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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)

**(i) CONNECTED TRANSACTIONS IN RELATION TO
SUBSCRIPTION OF NEW SHARES
BY SINOPHARM, MR. YANG AND MR. WANG UNDER SPECIFIC MANDATE;
(ii) PLACING SPECIFIC MANDATE AND
SUBSCRIPTION OF NEW SHARES BY INVESTORS;
AND
(iii) RESUMPTION OF TRADING**

Financial adviser to China Traditional Chinese Medicine Co. Limited


Optima Capital Limited

Placing Agents

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SUBSCRIPTION OF NEW SHARES BY SINOPHARM, MR. YANG AND MR. WANG

The Board is pleased to announce that the Company entered into the following transactions on 22 March 2015:

- (i) the Company and Sinopharm, the controlling Shareholder, entered into the Sinopharm Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue, and Sinopharm has conditionally agreed to subscribe for, 598,290,598 Sinopharm Shares at the total subscription price of HK\$2,800,000,000, equivalent to the Issue Price of HK\$4.68 per Sinopharm Share;
- (ii) the Company and Mr. Yang, an executive Director and the managing director of the Company, entered into the Yang Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Yang has conditionally agreed to subscribe for, 42,735,042 Yang Shares at the total subscription price of HK\$200,000,000, equivalent to the Issue Price of HK\$4.68 per Yang Share; and
- (iii) the Company and Mr. Wang, an executive Director, entered into the Wang Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Wang has conditionally agreed to subscribe for, 42,735,042 Wang Shares at the total subscription price of HK\$200,000,000, equivalent to the Issue Price of HK\$4.68 per Wang Share.

PLACING SPECIFIC MANDATE AND SUBSCRIPTION OF NEW SHARES BY INVESTORS

The Company proposes to issue not more than 856,288,000 Placing Shares in aggregate to professional and institutional investors at a price not less than the Issue Price of HK\$4.68 per Placing Share to raise capital for the purpose of financing part of the consideration for the Acquisition or other potential investments in the TCM industry. The Placing Shares will be issued under the Placing Specific Mandate to be sought for approval from the Independent Shareholders at the Subscription EGM.

As at the date of this announcement, the Company has entered into the Investors Subscription Agreements with 25 Investors pursuant to which the Company has conditionally agreed to allot and issue, and the Investors have conditionally agreed to subscribe for, such number of Investors Shares as may be purchased with the total subscription price of approximately HK\$4,000,000,000 at the Issue Price of HK\$4.68 per Investors Share. The Investors Shares form part of the Placing Shares and will be issued under the Placing Specific Mandate.

LISTING RULES IMPLICATIONS

Sinopharm is the controlling Shareholder. Accordingly, Sinopharm is a connected person of the Company and the Sinopharm Subscription constitutes a connected transaction of the Company under the Listing Rules which is subject to the Independent Shareholders' approval requirements under the Listing Rules.

Mr. Yang is a Director and Profit Channel, a company wholly owned by Mr. Yang, is a substantial Shareholder. Accordingly, Mr. Yang is a connected person of the Company and the Yang Subscription constitutes a connected transaction of the Company under the Listing Rules which is subject to the Independent Shareholders' approval requirements under the Listing Rules.

Mr. Wang is a Director and Hanmax, a company wholly owned by Mr. Wang, is a substantial Shareholder. Accordingly, Mr. Wang is a connected person of the Company and the Wang Subscription constitutes a connected transaction of the Company under the Listing Rules which is subject to the Independent Shareholders' approval requirements under the Listing Rules.

The Subscription EGM will be convened by the Company at which ordinary resolutions will be proposed to seek approval from the Independent Shareholders by way of poll for the Sinopharm Subscription, the Yang Subscription, the Wang Subscription and the Placing Specific Mandate.

Sinopharm and its associates shall abstain from voting at the Subscription EGM in respect of the resolution approving the Sinopharm Subscription. As at the date of this announcement, Sinopharm and its associates are interested in 1,016,023,044 Shares, representing approximately 40.10% of the issued share capital of the Company. Mr. Yang and his associates shall abstain from voting at the Subscription EGM in respect of the resolution approving the Yang Subscription. As at the date of this announcement, Mr. Yang and his associates are interested in 334,000,000 Shares, representing approximately 13.18% of the issued share capital of the Company. Mr. Wang and his associates shall abstain from voting at the Subscription EGM in respect of the resolution approving the Wang Subscription. As at the date of this announcement, Mr. Wang and his associates are interested in 334,000,000 Shares, representing approximately 13.18% of the issued share capital of the Company.

The Investors and their respective associates shall abstain from voting at the Subscription EGM in respect of the resolution approving the Placing Specific Mandate. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the respective dates of the Investors Subscription Agreements, the Investors and their respective associates held in aggregate 53,514,000 Shares, representing approximately 2.11% of the issued share capital of the Company.

The Sinopharm Subscription IBC has been established to advise the Independent Shareholders on the Sinopharm Subscription. The Sinopharm Subscription IBC comprises all independent non-executive Directors (except Mr. Yu Tze Shan Hailson who is deemed to have a material interest in the Sinopharm Subscription as he is also an independent non-executive director of Sinopharm Group Co. Ltd. (a subsidiary of CNPGC)), namely Mr. Lo Wing Yat, Mr. Zhou Bajun and Mr. Xie Rong. The Directors Subscription IBC has been established to advise the Independent Shareholders on the Yang Subscription and the Wang Subscription. The Directors Subscription IBC comprises all independent non-executive Directors, namely Mr. Yu Tze Shan Hailson, Mr. Lo Wing Yat, Mr. Zhou Bajun and Mr. Xie Rong. An independent financial adviser will be appointed by the Company to advise the Sinopharm Subscription IBC, the Directors Subscription IBC and the Independent Shareholders regarding the Subscriptions.

RESUMPTION 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 pending the release of the announcement of the Company dated 22 March 2015 relating to the Acquisition. Trading in the Shares remained suspended after the release of the aforesaid announcement pending the release of this announcement. An 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 31 March 2015.

INTRODUCTION

Reference is made to the Announcements in relation to the proposed acquisition of an aggregate of approximately 87.30% of the registered capital of the Target Company.

The Board is pleased to announce that the Company entered into the following transactions on 22 March 2015:

- (i) the Company and Sinopharm, the controlling Shareholder, entered into the Sinopharm Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue, and Sinopharm has conditionally agreed to subscribe for, 598,290,598 Sinopharm Shares at the total subscription price of HK\$2,800,000,000, equivalent to the Issue Price of HK\$4.68 per Sinopharm Share;
- (ii) the Company and Mr. Yang, an executive Director and the managing director of the Company, entered into the Yang Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Yang has conditionally agreed to subscribe for, 42,735,042 Yang Shares at the total subscription price of HK\$200,000,000, equivalent to the Issue Price of HK\$4.68 per Yang Share; and

(iii) the Company and Mr. Wang, an executive Director, entered into the Wang Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Wang has conditionally agreed to subscribe for, 42,735,042 Wang Shares at the total subscription price of HK\$200,000,000, equivalent to the Issue Price of HK\$4.68 per Wang Share.

