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CHINA TRADITIONAL CHINESE MEDICINE CO. LIMITED
中國中藥有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 570)

**VERY SUBSTANTIAL ACQUISITION IN RELATION TO
ACQUISITION OF 81.48% OF THE REGISTERED CAPITAL OF
JIANGYIN TIANJIANG PHARMACEUTICAL CO., LTD.**

THE ACQUISITION AGREEMENTS

The Board is pleased to announce that the Company entered into the following agreements for the proposed acquisition of an aggregate of approximately 81.48% of the registered capital of the Target Company:

- (i) after trading hours of the Stock Exchange on 31 December 2014, the Company and the First Vendors entered into the First Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire, and the First Vendors have conditionally agreed to sell, the First Sale Shares, which represent approximately 40.52% of the registered capital of the Target Company for the First Consideration;
- (ii) on 15 January 2015, the Company and Vendor E entered into the Second Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire, and Vendor E has conditionally agreed to sell, the Second Sale Shares, which represent approximately 8.62% of the registered capital of the Target Company for the Second Consideration; and
- (iii) on 15 January 2015, the Company also entered into the Third Acquisition Agreement with the Third Vendors, pursuant to which the Company has conditionally agreed to acquire, and the Third Vendors have conditionally agreed to sell the Third Sale Shares, which represent approximately 32.34% of the registered capital of the Target Company for the Third Consideration.

The Total Consideration comprises:

- (i) the First Consideration, which will be the First Vendors' aggregate percentage shareholdings in the Target Company (i.e. approximately 40.52%) times the Total Valuation. The Total Valuation is equal to 15 times the 2014 Net Operating Profit. In any event, the First Consideration shall be not less than RMB3,727.9 million (equivalent to approximately HK\$4.7 billion) and not more than RMB4,133.1 million (equivalent to approximately HK\$5.2 billion);
- (ii) the Second Consideration, which will be Vendor E's percentage shareholding in the Target Company (i.e. approximately 8.62%) times the Total Valuation. In any event, the Second Consideration shall be not less than RMB792.5 million (equivalent to approximately HK\$1.0 billion) and not more than RMB878.7 million (equivalent to approximately HK\$1.1 billion); and
- (iii) the Third Consideration, which will be the Third Vendors' aggregate percentage shareholdings in the Target Company (i.e. approximately 32.34%) times the Total Valuation plus a control premium in the sum of RMB100 million (equivalent to HK\$125 million). In any event, the Third Consideration shall be not less than RMB3,075.5 million (equivalent to approximately HK\$3.8 billion) and not more than RMB3,334.2 million (equivalent to approximately HK\$4.2 billion).

The Total Consideration shall be not less than RMB7,595.9 million (equivalent to approximately HK\$9.5 billion) and not more than RMB8,346.0 million (equivalent to approximately HK\$10.4 billion).

Pursuant to the First Acquisition Agreement, Vendor C shall cause the Vendor C Trustee to enter into the Vendor C Trustee Subscription Agreement with the Company in the form as provided under the First Acquisition Agreement before the Completion Date. Pursuant to the Vendor C Trustee Subscription Agreement, the Vendor C Trustee will subscribe for such number of Vendor C Shares equal to the Vendor C Trustee Payment divided by the Issue Price on behalf of and for the benefit of Vendor C.

Pursuant to the Second Acquisition Agreement, Vendor E shall cause the Vendor E Trustee to enter into the Vendor E Trustee Subscription Agreement with the Company in the form as provided under the Second Acquisition Agreement before the Completion Date. Pursuant to the Vendor E Trustee Subscription Agreement, the Vendor E Trustee will subscribe for such number of Vendor E Shares equal to the Vendor E Trustee Payment divided by the Issue Price on behalf of and for the benefit of Vendor E.

The Issue Price will be equal to 90% of the lowest price at which the Company issues new Shares to any person for the purpose of financing the Acquisition after the date of the various Acquisition Agreements and before the Completion Date. The Issue Price will be fixed before the despatch of the Circular and the new Shares to be subscribed by the Vendor C Trustee and the Vendor E Trustee under the Trustee Subscription Agreements will in aggregate represent not more than 10% of the issued share capital of the Company (as enlarged by the issue of the Vendor C Shares and the Vendor E Shares).

Both the Vendor C Shares and the Vendor E Shares are expected to be allotted and issued under a specific mandate to be sought for approval by the Shareholders at the EGM. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Vendor C Shares and the Vendor E Shares.

Completion of the First Acquisition Agreement, the Second Acquisition Agreement and the Third Acquisition Agreement are not inter-conditional. However, the Company expects that completion of the Acquisition Agreements will take place on the same day and simultaneously.

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as defined under the Listing Rules) exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. The Acquisition will be subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. The EGM will be convened and held for the purpose of considering and, if thought fit, approving the resolutions in respect of the Acquisition and the transactions contemplated under the Acquisition Agreements.

The Circular containing, among other things, (i) the details of the Acquisition Agreements and the Trustee Subscription Agreements; (ii) the financial information of the Group; (iii) the financial information of the Target Group for the three years ended 31 December 2014; (iv) the unaudited pro forma financial information of the Group assuming Completion takes place; (v) the notice convening the EGM; and (vi) other information as required under the Listing Rules will be despatched to the Shareholders. As additional time is required for the preparation of the financial information of the Target Group for inclusion in the Circular, the Circular is expected to be despatched to the Shareholders on or before 15 May 2015.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 2 January 2015 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 28 January 2015.

WARNING

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction (or, if applicable, waiver) of the conditions to the First Acquisition Agreement, the Second Acquisition Agreement and the Third Acquisition Agreement. As the acquisition of the First Sale Shares, the Second Sale Shares and the Third Sale Shares may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the holding announcement of the Company dated 7 January 2015 in relation to the proposed acquisition of approximately 40.52% of the registered capital of the Target Company.

The Board is pleased to announce that after trading hours of the Stock Exchange on 31 December 2014, the Company and the First Vendors entered into the First Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire, and the First Vendors have conditionally agreed to sell, the First Sale Shares, which represent approximately 40.52% of the registered capital of the Target Company for the First Consideration.

After publication of the aforesaid holding announcement, on 15 January 2015:

- (i) the Company and Vendor E entered into the Second Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire, and Vendor E has conditionally agreed to sell, the Second Sale Shares, which represent approximately 8.62% of the registered capital of the Target Company for the Second Consideration; and
- (ii) the Company and the Third Vendors entered into the Third Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire, and the Third Vendors have conditionally agreed to sell, the Third Sale Shares, which represent approximately 32.34% of the registered capital of the Target Company for the Third Consideration.

The Target Group is the largest manufacturer of concentrated TCM granules (中藥配方顆粒) in the PRC in terms of market share by revenue in 2013. Please refer to the paragraph headed “Information on the Target Group” below for further information of the Target Group.

Details of the Acquisition Agreements are set out below.

