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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 FURTHER INTERESTS IN JIANGYIN TIANJIANG PHARMACEUTICAL CO., LTD.**

#### **ACQUISITION OF FURTHER INTERESTS IN THE TARGET COMPANY**

The Board is pleased to announce that the Company entered into the following agreements for the proposed acquisition of an aggregate of approximately 5.82% of the registered capital of the Target Company:

- (i) after trading hours of the Stock Exchange on 17 March 2015, the Company and Vendor H entered into the Fourth Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire, and Vendor H has conditionally agreed to sell, the Fourth Sale Shares, which represent approximately 0.32% of the registered capital of the Target Company for the Fourth Consideration. The Fourth Consideration will be equal to Vendor H's percentage shareholdings in the Target Company (i.e. approximately 0.32%) times the Total Valuation. The Total Valuation is equal to 15 times the 2014 Net Operating Profit. In any event, the Fourth Consideration shall be not less than approximately RMB29.6 million (equivalent to approximately HK\$37.0 million) and not more than approximately RMB32.8 million (equivalent to approximately HK\$41.0 million); and
- (ii) after trading hours of the Stock Exchange on 18 March 2015, Guangdong Medi-World, a wholly-owned subsidiary of the Company, and Vendor D entered into the Fifth Acquisition Agreement, pursuant to which Guangdong Medi-World has conditionally agreed to acquire, and Vendor D has conditionally agreed to sell, the Fifth Sale Shares for RMB567,215,000 (equivalent to approximately HK\$709.0 million). The Fifth Sale Shares represent approximately 5.50% of the registered capital of the Target Company and is owned by Jiangyin Technology as at the date of this announcement. On 13 March 2015, Vendor D entered into the Jiangyin Agreement with Jiangyin Technology to acquire the Fifth Sale Shares.

Completion of the First Acquisition Agreement, the Second Acquisition Agreement, the Third Acquisition Agreement, the Fourth Acquisition Agreement and the Fifth 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. Following completion of the Acquisition Agreements, the Target Company will become an 87.30%-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.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Fourth Acquisition Agreement are less than 5% on a standalone basis, the entering into of the Fourth Acquisition Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Fifth Acquisition Agreement are more than 5% but less than 25% on a standalone basis, the entering into of the Fifth Acquisition Agreement constitutes a discloseable transaction under Chapter 14 of the Listing Rules. However, as the applicable percentage ratios (as defined under the Listing Rules) in respect of the Fourth Acquisition Agreement and the Fifth Acquisition Agreement exceed 100% when aggregated with the First Acquisition Agreement, the Second Acquisition Agreement and the Third Acquisition Agreement under Rule 14.22 of the Listing Rules, the Acquisition would constitute a very substantial acquisition for the Company under the Listing Rules. Accordingly, the Fourth Acquisition Agreement and the Fifth Acquisition Agreement will also be put forward to the EGM to seek Shareholders' approval. 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.

The Circular containing, among other things, (i) 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.

## **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 Acquisition Agreements. As the acquisition of the 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.**

## **SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 18 March 2015. Trading in the Shares shall remain suspended pending the release of another announcement in relation to the Company's proposed equity financing transactions, which is inside information.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 27 January 2015 (the "**Announcement**") in relation to the proposed acquisition of an aggregate of approximately 81.48% of the registered capital of the Target Company.

The Board is pleased to announce that:

- (i) on 17 March 2015, the Company entered into the Fourth Acquisition Agreement with Vendor H to acquire a further approximately 0.32% of the registered capital of the Target Company for the Fourth Consideration; and
- (ii) on 18 March 2015, Guangdong Medi-World, a wholly-owned subsidiary of the Company, entered into the Fifth Acquisition Agreement with Vendor D to acquire a further approximately 5.50% of the registered capital of the Target Company for the Fifth Consideration.

Details of the Fourth Acquisition Agreement and the Fifth Acquisition Agreement are set out below.

## **THE FOURTH ACQUISITION AGREEMENT**

### **Date**

17 March 2015

### **Parties**

- (i) the Company, as purchaser; and
- (ii) Vendor H, as vendor.

