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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)

PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

In order to bring the Articles in line with the Statutory Changes, the Board proposes to make amendments to the existing Articles. In view of the amount of amendments proposed to be made to the existing Articles, the Board proposes that the New Articles (with all proposed amendments to the existing Articles incorporated) be adopted to replace the existing Articles.

The proposed adoption of the New Articles is subject to the approval of the Shareholders by way of a special resolution at the Annual General Meeting. A circular containing, among other things, particulars relating to the major changes brought about by the adoption of the New Articles together with a notice convening the Annual General Meeting will be despatched to the Shareholders in due course.

The board of directors (the “**Board**”) of China Traditional Chinese Medicine Co. Limited (the “**Company**”) wishes to announce that the following major statutory changes (collectively, the “**Statutory Changes**”) which came into operation on 3 March 2014 may have impact on the provisions contained in the articles of association of the Company (the “**Articles**”):

- (a) the new Companies Ordinance, Chapter 622 of the laws of the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”) (the “**New Companies Ordinance**”) has replaced the old Companies Ordinance, and the major changes include, inter alia, abolishing the par value for shares, abolishing the memorandum of association and regarding conditions in the memorandum of association of existing companies as provisions of the articles of association, removing the power to issue warrants to bearer, removing the power to convert shares into stock, requiring the company to give reasons for declining to register a transfer of shares upon request, reducing the threshold for demanding a poll, making the keeping and use of a common seal optional, and deeming consent from members to receive corporate communications via the company’s website; and

- (b) the old Companies Ordinance has been retitled as Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) which retains the provisions dealing with company winding-up and insolvency, disqualification of directors as well as prospectus related matters.

In order to bring the Articles in line with the Statutory Changes, the Board proposes to make amendments to the existing Articles including, inter alia, the following:

- (1) inserting provisions in the former memorandum of association of the Company (the “**Memorandum**”) regarding company name and members’ limited liabilities into the Articles (those provisions in the Memorandum having been statutorily regarded as provisions of the Articles pursuant to section 98 of the New Companies Ordinance);
- (2) not having objects clause provisions in the Articles but giving the Company the capacity, rights, powers and privileges of a natural person of full age;
- (3) amending the definition of “Companies Ordinance” to make reference to the New Companies Ordinance and where appropriate, to make references to the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) and deleting, adding or modifying certain definitions as appropriate;
- (4) amending the provisions relating to various ways to alter the Company’s capital in light of the abolishment of the par value for shares;
- (5) deleting references relating to “memorandum”, “authorised share capital”, “nominal value”, “par value”, “nominal amount of the shares”, “premium”, “share premium account” and “capital redemption reserve fund” or similar wordings in the existing Articles and where applicable, replacing references to nominal value of shares with total voting rights;
- (6) broadening the disclosure of interest by directors of the Company (“**Directors**”) to include the disclosure of interest of the Directors’ “connected entity” (within the meaning given under section 486 of the New Companies Ordinance);
- (7) requiring the Board to give reasons for declining to register a share transfer if requested by the transferor or transferee;
- (8) allowing any document signed by any two Directors or any one Director and the secretary of the Company and expressed to be executed by the Company to have the effect as if such document had been executed under the Company’s common seal;
- (9) removing the Company’s power to convert any paid up shares into stock (or vice versa);

- (10) reducing the threshold for demanding a poll such that shareholders of the Company (“**Shareholders**”) holding at least 5% (instead of one-tenth) of the total voting rights of all the Shareholders having the right to vote at the meeting can demand a poll; and
- (11) removing the Company’s power to issue warrants to bearer.

The Board also proposes to make certain housekeeping amendments to the existing Articles at the same time for the purpose of bringing the Articles in line with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and improving on the drafting and to correct typographical errors.

In view of the amount of amendments proposed to be made to the existing Articles, the Board proposes that the New Articles (with all proposed amendments to the existing Articles incorporated) be adopted to replace the existing Articles.

The proposed adoption of the New Articles is subject to the approval of the Shareholders by way of a special resolution at the annual general meeting of the Company to be held on 5 June 2014 (the “**Annual General Meeting**”).

A circular containing, among other things, particulars relating to the major changes brought about by the adoption of the New Articles together with a notice convening the Annual General Meeting will be despatched to the Shareholders in due course.

On behalf of
China Traditional Chinese Medicine Co. Limited
WU Xian
Chairman

Hong Kong, 17 April 2014

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. SHE Lulin, Mr. LIU Cunzhou, Mr. DONG Zenghe and Mr. ZHAO Dongji are non-executive Directors; and Mr. ZHOU Bajun, Mr. XIE Rong, Mr. FANG Shuting and Mr. YU Tze Shan Hailson are independent non-executive Directors.