

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



**国药集团**  
SINOPHARM

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

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

**DISCLOSEABLE AND CONNECTED TRANSACTIONS**  
**IN RELATION TO**  
**ACQUISITION OF THE ENTIRE REGISTERED CAPITAL OF**  
**CERTAIN PHARMACEUTICAL COMPANIES**

**THE ACQUISITIONS**

The Board is pleased to announce that after the Stock Exchange trading hours on 20 October 2017, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the following agreements:

- (i) the Huamiao Agreement in relation to the Huamiao Acquisition;
- (ii) the Huatai Agreement in relation to the Huatai Acquisition;
- (iii) the HLJ Sinopharm Agreement in relation to the HLJ Sinopharm Acquisition; and
- (iv) the Jiangyou Agreement in relation to the Jiangyou Acquisition.

For the avoidance of doubt, completion of the Acquisitions is not inter-conditional.

**LISTING RULES IMPLICATIONS**

As the Agreements were all entered into with the Vendor, the Acquisitions are aggregated for the purpose of classification of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) are greater than 5% but less than 25% when aggregated, the Acquisitions constitute discloseable transactions for the Company under the Listing Rules and are subject to the reporting and announcement requirements under the Listing Rules.

As at the date of this announcement, the Company is owned as to approximately 36.43% by Sinopharm Hongkong, which is the controlling shareholder of the Company and a wholly-owned subsidiary of the Vendor. Accordingly, the Vendor is a connected person of the Company and the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Acquisitions. The Independent Board Committee which comprises Mr. Zhou Bajun, Mr. Xie Rong and Mr. Lo Wing Yat, all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Acquisitions. The other independent non-executive Director, namely Mr. Yu Tze Shan Hailson, is currently an independent non-executive director of Sinopharm Group Co. Ltd which is a subsidiary of CNPGC and accordingly is not included as a member of the Independent Board Committee. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Sinopharm Hongkong will be required to abstain from voting on the resolutions approving the Acquisitions at the EGM.

A circular containing, among others things, (i) details of the Agreements; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information required to be disclosed under the Listing Rules; and (v) the notice of the EGM is expected to be despatched to the Shareholders on or before 10 November 2017.

## **THE ACQUISITIONS**

The Board is pleased to announce that after the Stock Exchange trading hours on 20 October 2017, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the following agreements:

- (i) the Huamiao Agreement in relation to the Huamiao Acquisition;
- (ii) the Huatai Agreement in relation to the Huatai Acquisition;
- (iii) the HLJ Sinopharm Agreement in relation to the HLJ Sinopharm Acquisition; and
- (iv) the Jiangyou Agreement in relation to the Jiangyou Acquisition.

For the avoidance of doubt, completion of the Acquisitions is not inter-conditional.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Vendor was established in the PRC and is a subsidiary of CNPGC; and (ii) the principal businesses of the Vendor include the manufacture, sale and distribution of TCM products. The Company is owned as to approximately 36.43% by Sinopharm Hongkong, the controlling shareholder of the Company and a

wholly-owned subsidiary of the Vendor. Accordingly, the Vendor is a connected person of the Company and the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of the Agreements are set out below.

## **PRINCIPAL TERMS OF THE AGREEMENTS**

### **The Huamiao Agreement**

#### ***Date***

20 October 2017

#### ***Parties***

(i) the Purchaser; and

(ii) the Vendor.

#### ***Assets to be acquired***

Pursuant to the Huamiao Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire registered capital of Huamiao free from encumbrances and together with all rights attaching thereto from the date of Huamiao Completion. Huamiao is principally engaged in the manufacture and sale of TCM decoction pieces in Beijing, the PRC. Detailed information of Huamiao is set out in the section headed “Information on the Targets” below.

