

**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 PLACEMENT IN RELATION TO THE CHANGE IN SHAREHOLDING IN  
TIANJIN DA REN TANG (BOZHOU) CHINESE MEDICINE CO., LTD**

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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.*

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, 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, 26 April 2016, 8 June 2016, 5 July 2016, 12 August 2016, 24 August 2016, 26 August 2016, 29 November 2016 and 7 March 2017 (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. NET PROCEEDS**

Pursuant to 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.

The details of the Use of Net Proceeds for the Projects are set out below:

<b>NO</b>	<b>Projects</b>	<b>Proposed amount to be invested(RMB)</b>	<b>Amount of the Net Proceeds to be invested(RMB)</b>
1	Terminal Marketing Network and Promotional System Project	310,420,000.00	310,420,000.00

2	Bozhou Industrial Park Construction Project	Chinese Medicine Extraction and Preparation Project	250,000,000.00	127,500,000.00
		Project on Chinese Medicine Decoction Pieces	150,000,000.00	76,500,000.00
3	Wellness and Functional Vegetable Beverages Project		299,920,000.00	299,920,000.00
	Total		1,010,340,000.00	814,340,000.00

## 2. THE CHANGE IN SHAREHOLDING IN TIANJIN DA REN TANG (BOZHOU) CHINESE MEDICINE CO., LTD

The total investment in the Bozhou Industrial Park Construction Project is RMB400,000,000, of which RMB250,000,000 is used for the Chinese Medicine Extraction and Preparation Project, and RMB150,000,000 is used for the Project on Chinese Medicine Decoction Pieces. One of the subsidiaries of the Company, Tianjin Da Ren Tang (Bozhou) Chinese Medicine Co., Ltd (the “**Bozhou Company**”), has carried out the Bozhou Industrial Park Construction Project, and the shareholding proportion in the Bozhou Company is set out below:

Shareholder	Capital contribution amount (RMB)	Shareholding percentage
Company	15,300,000	51%
Tianjin Jinlian Zhida Business Information Consulting Co.,Ltd	8,700,000	29%
Tianjin Yu Liang Investment Co., Ltd	6,000,000	20%
Total	30,000,000	100%

It was initially agreed that the Company and the other shareholders of the Bozhou Company shall invest in the Bozhou Industrial Park Construction Project on a pro-rata basis in accordance with each of their shareholding proportion in the form of share capital increase. However, as the Bozhou Industrial Park Construction Project progressed, Tianjin Yu Liang Investment Co., Ltd adjusted their investment strategies and proposed to transfer their 20% equity interest in the Bozhou Company. In order to ensure that the Bozhou Industrial Park Construction Project can be carried out as planned, discussions were held between the Company and Tianjin Jinlian Zhida Business Information Consulting Co.,Ltd. Pursuant to these discussions, it was decided that Tianjin Jinlian Zhida Business Information Consulting Co.,Ltd. will give up exercising its pre-emption right, and the Company will acquire the 20% equity interest in the Bozhou Company from Tianjin Yu Liang Investment Co., Ltd for a consideration of up to RMB6.5million (the “**Consideration**”). The Consideration is based on the book value of the 20% equity interest in the Bozhou Company of RMB6 million, and the specific amount of the Consideration will be finalized pursuant to the valuation to be conducted. Pursuant to the 1<sup>st</sup> Board meeting for year 2017, which was duly convened on 29

March 2017, the Board passed a resolution that the Company will use its own funds to acquire the 20% equity interest in the Bozhou Company from Tianjin Yu Liang Investment Co., Ltd. The resultant shareholding proportion in the Bozhou Company is set out below:

Shareholder	Capital contribution amount (RMB)	Shareholding percentage
Company	21,300,000	71%
Tianjin Jinlian Zhida Business Information Consulting Co.,Ltd	8,700,000	29%
Total	30,000,000	100%

After the change in shareholding in the Bozhou Company, the Bozhou Industrial Park Construction Project shall continue as planned. In addition to using RMB204,000,000 from the Net Proceeds as originally planned, the Company will also use its own funds to invest in the Bozhou Industrial Park Construction Project, since its shareholding in the Bozhou Company has increased.

### **3. THE REASON FOR CHANGE IN SHAREHOLDING IN THE BOZHOU COMPANY**

It was initially agreed that the Company and the other shareholders of the Bozhou Company shall invest in the Bozhou Industrial Park Construction Project on a pro-rata basis in accordance with each of their shareholding proportion in the form of share capital increase. However, as the Bozhou Industrial Park Construction Project progressed, Tianjin Yu Liang Investment Co., Ltd adjusted their investment strategies and proposed to transfer their 20% equity interest in the Bozhou Company. In order to ensure that the Bozhou Industrial Park Construction Project can be carried out as planned, discussions were held between the Company and Tianjin Jinlian Zhida Business Information Consulting Co.,Ltd. Pursuant to these discussions, it was decided that Tianjin Jinlian Zhida Business Information Consulting Co.,Ltd. will give up exercising its pre-emption right, and the Company will acquire the 20% equity interest in the Bozhou Company from Tianjin Yu Liang Investment Co., Ltd.

### **4. THE DECISION-MAKING PROCEDURE IN RELATION TO THE CHANGE IN SHAREHOLDING IN THE BOZHOU COMPANY**

Pursuant to the 1<sup>st</sup> Board meeting for year 2017, which was duly convened on 29 March 2017, the Board passed (i) the resolution that the Company will use its own funds to acquire the 20% equity interest in the Bozhou Company and (ii) the resolution in relation to the change in shareholding in the Bozhou Company.

### **5. RISK IN RELATION TO THE CHANGE IN SHAREHOLDING IN THE BOZHOU COMPANY**

The change in the shareholding in the Bozhou Company will not affect the Bozhou Industrial Park Construction Project from being carried out. The additional amount needed to be invested in the Buzhou Company as a result of the increase in the Company's shareholding proportion will be provided from the Company's own funds.

### **6. INFLUENCE ON THE COMPANY IN RELATION TO THE CHANGE IN**

## **SHAREHOLDING IN THE BOZHOU COMPANY**

The change in the shareholding in the Bozhou Company will further promote the implementation of the Bozhou Industrial Park Construction Project.

### **7. OPINIONS FROM THE INDEPENDENT DIRECTORS, THE BOARD OF SUPERVISORS AND THE PLACEMENT AGENT**

#### **7.1 Opinions from the Independent Directors**

The independent directors of the Company are of the view that the change in the shareholding in the Bozhou Company has fulfilled all the necessary internal procedures, and has satisfied the requirements of the *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)》), *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 *Measures for the Management of Proceeds of the Company*. It is not prejudicial to the interests of the Shareholders, and does not violate any relevant laws and regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange.

#### **7.2 Opinions from the Board of Supervisors**

The board of supervisors of the Company is of the view that the change in the shareholding in the Bozhou Company is not prejudicial to the interests of the Shareholders, and does not violate any relevant laws and regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange.

#### **7.3 Opinions from the Placement Agent**

The Placement Agent is of the view that the change in the shareholding of the Bozhou Company is in compliance with the operations of the Company, the Projects will be carried out as planned, and the requirements of the *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)》), *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 *Rules of Shanghai Stock Exchange on the Listing of Stocks (《上海证券交易所股票上市规则》)* have been satisfied. It is not prejudicial to the interests of the Shareholders. The Placement Agent will continue to monitor the progress of the Use of Net Proceeds.

By order of the Board  
30 March 2017