

**TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED**

(Company Registration No.: 91120000103100784F)

(Incorporated in the People's Republic of China)

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**Resolutions Passed at the 12<sup>th</sup> Board Meeting for FY2017**

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***The board of directors (the "Board") of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited collectively and individually 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.***

Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "**Company**") has, on 26 December 2017, convened the 12<sup>th</sup> board meeting for the financial year ending 31 December 2017 ("**FY2017**"). The following resolutions were discussed and passed by the 7 directors out of the full board of 7 directors.

The said meeting was convened in compliance with the applicable Companies Law, Securities Law and the Articles of Association of the Company, and the following resolutions were passed:

1. That, the proposed amendments to the articles of association of the Company be and is hereby approved (please refer to Appendix 1 appended hereto);
2. That, the proposed investment of RMB355,000,000 to set up a wholly-owned subsidiary and to build active pharmaceutical ingredients (the "**API**") base be and is hereby approved (please refer to Appendix 2 appended hereto);
3. That, the proposed convening of the first Extraordinary General Meeting in 2018 be and is hereby approved.

The above resolution No.1 shall be tabled for shareholders' approval, at the first Extraordinary General Meeting to be convened in due course.

By order of the Board  
26 December 2017

# Appendix 1

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY (THE “ARTICLES OF ASSOCIATION”)

Pursuant to the company law of the People's Republic of China (the “**Company Law**”), the Company is proposing to amend Article 69 of the existing Articles of Association.

Pursuant to the Party Constitution (as defined below), the Company Law and the *Guidance for the Articles of Listed Company* promulgated by the China Securities Regulatory Commission, and to reinforce the leadership of the Communist Party of the People's Republic of China (the “**Party**”) in the Company, the Company is proposing to amend Article 1 of the existing Articles of Association and insert a new Article 9 and a new Chapter 11, including new Articles 121, 122, 123, and 124, into the Articles of Association.

### **1. Proposed amendment to Article 1**

The proposed amendment to Article 1 (concerning the legal basis of the Articles of Association) is set out in bold below:

*“In order to maintain the legitimate rights and interests of the Company, its shareholders and creditors, and to standardise the organisation and conducts of the Company, the Company hereby stipulate the Articles of Association of the Company in compliance with **the Constitution of the Communist Party of the People’s Republic of China (hereinafter referred to as the “Party Constitution”)**, the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”) as well as the Prerequisite Clauses to the Articles of Association of Listed Companies listing in a foreign recognised stock exchange (hereinafter referred to as the “Prerequisite Clauses”) and other related regulations (collectively the “Relevant Regulations”).*

*The Company is a company limited by shares, and established in accordance with the Company Law, the “Special Regulations concerning the Public Offering and Listing in Foreign Countries constituted by the Central People’s Government of the People’s Republic of China” (hereinafter referred as the “Special Regulations”), and other related laws and regulations.*

*The Certificate of Approval [Approval No: Tianjin Municipal Committee for Economic Restructuring Jin Ti Gai Wei Zi (1992) NO. 27] of establishment of the Company was issued*

*by the Tianjin Municipal Committee for Economic Restructuring. The Company was established by raising funds from target sources, and was registered at the Tianjin Municipal Administration for Industry & Commerce on 20 December 1992. The Company's social credit code is 91120000103100784F."*

## **2. Proposed insertion of new Article 9**

A new Article 9 (concerning the establishment of the Party organization of the Company) is proposed to be inserted in the Articles of Association. New Article 9 is set out in bold below and the subsequent Articles shall be renumbered accordingly:

***"According to the Party Constitution and the Company Law, the Company shall set up a Party organization in the Company. The Party Committee (as defined below) will play a core leadership role and a core political role to ensure the overall direction of the Company. The Company shall establish Party working bodies in the Company with the sufficient Party members. The Company shall also ensure that there are sufficient funds for carrying out the Party's activities in the Company."***

## **3. Proposed amendment to Article 69**

The proposed amendment to Article 69 (concerning proposing the new resolution in the general meetings) is set out in bold below:

***"When the Company is to hold an annual General Meeting, shareholders holding 35% or more of the voting shares of the Company shall be entitled to propose new motions in writing to the Company. The Company shall include in the agenda of the General Meeting those motions, the subject matter of which, are required to be decided by shareholders in General Meeting"***

## **4. Proposed insertion of new Articles**

A new Chapter, Chapter 11, which includes new Articles 121, 122, 123, and 124 (concerning the work principles, responsibilities and rules of procedures of the Party Committee) is proposed to be inserted into the Articles of Association and are set out in bold below and the subsequent Articles shall be renumbered accordingly:

***"Article 121 The Company shall establish a Party committee of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (hereinafter referred to as the***

***“Party Committee”), which shall include one Party secretary, one deputy secretary, and other Party members. The qualified members of the Party Committee, by way of legal procedures, are entitled to be elected as the members of the Board of Directors, Board of Supervisors or senior management. The members of the Board of Directors, Board of Supervisors or senior management, by way of the relevant procedures, are also entitled to be elected as the members of the Party Committee. The Company shall also establish a disciplinary committee, which shall include one disciplinary secretary and other members.***

