

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Company Registration No. 91120000103100784F)

(Incorporated in People's Republic of China)

EXTENSION OF TIME FOR TIANJIN PHARMACEUTICAL GROUP CO., LTD TO FULFILL ITS UNDERTAKING

The board of directors of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "Board") collectively and individually accept full responsibility for the accuracy of the information given in this announcement, and confirm after making 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 dated 7 January 2015, 28 April 2015, 11 January 2016, 19 September 2017 and 21 September 2017 in relation to the non-compete undertakings (the "Prior Announcements").

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

The Board wishes to announce that the Company has received a notice from Tianjin Pharmaceutical Group Co., Ltd ("TPG") requesting for an extension of time (the "Extension") to fulfil its undertaking (as set out below). The meetings of the board of directors and the board of supervisors were both duly convened on 12 November 2018. Pursuant to the *Guideline No. 4 for the Supervision of Listed Companies - Commitments and Fulfillment of Commitments of the Actual Controllers, Shareholders, Affiliates, and Acquirers of Listed Companies as Well as the Listed Companies* (《上市公司监管指引第四号——上市公司实际控制人、股东、关联方、收购人以及上市公司承诺及履行》), the details of the Extension are set out below.

1. Extension

1.1 Details of the previous undertaking

As part of the approval process for the Proposed Placement, TPG had previously undertaken that in relation to the Company's sales business segment, TPG undertakes to transfer (either via shares or asset sales) its subsidiaries that are in this segment to the Company or independent third parties by 31 December 2018.

1.2 Rationale for the Extension

At present, the subsidiary which is in the Company's sales business segment is TPG Taiping. In the second half of 2017, TPG has pushed forward the Transfer in accordance with the previous undertaking, and has carried out assets and capital verification pursuant to the latest requirements regulating the transfer of state-owned assets. However, with the progress of the audit, it was found that TPG Taiping has various historical issues in relation to, *inter alia*, the write-off of receivables, the allocated land and the adjustment of the business process (the "**Historical Issues**"). It is necessary to settle the Historical Issues before carrying out the Transfer. In addition, in order to implement the general plans of the Tianjin Municipal Committee of the Communist Party of China, People's Government of Tianjin Municipality and State-owned Assets Supervision and Administration Commission of Tianjin Municipal Government to promote the reform of state-owned enterprises (the "**Mixed-ownership Reform**"), TPG needs to start taking steps in relation to the Mixed-ownership Reform in 2018. As such, it is difficult for TPG to implement the Mixed-ownership Reform and to fulfil the previous undertaking at the same time as TPG Taiping has a great impact on the overall valuation of TPG. Hence, in order to protect the interests of the minority shareholders, TPG seeks to postpone the fulfilment of TPG's obligations under the previous undertaking.

1.3 Further Details on the Extension

TPG Taiping was incorporated on 29 September 1994 and its current registered capital is RMB411,445,925. The legal representative of TPG Taiping is Ms. Chen Zhi Ping. The business scope of TPG Taiping includes the wholesale trading of Chinese medicine, Chinese herbal medicine, Chinese medicine Pieces, chemical raw materials and their preparations, antibiotics, biochemical drugs, biological products (including in vitro diagnostic drugs), narcotic drugs, the first class of psychotropic drugs, the second category of psychotropic drugs, protein assimilation agents, peptide hormones, and pharmaceutical products precursor chemicals, as well as the wholesale trading of health foods. TPG Taiping mainly engages in pharmaceutical professional promotion, marketing and agency.

The current progress is as follows: (i) In accordance with the latest requirements regulating the transfer of state-owned assets, TPG Taiping's assets and capital verification work has been carried out, and the Historical Issues will be dealt with; (ii) TPG has gradually sorted out the assets of TPG Taiping, and has stripped off the non-core business and non-strategic business of TPG Taiping (including one real estate company and one company engaged in the sale of medical devices) so as to facilitate further integration of TPG Taiping's internal resources and to enhance the quality of its development; In the meantime, two companies in which TPG has a smaller shareholding interest and which had performed poorly had also been transferred by TPG for the purpose of gradually optimizing TPG Taiping's asset structure and improving its capabilities of risk prevention and control; and (iii) TPG Taiping is currently addressing the issues in relation to its land and properties. The various land properties of TPG Taiping are allocated land and the transfer of such land properties are subject to the fulfilment of the state-owned construction land use right transfer procedures. TPG Taiping is currently going through the abovementioned procedures.

As TPG Taiping has been incorporated for a long period of time, it has a large business volume, many branch offices and a complex composition of personnel and assets. Further, TPG Taiping is also subject to the Historical Issues, and more time is needed to address these issues. If these Historical Issues are not settled, they will have an adverse impact on the Transfer. However, as mentioned above, it is difficult for TPG to carry out the Mixed-ownership Reform and to fulfil the previous undertaking at the same time as TPG Taiping has a great impact on the overall valuation of TPG.

TPG will use its best efforts to expedite the Transfer and complete the Transfer by 31 December 2021, by taking the following steps:

- (i) To expedite the settlement of the Historical Issues, including to complete the adjustment of the business process of TPG Taiping and to improve the same during operation in order to make it conform with the internal control standard of the Company;
- (ii) To approach potential, and to determine, suitable transferee(s) and to negotiate with such suitable transferee(s) on the Transfer as soon as possible; and
- (iii) To complete the Transfer in accordance with the relevant requirements regulating the management of state-owned assets.

1.4 Undertaking after the Extension

TPG has requested for an extension of time to 31 December 2021 to fulfil the above undertaking. Therefore, if the time extension is granted, TPG will undertake that in relation to Company's sales business segment, TPG undertakes to transfer (either via shares or asset sales) its subsidiaries that are in this segment to the Company or independent third parties by 31 December 2021.

2. Board Meeting

The meeting of the board of directors was duly convened on 12 November 2018. The Extension has been approved by the full board of 7 directors.

3. Opinions from the Independent Directors

The Independent Directors are of the view that the Extension is in compliance with *Guideline No. 4 for the Supervision of Listed Companies – Commitments and Fulfillment of Commitments of the Actual Controllers, Shareholders, Affiliates, and Acquirers of Listed Companies as Well as the Listed Companies* (《上市公司监管指引第四号——上市公司实际控制人、股东、关联方、收购人以及上市公司承诺及履行》), the decision-making procedures and approval procedures of the Extension are in compliance with the *Company Law*, the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange* (《上海证券交易所股票上市规则》) and the *Articles of Association of the Company* and will not be prejudicial to the

interests of the Company and the minority shareholders of the Company. The Independent Directors agree that approval for the Extension be sought from the Company's shareholders at a general meeting of the Company.

4. Opinions from the Supervisory Committee

The board of supervisors is of view that the Extension is in compliance with *Guideline No. 4 for the Supervision of Listed Companies – Commitments and Fulfillment of Commitments of the Actual Controllers, Shareholders, Affiliates, and Acquirers of Listed Companies as Well as the Listed Companies* (《上市公司监管指引第四号——上市公司实际控制人、股东、关联方、收购人以及上市公司承诺及履行》), the decision-making procedures and approval procedures of the Extension are in compliance with the *Company Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange* (《上海证券交易所股票上市规则》) and the *Articles of Association of the Company* and will not be prejudicial to the interests of the Company and the minority shareholders of the Company.

5. Impact on the Company

The Extension will not have a material adverse impact on the Company's operating results, and will not be prejudicial to the interests of the Company and the minority shareholders of the Company.

6. Shareholders' approvals

The Extension is subject to the approval from the Company's shareholders in an extraordinary general meeting to be convened.

By order of the Board of Directors
13 November 2018