THE FIRST ACQUISITION AGREEMENT

Date

31 December 2014

Parties

- (i) the Company, as purchaser of approximately 40.52% of the registered capital of the Target Company;
- (ii) Vendor A, as vendor of approximately 23.84% of the registered capital of the Target Company;
- (iii) Vendor B, as vendor of approximately 9.67% of the registered capital of the Target Company;
- (iv) Vendor C, as vendor of approximately 5.87% of the registered capital of the Target Company; and

(v) Vendor D, as vendor of approximately 1.14% of the registered capital of the Target Company.

Assets to be acquired

Pursuant to the First Acquisition Agreement, the Company has conditionally agreed to acquire, and the First Vendors have conditionally agreed to sell, the First Sale Shares for the First Consideration. The First Sale Shares represent approximately 40.52% of the registered capital of the Target Company.

First Consideration

The First Consideration will be the First Vendors' aggregate percentage shareholdings in the Target Company (i.e. approximately 40.52%) times the Total Valuation. The Total Valuation shall be equal to 15 times the 2014 Net Operating Profit but in any event not less than RMB9.2 billion (equivalent to approximately HK\$11.5 billion) and not more than RMB10.2 billion (equivalent to approximately HK\$12.8 billion). Accordingly, the First Consideration shall be not less than RMB3,727.9 million (equivalent to approximately HK\$4.7 billion) and not more than RMB4,133.1 million (equivalent to approximately HK\$5.2 billion). Each of the First Vendors shall receive consideration equivalent to their respective percentage shareholdings in the Target Company times the Total Valuation.

The Company will settle the First Consideration in cash in the following manner:

- (i) a total sum of RMB200,000,000 (equivalent to HK\$250.0 million) (the “**First Vendors First Payment**”) will be paid into an escrow account with a bank as agreed between the Company and the First Vendors within 10 Business Days after the date of the First Acquisition Agreement, which will be released to the First Vendors on the Completion Date;
- (ii) a total sum of RMB2,768,974,400 (equivalent to approximately HK\$3,461.2 million) (the “**First Vendors Second Payment**”) will be paid to the First Vendors on the Completion Date;
- (iii) subject to Vendor C, through the Vendor C Trustee, entering into the Vendor C Trustee Subscription Agreement, a total sum of RMB270,070,600 (equivalent to approximately HK\$337.6 million) (the “**Vendor C Trustee Payment**”) will be paid into an escrow account as agreed between the Company, Vendor C and the Vendor C Trustee on the Completion Date, or the date of the Vendor C Trustee Subscription Agreement if such agreement is signed after the Completion Date; and
- (iv) the remaining consideration (equivalent to the First Consideration minus the First Vendors First Payment, the First Vendors Second Payment and the Vendor C Trustee Payment) will be paid to the First Vendors within 10 Business Days after the later of the Registration Completion Date and the date when the figure of the 2014 Net Operating Profit is available.

Vendor C Subscription

Pursuant to the First Acquisition Agreement, Vendor C shall cause the Vendor C Trustee to enter into the Vendor C Trustee Subscription Agreement with the Company in the form as provided under the First Acquisition Agreement before the Completion Date. The Company is not obligated to pay the Vendor C Trustee Payment unless and until the Vendor C Trustee Subscription Agreement is entered into.

Pursuant to the Vendor C Trustee Subscription Agreement, the Vendor C Trustee will subscribe for such number of Vendor C Shares equal to the Vendor C Trustee Payment divided by the Issue Price on behalf of and for the benefit of Vendor C.

The Issue Price will be equal to 90% of the lowest price at which the Company issues new Shares to any person for the purpose of financing the Acquisition after the date of the various Acquisition Agreements and before the Completion Date (other than any new Shares issued pursuant to the conversion of any convertible securities of the Company or any employee share option schemes or similar plans).

The Company will enter into the Vendor C Trustee Subscription Agreement after the agreement in relation to the placing of new Shares to independent subscribers to raise capital for the Acquisition (as detailed in the paragraph headed "Total Consideration" below) is signed but in any event before the despatch of the Circular. The Issue Price will be fixed immediately after the placing price is determined but in any event before the despatch of the Circular. Details of the Vendor C Subscription (including the Issue Price, the number of Vendor C Shares to be issued and the effect on the shareholding structure of the Company) will be disclosed in an announcement to be made by the Company once the Vendor C Trustee Subscription Agreement is entered into and the Circular in compliance with the Listing Rules.

Based on the amount of the Vendor C Trustee Payment and the current market capitalisation of the Company, and taking into account the expected equity fund-raising exercises for the purpose of financing the Acquisition, the Directors expect that the Vendor C Shares to be subscribed by the Vendor C Trustee under the Vendor C Trustee Subscription Agreement will represent not more than 5% of the issued share capital of the Company (as enlarged by the issue of the Vendor C Shares and the Vendor E Shares) and the Vendor C Subscription will not result in a change in control of the Company.

The Vendor C Shares will be subject to a lock-up period of 24 months from the date of completion of the Vendor C Subscription.

The Vendor C Shares are expected to be allotted and issued under a specific mandate to be sought for approval by the Shareholders at the EGM. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Vendor C Shares.

Conditions of the First Acquisition Agreement

Completion of the First Acquisition Agreement is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the Company having obtained all necessary approvals and consents for the acquisition of the First Sale Shares and all related fund-raising exercises from the Stock Exchange and/or other regulatory authorities in Hong Kong, including but not limited to the approval for the issue of the Circular by the Stock Exchange;
- (ii) the necessary resolutions approving the acquisition of the First Sale Shares and the related fund-raising exercises having been passed by the Shareholders at the EGM;
- (iii) the Company, the First Vendors and the Target Company having duly executed all documents required for the acquisition of the First Sale Shares;
- (iv) all representations and warranties collectively or individually given or made by the First Vendors as set out in the First Acquisition Agreement remaining true and accurate in all material respects as at the Completion Date;
- (v) the First Vendors and the Target Company having duly performed and observed all of the obligations and agreements required to be performed and observed by them on or prior to the Completion Date;
- (vi) each of the First Vendors (that are not individuals) and the Target Company having obtained and having duly produced to the Company copies of all its requisite board and/or shareholders' approvals or consents in accordance with applicable laws for the execution, delivery and performance of the First Acquisition Agreement and the transactions contemplated thereunder, including, in the case of the Target Company, its board resolutions and unanimous shareholder resolution approving the acquisition of the First Sale Shares and adopting the amended articles of association of the Target Company reflecting the Company as the new owner of the First Sale Shares;
- (vii) all necessary approvals, authorisations and consents from any governmental or regulatory authorities having been obtained, and all necessary notifications, filings or registration requirements having been completed in accordance with the relevant laws and regulations in the PRC for completion of the transactions contemplated under the First Acquisition Agreement;
- (viii) the consent from the shareholders of the Target Company (other than the First Vendors) to the acquisition of the First Sale Shares and not to exercise any pre-emptive rights, tag-along rights and/or any other shareholders rights under any relevant laws and regulations, the Target Company's articles of association or any relevant agreement; and any third party consent and/or notification which may be required to be obtained or completed under any relevant laws and regulations, agreements and/or articles of association of any of the First Vendors, members of the Target Group or any of their assets having been obtained or completed;

