TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED
(Company Registration No. 91120000103100784F)
(Incorporated in the People's Republic of China)

FINANCIAL SERVICES AGREEMENT WITH TIANJIN PHARMACEUTICAL GROUP FINANCE CO., LTD AND SHARE TRANSFER AGREEMENT WITH TIANJIN JINCAO GUOYAO INVESTMENT CO., LTD

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.

1. FINANCIAL SERVICES AGREEMENT

1.1 INTRODUCTION

The board of Directors (the "**Board**") of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), wishes to announce that the Company proposes to enter into a financial services agreement (the "**Agreement#1**") with Tianjin Pharmaceutical Group Finance Co., Ltd (*天津医药集团财务有限公司*) ("**TPGF**") (the "**Proposed Transaction**"), pursuant to which, TPGF shall provide the financial services including settlement and intermediary , deposits and credit (loans to the Company) business (the "**Financial Services**") from the date of the Agreement until 30 June 2017. The total amount of the Financial Services to be provided by TPGF (being the services fees payable by the Company, the deposit with TPGF, the loans to the Company and the interest on the loans) to the Company shall not exceed the total amount of Renminbi ("**RMB**") 112,200,000. Pursuant to Rule 909(3) of the listing manual (the "**Listing Manual**") of Singapore Exchange Securities Trading Limited, the total value of the Proposed Transaction (being the services fees payable by the Company, the deposit with TPGF, and the interest on the loans) will not exceed RMB57,200,000, representing approximately 1.46% of the Company's latest audited net tangible assets.

The Company will make full use of the Financial Services to expand its financing panels, reduce its financing cost, ensure the sufficient working capital of the Company, and optimize the efficiency of capital utilization.

As TPGF is a subsidiary of Tianjin Pharmaceutical Group Co., Ltd ("**TPG**"), the controlling shareholder of the Company, pursuant to the regulations of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (*上海证券交易所股票上市规则*), the Guidelines for the Implementation of Related Party Transactions of Listed Companies in Shanghai Stock Exchange (***上海证券交易所上市公司关联交易实施指引***), and the Listing Manual, the Proposed Transaction constitutes an interested person transaction.

However, according to the Measures for the Administration of Material Asset Reorganization of Listed Companies (*上市公司重大资产重组管理办法*), the Proposed Transaction does not constitute a material asset reorganization of the Company.

1.2 INFORMATION ON THE INTERESTED PERSON

TPGF is a limited company incorporated on 14 September 2016 located at 3-2-501/502 Ronghe Square, fourth west road 168, the Free Trade Zone (Airport Economic Zone) in the People's Republic of China ("**PRC**") with a registered capital of RMB500,000,000. Zhao Wei (*赵炜*) is the legal representative of TPGF. The principal activity of TPGF is to provide the following financial services (the "**Business Scope**"):

(a) providing financing consulting, credit authentication, and related consulting services to TPG and its subsidiaries(the "**TPG's Group**");
(b) assisting the TPG's Group to fulfill the collection and payment of money for transactions;
(c) providing approved insurance agency services;
(d) providing guarantees to the TPG's Group;
(e) handling entrusted loans and entrusted investments between the TPG's Group;
(f) handling the settlement of bills for the TPG's Group;
(g) handling internal transfer settlement between the TPG's Group, and designing programs for internal settlement and clearance;
(h) absorbing deposits from the TPG's Group;
(i) granting loans to and handling financial lease for the TPG's Group;
(j) engaging in inter-bank borrowings; and
(k) other businesses as approved by China Banking Regulatory Commission (the "**CBRC**").

The shareholdings in TPGF are in the following proportions:

Shareholder	Equity Contribution (RMB)	Shareholding Proportion
Tianjin Pharmaceutical Group Co., Ltd. (*天津市医药集团有限公司*)	250,000,000	50%
Company	75,000,000	15%
Tianjin Yaoye Group Co., Ltd (*天津药业集团有限公司*)	75,000,000	15%
Tianjin Lisheng Pharmaceutical Co. Ltd (*天津力生制药股份有限公司*)	75,000,000	15%
Tianjin Jin Yi Investment Guarantee Co., Ltd (*天津金益投资担保有限责任公司*)	25,000,000	5%
Total	500,000,000	100%

1.3 RATIONALE FOR THE PROPOSED TRANSACTION

TPGF is a non-bank financial institutions approved by the CBRC and is established to provide Financial Services to the Company. By way of providing the loans from TPGF to the Company, the Group will obtain the long-term financing support and the Company is able to reduce its financing costs. The deposits services provided by TPGF will enhance the management of funds of the Company and improve the Company's efficiency in the use of funds. The settlement services provided by TPGF will realize the efficient and convenient settlement among the Company, TPG and its subsidiaries and associated companies as well as speed up the Company's turnover of capital.

