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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)

SUBSCRIPTION OF NEW SHARES BY
PING AN LIFE INSURANCE COMPANY OF CHINA, LTD.
UNDER SPECIFIC MANDATE

AND

RESUMPTION OF TRADING

Financial adviser to
China Traditional Chinese Medicine Holdings Co. Limited


Optima Capital Limited

THE SUBSCRIPTION

The Board is pleased to announce that on 19 March 2018, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 604,296,222 Subscription Shares at the total subscription price of HK\$2,677,032,265, equivalent to the Issue Price of HK\$4.43 per Subscription Share.

The 604,296,222 Subscription Shares represent (i) approximately 13.64% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 12.00% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there will not be any changes in the total number of issued Shares other than the issue of the Subscription Shares prior to Completion).

The net proceeds from the Subscription is expected to be approximately HK\$2,674 million. The Company intends to apply the net proceeds from the Subscription as to (i) approximately HK\$1,500 million for the nationwide expansion of coverage of its TCM decoction pieces and concentrated TCM granules businesses, including the establishment of TCM industrial parks and TCM intelligent distribution centres, and acquisitions of suitable targets; (ii) HK\$200 million for the research and establishment of quality standards in concentrated TCM granules and research and development in classical TCM prescription; (iii) approximately HK\$450 million for the repayment of debts; and (iv) the remaining balance of approximately HK\$524 million for the Group's general working capital.

LISTING RULES IMPLICATIONS

The Subscription Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM. The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Specific Mandate by way of poll.

A circular containing, among other things, further details of the Subscription and a notice convening the EGM will be despatched to the Shareholders on or before 12 April 2018.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 16 March 2018 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 20 March 2018.

The Board is pleased to announce that before the Stock Exchange trading hours on 16 March 2018, the Company and Ping An Asset Management (the investment manager appointed by the Subscriber) entered into a memorandum of understanding setting out the intention of the Subscriber to subscribe for a certain number of new Shares. On 19 March 2018, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 604,296,222 Subscription Shares at the total subscription price of HK\$2,677,032,265, equivalent to the Issue Price of HK\$4.43 per Subscription Share. Details of the Subscription Agreement are set out below.

SUBSCRIPTION AGREEMENT

Date

19 March 2018

Parties

- (i) The Company, as issuer; and
- (ii) Ping An Life Insurance Company of China, Ltd., as subscriber.

The Subscriber is one of the leading comprehensive financial service providers in the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Subscriber, Ping An Asset Management and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons; and (ii) neither the Subscriber nor Ping An Asset Management is interested in any Shares as at the date of this announcement.

The Subscription

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 604,296,222 Subscription Shares at the total subscription price of HK\$2,677,032,265, equivalent to the Issue Price of HK\$4.43 per Subscription Share. The total subscription price shall be payable in cash by the Subscriber to the Company at Completion.

The Subscription Shares

The 604,296,222 Subscription Shares represent:

- (i) approximately 13.64% of the total number of issued Shares as at the date of this announcement; and
- (ii) approximately 12.00% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there will not be any changes in the total number of issued Shares other than the issue of the Subscription Shares prior to Completion).

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

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

The Issue Price

The Issue Price of HK\$4.43 per Subscription Share was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other things, the recent market price of the Shares and having taken into account the unaudited consolidated net asset value per Share.

It represents:

- (i) a discount of approximately 19.89% to the closing price of HK\$5.53 per Share as quoted on the Stock Exchange on 15 March 2018, being the last trading day on which the Shares were traded on the Stock Exchange prior to the date of the Subscription Agreement (the “**Last Trading Day**”);
- (ii) a discount of approximately 17.2% to the average of the closing prices per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of HK\$5.35;
- (iii) a discount of approximately 9.03% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.87; and
- (iv) a premium of approximately 32.63% over the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2017 of approximately HK\$3.34 (based on the unaudited consolidated net asset value of the Group attributable to the Shareholders as at 30 June 2017 of approximately RMB12,050 million (equivalent to approximately HK\$14,822 million) and 4,431,505,630 Shares in issue as at the date of this announcement).

Based on the above, the Directors consider that the Issue Price is fair and reasonable.

