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 PART OF THE NET PROCEEDS FOR THE CASH FLOW OF THE COMPANY

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 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, 14 August 2018, 24 August 2018, 29 March 2019, 14 August 2019, 23 August 2019, 17 April 2020, 14 August 2020, 30 September 2020, 30 March 2021, 13 August 2021 and 8 September 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.

Unless otherwise defined, all capitalised terms used and not defined herein shall bear the same meaning as ascribed to them in the Prior Announcements and the Circular.

The proposed "Continuous Temporary Use of Part of the Net Proceeds for the Cash Flow of the Company" (关于继续使用部分闲置募集资金暂时补充公司流动资金的议案) was approved at the 8th Board meeting and 4th Supervisory Committee meeting of the Company for the financial year ending 31 December 2021 ("**FY2021**") respectively, pursuant to which, the Company could temporarily use an amount of RMB350 million from the Net Proceeds for the cash flow of the Company for a period not exceeding 12 months from the date of approval (the "**FY2021 Temporary Use**"). Further details are set out below.

1. INTRODUCTION

Pursuant to the obtaining of the Written Approval from the China Securities Regulatory Commission ("**CSRC**"), on 19 June 2015, the Company issued 29,564,356 A-shares with par value of RMB1.00 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 RMB21,739,987.68 of the Placement (including underwriting and sponsorship fees, registrations fees and other related expenses), the Net Proceeds was approximately RMB814,340,000.00. Ruihua Certified Public Accountants had, 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.

The details on the Company's previous temporary use of part of the Net Proceeds for the cash flow of the Company are as follows:

(a) On 26 August 2015, the proposed "Temporary Use of Part of the Net Proceeds for the Cash Flow of the Company" (关于使用部分闲置募集资金暂时补充公司流动资金的议案) was approved at the 8th Board meeting and 5th Supervisory Committee meeting for the financial year ended 31 December 2015 respectively, pursuant to which, the Company could temporarily use an amount of RMB250 million from the Net Proceeds for the cash flow of the Company for a period not exceeding 12 months from the date of approval, and as at 23 August 2016, such amount of RMB250 million had been fully returned by the Company to the Designated Accounts of the Proceeds.

(b) On 24 August 2016, the proposed "Continuous Temporary Use of Part of the Net Proceeds for the Cash Flow of the Company" (关于继续使用部分闲置募集资金暂时补充公司流动资金的议案) was approved at the 7th Board meeting and 5th Supervisory Committee meeting for the financial year ended 31 December 2016 respectively, pursuant to which, the Company could temporarily use an amount of RMB250 million from the Net Proceeds for the cash flow of the Company for a period not exceeding 12 months from the date of approval, and as at 22 August 2017, such amount of RMB250 million had been fully returned by the Company to the Designated Accounts of the Proceeds.

(c) On 23 August 2017, the proposed "Continuous Temporary Use of Part of the Net Proceeds for the Cash Flow of the Company" (关于继续使用部分闲置募集资金暂时补充公司流动资金的议案) was approved at the 7th Board meeting and 4th Supervisory Committee meeting for the financial year ended 31 December 2017 respectively, pursuant to which, the Company could temporarily use an amount of RMB250 million from the Net Proceeds for the cash flow of the Company for a period not exceeding 12 months from the date of approval, and as at 22 August 2018, such amount of RMB250 million had been fully returned by the Company to the Designated Accounts of the Proceeds.

(d) On 23 August 2018, the proposed "Continuous Temporary Use of Part of the Net Proceeds for the Cash Flow of the Company" (关于继续使用部分闲置募集资金暂时补充公司流动资金的议案) was approved at the 6th Board meeting and 7th Supervisory Committee meeting for the financial year ended 31 December 2018 respectively, pursuant to which, the Company could temporarily use an amount of RMB250 million from the Net Proceeds for the cash flow of the Company for a period not exceeding 12 months from the date of approval. As at 22 August 2019, such amount of RMB250 million had been fully returned by the Company to the Designated Accounts of the Proceeds.

(e) On 30 September 2020, the proposed "Continuous Temporary Use of Part of the Net Proceeds for the Cash Flow of the Company" (关于继续使用部分闲置募集资金暂时补充公司流动资金的议案) was approved at the 8th Board meeting and 6th Supervisory Committee meeting for the financial year ended 31 December 2020 respectively, pursuant to which, the Company could temporarily use an amount of RMB350 million from the Net Proceeds for the cash flow of the Company for a period not exceeding 12 months from the date of approval.

As at 7 September 2021, such amount of RMB350 million had been fully returned by the Company to the Designated Accounts of the Proceeds, and the Placement Agent as well its representative(s) have been informed of the same.

2. USE OF NET PROCEEDS FOR THE PROJECTS

As at 31 August 2021, details on the use of the Net Proceeds for the Projects is set out in the table below:

No.	Name of Projects		Proposed amount of Net Proceeds to be invested (RMB)	Amount of the Net Proceeds to be invested after the adjustments to the Projects (RMB)	Actual amount of the Net Proceeds being invested (RMB)
1.	Terminal Marketing Network and Promotional System Project		310,420,000.00	310,420,000.00	174,885,100.00
2.	Bozhou Industrial Park Construction Project	Chinese Medicine Extraction and Preparation Project	127,500,000.00	54,000,000.00	0.00
		Project on Chinese Medicine Decoction Pieces	76,500,000.00	150,000,000.00	132,192,200.00
3.	Wellness and Functional Vegetable Beverages Project (being the Original Project)		299,920,000.00	9,934,400.00	9,934,400.00
4.	Phase I Dripping Pill Manufacturing Base Project (being the New Project)		-	289,985,600.00	118,717,400.00
Total			814,340,000.00	814,340,000.00	435,729,100.00

As at 31 August 2021, the Company has invested an aggregate amount of RMB435,729,100.00 of the Net Proceeds for the Projects, and the balance of the Net Proceeds (including interests) in the Designated Accounts is RMB89,902,200.00.

