

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Company Registration No.91120000103100784F)

(Incorporated in the People's Republic of China)

CLARIFICATIONS ON MEDIA REPORTS

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.

1. INTRODUCTION

On 27 June 2016, various media outlets in the People's Republic of China (the "PRC") published an article titled *"Application for cancellations of business licences for three branches of the Company"*. The three branches mentioned in the article are: Sales Branch Company of No.6 Chinese Medicine Plant, Sales Branch Company of Le Ren Tang and Sales Branch Company of Da Ren Tang (the "**Three Sales Branches**"). The Board wishes to clarify the following information in the article:

2. BACKGROUND OF THE THREE SALES BRANCHES

Sales Branch Company of No.6 Chinese Medicine Plant, Sales Branch Company of Le Ren Tang and Sales Branch Company of Da Ren Tang are established in 2000, 2000 and 2014 respectively. Sales Branch Company of No.6 Chinese Medicine Plant, Sales Branch Company of Le Ren Tang and Sales Branch Company of Da Ren Tang are only selling the products manufactured by No. 6 Chinese Medicine Plant, Le Ren Tang Pharmaceutical Factory and Da Ren Tang Pharmaceutical Factory respectively (collectively, the "**Three Factories**"). The Three Sales Branches have strictly complied with the PRC regulation *"Good Supply Practice for Pharmaceutical Products"*.

3. REASON FOR CANCELLATIONS OF MEDICAL BUSINESS LICENSES

As part of measures to comply with the regulation entitled *"Notice in relation to reform of the medical and health care system in 2016"* issued by the State Council of the PRC dated 26 April 2016, the Company applied for cancellations of the medical business licences of the Three Sales Branches on 31 May 2016, in order to reduce the extent of the supply chain. After the cancellations, the Three Factories will sell their products directly instead of through the Three Sales Branches.

4. IMPACT ON THE COMPANY

The Company is of the view that the cancellations of the medical business licenses of the Three Sales Branches will reduce the extent of the supply chain and improve operational

efficiency. As the sales operations have now been taken over by the Three Factories, the cancellations of the medical business licences will not have any adverse impact on the production and sales of the Three Factories' products.

By order of the Board
27 June 2016