#### ***Consideration***

The consideration for the Huamiao Acquisition is approximately RMB216.6 million (equivalent to approximately HK\$255.6 million) and was determined after arm’s length negotiations between the Purchaser and the Vendor taking into account the profitable track record of Huamiao, the complementary nature of Huamiao’s business with those of the Group and the synergy expected to be created by consolidating the TCM decoction pieces business of Huamiao with those of the Group. The consideration represents a historical price-to-earnings ratio of approximately 9.7 times based on the net profit of Huamiao for the year ended 31 December 2016 of approximately RMB22.3 million (equivalent to approximately HK\$26.3 million), which the Directors consider to be in line with the price-to-earnings ratio of comparable companies engaged in the manufacture and sale of TCM products in the PRC and listed on the Stock Exchange.

The consideration for the Huamiao Acquisition shall be payable by the Purchaser to the Vendor within 15 Business Days from the date of satisfaction of all the conditions precedent described below. The Company intends to finance the consideration for the Huamiao Acquisition by internal resources of the Group.

### ***Conditions precedent***

Huamiao Completion is conditional upon the fulfilment of the following conditions:

- (i) the Vendor having approved the transfer of the entire registered capital of Huamiao to the Purchaser; and
- (ii) the Independent Shareholders having approved the Huamiao Agreement and the transactions contemplated thereunder.

### ***Completion***

The Vendor shall assist the Purchaser to apply to the competent industry and commerce authority for the registration of change of shareholders of Huamiao within three Business Days from the date of obtaining the Independent Shareholders' approval of the Huamiao Acquisition. Huamiao Completion shall take place on the day on which such registration for change of shareholders of Huamiao has been completed.

Upon Huamiao Completion, Huamiao will become an indirect wholly-owned subsidiary of the Company and its results, assets and liabilities will be consolidated into the financial statements of the Group.

### **The Huatai Agreement**

#### ***Date***

20 October 2017

#### ***Parties***

- (i) the Purchaser; and
- (ii) the Vendor.

### *Assets to be acquired*

Pursuant to the Huatai Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire registered capital of Huatai free from encumbrances and together with all rights attaching thereto from the date of Huatai Completion. Apart from the lease of certain properties which are being leased to Huamiao, Huayi (an indirect wholly-owned subsidiary of the Company) and the Vendor respectively, Huatai does not have other business operation. Detailed information of Huatai is set out in the section headed “Information on the Targets” below.

### *Consideration*

The consideration for the Huatai Acquisition is approximately RMB139.6 million (equivalent to approximately HK\$164.7 million) and was determined after arm’s length negotiations between the Purchaser and the Vendor taking into account the nature of the assets held by Huatai, the net asset value of Huatai as at 31 August 2017 and the preliminary valuation of the properties held by Huatai as at 31 August 2017 as indicated by Asset Appraisal Limited (“**Asset Appraisal**”), an independent professional property valuer.

The consideration for the Huatai Acquisition shall be payable by the Purchaser to the Vendor within 15 Business Days from the date of satisfaction of all the conditions precedent described below. The Company intends to finance the consideration for the Huatai Acquisition by internal resources of the Group.

### *Conditions precedent*

Huatai Completion is conditional upon the fulfilment of the following conditions:

- (i) the Vendor having approved the transfer of the entire registered capital of Huatai to the Purchaser; and
- (ii) the Independent Shareholders having approved the Huatai Agreement and the transactions contemplated thereunder.

### *Completion*

The Vendor shall assist the Purchaser to apply to the competent industry and commerce authority for the registration of change of shareholders of Huatai within three Business Days from the date of obtaining the Independent Shareholders’ approval of the Huatai Acquisition. Huatai Completion shall take place on the day on which such registration for change of shareholders has been completed.

Upon Huatai Completion, Huatai will become an indirect wholly-owned subsidiary of the Company and its results, assets and liabilities will be consolidated into the financial statements of the Group.

### ***Other terms***

The Purchaser has agreed to guarantee the settlement of the amount owed by Huatai to the Vendor of approximately RMB163.6 million (equivalent to approximately HK193.0 million) after the Huatai Completion.

