

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Company Registration No. : 91120000103100784F)

(Incorporated in the People's Republic of China)

WORKING CAPITAL LOAN AGREEMENT WITH TIANJIN PHARMACEUTICAL GROUP FINANCE CO., LTD

The board of directors (the "Board") and every individual directors 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.

1. INTRODUCTION

The board of Directors (the "**Board**") of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), wishes to announce that the Company proposes to enter into a Working Capital Loan Agreement (the "**Agreement**") with Tianjin Pharmaceutical Group Finance Co., Ltd (天津医药集团财务有限公司) ("**TPGF**") (the "**Proposed Transaction**"). The principal amount of the loan to be provided by TPGF to the Company will be an approximate sum of RMB 50 million (the "**Loan**"), representing approximately 1.27% of the Company's latest audited net tangible assets. As TPGF is a subsidiary of the Group, pursuant to the regulations of 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 Guidelines for the Implementation of Related Party Transactions of Listed Companies in Shanghai Stock Exchange (上海证券交易所上市公司关联交易实施指引), the proposed transaction constitutes an interested person transaction. However, according to the Measures for the Administration of Material Asset Reorganization of Listed Companies (上市公司重大资产重组管理办法), the proposed transaction does not constitute a material asset reorganization of the Company.

2. INFORMATION ON THE INTERESTED PERSON

TPGF is a limited company incorporated on 14 September 2016 located at 3-2-501/502 Ronghe Square, fourth west road 168, the Free Trade Zone (Airport Economic Zone) in the People's Republic of China ("**PRC**") with a registered capital of Renminbi ("**RMB**") 500,000,000. Zhao Wei (赵炜) is the legal representative of the TPGF. The principal activity of TPGF is to provide the following financial services (the "**Business Scope**"):

- (a) providing financing consulting, credit authentication, and related consulting services to TPG and its subsidiaries (the "**Members**");
- (b) assisting the Members to fulfill the collection and payment of money for transactions;
- (c) providing approved insurance agency services;
- (d) providing guarantees to the Members;
- (e) handling entrusted loans and entrusted investments between the Members;
- (f) handling the settlement of bills for the Members;
- (g) handling internal transfer settlement between the Members, and designing programs for internal settlement and clearance;
- (h) absorbing deposits from the Members;

- (i) granting loans to and handling financial lease for the Members;
- (j) engaging in inter-bank borrowings; and
- (k) other businesses as approved by China Banking Regulatory Commission (the “CBRC”).

The shareholdings in TPGF are in the following proportions:

Shareholder	Equity Contribution (RMB)	Shareholding Proportion
Tianjin Pharmaceutical Group Co., Ltd. (天津市医药集团有限公司) (“TPG”)	250,000,000	50%
Company	75,000,000	15%
Tianjin Yaoye Group Co., Ltd (天津药业集团有限公司)	75,000,000	15%
Tianjin Lisheng Pharmaceutical Co. Ltd (天津力生制药股份有限公司)	75,000,000	15%
Tianjin Jin Yi Investment Guarantee Co., Ltd (天津金益投资担保有限责任公司)	25,000,000	5%
Total	500,000,000	100%

3. RATIONALE FOR THE PROPOSED TRANSACTION

The Company proposes to enter into the Proposed Transaction in order to optimize the allocation of funds, obtain costs savings on financing, enhance the management of funds, improve the efficiency in the use of funds, and further broaden the financing channels of the Company.

4. IMPACT ON THE COMPANY

The Proposed Transaction will not be prejudicial to the interests of the Company and its minority shareholders.

5. PRINCIPLE TERMS OF THE AGREEMENT

Pursuant to Article 5.2 of the Agreement and the relevant laws and regulations of the Contract Laws and General Rules on Loans, the Company, as the borrower, and TPGF, as the lender, will enter into the Agreement after coming into an agreement following negotiations on the terms of the Loan.

5.1. Type of Loan

Pursuant to the Agreement, the Loan shall be a short-term working capital loan.

5.2. Use of the Loan

Pursuant to the Agreement, the Loan shall be used for payment of merchandise and shall not be used for investments in fixed assets or equity or for sectors and purposes where production or operation is prohibited under the applicable laws of the PRC.

5.3. Principal Amount and Term of the Loan

Pursuant to the Agreement, the principal amount of the Loan shall be approximately RMB 50 million. The period of the Loan shall be 12 months from the date of the Agreement and the date of receipt of the Loan and repayment of the same shall be based on the actual date stated in the IOUs. Nevertheless, if there are any changes to the date(s) stipulated in the IOUs, the Agreement shall prevail.

5.4. Interest of the Loan and the Calculation of the Interest

Under the Agreement, the interest is calculated from the date of receipt of the Loan and based on the period of the Loan with a fixed rate at 3.828% per annum. The interest of the Loan shall be calculated for each day as $3.828\%/360$ and shall be settled every quarter and the principal amount and interest will be repaid in the following manner:

- (a) The interest shall be paid on the 20th day of each quarter. However, if the interest of the Loan is due on a Saturday, Sunday or public holiday, the interest shall be paid on the following business day; and
- (b) The principal amount of the Loan, together with the interest, shall be paid on the date on which the Loan is due.

5.5. Guaranty

Pursuant to the Agreement, the Loan shall be secured by way of a credit guaranty.

6. PREVIOUS IPT WITH THE TPGF

Over the past 12 months, the Company did not have any deposit or enter into any loan agreement with TPGF.

7. BOARD PROCEDURE AND SUPERVISION REQUIREMENTS

The 11th Board meeting for FY2016 was duly convened on 11 November 2016, pursuant to which the resolution approving the Proposed Transaction was discussed and passed by all the independent directors and 7 unrelated directors, with the 2 related directors, Mr. Ma Gui Zhong and Mr. Zhang Jian Jin, being absent and abstained from voting.

8. PRIOR APPROVAL AND OPINIONS FROM THE INDEPENDENT DIRECTORS

- (a) The decision-making procedures for the Proposed Transaction are in compliance with the provisions of the laws and administrative regulations of the Articles of Association of the Company;
- (b) The related directors have abstained from voting;
- (c) The Proposed Transaction will improve the efficiency in the use of the funds, and reduce the financing cost of the Company;
- (d) The Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders;
- (e) The Company's compliance with its obligations under the Agreement does not and will not infringe, breach, violate, or exceed any power or restriction granted or imposed by (i) any law, regulation, authorisation, directive or order (whether or not having the force of law) to which it is subject; or (ii) any agreement to which it is a party or which is binding on it.

By order of the Board

Jiao Yan
Company Secretary
11 November 2016