1.4 IMPACT ON THE COMPANY

The Proposed Transaction will not be prejudicial to the interests of the Company and its minority shareholders of the Company.

1.5 MAIN TERMS OF THE AGREEMENT#1

1.5.1 Principles of Cooperation

The Agreement#1 is reached under the legal and voluntary principles and the principle of mutual benefits.

1.5.2 Financial Services

Pursuant to the approvals from the CBRC, the Financial Services include the following:

a. Settlement and intermediary business includes but not limited to draft, collection and acceptance, consignment collection, exchange, provision of balance of payment and settlement service, and various types of payments. The Company will open a settlement account with TPGF which provides collection and payment services in accordance with the Company's instructions, as well as other ancillary services related to the settlement business.

   The fees charged by TPGF for providing the settlement and intermediary business services and other intermediary business services to the Company shall not be higher than the fees charged by TPGF for providing the similar services for the same period to the other third parties. The maximum fees TPGF charged shall not exceed RMB1 million per year.

b. Deposit business includes but not limited to current deposits, time deposits, protocol deposits, call deposits. The Company will open a settlement account with TPGF and deposit the funds in the deposit account opened by the Company in TPGF. The balance of the principal amount of the daily deposit (excluding the interest) shall not exceed RMB55 million.

c. Credit business includes but not limited to working capital loan, fixed asset loan, project loan, bill acceptance and discount business.

   In accordance with the PRC laws, regulations and policies, and the requirements of the CBRC as well as TPGF’s own operating and credit policies, TPGF shall use its best endeavor to meet the Company’s funds demands, and shall design the scientific and reasonable financing plans for the Company as well as comprehensive credit and discounted bills services and other credit services. The balance of the credit amount (excluding the interest) provided by TPGF during the Term (as defined below) shall not be more than RMB55 million, which includes the loan of RMB50 million extended by TPGF to the Company as announced by the Company dated 11 November 2016. The interest on the credit amount shall not be more than RMB1.2 million.

1.5.3 Pricing Basis and Policies

a. TPGF provides the deposit service for the Company. The deposit interest rate shall be determined according to the same deposit interest rates issued by the People's Bank of China and shall not be lower than other similar domestic deposit interest rates.

b. The pricing of credit business, such as loans, bills acceptance and discounted bills, provided by TPGF to the Company is based on the benchmark lending rate and rediscount rate announced by the People's Bank of China. The Company will provide favorable credit interest rates to the Company, which will not higher than credit interest rates the company can obtain from other domestic financial institutions for the same period.

c. The pricing in relation to the funds settlement service, the opening of electronic banking acceptance drafts, agency service and other intermediary business services provided by TPGF to the Company is based on the market value. TPGF will provide preferential rates to the company which shall not be higher than rates the company can obtain in other domestic financial institutions.

1.5.4 Principles of Financial Services

The details of the Financial Services will be specified in other agreements, and the Agreement#1 applies to the Group. When TPGF is providing the Financial Services, it may require the Company to provide the corresponding security.

1.5.5 Modification and Termination of the Agreement#1

The Agreement#1 will be effective upon signing by the parties, and the expiry date of the Agreement#1 shall be 30 June 2017(the "**Term**"). The parties shall not modify and terminate the Agreement#1 without prior written agreement reached by the parties.

1.6 PREVIOUS INTERESTED PERSON TRANSACTIONS WITH TPGF

Save for the loan of RMB50 million extended by TPGF to the Company as announced by the Company dated 11 November 2016 and the Proposed Transaction, over the past 12 months, the Company did not have any interested person transactions with TPGF.