- (ix) none of the governmental authority and other person (a) has brought or threatened to bring any judicial, arbitral or administrative proceeding against any of the Company, the First Vendors, the Target Company or any members of the Target Group in order to restrict, prohibit or oppose the acquisition of the First Sale Shares, the relevant financing transactions or the consummation of any other transactions contemplated in the First Acquisition Agreement; and (b) has proposed or has taken action to restrict, affect or postpone the consummation of the transactions or the operation of any members of the Target Group as contemplated in the First Acquisition Agreement;
- (x) since the date of signing of the First Acquisition Agreement: (a) there being no material adverse change in the business, operation, assets, financial position, revenue, condition or prospects of the Target Group; and (b) there being no material adverse change in laws, regulations or policies in any place of operation of any members of the Target Group which may result in material adverse impact on the Target Group;
- (xi) the First Vendors having collectively delivered a completion certificate (signed by Vendor C and in a form reasonably satisfactory to the Company);
- (xii) the First Vendors having delivered the PRC legal opinion issued by their PRC legal advisors and dated the Completion Date in the form and substance as agreed in the First Acquisition Agreement; and
- (xiii) the auditor having issued the auditor's report in respect of the Target Group's balance sheets, income statements and cash flow statements for the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 with an unqualified audit opinion.

The Company may at any time waive any of the above conditions (except for the conditions referred to in (i), (ii) and (vii) above) by written notice to the First Vendors.

Termination of the First Acquisition Agreement

At any time prior to the Completion Date, the First Acquisition Agreement or any of the rights and obligations as set out in the First Acquisition Agreement may be terminated:

- (i) by the Company, if any of the First Vendors breaches any of the warranties and representations as set out in the First Acquisition Agreement, or in the event that any of the First Vendors breaches any other undertakings in the First Acquisition Agreement;
- (ii) jointly by the First Vendors, if the Company breaches any of the warranties and representations as set out in the First Acquisition Agreement, or in the event that the Company breaches any other undertakings in the First Acquisition Agreement, which breach may not be rectified or has not been rectified by the Company within 30 days of receipt of notice by the First Vendors;

- (iii) by either the Company or the First Vendors jointly, if any condition of the First Acquisition Agreement fails to be satisfied or waived in accordance with the First Acquisition Agreement on or before 31 December 2015 (however, if any condition of the First Acquisition Agreement relating to necessary approvals from any governmental authorities has not yet been obtained by 31 December 2015, then the long stop date would be automatically postponed to 28 June 2016); or
- (iv) by consent among all the parties to the First Acquisition Agreement.

Undertakings from the First Vendors

Each of the First Vendors has undertaken to the Company that they shall not, for a period of five years after the Registration Completion Date, directly or indirectly: (i) recruit, solicit or instigate (or intend to recruit, solicit or instigate) any customers, distributors or agents of the Company, any members of the Target Group or any of their respective associates; or (ii) change, reduce or terminate any business relationship between any such customers, distributors or agents and the Company, any members of the Target Group or any of their respective associates.

Vendor C has further undertaken to the Company that, for a period of five years after the Registration Completion Date, he shall not, without the prior written approval of the Company or through the Company or the Company's associates (including any members of the Target Group): (i) directly or indirectly engage in activities in a Competing Business, or directly or indirectly hold interests in any person which is engaged in a Competing Business; (ii) directly or indirectly be employed by any person which is engaged in a Competing Business; and (iii) provide to any person any technology, business or professional opinion relating to a Competing Business to assist any such person to directly or indirectly engage in a Competing Business. However, the foregoing does not restrict Vendor C from directly or indirectly holding any securities issued by the Company or less than 5% of any securities issued by any other publicly listed companies.

THE SECOND ACQUISITION AGREEMENT

Date

15 January 2015

Parties

- (i) the Company, as purchaser of approximately 8.62% of the registered capital of the Target Company; and
- (ii) Vendor E, as vendor of approximately 8.62% of the registered capital of the Target Company.

Assets to be acquired

Pursuant to the Second Acquisition Agreement, the Company has conditionally agreed to acquire, and Vendor E has conditionally agreed to sell, the Second Sale Shares for the Second Consideration. The Second Sale Shares represent approximately 8.62% of the registered capital of the Target Company.

Second Consideration

The Second Consideration will be Vendor E's percentage shareholding in the Target Company (i.e. approximately 8.62%) times the Total Valuation. The Total Valuation shall be equal to 15 times the 2014 Net Operating Profit but in any event not less than RMB9.2 billion (equivalent to approximately HK\$11.5 billion) and not more than RMB10.2 billion (equivalent to approximately HK\$12.8 billion). Accordingly, the Second Consideration shall be not less than RMB792.5 million (equivalent to approximately HK\$1.0 billion) and not more than RMB878.7 million (equivalent to approximately HK\$1.1 billion).

The Company will settle the Second Consideration in cash in the following manner:

- (i) a total sum of RMB43,072,500 (equivalent to approximately HK\$53.8 million) (the "**Vendor E First Payment**") will be paid into an escrow account with a bank as agreed between the Company and the Vendor E within 10 Business Days after the date of the Second Acquisition Agreement, which will be released to Vendor E on the Completion Date;
- (ii) a total sum of RMB249,820,500 (equivalent to approximately HK\$312.3 million) (the "**Vendor E Second Payment**") will be paid to Vendor E on the Completion Date;
- (iii) subject to Vendor E, through the Vendor E Trustee, entering into the Vendor E Trustee Subscription Agreement, a total sum of RMB396,267,000 (equivalent to approximately HK\$495.3 million) (the "**Vendor E Trustee Payment**") will be paid into an escrow account as agreed between the Company, Vendor E and the Vendor E Trustee on the Completion Date, or the date of the Vendor E Trustee Subscription Agreement if such agreement is signed after the Completion Date; and
- (iv) the remaining consideration (equivalent to the Second Consideration minus the Vendor E First Payment, the Vendor E Second Payment and the Vendor E Trustee Payment) will be paid to Vendor E within 10 Business Days after the later of the Registration Completion Date and the date when the figure of the 2014 Net Operating Profit is available.

Vendor E Subscription

Pursuant to the Second Acquisition Agreement, Vendor E shall cause the Vendor E Trustee to enter into the Vendor E Trustee Subscription Agreement with the Company in the form as provided under the Second Acquisition Agreement before the Completion Date. The Company is not obligated to pay the Vendor E Trustee Payment unless and until the Vendor E Trustee Subscription Agreement is entered into.