Vendor H is a company established in the PRC with limited liability and is principally engaged in investment holding. As at the date of this announcement, Vendor H holds approximately 0.32% of the registered capital of the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Vendor H and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

## Assets to be acquired

Pursuant to the Fourth Acquisition Agreement, the Company has conditionally agreed to acquire, and Vendor H has conditionally agreed to sell, the Fourth Sale Shares for the Fourth Consideration. The Fourth Sale Shares represent approximately 0.32% of the registered capital of the Target Company.

## Fourth Consideration

The Fourth Consideration will be Vendor H's percentage shareholding in the Target Company (i.e. approximately 0.32%) 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 Fourth Consideration shall be not less than approximately RMB29.6 million (equivalent to approximately HK\$37.0 million) and not more than approximately RMB32.8 million (equivalent to approximately HK\$41.0 million).

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

- (i) a total sum of RMB25,712,000 (equivalent to approximately HK\$32.1 million) (the “**Vendor H First Payment**”) will be paid to Vendor H on the Completion Date; and
- (ii) the remaining consideration (equivalent to the Fourth Consideration minus the Vendor H First Payment) will be paid to Vendor H 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.

The Fourth Consideration was determined after arm's length negotiations among the Company and Vendor H, 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.

It is anticipated that the Fourth Consideration will be financed by equity and/or debt financing. Details of the financing plan are disclosed in the Announcement. Further announcement(s) will be made by the Company if the equity financing plan is materialised and information about such equity financing plan will be included in the circular(s) to be issued by the Company.

## Conditions

Completion of the Fourth 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 Fourth 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 Fourth Sale Shares and the related fundraising exercises having been passed by the Shareholders at the EGM;
- (iii) the Company, Vendor H and the Target Company having duly executed all documents required for the acquisition of the Fourth Sale Shares;
- (iv) all representations and warranties given or made by Vendor H as set out in the Fourth Acquisition Agreement remaining true and accurate in all material respects as at the Completion Date;
- (v) Vendor H 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) Vendor H 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 Fourth 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 Fourth 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 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 each of the Acquisition Agreements;
- (viii) the consent from the shareholders of the Target Company (other than Vendor H) to the acquisition of the Fourth 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 Vendor H, 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, Vendor H, any other Initial Vendors, the Target Company or any members of the Target Group in order to restrict, prohibit or oppose the acquisition of the Fourth Sale Shares, any other acquisitions, the relevant financing transactions or the consummation of any other transactions contemplated in the Fourth 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 Fourth Acquisition Agreement;
- (x) since the date of signing of the Fourth 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) Vendor H having delivered a completion certificate in a form reasonably satisfactory to the Company;
- (xii) Vendor H having delivered the PRC legal opinion issued by its PRC legal advisors and dated the Completion Date in the form and substance as agreed in the Fourth 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 Vendor H.

### **Termination**

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

- (i) by the Company, if Vendor H breaches any of the warranties and representations as set out in the Fourth Acquisition Agreement, or in the event that Vendor H breaches any other undertakings in the Fourth Acquisition Agreement;
- (ii) by Vendor H, if the Company breaches any of the warranties and representations as set out in the Fourth Acquisition Agreement, or in the event that the Company breaches any other undertakings in the Fourth Acquisition Agreement, which breach may not be rectified or has not been rectified by the Company within 30 days of receipt of notice by Vendor H;
- (iii) by either the Company or Vendor H, if any condition of the Fourth Acquisition Agreement fails to be satisfied or waived in accordance with the Fourth Acquisition Agreement on or before 16 March 2016 (however, if any condition of the Fourth Acquisition Agreement relating to necessary

approvals from any governmental authorities has not yet been obtained by 16 March 2016, then the long stop date would be automatically postponed to 12 September 2016); or

(iv) by consent between the parties to the Fourth Acquisition Agreement.

### **Undertakings from Vendor H**

Vendor H has undertaken to the Company that it 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 H has further undertaken to the Company that, for a period of five years after the Registration Completion Date, it 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 H 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.

