

**TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED**

(Company Registration No. 120000000004711)

(Incorporated in the People's Republic of China)

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**UPDATE ON THE PLACEMENT IN RELATION TO THE DESIGNATED ACCOUNTS AND THE SUPERVISION AGREEMENTS**

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*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.*

The Board refers to the previous announcements by the Company on 12 June 2014, 12 August 2014, 7 January 2015, 28 January 2015, 27 March 2015, 28 April 2015, 6 June 2015 and 15 July 2015 (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.

The Board wishes to provide the follow updates on the Placement in relation to the designated accounts and the supervision agreements:

**1. INTRODUCTION**

Pursuant to the Written Approval from the CSRC, the number of A-Shares to be issued shall be 29,564,356 at an issue price of RMB28.28 per A-Share, and the Proceeds from the Proposed Placement shall amount to RMB836,079,987.68. After deducting the expenses of the Proposed Placement, the Net Proceeds shall be approximately RMB814,340,000.00. Ruihua Certified Public Accountants has, on 26 June 2015, issued the *Proceeds Verification Report* verifying the Proceeds raised from the Placement are in the designated accounts.

**2. INTRODUCTION OF DESIGNATED ACCOUNTS**

Pursuant to the relevant rules and regulations, the Company and its subsidiary, Tianjin Da Ren Tang

(Bozhou) Chinese Medicine Decoction Pieces Co., Ltd., (“**Da Ren Tang**”) has opened the following designated accounts for the Proceeds:

<b>Accounts Name</b>	<b>Banks</b>	<b>Bank Accounts Number</b>	<b>Amounts(RMB) ( as at 8 July 2015 )</b>	<b>Purposes</b>
The Company	China Bohai Bank Co., Ltd., Tianjin Branch ( “ <b>Bohai Bank</b> ” )	2000001695000328	505,761,283.68	Wellness and Functional Vegetable Beverages Project and Bozhou Industrial Park Construction Project
The Company	Industrial and Commercial Bank of China, Tianjin Chengdu Road Branch ( “ <b>ICBC</b> ” )	0302010529300330596	310,420,000.00	Terminal Marketing Network and Promotional System Project
Da Ren Tang	China Construction Bank, Tianjin Hebei Branch ( “ <b>Construction Bank</b> ” )	12001660800052535320	0	Bozhou Industrial Park Construction Project

### **3. SUPERVISION AGREEMENTS**

In order to manage the Proceeds and protect the interests of the investors, and pursuant to *Guideline No. 3 –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》 ) promulgated by the CSRC, *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)》 ) and *Measures for the Management of Proceeds of the Company*, the Company and the Placement Agent

have signed supervision agreements with Bohai Bank (the “**Supervision Agreement #1**”) and ICBC (the “**Supervision Agreement #2**”) respectively. The Company, Da Ren Tang and the Placement Agent have signed an supervision agreement with Construction Bank (the “**Supervision Agreement #3**”).

### 3.1 Supervision Agreement #1

- a. The Company has opened a designated account with Bohai Bank (the “**Designated Account #1**”), and the Designated Account #1 number is 2000001695000328. As at 8 July 2015, the balance of the Designated Account #1 is RMB505,761,283.68. The proceeds in the Designated Account #1 shall only be used for the Wellness and Functional Vegetable Beverages Project and the Bozhou Industrial Park Construction Project.
- b. The Company and Bohai Bank shall comply with *Law of the People's Republic of China on Negotiable Instruments* (《中华人民共和国票据法》), *Notice of the People's Bank of China on Issuing the Measures for Payment and Settlement* (《支付结算办法》), *Administrative Rules for RMB Bank Settlement Accounts* (《人民币银行结算账户管理办法》) and other applicable laws and regulations.
- c. The Placement Agent shall designate representatives or other staff to supervise the use of the Proceeds by the Company.

The Placement Agent undertakes to supervise the use of the Proceeds by the Company in accordance with *Administrative Measures for the Sponsorship Business of the Issuance and Listing of Securities* (《证券发行上市保荐业务管理办法》), *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)》) and *Measures for the Management of Proceeds of the Company*.

The Placement Agent is entitled to supervise by ways of on-site inspections and written inquiries. The Company and Bohai Bank shall cooperate with the Placement Agent for the inspections and inquiries. The Placement Agent shall also inspect the balance of the Designated Account #1 every 6 months.

- d. The Company has authorized the representatives of the Placement Agent, Kang Yuan and Lu Yu to attend Bohai Bank’s offices to inspect and copy documents of the Designated Account #1. Bohai Bank shall provide all the relevant documents of the Designated Account #1 on time.