2. SHARE TRANSFER AGREEMENT

2.1 INTRODUCTION

The Board wishes to announce that the Company proposes to enter into a Share Transfer Agreement (the "**Agreement#2**") with Tianjin Jincao Guoyao Investment Co., Ltd (*天津金草国药投资有限公司*) (the "**Vendor**"), pursuant to which, the Company will purchase and the Vendor will sell 100% equity interest in the Tianjin Chinese Medicinal Slices Co., Ltd (*天津市中药饮片有限公司*)(the "**Target**") for a consideration of RMB62,712,300 (the "**Consideration**') (the "**Proposed Transfer**"), which represents approximately 1.6% of the Company's latest audited net tangible assets.

As the Vendor is an indirect subsidiary of TPG, pursuant to the regulations of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (*上海证券交易所股票上市规则*) and the Guidelines for the Implementation of Related Party Transactions of Listed Companies in Shanghai Stock Exchange (*上海证券交易所上市公司关联交易实施指引*), the Proposed Transfer constitutes an interested person transaction. However, according to the Measures for the Administration of Material Asset Reorganization of Listed Companies (*上市公司重大资产重组管理办法*), the proposed transaction does not constitute a material asset reorganization of the Company.

2.2 INFORMATION ON THE INTERESTED PERSON

The Vendor is a limited company with the operation period from 8 November 2007 to 7 November 2017 located at No. 102 Changjiang Road Office Building (Science Park), Nankai District, Tianjin, PRC with a registered capital of RMB20,000,000. Zhai Qingli (*翟清利*) is the legal representative of the Vendor. The principal activity of Vendor is to invest into the real estate industry and pharmaceutical industry. TPG is holding 100% of the equity interest in Tianjin Herbs Group Co., Ltd, and Tianjin Herbs Group Co., Ltd is holding 50% in the Vendor. Ruihua Certifies Public Accountants LLP has issued a report dated 29 February 2016, as at the 31 December 2015, the audited total assets is RMB21,850,000, the audited owner's equity is RMB18,950,000.

2.3 INFORMATION ON THE TARGET

The Target is a limited company with the operation period from 4 January 1993 located at No. 278 West Green Road, Xiqing District, Tianjin, PRC with a registered capital of RMB20,000,000. Chen Changqi (*陈长琦*) is the legal representative of the Target. The principal activities of the Target cover the production of traditional Chinese medicine decoction pieces (including toxic pieces, direct use of pieces, processing range including cut, steam, fry, and sunburn); wholesale of Chinese medicine; general cargo; import and export of goods (except for those prohibited by national laws and administrative regulations), property services, cleaning services, technical development of pharmaceuticals (except narcotic drugs and psychotropic drugs), technical services, and wholesale and retail of auxiliary materials and additives (if the government has formulated monopoly operation over any of the abovementioned business items, the company shall comply with the relevant regulations). The Target is directly wholly owned by the Vendor.

The financial position of the Target:

Items	**2015[1] (in RMB)**	**As at 31 August 2016[2] (in RMB)**
Total Assets	108,939,500	104,776,100
Total Liabilities	53,865,700	47,167,300
Net Assets	55,073,900	57,608,900
Items	**2015**	**From January 2016 to August 2016**
Operating Revenue	90,321,300	49,497,900
Revenue (excluding the operating revenue)	41,500	763,600
Net Profit	6,753,700	2,576,700

Note:-

(1) The figures for 2015 have been audited by Ruihua Certifies Public Accountants LLP.

(2) The figures as at 31 August 2016 have been audited by Ruihua Certifies Public Accountants LLP.

The Proposed Transfer will result in the changes in the consolidated financial statements of the Group, and the Company has not provided any security for the Target, and has not authorized the Target to conduct the cash management. The Target has not used the funds of the Group.

2.4 CONSIDERATION FOR PROPOSED TRANSFER

The Consideration is determined based on the valuation report issued by China Alliance Appraisal Co., Ltd. The valuation was carried out on the asset-based approach.

2.5 PROPOSED TRANSFER

2.5.1 Payment of Consideration

Pursuant to the Agreement#2, the Consideration shall be paid to the Vendor by way of bank transfer within 15 working days after the completion of registration of the Proposed Transfer with relevant Administration for Industry & Commerce Bureau in the PRC.

