TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Company Registration No. 120000000004711)

(Incorporated in People's Republic of China)

Disclosures in relation to the Proposed Placement

The Board refers to the previous announcement by the Company on 12 June 2014 and 12 August 2014 ("**Prior Announcements**"), as well as the circular dated 1 August 2014 (the "**Circular**") in relation to the Proposed Placement.

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

Disclosure in relation to non-compete undertaking

The Board wishes to announce that in relation to the Proposed Placement and as part of the approval process by the China Securities Regulatory Commission (the "**CSRC**"), the controlling shareholder of the Company, Tianjin Pharmaceutical Group Co., Ltd. ("**TPG**"), has given a non-compete undertaking dated 22 September 2014 in favour of the Company. The details of the non-compete undertaking are set out below:

1. TPG and its subsidiaries shall not, whether directly or indirectly (including but not limited to sole proprietorship, joint venture, holding interests in other companies or enterprises), conduct any business in competition with the businesses of any branch companies and subsidiaries of the Company.

2. As at the date of the non-compete undertaking, except for Tianjin Chinese Medicinal Slices Co., Ltd. (an indirect subsidiary of TPG), TPG does not have any subsidiaries that are in competition with the Company's manufacturing business segment. TPG undertakes to reduce its shareholding in Tianjin Chinese Medicinal Slices Co., Ltd. to 45% or below by 31 October 2015.

3. 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 2017.

4. TPG shall obtain all relevant approvals required under the relevant state-owned assets management rules for the purposes of this non-compete undertaking (including, if required, the approval of the State-owned Assets Supervision and Administration Commission of Tianjin Municipal People's Government). If approval cannot be obtained, TPG will strive to resolve the conflict of interest via other legal

means.

5. After the above mentioned shares or asset sales, TPG shall monitor its business activities for any other potential conflicts of interest with the Company. Where there are any potential conflicts, TPG shall carry out the following measures:

   (a) When deemed necessary by the Company, TPG shall reduce its shareholding interest in a competing subsidiary such that TPG is no longer in control of, or holds no shareholding interest in the competing subsidiary;
   (b) When deemed necessary by the Company, the Company shall have the right to purchase the shares, assets or business of the competing subsidiary;
   (c) When a situation arises that results in a conflict of interest between TPG and the Company, TPG shall unconditionally resolve the conflict of interest in favour of the Company;
   (d) Unconditionally accept any measures proposed by the Company to resolve any other conflicts of interest.

6. In the event that TPG and its subsidiaries breach the non-compete undertaking, TPG shall (a) compensate any losses suffered by the Company and its branch companies, subsidiaries or joint ventures; and (b) pay all profits derived from competing businesses as a result of the breach to the Company.

The non-compete undertaking shall be effective from 22 September 2014 until TPG is no longer in control of the Company.

Disclosure in relation to regulatory measures taken against the Company in the last 5 years

The Board further wishes to announce, in relation to the Proposed Placement and as part of the approval process by the CSRC, a reminder of the regulatory measures taken against the Company by the China Security Regulatory Commission (the "**CSRC**") and the Shanghai Stock Exchange in the last 5 years.

The Board refers to previous announcements by the Company dated 23 September 2013 and 11 October 2013.

On 23 September 2013, the Company announced that it had received a reminder notification from the Tianjin Securities Regulatory Bureau ("**TSRB**") on 22 September 2013.

TSRB, after investigation, found that the Company had disclosed part of its half year financial results ended 30 June 2013 on the Company's website as early as 18 July 2013, before the official release of the said results on the designated media on 15 August 2013. The early disclosure was not in compliance with Article 59 of the Administrative Measures on Information Disclosure by Listed Companies, formulated by the CSRC, therefore the Company was reminded by TSRB to strengthen its management and control of information disclosure. The Company was reminded that the following actions are prohibited: (i) releasing information on the Company's website or other medias before disclosure on the designated media; (ii) calling a press conference or answering reporters' questions in place of complying with reporting and announcing obligations; and (iii) reporting at fixed intervals instead of complying with immediate disclosure requirements.

The Company also received a reminder notification from the Shanghai Stock Exchange in relation to the above on 24 September 2013.

