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国药集团
SINOPHARM

CHINA TRADITIONAL CHINESE MEDICINE HOLDINGS CO. LIMITED

中國中藥控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 570)

**CONTINUING CONNECTED TRANSACTIONS IN RELATION
TO THE DEPOSIT SERVICE AGREEMENT**

The Board announces that on 15 January 2020, the Company and Ping An Bank entered into the Deposit Service Agreement commencing from 15 January 2020 to 14 January 2023 for a term of three years. Accordingly, Ping An Bank agreed to provide deposit service to the Group subject to the terms and conditions stipulated therein.

LISTING RULES IMPLICATIONS

Ping An Bank is a subsidiary of Ping An Group, which is the holding company of Ping An Life. Ping An Life holds 604,296,222 Shares, representing 12% of the issued Shares of the Company. Ping An Bank is therefore a connected person of the Company as defined in the Listing Rules, and the transactions contemplated under the Deposit Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

DEPOSIT SERVICE UNDER THE DEPOSIT SERVICE AGREEMENT

As one or more applicable percentage ratio(s) as defined in the Listing Rules in respect of the Annual Caps for the deposit service under the Deposit Service Agreement exceed(s) 0.1% but is/are less than 5%, the provision of deposit service shall be subject to the reporting, announcement and annual review requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Appropriate disclosure of the above transactions will be made in the next published annual report and accounts of the Company in accordance with Chapter 14A of the Listing Rules.

The Board announces that on 15 January 2020 (after trading hours of the Stock Exchange), the Company and Ping An Bank entered into the Deposit Service Agreement, pursuant to which Ping An Bank agreed to provide deposit service to the Group commencing from 15 January 2020 for a term of three years. Principal terms of the agreement are as follows:

Date: 15 January 2020

Parties: (i) the Company; and
(ii) Ping An Bank.

The principal activities of the Company are the manufacture and sale of traditional Chinese medicine (TCM) and pharmaceutical products in the PRC, with a focus on concentrated TCM granules products, finished drugs and TCM decoction pieces.

Ping An Bank is a national joint-stock commercial bank regulated by the PBOC and the CBRC, and is held as to 8.38% and 49.56% of its equity interest, respectively by Ping An Life and its holding company Ping An Group. Ping An Life holds 604,296,222 Shares, represent 12% of the issued Shares of the Company, and is therefore a connected person of the Company. Ping An Bank mainly provides a wide range of financial services to its clients, including corporations, the retail sector and government departments.

DEPOSIT SERVICE AGREEMENT

SUBJECT MATTER

Pursuant to the Deposit Service Agreement, Ping An Bank agreed to provide RMB deposit value-added service to the Group for a period of three years from 15 January 2020 to 14 January 2023. The Group may use the deposit service on a non-mandatory basis. The interest rates offered by Ping An Bank to the Group for the deposit service will not be less than (a) the benchmark interest rate set by the PBOC for similar deposits at the deposit commencement date; and (b) the interest rates offered by independent commercial banks to the Group for similar deposits.

ANNUAL CAPS

In accordance with the Deposit Service Agreement, the Annual Caps for the deposit service during the validity term of the agreement (i.e from 15 January 2020 to 14 January 2023) shall be the maximum daily deposit balance of not higher than RMB600,000,000 (including any interest accrued thereon).

The caps for the deposit service are determined based on the potential demand for the Group's financial service in the next few years.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DEPOSIT SERVICE AGREEMENT

The Board is of the view that entering into the Deposit Service Agreement is in the interest of the Group as it provides the Group with more options in respect of its funding management and the Group shall at its sole discretion select the most suitable service provider. In addition, in view of the close relationship between the Group and Ping An Group, it is expected that the application procedures for deposit service of Ping An Bank will be more efficient, convenient and flexible as compared to those of independent commercial banks, and the terms offered by Ping An Bank under the Deposit Service Agreement will be no less favorable than those offered by independent commercial banks to the Group. Taking into account the above, the Directors (including the independent non-executive Directors) are of the view that the Deposit Service Agreement is entered into on normal commercial terms in the daily and ordinary course of business of the Group, and that the terms of the Deposit Service Agreement (and the relevant Annual Caps) are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

INTERNAL CONTROLS

Internal controls for the deposit service

In accordance with the Group's internal control policy for obtaining financial services from any financial institution, the financial department shall obtain quotations from at least three service providers, including Ping An Bank and other financial institutions. In making the decision, the terms of service, interest rates and other service-related details provided by different service providers will be presented and compared. After the financial department has selected the service provider, the chief financial officer will review and approve the terms of the financial services to ensure that such service provider is selected on terms that best meet the requirements of the Group. If Ping An Bank is selected as the service provider, the chief financial officer will ensure that the terms of the financial services are in strict compliance with the principles of the Deposit Service Agreement set out in the paragraph headed "Subject Matter" under the "Deposit Service Agreement" above.

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The following Director holds the following positions in Ping An Bank or its associates:

Mr. Kui Kaiping currently acts as the managing director of the private equity department of China Ping An Insurance Overseas (Holdings) Limited and a director of Ping An Japan Investment Co., Ltd..

In view of the above positions held by the aforesaid Director in the associates of Ping An Bank, he is deemed to have a material interest in the Deposit Service Agreement. He has abstained from voting at the Board meeting in respect of the relevant resolution for approving the Deposit Service Agreement (including its Annual Caps). Saved as disclosed above, none of the Directors has a material interest in the Deposit Service Agreement and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Annual Caps”	the annual caps of the deposit service contemplated under the Deposit Service Agreement
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission
“Company”	China Traditional Chinese Medicine Holdings Co. Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 570)
“connect person(s)”	has the meaning ascribed to it under the Listing Rules
“Deposit Service Agreement”	the deposit service agreement dated 15 January 2020 entered into between the Company and Ping An Bank in respect of the provision of deposit service by Ping An Bank to the Group during the period from 15 January 2020 to 14 January 2023
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Ping An Bank”	Ping An Bank Co., Ltd. (平安銀行股份有限公司)
“Ping An Group”	Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司)
“Ping An Life”	Ping An Life Insurance Company of China, Ltd. (中國平安人壽保險股份有限公司)
“PBOC”	The People’s Bank of China (中國人民銀行)
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
China Traditional Chinese Medicine Holdings Co. Limited
Wu Xian
Chairman

Hong Kong, 15 January 2020

As at the date of this announcement, the Board comprises twelve Directors, of which Mr. WU Xian, Mr. WANG Xiaochun and Mr. YANG Wenming are executive Directors; Mr. YANG Shanhua, Ms. LI Ru, Mr. YANG Binghua, Mr. WANG Kan and Mr. KUI Kaipin are non-executive Directors; and Mr. XIE Rong, Mr. YU Tze Shan Hailson, Mr. QIN Ling and Mr. LI Weidong are independent non-executive Directors.