2.5.2 Profit and Loss of the Target

The Vendor shall bear all the losses incurred and shall be entitled to all the profits of the Target during the period from the date of the valuation till the completion of the Proposed Transfer.

2.5.3 Liabilities of Target

After the completion of the Proposed Transfer, the Target will bear its liabilities (including the debts owed by the Target to the Vendor) independently.

2.5.4 Procedures of the Proposed Transfer

a. After the Proposed Transfer the Company shall be the shareholder of the Target pursuant to the relevant laws and regulations as well as the articles of association of the Target.

b. The parties agree that the company shall manage the Target from 1 January 2017.

2.5.5 Breaches of Agreement#2

a. In the event that there is any breach of any terms and conditions of the Agreement#2, the default party shall compensate the non-default party's actual losses.

b. Save for 2.5.5(c) below, in the event that one party wishes to terminate the Agreement#2 arbitrarily, the default party shall pay the non-default party liquidated damages not exceeding 3% of the Consideration, if the liquidated damages are not sufficient to compensate the losses of the non-default party, the default party shall compensate the non-default party's actual losses

c. Where this Agreement unable to be performed due to the requirements of the PRC governments, the Agreement#2 shall terminate automatically, and none of the parties shall have any further liability to the other parties.

2.5.6 Effective Conditions of Agreement#2

a. The Agreement#2 shall be effective upon the execution by the legal representatives of the parties and by seals.

b. The Proposed Transfer shall be subject to the approvals of the relevant authorities.

2.6 IMPACT ON THE COMPANY

(a) The Proposed Transfer is in compliance with the Company's development strategies.

(b) After the completion of the Proposed Transfer, TPG will not have any subsidiaries that in competition with the Company's manufacturing business segment (please refer to the announcement dated 11 January 2016 and the circular dated 7 October 2016 for more details).

(c) The Proposed Transfer will enable the Target, Tianjin Da Ren Tang(Bozhou) Pharmaceutical Co., Ltd(a subsidiary of the Company), and Zhongxin Pharmaceutical Plant (a branch company of the Company) to collectively reduce the Company's manufacturing cost.

(d) The Proposed Transfer will not be prejudicial to the interests of the Company and its minority Shareholders.

3. PREVIOUS INTERESTED PERSON TRANSACTIONS WITH TPG

Over the past 12 months, the total amount of the transactions between the Company and the TPG 's Group is RMB119,912,300 compromising the value of the Proposed Transaction up to RMB57,200,000 and the Consideration of the Proposed Transfer of RMB62,712,300, excluding any transactions between the Company and the TPG's Group under the Shareholders' mandate approved by the Shareholders dated 24 October 2016. The aggregate transactions amount of RMB119,912,300 represents approximately 3.06% of the Company's latest audited net tangible assets.

4 BOARD PROCEDURE

The 11th Board meeting for FY2016 was duly convened on 29 December 2016, pursuant to which the resolutions approving the Proposed Transaction and the Proposed Transfer under the Agreement#1 and the Agreement#2 respectively were discussed and passed by all the independent directors and 7 unrelated directors, with the 2 related directors, Mr. Ma Gui Zhong and Mr. Zhang Jian Jin, being absent and abstained from voting.

5 PRIOR APPROVAL AND OPINIONS FROM THE INDEPENDENT DIRECTORS

Pursuant to regulations of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (*上海证券交易所股票上市规则*), the independent directors of the Company opine below:

(a) The decision-making procedures for the Proposed Transaction and the Proposed Transfer are in compliance with the provisions of the laws and administrative regulations of the Articles of Association of the Company, the related directors have abstained from voting;

(b) The Agreement#1 and the Agreement#2 are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders;

(c) The Agreement#1 and the Agreement#2 does not and will not infringe, breach, violate, or exceed any power or restriction granted or imposed by (i) any law, regulation, authorisation, directive or order (whether or not having the force of law) to which it is subject; or (ii) any agreement to which it is a party or which is binding on it.

6 OPINIONS FROM THE AUDIT COMMITTEE

After review of the Agreement#1 and the Agreement#2, the Audit Committee is also of the view that the Proposed Transaction and Proposed Transfer are in the interests of the Company and the Shareholders, and the Proposed Transaction and the Proposed Transfer are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

Jiao Yan
Company Secretary
29 December 2016