

TIANJIN ZHONG XIN PHARMACEUTICAL GROUP CORPORATION LIMITED

(Company Registration No.: 91120000103100784F)

(Incorporated in the People's Republic of China)

UPDATE ON PLACEMENT IN RELATION TO THE CHANGE IN SHAREHOLDING AND AMOUNT OF THE NET PROCEEDS IN RELATION TO TIANJIN DA REN TANG (BOZHOU) CHINESE MEDICINE CO., LTD

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, 7 March 2017, 30 March 2017, 13 June 2017, 14 August 2017, 23 August 2017, 24 August 2017, 28 November 2017, 8 January 2018 and 30 March 2018 (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 had, on 26 June 2015, issued the Proceeds Verification Report verifying that the Proceeds raised from the Placement were in the designated accounts of the Company.

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

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	250,000,000.00	127,500,000.00
	Chinese Medicine		

	Project	Extraction and Preparation Project		
		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

As at 30 June 2018, the amount of Net Proceeds applied towards the Use of Net Proceeds is set out below:

NO	Projects		Amount of the Net Proceeds to be invested (RMB)	Actual Amount of the Net Proceeds to be invested (RMB)
1	Terminal Marketing Network and Promotional System Project		310,420,000.00	157,168,400.00
2	Bozhou Industrial Park Construction Project	Chinese Medicine Extraction and Preparation Project	127,500,000.00	0.00
		Project on Chinese Medicine Decoction Pieces	76,500,000.00	5,865,000.00
3	Wellness and Functional Vegetable Beverages Project		299,920,000.00	9,934,400.00
	Total		814,340,000.00	172,967,800.00

2. THE CHANGE IN SHAREHOLDING AND AMOUNT OF THE NET PROCEEDS IN RELATION TO 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. Tianjin Da Ren Tang (Bozhou) Chinese Medicine Co., Ltd (the “**Bozhou Company**”), a subsidiary of the Company in which the Company holds 71% equity interests in, has carried out the Bozhou Industrial Park Construction Project, and the present 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%
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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 Jinlian Zhida Business Information Consulting Co., Ltd adjusted their investment strategies and proposed to transfer their 29% equity interests 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 the Company will acquire the 29% equity interests in the Bozhou Company from Tianjin Jinlian Zhida Business Information Consulting Co., Ltd for a consideration of up to RMB8.7 million (the “**Consideration**”). The Consideration is based on NTA of the 29% equity interests in the Bozhou Company of RMB8.7 million and the specific amount of the Consideration to be paid will be finalized pursuant to the valuation to be conducted. Pursuant to the 4th Board meeting for year 2018, the Board passed a resolution that the Company will use its own funds to acquire the 29% equity interests in the Bozhou Company from Tianjin Jinlian Zhida Business Information Consulting Co., Ltd. The resultant shareholding proportion in the Bozhou Company following the completion of the aforementioned acquisition is set out below:

Shareholder	Capital contribution amount (RMB)	Shareholding percentage
Company	30,000,000	100%
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, where required, 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.

Following the completion of change in shareholding in the Bozhou Company, the resulting Use of Net Proceeds for the Bozhou Industrial Park Construction Project is as follows:

Projects		Proposed amount to be invested (RMB)	Amount of the Net Proceeds to be invested (RMB)
Bozhou Industrial Park Construction Project	Chinese Medicine Extraction and Preparation Project	250,000,000.00	54,000,000.00
	Project on Chinese Medicine Decoction Pieces	150,000,000.00	150,000,000.00

Total	400,000,000.00	204,000,000.00
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3. THE REASON FOR CHANGE IN SHAREHOLDING AND AMOUNT OF THE NET PROCEEDS

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 Jinlian Zhida Business Information Consulting Co., Ltd adjusted their investment strategies and proposed to transfer their 29% equity interests 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 the Company will acquire the 29% equity interests in the Bozhou Company from Tianjin Jinlian Zhida Business Information Consulting Co., Ltd.

In order to focus on the progress of the Bozhou Industrial Park Construction Project and to supervise the use of funds, the Company will, based on the relative priorities of the sub-projects, reallocate the amount of the Net Proceeds of the two sub-projects of the Bozhou Industrial Park Construction Project after the completion of the change in shareholding, of which, RMB150,000,000 will be allocated to the Project on Chinese Medicine Decoction Pieces. The remaining raised funds of RMB54,000.00 will be allocated to the Chinese Medicine Extraction and Preparation Project. The Company will use its own funds to invest if more investment is needed for the Chinese Medicine Extraction and Preparation Project.

4. THE DECISION-MAKING PROCEDURE IN RELATION TO THE CHANGE IN SHAREHOLDING AND AMOUNT OF THE NET PROCEEDS

Pursuant to the 4th Board meeting for year 2018, which was duly convened on 9 August 2018, the Board passed (i) the resolution that the Company will use its own funds to acquire the 29% equity interests in the Bozhou Company and (ii) the resolution in relation to the change in shareholding and amount of the Net Proceeds in the Bozhou Company.

5. RISK IN RELATION TO THE CHANGE IN SHAREHOLDING AND AMOUNT OF THE NET PROCEEDS

The change in the shareholding and amount of the Net Proceeds 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 Bozhou Company as a result of the increase in the Company's shareholding proportion will be provided from the Company's internal resources.

6. INFLUENCE ON THE COMPANY IN RELATION TO THE CHANGE IN SHAREHOLDING AND AMOUNT OF THE NET PROCEEDS

The change in the shareholding and amount of the Net Proceeds 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

and amount of the Net Proceeds in the Bozhou Company is not prejudicial to the interests of the Shareholders (particularly the minority Shareholders), and has satisfied the requirements of the relevant laws and regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange. In particular, it 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* (《募集资金管理办法》).

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 and amount of the Net Proceeds in the Bozhou Company is not prejudicial to the interests of the Company and Shareholders (particularly the minority 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 and amount of the Net Proceeds of the Bozhou Company is in line with the operational needs of the Company, and the Projects will be carried out as planned. It is further of the view that the proposed acquisition is not prejudicial to the interests of the Shareholders (particularly the minority Shareholders), 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. The Placement Agent will continue to monitor the progress of the Use of Net Proceeds.

8. Action to be taken by Shareholders

The change in shareholding and amount of the Net Proceeds shall be submitted to the general meeting of shareholders of the Company for consideration and approval.

By order of the Board
9 August 2018