Pursuant to the Vendor E Trustee Subscription Agreement, the Vendor E Trustee will subscribe for such number of Vendor E Shares equal to the Vendor E Trustee Payment divided by the Issue Price on behalf of and for the benefit of Vendor E.

The Company will enter into the Vendor E Trustee Subscription Agreement after the agreement in relation to the placing of new Shares to independent subscribers to raise capital for the Acquisition (as detailed in the paragraph headed “Total Consideration” below) is signed but in any event before the despatch of the Circular. The Issue Price will be fixed immediately after the placing price is determined but in any event before the despatch of the Circular. Details of the Vendor E Subscription (including the Issue Price, the number of Vendor E Shares to be issued and the effect on the shareholding structure of the Company) will be disclosed in an announcement to be made by the Company once the Vendor E Trustee Subscription Agreement is entered into and the Circular in compliance with the Listing Rules.

Based on the amount of the Vendor E Trustee Payment and the current market capitalisation of the Company, and taking into account the expected equity fund-raising exercises for the purpose of financing the Acquisition, the Directors expect that the Vendor E Shares to be subscribed by the Vendor E Trustee under the Vendor E Trustee Subscription Agreement will represent not more than 5% of the issued share capital of the Company (as enlarged by the issue of the Vendor C Shares and the Vendor E Shares) and the Vendor E Subscription will not result in a change in control of the Company.

The Vendor E Shares will be subject to a lock-up period of 24 months from the date of completion of the Vendor E Subscription.

The Vendor E Shares are expected to be allotted and issued under a specific mandate to be sought for approval by the Shareholders at the EGM. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Vendor E Shares.

Conditions of the Second Acquisition Agreement

The conditions to completion of the Second Acquisition Agreement is the same as those of the First Acquisition Agreement as described under the section headed “Conditions of the First Acquisition Agreement” except that all references to the First Acquisition Agreement, the First Vendors and the First Sale Shares shall be replaced by the Second Acquisition Agreement, Vendor E and the Second Sale Shares, respectively.

Termination of the Second Acquisition Agreement

The circumstance and provisions under which the Second Acquisition Agreement or any of the rights and obligations as set out in the Second Acquisition Agreement may be terminated are the same as those described under the section headed “Termination of the First Acquisition Agreement” except that the references to “31 December 2015” shall be replaced by “15 January 2016” and the reference to “28 June 2016” shall be replaced by “14 July 2016”.

Undertakings from Vendor E

The undertakings from Vendor E to the Company are the same as those made by the First Vendors and Vendor C as described under the section headed “Undertakings from the First Vendors” except that all references to the First Acquisition Agreement and the First Vendors or Vendor C shall be replaced by the Second Acquisition Agreement and Vendor E, respectively.

THE THIRD ACQUISITION AGREEMENT

Date

15 January 2015

Parties

- (i) the Company, as purchaser of approximately 32.34% of the registered capital of the Target Company;
- (ii) Vendor F, as vendor of approximately 19.71% of the registered capital of the Target Company; and
- (iii) Vendor G, as vendor of approximately 12.63% of the registered capital of the Target Company.

Assets to be acquired

Pursuant to the Third Acquisition Agreement, the Company has conditionally agreed to acquire, and the Third Vendors have conditionally agreed to sell, the Third Sale Shares for the Third Consideration. The Third Sale Shares represent approximately 32.34% of the registered capital of the Target Company.

Third Consideration

The Third Consideration will be the Third Vendors' aggregate percentage shareholdings in the Target Company (i.e. approximately 32.34%) times the Total Valuation, plus a control premium in the sum of RMB100 million (equivalent to HK\$125 million). The Total Valuation shall be equal to 15 times the 2014 Net Operating Profit but in any event not less than RMB9.2 billion (equivalent to approximately HK\$11.5 billion) and not more than RMB10.2 billion (equivalent to approximately HK\$12.8 billion). As part of the control premium to the Third Vendors, for the purpose of calculating the Third Consideration, the Total Valuation shall be taken as RMB10.0 billion (equivalent to HK\$12.5 billion) if the 2014 Net Operating Profit is RMB650 million (equivalent to HK\$812.5 million) or more. Accordingly, the Third Consideration shall be not less than RMB3,075.5 million (equivalent to approximately HK\$3.8 billion) and not more than RMB3,334.2 million (equivalent to approximately HK\$4.2 billion). Each of the Third Vendors shall receive consideration equivalent to the aggregate of their respective percentage shareholdings in the Target Company times the Total Valuation, plus their respective percentage shareholdings in the Target Company times the control premium in the sum of RMB100 million (equivalent to HK\$125 million) divided by the Third Vendors' aggregate percentage shareholdings in the Target Company.

The Company will settle the Third Consideration in cash in the following manner:

- (i) a total sum of RMB333,424,000 (equivalent to approximately HK\$416.8 million) (the “**Third Vendors First Payment**”) will be paid into an escrow account with a bank as agreed between the Company and the Third Vendors within 10 Business Days after the date of the Third Acquisition Agreement, which will be released to the Third Vendors on the Completion Date;

- (ii) a total sum of RMB2,425,680,000 (equivalent to approximately HK\$3.0 billion) (the “**Third Vendors Second Payment**”) will be paid to the Third Vendors on the Completion Date; and
- (iii) the remaining consideration (equivalent to the Third Consideration minus the Third Vendors First Payment and the Third Vendors Second Payment) will be paid to the Third Vendors within 10 Business Days after the later of the Registration Completion Date and the date when the figure of the 2014 Net Operating Profit is available.

Conditions of the Third Acquisition Agreement

Completion of the Third Acquisition Agreement is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the Company having obtained all necessary approvals and consents for the acquisition of the Third Sale Shares and all related fund-raising exercises from the Stock Exchange and/or other regulatory authorities in Hong Kong, including but not limited to the approval for the issue of the Circular by the Stock Exchange;
- (ii) the necessary resolutions approving the acquisition of the Third Sale Shares and the related fund-raising exercises having been passed by the Shareholders at the EGM;
- (iii) all representations and warranties collectively or individually given or made by the Third Vendors as set out in the Third Acquisition Agreement remaining true and accurate in all material respects as at the Completion Date;
- (iv) the Third Vendors and the Target Company having duly performed and observed all of the obligations and agreements required to be performed and observed by them on or prior to the Completion Date;
- (v) each of the Third Vendors and the Target Company having obtained and having duly produced to the Company copies of all its requisite board and/or shareholders’ approvals or consents in accordance with applicable laws for the execution, delivery and performance of the Third Acquisition Agreement and the transactions contemplated thereunder, including, in the case of the Target Company, its board resolutions and unanimous shareholder resolution approving the acquisition of the First Sale Shares, the Second Sale Shares and the Third Sale Shares and other acquisitions and adopting the amended articles of association of the Target Company reflecting the Company as the new owner of the First Sale Shares, the Second Sale Shares and the Third Sale Shares;
- (vi) all necessary approvals, authorisations and consents from any governmental or regulatory authorities having been obtained, and all necessary notifications, filings or registration requirements having been completed in accordance with the relevant laws and regulations in the PRC for completion of the transactions contemplated under each of the Acquisition Agreements;