### **The HLJ Sinopharm Agreement**

#### ***Date***

20 October 2017

#### ***Parties***

- (i) the Purchaser; and
- (ii) the Vendor.

#### ***Assets to be acquired***

Pursuant to the Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire registered capital of HLJ Sinopharm free from encumbrances and together with all rights attaching thereto from the date of the HLJ Sinopharm Completion. HLJ Sinopharm is principally engaged in the distribution of herbal pieces to pharmaceutical companies and finished drugs to hospitals in Heilongjiang Province, the PRC. It also holds certain retail properties in Harbin, the PRC which are being leased to independent third parties. In addition, it owns two plantation bases of medicinal herbs in Heilongjiang Province, the PRC. Detailed information of HLJ Sinopharm is set out in the section headed “Information on the Targets” below.

#### ***Consideration***

The consideration for the HLJ Sinopharm Acquisition is approximately RMB61.4 million (equivalent to approximately HK\$72.5 million) and was determined after arm’s length negotiations between the Purchaser and the Vendor taking into account the scale of operation of HLJ Sinopharm’s distribution business, the nature of assets held by HLJ Sinopharm, the net asset value of HLJ Sinopharm as at 31 August 2017 and the preliminary valuation of the properties held by HLJ Sinopharm as at 31 August 2017 as indicated by Asset Appraisal.

The consideration for the HLJ Sinopharm Acquisition shall be payable by the Purchaser to the Vendor within 15 Business Days from the date of satisfaction of all the conditions precedent described below. The Company intends to finance the consideration for the HLJ Sinopharm Acquisition by internal resources of the Group.

***Conditions precedent***

HLJ Sinopharm Completion is conditional upon the fulfilment of the following conditions:

- (i) the Vendor having approved the transfer of the entire registered capital of HLJ Sinopharm to the Purchaser; and
- (ii) the Independent Shareholders having approved the HLJ Sinopharm Agreement and the transactions contemplated thereunder.

***Completion***

The Vendor shall assist the Purchaser to apply to the competent industry and commerce authority for the registration of change of shareholders of HLJ Sinopharm within three Business Days from the date of obtaining the Independent Shareholders' approval of the HLJ Sinopharm Acquisition. HLJ Sinopharm Completion shall take place on the day on which such registration for change of shareholders of HLJ Sinopharm has been completed.

Upon HLJ Sinopharm Completion, HLJ Sinopharm will become an indirect wholly-owned subsidiary of the Company and its results, assets and liabilities will be consolidated into the financial statements of the Group.

**The Jiangyou Agreement**

***Date***

20 October 2017

***Parties***

- (i) the Purchaser; and
- (ii) the Vendor.

### ***Assets to be acquired***

Pursuant to the Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire registered capital of Jiangyou free from encumbrances and together with all rights attaching thereto from the date of the Jiangyou Completion. Jiangyou is principally engaged in the manufacture and sale of TCM decoction pieces in Sichuan Province, the PRC. In late 2016, Jiangyou completed the construction of a new production plant for the production of decoction pieces of toxic Chinese medicinal herbs in Jiangyou City. Detailed information of Jiangyou are set out in the section headed “Information on the Targets” below.

### ***Consideration***

The consideration for the Jiangyou Acquisition is approximately RMB81.7 million (equivalent to approximately HK\$96.4 million) and was determined after arm’s length negotiations between the Purchaser and the Vendor taking into account the scale of operations of Jiangyou’s TCM decoction pieces business, the nature of assets held by Jiangyou, the net asset value of Jiangyou as at 31 August 2017 and the preliminary valuation of the properties held by Jiangyou as at 31 August 2017 as indicated by Asset Appraisal.

The consideration for the Jiangyou Acquisition shall be payable by the Purchaser to the Vendor within 15 Business Days from the date of satisfaction of all the conditions precedent described below. The Company intends to finance the consideration for the Jiangyou Acquisition by internal resources of the Group.