The Company also proposes to issue not more than 856,288,000 Placing Shares in aggregate to professional and institutional investors at a price not less than the Issue Price of HK\$4.68 per Placing Share to raise capital for the purpose of financing part of the consideration for the Acquisition or other potential investments in the traditional chinese medicine (“TCM”) industry. The Placing Shares will be issued under the Placing Specific Mandate to be sought for approval from the Independent Shareholders at the Subscription EGM. As at the date of this announcement, the Company has entered into the Investors Subscription Agreements with 25 Investors pursuant to which the Company has conditionally agreed to allot and issue, and the Investors have conditionally agreed to subscribe for, such number of Investors Shares as may be purchased with the total subscription price of approximately HK\$4,000,000,000 at the Issue Price of HK\$4.68 per Investors Share. The Investors Shares form part of the Placing Shares and will be issued under the Placing Specific Mandate.

For the avoidance of doubt, completion of each of the Subscription Agreements and the Investors Subscription Agreements are not inter-conditional but it is intended that completion of all the Subscription Agreements and the Investors Subscription Agreements will take place simultaneously.

Details of the Sinopharm Subscription Agreement, the Yang Subscription Agreement, the Wang Subscription Agreement, the Placing Specific Mandate and the Investors Subscription Agreements are set out below.

THE SINOPHARM SUBSCRIPTION AGREEMENT

Date

22 March 2015

Parties

- (i) the Company, as issuer; and
- (ii) Sinopharm, as subscriber.

Sinopharm is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of CNPGC, a state-owned enterprise established in the PRC. Sinopharm is principally engaged in investment holding. As at the date of this announcement, Sinopharm is the controlling Shareholder holding 1,016,023,044 Shares, representing approximately 40.10% of the issued share capital of the Company. Sinopharm is therefore a connected person of the Company.

The Sinopharm Subscription

Pursuant to the Sinopharm Subscription Agreement, the Company has conditionally agreed to allot and issue, and Sinopharm has conditionally agreed to subscribe for, 598,290,598 Sinopharm Shares at the total subscription price of HK\$2,800,000,000, equivalent to the Issue Price of HK\$4.68 per Sinopharm Share. The total subscription price shall be payable in cash by Sinopharm to the Company at completion of the Sinopharm Subscription.

The Sinopharm Shares

Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and the Placing Shares since the date of this announcement up to the date of completion of the Subscriptions and the Placing, the 598,290,598 Sinopharm Shares represent:

- (i) approximately 23.61% of the existing issued share capital of the Company;
- (ii) approximately 19.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Sinopharm Shares; and
- (iii) approximately 14.69% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing Specific Mandate has been fully utilised).

The Sinopharm Shares shall rank *pari passu* in all respects among themselves and with all other Shares in issue as at the date of their allotment and issue.

The Sinopharm Shares will be issued under a specific mandate to be sought for approval from the Independent Shareholders at the Subscription EGM. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Sinopharm Shares.

Condition precedent

Completion is subject to the fulfilment or waiver (where applicable) of the following conditions:

- (i) the Company having obtained all necessary approvals and consent from the Stock Exchange, the SFC and other relevant regulatory authorities in Hong Kong in relation to the Sinopharm Subscription, including but not limited to the approval of the Stock Exchange for the issue of the Circular;
- (ii) the resolution(s) approving the Sinopharm Subscription having been passed by the Independent Shareholders at the Subscription EGM;
- (iii) the Listing Committee having granted the listing of, and permission to deal in, the Sinopharm Shares;

- (iv) the representations and warranties given by Sinopharm in the Sinopharm Subscription Agreement remaining true and accurate in all material respects on the date of completion of the Sinopharm Subscription;
- (v) the Company having executed and delivered to Sinopharm the Sinopharm Subscription Agreement; and
- (vi) the representations and warranties given by the Company in the Sinopharm Subscription Agreement remaining true and accurate in all material respects on the date of completion of the Sinopharm Subscription.

The Company may at any time waive the condition referred to in (iv) above by written notice to Sinopharm. Sinopharm may at any time waive the conditions referred to in (v) and (vi) above by written notice to the Company.

Completion

Subject to the conditions precedent as set out above being satisfied or waived (as the case may be), completion of the Sinopharm Subscription Agreement shall take place on the third Business Day following the date on which the last in time of the conditions precedent shall have been satisfied or waived in accordance with the Sinopharm Subscription Agreement, or such other time or date as the parties to the Sinopharm Subscription Agreement may agree in writing.

For that purpose, completion of the Sinopharm Subscription Agreement will (to the extent necessary) take place simultaneously with completion of the Yang Subscription Agreement, the Wang Subscription Agreement and/or the Investors Subscription Agreements (as the case may be) so as to ensure that Sinopharm will not trigger any obligation to make a mandatory general offer for all the other securities of the Company pursuant to Rule 26 of the Takeovers Code.

In the event that a simultaneous completion under the Yang Subscription Agreement, the Wang Subscription Agreement and/or the Investors Subscription Agreements (as the case may be) fails to be achieved, the Company will only issue such number of Sinopharm Shares which will not result in Sinopharm's shareholding in the Company increasing by 2% or more from its existing shareholding of approximately 40.10% (being the lowest percentage shareholding of Sinopharm in the Company during the 12-month period ending on and inclusive of the date of the Sinopharm Subscription Agreement). The unissued Sinopharm Shares will be issued by the Company to Sinopharm in one or multiple subsequent tranches at the earliest time when such issues will not result in Sinopharm triggering a mandatory general offer obligation under Rule 26 of the Takeovers Code.

For illustration purpose, if an aggregate of 703,449,097 or more new Shares are issued under the Yang Subscription, the Wang Subscription and the Investors Subscriptions, all 598,290,598 Sinopharm Shares will be issued to Sinopharm at completion in one tranche. If less than 703,449,097 new Shares are issued under the Yang Subscription, the Wang Subscription and the Investors Subscriptions, the Sinopharm

Shares will be issued in the manner as described above. In the event that the Yang Subscription, the Wang Subscription and the Placing do not proceed to completion, only 87,069,884 Sinopharm Shares will be issued to Sinopharm pursuant to the Sinopharm Subscription Agreement, such that Sinopharm's shareholding in the Company would not increase by 2% or more from its lowest percentage shareholding in the Company during the preceding 12-month period which would otherwise trigger an obligation to make a mandatory general offer for all the other securities of the Company pursuant to Rule 26 of the Takeovers Code. The unissued Sinopharm Shares will be issued by the Company to Sinopharm in one or multiple subsequent tranches at the earliest time when such issues will not result in Sinopharm triggering a mandatory general offer obligation under Rule 26 of the Takeovers Code.

THE YANG SUBSCRIPTION AGREEMENT

Date

22 March 2015

Parties

- (i) the Company, as issuer; and
- (ii) Mr. Yang, as subscriber.

Mr. Yang is an executive Director and the managing director of the Company. As at the date of this announcement, Profit Channel (a company wholly owned by Mr. Yang) holds 334,000,000 Shares, representing approximately 13.18% of the issued share capital of the Company. Accordingly, Profit Channel is a substantial Shareholder and Mr. Yang is a connected person of the Company under the Listing Rules.

The Yang Subscription

Pursuant to the Yang Subscription Agreement, the Company has conditionally agreed to allot and issue, and Mr. Yang has conditionally agreed to subscribe for, 42,735,042 Yang Shares at the total subscription price of HK\$200,000,000, equivalent to the Issue Price of HK\$4.68 per Yang Share. The total subscription price shall be payable in cash by Mr. Yang to the Company at completion of the Yang Subscription.

The Yang Shares

Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and the Placing Shares since the date of this announcement up to the date of completion of the Subscriptions and the Placing, the 42,735,042 Yang Shares represent:

- (i) approximately 1.69% of the existing issued share capital of the Company;

- (ii) approximately 1.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Yang Shares; and
- (iii) approximately 1.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing Specific Mandate has been fully utilised).