Conditions precedent

Completion of the Subscription is conditional upon the fulfilment or waiver (as the case may be) of the following conditions (the “**Condition(s)**”):

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the grant of the Specific Mandate to the Board to allot and issue the Subscription Shares;
- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and the permission to deal in, the Subscription Shares and such approval not having been revoked;
- (iii) the warranties, representations and undertakings given by the Company in the Subscription Agreement remaining true and accurate and not misleading in all material respects on the date of Completion;

- (iv) the warranties, representations and undertakings given by the Subscriber in the Subscription Agreement remaining true and accurate and not misleading in all material respects on the date of Completion; and
- (v) all recordals, consents, authorisations, waivers, qualifications and approvals required by any of the governmental authority (including China Insurance Regulatory Commission and National Development and Reform Commission) in connection with the Subscriber's and the Company's respective execution, delivery and performance of the Subscription Agreement having been obtained and such consents and approvals have not been revoked.

The Subscriber can waive by notice in writing to the Company Condition (iii) above and the Company can waive by notice in writing to the Subscriber Condition (iv) above.

If the Conditions are not fulfilled or waived (as the case may be) on or before 4:00 p.m. on 30 June 2018 (the "**Long Stop Date**"), each of the Subscriber and the Company shall have the right to terminate the Subscription Agreement by notice to the other party unless the Subscriber and the Company have mutually agreed to extend the Long Stop Date, whereupon all rights and obligations of the parties shall cease to have effect except in respect of any accrued rights and obligations of the parties.

Completion

Completion shall take place on the fifth Business Day following satisfaction or waiver (as the case may be) of the Conditions (except for such Condition that will not be satisfied until Completion) or such other date as the Company and the Subscriber may agree.

Restrictions on the Subscriber

The Subscriber agrees that, without the prior written consent of the Company:

- (i) it will not, and will ensure that none of its associates will, acquire, offer or propose to acquire or agree to acquire legal title to or beneficial ownership of any Share as a result of which the aggregate number of Shares legally or beneficially owned by the Subscriber along with its associates shall exceed 12% of the total number of Shares issued and outstanding, save where such excess is a result of any share buy-back by the Company;
- (ii) it will not enter into any agreement or understanding (whether formal or informal) with any other Shareholder to obtain or consolidate control (as such term is defined in the Takeovers Code) in the Company; and
- (iii) save for any on-market sale of the Subscription Shares through the Stock Exchange, it will not transfer 50% or more of its shareholding in the Company to any person and/or such person's associates unless such person and/or such person's associates shall undertake to the Company to comply with the restriction provided in (ii) above on the same terms and conditions as they would apply to the Subscriber.

Nomination right

The Company agrees that, as long as the total number of Shares held by the Subscriber and its associates collectively is equal to or exceeds 5% of the total number of Shares in issue and outstanding, the Subscriber shall be entitled to nominate one candidate with such appropriate qualification and experience to serve as a member of the Board to be appointed as a non-executive Director for the consideration by the nomination committee of the Board.

Termination

The Subscription Agreement shall remain in full force and effect unless and until terminated by the Subscriber if before Completion:

- (i) an event of material adverse effect has occurred, and the Company has not cured such material adverse effect to the satisfaction of the Subscriber within the earlier of ten Business Days following delivery of notice to the Company by the Subscriber and Completion; or
- (ii) there has, in the Subscriber's opinion, been a material breach of the warranties, representations and undertakings given by the Company in the Subscription Agreement, and the Company has not cured such breach to the satisfaction of the Subscriber within the earlier of ten Business Days following delivery of a notice to the Company by the Subscriber and Completion.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion (assuming there will not be any changes in the total number of issued Shares other than the issue of the Subscription Shares prior to Completion).

	As at the date of this announcement		Immediately after Completion	
	Number of Shares held	Approximate % of total Shares in issue	Number of Shares held	Approximate % of total Shares in issue
Sinopharm Group Hongkong Co., Ltd. (Note 1)	1,614,313,642	36.43	1,614,313,642	32.06
Hanmax Investment Limited (Note 2)	376,735,042	8.50	376,735,042	7.48
The Subscriber	—	—	604,296,222	12.00
Public Shareholders	2,440,456,946	55.07	2,440,456,946	48.46
	<u>4,431,505,630</u>	<u>100.00</u>	<u>5,035,801,852</u>	<u>100.00</u>

Notes:

1. Sinopharm Group Hongkong Co., Ltd. is indirectly and wholly owned by China National Pharmaceutical Group Corporation, a state-owned enterprise established in the PRC.
2. Hanmax Investment Limited is wholly owned by Mr. Wang Xiaochun, an executive Director.

