

**TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED**

(Company Registration No. 120000000004711)

(Incorporated in the People's Republic of China)

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**UPDATE ON THE DEPOSIT OF NET PROCEEDS AND THE USE OF NET PROCEEDS**

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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 and 21 March 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.

Pursuant to *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》) promulgated by the CSRC, *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 Board of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the "Company") issued an report below in relation to the deposit of Proceeds and the Use of Net Proceeds as at 31 December 2015 (the "**Report**").

## **1. BASIC INFORMATION ON THE PLACEMENT**

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.

In year 2015, an amount of RMB250,000,000.00 from the Net Proceeds was temporarily used for the cash flow of the Company, an amount of RMB47,740,382.31 from the Net Proceeds was used for the Projects, and an amount of RMB500,000,000.00 from the Net Proceeds was used for Cash

Management. The balance of the Net Proceeds is RMB21,100,119.23 as at 31 December 2015, the details of which are as follows:

NO	PROJECTS	AMOUNT(RMB)
1	Net Proceeds	814,340,000.00
2	Temporary Use for the Cash Flow of The Company	-250,000,000.00
3	Expenditure on the Projects	-47,740,382.31
4	Use for the Cash Management	-500,000,000.00
5	Financing Incomes and the Interests from the Cash Management	4,500,501.54
6	Balance of the Net Proceeds	21,100,119.23
	Among which: held in Designated Accounts	18,708,824.71
	held in Cash Management Accounts	2,391,294.52

## 2. MANAGEMENT OF PROCEEDS

To further regulate the use and management of Proceeds, to improve the efficiency of the Use of Net Proceeds, and to protect the investors' interests, and pursuant to the *Company Law of the PRC* (《中华人民共和国公司法》), *Securities Law of the PRC* (《中华人民共和国证券法》), *Administrative Measures for the Issuance of Securities by Listed Companies* (《上市公司证券发行管理办法》), the *Rules of Shanghai Stock Exchange on the Listing of Stocks* (《上海证券交易所股票上市规则》), *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 Articles of Association of the Company and related laws and regulations, the Company has adopted the Measures for the Management of Proceeds of the Company to regulate the use and management of the Proceeds, and to protect the investors' interests. The Measures for the Management of Proceeds was approved by the Shareholders at an extraordinary general meeting of the Company held on 18 August 2014.

### 2.1 Deposit of the Proceeds

As at 31 December 2015, the details of the balance of the Net Proceeds are set out below:

ACCOUNT NAME	BANKS	BANK ACCOUNT NUMBER	BALANCE(RMB)
The Company	China Bohai Bank Co.,Ltd., Tianjin Branch	2000001695000328	3,605,837.31
The Company	Industrial and Commercial Bank of China, Tianjin Chengdu Road Branch	0302010529300330596	15,102,987.40

Da Ren Tang	China Construction Bank, Tianjin Hebei Branch	12001660800052535320	0.00
Sub-total in Designated Accounts			18,708,824.71
<b>ACCOUNT NAME</b>	<b>BANKS</b>	<b>BANK ACCOUNT NUMBER</b>	<b>BALANCE</b>
The Company	China Everbright Bank Co.,Ltd.,Tianjin Branch	75520188000058884	852,500.00
The Company	Fubang Huayi Bank, Tianjin Branch	70000070810002818	1,538,794.52
Sub-total in Cash Management Accounts			2,391,294.52
Total			21,100,119.23

**Note:** On 7 March 2016, the amount of RMB2,391,294.52 held in the Cash Management accounts has been returned to the Designated Account in the Industrial and Commercial Bank of China.

## 2.2. Supervision Agreements

There is no major difference between the sample supervision agreement and Supervision Agreement #1, the Supervision Agreement #2 and the Supervision Agreement #3. The Company has deposited, used and managed the Proceeds pursuant to the relevant laws and regulations, and all the obligations under the Supervision Agreement #1, the Supervision Agreement #2 and the Supervision Agreement #3 have been duly performed.

## 3. USE OF NET PROCEEDS

### 3.1 Use of Net Proceeds for the Projects

The details of the Use of Net Proceeds for the Projects are set out in Annex 1.

### 3.2 Use of the Proceeds for the Projects and the Replacement

Pursuant to the Verification Report in relation to the Company's expenditure to date on the Projects of the Placement issued by Ruihua Certified Public Accountants, as at 3 August 2015, the Company has used an aggregate amount of RMB28,334,868.31 of its own funds (the "Funds") to commence the Projects of the Placement, the details of which are set out below:

NO	PROJECTS	PROPOSED AMOUNT TO BE INVESTED (RMB)	AMOUNT OF THE NET PROCEEDS TO BE INVESTED (RMB)	AMOUNT OF EXPENDITURE TO 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	250,000,000.00	127,500,000.00	0.00
	Chinese Medicine Extraction and Preparation Project			

NO	PROJECTS	PROPOSED AMOUNT TO BE INVESTED (RMB)	AMOUNT OF THE NET PROCEEDS TO BE INVESTED (RMB)	AMOUNT OF EXPENDITURE TO DATE (RMB)
	Project on Chinese Medicine Decoction Pieces	150,000,000.00	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

The 8<sup>th</sup> Board meeting for year 2015 was duly convened on 26 August 2015, pursuant to which the Board passed the resolution approving an equivalent amount of RMB28,334,868.31 from the Net Proceeds to be used to replace the Funds.