The Yang Shares shall rank pari passu in all respects among themselves and with all other Shares in issue as at the date of their allotment and issue.

The Yang Shares will be issued under a specific mandate to be sought for approval from the Independent Shareholders at the Subscription EGM. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Yang Shares.

Condition precedent

Completion is subject to the fulfilment or waiver (where applicable) of the following conditions:

- (i) the Company having obtained all necessary approvals and consent from the Stock Exchange and other relevant regulatory authorities in Hong Kong in relation to the Yang Subscription, including but not limited to the approval of the Stock Exchange for the issue of the Circular;
- (ii) the resolution(s) approving the Yang Subscription having been passed by the Independent Shareholders at the Subscription EGM;
- (iii) the Listing Committee having granted the listing of, and permission to deal in, the Yang Shares;
- (iv) the representations and warranties given by Mr. Yang in the Yang Subscription Agreement remaining true and accurate in all material respects on the date of completion of the Yang Subscription;
- (v) the Company having executed and delivered to Mr. Yang the Yang Subscription Agreement; and
- (vi) the representations and warranties given by the Company in the Yang Subscription Agreement remaining true and accurate in all material respects on the date of completion of the Yang Subscription.

The Company may at any time waive the condition referred to in (iv) above by written notice to Mr. Yang. Mr. Yang may at any time waive the conditions referred to in (v) and (vi) above by written notice to the Company.

Completion

Subject to the conditions precedent as set out above being satisfied or waived (as the case may be), completion of the Yang Subscription Agreement shall take place on the third Business Day following the date on which the last in time of the conditions precedent shall have been satisfied or waived in accordance with the Yang Subscription Agreement, or such other time or date as the parties to the Yang Subscription Agreement may agree in writing.

It is intended that completion of the Yang Subscription Agreement will take place simultaneously with the Sinopharm Subscription Agreement, the Wang Subscription Agreement and the Investors Subscription Agreements.

THE WANG SUBSCRIPTION AGREEMENT

Date

22 March 2015

Parties

- (i) the Company, as issuer; and
- (ii) Mr. Wang, as subscriber.

Mr. Wang is an executive Director. As at the date of this announcement, Hanmax (a company wholly owned by Mr. Wang) holds 334,000,000 Shares, representing approximately 13.18% of the issued share capital of the Company. Accordingly, Hanmax is a substantial Shareholder and Mr. Wang is a connected person of the Company under the Listing Rules.

The Wang Subscription

Pursuant to the Wang Subscription Agreement, the Company has conditionally agreed to allot and issue, and Mr. Wang has conditionally agreed to subscribe for, 42,735,042 Wang Shares at the total subscription price of HK\$200,000,000, equivalent to the Issue Price of HK\$4.68 per Wang Share. The total subscription price shall be payable in cash by Mr. Wang to the Company at completion of the Wang Subscription.

The Wang Shares

Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and the Placing Shares since the date of this announcement up to the date of completion of the Subscriptions and the Placing, the 42,735,042 Wang Shares represent:

- (i) approximately 1.69% of the existing issued share capital of the Company;

- (ii) approximately 1.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Wang Shares; and
- (iii) approximately 1.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing Specific Mandate has been fully utilised).

The Wang Shares shall rank pari passu in all respects among themselves and with all other Shares in issue as at the date of their allotment and issue.

The Wang Shares will be issued under a specific mandate to be sought for approval from the Independent Shareholders at the Subscription EGM. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Wang Shares.

Condition precedent

Completion is subject to the fulfilment or waiver (where applicable) of the following conditions:

- (i) the Company having obtained all necessary approvals and consent from the Stock Exchange and other relevant regulatory authorities in Hong Kong in relation to the Wang Subscription, including but not limited to the approval of the Stock Exchange for the issue of the Circular;
- (ii) the resolution(s) approving the Wang Subscription having been passed by the Independent Shareholders at the Subscription EGM;
- (iii) the Listing Committee having granted the listing of, and permission to deal in, the Wang Shares;
- (iv) the representations and warranties given by Mr. Wang in the Wang Subscription Agreement remaining true and accurate in all material respects on the date of completion of the Wang Subscription;
- (v) the Company having executed and delivered to Mr. Wang the Wang Subscription Agreement; and
- (vi) the representations and warranties given by the Company in the Wang Subscription Agreement remaining true and accurate in all material respects on the date of completion of the Wang Subscription.

The Company may at any time waive the condition referred to in (iv) above by written notice to Mr. Wang. Mr. Wang may at any time waive the conditions referred to in (v) and (vi) above by written notice to the Company.

Completion

Subject to the conditions precedent as set out above being satisfied or waived (as the case may be), completion of the Wang Subscription Agreement shall take place on the third Business Day following the date on which the last in time of the conditions precedent shall have been satisfied or waived in accordance with the Wang Subscription Agreement, or such other time or date as the parties to the Wang Subscription Agreement may agree in writing.

It is intended that completion of the Wang Subscription Agreement will take place simultaneously with the Sinopharm Subscription Agreement, the Yang Subscription Agreement and the Investors Subscription Agreements.

LOCK-UP

Each of Sinopharm, Mr. Yang and Mr. Wang undertakes to the Company that it will not transfer and will not allow any of its affiliates to transfer any Shares held as at the date of the relevant Subscription Agreement or any Subscription Shares till the expiration of six months from the date of completion of such Subscription.

THE PLACING SPECIFIC MANDATE

The Company proposes to issue not more than 856,288,000 Placing Shares in aggregate to professional and institutional investors at a price not less than the Issue Price of HK\$4.68 per Placing Share to raise capital for the purpose of financing part of the consideration for the Acquisition or other potential investments in the TCM industry. As the actual number of Placing Shares to be issued will depend on the then exchange rate, the maximum number of Placing Shares under the Placing Specific Mandate includes a buffer to cater for potential fluctuations in exchange rate. The Placing Shares will be issued under the Placing Specific Mandate to be sought for approval from the Independent Shareholders at the Subscription EGM based on the following parameters:

Issuer

The Company

Target subscribers

Professional and institutional investors which are third parties independent of the Company and its connected persons.

Number of Placing Shares to be issued

Not more than 856,288,000 Placing Shares in aggregate.

Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and the Placing Shares since the date of this announcement up to the date of completion of the Subscriptions and the Placing, the 856,288,000 Placing Shares represent:

- (i) approximately 33.79% of the existing issued share capital of the Company;
- (ii) approximately 25.26% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares; and
- (iii) approximately 21.02% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares (assuming the Placing Specific Mandate has been fully utilised).

Method of issue

Non-public issue of the Placing Shares. The subscription price will be paid in cash at completion.

Issue price

Not less than HK\$4.68 per Placing Share

Rights attached to the Placing Shares

The Placing Shares shall rank pari passu in all respects among themselves and with all other Shares in issue as at the date of their allotment and issue.

Plan of the Placing

The Company has engaged Morgan Stanley Asia Limited, Credit Suisse (Hong Kong) Limited and CCB International Capital Limited as the Placing Agents to assist the Company in procuring and receiving offers from the Investors under the Investors Subscriptions. The Company has agreed to pay to the Placing Agents an aggregate fee equal to 0.8% of the aggregate gross proceeds received by the Company in relation to the portion of Investors Shares issued pursuant to the Investors Subscriptions to the relevant Investors procured by them to the Company.

Subject to the prevailing market conditions at the relevant time, the Placing may be conducted through (i) the Placing Agents, and/or (ii) direct subscriptions by potential investors. As such, the relevant agreements may be entered into by the Company at different points of time prior to completion of the Placing. Such placing and/or subscription as part of the Placing are intended to be completed simultaneously.