- (vii) the consent from the shareholders of the Target Company (other than the Third Vendors) to the acquisition of the Third Sale Shares and not to exercise any pre-emptive rights, tag-along rights and/or any other shareholders rights under any relevant laws and regulations, the Target Company's articles of association or any relevant agreement; and any third party consent and/or notification which may be required to be obtained or completed under any relevant laws and regulations, agreements and/or articles of association of any of the Third Vendors, members of the Target Group or any of their assets having been obtained or completed;
- (viii) none of the governmental authority and other person (a) has brought or threatened to bring any judicial, arbitral or administrative proceeding against any of the Company, the Third Vendors, any other Vendors, the Target Company or any members of the Target Group in order to restrict, prohibit or oppose the acquisition of the Third Sale Shares, any other acquisition, the relevant financing transactions or the consummation of any other transactions contemplated in the Third Acquisition Agreement; and (b) has proposed or has taken action to restrict, affect or postpone the consummation of the transactions or the operation of any members of the Target Group as contemplated in the Third Acquisition Agreement;
- (ix) since the date of signing of the Third Acquisition Agreement, there being no material adverse change in the business, operation, assets, financial position, revenue or condition of the Target Group; and
- (x) the auditor having issued the auditor's report in respect of the Target Group's balance sheets, income statements and cash flow statements for the years ended 31 December 2012, 2013 and 2014 with an unqualified audit opinion.

The Company may at any time waive any of the above conditions (except for the conditions referred to in (i), (ii) and (vi) above) by written notice to the Third Vendors.

Termination of the Third Acquisition Agreement

The circumstance and provisions under which the Third Acquisition Agreement or any of the rights and obligations as set out in the Third Acquisition Agreement may be terminated are the same as those described under the section headed "Termination of the Second Acquisition Agreement".

TOTAL CONSIDERATION

The Total Consideration was determined after arm's length negotiations among the Company and the Vendors, having taken into account, among other things, (i) the profitability of the Target Group; (ii) the price-to-earnings ratios of comparable companies listed on the Main Board of the Stock Exchange; (iii) the well-established brand name and customer base of the Target Group; (iv) the synergetic effect to be realised as a result of the Acquisition and possible co-operation with the Target Group; and (v) the potential growth and prospects of the Target Group.

The Total Consideration shall be not less than RMB7,595.9 million (equivalent to approximately HK\$9.5 billion) and not more than RMB8,346.0 million (equivalent to approximately HK\$10.4 billion).

It is anticipated that the Total Consideration will be financed (i) as to approximately HK\$833 million by the proceeds received from the Vendor C Subscription and the Vendor E Subscription; and (ii) as to approximately HK\$8.7 billion to HK\$9.6 billion by equity and/or debt financing. Sinopharm (the controlling Shareholder), Mr. Yang Bin (the managing director of the Company and an executive Director) and Mr. Wang Xiaochun (an executive Director) have indicated that, to show their support to the Company and the Acquisition and subject to compliance with the Listing Rules, they are willing to contribute not less than HK\$2.8 billion, HK\$200 million and HK\$200 million respectively to subscribe for new Shares at prices to be discussed with the Company or, in the event the Company undertakes a placing of new Shares to independent subscribers to raise capital for the Acquisition, at the same price as the independent subscribers. Sinopharm also indicated that it intends to maintain its controlling interest in the Company, subject to compliance with the Takeovers Code and the Listing Rules. Further announcement(s) will be made by the Company if the equity financing plan is materialised and information about such equity financing plan including the terms of the Vendor C Subscription and the Vendor E Subscription will be included in the circular(s) to be issued by the Company.

COMPLETION

Completion of the First Acquisition Agreement, the Second Acquisition Agreement and the Third Acquisition Agreement are not inter-conditional. However, the Company expects that completion of the Acquisition Agreements will take place on the same day and simultaneously.

Completion shall take place on the eighth Business Day following the issue of a written notice by the Company to each of the relevant Vendors on or before the second Business Day after all conditions of the relevant Acquisition Agreements are satisfied or waived in accordance with the relevant Acquisition Agreements, or such other dates as the parties to the relevant Acquisition Agreements may agree.

If completion of the First Acquisition Agreement does not take place on or before 31 December 2015 (which may be postponed to 28 June 2016 pursuant to the First Acquisition Agreement), the Company or the First Vendors (collectively but not individually) may terminate the First Acquisition Agreement. If completion of the Second Acquisition Agreement and/or the Third Acquisition Agreement does not take place on or before 15 January 2016 (which may be postponed to 14 July 2016 pursuant to the relevant agreements), the Company or Vendor E (in respect of the Second Acquisition Agreement) or the Third Vendors (collectively but not individually, in respect of the Third Acquisition Agreement) may terminate the relevant Acquisition Agreements.

