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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)

DISCLOSEABLE TRANSACTION IN RELATION TO FORMATION OF JOINT VENTURES

THE COOPERATION AGREEMENTS

The Board is pleased to announce that after the Stock Exchange trading hours on 13 January 2016, FLX (a wholly-owned subsidiary of the Company), Foshan Health and Foshan Hospital entered into the Cooperation Agreements in relation to the formation of the JV Companies (i.e. Foshan Geriatric and Foshan Rehabilitation). The JV Companies are intended to be principally engaged in the provision of general hospital services, investments in medical industry and provision of hospital management consultancy services. The Cooperation Agreements will be effective upon Foshan Health and Foshan Hospital having obtained the approval and consent from relevant regulatory authority of Foshan City and will be implemented concurrently as one integral arrangement.

The registered capital of each of Foshan Geriatric and Foshan Rehabilitation is RMB800 million (equivalent to approximately HK\$960 million). Pursuant to the Cooperation Agreements, FLX, Foshan Health and Foshan Hospital will contribute 80%, 5% and 15% of the registered capital of each of the JV Companies respectively.

LISTING RULES IMPLICATIONS

The formation of the JV Companies constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Board is pleased to announce that after the Stock Exchange trading hours on 13 January 2016, FLX (a wholly-owned subsidiary of the Company), Foshan Health and Foshan Hospital entered into the Cooperation Agreements in relation to the formation of the JV Companies (i.e. Foshan Geriatric and Foshan Rehabilitation). Details of the Cooperation Agreements are set out below.

THE COOPERATION AGREEMENTS

The Cooperation Agreements will become effective upon Foshan Health and Foshan Hospital having obtained the approval and consent from relevant regulatory authority of Foshan City and will be implemented concurrently as one integral arrangement. Save for the subject matters, all the other terms under the Geriatric Cooperation Agreement and the Rehabilitation Cooperation Agreement are identical.

Date

13 January 2016

Parties

- (i) FLX, a wholly-owned subsidiary of the Company;
- (ii) Foshan Health; and
- (iii) Foshan Hospital.

Subject matters

Pursuant to the Geriatric Cooperation Agreement, FLX, Foshan Health and Foshan Hospital shall form a joint venture, namely Foshan Geriatric, which will be principally engaged in the provision of general hospital services, investments in medical industry and provision of hospital management consultancy services.

Pursuant to the Rehabilitation Cooperation Agreement, FLX, Foshan Health and Foshan Hospital shall form a joint venture, namely Foshan Rehabilitation, which will be principally engaged in the provision of general hospital services (including general rehabilitation care service), investments in medical industry and provision of hospital management consultancy services.

Registered capital

The registered capital of each of Foshan Geriatric and Foshan Rehabilitation is RMB800 million (equivalent to approximately HK\$960 million). For each of Foshan Geriatric and Foshan Rehabilitation, FLX, Foshan Health and Foshan Hospital will contribute RMB640 million (equivalent to approximately HK\$768 million and 80% of the registered capital of each of Foshan Geriatric and Foshan Rehabilitation), RMB40 million (equivalent to approximately HK\$48 million and 5% of the registered capital of each of Foshan Geriatric and Foshan Rehabilitation) and RMB120 million (equivalent to approximately HK\$144 million and 15% of the registered capital of each of Foshan Geriatric and Foshan

Rehabilitation) respectively. The amounts of contribution are determined after arm's length negotiation among the parties to the Cooperation Agreements based on the estimated cash flow requirements and business needs of Foshan Geriatric and Foshan Rehabilitation.

Contribution of capital

The aggregate capital to be contributed by FLX, Foshan Health and Foshan Hospital under the Cooperation Agreements are RMB1,280 million, RMB80 million and RMB240 million respectively.

The capital to be contributed by FLX to the JV Companies will be satisfied by cash and the transfer of land use right in respect of the FLX Land with a site area of approximately 60 mu. The capital to be contributed by Foshan Health will be satisfied by the transfer of land use right in respect of the Foshan Health Land with a site area of approximately 22 mu. The FLX Land and the Foshan Health Land are adjacent to each other. The capital to be contributed by Foshan Hospital will be satisfied by intangible assets, which represent the rights to use the name of Foshan Hospital.

The actual contribution of Foshan Health under the Cooperation Agreements will depend on the actual value of the land use right in respect of the Foshan Health Land to be approved by the state-owned assets supervision authorities, and the corresponding percentage interest of Foshan Health in the registered capital of the JV Companies will be adjusted accordingly. Such adjustment will be effected by increasing or decreasing the cash contribution of FLX by the amount equivalent to the difference between the actual value of the land use right in respect of the Foshan Health Land and RMB80 million (representing the aggregate capital to be contributed by Foshan Health to the JV Companies). For the avoidance of doubt, the maximum capital contribution of FLX under the Cooperation Agreements will be not more than RMB1,360 million (equivalent to approximately HK\$1,632 million). The Company will finance the cash contribution by its internal resources.

The JV Companies will be accounted for as subsidiaries of the Company and their results will be consolidated into the financial statements of the Group.

Board composition

The respective board of the JV Companies shall comprise five directors, of which FLX is entitled to appoint three directors and each of Foshan Health and Foshan Hospital is entitled to appoint one director.

Profit distribution

The net profits of the JV Companies shall be distributed to FLX, Foshan Health and Foshan Hospital in accordance with their respective percentage interest in the JV Companies based on the final contribution of the registered capital.