On 11 October 2013, the Company announced its measures to strengthen its information disclosure management process, which are set out below:

1. Increase management familiarity with rules and regulations on corporate information disclosure

   The Company shall ensure that its directors, supervisors and management personnel are familiar with the relevant rules and regulations on corporate information disclosure, including the "Administrative Measures for the Disclosure of Information of Listed Companies" promulgated by the China Securities Regulatory Commission in the PRC, as well as the Listing Manual of the SGX-ST in Singapore. The Company will ensure strict compliance with all relevant rules and regulations.

2. All information to be released by the Company shall comply with the rules and regulations on corporate information disclosure

   The Company shall ensure that all information disclosures are subject to the rules and regulations on corporate information disclosure. This includes, but is not limited to, periodic reports, specific information announcements and material price-sensitive information, as well as any other information to be released via the Company's website or any other media.

3. Streamline the information disclosure management process

   The Secretary of Board (the "**Secretary**") shall be responsible in assisting the Board to monitor information disclosure, and all information should be reviewed and approved by the Secretary before disclosure. The Company's directors, supervisors, management and other related personnel will provide any support that the Secretary requires for such review.

4. Accountability of management

Any director, supervisor, management and related personnel who fails to adhere to the information disclosure management process shall be held personally accountable for any consequences arising from such failure.

The Company shall continue to strengthen its information disclosure management process to ensure that the interests of the shareholders are protected.

Disclosure in relation to the dilutive effect of the Proposed Placement on the immediate return of the Company

The Board also wishes to announce, in relation to the Proposed Placement and in accordance with the requirements under "Views on further strengthening the capital markets to protect the legitimate interests of investors" (Guo Ban Fa [2013] No. 110, promulgated by the State Council), the dilutive effect of the Proposed Placement on the immediate return of the Company, and the measures taken by the Company to address this dilutive effect.

The Board wishes to highlight that the figures given below are for illustration purposes only and do not reflect the actual financial position of the Company, and are not intended as a forecast of the Company's financial position.

1. Dilutive effect of the Proposed Placement on the immediate return of the Company

   (a) General Information

   Pursuant to the audit done by the Company's auditors (Ruihua Certified Public Accountants LLP) for the financial year ended 31 December 2013 ("**FY2013**"), the Company's net profit attributable to shareholders is approximately RMB351.7944 million, earnings per share is approximately RMB0.4800, and the weighted average return on net assets is approximately 15.45%. The net assets attributable to shareholders as at 31 December 2013 is approximately RMB2,417.3811 million.

   The proceeds of the Placement will be used for projects including the development of terminal marketing network promotion system and functional plant beverage, and the construction of Bozhou industrial park and medical logistics centre. After the implementation of aforesaid projects, the company is able to further enhance the sales volume and market share of its core varieties of products, improve the extraction and processing capabilities of traditional Chinese medicine, enhance the production capacity and promotion of the functional plant beverage, and build efficient and modern logistics distribution system, which will significantly enhance the company's core competitiveness, market share and brand influence. The use of proceeds, which has been approved by the Board and the Shareholders, is conducive to the Company's long-term development. However, as the construction of the projects require a period of time, shareholders' returns can only be achieved through existing business during the construction period. Since the share capital and net assets of the Company will increase, if the business of the Company cannot grow appropriately in 2015, earnings per share and weighted average of return on net assets and other indicators will likely decline.

(b) Assumptions for the financial effects

The following assumptions are made for the financial effects:

(i) The Proposed Placement will be completed by February 2015.

(ii) No more than 90 million Shares will be issued pursuant to the Proposed Placement, increasing the total issued Shares of the Company from 739,308,720 to no more than 829,308,720.
The completion date and number of Shares are only estimates as they are subject to CSRC's approval.

(iii) The Proposed Placement is expected to raise net proceeds of approximately RMB 1,124.6 million.

(iv) The Shareholders have approved the scheme of profit distribution policy for FY2013 at the Annual General Meeting of the Company on 15 May 2014, where dividends were distributed to Shareholders on a basis of RMB0.5 for every 10 Shares (inclusive of tax), for a total cash dividend of approximately RMB36.9654 million. It is assumed that the profit distribution for the financial year ending 31 December 2014 ("**FY2014**") will be 15% of the net profit attributable to shareholders of the Company.

(v) It is assumed that the net profit attributable to shareholders of the Company in FY2014 will be unchanged compared with the net profit attributable to shareholders of the Company in FY2013, i.e. RMB351.7944 million.
It is assumed that the net profit attributable to shareholders of the Company in the financial year ending 31 December 2015 will increase by between -10% and 20% of the net profit attributable to shareholders of the Company in FY2014, and will be illustrated with -10%, 0%, 10% and 20% figures.