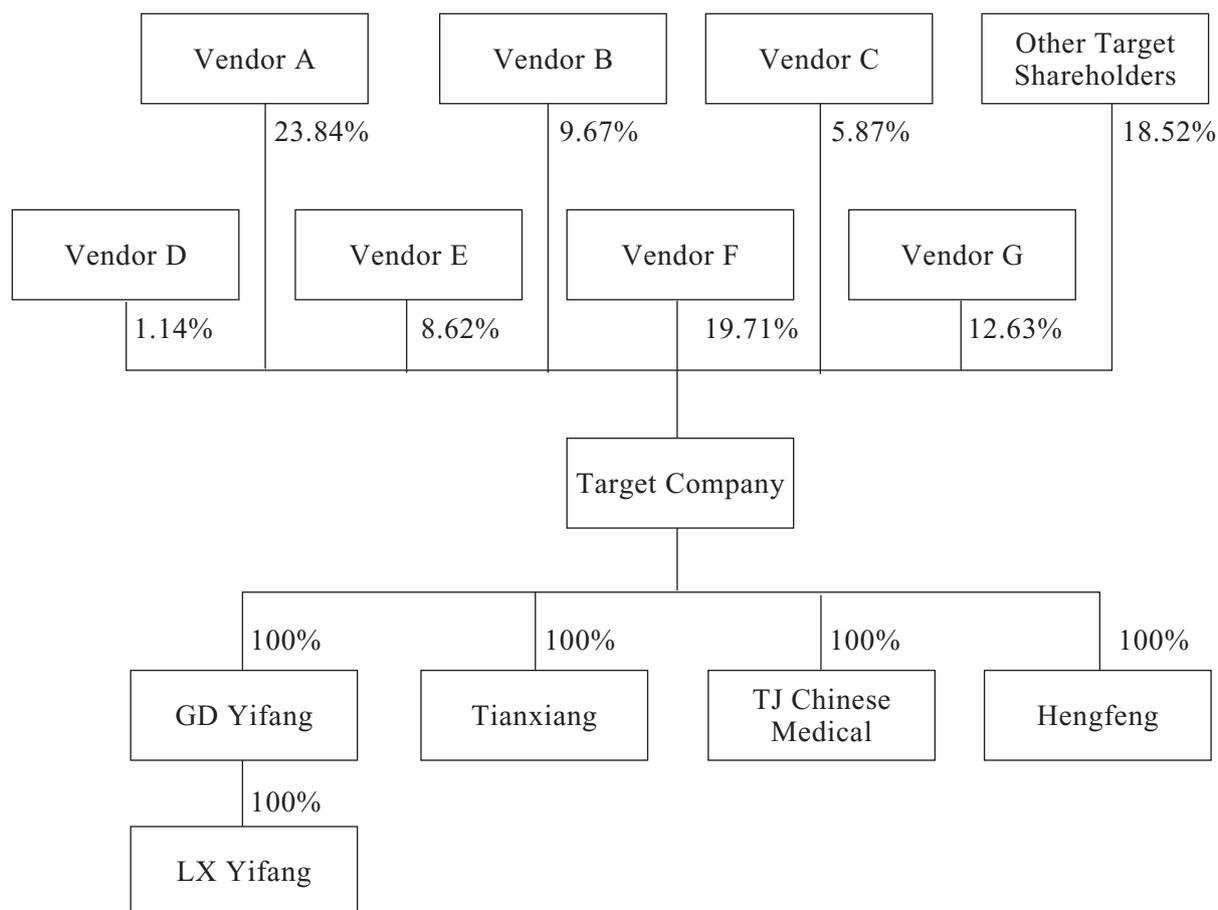
Following Completion, the Target Company will become a 81.48%-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction (or, if applicable, waiver) of the conditions to the First Acquisition Agreement, the Second Acquisition Agreement and the Third Acquisition Agreement. As the acquisition of the First Sale Shares, the Second Sale Shares and the Third Sale Shares may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

INFORMATION ON THE TARGET GROUP

Group Structure

The Target Company was established in the PRC with limited liability. The Target Group comprises six members, namely the Target Company, GD Yifang, LX Yifang, Tianxiang, TJ Chinese Medical and Hengfeng. The following diagram depicts the group structure of the Target Group as at the date of this announcement:



The Target Company is based in Jiangsu Province, the PRC and is principally engaged in the research, development, manufacture and sale of concentrated TCM granules (中藥配方顆粒). It was one of the first “experimental manufacturing enterprises of concentrated TCM granules” approved by China Food and Drug Administration (“CFDA”), an “experimental unit of reform of TCM decoction pieces” approved by State Administration of Traditional Chinese Medicine of the PRC and the first manufacturer of concentrated TCM granules that received the State Good Manufacturing Practice (GMP) for Pharmaceutical Products of the PRC certification. Currently, the Target Company produces approximately 700 types of single-herb concentrated granules.

GD Yifang was established in the PRC with limited liability. It is based in Guangdong Province, the PRC and is principally engaged in the research, development, manufacture and sale of concentrated TCM granules. It was also one of the first “experimental manufacturing enterprises of concentrated TCM granules” approved by the CFDA and an “experimental production base of reform of TCM decocting

pieces”. Currently, GD Yifang produces approximately 600 types of single-herb concentrated granules. GD Yifang was acquired by the Target Company in 2008 and is now a wholly-owned subsidiary of the Target Company.

LX Yifang, a wholly-owned subsidiary of GD Yifang, was established in the PRC with limited liability. It is principally engaged in the production of TCM extracts and raw materials, which are supplied to GD Yifang.

Tianxiang was established in the PRC with limited liability. It is principally engaged in the production of TCM extracts and raw materials, which are supplied to the Target Company.

TJ Chinese Medical was established in the PRC with limited liability. It is principally engaged in the provision of diagnosis of Chinese medicine and medical laboratory in Jiangyin City, Jiangsu Province, the PRC.

Hengfeng was established in the PRC with limited liability and currently does not have material operations.

Business

The Target Group is the largest manufacturer of concentrated TCM granules in the PRC in terms of market share by revenue in 2013. Concentrated TCM granules are a form of TCM where medicinal herbs are subject to modern extraction and concentration technologies to create concentrated granules of the medicinal herb extracts. TCM practitioners prescribe an individualized combination of various single-herb concentrated granules to treat a particular patient according to the patient’s condition. The patient dissolves the prescribed combination of the single-herb concentrated granules in water and drinks the solution. Concentrated TCM granules can serve as an alternative to the traditional method of boiling a prescribed mixture of medicinal herbs (decoction pieces) and drinking the resulting medicinal soup being prescribed in a form which is more convenient to consume for the patient. The concentrated TCM granules of the Target Group are marketed under three categories (medicines, food, and wellness products) and are sold within the PRC and overseas. In China, certain patients purchase concentrated TCM granules as medicines at pilot hospitals with the prescriptions from medical doctors. Customers may also buy certain kinds of concentrated TCM granules which have been approved as food or wellness products by the CFDA in supermarkets or retail pharmacies.

In 2001, the CFDA issued “中藥配方顆粒管理暫行規定” (Interim Regulations on the Management of concentrated TCM granules) (the “**Regulations**”) which only allows selected enterprises to conduct research and development of and produce concentrated TCM granules, as well as to sell concentrated TCM granules in pilot hospitals. Since then, there have been only six enterprises approved under the Regulations by the CFDA, including the Target Company and GD Yifang.

Certain of the products manufactured by the Target Group are included in the provincial Drugs List for Basic Medical Insurance of a number of provinces in China, which are entitled to reimbursement from the social medical insurance fund. However, there is currently no price control imposed by the PRC

government on concentrated TCM granules. Hospitals select suppliers based on quality and price of the products. As such, manufacturers with a leading position in the industry like the Target Group will have an advantage in pricing their products.