### **Completion**

Completion of the Fourth Acquisition Agreement shall take place on the eighth Business Day following the issue of a written notice by the Company to Vendor H on or before the second Business Day after all conditions of the Fourth Acquisition Agreement are satisfied or waived in accordance with the Fourth Acquisition Agreement, or such other dates as the parties to the Fourth Acquisition Agreement may agree. If completion of the Fourth Acquisition Agreement does not take place on or before 16 March 2016 (which may be postponed to 12 September 2016 pursuant to the Fourth Acquisition Agreement), the Company or Vendor H may terminate the Fourth Acquisition Agreement.

# THE FIFTH ACQUISITION AGREEMENT

## Date

18 March 2015

## Parties

- (i) Guangdong Medi-World, a wholly-owned subsidiary of the Company, as purchaser; and
- (ii) Vendor D, as vendor.

Vendor D is a company established in the PRC with limited liability and is principally engaged in investment holding. As at the date of this announcement, Vendor D holds approximately 1.14% registered capital of the Target Company. On 31 December 2014, the Company entered into the First Acquisition Agreement with the First Vendors (including Vendor D) to acquire the First Sale Shares, which include the approximately 1.14% registered capital of the Target Company held by Vendor D.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for being a party to the First Acquisition Agreement, Vendor D and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

## Assets to be acquired

Pursuant to the Fifth Acquisition Agreement, Guangdong Medi-World has conditionally agreed to acquire, and Vendor D has conditionally agreed to sell, the Fifth Sale Shares for the Fifth Consideration. The Fifth Sale Shares represent approximately 5.50% of the registered capital of the Target Company and is owned by Jiangyin Technology as at the date of this announcement. On 13 March 2015, Vendor D entered into the Jiangyin Agreement with Jiangyin Technology to acquire the Fifth Sale Shares, details of which are disclosed in the section headed "Reasons for and benefits of the Acquisition" below.

## Fifth Consideration

The Fifth Consideration amounts to RMB567,215,000 (equivalent to approximately HK\$709.0 million) and is equivalent to the sum of (i) the consideration of RMB566,500,000 (equivalent to approximately HK\$708.1 million) payable by Vendor D to Jiangyin Technology for the Fifth Sale Shares pursuant to the Jiangyin Agreement; and (ii) the handling fee of RMB715,000 payable by Vendor D to the Jiangsu Exchange.

The Fifth Consideration was determined based on the consideration and handling fee payable by Vendor D for the Fifth Sale Shares pursuant to the Jiangyin Agreement, and after taking 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.

Guangdong Medi-World will settle the Fifth Consideration in the following manner:

- (i) a deposit of RMB55,000,000 (equivalent to approximately HK\$68.8 million) (the “**First Deposit**”) in cash has been paid into a bank account designated by both parties on the date of the Fifth Acquisition Agreement; and
- (ii) a deposit of RMB512,215,000 (equivalent to approximately HK\$640.3 million) (the “**Second Deposit**”, together with the First Deposit, the “**Deposits**”) in cash shall be paid into an escrow account designated by both parties on 22 April 2015.

The Deposits are refundable if the Fifth Acquisition Agreement is terminated (please refer to the section headed “Termination” below for further details) and will be used to set off against the Fifth Consideration at completion of the Fifth Acquisition Agreement.

Pursuant to the First Acquisition Agreement, the Second Acquisition Agreement and the Third Acquisition Agreement, the Company has already paid a total of approximately RMB576.5 million (being the sum of the First Vendors First Payment, the Vendor E First Payment and the Third Vendors First Payment) into an escrow account, which amount will be released to the Initial Vendors on the Completion Date. In order to facilitate the payment of the Deposits by Guangdong Medi-World to Vendor D under the Fifth Acquisition Agreement, the Initial Vendors have agreed to release a sum equivalent to the Deposits (i.e. RMB567,215,000) from the escrow account to Guangdong Medi-World for the payment of the Deposits.

