TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Company Registration No.: 91120000103100784F)

(Incorporated in the People's Republic of China)

UPDATE ON THE DEPOSIT OF NET PROCEEDS AND THE USE OF NET PROCEEDS

The board of directors (the "Board") and every individual director of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "Company") 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.

The Board refers to the previous announcements by the Company on 12 June 2014, 12 August 2014, 7 January 2015, 28 January 2015, 27 March 2015, 28 April 2015, 8 June 2015, 15 July 2015, 22 July 2015, 14 August 2015, 26 August 2015, 1 September 2015, 7 September 2015, 28 September 2015, 9 October 2015, 15 October 2015, 30 October 2015, 10 November 2015, 17 November 2015, 8 December 2015, 11 December 2015, 23 December 2015, 19 January 2016, 8 March 2016 and 21 March 2016, 26 April 2016, 8 June 2016, 5 July 2016,12 August 2016, 24 August 2016, 26 August 2016, 29 November 2016, 7 March 2017, 30 March 2017, 13 June 2017, 14 August 2017, 23 August 2017, 24 August 2017, 28 November 2017, 8 January 2018, 30 March 2018, 9 August 2018, 14 August 2018, 24 August 2018, 29 March 2019, 14 August 2019, 23 August 2019 , 17 April 2020, 14 August 2020, 30 September 2020 and 30 March 2021 (the "**Prior Announcements**"), as well as the circular dated 1 August 2014 (the "**Circular**") and the circular dated 24 September 2018 in relation to the Placement.

Capitalised terms not defined herein shall bear the same meaning as terms defined in the Prior Announcements and the Circular.

Pursuant to *Guideline No. 2 – Supervision Requirements of the Use and Management of the Proceeds of the Listed Companies (《上市公司监管指引第 2 号—上市公司募集资金管理和使用的监管要求》)* promulgated by the China Securities Regulatory Commission ("**CSRC**") and the *Administrative Measures of the Shanghai Stock Exchange for the Capital Raised by Listed Companies (2013 Revision) (《上海证券交易所上市公司募集资金管理办法（2013 年修订）》)*, the Board issued a report below in relation to the deposit of Proceeds and the Use of Net Proceeds as at 30 June 2021 (the "**Report**").

1. BASIC INFORMATION ON THE PLACEMENT

1.1 Net Proceeds

Pursuant to the Written Approval from the CSRC, on 19 June 2015, the Company issued 29,564,356 A-shares with par value of RMB 1 per share at an issue price of RMB 28.28 per share, and the Proceeds from the Placement amounted to RMB 836,079,987.68. After deducting the expenses of the Placement, the Net Proceeds was approximately RMB 814,340,000.00.

Ruihua Certified Public Accountants LLP has, on 26 June 2015, issued the Proceeds Verification Report verifying that the Proceeds raised from the Placement are in the designated

accounts of the Company (Designated Account #1, Designated Account #2 and Designated Account #3 collectively, the "**Designated Accounts**").

1.2 Amount of the Net Proceeds Used in Year 2021

As of 30 June 2021, an amount of RMB 413,043,444.60 from the Net Proceeds was used for the Projects, and the Company obtained an amount of RMB 61,291,287.30 in the form of financing income and interests derived from the Cash Management. The balance of the Net Proceeds is RMB 112,587,842.70 as at 30 June 2021.

1.3 Amount of the Net Proceeds Used and the Balance as at 30 June 2021

As at 30 June 2021, the balance of the Net Proceeds is RMB 112,587,842.70, the details of which are as follows:

NO.	ITEMS	AMOUNT(RMB)
1.	Net Proceeds	814,340,000.00
2.	Temporary Use For Cash Flow	-350,000,000.00
3.	Expenditure on the Projects	-413,043,444.60
4.	Financing income and interests derived from the Cash Management	61,291,287.30
5.	Balance of the Net Proceeds	112,587,842.70
	Where: Balance in the Designated Accounts	112,587,842.70

2. MANAGEMENT OF PROCEEDS

To further regulate the use and management of the Proceeds, improve the efficiency of the Use of Net Proceeds, and protect the investors' interests, pursuant to relevant laws, regulations and rules including the *Company Law of the PRC (《中华人民共和国公司法》)*, *Securities Law of the PRC (《中华人民共和国证券法》)*, *Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司证券发行管理办法》), the Rules of Shanghai Stock Exchange on the Listing of Stocks (《上海证券交易所股票上市规则》)*, *Administrative Measures of the Shanghai Stock Exchange for the Capital Raised by Listed Companies (2013 Revision) (《上海证券交易所上市公司募集资金管理办法（2013 年修订）》)*, as well as the Articles of Association of the Company, the Company has adopted the Measures for the Management of Proceeds of the Company to regulate the use and management of the Proceeds, and to protect the investors' interests. The Measures for the Management of Proceeds was approved by the Shareholders at an extraordinary general meeting of the Company held on 18 August 2014.