Financial information

Set out below is a summary of the consolidated financial information of the Target Company for the each of the two years ended 31 December 2012 and 2013 and the six months ended 30 June 2014 prepared under PRC Generally Accepted Accounting Principles:

	For the year ended 31 December 2012		For the year ended 31 December 2013		For the six months ended 30 June 2014	
	<i>equivalent to approx.</i>		<i>equivalent to approx.</i>		<i>equivalent to approx.</i>	
	<i>RMB'</i>	<i>HK\$'</i>	<i>RMB'</i>	<i>HK\$'</i>	<i>RMB'</i>	<i>HK\$'</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Sales revenue	1,891.9	2,364.8	2,508.0	3,135.0	1,459.6	1,824.5
Profit before tax	489.0	611.3	641.7	802.1	349.1	436.4
Profit after tax	418.0	522.5	545.5	681.9	279.9	349.9
	As at 31 December 2012		As at 31 December 2013		As at 30 June 2014	
	<i>equivalent to approx.</i>		<i>equivalent to approx.</i>		<i>equivalent to approx.</i>	
	<i>RMB'</i>	<i>HK\$'</i>	<i>RMB'</i>	<i>HK\$'</i>	<i>RMB'</i>	<i>HK\$'</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Total assets	1,877.8	2,347.3	2,527.8	3,159.8	2,840.3	3,550.4
Net asset value attributable to the owners of the Target Company	1,437.6	1,797.0	1,923.1	2,403.9	2,202.9	2,753.6

INFORMATION ON THE VENDORS

Vendor A is a company established in the PRC with limited liability and its shares are listed on the Shanghai Stock Exchange (stock code: 600315). Vendor A holds approximately 23.84% registered capital of the Target Company. It is principally engaged in the research, development, manufacture and distribution of daily-use cosmetics products.

Vendor B is a company established in the PRC with limited liability and its shares are listed on the Shanghai Stock Exchange (stock code: 600499). Vendor B holds approximately 9.67% registered capital of the Target Company. It is principally engaged in the manufacture and distribution of machinery products.

Vendor C is a key member of the management team of GD Yifang and holds approximately 5.87% registered capital of the Target Company.

Vendor D is a company established in the PRC with limited liability and is principally engaged in investment holding. It holds approximately 1.14% registered capital of the Target Company.

Vendor E is the founder of the Target Company and holds approximately 8.62% registered capital of the Target Company.

Vendor F is a company established in the PRC with limited liability and is principally engaged in investment holding. It holds approximately 19.71% registered capital of the Target Company.

Vendor G is a company established in the PRC with limited liability and is principally engaged in investment holding. It holds approximately 12.63% registered capital of the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal business activities of the Group are the manufacture and sale of TCM and pharmaceutical products in the PRC with a focus on respiratory system drugs, nasal preparations, cerebro-cardiovascular drugs, rheumatic diseases and bone injury drugs, and orthopaedic drugs. A number of its products are listed on the new edition of National Essential Drugs List and/or the National Drugs List for Basic Medical Insurance in the PRC, some of which are exclusively produced by the Group.

The principal business activity of the Target Group is the manufacture of concentrated TCM granules. According to a third party research report, the market size of the concentrated TCM granules grew from approximately RMB228 million in 2006 to approximately RMB4,200 million in 2013, representing a compound annual growth rate of over 50% for the period from 2006 to 2013. According to “2013-2018 年中國現代中藥配方顆粒行業發展趨勢及投資預測報告” (2013-2018 PRC Concentrated TCM Granules Industry Trends and Investment Forecast Report*) published by 中商情報網(askci Corporation), concentrated TCM granules are expected to maintain an annual growth rate of approximately 30% in the coming years and the overall size of the market is expected to exceed RMB11 billion and RMB18.8 billion in 2016 and 2018, respectively.

Currently, the market size of concentrated TCM granules is significantly smaller than that of 中藥飲片 (TCM decoction pieces) and 中成藥 (ready-prepared TCM). However, the Directors believe that the market development and customer acceptance of concentrated TCM granules are underway given the

effectiveness, compatibility and convenience of concentrated TCM granules and that this market will eventually capture a portion of the market shares of the TCM decoction pieces and ready-prepared TCM, which have market sizes of approximately RMB100 billion and RMB200 billion, respectively.

As mentioned above, the Target Company and GD Yifang are two of the six enterprises approved by the CFDA to manufacture concentrated TCM granules in the PRC, and together they have a market share of over 50% in terms of revenue in 2013 in the PRC. Since the Target Group's commencement of the concentrated TCM granules business in 1992, the Target Group has accumulated valuable experience, knowledge, technology and expertise in the industry and possesses a well-established customer network, especially with over 5,000 hospitals in the PRC. In view of the growing prospects of the concentrated TCM granules industry, the Directors believe that the Acquisition allows the Group to gain access to the concentrated TCM granules market in the PRC and take advantage of the expected industry growth. In addition, the Group expects to realise synergies as a result of the Acquisition through, among others, (i) the sharing of resources in overall management, research and development, raw materials and production, marketing, sales and distribution; (ii) the cross-selling benefits derived from the customer base of the Group and the Target Group; (iii) expanded management expertise; and (iv) additional negotiation power relative to both customer and supplier relationships.

Based on the above, the Directors consider that the terms of the Acquisition Agreements are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as defined under the Listing Rules) exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. The Acquisition will be subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. The EGM will be convened and held for the purpose of considering and, if thought fit, approving the resolutions in respect of the Acquisition and the transactions contemplated under the Acquisition Agreements. As no Shareholder has a material interest in the Acquisition, the Vendor C Subscription and the Vendor E Subscription, no Shareholder is required to abstain from voting at the EGM.

GENERAL

The Circular containing, among other things, (i) the details of the Acquisition Agreements and the Trustee Subscription Agreements; (ii) the financial information of the Group; (iii) the financial information of the Target Group for the three years ended 31 December 2014; (iv) the unaudited pro forma financial information of the Group assuming Completion takes place; (v) the notice convening the EGM; and (vi) other information as required under the Listing Rules will be despatched to the Shareholders. As additional time is required for the preparation of the financial information of the Target Group for inclusion in the Circular, the Circular is expected to be despatched to the Shareholders on or before 15 May 2015.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 2 January 2015 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 28 January 2015.

DEFINITIONS

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

“2014 Net Operating Profit”	the audited consolidated net profit of the Target Group excluding any non-recurring profit and loss for the year ended 31 December 2014 as determined by an auditor jointly selected by the Company and the Vendors
“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendors pursuant to the Acquisition Agreements
“Acquisition Agreements”	collectively, the First Acquisition Agreement, the Second Acquisition Agreement and the Third Acquisition Agreement
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) other than a Saturday, Sunday or other day on which commercial banks in the PRC and Hong Kong are required or authorised by law or executive order to be closed or on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. Hong Kong time
“Circular”	the circular to be despatched by the Company to the Shareholders containing, among other things, details of the Acquisition, the Vendor C Subscription and the Vendor E Subscription
“Company”	China Traditional Chinese Medicine Co. Limited 中國中藥有限公司, 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)
“Competing Business”	development, manufacturing, production and marketing of TCM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the relevant Acquisition Agreements
“Completion Date”	the date on which Completion takes place