Validity period of the Placing Specific Mandate

The Placing Specific Mandate will be valid until the date falling 12 months after the passing of the resolution of the Independent Shareholders approving the Placing Specific Mandate.

Listing application

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

THE INVESTORS SUBSCRIPTION AGREEMENTS

As at the date of this announcement, the Company has entered into the Investors Subscription Agreements with 25 Investors pursuant to which the Company has conditionally agreed to allot and issue, and the Investors have conditionally agreed to subscribe for, such number of Investors Shares as may be purchased with the total subscription price of approximately HK\$4,000,000,000 at the Issue Price of HK\$4.68 per Investors Share. The Investors Shares form part of the Placing Shares and will be issued under the Placing Specific Mandate.

Date

25, 26 and 27 March 2015

Parties

- (i) the Company, as issuer; and
- (ii) the Investors, as subscribers (details of the Investors are set out in the paragraph headed “Information on the Investors” below).

The Investors Subscriptions

Pursuant to the Investors Subscription Agreements, the Company has conditionally agreed to allot and issue, and the Investors have conditionally agreed to subscribe for, such number of Investors Shares as may be purchased with the total subscription price of approximately HK\$4,000,000,000 at the Issue Price of HK\$4.68 per Investors Share. The total subscription price shall be payable in cash and in HK\$ by the Investors to the Company at completion of the Investors Subscriptions.

Under the relevant Investors Subscription Agreement, where the total subscription amount of an Investor is denominated in US\$, the relevant parties agree that such amount shall be converted into HK\$ at the exchange rate published by Reuters after the close of business as at the third Business Day prior to the

date of completion of the relevant Investors Subscription. For illustration purpose only, the number of Investors Shares to be subscribed by the Investors calculated based on the exchange rate of US\$1: HK\$7.75 is set out as follows:

Investors	Subscription amount	Investors Shares	Approximate percentage of the issued share capital of the Company as enlarged by the Subscription Shares and the Investors Shares (%)
1. Athos Asia	US\$5,000,000	8,278,000	0.20
2. China AMC	US\$8,000,000	13,246,000	0.33
3. China Life Franklin	HK\$80,000,000	17,094,000	0.42
4. CRAMC	US\$16,000,000	26,494,000	0.65
5. Design Time	HK\$350,000,000	74,786,000	1.84
6. Diversity Global	HK\$200,000,000	42,734,000	1.05
7. Everbright Pramerica	HK\$480,000,000	102,564,000	2.52
8. Exabyte Capital	HK\$77,500,000	16,558,000	0.41
9. FM First	HK\$28,500,000	6,088,000	0.15
10. GIC	HK\$488,245,680	104,326,000	2.56
11. GL Trade	US\$25,000,000	41,398,000	1.02
12. Hutchin Hill	US\$10,000,000	16,558,000	0.41
13. Hwabao Trust	HK\$38,750,000	8,278,000	0.20
14. NCAMHK	HK\$132,500,000	28,310,000	0.70
15. PAAMC HK	US\$12,000,000	19,870,000	0.49
16. Quantum Partners	US\$10,000,000	16,558,000	0.41
17. Senrigan Master Fund	US\$10,000,000	16,558,000	0.41
18. Sunshine Life	HK\$125,000,000	26,708,000	0.66
19. Swift Mind	US\$7,000,000	11,590,000	0.28
20. The Maso Funds	US\$5,000,000	8,278,000	0.20
21. The Nine Masts Funds	HK\$38,750,000	8,278,000	0.20
22. The OZ Funds	US\$60,000,000	99,358,000	2.44
23. Trafalgar	US\$7,000,000	11,590,000	0.28
24. Value Partners HK	US\$40,000,000	66,238,000	1.63
25. Vigour Star	US\$38,000,000	62,926,000	1.55
Total	HK\$3,999,995,680	854,664,000	20.99

The Investors Shares

Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and the Placing Shares since the date of this announcement up to the date of completion of the Subscription and the Placing, the 854,664,000 Investors Shares represent approximately:

- (i) 33.73% of the existing issued share capital of the Company;
- (ii) 25.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Investors Shares; and
- (iii) 20.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Investors Shares.

The Investors Shares shall rank pari passu in all respects among themselves and with all other Shares in issue as at the date of their allotment and issue.

The Investors Shares form part of the Placing Shares and will be issued under the Placing Specific Mandate. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Investors Shares.

Conditions precedent

Completion of each of the Investor Subscription Agreements is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (i) the Stock Exchange having granted the listing of, and permission to deal in, the Investors Shares (and such listing and permission not subsequently being revoked prior to the completion of the respective Investors Subscription Agreement);
- (ii) no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to the completion of the respective Investors Subscription Agreement (and no legal or regulatory requirements remaining to be satisfied) which has the effect of making unlawful or otherwise prohibiting the respective Investors Subscription or any transaction contemplated by the respective Investors Subscription Agreement;
- (iii) all necessary regulatory approvals and consents of the Shareholders for the allotment and issue of the Investors Shares having been obtained by the Company and such approvals and consents remaining in full force and effect;
- (iv) the representations and warranties given or made by the Company remaining true and accurate in all material respects and not misleading in any material respect on the date of completion of the respective Investors Subscription Agreement;

- (v) the Company having performed and complied in all material respects with all obligations contained in the respective Investors Subscription Agreement that are required to be performed or complied with by it on or before completion of the respective Investors Subscription Agreement;
- (vi) the representations and warranties given or made by the respective Investor remaining true and accurate in all material respects and not misleading in any material respect on the date of completion of the respective Investors Subscription Agreement; and
- (vii) the respective Investors having performed and complied in all material respects with all obligations contained in the Investors Subscription Agreement that are required to be performed or complied with by it on or before completion of the respective Investors Subscription Agreement.

The respective Investor may at any time waive the conditions referred to in (iv) and (v) above by written notice to the Company. The Company may at any time waive the conditions referred to in (vi) and (vii) above by written notice to the respective Investor.

In the event that the conditions precedent to the Investors Subscription Agreements are not satisfied or waived in accordance with the Investors Subscription Agreements by 30 June 2015, the parties to the relevant Investors Subscription Agreement shall then consult each other and discuss a later date for the satisfaction of the conditions precedent as set out above and the completion of the Investors Subscription Agreement as such parties may agree in writing.

In the event that the parties to the relevant Investors Subscription Agreement cannot agree to a later date, either party to the relevant Investors Subscription Agreement shall be entitled to terminate the respective Investors Subscription Agreement by written notice to the other relevant party and the relevant Investors Subscription Agreement and all rights and obligations of the parties therein shall cease and terminate save for accrued rights and obligations of the parties under the relevant Investors Subscription Agreement.

Completion

Subject to the conditions precedent as set out above being satisfied or waived (as the case may be), completion of the relevant Investors Subscription Agreement shall take place on the third Business Day following the date on which the last in time of the conditions precedent (other than those conditions precedent which are expressed to be satisfied on or as at the date of completion of the relevant Investors Subscription Agreement, but subject to waiver or satisfaction of such conditions precedent) shall have been satisfied or waived in accordance with the relevant Investors Subscription Agreement, or such other time or date as the parties to the relevant Investors Subscription Agreement may agree in writing.

INFORMATION ON THE INVESTORS

Athos Asia Event Driven Master Fund (“Athos Asia”)

Athos Asia is an investment fund managed by Athos Capital Limited, an alternative asset management firm established in 2012 and headquartered in Hong Kong. Among other strategies, Athos Capital Limited seeks to produce superior risk adjusted returns for the investors of the funds it manages by participating in strategic placement and other funding opportunities.

