

**TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED**

(Company Registration No.: 91120000103100784F)

(Incorporated in the People's Republic of China)

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**UPDATE ON THE PLACEMENT IN RELATION TO THE TEMPORARY USE OF PROCEEDS AND  
CASH MANAGEMENT OF PROCEEDS**

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*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 and 12 August 2016 (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 2016, 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	74,513,500.00

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	9,946,500.00
Total			1,010,340,000.00	814,340,000.00	90,325,000.00

As at 30 June 2016, after deducting an amount of RMB90,325,000 from the Net Proceeds used for the Projects, the remaining balance is RMB724,015,000.

## 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 8<sup>th</sup> 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.

Pursuant to the anticipated milestones for the Use of Net Proceeds, the Company has estimated that there will be unutilised Proceeds for FY2016. 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 7<sup>th</sup> Board meeting for FY2016 was duly convened on 24 August 2016, 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.

### 3. CASH MANAGEMENT OF THE NET PROCEEDS

#### 3.1 Cash Management of the Net Proceeds

In order to improve the efficiency of the Use of Net Proceeds, to protect the interests of the Company and the Shareholders, pursuant to *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》), *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》), *Rules of Shanghai Stock Exchange on the Listing of Stocks* (《上海证券交易所股票上市规则》) 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)》), the 7<sup>th</sup> Board meeting for FY2016 was duly convened on 24 August 2016, pursuant to which the Board has passed the resolution that, pending the deployment of the Net Proceeds for the Use of Net Proceeds, an amount of not more than RMB400,000,000 from the Net Proceeds may be deposited with banks and/or invested in short-term investment products with high security and good liquidity for a period of 12 months after the date of the Board approval (the “**Cash Management**”). As at 30 June 2016, after deducting an amount of RMB90,325,000 from the Net Proceeds used for the Projects and an amount of RMB250,000,000 from the Net Proceeds used for the Temporary Use, the remaining balance of the Net Proceeds is RMB474,015,000.

### **3.2 Cash Management of Net Proceeds**

#### **a. Purpose of Cash Management**

In order to improve the efficiency of the Use of Net Proceeds, while ensuring the low exposure to risk and subject to the intended Use of Net Proceeds, the Company will manage the unutilised Proceeds to increase the capital proceeds, and to seek better returns for the Company and Shareholders.

#### **b. Amount of Cash Management**

Based on the actual needs of the Company, the Company will manage an aggregate amount of not more than RMB400,000,000 by way of an agreement deposit, seven-day notice deposit, fixed deposit, certificate of deposit, structured deposit and other capital-guaranteed financial products (the “**Investment Products**”).

#### **c. Requirements for Cash Management**

The Investment Products shall satisfy the following conditions: (i) capital-guaranteed, so that there is low exposure to risk, and (ii) liquid, so as to not affect the intended Use of Net Proceeds. No encumbrances shall be created over the Investment Products. A settlement account shall be opened only for the amount up to RMB400,000,000. The Company shall notify the Shanghai Stock Exchange within 2 days after the opening or cancellation of such settlement account.

#### **d. Term**

The expiry of the Investment Products shall be within 12 months after the date of the Board approval for the Cash Management.

#### **e. Mechanism of Cash Management**

The Chairman of the Board shall be authorised to exercise the investment decision-making power and execute any financial instruments or any other agreements as may be required in connection with or pursuant to the Cash Management. The financial department of the

Company shall be responsible for the operation and management of the Cash Management. The above authorisations shall be valid for a period of 12 months from the date of the Board approval for the Cash Management.

f. Disclosure of Information

The Company will make such necessary disclosure of the details of the Cash Management pursuant to 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》) 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)》).

g. Risk Management

- (i) Pursuant to the anticipated milestones for the Use of Net Proceeds, the financial department of the Company will select appropriate Investment Products for the approval of the Chairman of the Board.
- (ii) The financial department of the Company will monitor the Investment Products by analyzing the proceeds, assessing and addressing the possible risks, and taking measures to control the investment risks.
- (iii) The Independent Directors, Supervisory Committee and the Placement Agent are entitled to inspect the transactions made pursuant to the Cash Management where necessary, and they are also entitled to engage professional auditors to conduct such inspection.

h. Impact on the Company

- (i) The Company shall ensure that the Use of Net Proceeds results in low exposure to risk of the Proceeds, and that the Cash Management will not affect the intended Use of Net Proceeds and will not change the Use of Net Proceeds.
- (ii) After the Cash Management, the Company and the Shareholders shall have better returns.

### 3.3 Opinions

a. Verification Opinion from the Placement Agent

The Cash Management will not conflict with the Use of Net Proceeds, will not affect the intended Use of Net Proceeds, will not change the Use of Net Proceeds and will not be prejudicial to the interests of the Company. The Cash Management is in compliance with *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)》).

The Company will improve the efficiency of the Use of Net Proceeds, as well as obtain investment profits, and 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 Cash Management.

b. Opinion from the Independent Directors

The Cash Management will improve the efficiency of the Use of Net Proceeds, will obtain better returns, and will not affect the intended Use of Net Proceeds. The Company has established an internal control system to manage the use of the proceeds such that the investment risks are validly controlled, and to ensure the low risk exposure of the Proceeds. The Cash Management will not be prejudicial to the interests of the Shareholders, especially the minority Shareholders. The decision-making procedures and approval procedures of the Cash Management are in compliance with the rules and regulations of the CSRC and the Shanghai Stock Exchange, and the Articles of Association of the Company. The Independent Directors are agreeable to the Cash Management.

c. Opinion from the Supervisory Committee

The Cash Management will improve the efficiency of the Use of Net Proceeds, reduce the expenses of the Company, and will not affect the intended Use of Net Proceeds. The Cash Management will not be prejudicial to the interests of the Shareholders, especially the minority Shareholders. The decision-making procedures and approval procedures of the Cash Management are in compliance with relevant rules and regulations. The Supervisory Committee is agreeable to the Cash Management.

By order of the Board  
24 August 2016