figures of Long Shun Rong Development Co. for the latest full year and the latest financial period are as follows:

Unit: RMB

<b>Item</b>	<b>As at 31 December 2019</b>	<b>As at 31 March 2020</b>
Total assets	14,370,700	13,120,800
Net assets	-19,106,800	-21,050,100
<b>Item</b>	<b>Year 2019</b>	<b>January 2020 to March 2020</b>
Operating income	18,547,300	1,293,900
Net profit	-8,262,400	-1,943,300

### **III. INFORMATION ON PRICING**

The Proposed Merger is a merger by absorption between the wholly-owned subsidiaries of the Company. The benchmark date of the Proposed Merger is 31 December 2019. The Proposed Merger shall be carried out on the basis of the book value of Long Shun Rong Development Co. in accordance with the accounting standards of the PRC.

### **IV. METHOD, SCOPE AND RELATED ARRANGEMENTS OF THE PROPOSED MERGER**

- (1) The Proposed Merger will take the form of merger by absorption, and all the assets and debts of Long Shun Rong Development Co. will be succeeded by Yinpian Factory Co.. Upon completion of the Proposed Merger, Yinpian Factory Co. will continue to operate with a registered capital of RMB65 million, and Long Shun Rong Development Co. will be dissolved.
- (2) The profits and losses generated during the period commencing from, and ending on the completion of, the Proposed Merger shall be borne by Yinpian Factory Co..
- (3) Upon completion of the Proposed Merger, all assets of Long Shun Rong Development Co., including without limitation fixed assets, current assets, etc. shall be owned by Yinpian Factory Co., and all creditors' rights and liabilities shall be succeeded by Yinpian Factory Co..
- (4) Long Shun Rong Development Co. shall prepare balance sheets and checklists of properties, and perform the relevant procedures of notifying creditors and making a public announcement.
- (5) The Company will coordinate the active cooperation between Yinpian Factory Co. and Long Shun Rong Development Co. to complete the delivery of all assets of Long Shun Rong Development Co. to Yinpian Factory Co., and go through the procedures for asset transfer and the registration procedures for the change of ownership of related assets.
- (6) Upon completion of the Proposed Merger, all the businesses of Long Shun Rong Development Co. will be incorporated into the continuous operation of Yinpian Factory Co., and all the employees will be employed by Yinpian Factory Co..
- (7) The parties to the Proposed Merger shall perform their respective statutory approval procedures and enter into a merger agreement upon approval, pursuant to which, the Proposed Merger will be implemented.

### **V. IMPACT OF THE PROPOSED MERGER ON THE COMPANY**

The Proposed Merger is conducive for optimizing the organizational structure of the Company, reducing management costs, enhancing management efficiency, standardizing the operation of the Company and coordinating the development of the business of Chinese herbal slices and health food and beverage business. Both Yinpian Factory Co. and Long Shun Rong Development Co. are wholly-owned subsidiaries of the Company, and their financial statements have been included in the scope of the consolidated financial statements of the Group. The Proposed Merger will not have a material impact on the normal operation, financial status and profitability of the Company, nor will it be detrimental to the the interests of the Company and its shareholders, in particular, its minority shareholders, as a whole.

**By Order of the Board**

Jiao Yan  
Secretary to the Board of Directors  
29 April 2020