China Asset Management Co., Ltd (“China AMC”)

Established on 9 April 1998 with approval from the China Securities Regulatory Commission, China AMC is one of the first nation-wide fund management firms with the widest business range in the PRC. Its head office is located in Beijing, with branches in Beijing, Shanghai, Nanjing, Shenzhen, Guangzhou, Chengdu and Hangzhou. China AMC is one of the first fund management companies to manage the National Social Security Fund and the Corporate Annuities, the manager of the first exchange traded funds (“ETFs”) in the PRC, the sole investment manager for the Asian Bond Fund in the PRC, among the first batch of managers of both Qualified Domestic Institutional Investor (“QDII”) funds and separate accounts in February 2008.

China Life Franklin Asset Management Co., Ltd. (“China Life Franklin”)

China Life Franklin is a Hong Kong-based asset management joint venture between China Life Insurance Asset Management Company Limited, China Life Insurance (Overseas) Company Limited and Franklin Templeton Investments. China Life Franklin holds the licenses granted from the SFC to carry out Type 9 (asset management) and Type 4 (advising on securities) regulated activities.

China Re Asset Management Company Ltd. (“CRAMC”)

CRAMC, established in February 2005, is a professional insurance asset management company affiliated to China Reinsurance (Group) Company Limited with a current registered capital of RMB500 million and is one of the first four insurance asset management companies established in the PRC.

CRAMC is based on the domestic capital market and actively developing the overseas market, with investments in A-shares, Hong Kong shares, funds, bonds, deposits, foreign exchange lendings, financial instruments and other assets categories. Over the recent years, the scale of CRAMC’s assets under management has been increasing steadily. As of the end of 2014, CRAMC’s assets under management is close to RMB200 billion. The return on investments has been among the top in the industry over the last three years.

Design Time Limited (“Design Time”)

Design Time is a limited liability company incorporated in the British Virgin Islands. It is indirectly and wholly owned by CCB International (Holdings) Limited (“CCBI”). CCBI is an investment services flagship which is indirectly and wholly owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939).

Diversity Global Holdings Limited (“Diversity Global”)

Diversity Global is principally engaged in investment holding activities, and is a wholly-owned subsidiary of China Everbright Limited (“CEL”, stock code: 165). CEL, through its subsidiaries and associates, is principally engaged in the provision of financial services and persistently pursues the cross-border macro asset management strategy, with specific focuses on fund management and investment business, namely, primary market investment, secondary market investment, structured financing and investment, and aircraft leasing.

Everbright Pramerica Fund Management Co., Ltd. (“Everbright Pramerica”)

Everbright Pramerica is a fund management company established in 2004, holding license issued by the China Securities Regulatory Commission for managing public launched mutual funds. So far, Everbright Pramerica is now managing 17 different style mutual funds and multiple separately managed accounts products. The total assets under management of Everbright Pramerica reached around RMB31 billion by the end of 2014.

Exabyte Capital Fund L.P. (“Exabyte Capital”)

Exabyte Capital is a Greater China-focused hedge fund with a long-short equity strategy.

FM First Hong Kong Fund, LLC (“FM First”)

FM First is an investment fund that seeks to achieve long-term capital appreciation primarily through investment in companies that derive majority of their revenues from the PRC. FM First is managed by First Manhattan Co, and First Beijing Investment Limited.

GIC Private Limited (“GIC”)

GIC is a leading global investment firm with well over US\$100 billion in assets under management. Established in 1981, the firm manages Singapore’s foreign reserves and is uniquely positioned for long-term and flexible investments across a wide range of asset classes, including public equities, fixed income, real estate, and private equity. GIC employs more than 1,200 people across offices in Singapore, Beijing, London, Mumbai, New York, San Francisco, Sao Paulo, Seoul, Shanghai, and Tokyo. For more information, please visit www.gic.com.sg.

GL Trade Investment Limited (“GL Trade”)

GL Trade is a limited company incorporated in the Cayman Islands and a wholly-owned subsidiary of GL China Opportunities Fund, L.P., a leading private equity firm in the PRC specialising in the healthcare industry.

Hutchin Hill Capital Primary Fund, Ltd (“Hutchin Hill”)

Hutchin Hill is a wholly-owned subsidiary of Hutchin Hill Diversified Alpha Master Fund Ltd. (the “**Diversified Alpha Master Fund**”), a fund managed by Hutchin Hill Capital, LP. The Diversified Alpha Master Fund, through Hutchin Hill and other wholly-owned subsidiaries, invests in a wide range of liquid instruments, including, but not limited to, equities, credit instruments, derivatives, rates instruments, among others, in jurisdictions throughout the world, including North America, Asia, and Europe. The Diversified Alpha Master Fund began in July 2008 and currently has approximately US\$3.5 billion of assets under management.

Hwabao Trust Co., Ltd. (“Hwabao Trust”)

Hwabao Trust was incorporated in the PRC in 1998. It is a 98%-owned subsidiary of Shanghai Baosteel Group Corporation, a company listed on the Shanghai Stock Exchange (stock code: 600019). Hwabao Trust is principally engaged in asset management and wealth management.

Funds managed and advised by Maso Capital Partners Limited (collectively, the “Maso Funds”)

Founded in 2012, Maso Capital Partners Limited (“**Maso Capital**”) is a SFC licensed asset manager based in Hong Kong. Maso Capital manages and advises a number of Asia-focused multi-asset class investment funds.

New China Asset Management (Hong Kong) Limited (“NCAMHK”)

NCAMHK was established and jointly held by New China Asset Management Co., Ltd. (“**NCAM**”) and New China Life Insurance Company Ltd. (“**NCL**”) as to 60% and 40%, respectively. NCAMHK is the offshore asset allocation and investment platform of NCL.

NCL is the third largest nationwide life insurance company in the PRC. Controlled by Central Huijin Investment Ltd., other major shareholders of NCL are Baosteel Group Corp. Ltd. and the Swiss Re Group, with a total asset value of more than RMB600 billion. NCL was dual-listed on the Stock Exchange and the Shanghai Stock Exchange in December 2011 (stock code: HK.1336; SH.601336).

NCAM was established in July 2006 as a dedicated asset management firm, and over 97% of its shares are controlled by NCL. NCAM’s business scope includes management of proprietary and insurance funds, discretionary mandates, consulting services related to asset management business, and management of other assets permitted by laws and regulations.

Nine Masts Alpha Opportunities Master Fund and Nine Masts Investment Fund (collectively, the “Nine Masts Funds”)

The Nine Masts Funds are investment funds managed by Nine Masts Capital, which is a Hong Kong-based investment manager established in 2010. Using a bottom-up approach, Nine Masts Capital invests across the capital structure of public listed companies, with a focus in Asia.

Certain affiliated investment funds of Och-Ziff Capital Management Group LLC (collectively, the “OZ Funds”)

The investment manager of each of the OZ Funds is either OZ Management LP or OZ Management II LP, affiliates of Och-Ziff Capital Management Group LLC. Och-Ziff Capital Management Group LLC is one of the largest institutional alternative asset managers in the world with approximately US\$47.9 billion in assets under management as of 1 March 2015.