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 SUBSCRIPTION AND USE OF PROCEEDS

The Group is a leading TCM enterprise in the PRC and is principally engaged in the manufacture and sale of TCM and pharmaceutical products with a focus on concentrated TCM granules, TCM finished drugs and TCM decoction pieces. In order to enhance competitiveness and maintain rapid growth, it is the strategy of the Group to expand the geographical coverage of its TCM business to the whole country and consolidate the entire TCM industry chain.

Ping An Group possesses excellent brand awareness, strong financial strength, diversified sale channels and network resources across the nation. It has made a number of successful investments in the pharmaceutical and healthcare industries in recent years, covering areas such as biomedical engineering and pharmaceutical and healthcare services, and therefore has an in-depth understanding in the pharmaceutical and healthcare industries.

The Group intends to, through the Subscription, introduce Ping An Group as a long-term strategic partner, which will help bring together the Group's expertise in the TCM medicinal herbs, decoction pieces, concentrated TCM granules and finished drugs businesses, and Ping An Group's customer base, sales network, and technology, platform and resources advantages in the pharmaceutical and healthcare sector for developing the TCM business. In particular, it is the Group's intention to explore and promote strategic cooperation in TCM-related businesses with Ping An Group through a joint venture being established by Ping An Group and Tsumura & Co. (a Japanese leading Kampo medicine manufacturer) as the primary strategic partner, which is expected to bring the global advanced research and development and production technology in the TCM industry to the Group, create synergies and further enhance the value of the Company.

The gross proceeds from the Subscription will be approximately HK\$2,677 million. Taking into account the estimated expenses incidental to the Subscription of approximately HK\$3 million, the net proceeds from the Subscription is expected to be approximately HK\$2,674 million and the net Issue Price is expected to be approximately HK\$4.43 per Subscription Share. The Company intends to apply the net proceeds from the Subscription as to (i) approximately HK\$1,500 million for the nationwide expansion of coverage of its TCM decoction pieces and concentrated TCM granules businesses, including the establishment of TCM industrial parks and TCM intelligent distribution centres, and acquisitions of suitable targets; (ii) HK\$200 million for the research and establishment of quality

standards in concentrated TCM granules and research and development in classical TCM prescription; (iii) approximately HK\$450 million for the repayment of debts; and (iv) the remaining balance of approximately HK\$524 million for the Group's general working capital.

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

LISTING RULES IMPLICATIONS

The Subscription Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM. The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Specific Mandate by way of poll. No Shareholder has a material interest in the Subscription and is required to abstain from voting on the resolution approving the Specific Mandate at the EGM.

A circular containing, among other things, further details of the Subscription and a notice convening the EGM will be despatched to the Shareholders on or before 12 April 2018.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 16 March 2018 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 20 March 2018.

DEFINITIONS

In this announcement, the following expressions have the meaning set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day(s) on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays)
“Company”	China Traditional Chinese Medicine Holdings Co. Limited 中國中藥控股有限公司, 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)
“Completion”	completion of the Subscription pursuant to the Subscription Agreement

“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Specific Mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Issue Price”	the subscription price of HK\$4.43 per Subscription Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ping An”	Ping An Insurance (Group) Company of China, Ltd., a joint stock limited company duly incorporated in the PRC with limited liability, the A shares of which are listed on Shanghai Stock Exchange (stock code: 601318) and the H shares of which are listed on the Stock Exchange (stock code: 2318)
“Ping An Asset Management”	Ping An of China Asset Management (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability, a subsidiary of Ping An and the investment manager appointed by the Subscriber
“Ping An Group”	Ping An and its subsidiaries
“PRC”	The People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, Macao Special Administrative Region and Taiwan
“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 Share(s)
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares to the Subscriber to be sought from the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	Ping An Life Insurance Company of China, Ltd., a company incorporated in the PRC with limited liability and a subsidiary of Ping An
“Subscription”	subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 19 March 2018 entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Share(s)”	604,296,222 new Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“TCM”	Traditional Chinese medicine
“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\$1.23. 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 Holdings Co. Limited
WU Xian
Chairman

Hong Kong, 19 March 2018

As at the date of this announcement, the Board comprises eleven Directors, of which Mr. WU Xian, Mr. WANG Xiaochun, Mr. ZHAO Dongji and Ms. HUANG He are executive Directors; Mr. LIU Cunzhou, Mr. DONG Zenghe, and Ms. TANG Hua 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.