

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



国药集团
SINOPHARM

CHINA TRADITIONAL CHINESE MEDICINE HOLDINGS CO. LIMITED
中國中藥控股有限公司

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

**CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF 20% EQUITY INTEREST IN
SINOPHARM GROUP GUIZHOU BLOOD PRODUCTS COMPANY LIMITED***

THE AGREEMENT

On 9 October 2018, the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire a 20% equity interest in the Target for a cash consideration of RMB90.6 million (equivalent to approximately HK\$102.4 million). Immediately after Completion, the Group will cease to hold any equity interest in the Target.

LISTING RULES IMPLICATIONS

The Purchaser is an indirect subsidiary of CNPGC, which is the holding company of Sinopharm Hongkong. Sinopharm Hongkong is the controlling Shareholder holding 1,614,313,642 Shares, representing approximately 32.06% of the total issued Shares as at the date of this announcement. The Purchaser is therefore a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules are more than 0.1% but less than 5%, the Disposal is only subject to reporting and announcement but is exempt from the circular (including independent advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

* For identification purpose only

The Board announces that after trading hours of the Stock Exchange on 9 October 2018, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Interest, representing a 20% equity interest in the Target, for a cash consideration of RMB90.6 million (equivalent to approximately HK\$102.4 million). Details of the Agreement are set out below.

THE AGREEMENT

Date

9 October 2018

Parties

- (i) The Vendor, an indirect wholly-owned subsidiary of the Company; and
- (ii) the Purchaser.

The Purchaser is a company established in the PRC with limited liability and is principally engaged in the research and development, manufacture and sale of biological products in the PRC. It is an indirect subsidiary of CNPGC through China Biotechnology and Beijing Tiantan Biological Products. CNPGC is the holding company of Sinopharm Hongkong, which is in turn the controlling Shareholder holding 1,614,313,642 Shares, representing approximately 32.06% of the total issued Shares as at the date of this announcement. The Purchaser is therefore a connected person of the Company.

Assets to be disposed

Pursuant to the Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Interest, which represents a 20% equity interest in the Target. The Target Group is principally engaged in the research and development, production and sales of plasma-based biopharmaceutical products in the PRC. Further information of the Target Group is set out in the section headed “Information on the Target Group” below.

Consideration

The consideration for the Sale Interest is RMB90.6 million (equivalent to approximately HK\$102.4 million) and shall be payable by the Purchaser to the Vendor in cash within 20 Business Days after Completion. The consideration for the Sale Interest was determined after arm’s length negotiations between the Vendor and the Purchaser with reference to the trading multiples of comparable listed companies engaged in the manufacturing of blood products in the PRC.

Conditions precedent

Completion is subject to the satisfaction of the following conditions:

- (i) the board of directors and independent shareholders of Beijing Tiantan Biological Products (the controlling shareholder of the Purchaser) having approved the transactions being contemplated under the Agreement;
- (ii) the Board having approved the transactions being contemplated under the Agreement;
- (iii) the Vendor and the Purchaser having completed all the internal procedures to approve the transactions being contemplated under the Agreement in accordance with the respective articles of association of the Vendor and the Purchaser;
- (iv) the filing of a valuation report regarding the Target with CNPGC; and
- (v) China Biotechnology (the controlling shareholder of Beijing Tiantan Biological Products) having approved the transactions being contemplated under the Agreement.

Completion

Completion shall take place on a date to be determined between the Vendor and the Purchaser after the satisfaction of all conditions above which is expected to be end of 2018.

Immediately after Completion, the Group will cease to hold any equity interest in the Target.

INFORMATION ON THE TARGET GROUP

The Target is a company established in the PRC with limited liability. As at the date of the Agreement, the Target is owned as to 80% by the Purchaser and as to 20% by the Vendor. The Target is principally engaged in the research and development, production and sales of plasma-based biopharmaceutical products in the PRC. The Target also wholly owns two companies which are principally engaged in plasma collection in Jiangxi Province of the PRC. The products of the Target Group are mainly supplied to hospitals and inoculation centres in the PRC.

Set out below is the unaudited consolidated financial information of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards for each of the two years ended 31 December 2016 and 2017 and the six months ended 30 June 2018:

	For the six months ended		For the year ended 31 December			
	30 June 2018		2017		2016	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Revenue	27,250	30,793	87,854	99,275	42,691	48,241
Profit/(loss) before taxation	(10,158)	(11,479)	13,200	14,916	(1,086)	(1,227)
Profit/(loss) after taxation	(10,158)	(11,479)	12,259	13,853	(1,086)	(1,227)

The unaudited consolidated net asset value of the Target Group as at 30 June 2018 amounted to approximately RMB70.7 million (equivalent to approximately HK\$79.9 million). During the six months ended 30 June 2018, the Target Group recorded loss after tax of approximately RMB10.2 million (year ended 31 December 2017: profit after tax of RMB12.3 million) which was mainly due to the increased competition in the plasma-based biopharmaceutical industry which led to a decline in sales of the Target Group.