Ping An of China Asset Management (Hong Kong) Company Limited (“PAAMC HK”)

PAAMC HK was established in May 2006 and is a leading Chinese asset management company based in Hong Kong. It is a wholly-owned subsidiary of the Ping An Insurance (Group) Company of China, Ltd. (“**Ping An Group**”, stock code: 2318), and is the major entity responsible for its overseas investment management business. PAAMC HK is licensed by the SFC to manage assets and give investment advice on securities, holding Type 9 and Type 4 licenses respectively. PAAMC HK accepts investment mandates from a diverse group of private and institutional clients, including other subsidiaries of the Ping An Group as well as external clients. It also manages ETFs listed on the Stock Exchange and unit trusts for the retail market. In addition, it provides QDII and Qualified Foreign Institutional Investor (QFII)/RMB Qualified Foreign Institutional Investor (RQFII) advisory services to institutions.

Quantum Partners LP (“Quantum Partners”)

Quantum Partners is a private investment vehicle managed by Soros Fund Management LLC exclusively for the benefit of Soros family clients.

Senrigan Master Fund

The Senrigan Master Fund is managed by Senrigan Capital Management Limited (“**Senrigan**”). The firm was founded in 2009 to focus on event-driven strategies in the Asia-Pacific region. Senrigan manages funds on behalf of a broad range of global and Asia-based investors including endowments, financial institutions, sovereign wealth funds and pension funds.

Sunshine Life Insurance Corporation Limited (“Sunshine Life”)

Sunshine Life is a company incorporated in the PRC in 2007 and is a nationwide life insurance company specialized in providing comprehensive life insurance products. Sunshine Life is a subsidiary of Sunshine Insurance Group Corporation Limited. Sunshine Insurance Group Corporation Limited is principally engaged in providing a wide range of insurance products and services through its major subsidiaries such as Sunshine Life, Sunshine Property & Casualty Insurance Co., Ltd. and Sunshine Asset Management Co., Ltd.

Swift Mind Investments Limited (“Swift Mind”)

Swift Mind is a wholly-owned subsidiary of Shandong Peninsula Ocean Blue Economic Investment Company Limited (“**Shandong Peninsula**”). Shandong Peninsula is an exempted company incorporated in the Cayman Islands with limited liability in 2010. The principal investment objective of Shandong Peninsula is to achieve long-term capital appreciation by primarily investing globally in both private and public enterprises that have demonstrated the ability to conduct business that is supported by the economies of the Greater China region.

Trafalgar Capital Management (HK) Limited (“Trafalgar”)

Trafalgar was established as an equity-focused alternative asset management firm in London in 2001. Since 2007, Trafalgar has had an affiliate office in Auckland and since 2010 an office in Hong Kong to focus on investments in Asia, Australia and Japan. Trafalgar is regulated by the SFC in Hong Kong, the Financial Conduct Authority in the United Kingdom and the Financial Markets Authority in New Zealand. Trafalgar is also a member of the Alternative Investment Management Association.

Value Partners Hong Kong Limited (“Value Partners HK”)

Value Partners HK (together with other subsidiaries under Value Partners Group Limited, “**Value Partners**”), was established in 1999. It acts as investment manager or investment advisor to certain investment funds. It is a wholly-owned subsidiary of Value Partners Group Limited, a company listed on the Stock Exchange (stock code: 806). Value Partners is one of Asia’s largest independent asset management firms headquartered in Hong Kong. Value Partners manages absolute return long-biased funds, long-short hedge funds, exchange-traded funds, quantitative funds, as well as fixed income products for institutional and individual clients in Asia Pacific, Europe and the United States.

Vigour Star Global Limited (“Vigour Star”)

Vigour Star is an investment holding company incorporated in the British Virgin Islands and wholly owned by China Harvest Fund III, L.P., which is a private investment fund incorporated in the Cayman Islands focusing on investing in businesses operating in Greater China. The partners of China Harvest Fund III, L.P. include institutional investors, wealthy individuals and their family offices.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Investors and their respective ultimate beneficial owner(s) (i) is a third party independent of the Company and its connected persons; (ii) is not and will not as a result of the Investors Subscriptions become a connected person of the Company; and (iii) is not acting in concert with any connected persons in relation to the control of the Company.

THE ISSUE PRICE

The Issue Price of HK\$4.68 per Share represents:

- (i) a discount of approximately 2.09% to the closing price of HK\$4.78 per Share as quoted on the Stock Exchange on 17 March 2015, being the last trading day on which the Shares were traded on the Stock Exchange prior to the date of the Subscription Agreements and the Investors Subscription Agreements (the “**Last Trading Day**”);
- (ii) a discount of approximately 2.30% to the average of the closing prices per Share as quoted on the Stock Exchange for the last five consecutive full trading days up to and including the Last Trading Day of HK\$4.79;
- (iii) a discount of 2.50% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 30 consecutive full trading days up to and including the Last Trading Day of approximately HK\$4.80; and
- (iv) a premium of approximately 198.1% over the audited consolidated net asset value per Share of the Group attributable to the Shareholders as at 31 December 2014 of approximately HK\$1.57 (based on the audited consolidated net asset value of the Group attributable to the Shareholders as at 31 December 2014 of approximately RMB3,183,756,000 (equivalent to approximately HK\$3,979.7 million) and 2,533,899,186 Shares in issue as at the date of this announcement).

The Issue Price was determined after arm’s length negotiations among the Company and Sinopharm, Mr. Yang, Mr. Wang and the Investors with reference to, among other things, the recent market price of the Shares and the audited consolidated net asset value per Share of the Group attributable to the Shareholders as at 31 December 2014 of approximately HK\$1.57. Based on the above, the Directors consider that the Issue Price is fair and reasonable.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structures of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Subscriptions and the Placing (assuming the Placing Specific Mandate has been fully utilised); and (iii) upon the issue of the Sinopharm Shares (assuming the Yang Subscription, the Wang Subscription and the Placing do not proceed to completion):

	(i) As at the date of this announcement		(ii) Immediately after completion of the Subscriptions and the Placing		(iii) upon the issue of the Sinopharm Shares (assuming the Yang Subscription, the Wang Subscription and the Placing do not proceed to completion)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
					(Note 4)	
Sinopharm	1,016,023,044	40.10	1,614,313,642	39.62	1,103,092,928	42.09
Mr. Yang and Profit Channel (Note 1)	334,000,000	13.18	376,735,042	9.25	334,000,000	12.74
Mr. Wang and Hanmax (Note 2)	334,000,000	13.18	376,735,042	9.25	334,000,000	12.74
Sub-total	1,684,023,044	66.46	2,367,783,726	58.12	1,771,092,928	67.57
The Investors (Note 3)	53,514,000	2.11	909,802,000	22.33	53,514,000	2.04
Other public Shareholders	796,362,142	31.43	796,362,142	19.55	796,362,142	30.39
Total	2,533,899,186	100.00	4,073,947,868	100.00	2,620,969,070	100.00

Notes:

- Profit Channel is wholly owned by Mr. Yang who is an executive Director and the managing director of the Company.
- Hanmax is wholly owned by Mr. Wang who is an executive Director.
- To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the respective dates of the Investors Subscription Agreements, the Investors and their respective associates held in aggregate 53,514,000 Shares, As the Investors are not and will not as a result of the Placing become connected persons of the Company, they are regarded as public Shareholders.
- In the event that the Yang Subscription, the Wang Subscription and the Placing do not proceed to completion, only 87,069,884 Sinopharm Shares will be issued to Sinopharm pursuant to the Sinopharm Subscription Agreement, such that Sinopharm's shareholding in the Company would not increase by 2% or more from its lowest percentage shareholding in the Company during the preceding 12-month period which would otherwise trigger an obligation to make a mandatory general offer for all the other securities of the Company pursuant to Rule 26 of the Takeovers Code. The unissued Sinopharm Shares will be issued by the Company to Sinopharm in one or multiple subsequent tranches at the earliest time when such issues will not result in Sinopharm triggering a mandatory general offer obligation under Rule 26 of the Takeovers Code.