### **Conditions**

Completion of the Fifth Acquisition Agreement is conditional upon the fulfilment of the following conditions:

- (i) Guangdong Medi-World having completed all internal approval procedures and obtained all necessary regulatory approvals in respect of the Fifth Acquisition Agreement; and
- (ii) Vendor D having completed the registration for changes in shareholding in the Target Company in respect of the transactions contemplated under the Fifth Acquisition Agreement with the relevant industry and commerce authority and produced the documents certifying Guangdong Medi-World as the beneficial owner of the Fifth Sale Shares.

## **Security**

Vendor D shall enter into an agreement to pledge the Fifth Sale Shares with Guangdong Medi-World (the “**Share Pledge**”) within five Business Days after the date of Jiangyin Completion as security against its repayment obligations for the Deposits in the event the Fifth Acquisition Agreement is terminated.

## **Termination**

- (i) At any time prior to completion, the Fifth Acquisition Agreement may be terminated by mutual agreement between Guangdong Medi-World and Vendor D. In such event, Vendor D shall return the Deposits already paid in cash within three days from the date of termination.
- (ii) If Jiangyin Completion does not take place within 40 Business Days from the date on which the Second Deposit is paid, Vendor D shall return the Deposits already paid in cash within ten Business Days from the expiration of the 40 Business Day period. However, if Vendor D has not breached any provisions under the Fifth Acquisition Agreement before the termination of the Fifth Acquisition Agreement, Vendor D shall have the right to settle the Deposits in full by way of assigning its rights and benefits under the Jiangyin Agreement to Guangdong Medi-World.
- (iii) If Guangdong Medi-World has not obtained all necessary regulatory approvals in respect of the Fifth Acquisition Agreement within 40 Business Days from the date of Jiangyin Completion, Guangdong Medi-World may give written notice to Vendor D requiring Vendor D to return the Deposits. Vendor D shall return the Deposits already paid in cash within ten Business Days from the date of receipt of such notice. In the event that Vendor D fails to return the Deposits in cash, Guangdong Medi-World may exercise its right under the Share Pledge to foreclose the Fifth Sale Shares. Guangdong Medi-World shall have no further claim on Vendor D after such foreclosure.

In the event that Guangdong Medi-World does not pay the Second Deposit to Vendor D in accordance with the terms of the Fifth Acquisition Agreement, the First Deposit shall be forfeited by Vendor D.

## **Completion**

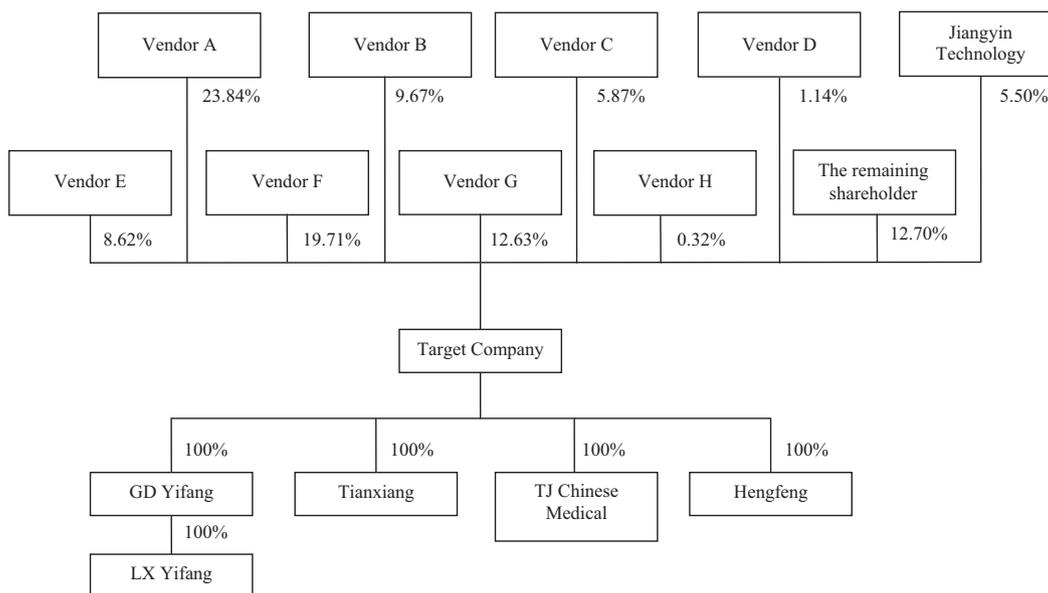
Completion of the Fifth Acquisition Agreement shall take place on the 120th Business Day following the date of Jiangyin Completion or such other earlier date as specified by Guangdong Medi-World, but in any event no earlier than the 20th Business Day following the date of Jiangyin Completion.