Pre-emptive rights

If a shareholder of the JV Companies wishes to sell its interest in the JV Companies to a purchaser (other than the shareholders of the JV Companies), it shall be subject to the unanimous consent of all

other shareholders. With such unanimous consent, the other shareholders of the JV Companies shall have the first right to purchase such sale interest under the same terms. In the event that more than one shareholder would like to exercise its right to purchase such sale interest, the percentage of the sale interest to be purchased by each shareholder shall be agreed among those shareholders. If those shareholders cannot reach an agreement on such percentage, the percentage of the sale interest shall be determined based on their respective contribution of the registered capital of the JV Companies.

INFORMATION REGARDING THE GROUP, FOSHAN HEALTH AND FOSHAN HOSPITAL

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.

Foshan Health is principally engaged in health sector business such as investment, operation and management of nursing home and hospital, elderly services, recuperation and rehabilitation services, leisure and fitness services and health care services, and health management and consultancy and health check and assessment. It is wholly owned by Foshan Gongying Investment Holdings Co., Ltd. which is in turn wholly owned by Foshan Municipal State-owned Assets Management Committee.

Foshan Hospital is a 3A grade non-profit making public hospital, which is equipped with about 2,500 beds. According to the “Top 100 Competitiveness Ranking of China Prefecture-level City Hospitals” of Hong Kong AILIBI Hospital Management Research Center, Foshan Hospital has been ranked first for its competitiveness among prefecture-level city TCM hospitals for four consecutive years since 2011.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, Foshan Health, Foshan Hospital and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

REASONS FOR ENTERING INTO THE COOPERATION AGREEMENTS

The Group considers that the population in the PRC is increasingly aging and the elderly care resources are very limited. With the fast economic growth in the PRC and the growing middle class, the general public becomes more health conscious. Coupled with the supportive government policies, the Directors believe that the elderly care and rehabilitation care market in the PRC provides abundant business opportunities for the Group in the future.

With the establishment of the JV Companies, the Group plans to collaborate with Foshan Health and Foshan Hospital and fully leverage on the supporting policies of the State to develop its presence in the elderly care and rehabilitation care sector in the PRC and help to mitigate the existing imbalance of demand and supply of the elderly care and rehabilitation care services. The current plan is to construct a geriatric general hospital and a rehabilitation care hospital on the two parcels of land to be contributed by FLX and Foshan Health. The geriatric general hospital and the rehabilitation care hospital are planned to be equipped with 1,500 beds and 500 beds respectively. It is expected that the construction of the geriatric general hospital and rehabilitation care hospital will commence in mid-2016 and the operations of these hospital will commence in early 2019. The Group expects to realise synergies as a result of the formation of the JV Companies through, among others, the sharing of resources in overall management and research and development capability, and the expanded management expertise in the medical and health care sector.

The Directors consider that the formation of the JV Companies is in line with the Group's business plans and expect that the formation of the JV Companies can enhance the Group's overall business performance, strengthen its revenue bases and diversify its business risk. Based on the above, the Directors consider that the terms of the Cooperation Agreements are fair and reasonable and the formation of the JV Companies is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The formation of the JV Companies constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Traditional Chinese Medicine Co. Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 570)
“Cooperation Agreements”	the Geriatric Cooperation Agreement and the Rehabilitation Cooperation Agreement
“Director(s)”	director(s) of the Company
“FLX”	國藥集團馮了性(佛山)中醫藥健康產業有限公司(Sinopharm Group Feng Liao Xing (Foshan) Chinese Medicine Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“FLX Land”	the land owned by FLX which is located in Foshan City with a site area of approximately 60 mu
“Foshan Geriatric”	佛山市中醫院老年病醫院有限公司(Foshan Hospital Geriatric Co., Ltd.*), a company established in the PRC with limited liability
“Foshan Health”	佛山市大健康產業發展有限公司(Foshan Health Development Co., Ltd.*), a company established in the PRC with limited liability
“Foshan Health Land”	the land owned by Foshan Health which is located in Foshan City with a site area of approximately 22 mu

“Foshan Hospital”	佛山市中醫院 (Foshan Hospital of TCM*)
“Foshan Rehabilitation”	佛山市中醫院康復護理醫院有限公司 (Foshan Hospital Rehabilitation Care Co., Ltd.*), a company established in the PRC with limited liability
“Geriatric Cooperation Agreement”	the cooperation agreement dated 13 January 2016 entered into among FLX, Foshan Health and Foshan Hospital in relation to the formation of Foshan Geriatric
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Companies”	Foshan Geriatric and Foshan Rehabilitation
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Rehabilitation Cooperation Agreement”	the cooperation agreement dated 13 January 2016 entered into among FLX, Foshan Health and Foshan Hospital in relation to the formation of Foshan Rehabilitation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCM”	traditional Chinese medicine
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For illustration purpose only, amounts in RMB in this announcement have been translated into HK\$ at the rate of RMB1 = HK\$1.2. No representation is made that any amounts in HK\$ and RMB have been or could be converted at the above rate or at any other rates or at all.

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

Hong Kong, 13 January 2016

As at the date of this announcement, the Board comprises eleven Directors, of which Mr. WU Xian, Mr. YANG Bin and Mr. WANG Xiaochun are executive Directors; Mr. LIU Cunzhou, Mr. ZHANG Jianhui, Mr. DONG Zenghe and Mr. ZHAO Dongji are non-executive Directors; and Mr. ZHOU Bajun, Mr. XIE Rong, Mr. YU Tze Shan Hailson and Mr. LO Wing Yat are independent non-executive Directors.

** For identification purpose only*