RESTRICTION ON FURTHER ISSUE OF SHARES

Save for the Sinopharm Subscription, the Yang Subscription, the Wang Subscription, the Investors Subscriptions and the subscription agreements to be entered into between the Company and the trustees designated by Mr. Tan Dengping and Ms. Zhou Jialin (details of which are disclosed in the Announcements), the Company has undertaken to the Placing Agents that for a period of six months from the date of this announcement, the Company will not allot or offer or enter into any agreement to allot or issue or grant or enter into any agreement to grant any option, right to subscribe any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable to any Shares or interest in Share, provided that the foregoing restrictions shall not apply to the issue of Shares by the Company that satisfies each of the following conditions:

- (i) such issue of Shares shall be within the maximum number of Shares permitted to be issued pursuant to the Company's unused general mandate or the Placing Specific Mandate;
- (ii) the aggregate subscription amount of such issue shall not exceed HK\$1 billion and shall be to no more than two professional and institutional investors; and
- (iii) such issue of Shares shall be at a price that is not lower than the Issue Price of HK\$4.68 per Share.

Further announcement(s) will be made when the Company enters into further subscription agreements in compliance with the applicable requirements of the Listing Rules and the Takeovers Code.

EQUITY FUND RAISING ACTIVITIES OVER THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the 12 months immediately preceding the date of this announcement.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE PLACING

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.

As disclosed in the Announcements, the Company entered into a number of agreements to acquire an aggregate of approximately 87.30% of the registered capital of the Target Company for a total consideration in the range of RMB8,192.7 million (equivalent to approximately HK\$10.2 billion) to RMB8,946.0 million (equivalent to approximately HK\$11.2 billion). The Target Company and its subsidiaries are principally engaged in the manufacture and sale of concentrated TCM granules. The Target Company and one of its subsidiaries are two of the six enterprises approved by the China Food and Drugs Administration 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. 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. Please refer to the Announcements for further details of the Acquisition.

The gross proceeds from the Sinopharm Subscription will be HK\$2,800,000,000. Taking into account the estimated expenses incidental to the Sinopharm Subscription of approximately HK\$1.6 million, the net proceeds from the Sinopharm Subscription will be approximately HK\$2,798.4 million. Accordingly, the net price per Sinopharm Share will be approximately HK\$4.677.

The gross proceeds from the Yang Subscription will be HK\$200,000,000. Taking into account the estimated expenses incidental to the Yang Subscription of approximately HK\$0.2 million, the net proceeds from the Yang Subscription will be approximately HK\$199.8 million. Accordingly, the net price per Yang Share will be approximately HK\$4.676.

The gross proceeds from the Wang Subscription will be HK\$200,000,000. Taking into account the estimated expenses incidental to the Wang Subscription of approximately HK\$0.2 million, the net proceeds from the Wang Subscription will be approximately HK\$199.8 million. Accordingly, the net price per Wang Share will be approximately HK\$4.676.

Assuming that the maximum number of 856,288,000 Placing Shares will be issued at the Issue Price of HK\$4.68 per Placing Share, the gross proceeds from the Placing will be HK\$4,007,427,000. Taking into account the estimated expenses incidental to the Placing of approximately HK\$35.7 million, the net proceeds from the Placing will be approximately HK\$3,971.8 million. Accordingly, the net price per Placing Share will be approximately HK\$4.638.

The gross proceeds from the Investors Subscriptions will be HK\$4,000,000,000. Taking into account the estimated expenses incidental to the Investors Subscriptions of approximately HK\$35.6 million, the net proceeds from the Investors Subscriptions will be approximately HK\$3,964.4 million. Accordingly, the net price per Investors Share will be approximately HK\$4.639.

The Company intends to apply the proceeds from the Sinopharm Subscription, the Yang Subscription, the Wang Subscription and the Placing (including the Investors Subscriptions) to finance part of the consideration for the Acquisition. The Company intends to finance the remaining balance of the consideration for the Acquisition by equity financing, debt financing, or a combination of both.

The Directors believe that the Subscriptions and the Placing (including the Investors Subscriptions) will allow the Company to raise the necessary funds to finance part of the consideration for the Acquisition and the Placing (including the Investors Subscriptions) will broaden the Shareholders base and enhance the profile of the Company given that the Investors comprise professional and international institutional Investors. In the event that the Acquisition is not completed, the Company intends to apply such proceeds to fund other potential investments in the TCM industry. The Directors are positive about the growth and prospects of the TCM industry in the PRC and consider it more efficient and effective to grow the business of the Group by way of acquisitions. It is therefore in the interests of the Company to capture

suitable equity market opportunity to raise capital through the Subscriptions and the Placing and build up its war chess for future investments and acquisitions in the TCM industry. Apart from the Target Company, the Company has not identified and is not in negotiation with any specific investment or acquisition target as at the date of this announcement. Based on the above, the Directors (excluding members of the Sinopharm Subscription IBC and the Directors Subscription IBC who will form their view after considering the advice from the independent financial adviser) are of the view that the terms of the Subscription Agreements are fair and reasonable and the Subscriptions are in the interests of the Company and the Shareholders as a whole. In addition, the Directors are of the view that the terms of the Placing Specific Mandate and the Investors Subscription Agreements are fair and reasonable and the Placing (including the Investor Subscriptions) are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Sinopharm is the controlling Shareholder. Accordingly, Sinopharm is a connected person of the Company and the Sinopharm Subscription constitutes a connected transaction of the Company under the Listing Rules which is subject to the Independent Shareholders' approval requirements under the Listing Rules.

Mr. Yang is a Director and Profit Channel, a company wholly owned by Mr. Yang, is a substantial Shareholder. Accordingly, Mr. Yang is a connected person of the Company and the Yang Subscription constitutes a connected transaction of the Company under the Listing Rules which is subject to the Independent Shareholders' approval requirements under the Listing Rules.

Mr. Wang is a Director and Hanmax, a company wholly owned by Mr. Wang, is a substantial Shareholder. Accordingly, Mr. Wang is a connected person of the Company and the Wang Subscription constitutes a connected transaction of the Company under the Listing Rules which is subject to the Independent Shareholders' approval requirements under the Listing Rules.

The Investors Shares will be issued under the Placing Specific Mandate. The Placing Specific Mandate will be subject to Independent Shareholders' approval requirements of the Listing Rules.

The Subscription EGM will be convened by the Company at which ordinary resolutions will be proposed to seek approval from the Independent Shareholders by way of poll for the Sinopharm Subscription, the Yang Subscription, the Wang Subscription and the Placing Specific Mandate.

Sinopharm and its associates shall abstain from voting at the Subscription EGM in respect of the resolution approving the Sinopharm Subscription. As at the date of this announcement, Sinopharm and its associates are interested in 1,016,023,044 Shares, representing approximately 40.10% of the issued share capital of the Company. Mr. Yang and his associates shall abstain from voting at the Subscription EGM in respect of the resolution approving the Yang Subscription. As at the date of this announcement, Mr. Yang and his associates are interested in 334,000,000 Shares, representing approximately 13.18% of the issued share capital of the Company. Mr. Wang and his associates shall abstain from voting at the Subscription EGM in respect of the resolution approving the Wang Subscription. As at the date of this announcement, Mr. Wang and his associates are interested in 334,000,000 Shares, representing approximately 13.18% of the issued share capital of the Company.