(vi) The impact on the Company's production operations and financial position (e.g. financial expenses and investment income) after receipt of the proceeds from the Proposed Placement is not taken into consideration.

(vii) When considering the impact on the Company's net assets after the placement, no other factors are considered except the impact from the proceeds, profits distribution and net profits.

(viii) Non-recurring income is not included in the calculation of net profits.

(c) Illustrations of the Proposed Placement's dilutive effect on the immediate return of the Company of the Company

FY2014/31 December 2014		
Total Equity（’000 RMB）	739,308.7	
Cash Dividend（’000 RMB）	36,965.4	
Net profit attributable to shareholders of the parent company for 2014 （’000 RMB）	351,794.4	
Equity attributable to shareholders of the parent company at the end of FY2014（’000 RMB）	2,732,210.1	
Basic earnings per share (RMB)	0.48	
Net assets per share (RMB)	3.70	
Weighted average return on net assets	0.14	
Year of 2015/31 December 2015	**Before the Placement**	**After the Placement**
Total equity (‘000 shares)	739,308.7	829,308.7
Cash dividends of the Placement (‘000 RMB)	52,769.2	
Net proceeds from the Placement (‘000 RMB)	1,124,600.0	
Estimated completion date of the Placement	February 2015	
Scenario 1: net profit attributable to shareholders of the Company decline by 10% for 2015 compared with that of 2014		
Equity attributable to shareholders of the parent company at the end of 2015（’000 RMB）	2,996,055.9	4,120,655.9
Basic earnings per share (RMB)	0.43	0.39
Net assets per share (RMB)	4.05	4.97
Weighted average return on net assets	0.11	0.08
Scenario 2: net profit attributable to shareholders of the Company for 2015 being the same as that of 2014		
Equity attributable to shareholders of the parent company at the end of 2015（’000 RMB）	3,031,235.3	4,155,835.3
Basic earnings per share (RMB)	0.48	0.43
Net assets per share (RMB)	4.10	5.01
Weighted average return on net assets	0.12	0.09
Scenario 3: net profit attributable to shareholders of the Company for 2015 increase by 10% compared with that of 2014		
Equity attributable to shareholders of the parent company at the end of 2015（’000 RMB）	3,066,414.7	4,191,014.7
Basic earnings per share (RMB)	0.52	0.48
Net assets per share (RMB)	4.15	5.05
Weighted average return on net assets	0.13	0.10
Scenario 4: net profit attributable to shareholders of the parent company for 2015 increase by 20% compared with that of 2014		
Equity attributable to shareholders of the parent company at the end of 2015（’000 RMB）	3,101,594.2	4,226,194.2
Basic earnings per share (RMB)	0.57	0.52

Net assets per share (RMB)	4.20	5.10
Weighted average return on net assets	0.14	0.11

2. Cautionary statement in relation to the dilutive effect of the Proposed Placement on the immediate return of the Company

   Upon receipt of the net proceeds from the Proposed Placement, the Company's total share capital and net assets will increase. However, as the constructions of the projects require a period of time, shareholders' returns can only be achieved through existing business during the construction period. Since the Company's total share capital and net assets will increase, if the business and net profits of the Company do not grow proportionately, the earnings per share and weighted average return on net assets and other financial indicators of the Company will decline. Upon receipt of the net proceeds, the immediate return of the Company (such as earnings per share, return on equity and other financial indicators) may have the risk of being diluted, hence investors are reminded to be cautious about the dilution risk on the immediate return of the Company.

3. Measures to address the dilutive effect of the Proposed Placement on the immediate return of the Company

   To reduce the impacts of the dilutive effect of the Proposed Placement on the immediate return of the Company, the Company intends to improve the quality of its assets, achieve sustainable development of the Company and promote shareholders' return by strengthening the management of the funds, accelerating the investment process of the projects, improving capital efficiency, expanding existing business, and strengthening mechanisms on investment return.

   (a) Strengthening management to ensure legitimate use of funds raised

   The funds will be deposited in a special account designated by the Board, and the Company will check the usage of the raised funds regularly to ensure that the funds are being used in a legitimate manner.