The representatives of the Placement Agent shall show their valid identification certificates for

the inspections. The other staff designated by the Placement Agent shall show their valid identification certificates and introduction letters for the inspections.

- e. Bohai Bank shall, within the first 5 market days of each month, provide true, accurate and complete monthly bank statements to the Company and the Placement Agent.
- f. In the event that the Company draws an amount: (i) exceeding RMB50,000,000; and (ii) exceeding 20% of the Net Proceeds, at any one time or over a period of 12 months, the Company shall notify the same to the Placement Agent immediately by fax, and provide the expenditure list of the Designated Account #1.
- g. The Placement Agent is entitled to change the representatives with written notice to Bohai Bank. The written notice shall include contact information of the new representatives. The abovementioned change of the representatives will not affect the validity of the Supervision Agreement #1.
- h. In the event that Bohai Bank fails to provide the bank statements to the Company three times in succession and fails to cooperate with the Placement Agent for the inspections of the Designated Account #1, the Company can of its own accord, or when required by the Placement Agent, terminate the Supervision Agreement #1 and close the Designated Account #1.
- i. In the event that the Placement Agent found that the Company and Bohai Bank fail to perform their obligations under the Supervision Agreement #1, the Placement Agent shall promptly report such non-compliance to the SSE.
- j. In the process of enforcing the Supervision Agreement #1, if there is any breach of Supervision Agreement #1 by any party, the defaulting party shall bear the losses.
- k. The parties agree to negotiate in good faith to resolve any dispute between them regarding the Supervision Agreement #1. If the negotiations do not resolve the dispute to the reasonable satisfaction of the parties, such dispute shall be referred to and settled by the courts.
- l. The Supervision Agreement #1 shall take effect upon execution by the authorized representatives of the parties, and shall lapse and cease to have any further effect once all the proceeds in the Designated Account #1 have been fully drawn and the Designated Account #1 has been closed.

### **3.2 Supervision Agreement #2**

- a. The Company has opened a designated account with ICBC (the “**Designated Account #2**”), and the Designated Account #2 number is 0302010529300330596. As at 8 July 2015, the balance of the Designated Account #2 is RMB310,420,000.00. The proceeds in the Designated Account #2 shall only be used for the Terminal Marketing Network and Promotional System Project.
- b. The Company and ICBC shall comply with *Law of the People's Republic of China on Negotiable Instruments* (《中华人民共和国票据法》), *Notice of the People's Bank of China on Issuing the Measures for Payment and Settlement* (《支付结算办法》), *Administrative Rules for RMB Bank Settlement Accounts* (《人民币银行结算账户管理办法》) and other applicable laws and regulations.
- c. The Placement Agent shall designate representatives or other staff to supervise the use of the Proceeds by the Company.

The Placement Agent undertakes to supervise the use of the Proceeds by the Company in accordance with *Administrative Measures for the Sponsorship Business of the Issuance and Listing of Securities* (《证券发行上市保荐业务管理办法》), *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)》) and *Measures for the Management of Proceeds of the Company*.

The Placement Agent is entitled to supervise by ways of on-site inspections and written inquiries. The Company and ICBC shall cooperate with the Placement Agent for the inspections and inquiries. The Placement Agent shall also inspect the balance of the Designated Account #2 every 6 months.

- d. The Company has authorized the representatives of the Placement Agent, Kang Yuan and Lu Yu to attend ICBC's offices to inspect and copy documents of the Designated Account #2. ICBC shall provide all the relevant documents of the Designated Account #2 on time.

The representatives of the Placement Agent shall show their valid identification certificates for the inspections. The other staff designated by the Placement Agent shall show their valid identification certificates and introduction letters for the inspections.

- e. ICBC shall, within the first 5 market days of each month, provide true, accurate and complete monthly bank statements to the Company and the Placement Agent.
- f. In the event that the Company draws an amount: (i) exceeding RMB50,000,000; and (ii)

exceeding 20% of the Net Proceeds, at any one time or over a period of 12 months, the Company shall notify the same to the Placement Agent immediately by fax, and provide the expenditure list of the Designated Account #2.