The Investors and their respective associates shall abstain from voting at the Subscription EGM in respect of the resolution approving the Placing Specific Mandate. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the respective dates of the Investors Subscription Agreements, the Investors and their respective associates held in aggregate 53,514,000 Shares, representing approximately 2.11% of the issued share capital of the Company.

The Sinopharm Subscription IBC has been established to advise the Independent Shareholders on the Sinopharm Subscription. The Sinopharm Subscription IBC comprises all independent non-executive Directors (except Mr. Yu Tze Shan Hailson who is deemed to have a material interest in the Sinopharm Subscription as he is also an independent non-executive director of Sinopharm Group Co. Ltd. (a subsidiary of CNPGC)), namely Mr. Lo Wing Yat, Mr. Zhou Bajun and Mr. Xie Rong. The Directors Subscription IBC has been established to advise the Independent Shareholders on the Yang Subscription and the Wang Subscription. The Directors Subscription IBC comprises all independent non-executive Directors, namely Mr. Yu Tze Shan Hailson, Mr. Lo Wing Yat, Mr. Zhou Bajun and Mr. Xie Rong. An independent financial adviser will be appointed by the Company to advise the Sinopharm Subscription IBC, the Directors Subscription IBC and the Independent Shareholders regarding the Subscriptions.

GENERAL

The circular containing, among other things, (i) details of the Subscription Agreements and the Placing Specific Mandate; (ii) the recommendation from the Sinopharm Subscription IBC regarding the Sinopharm Subscription; (iii) the recommendation from the Directors Subscription IBC regarding the Yang Subscription and the Wang Subscription; (iv) the advice from the independent financial adviser to the Sinopharm Subscription IBC, the Directors Subscription IBC and the Independent Shareholders regarding the Subscriptions; (v) the notice convening the Subscription EGM; and (vi) other information required under the Listing Rules, will be despatched to the Shareholders on or before 21 April 2015.

RESUMPTION 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 pending the release of the announcement of the Company dated 22 March 2015 relating to the Acquisition. Trading in the Shares remained suspended after the release of the aforesaid announcement pending the release of this announcement. An 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 31 March 2015.

DEFINITIONS

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

“Acquisition”	the Group’s proposed acquisition of an aggregate of approximately 87.30% of the registered capital of the Target Company as announced in the Announcements
“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Announcements”	the announcements of the Company dated 27 January 2015 and 22 March 2015 in relation to the Acquisition
“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, Hong Kong and the British Virgin Islands 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 and any time between 9:00 a.m. and 5:00 p.m. Hong Kong Time
“Circular”	the circular containing, among other things, details of the Subscriptions and the Placing Specific Mandate to be despatched to the Shareholders by the Company
“CNP GC”	China National Pharmaceutical Group Corporation (中國醫藥集團總公司), a state-owned enterprise established in the PRC and the ultimate holding company of Sinopharm
“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)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company

“Directors Subscription IBC”	the independent committee of the Board, comprising Mr. Yu Tze Shan Hailson, Mr. Lo Wing Yat, Mr. Zhou Bajun and Mr. Xie Rong, being all the independent non-executive Directors, established to give a recommendation to the Independent Shareholders in respect of the Yang Subscription and the Wang Subscription
“Group”	the Company and its subsidiaries
“Hanmax”	Hanmax Investment Limited, a company wholly owned by Mr. Wang and a substantial Shareholder
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	the Shareholders who are allowed to vote on the resolutions approving the Sinopharm Subscription, the Yang Subscription, the Wang Subscription and the Placing Specific Mandate (as the case may be) under the Listing Rules
“Investors”	the subscribers of the Investors Shares under the Investors Subscription Agreements
“Investors Shares”	such number of new Shares to be allotted and issued to the Investors pursuant to the Investors Subscription Agreements and the Placing Specific Mandate, and which form part of the Placing Shares
“Investors Subscriptions”	the subscriptions of the Investor Shares by the Investors pursuant to the Investor Subscription Agreements
“Investors Subscription Agreements”	the agreements dated 25, 26 and 27 March 2015 entered into between the Company and each Investor in relation to the Investors Subscriptions
“Issue Price”	the issue price of HK\$4.68 per Share for the Sinopharm Shares, the Yang Shares, the Wang Shares and the Investors Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Xiaochun, an executive Director
“Mr. Yang”	Mr. Yang Bin, an executive Director and the managing director of the Company
“Placing”	placing of the Placing Shares under the Placing Specific Mandate

“Placing Agents”	together, Morgan Stanley Asia Limited, Credit Suisse (Hong Kong) Limited and CCB International Capital Limited
“Placing Shares”	not more than 856,288,000 new Shares to be placed under the Placing Specific Mandate
“Placing Specific Mandate”	the mandate to be sought for approval from the Independent Shareholders at the Subscription EGM for the purpose of the Placing
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Profit Channel”	Profit Channel Development Limited, a company wholly owned by Mr. Yang and a substantial Shareholder
“SFC”	The Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) in the share capital of the Company. The Shares have no nominal value pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“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
“Sinopharm Shares”	the 598,290,598 new Shares to be allotted and issued to Sinopharm pursuant to the Sinopharm Subscription Agreement
“Sinopharm Subscription”	the subscription of the Sinopharm Shares by Sinopharm pursuant to the Sinopharm Subscription Agreement
“Sinopharm Subscription Agreement”	the agreement dated 22 March 2015 (as amended and supplemented by an supplemental agreement dated 30 March 2015) entered into between the Company and Sinopharm in relation to the Sinopharm Subscription

“Sinopharm Subscription IBC”	the independent committee of the Board, comprising Mr. Lo Wing Yat, Mr. Zhou Bajun and Mr. Xie Rong, being all the independent non-executive Directors (other than Mr. Yu Tze Shan Hailson who is deemed to have interest in the Sinopharm Subscription), established to give a recommendation to the Independent Shareholders in respect of the Sinopharm Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	collectively, the Sinopharm Subscription Agreement, the Yang Subscription Agreement and the Wang Subscription Agreement
“Subscription EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Subscription Agreements and the transactions contemplated thereunder, and the Placing Specific Mandate
“Subscription Shares”	collectively, the Sinopharm Shares, the Yang Shares and the Wang Shares
“Subscriptions”	collectively, the Sinopharm Subscription, the Wang Subscription and the Yang Subscription
“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
“Wang Shares”	the 42,735,042 new Shares to be allotted and issued to Mr. Wang pursuant to the Wang Subscription Agreement
“Wang Subscription”	the subscription of the Wang Shares by Mr. Wang pursuant to the Wang Subscription Agreement
“Wang Subscription Agreement”	the agreement dated 22 March 2015 entered into between the Company and Mr. Wang in relation to the Wang Subscription
“Yang Shares”	the 42,735,042 new Shares to be allotted and issued to Mr. Yang pursuant to the Yang Subscription Agreement
“Yang Subscription”	the subscription of the Yang Shares by Mr. Yang pursuant to the Yang Subscription Agreement

“Yang Subscription Agreement”	the agreement dated 22 March 2015 entered into between the Company and Mr. Yang in relation to the Yang Subscription
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

* *for identification only*

Unless the context requires otherwise, amounts denominated in US\$ and RMB have been converted into HK\$ at the exchange rates of US\$1: HK\$7.75 and RMB1: HK\$1.25 for the purpose of illustration only. No representation is made that any amount in HK\$, US\$ or RMB could have been or could be converted at the relevant dates at the above rates or at any other rates or at all.

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

Hong Kong, 30 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.