“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Acquisition Agreements and the transactions contemplated thereunder
“First Acquisition Agreement”	the conditional sale and purchase agreement dated 31 December 2014 entered into among the Company and the First Vendors in relation to acquisition of the First Sale Shares
“First Consideration”	the consideration for the First Sale Shares pursuant to the First Acquisition Agreement
“First Sale Shares”	RMB38,314,580 of the registered capital of the Target Company, representing approximately 40.52% of the registered capital of the Target Company
“First Vendors”	collectively, Vendor A, Vendor B, Vendor C and Vendor D
“GD Yifang”	廣東一方製藥有限公司 (Guangdong Yifang Pharmaceutical Co., Ltd.*), a wholly-owned subsidiary of the Target Company
“Group”	the Company and its subsidiaries
“Hengfeng”	上海天江恒豐管理諮詢有限公司 (Shanghai Tianjiang Hengfeng Management Consulting Co., Ltd.*), a wholly-owned subsidiary of the Target Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Price”	the issue price of the Vendor C Shares and the Vendor E Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LX Yifang”	隴西一方製藥有限公司 (Longxi Yifang Pharmaceutical Co., Ltd.*), a wholly-owned subsidiary of the Target Company
“Other Target Shareholders”	the shareholders of the Target Company other than the Vendors
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macao Special Administrative Region and Taiwan

“Registration Completion Date”	the date on which the Target Company completes the registration of the Acquisition at, and the Company is registered as the owner of the First Sale Shares, the Second Sale Shares and the Third Sale Shares by, the appropriate local agent of the State Administration for Industry and Commerce of China
“Sale Shares”	collectively, the First Sale Shares, the Second Sale Shares and the Third Sale Shares
“Second Acquisition Agreement”	the conditional sale and purchase agreement dated 15 January 2015 entered into between the Company and Vendor E in relation to the acquisition of the Second Sale Shares
“Second Consideration”	the consideration for the Second Sale Shares pursuant to the Second Acquisition Agreement
“Second Sale Shares”	RMB8,145,500 of the registered capital of the Target Company, representing approximately 8.62% of the registered capital of the Target Company
“Share(s)”	ordinary shares in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Sinopharm”	Sinopharm Group Hongkong Co., Limited (國藥集團香港有限公司), a company incorporated in Hong Kong with limited liability and the controlling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Target Company”	江陰天江藥業有限公司 (Jiangyin Tianjiang Pharmaceutical Co. Ltd.*), a company established in the PRC with limited liability
“Target Group”	the Target Company and its subsidiaries
“TCM”	traditional Chinese medicine
“Third Acquisition Agreement”	the conditional sale and purchase agreement dated 15 January 2015 entered into among the Company and the Third Vendors in relation to the acquisition of the Third Sale Shares
“Third Consideration”	the consideration for the Third Sale Shares pursuant to the Third Acquisition Agreement

“Third Sale Shares”	RMB30,581,349 of the registered capital of the Target Company, representing approximately 32.34% of the registered capital of the Target Company
“Third Vendors”	collectively, Vendor F and Vendor G
“Tianxiang”	安徽天祥藥業有限公司 (Anhui Tianxiang Pharmaceutical Co., Ltd.*), a wholly-owned subsidiary of the Target Company
“TJ Chinese Medical”	江陰天江中醫門診有限公司 (Jiangyin Tianjiang Chinese Medical Clinics Ltd.*), a wholly-owned subsidiary of the Target Company
“Total Consideration”	the aggregate amount of the First Consideration, the Second Consideration and the Third Consideration
“Total Valuation”	15 times the 2014 Net Operating Profit, but in any event shall be not less than RMB9.2 billion and not more than RMB10.2 billion and, as part of the control premium to the Third Vendors, for the purpose of calculating the Third Consideration, shall be taken as RMB10.0 billion if the 2014 Net Operating Profit is RMB650 million or more
“Trustee Subscription Agreements”	collectively, the Vendor C Trustee Subscription Agreement and the Vendor E Trustee Subscription Agreement
“Vendor A”	上海家化聯合股份有限公司 (Shanghai Jiahua United Co., Ltd.*), a company established in the PRC with limited liability
“Vendor B”	廣東科達潔能股份有限公司 (Guangdong Keda Clean Energy Co., Ltd.*), a company established in the PRC with limited liability
“Vendor C”	譚登平先生 (Mr. Tan Dengping*)
“Vendor C Shares”	new Shares to be subscribed by the Vendor C Trustee on behalf of and for the benefit of Vendor C under the Vendor C Trustee Subscription Agreement
“Vendor C Subscription”	the possible subscription of Shares by the Vendor C Trustee, in its capacity as the trustee of Vendor C and for the benefit of Vendor C, pursuant to the Vendor C Trustee Subscription Agreement
“Vendor C Trustee”	a qualified domestic institutional investor to be appointed by Vendor C to act as a trustee of Vendor C for the Vendor C Subscription
“Vendor C Trustee Subscription Agreement”	the trustee subscription agreement to be entered into between the Company and the Vendor C Trustee in relation to the Vendor C Subscription

“Vendor D”	無錫國聯卓成創業投資有限公司 (Wuxi Guolian Zhuocheng Venture Capital Co., Ltd.*), a company established in the PRC with limited liability
“Vendor E”	周嘉琳女士 (Ms. Zhou Jialin*)
“Vendor E Shares”	new Shares to be subscribed by the Vendor E Trustee on behalf of and for the benefit of Vendor E under the Vendor E Trustee Subscription Agreement
“Vendor E Subscription”	the possible subscription of Shares by the Vendor E Trustee, in its capacity as the trustee of Vendor E and for the benefit of Vendor E, pursuant to the Vendor E Trustee Subscription Agreement
“Vendor E Trustee”	a qualified domestic institutional investor to be appointed by Vendor E to act as a trustee of Vendor E for the Vendor E Subscription
“Vendor E Trustee Subscription Agreement”	the trustee subscription agreement to be entered into between the Company and the Vendor E Trustee in relation to the Vendor E Subscription
“Vendor F”	中金佳泰(天津)股權投資基金合夥企業(有限合夥) (CICC Jiatai (Tianjin) Equity Investment Fund Partnership (Limited Partnership)*), a company established in the PRC with limited liability
“Vendor G”	中金佳天(天津)股權投資合夥企業(有限合夥) (CICC Jiatian (Tianjin) Equity Investment Partnership (Limited Partnership)*), a company established in the PRC with limited liability
“Vendors”	collectively, the First Vendors, Vendor E and the Third Vendors
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* *for identification only*

Unless the context requires otherwise, amounts denominated in RMB have been converted into HK\$ at an exchange rate of RMB1: HK\$1.25 for the purpose of illustration only. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the relevant dates at the above rate or at any other rates or at all.

By order of the Board
China Traditional Chinese Medicine Co. Limited
WU XIAN
Chairman

Hong Kong, 27 January 2015

As at the date of this announcement, the Board comprises eleven Directors, of which Mr. WU Xian, Mr. YANG Bin and Mr. WANG Xiaochun are executive Directors; Mr. LIU Cunzhou, Mr. ZHANG Jianhui, Mr. DONG Zenghe and Mr. ZHAO Dongji are non-executive Directors; and Mr. ZHOU Bajun, Mr. XIE Rong, Mr. YU Tze Shan Hailson and Mr. LO Wing Yat are independent non-executive Directors.