2.1 Deposit of the Proceeds

As at 30 June 2021, the details of the deposit of the balance of the Net Proceeds are set out below:

ACCOUNT NAME	BANKS	BANK ACCOUNT NUMBER	BALANCE (RMB)
The Company	China Bohai Bank Co.,Ltd., Tianjin Rongye Street Sub-Branch (previously known as China Bohai Bank Co.,Ltd., Tianjin Duolun Road Sub-Branch)	2000001695000328	24,687,927.29
The Company	Industrial and Commercial Bank of China, Tianjin Chengdu Road Sub-Branch	0302010529300330596	68,681,005.69
Da Ren Tang	China Construction Bank, Tianjin Hebei Sub-Branch	12001660800052535320	19,218,909.72
Sub-total			112,587,842.70

2.2 Supervision Agreements

There is no major difference between the sample supervision agreement and the Supervision Agreement #1, the Supervision Agreement #2 and the Supervision Agreement #3. The Company has deposited, used and managed the Proceeds pursuant to the relevant laws and regulations, and all the obligations under the Supervision Agreement #1, the Supervision Agreement #2 and the Supervision Agreement #3 have been duly performed as at 30 June 2021.

3. USE OF NET PROCEEDS

3.1 Use of Net Proceeds for the Projects

The details of the Use of Net Proceeds for the Projects are set out in Annex 1 to this announcement.

3.2 Use of the Proceeds for the Projects and the Replacement

As at 3 August 2015, the Company had used an aggregate amount of RMB 28,334,868.31 of its own funds (the "**Funds**") to commence the Projects, the details of which are set out below. Ruihua Certified Public Accountants LLP has issued the Proceeds Verification Report verifying that such amounts are in the Designated Accounts of the Company.

No.	Name of Projects	Proposed amount to be invested (RMB)	Amount of the Net Proceeds to be invested (RMB)	Amount of expenditure as at 3 August 2015 (RMB)
1.	Terminal Marketing Network and Promotional System	310,420,000.00	310,420,000.00	17,407,584.01

	Project				
2.	Bozhou Industrial Park Construction Project	Chinese Medicine Extraction and Preparation Project	250,000,000.00	127,500,000.00	0.00
		Project on Chinese Medicine Decoction Pieces	150,000,000.00	76,500,000.00	5,865,000.00
3.	Wellness and Functional Vegetable Beverages Project		299,920,000.00	299,920,000.00	5,062,284.30
Total			1,010,340,000.00	814,340,000.00	28,334,868.31

Pursuant to the 8th Board meeting for year 2015, which was duly convened on 26 August 2015, the Board had passed the resolution approving an equivalent amount of RMB 28,334,868.31 from the Net Proceeds to be used to replace the Funds.

As at 31 December 2015, the Funds has been fully replaced with an equivalent amount from the Net Proceeds.

3.3 Temporary Use of Part of the Net Proceeds for the Cash Flow of the Company

Pursuant to the 8th Board meeting for year 2020, which was duly convened on 30 September 2020, the Board had passed the resolution approving the Temporary Use and allowed the Company to use an amount of RMB350,000,000.00 from the Net Proceeds for the Company's cash flow purposes, within a 12-month period (the "**FY2020 Temporary Use**"). The contents and procedures of the FY2020 Temporary Use are in compliance with the relevant requirements of the CSRC and Shanghai Stock Exchange in respect of use of proceeds.

As at 30 June 2021, the amount of RMB350,000,000.00 from the Net Proceeds for the purposes of cash flow of the Company has not been returned to the Designated Accounts of the Company.

3.4 Cash Management of Net Proceeds

As at 30 June 2021, the Company has no Cash Management of the Net Proceeds.

3.5 Disclosure on any permanent use of amounts for the cash flow of the Company or repayment of bank loans exceeding the total amount of Proceeds

Not applicable.

3.6 Disclosure on any use of Proceeds for new projects (including assets acquisition) exceeding the total amount of Proceeds

Not applicable.

3.7 Balance of the Proceeds

As at 30 June 2021, as the Projects have not been completed, the final balance of the Proceeds is still unavailable.

3.8 Other Use of Proceeds

There is no other use of Proceeds of the Company.

4. CHANGE TO THE CURRENT USE OF NET PROCEEDS

Pursuant to the 4th Board meeting for 2018, which was duly convened on 9 August 2018, the Board had passed the resolution relating to the change in the Use of Placement Proceeds, which envisages the substitution of the "Wellness and Functional Vegetable Beverages Project" with the "Phase I Dripping Pill Manufacturing Base Project". The independent directors of the Company, the supervisory committee of the Company and the Placement Agent have issued their respective opinions. The details of the change in the Use of Placement Proceeds are set out in the announcement made by the Company on SGXNET on 9 August 2018 and the Company's circular dated 24 September 2018. The change in the Use of Placement Proceeds was approved by the Shareholders at the extraordinary general meeting of the Company held on 9 October 2018.

