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Zhongzhi Pharmaceutical Holdings Limited

中智藥業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3737)

MAJOR TRANSACTIONS SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS

During the period from 5 January 2016 to 12 September 2016, Zhongzhi Pharmaceutical made subscriptions for wealth management products offered by CCB under WMP 1 and WMP 2.

Zhongzhi Pharmaceutical made several subscriptions for WMP 1 since 5 January 2016 and increased the subscription amount from RMB165.0 million to RMB193.0 million. Zhongzhi Pharmaceutical also made 2 withdrawals from WMP 1 and fully withdrawn the subscription balance on 8 March 2016.

Zhongzhi Pharmaceutical made a number of subscriptions for WMP 2 since 8 March 2016 and increased the subscription amount from RMB195.0 million to RMB249.5 million. Zhongzhi Pharmaceutical also made 30 withdrawals from WMP 2 and reduced the subscription balance of WMP 2 to RMB120.4 million as at 12 September 2016.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant applicable percentage ratios for each of the Subscriptions exceed 25% but are less than 100%, the Subscriptions constitutes major transactions for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company had considered WMP 1 and WMP 2 as cash and cash equivalents due to the fact that (i) they are principal-guaranteed; (ii) they have no maturity date; and (iii) the entire amount of the subscription with the corresponding interest can be redeemed anytime. However, in accordance with the relevant accounting standards, the subscription balances of the WMP 1 and WMP 2 are considered as available-of-sale investments. As a result of such mistaken belief, the Company failed to comply with the reporting, announcement and shareholders' approval requirements under the Listing Rules in respect of the Subscriptions.

The Company has obtained a confirmation from Crystal Talent, the controlling shareholder of the Company, that Crystal Talent has approved, confirmed and ratified the Subscriptions. Given that the Subscriptions have been made already and Zhongzhi Pharmaceutical has made a request to CCB to redeem RMB90.4 million from the subscriptions of WMP 2 as at the date of this announcement, no circular will be despatched to the Shareholders and no extraordinary general meeting will be convened for the purpose of considering and approving the Subscriptions.

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Zhongzhi Pharmaceutical made a number of subscriptions for WMP 2 since 8 March 2016 and increased the subscription amount from RMB195.0 million to RMB249.5 million. Zhongzhi Pharmaceutical also made 30 withdrawals from WMP 2 and reduced the subscription balance of WMP 2 to RMB120.4 million as at 12 September 2016.

PRINCIPAL TERMS OF WMP 1 AND WMP 2

Name of product:	WMP 1: "Ganyuan — Rijili" (Daily Basis) Open-ended Assets Portfolio RMB Wealth Management Product WMP 2: "Ganyuan — Rixinyueyi" (Daily Basis) Open-ended Assets Portfolio RMB Wealth Management Product
Type of return:	principal-guaranteed with floating return and open-ended

Valid period of product:	no nominal terms
Expected rate of return:	WMP 1: 1.80% to 4.51% annually, depending on the length of the deposit period WMP 2: 2.00% to 4.20% annually, depending on the length of the deposit period
Redemption of principal and return:	redemption can be applied within the designated time in any statutory working days of the bank in the PRC. The entire redeemed amount will be deposited to Zhongzhi Pharmaceutical's designated bank account immediately upon redemption
Right of early termination:	CCB has the right to early terminate the wealth management product at any time, including but not limited to the circumstances of material adjustments to the national financial policies or material changes to the bonds market or other areas within the portfolio of this product which affect the normal functioning of this product. CCB shall notify Zhongzhi Pharmaceutical within two working days before the termination date and shall make payment of the principal and return within five working days after the termination date to Zhongzhi Pharmaceutical's designated bank account

CURRENT STATUS

As at the date of this announcement, the Directors confirm that (i) Zhongzhi Pharmaceutical has made a request to CCB to redeem RMB90.4 million from the subscriptions of WMP 2, which shall be received by Zhongzhi Pharmaceutical on 13 September 2016; (ii) the subscription balance of RMB30.0 million will remain under WMP 2; (iii) the Group did not suffer any monetary loss in connection with the Subscription; and (iv) the Subscriptions did not cause any adverse impact on the Group's working capital.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The Company is incorporated in the Cayman Islands with limited liability and is an investment holding company. The Group is principally engaged in pharmaceutical manufacturing in the PRC and the operation of chain pharmacies in Zhongshan in the Guangdong Province, the PRC.

CCB is a licensed bank incorporated under the laws of the PRC. The principal business of CCB includes the provision of corporate and retail services, capital operation, investment banking, assets management, trust and other financial activities. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CCB and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

In order to maximize the utilization of the idle proceeds from the initial public offering without affecting the Group's operational liquidity and fund security, the Group utilized certain idle proceeds to subscribe for highly secured principal-guaranteed wealth management product. The Directors are of the view that (i) the Subscriptions provided the Group with better return than deposits generally offered by commercial banks in the PRC; (ii) the Subscriptions were funded from the Group's temporarily idle funds, which would not affect the working capital or the operation of the Group; and (iii) the investment return in connection with the Subscriptions would increase the Group's earnings. As such, the Directors are of the view that each of the Subscriptions is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As the relevant applicable percentage ratios for each of the Subscriptions exceed 25% but are less than 100%, the Subscriptions constitutes major transactions for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company had considered WMP 1 and WMP 2 as cash and cash equivalents due to the fact that (i) they are principal-guaranteed; (ii) they have no maturity date; and (iii) the entire amount of the subscription with the corresponding interest can be redeemed anytime. However, in accordance with the relevant accounting standards, WMP 1 and WMP 2 are considered as available-of-sale investment. As a result of such mistaken belief, the Company failed to comply with the reporting, announcement and shareholders' approval requirements under the Listing Rules in respect of the Subscriptions.

The Company has obtained a confirmation from Crystal Talent, the controlling shareholder of the Company, that Crystal Talent has approved, confirmed and ratified the Subscriptions. In addition, the Directors have been informed by Crystal Talent that Crystal Talent would vote in favour of the Subscriptions if Crystal Talent was requested to vote at a general meeting for approving the Subscriptions.

“Company”	Zhongzhi Pharmaceutical Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 3737)
“Crystal Talent”	Crystal Talent Investment Group Limited, a limited liability company incorporated in the British Virgin Islands and the controlling Shareholder
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the subscriptions of wealth management product offered by CCB under WMP 1 and WMP 2 by Zhongzhi Pharmaceutical
“WMP 1”	the wealth management product master agreement entered into between Zhongzhi Pharmaceutical and CCB on 8 September 2015
“WMP 2”	the wealth management product master agreement entered into between Zhongzhi Pharmaceutical and CCB on 8 March 2016

“Zhongzhi Pharmaceutical” Zhongshan Zhongzhi Pharmaceutical Group Co., Ltd.,
a limited liability company incorporated in the PRC
and an indirectly wholly owned subsidiary of the
Company

“%” per cent

By order of the Board
Zhongzhi Pharmaceutical Holdings Limited
Mr. Lai Zhi Tian
Chairman and Executive Director

Hong Kong, 12 September 2016

As at the date of this announcement, the Board comprises seven directors. The executive directors are Mr. Lai Zhi Tian, Ms. Jiang Li Xia, Ms. Mou Li and Mr. Cao Xiao Jun. The independent non-executive directors are Mr. Ng Kwun Wan, Mr. Wong Kam Wah and Mr. Zhou Dai Han.