### ***Conditions precedent***

Jiangyou Completion is conditional upon the fulfilment of the following conditions:

- (i) the Vendor having approved the transfer of the entire registered capital of Jiangyou to the Purchaser; and
- (ii) the Independent Shareholders having approved the Jiangyou Agreement and the transactions contemplated thereunder.

### ***Completion***

The Vendor shall assist the Purchaser to apply to the competent industry and commerce authority for the registration of change of shareholders of Jiangyou within three Business Days from the date of obtaining the Independent Shareholders’ approval of the Jiangyou Acquisition. Jiangyou Completion shall take place on the day on which such registration for change of shareholders of Jiangyou has been completed.

Upon Jiangyou Completion, Jiangyou will become an indirect wholly-owned subsidiary of the Company and its results, assets and liabilities will be consolidated into the financial statements of the Group.



## INFORMATION ON THE TARGETS

### *Huamiao*

Huamiao is a company established in the PRC in 1995 with limited liability. It is principally engaged in the manufacture and sale of TCM decoction pieces in the PRC. It has two production bases in Beijing and produces more than 800 kinds of TCM decoction pieces products which are mainly sold to hospitals and medical institutions in Beijing. It also produces health products and provides decoction services.

The total investment cost of the Vendor in Huamiao was approximately RMB55.9 million (equivalent to approximately HK\$66.0 million).

A summary of the financial information of Huamiao prepared in accordance with HKFRS is set out below:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>(RMB '000)</i>	<i>(RMB '000)</i>
	(unaudited)	(unaudited)
Revenue	499,540	556,621
Profit before tax	19,729	23,516
Profit after tax	25,186	22,316
		<b>As at</b>
		<b>31 August 2017</b>
		<i>(RMB '000)</i>
		(unaudited)
Net asset value		180,414

### *Huatai*

Huatai is a company established in the PRC in 1992 with limited liability. Its major assets is an industrial complex in Beijing which is being leased to related parties for rental income. Phase I and Phase II of the industrial complex are currently leased to Huayi and Huamiao respectively for production use. Such leases will become intra-group transactions within the Group upon the Huatai Completion.

Huatai has also leased certain industrial units and offices to the Vendor for a term of three years for an aggregate annual rental of approximately RMB2.3 million (equivalent to approximately HK\$2.7 million). Such lease transactions will become continuing connected transactions for the Company under Chapter 14A of the Listing Rules. However, since the lease transactions are conducted on normal commercial terms and all the applicable percentage ratios (as defined under the Listing Rules) calculated based on the annual rental are less than 0.1%, such continuing connected transactions are fully exempted from the shareholders' approval annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

The total investment cost of the Vendor in Huatai was RMB89.7 million (equivalent to approximately HK\$105.8 million).

A summary of the financial information of Huatai prepared in accordance with HKFRS is set out below:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(unaudited)	(unaudited)
Revenue	3,970	7,369
(Loss) before tax	(2,736)	(17,955)
(Loss) after tax	(2,736)	(17,441)
		<b>As at</b>
		<b>31 August 2017</b>
		<i>(RMB'000)</i>
		(unaudited)
Net asset value		137,473

### ***HLJ Sinopharm***

HLJ Sinopharm is a company established in the PRC in 2008 with limited liability. It is principally engaged in the distribution of herbal pieces to pharmaceutical companies and finished drugs to hospitals in Heilongjiang Province, the PRC. It also operates a retail pharmacy chain and holds certain retail properties in Harbin which are being leased to independent third parties for rental income. In addition, HLJ Sinopharm owns two plantation bases of medicinal herbs in Heilongjiang Province, the PRC.

The total investment cost of the Vendor in HLJ Sinopharm was RMB16.0 million (equivalent to approximately HK\$18.9 million).