REASONS FOR THE DISPOSAL

The principal business activities of the Group are the manufacture and sale of TCM and pharmaceutical products in the PRC with a focus on concentrated TCM granules, TCM drugs and TCM decoction pieces.

In January 2013, the Vendor acquired a 51% equity interest in the Target by way of capital injection of RMB153.0 million (equivalent to approximately HK\$172.9 million) in cash. As the principal products of the Target Group are not in line with those of the Group, in November 2015, the Vendor disposed of 31% equity interest in the Target to China Biotechnology for a consideration of RMB139.5 million (equivalent to approximately HK\$157.6 million). Following completion of the said disposal, the Vendor's equity interest in the Target has been reduced to 20%.

Although the Target Group had profit contribution to the Group in last two years, its business does not form part of the development direction for the Group's core businesses. At the same time, the business of the Target Group has been facing severe competition which impacted its performance in the first half of year 2018. In light of the Group's devotion to dedicate more resources and focus on the consolidation of TCM supply chain and strengthening its leading position in the core businesses, the Board decided to dispose of the remaining interest in the Target.

It is estimated that the Group will realise a gain on the Disposal of approximately RMB0.5 million (equivalent to approximately HK\$0.6 million), being the consideration for the Sale Interest of RMB90.6 million (equivalent to approximately HK\$102.4 million), deducted by the carrying value of the Sale Interest in the Group's consolidated accounts of RMB89.7 million (equivalent to approximately HK\$101.4 million) and the expenses directly attributable to the Disposal. Shareholders should note that the actual gain or loss on the Disposal to be recorded by the Group will depend on the financial position of the Target Group as at the date of Completion and may be different from the above estimation. The proceeds from the Disposal, net of expenses directly attributable thereto, are estimated to be approximately RMB90.2 million (equivalent to approximately HK\$101.9 million). The Group intends to apply the proceeds from the Disposal its general as working capital.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Purchaser is an indirect subsidiary of CNPGC, which is the holding company of Sinopharm Hongkong. Sinopharm Hongkong is the controlling Shareholder holding 1,614,313,642 Shares, representing approximately 32.06% of the total issued Shares as at the date of this announcement. The Purchaser is therefore a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules are more than 0.1% but less than 5%, the Disposal is subject to reporting and announcement but is exempt from the circular (including independent advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors who hold positions in CNPGC (namely Mr. YANG Shanhua and Mr. LIU Cunzhou) have abstained from voting on the Board resolution for approving the Disposal as those Directors are regarded as having a material interest in the Agreement by virtue of their positions held in CNPGC.

DEFINITIONS

In this announcement, the following expression shall, unless the context requires otherwise, have the following meanings:

“Agreement”	the agreement dated 9 October 2018 entered into between the Vendor and the Purchaser in relation to the Disposal
“Beijing Tiantan Biological Products”	Beijing Tiantan Biological Products Co., Limited, a company established in the PRC with limited liability and listed on the Shanghai Stock Exchange with stock code: 600161, and the controlling shareholder of the Purchaser
“Board”	the board of Directors
”Business Day(s)”	any day(s) other than a Saturday, Sunday or statutory holiday in the PRC
“China Biotechnonology”	中國生物技術股份有限公司 (China Biotechnology Co., Ltd.*), a company established in the PRC with limited liability and the controlling shareholder of Beijing Tiantan Biological Products and a subsidiary of CNPGC
“CNPGC”	China National Pharmaceutical Group Corporation (中國醫藥集團有限公司), a state-owned enterprise established in the PRC and the ultimate holding company of Sinopharm Hongkong

“Company”	China Traditional Chinese Medicine Holdings Co. Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 570)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Interest by the Vendor to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	成都蓉生藥業有限公司 (Chengdu Rongsheng Pharmaceutical Co., Ltd.*), a company established in the PRC with limited liability and a subsidiary of Beijing Tiantan Biological Products
“Sale Interest”	20% equity interest in the Target held by the Vendor as at the date of the Agreement
“Shareholder(s)”	the holder(s) of the issued ordinary shares in the share capital of the Company
“Sinopharm Hongkong”	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

“Target”	國藥集團貴州血液制品有限公司(前稱為貴州中泰生物科技有限公司) (Sinopharm Group Guizhou Blood Products Company Limited*, formerly known as Guizhou Zhongtai Biological Technology Company Limited*), a company established in the PRC with limited liability
“Target Group”	the Target and its subsidiaries
“TCM”	traditional Chinese medicine
“Vendor”	國藥集團廣東環球製藥有限公司(Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd.*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

For illustration purpose only, amounts in RMB in this announcement have been translated into HK\$ at the rate of RMB1 = HK\$1.13. No representation is made that any amounts in HK\$ and RMB have been or could be converted 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, 9 October 2018

As at the date of this announcement, the Board comprises twelve Directors, of which Mr. WU Xian, Mr. WANG Xiaochun, Mr. ZHAO Dongji and Ms. HUANG He are executive Directors; Mr. LIU Cunzhou, Mr. YANG Shanghua, Ms. TANG Hua and Mr. KUI Kaipin 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 purpose only*