As at 31 December 2015, the Replacement had been completed.

### 3.3 Temporary Use of the Part of Net Proceeds for the Cash Flow of the Company

The 8<sup>th</sup> Board meeting for year 2015 was duly convened on 26 August 2015, pursuant to which the Board passed the resolution approving the Temporary Use and allowed the Company to use an amount of RMB250,000,000 from the Net Proceeds for the cash flow of the Company within a 12-month period.

As at 31 December 2015, the amount of RMB250,000,000 from the Net Proceeds for the cash flow of the Company has not been returned to the Designated Accounts of the Company.

### 3.4. Cash Management of Net Proceeds

The 8<sup>th</sup> Board meeting for year 2015 was duly convened on 26 August 2015, pursuant to which the Board has passed the resolution that, pending the deployment of the 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 Independent Directors of the Company and the Placement Agent were agreeable to such resolution.

As at 31 December 2015, the details of the Cash Management are set out below:

NO	BANK	AMOUNT (RMB)	VALUE DATE	MATURITY DATE	WHETHER IT IS RETURNED AS SCHEDULED
1	Industrial and Commercial Bank of China, Tianjin Chengdu Road Branch	100,000,000	1 September 2015	8 October 2015	returned as scheduled

<b>NO</b>	<b>BANK</b>	<b>AMOUNT (RMB)</b>	<b>VALUE DATE</b>	<b>MATURITY DATE</b>	<b>WHETHER IT IS RETURNED AS SCHEDULED</b>
2	China Everbright Bank Co.,Ltd.,Tianjin Branch	100,000,000	1 September 2015	1 December 2015	returned as scheduled
3	Fubang Huayi Bank, Tianjin Branch	30,000,000	1 September 2015	28 September 2015	returned as scheduled
4	Fubang Huayi Bank, Tianjin Branch	120,000,000	1 September 2015	8 October 2015	returned as scheduled
5	China Bohai Bank Co.,Ltd., Tianjin Branch	150,000,000	8 September 2015	13 October 2015	returned as scheduled
6	Fubang Huayi Bank, Tianjin Branch	30,000,000	28 September 2015	13 October 2015	returned as scheduled
7	Fubang Huayi Bank, Tianjin Branch	120,000,000	8 October 2015	9 November 2015	returned as scheduled
8	Industrial and Commercial Bank of China,Tianjin Chengdu Road Branch	100,000,000	13 October 2015	16 November 2015	returned as scheduled
9	China Bohai Bank Co.,Ltd., Tianjin Branch	150,000,000	15 October 2015	15 January 2016	returned as scheduled
10	Fubang Huayi Bank, Tianjin Branch	120,000,000	9 November 2015	11 December 2015	returned as scheduled
11	Industrial and Commercial Bank of China,Tianjin Chengdu Road Branch	100,000,000	17 November 2015	21 December 2015	returned as scheduled
12	Fubang Huayi Bank, Tianjin Branch	30,000,000	7 December 2015	7 January 2016	not due
13	China Bohai Bank Co.,Ltd., Tianjin Branch	150,000,000	15 October 2015	15 January 2016	not due
14	Merchants Bank of China Tianjin Jiefang Road Branch	100,000,000	7 December 2015	2 March 2016	not due
15	Fubang Huayi Bank, Tianjin Branch	120,000,000	11 December 2015	If there is no change on any investment terms and no disagreement between the two parties, this Investment Product will be repurchased after 11 March 2016	not due

NO	BANK	AMOUNT (RMB)	VALUE DATE	MATURITY DATE	WHETHER IT IS RETURNED AS SCHEDULED
16	Merchants Bank of China Tianjin Jiefang Road Branch	100,000,000	22 December 2015	If there is no change on any investment terms and no disagreement between the two parties, this Investment Product will be repurchased after 18 March 2016	not due

**3.5 Disclosure on any permanent use of amounts for the cash flow of the Company or repayment of bank loans exceeding the total amount of Proceeds**

Not applicable.

**3.6 Disclosure on any use of Proceeds for new projects (including assets acquisition) exceeding the total amount of Proceeds**

Not applicable.