3. THE FY2021 TEMPORARY USE

It is estimated that part of the Net Proceeds will be unutilised within the next 12 months based on the Company's plan for the use of the Net Proceeds and the anticipated milestones for the use of Net Proceeds for the Projects. In order to enhance the efficiency of the use of the Net Proceeds, effectively reduce the financial expenses of the Company and improve the profitability of the Company, provided that the intended use of the Net Proceeds for the construction of the Projects and Company's plan for the use of the Net Proceeds will not be affected, the Company intends to temporarily use an amount of RMB350 million from the Net Proceeds for the cash flow of the Company for a period not exceeding 12 months from the date of approval so as to create greater benefits for the Company and its shareholders. The said amount of RMB350 million shall only be used for the Company’s operations in relation to its main businesses, and shall not be

directly or indirectly used for the placements or subscription of new shares, or trading in shares or derivatives thereof and convertible securities. Upon the expiry of the 12-month term of use, the Company shall return such amount of RMB350 million in full to the Designated Accounts of the Proceeds in a timely manner. In the event that there is a need to use the Net Proceeds for the Projects ahead of schedule because of the accelerated construction of the Projects, and the balance of the Designated Accounts of the Proceeds cannot satisfy the payment requirements, the Company shall return such amount of RMB350 million temporarily used from the Net Proceeds for the cash flow of the Company to the Designated Accounts of the Proceeds at such time based on the actual needs of the Company.

The Company shall use the said amount of Net Proceeds in accordance with the *Administrative Measures of the Shanghai Stock Exchange for the Capital Raised by Listed Companies (《上海证券交易所上市公司募集资金管理办法》)*, shall not change the intended use of the Net Proceeds in a disguised form, and shall ensure that the FY2021 Temporary Use will not affect the progress of the Projects.

4. APPROVAL PROCEDURE AND SUPERVISION REQUIREMENTS IN RELATION TO THE FY2021 TEMPORARY USE

On 13 September 2021, the Company duly convened its 8th Board meeting and 4th Supervisory Committee meeting for FY2021, and the Board and the Supervisory Committee considered and approved the proposed "Continuous Temporary Use of Part of the Net Proceeds for the Cash Flow of the Company" (关于继续使用部分闲置募集资金暂时补充公司流动资金的议案) respectively, pursuant to which, the Company could temporarily use an amount of RMB350 million from the Net Proceeds for the cash flow of the Company for a period not exceeding 12 months from the date of approval. The contents and procedures in relation to the FY2021 Temporary Use are in compliance with relevant rules and regulations of the CSRC and the Shanghai Stock Exchange.

5. OPINIONS

(1) Verification Opinion from the Placement Agent

Upon verification, the Placement Agent is of the view that:

(a) The FY2021 Temporary Use does not conflict with the planned use of the Net Proceeds for the Projects and will not affect the implementation of the Projects, nor does it change the investment direction of the Net Proceeds in a disguised form or will be prejudicial to the interests of the Company, and is in compliance with the relevant 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)》)*.

(b) The FY2021 Temporary Use would be conducive to enhancing the efficiency of the use of the Net Proceeds, reducing the financial costs of the Company and improving the operating efficiency of the Company, which is in the interests of the Company and its shareholders as a whole.

(c) The FY2021 Temporary Use has been approved by the Board and the Supervisory Committee of the Company, and the independent directors of the Company have given their independent opinions. The FY2021 Temporary Use satisfies the relevant 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 Articles of Association of the Company.

In view of the above, the Placement Agent is of the view that the FY2021 Temporary Use complies with the relevant requirements in relation to the use of the Proceeds and has no objection to the FY2021 Temporary Use.

(2) Opinion from the independent directors of the Company

The contents and procedures in relation to the FY2021 Temporary Use are in compliance with the rules and regulations of the CSRC and the Shanghai Stock Exchange on the use of the Proceeds. Provided that the Company's investment plan on the Net Proceeds will not be affected, the FY2021 Temporary Use is conducive to enhancing the efficiency of the use of the Net Proceeds, effectively reducing the financial expenses of the Company, and improving the profitability of the Company. The FY2021 Temporary Use meets the needs of the development of the Company and is in the interests of the Company's shareholders. The independent directors of the Company agree that the Company could temporarily use an amount of RMB350 million from the Net Proceeds for the cash flow of the Company for a period not exceeding 12 months from the date of approval.

(3) Opinion from the Supervisory Committee

The FY2021 Temporary Use is conducive to reducing the financial expenses of the Company and enhancing the efficiency of the use of the Net Proceeds, which meets the development needs of the Company. The FY2021 Temporary Use complies with the provisions of relevant laws, regulations and the Articles of Association of the Company, does not change the investment direction of the Net Proceeds in a disguised form, and is not prejudicial to the interests of the shareholders of the Company. The Supervisory Committee agrees that the Company could temporarily use an amount of RMB350 million from the Net Proceeds for the cash flow of the Company for a period not exceeding 12 months from the date of approval, and it will supervise the use and return of such part of the Net Proceeds used under the FY2021 Temporary Use.

By order of the Board

Jiao Yan
Secretary to the Board of Directors
13 September 2021