Completion of the First Acquisition Agreement, the Second Acquisition Agreement, the Third Acquisition Agreement, the Fourth Acquisition Agreement and the Fifth 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. Following completion of the Acquisition Agreements, the Target Company will become an 87.30%-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 Acquisition Agreements. As the acquisition of the 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

The following diagram depicts the group structure of the Target Group as at the date of this announcement:



Please refer to the section headed “Information on the Target Group” in the Announcement for details of the Target Group’s business and financial information.

## 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. 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 (please refer to the Announcement for the industry outlook of concentrated TCM

granules), 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.

Subsequent to the signing of the First Acquisition Agreement, the Second Acquisition Agreement and the Third Acquisition Agreement, the Company was notified by the Initial Vendors that they have respectively received a notice dated 12 January 2015 (the “**Notice**”) from the Jiangsu Exchange, stating that Jiangyin Technology, a shareholder of the Target Company holding approximately 5.50% of the registered capital of the Target Company, had offered the Fifth Sale Shares for sale by way of auction at the Jiangsu Exchange (the “**Auction**”) and the Jiangsu Exchange has received a final bid at the price of RMB566,500,000 (equivalent to approximately HK\$708.1 million) from a bidder (the “**Competitor**”). As stated in the Notice, the existing shareholders of the Target Company (other than Jiangyin Technology) shall have the pre-emptive right to acquire the Fifth Sale Shares on the same terms as the bid from the Competitor (plus the payment of a handling fee of RMB715,000 to the Jiangsu Exchange) within 30 Business Days from the date of receipt of the Notice (the “**Fifth Sale Shares Pre-emptive Right**”).

It is the intention of the Company to acquire additional interest in the Target Company. After being informed of the status of the Auction and the Notice by the Initial Vendors, the Company negotiated with the Initial Vendors and Vendor D agreed to exercise the Fifth Sale Shares Pre-emptive Right to acquire the Fifth Sale Shares from Jiangyin Technology. Taking into account the approximately 1.14% equity interest included in the First Sale Shares to be sold by Vendor D, the Group shall acquire in aggregate an approximately 6.64% equity interest in the Target Company from Vendor D. Despite the Deposits represent a substantial portion of the total consideration for the approximately 6.64% equity interest in the Target Company to be acquired from Vendor D, the Directors consider the payment terms under the Fifth Acquisition Agreement are fair and reasonable having considered the following factors: (i) the exercise of the Fifth Sale Shares Pre-emptive Right would prevent the Competitor from becoming a minority shareholder of the Target Company which may have an adverse impact on the management and operations of the Target Group; (ii) the Fifth Consideration payable by Guangdong Medi-World to Vendor D is equivalent to the consideration payable by Vendor D to Jiangyin Technology under the Jiangyin Agreement plus the handling fee payable by Vendor D to the Jiangsu Exchange; (iii) the Initial Vendors agreeing to the release of the first payments already paid by the Company into the escrow account pursuant to the First Acquisition Agreement, the Second Acquisition Agreement and the Third Acquisition Agreement to facilitate the payment of the Deposits by Guangdong Medi-World such that the Group does not need to arrange further funding for the Deposits; (iv) taking into account the release of the first payments under the First Acquisition Agreement, the Second Acquisition Agreement and the Third Acquisition Agreement from the escrow account and the aggregated consideration under the Acquisition Agreements, the Deposits in effect represent only approximately 6.3% of the maximum Total Consideration payable under the Acquisition Agreements; (v) the Deposits are refundable if the Fifth Acquisition Agreement is terminated; and (vi) the repayment obligations of Vendor D in respect of the Deposits are secured by the Share Pledge.

