

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Company Registration No. 120000000004711)

(Incorporated in the People's Republic of China)

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

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, 8 June 2015, 15 July 2015, 22 July 2015 and 14 August 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.

1. REPLACEMENT OF THE COMPANY'S EXPENDITURE TO DATE ON THE PROJECTS OF THE PROPOSED PLACEMENT

1.1 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. The Placement Agent has remitted the Proceeds to the following designated accounts of the Company:

Account Name	Banks	Bank Account Number	Initial Amount (RMB)
The Company	China Bohai Bank Co., Ltd., Tianjin Branch	2000001695000328	505,761,283.68
The Company	Industrial and Commercial Bank of China, Tianjin Chengdu Road Branch	0302010529300330596	310,420,000.00

Da Ren Tang	China Construction Bank, Tianjin Hebei Branch	12001660800052535320	0
Total	—	—	816,181,283.68

The balance of the account held with China Bohai Bank Co., Ltd., Tianjin Branch (bank account number 2000001695000328, the “**Designated Account #1**”) is RMB505,761,283.68, which includes a sum of RMB1,841,283.68 that is set aside for the expenses of the Proposed Placement. After deducting the expenses of the Proposed Placement, the remaining balance of Designated Account #1 will be RMB503,920,000. Ruihua Certified Public Accountants has issued the *Proceeds Verification Report* verifying that the Proceeds raised from the Proposed Placement are in the designated accounts, and has also issued the *Verification Report in relation to the Company's expenditure to date on the Projects of the Proposed Placement*.

1.2 Use of Proceeds

Pursuant to the revised *Plan for the Proposed Placement*, after deducting the expenses of the Placement, the Net Proceeds shall be used as follows (the “**Use of Net Proceeds**”):

No	Projects		Proposed amount to be invested (RMB)	Amount of the Net Proceeds to be invested (RMB)
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	2,500,000,000.00	127,500,000.00
		Project on Chinese Medicine Decoction Pieces	1,500,000,000.00	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

Prior to the receipt of the Net Proceeds, the Company had used its own funds to commence the above Projects of the Proposed Placement. Upon receipt of the Net Proceeds, the corresponding amount from the Net Proceeds will be used to replenish the Company's funds that have been spent on the Projects to date.

1.3 Company's expenditure to date on the Projects of the Proposed Placement

Pursuant to the *Verification Report in relation to the Company's expenditure to date on the Projects of the Proposed Placement* issued by Ruihua Certified Public Accountants, as at 3 August 2015, the Company has used an aggregate amount of RMB 28,334,868.31 of its own funds (the “**Funds**”) to commence the Projects of the Proposed Placement, the details of which are set out below:

No	Projects	Proposed amount to be	Amount of the Net Proceeds to	Amount of expenditure to
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			invested (RMB)	be invested (RMB)	date (RMB)
1	Terminal Marketing Network and Promotional System Project		310,420,000.00	310,420,000.00	17,407,584.01
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	5,062,284.30
Total			1,010,340,000.00	814,340,000.00	28,334,868.31

1.4 Board Procedure and Supervision Requirements

The 8th Board meeting for FY2015 was duly convened on 26 August 2015, pursuant to which the Board passed the resolution approving an equivalent amount of RMB 28,334,868.31 from the Net Proceeds to be used to replace the Funds (the “**Replacement**”).

As the period between the date of the approval of the Replacement (26 August 2015) and the date of receipt of the Net Proceeds in the designated accounts (25 June 2015) (the “**Period**”) does not exceed 6 months, the Replacement is in compliance with the relevant PRC laws and regulations. The Replacement will not conflict with the Use of Net Proceeds, will not change the Use of Net Proceeds as set out in the revised *Plan for the Proposed Placement* above, and will not be prejudicial to the interests of the Shareholders.

1.5 Opinions

a. Verification Opinions from Ruihua Certified Public Accountants

Ruihua Certified Public Accountants has issued the *Verification Report in relation to the Company's expenditure to date on the Projects of the Proposed Placement*. Ruihua Certified Public Accountants is of view that the Company's expenditure to date on the Projects of the Proposed Placement has satisfied the material requirements of *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)》).

b. Verification Opinions from the Placement Agent

The Placement Agent is of the view that:

- (i) The approval of the Board was obtained for the Placement at a board meeting held on 26 June 2014, and the Shareholders' approval for the Placement was obtained at

an EGM held on 18 August 2014. Furthermore, the Board had approved amendments to the Placement at a board meeting held on 28 January 2015. The Board and Shareholders' approvals allowed the Company to commence the Projects of the Proposed Placement prior to the receipt of the Net Proceeds. Upon receipt of the Net Proceeds, the corresponding amount from the Net Proceeds will be used to replenish the Company's funds that have been spent on the Projects to date.