Pursuant to the 4th Board meeting for 2018, which was duly convened on 9 August 2018, the Board had passed the resolution relating to the proposed change in the shareholding and the amount of the Net Proceeds in relation to Tianjin Da Ren Tang (Bozhou) Chinese Medicine Co., Ltd. (the "**Bozhou Company**"). It was initially agreed that the Company and the other shareholder of the Bozhou Company shall invest in the Bozhou Industrial Park Construction Project on a pro-rata basis in accordance with each of their shareholding proportion in the form of share capital increase. However, as the Bozhou Industrial Park Construction Project progressed, Tianjin Jinlian Zhida Business Information Consulting Co., Ltd. adjusted its investment strategies and proposed to transfer its 29% equity interests in the Bozhou Company to the Company. In order to ensure that the Bozhou Industrial Park Construction Project can be carried out as planned, discussions were held between the Company and Tianjin Jinlian Zhida Business Information Consulting Co., Ltd. Pursuant to these discussions, it was decided that the Company will acquire the 29% equity interests in the Bozhou Company from Tianjin Jinlian Zhida Business Information Consulting Co., Ltd. Following the completion of the change in the shareholding of the Bozhou Company, in order to focus on the progress of the Bozhou Industrial Park Construction Project and to supervise the use of funds, the Company intended to reallocate the amount of the Net Proceeds to be invested in the two sub-projects of the Bozhou Industrial Park Construction Project, based on the relative priorities of the aforesaid sub-projects. This entailed the re-allocation of RMB 150,000,000.00 to the Project on Chinese Medicine Decoction Pieces, and the allocation of the remaining raised funds of RMB 54,000,000.00 to the Chinese Medicine Extraction and Preparation Project. The independent directors of the Company, the supervisory committee of the Company and the Placement Agent have issued their respective opinions. The details of the same are set out in the announcement made by the Company on SGXNET on 9 August 2018 and the Company's circular dated 24 September 2018. The proposed change in the amount of the Net Proceeds in relation to Bozhou Company was approved by the Shareholders at the extraordinary general meeting of the

Company held on 9 October 2018

The details of the change in the Use of Net Proceeds for the Projects are set out in Annex 1 to this announcement.

5. DISCLOSURE ON THE USE OF NET PROCEEDS

The Company has complied with the relevant rules and regulations of the CSRC and the Shanghai Stock Exchange to accurately and completely disclose the information in relation to the deposit of Proceeds and the Use of Net Proceeds.

By Order of the Board

Jiao Yan
Secretary to the Board of Directors
13 August 2021

Annex 1：Details on Use of Net Proceeds (First Half of Year 2021)

(RMB)

Amount of the Net Proceeds				814,340,000		Annual expenditure on the Projects for Year 2021					28,426,600	
Amount of the change to the Use of Net Proceeds				289,985,600		Total expenditure on the Projects					413,043,400	
Amount of the change to the Use of Net Proceeds as a percentage of the amount of the Net Proceeds				35.61%								
Proposed investment projects	Projects that have been changed (including partial changes)	Proposed investment amount	Investment amount after adjustment	Proposed investment amount as at 30 June 2021 (1)	Amount of annual expenditure	Total investment amount as at 30 June 2021 (2)	Difference between total investment amount and proposed investment amount as at 30 June 2021 (3)=(2)-(1)	Progress of the Projects as at 30 June 2021 (%) (4)=(2)/(1)	The expected date of the Projects to be put into service	Annual achieved benefits	Whether the expected benefits were achieved	Whether there is a material change in the feasibility of the Projects
Terminal Marketing Network and Promotional System Project	-	310,420,000	310,420,000	310,420,000	1,693,700	174,885,100	-135,534,900	56.34%	-	-	-	no
Bozhou Industrial Park Construction Project-Chinese Medicine Extraction and Preparation Project	-	127,500,000	54,000,000	54,000,000	-	-	-54,000,000	-	-	-	-	no
Bozhou Industrial Park Construction	-	76,500,000	150,000,000	150,000,000	1,715,800	131,725,700	-18,274,300	87.82%	-	-	-	no

Project-Project on Chinese Medicine Decoction Pieces												
Wellness and Functional Vegetable Beverages Project	-	299,920,000	9,934,400	9,934,400	-	9,934,400	-	100%	-	-	-	yes
Wellness and Functional Vegetable Beverages Project	Phase I Dripping Pill Manufacturing Base Project	-	289,985,600	289,985,600	25,017,100	96,498,300	-193,487,300	33.28%	-	-	-	no
Total	-	814,340,000	814,340,000	814,340,000	28,426,600	413,043,400	-401,296,600	-	-	-	-	-