**Article 122** *The Party Committee shall perform the following duties in accordance with the Party Constitution:*

- (i) ensure and supervise that the policies of the Party and the state will be fully implemented in the Company, as well as implement the decisions of the Party central committee and higher Party organization’s work arrangement;***
- (ii) strengthen the leadership and supervision regarding the selection of candidates, adhere to the combined principles of the Party assuming the responsibility for cadres affairs, the Board of Directors legally selecting the members of the management, and the management legally appointing new staff;***
- (iii) study, discuss and comment on the Company's important matters relating to its reform, development, stability, major business management and the vital interests of its employees, as well as support the General Meeting, the Board of Directors, the Board of Supervisors and the senior management to perform their duties according to the laws, and support the work of the trade union;***
- (iv) assume a comprehensive and strict management of the main responsibilities of the Party, as well as lead the Company's ideological and political work, united front work, spiritual civilization construction work, corporate culture work, trade union, the communist youth league and other groups work. The Party Committee shall also lead the construction of the Party's working style and ensure a clean & honest administration, and support the disciplinary committee to perform its supervisory responsibility;***
- (v) strengthen the construction of Party organizations and Party members at the grassroots level of the Company, fully play the militant bastions role of the Party in the basic units of society and play the exemplary and vanguard role of Party members, as well as unite and lead the staff and workers to actively participate in the reform and development of the Company;***
- (vi) other important matters within the work scope of the Party Committee.***

**Article 123** *In relation to the important matters of the Company, the Board of Directors and the senior management of the Company shall fully listen to the views of the Party Committee prior to carrying out the*

*decision-making procedures.*

**Article 124** *The Party Committee's discussion shall be conducted in the form of a meeting. Notice of such meeting shall be given, and the convening and the voting procedures shall be in accordance with the relevant provisions of the Party. "*

## Appendix 2

### PROPOSED INVESTMENT IN ESTABLISHING A WHOLLY-OWNED SUBSIDIARY AND BUILDING AN ACTIVE PHARMACEUTICAL INGREDIENTS BASE (THE “PROJECT”)

In order to take advantage of the Company's active pharmaceutical ingredients industry, the Company intends to set up a wholly owned-subsubsidiary (the “**Subsidiary**”) in Cangzhou Bohai Chemical Industry Park. The Subsidiary will initiate and build an active pharmaceutical ingredients base (the “**Base**”). After the incorporation of the Subsidiary, the Company will transfer the active pharmaceutical ingredients technology and reference number owned by its branch company, Xinxin Pharmaceutical Plant, to the Subsidiary for its production and sales activities. The details are set out below.

#### 1. Basic Information on the Project

- (a) Subsidiary name: Tianjin Zhongxin Pharmaceutical (Cangzhou) Xinxin Pharmaceutical Co., Ltd. (the name of the company will be subject to the outcome of business registration).
- (b) The location of Subsidiary: Cangzhou Lingang Economic and Technological Development Zone East Area (“**Cangzhou Lingang**”).
- (c) The investment amount of the Project: RMB355,000,000, accounting for 8.58% of the Group’s latest audited net tangible assets.
- (d) The composition of the Project
  - (i) the Group will purchase the land within Cangzhou Lingang Economic and Technological Development Zone East Area to build the Base.
  - (ii) the Group will incorporate the Subsidiary with the registered capital of RMB50,000,000.
- (e) The principal activities of the Subsidiary: the production and sales of chemical active pharmaceutical ingredients and pharmaceutical excipients.

#### 2. Information on the Investing Environment

Cangzhou Lingang was established for the purpose of contributing, optimising and upgrading

industrial structure by way of speeding up and enhancing industry concentration to the coastal areas and development zones.

In May 2003, Cangzhou Lingang was approved as a provincial-level development zone within the Hebei province.

In March 2006, Cangzhou Lingang was approved as a provincial-level circular economy development demonstration area.

In July 2009, the planning area of Cangzhou Lingang was expanded to 26 square kilometres.

On 11 November, 2010, Cangzhou Lingang was promoted to the state-level economic and technology development zone and was named as "Cangzhou Lingang Economic and Technological Development Zone", becoming the third Economic and Technological Development Zone in Hebei Province, and the only state level Economic and Technological Development Zone in Cangzhou city.

### **3. Investment Returns from the Project**

The Project covers an area of 600 square meters. The production capacity of the Project is expected to be approximately as follows: (i) 600 tons guaifenesinum per year; (ii) 140 tons of gliclazide per year; (iii) 100 tons of phenprobamate per year; (iv) 60 tons of methocarbamol per year; (v) 2000 tons of metformin hydrochloride per year; and (vi) 12 tons of tiapride hydrochloride per year.

The pre-tax static investment recovery period shall be 8.91 years and the after tax static investment recovery period shall be 9.77 years.

### **4. Analysis of the Advantages of the Project**

#### **(a) Market Advantages**

**Possible turning point for pharmaceutical market:** Following the accelerated implementation of the consistency evaluation for generic drugs, enterprises without the capability to complete the consistency evaluation would have their approval documents revoked. Enterprises in the industry that completed the consistency evaluation would face a better market environment, and sales would increase exponentially as they would have more opportunities in promoting the sale of its pharmaceutical products.

**Market potential of Active Pharmaceutical Ingredient (API):** Due to the implementation of

environmental protection strategy in the People's Republic of China, some smaller scale API enterprises will be put out of business, which will reduce the amount of competition in the industry. As such, the API industry has better prospects and may also result in more competitive pricing. The Company will have obvious market advantages once it obtains approval for manufacturing both API and pharmaceuticals.

**(b) Brand Advantages**

The "Tianxin" brand API under the Company is well-known internationally. It was previously awarded the Tianjin Well-known Trademark Award.

**(c) Product Advantages**

The Company's products have achieved national recognition. The guaifenesinum and methocarbamol produced by the Company has passed the USA FDA certification and the gliclazide produced by the Company has passed the EU COS certification. 90% of the products are mainly marketed to Europe and USA, while phenprobamate and tiapride hydrochloride are mainly marketed to Japan and Southeast Asia.

The products of the Subsidiary is expected to cover 3 major categories of pharmaceutical preparations from the 6 major categories for diabetic treatment. There are also anti-anxiety and anti-depression products, which have good market prospects.