**3.7 Balance of the Proceeds**

As at 31 December 2015, as the Projects have not been completed, the final balance of the Proceeds is still unavailable.

**3.8 Other Use of Proceeds**

There is no other use of Proceeds of the Company.

**4. PROPOSED CHANGE TO THE CURRENT USE OF NET PROCEEDS**

There is no proposed change to the current Use of Net Proceeds.

**5. DISCLOSURE ON THE USE OF NET PROCEEDS**

The Company has complied with the relevant rules and regulations of the CSRC and the Shanghai Stock Exchange to accurately and completely disclose the information in relation to the deposit of Proceeds and the Use of Net Proceeds.

**6. VERIFICATION OPINIONS FROM RUIHUA CERTIFIED PUBLIC ACCOUNTANTS**

Ruihua Certified Public Accountants is of view that the Report has satisfied the 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)》) and the Report accurately reflects information in relation to the deposit of the Net Proceeds and the Use of Net Proceeds.

**7. VERIFICATION OPINIONS FROM THE PLACEMENT AGENT**

The Placement Agent is of the view that the Use of Net Proceeds has fulfilled all the necessary internal procedures, and has satisfied the requirements of *the Rules of Shanghai Stock Exchange on the Listing of Stocks* (《上海证券交易所股票上市规则》), *the Rules of the Shanghai Stock Exchange for the Capital Raised by Listed Companies* (《上海证券交易所上市公司募集资金管理规定》), and *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》). The Use of Net Proceeds does not change the intended Use of Net Proceeds, is not prejudicial to the interests of the Shareholders, and does not violate any relevant laws and regulations.

By order of the Board  
29 March 2016

Annex 1 : Details on Use of Net Proceeds (Year 2015)

(RMB)

Amount of the Proceeds				814,340,000		Annual Expenditures of Proceeds for Year 2015					47,740,400	
Amount of the Change to the Use of Net Proceeds				-		Total Expenditures of Proceeds					47,740,400	
Percentage of the Amount of the Change to the Use of Net Proceeds				-								
Proposed investment projects	Projects that have been changed (including partial changes)	Proposed investment amount	Investment amount after adjustment	Proposed investment amount as at 31 December 2015 (1)	Amount Of annual expenditures	Total investment amount as at 31 December 2015 (2)	Difference between total amount as at 31 December 2015 and proposed investment amount as at 31 December 2015 (3) = (2)-(1)	Progress of the Projects (%) (4) = (2)/(1)	The expected date of the Projects to be put into service	Annual achieved benefits	Whether the expected benefits were achieved	Whether there is a material change in the feasibility of the Projects
Terminal Marketing Network and Promotional System Project	-	310,420,000	310,420,000	310,420,000	33,928,900	33,928,900	-276,491,100	10.93	January 2018	-	-	no
Bozhou Industrial Park Construction Project-Chinese Medicine Extraction and Preparation Project	-	127,500,000	127,500,000	127,500,000	-	-	-127,500,000	-	April 2016	-	-	no
Bozhou Industrial Park Construction	-	76,500,000	76,500,000	76,500,000	5,865,000	5,865,000	-70,635,000	7.67	April 2016	-	-	no



n Project- Project on Chinese Medicine Decoction Pieces												
Wellness and Functional Vegetable Beverages Project	-	299,920,000	299,920,000	299,920,000	7,946,500	7,946,500	-291,973,500	2.65	September 2016	-	-	no
Total	-	814,340,000	814,340,000	814,340,000	47,740,400	47,740,400	-766,599,600	-	-	-	-	-
Reasons for not following the Projects Schedule	N.A											
Information on Material Change of the Feasibility of the Projects	N.A											
Company's Earlier Expenditures on the Projects and the Replacement	As at 31 December 2015, the Company had used an aggregate amount of RMB 28,334,868.31 of the Proceeds to replace the same amount of its own funds which were used to commence the Projects earlier.											
Temporary Use of the Part of Net Proceeds for the Cash Flow of the Company	As at 31 December 2015, the amount of RMB250,000,000 from the Net Proceeds for the cash flow of the Company has not been returned to the designated accounts of the Company.											
Cash Management of the Net Proceeds	As at 31 December 2015, the amount of RMB500,000,000.00 which were used for the Cash Management has not been expired.											
Amounts exceeding the Proceeds for the Cash Flow and Bank Loan of the Company	N.A											
Balance of the Proceeds and the Reasons	N.A											
Other Use of the Proceeds	N.A											

Note 1: The Annual Expenditures of Proceeds for year 2015 includes the Amount of Annual Expenditures and the Replacement amount.

Note 2: The Proposed Investment Amount as at 31 December 2015 is subject to the latest disclosure of the investment plan of the Proceeds.

Note 3: The method of calculation for Annual Achieved Benefits is the same as the method of calculation for the Proposed Benefits.