

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Company Registration No.: 91120000103100784F)

(Incorporated in the People's Republic of China)

UPDATE ON THE PLACEMENT IN RELATION TO THE TEMPORARY USE OF PROCEEDS

The board of directors (the "Board") and every individual director of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited 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 made 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, 21 March 2016, 29 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, and 14 August 2018 (the "**Prior Announcements**"), as well as the circular dated 1 August 2014 (the "**Circular**") 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.

1. INTRODUCTION

Pursuant to obtaining the Written Approval from the CSRC, on 19 June 2015 the Company issued 29,564,356 A-shares with par value of RMB1 per share at an issue price of RMB28.28 per share, and the Proceeds from the Placement amounted to RMB836,079,987.68. After deducting the expenses of the Placement, the Net Proceeds was approximately RMB814,340,000.00. Ruihua Certified Public Accountants 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.

As at 30 June 2018, the Use of Net Proceeds for the Projects is set out as follows:

No	Projects	Proposed amount to be invested (RMB)	Amount of the Net Proceeds to be invested (RMB)	Actual Investment Amount (RMB)
1	Terminal Marketing Network and Promotional System Project	310,420,000.00	310,420,000.00	157,168,400.00

2	Bozhou Industrial Park Construction Project	Chinese Medicine Extraction and Preparation Project	2,500,000,000.00	127,500,000.00	0.00
		Project on Chinese Medicine Decoction Pieces	1,500,000,000.00	76,500,000.00	5,865,000.00
3	Wellness and Functional Vegetable Beverages Project		299,920,000.00	299,920,000.00	9,934,400.00
Total			1,010,340,000.00	814,340,000.00	172,967,800.00

As at 30 June 2018, after deducting an amount of RMB172,967,800 from the Net Proceeds used for the Projects, the remaining balance is RMB641,372,200.

2. TEMPORARY USE OF PART OF THE NET PROCEEDS FOR THE CASH FLOW OF THE COMPANY

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

The 8th Board meeting for FY2015 was duly convened on 26 August 2015, pursuant to which the Board passed a resolution to approve that an amount of RMB250,000,000 from the Net Proceeds could be used for the cash flow of the Company for a period of 12 months after 26 August 2015. As at 23 August 2016, the amount of RMB250,000,000 has been fully returned to the designated accounts of the Proceeds.

The 7th Board meeting for FY2016 was duly convened on 24 August 2016, pursuant to which the Board passed a resolution to approve that an amount of RMB250,000,000 from the Net Proceeds could be used for the cash flow of the Company for a period of 12 months after 24 August 2016. As at 22 August 2017, the amount of RMB250,000,000 has been fully returned to the designated accounts of the Proceeds.

The 7th Board meeting for FY2017 was duly convened on 23 August 2017, pursuant to which the Board passed a resolution to approve that an amount of RMB250,000,000 from the Net Proceeds could be used for the cash flow of the Company for a period of 12 months after 23 August 2017. As at 22 August 2018, the amount of RMB250,000,000 has been fully returned to the designated accounts of the Proceeds.

Pursuant to the anticipated milestones for the Use of Net Proceeds, the Company has estimated that there will be unutilised Proceeds for FY2018. In order to improve the efficiency of the Use of Net Proceeds, and to reduce the expenses of the Company, subject to the intended Use of Net Proceeds, the Company has proposed that an amount of RMB250,000,000 from the Net Proceeds will be used for the cash flow of the Company within 12 months (the “**12-month Period**”) after the date of the Board approval (the “**Temporary Use**”). The RMB250,000,000 shall only be used for the operation of the businesses of the Company, and shall not be directly or indirectly used for new placements or subscription of shares and/ or securities. After the expiry of the 12-month Period, the RMB250,000,000 shall be fully returned to the designated accounts of the Proceeds.

The Company will use the Net Proceeds as per *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)》). There is no change to the Use of Net Proceeds, and the Temporary Use will not affect the intended Use of Net Proceeds.

2.2 Board Procedure and Supervision Requirements

The 6th Board meeting for FY2018 was duly convened on 23 August 2018, pursuant to which the Board passed the resolution approving the Temporary Use. The contents and the procedures of the Temporary Use are in compliance with the rules and regulations of the CSRC and the Shanghai Stock Exchange.

2.3 Opinions

a. Verification Opinion from the Placement Agent

The Temporary Use will not conflict with the Use of Net Proceeds, will not change the Use of Net Proceeds and will not affect the intended Use of Net Proceeds, which will also not be prejudicial to the interests of the Company. The Temporary Use is in compliance with the requirements of *Rules of Shanghai Stock Exchange on the Listing of Stocks* (《上海证券交易所股票上市规则》), *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》) and *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 the Company will improve the efficiency of the Use of Net Proceeds, thereby reducing the expenses of the Company, this will be in the interests of the Shareholders and the Company.

The Cash Management has been approved by the Board, Supervisory Committee and the Independent Directors, and has satisfied the requirements of *Rules of Shanghai Stock Exchange on the Listing of Stocks* (《上海证券交易所股票上市规则》), *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》) and the Memorandum & Articles of Association of the Company. The Placement Agent has no objection to the Temporary Use.

b. Opinion from the Independent Directors

The Temporary Use is in compliance with the rules and regulations of the CSRC and the Shanghai Stock Exchange. Subject to the intended Use of Net Proceeds, in order to improve the efficiency of the Use of Net Proceeds, and to reduce the expenses of the Company and improve the profitability of the Company, the Temporary Use will fulfil the needs of the Company's development and is in the interests of the Shareholders. The Independent Directors are agreeable to the Temporary Use.

c. Opinion from the Supervisory Committee

The Temporary Use is in compliance with the relevant rules and regulations and Articles of

Association of the Company, will not change the Use of Net Proceeds and will not affect the intended Use of Net Proceeds, and is not prejudicial to the interests of the Shareholders. It will provide cash flow to the Company, reduce the expenses of the Company, improve the efficiency of the Use of Net Proceeds, and fulfil the needs of the Company's development. The Supervisory Committee is agreeable to the Temporary Use.

By order of the Board
24 August 2018