- g. The Placement Agent is entitled to change the representatives with written notice to ICBC. The written notice shall include contact information of the new representatives. The abovementioned change of the representatives will not affect the validity of the Supervision Agreement #2.
- h. In the event that ICBC fails to provide the bank statements to the Company three times in succession and fails to cooperate with the Placement Agent for the inspections of the Designated Account #2, the Company can of its own accord, or when required by the Placement Agent, terminate the Supervision Agreement #2 and close the Designated Account #2.
- i. In the event that the Placement Agent found that the Company and ICBC fail to perform their obligations under the Supervision Agreement #2, the Placement Agent shall promptly report such non-compliance to the SSE.
- j. In the process of enforcing the Supervision Agreement #2, if there is any breach of Supervision Agreement #2 by any party, the defaulting party shall bear the losses.
- k. The parties agree to negotiate in good faith to resolve any dispute between them regarding the Supervision Agreement #2. If the negotiations do not resolve the dispute to the reasonable satisfaction of the parties, such dispute shall be referred to and settled by the courts.
- l. The Supervision Agreement #2 shall take effect upon execution by the authorized representatives of the parties, and shall lapse and cease to have any further effect once all the proceeds in the Designated Account #2 have been fully drawn and the Designated Account #2 has been closed.

### **3.3 Supervision Agreement #3**

- a. The Company and Da Ren Tang have opened a designated account with Construction Bank (the "**Designated Account #3**"), and the Designated Account #3 number is 12001660800052535320. As at 8 July 2015, the balance of the Designated Account #3 is RMB0.00. The proceeds in the Designated Account #3 shall only be used for the Bozhou Industrial Park Construction Project.

b. The Company, Da Ren Tang and Construction Bank shall comply with *Law of the People's Republic of China on Negotiable Instruments* (《中华人民共和国票据法》), *Notice of the People's Bank of China on Issuing the Measures for Payment and Settlement* (《支付结算办法》), *Administrative Rules for RMB Bank Settlement Accounts* (《人民币银行结算账户管理办法》) and other applicable laws and regulations.

c. The Placement Agent shall designate representatives or other staff to supervise the use of the Proceeds by the Company and Da Ren Tang.

The Placement Agent undertakes to supervise the use of the Proceeds by the Company and Da Ren Tang in accordance with *Administrative Measures for the Sponsorship Business of the Issuance and Listing of Securities* (《证券发行上市保荐业务管理办法》), *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)》) and *Measures for the Management of Proceeds of the Company*.

The Placement Agent is entitled to supervise by ways of on-site inspections and written inquiries. The Company, Da Ren Tang and Construction Bank shall cooperate with the Placement Agent for the inspections and inquiries. The Placement Agent shall also inspect the balance of the Designated Account #3 every 6 months.

d. The Company and Da Ren Tang have authorized the representatives of the Placement Agent, Kang Yuan and Lu Yu to attend Construction Bank's offices to inspect and copy documents of the Designated Account #3. Construction Bank shall provide all the relevant documents of the Designated Account #3 on time.

The representatives of the Placement Agent shall show their valid identification certificates for the inspections. The other staff designated by the Placement Agent shall show their valid identification certificates and introduction letters for the inspections.

e. Construction Bank shall, within the first 5 market day of each month, provide true, accurate and complete monthly bank statements to the Company, Da Ren Tang and the Placement Agent.

f. In the event that the Company and/or Da Ren Tang draw an amount: (i) exceeding RMB50,000,000; and (ii) exceeding 20% of the Net Proceeds, at any one time or over a period of 12 months, the Company and Da Ren Tang shall notify the same to the Placement Agent immediately by fax, and provide the expenditure list of the Designated Account #3.

g. The Placement Agent is entitled to change the representatives with written notice to

Construction Bank. The written notice shall include contact information of the new representatives. The abovementioned change of the representatives will not affect the validity of the Supervision Agreement #3.

- h. In the event that Construction Bank fails to provide the bank statements to the Company and Da Ren Tang three times in succession and fails to cooperate with the Placement Agent for the inspections of the Designated Account #3, the Company and Da Ren Tang can or required by the Placement Agent terminate the Supervision Agreement #3 and close the Designated Account #3.
- i. In the event that the Placement Agent found that the Company, Da Ren Tang and Construction Bank fail to perform their obligations under the Supervision Agreement #3, the Placement Agent shall promptly report such non-compliance to the SSE.
- j. In the process of enforcing the Supervision Agreement #3, if there is any breach of Supervision Agreement #3 by any party, the defaulting party shall bear the losses.
- k. The parties agree to negotiate in good faith to resolve any dispute between them regarding the Supervision Agreement #3. If the negotiations do not resolve the dispute to the reasonable satisfaction of the parties, such dispute shall be referred to and settled by the courts which have the jurisdictions on the Company, Da Ren Tang, Construction Bank and the Placement Agent.
- l. The Supervision Agreement #3 shall take effect upon execution by the authorized representatives of the parties, and shall lapse and cease to have any further effect once all the proceeds in the Designated Account #3 have been fully drawn and the Designated Account #3 has been closed.

By order of the Board

22 July 2015