   (b) Accelerating the progress of investment projects to improve capital efficiency

   The Board has fully discussed the feasibility of the projects invested by the funds raised in the Proposed Placement. The investment projects are in line with the national industrial policy, industry trends and future development of the overall strategic direction of the Company, therefore, they will have good market prospects and profitability. Through the implementation of investment projects, the Company will further enhance the sales volume and market share of its core varieties of products, improve the extraction and processing capabilities of traditional Chinese medicine, enhance the production capacity and promotion of the functional plant beverage, and build efficient and modern logistics distribution system, which significantly enhance the company's core competitiveness, market share and brand influence. The Company will then further improve its industrial layout and product mix, enhance the Company's profitability and ability to withstand risks, which will be conducive to the realization of the long-term interests of shareholders. The Company will pay close attention to the preparatory work of the investment projects, co-ordinate the arrangements for the investment and construction and strive to shorten the construction period, to complete the investment projects as soon as possible.

(c) Strengthening market development to improve profitability

The Company will continue to improve the pharmaceutical industry chain, enhance the products' development and marketing capabilities, expand the industrial scale and enhance the core competitiveness. At the same time, the Company will strengthen its management and internal control, promote comprehensive budget management and optimize its processes, strengthen cost and investment management and supervision of budget execution, to enhance the Company's operating efficiency and profitability.

(d) Improving the profit distribution system and strengthening investment return mechanism

To further enhance the transparency of the Company's dividend policy, improve and perfect the dividend policy-making and oversight mechanisms, maintain profit distribution policy continuity and stability, and protect the legitimate interests of the Shareholders, the Company had amended the profit distribution policy to be in line with "Notice on the Further Implementation of the Listed Company's Cash Dividend and Related Matters" (Zheng Jian Fa [2012] No. 37) and the "Listed Company Supervision Guidelines No.3—Cash Dividends of Listed Companies" (Announcement [2013] No. 43) promulgated by the CSRC.

The Shareholders have also approved the "Scheme on Return of Investment to Shareholders from 2014 to 2016", which the Company will strictly comply with after the completion of the Proposed Placement, in order to provide a reasonable return to investors.

(e) Improving corporate governance to ensure the development of the Company

The Company will strictly follow the requirements of "Company Law", "Securities Act", "Corporate Governance Guidelines" and other laws, regulations and regulatory documents, and constantly improve the corporate governance to ensure that shareholders can fully exercise their rights, the Board can exercise their authority in accordance with the law, regulations and the Articles of Association and make a timely and prudent decision, independent directors can perform their duties conscientiously to safeguard the interests of the Company, especially the legitimate interests of minority shareholders, so as to ensure the development of the Company.

4. Measures to ensure the use of proceeds are strictly followed

In order to regulate the management and improve the efficiency of the use of the raised funds, pursuant to the laws, regulations and rules, such as “Company Act”, “Securities Law”, “Rules Governing the Listing of Securities on the Shanghai Stock Exchange”, “Rules on Use of Proceeds on the Shanghai Stock Exchange (2013 Revision)”, together with the Article of Association of the Company, the Company has drafted rules governing the use of the proceeds, prescribing clear rules on the deposit, use, change of use, management, and supervision of the proceeds.

Upon receipt of the proceeds, the Company will deposit the proceeds in the designated account, ensure that the proceeds are used for the designated projects, have the proceeds internally auditors periodically, and be cooperative with the Placement Agent to inspect and supervise the raised funds, so as to prevent any risk arising from misuse of the funds. The major measures by the Company are as follows:

(a) Upon receipt of the proceeds, the Company will choose a bank carefully to open the designated account. The proceeds will be deposited and managed in the designated account as approved by the Board.
(b) Within 1 month after the receipt of the proceeds, the Company will enter into a tripartite supervision agreement with the Placement Agent and the bank managing the designated account, to ensure oversight of the use of the proceeds.
(c) The Company shall use the proceeds in accordance with the documents submitted to the CSRC.
(d) Disbursements of the proceeds shall be strictly in accordance with the Company’s financial management system.
(e) The Board will oversee the progress of the investment projects, and issue reports on the use of the proceeds every 6 months. At the annual audit, the auditor will issue a report verifying the status of the proceeds.
(f) As part of the supervision agreement between the Placement Agent and the Company, there shall be site visits to verify the use of proceeds every 6 months.

By order of the Board of Directors
7 January 2015