

## **Scheme on Return of Investment to Shareholders from 2014 to 2016**

Tianjin Zhong Xin Pharmaceutical Corporation Limited (the “Company”) places high importance on providing shareholders with reasonable returns on their investment, while continuing to seek rapid development of the Company and performing its corporate responsibility. Pursuant to *Guideline No. 3 – Issuance of Cash Dividends by Listed Companies* promulgated by the CSRC (《上市公司监管指引第3号—上市公司现金分红》), *Notice on Issues in relation to Cash Dividends of Listed Companies* promulgated by the CSRC (《关于进一步落实上市公司现金分红有关事项的通知》), and Articles of Association of the Company (the “**Articles of Association**”), the proposed scheme on return of investment to shareholders from 2014 to 2016 (the “**Scheme**”) is set out below.

### **1. Rationale**

The Company focuses on long-term and sustainable development, taking into account the Company's business development practice, shareholders' requests, the cost of social capital, the availability of external financing and other factors, to establish a sustainable, steady and scientific scheme and system to ensure the consistency and stability of the profit distribution policy for Shareholders.

### **2. Principles**

This Scheme complies with relevant laws, regulations, and the rules regarding profit distribution in the Articles of Association. The Company have fully considered the views of the independent directors, supervisory committee and shareholders while drafting the Scheme, and the Scheme will ensure the consistency and stability of the profit distribution policy in accordance with business development, and balancing the short-term needs and long-term development of the Company.

### **3. Scheme on Return of Investment to Shareholders from 2014 to 2016**

- (1) The Company can distribute profits to shareholders in form of cash, shares, a combination of cash and shares and/or any other methods as permitted under the laws and regulations. If the conditions for distributing profits through cash dividends are met, then the Company shall distribute profits through cash dividends. Subject to the operational results of the Group, the Company is allowed to distribute interim dividends.
- (2) Conditions for Distributing Profits through Cash Dividends from 2014 to 2016:
  - (a) The Company has achieved a net profit of not less than RMB0.05 per share for the relevant financial year or half financial year;
  - (b) The Company's distributable profits for the relevant financial year (after offsetting any losses and deducting the appropriations of the statutory surplus reserve and general reserve) are positive;
  - (c) The Company's net cash flows and cash flow from operations are positive;
  - (d) For the year of profit distribution, the auditors of the Company have issued an audit report without any qualifications;

- (e) The Company does not have any Major Investment Plan and/or expected Major Cash Outflow in the subsequent twelve (12) months.

“Major Investment Plan” and/or “Major Cash Outflow” means (i) any major investments in companies, (ii) acquisition of assets and/or major equipments, (iii) and/or any expected cash outflow, during the subsequent twelve (12) months, which in aggregate, equal to or exceed 5% of the latest audited net tangible assets of the Group.

- (3) The Company should ensure the consistency and stability of the profit distribution policies. In principle, the annual profits distributed by the Company shall not be less than 15% of (i) the Company's net cash flow from operations in the relevant financial year, or (ii) the Group's distributable profits for the relevant financial year, whichever is lower. If the conditions for distributing profits through cash dividends are met, then the Company shall distribute profits through cash dividends. The detailed percentage shall be determined and recommended by the Board, and approved by the shareholders in general meeting.
- (4) If the Company intends to issue securities to the public in accordance with the “ Regulations for the Administration of the Issuance of Securities by Listed Companies ” ( 《上市公司证券发行管理办法》 ), its aggregate distributed cash dividends in the last three years must not be less than 30% of the average distributable profits in the last three years.
- (5) In the event that the Board is of the view that the Company's share capital does not match its asset and operation scale, and subject to the fulfilment of the above conditions for distribution profits through declaring cash dividends, the Company is entitled to distribute profits through declaring share dividends. The detailed percentage of entitlement shall be decided and recommended by the Board, and approved by shareholders in general meeting.

#### **4 .Approval and Amendment of the Scheme**

This Scheme was drafted after taking into account the profits, capital requirements and development stage of the Company, together with the views of the shareholders (especially public shareholders) and the independent directors. The Scheme will be submitted to the General Meeting for approval after approval by the Board..

The Company will re-examine the Scheme at least once every three years, and will make amendments to take into account the views of shareholders (especially public shareholders) and independent directors.

#### **5. Effective Date of the Scheme**

The Scheme will be effective from the date of approval by Shareholders at the General Meeting.