Reasons for not following the Projects Schedule	(i) The reason for not following the schedule of the Terminal Marketing Network and Promotional System Project: In light of the current market conditions in the pharmaceutical industry, the Company has taken caution on incurring sales expenses. Going forward, the Company will make greater efforts to strive towards market expansion. (ii) The reasons for not following the schedule of the Bozhou Industrial Park Construction Project: The Bozhou Industrial Park Construction Project is carried out by a subsidiary of the Company, Tianjin Da Ren Tang (Bozhou) Chinese Medicine Co., Ltd. (the "**Bozhou Company**"). As agreed, the Company and the other shareholders of the Bozhou Company shall invest in the Bozhou Industrial Park Construction Project on a pro-rata basis in accordance with each of their shareholding proportion in the form of share capital increase. However, the relevant decision-making procedures of the Bozhou Company in relation to the share capital increase have not been completed such that the Proceeds cannot be injected into the Bozhou Company. The Company has been using its own funds to continue the Bozhou Industrial Park Construction Project. Pursuant to the 1st Board meeting for year 2017, which was duly convened on 29 March 2017, the Board passed the resolution that the Company will use its own funds to acquire 20% equity interest in the Bozhou Company and the resolution in relation to change of shareholding in the Bozhou Company. Pursuant to the 4th Board meeting for 2018, which was duly convened on 9 August 2018, the Board had passed the resolution in relation to the change in shareholding and amount of the net proceeds in relation to the Bozhou Company, and the Company will acquire the 29% equity interests in the Bozhou Company from Tianjin Jinlian Zhida Business Information Consulting Co., Ltd. with its own funds. In addition to using RMB 204,000,000 from the Net Proceeds as originally planned, where required, the Company will also use its own funds to invest in the Bozhou Industrial Park

	Construction Project, since its shareholding in the Bozhou Company has increased. As the Company was required to seek Shareholders' approval for the change in shareholding and amount of the net proceeds in relation to the Bozhou Company, an extraordinary general meeting was convened for such purpose. The proposed change in the amount of the Net Proceeds in relation to the Bozhou Company was approved by the Shareholders at the extraordinary general meeting of the Company held on 9 October 2018. (iii) The "Phase I Dripping Pill Manufacturing Base Project" fails to achieve the planned schedule due to the COVID-19 pandemic causing delay in the progress of the project.
Information on Material Change of the Feasibility of the Projects	Information on the change in the Wellness and Functional Vegetable Beverages Project: The Company has been monitoring the market conditions in the beverage industry. The beverage industry has entered into a period of decline during the development of the "Wellness and Functional Vegetable Beverages Project" (the "**Original Project**"), and the overall market outlook is still uncertain in the future. As such, the Company has taken a cautious attitude towards the investment in the Original Project. After assessing the future development trend of the beverage industry, the Company had decided to terminate the Original Project, and substitute it with the "Phase I Dripping Pill Manufacturing Base Project" (the "**New Project**") in line with the Company's business. Pursuant to the 4th Board meeting for year 2018, which was duly convened on 9 August 2018, the Board approved the proposed change in the Use of Net Proceeds. The details of the same are set out in the announcement made by the Company on SGXNET on 9 August 2018 and the Company's circular dated 24 September 2018. The proposed change in the Use of Placement Proceeds was approved by the Shareholders at the extraordinary general meeting of the Company held on 9 October 2018.
Company's Earlier Expenditures on the Projects and the Replacement	As at 30 June 2021, the Company had used an aggregate amount of RMB 28,334,868.31 from the Net Proceeds to replace the same amount of its own funds which were used earlier to commence the Projects.
Temporary Use of the Part of Net Proceeds for the Cash Flow of the Company	As at 30 June 2021, the amount of RMB350,000,000.00 from the Net Proceeds that were used for the cash flow of the Company has not been returned to the Designated Accounts of the Company.
Cash Management of the Net Proceeds	As at 30 June 2021, the Company has no Cash Management of the Net Proceeds.
Amounts exceeding the Proceeds for the Cash Flow and Bank Loan of the Company	N.A.
Balance of the Proceeds and the Reasons	N.A.
Other Use of the Proceeds	N.A.

Note 1: The annual expenditure on the Projects includes the amount of annual expenditure and the replacement amount.

Note 2: The proposed investment amount as at 30 June 2021 is subject to the latest disclosure of the investment plan of the Proceeds.

Note 3: The method of calculation for annual achieved benefits is the same as the method of calculation for the proposed benefits.