Having considered the above, the Directors consider that the terms of the Fourth Acquisition Agreement and the Fifth Acquisition Agreement are fair and reasonable and the entering into of the Fourth Acquisition Agreement and the Fifth Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Fourth Acquisition Agreement are less than 5% on a standalone basis, the entering into of the Fourth Acquisition Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Fifth Acquisition Agreement are more than 5% but less than 25% on a standalone basis, the entering into of the Fifth Acquisition Agreement constitutes a discloseable transaction under Chapter 14 of the Listing Rules. However, as the applicable percentage ratios (as defined under the Listing Rules) in respect of the Fourth Acquisition Agreement and the Fifth Acquisition Agreement exceed 100% when aggregated with the First Acquisition Agreement, the Second Acquisition Agreement and the Third Acquisition Agreement under Rule 14.22 of the Listing Rules, the Acquisition would constitute a very substantial acquisition for the Company under the Listing Rules. Accordingly, the Fourth Acquisition Agreement and the Fifth Acquisition Agreement will also be put forward to the EGM to seek Shareholders' approval. 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) 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.

## **SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 18 March 2015. Trading in the Shares shall remain suspended pending the release of another announcement in relation to the Company's proposed equity financing transactions, which is inside information.

## DEFINITIONS

Capitalised terms used in this announcement shall have the same meanings as defined in the Announcement unless the context requires otherwise. In addition, in this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition Agreements”	collectively, the First Acquisition Agreement, the Second Acquisition Agreement, the Third Acquisition Agreement, the Fourth Acquisition Agreement and the Fifth Acquisition Agreement
“Fifth Acquisition Agreement”	the conditional sale and purchase agreement dated 18 March 2015 entered into between the Company and Vendor D in relation to the acquisition of the Fifth Sale Shares
“Fifth Consideration”	the consideration for the Fifth Sale Shares pursuant to the Fifth Acquisition Agreement
“Fifth Sale Shares”	RMB5,200,000 of the registered capital of the Target Company, representing approximately 5.50% of the registered capital of the Target Company
“Fourth Acquisition Agreement”	the conditional sale and purchase agreement dated 17 March 2015 entered into between the Company and Vendor H in relation to the acquisition of the Fourth Sale Shares
“Fourth Consideration”	the consideration for the Fourth Sale Shares pursuant to the Fourth Acquisition Agreement
“Fourth Sale Shares”	RMB303,927 of the registered capital of the Target Company, representing approximately 0.32% of the registered capital of the Target Company
“Guangdong Medi-World”	廣東環球製藥有限公司 (Guangdong Medi-World Pharmaceutical Company Limited*), a company established in the PRC and a wholly-owned subsidiary of the Company
“Initial Vendors”	collectively, the First Vendors, Vendor E and the Third Vendors
“Jiangsu Exchange”	江蘇省產權交易所 (Jiangsu Province Assets and Equity Exchange*)
“Jiangyin Agreement”	the sale and purchase agreement dated 13 March 2015 entered into between Vendor D and Jiangyin Technology in relation to the acquisition of the Fifth Sale Shares by Vendor D from Jiangyin Technology

“Jiangyin Completion”	completion of the registration of changes in shareholders of the Target Company with the relevant industry and commerce authority in the PRC pursuant to the Jiangyin Agreement and the registration of Vendor D as the beneficial owner of the Fifth Sale Shares
“Jiangyin Technology”	江陰科技新城投資管理有限公司 (Jiangyin Technology Xincheng Investment Management Co., Ltd.*), a company established in the PRC with limited liability and an existing shareholder of the Target Company as at the date of this announcement
“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 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, the Third Sale Shares, the Fourth Sale Shares and the Fifth Sale Shares
“Vendor H”	上海冠策投資諮詢事務所 (Shanghai Guance Investment Consultancy Firm*), a company established in the PRC with limited liability

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, 22 March 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.*

\* *for identification only*