- (ii) The Replacement has been approved by the Board, Supervisory Committee and the Independent Directors. The Replacement has also been verified by Ruihua Certified Public Accountants and is in compliance with the necessary approval procedures, rules and regulations of the CSRC and the Shanghai Stock Exchange.
- (iii) The Replacement will not conflict with the Use of Net Proceeds, will not change the Use of Net Proceeds as set out in the revised *Plan for the Proposed Placement* above, and will not be prejudicial to the interests of the Shareholders.
- (iv) The Replacement will improve the efficiency of the Use of Net Proceeds and will be in the interests of the Shareholders.

Therefore, the Placement Agent is agreeable to the Replacement.

c. Opinions from the Independent Directors

The relevant approvals have been obtained for the Replacement, and the Replacement is in compliance with the rules and regulations of the CSRC and the Shanghai Stock Exchange, the *Measures for the Management of Proceeds of the Company*, and the use of Proceeds reported to the CSRC. The Replacement will not conflict with the Use of Net Proceeds, will not change the Use of Net Proceeds as set out in the revised *Plan for the Proposed Placement* above, and will not be prejudicial to the interests of the Shareholders. The Independent Directors are agreeable to the Replacement.

d. Opinions from the Supervisory Committee

The approval procedures for the Replacement are in compliance with the rules and regulations of the CSRC and the Shanghai Stock Exchange, and the Use of Net Proceeds is consistent with the use of Proceeds reported to the CSRC. The Supervisory Committee is agreeable to the Replacement.

2. TEMPORARY USE OF THE PART OF NET PROCEEDS FOR THE CASH FLOW OF THE COMPANY

2.1 Temporary Use of the Part of Net Proceeds for the Cash Flow of the Company

Pursuant to the anticipated milestones for the Use of Net Proceeds, the Company has estimated that there will be unutilised Proceeds for FY2015. 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, subscription, 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 8th Board meeting for FY2015 was duly convened on 26 August 2015, 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 Opinions from the Placement Agent

The Temporary Use will improve the efficiency of the Use of Net Proceeds, reducing the expenses of the Company, which will be in the interests of the Shareholders. The Temporary Use will not change the Use of Net Proceeds and will not affect the intended Use of Net Proceeds. The Company has undertaken that the RMB250,000,000 will not be used for the high-risk investment products. Pursuant to the requirements of the *Measures for the Management of Proceeds of the Company*, the management of the Company has communicated to the Placement Agent that the Temporary Use has been approved by the Board, Supervisory Committee and the Independent Directors.

The Temporary Use has been approved in compliance with the requirements of *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 Placement Agent is agreeable to the Temporary Use.

b. Opinions 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, to reduce the expenses of the Company and to improve the profitability of the Company, the Temporary Use will fulfil the needs of the Company's development and will be in the interests of the Shareholders. The Independent Directors are agreeable to the Temporary Use.

c. Opinions 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 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 8th Board meeting for FY2015 was duly convened on 26 August 2015, 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 RMB500,000,000 from the Net Proceeds may be deposited with banks and/or invested in short-term investment products with high security and good liquidity for 12 months after the date of the Board approval(the “**Cash Management**”).

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

Bases on the actual needs of the Company, the Company will manage an aggregate amount of not more than RMB500,000,000 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 RMB500,000,000. 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 12 months from the date of the Board approval for the Cash Management.

f. Disclosure of Information

The Company will disclosure 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 to Investment Products, 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 Cash Management, where necessary, and they are entitled to engage professional auditors to conduct such inspection.

h. Impacts on the Company

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

3.3 Opinions

a. Verification Opinions from the Placement Agent

The Cash Management has been approved by the Board, Supervisory Committee and the Independent Directors, has fulfilled all the necessary internal procedures, and has satisfied the requirements of *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 Cash Management will improve the efficiency of the Use of Net Proceeds, 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 Shareholders. The Placement Agent has no objection to the Cash Management.

b. Opinions 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 internal control system and management of proceeds system to validly control the investment risks and 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 Articles of Association of the Company. The Independent Directors are agreeable to the Cash Management.

c. Opinions 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
26 August 2015