A summary of the financial information of HLJ Sinopharm prepared in accordance with HKFRS is set out below:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(unaudited)	(unaudited)
Revenue	134,412	136,879
Profit before tax	1,514	1,426
Profit after tax	1,131	1,137
		<b>As at</b>
		<b>31 August 2017</b>
		<i>(RMB'000)</i>
		(unaudited)
Net asset value		25,865

### ***Jiangyou***

Jiangyou is a company established in the PRC in 2001 with limited liability. It is principally engaged in the manufacture and sale of TCM decoction pieces in Sichuan Province, the PRC. Jiangyou has invested approximately RMB50 million in the construction of a new production plant in Sichuan which was completed in late 2016. The production plant is equipped with a production capacity of 4,000 tonnes of TCM decoction pieces of toxic Chinese medicinal herbs.

The total investment cost of the Vendor in Jiangyou was RMB54.2 million (equivalent to approximately HK\$64.0 million).

A summary of the financial information of Jiangyou prepared in accordance with HKFRS is set out below:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(unaudited)	(unaudited)
Revenue	43,842	49,574
Profit before tax	2,086	2,005
Profit after tax	1,767	1,849
		<b>As at</b>
		<b>31 August 2017</b>
		<i>(RMB'000)</i>
		(unaudited)
Net asset value		63,598

## **REASONS FOR THE ACQUISITIONS**

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

As for the concentrated TCM granules business, the Company is currently under the window period prior to the opening up of the industry, which is the right timing to expand market share. In the meantime, with the frequent introduction of local protection policies in various regions, owning local enterprises would be conducive to the sustainable development of the Company's businesses in those regions. Through the acquisition of Huamiao and HLJ Sinopharm, the Company can leverage on their mature hospital sales networks to bring synergetic effects and economies of scale into with the existing sales channels of the Group in order to expand the Company's market share of its concentrated TCM granule business in Beijing and the northeast region.

As a traditional segment in TCM business, decoction pieces segment has been enjoying strong support from the government policy. In 2016, the market size of decoction piece business exceeded RMB200 billion. The acquisition of Huamiao and Jiangyou is in line with the Group's mission to strengthen this segment and will immediately enhance the Group's production capacity, market share and distribution channel in Beijing and Sichuan Province respectively. Together with its existing production bases in Guangdong, Shanghai, Guiyang and Gansu, the Group will have nationwide geographical coverage of TCM decoction pieces business in the key regions in the PRC (such as the eastern, northern, southern, southwestern and northwestern regions) after the acquisitions and benefit from integration of resources in terms of management, procurement, production and financial aspects.

These three enterprises have their own characteristics. Huamiao is the largest manufacturing and processing company for TCM decoction pieces in Beijing which owns more than 800 kinds of TCM decoction pieces. As an authorised manufacturer in respect of 28 kinds of toxic TCM materials designated by Beijing Food and Drug Administration, it also holds the production and processing permit for the processed products of some of the endangered and protected wild animals. Huamiao's modernised decoction and storage centre built in Beijing greatly facilitates the expansion of the Company's decoction business. Jiangyou possesses the largest production base for toxic decoction pieces in the PRC. Leveraging on its special Aconite decoction pieces business, the Company will develop the best Aconite brand in China within the sub-category of toxic decoction pieces after the acquisition. HLJ Sinopharm is the only enterprise in Heilongjiang Province that holds the qualification of poppy shell operation. In the meantime, its possession of retail pharmacies and direct sales qualification is of strategic significance to the Company's business expansion towards retailing of pharmaceutical products in the future. Making use of HLJ Sinopharm's rich TCM resources, distribution channels and retail platforms, it is able to position itself as a northeast TCM resources centre, warehousing and sales centre as well as logistics centre, covering the three northeast provinces and the Northern China region to promote the Company's concentrated TCM granules, finished drugs and decoction pieces businesses in those regions.

Huatai owns an industrial complex in Beijing, which comprises two production plants currently being leased to Huamiao and Huayi respectively for their production use. The Huatai Acquisition merely represents an asset reorganisation to enhance management efficiency and realign the ownership and user of the assets.

Based on the above, the Directors (excluding the independent non-executive Directors who shall form their view after receiving the advice from an independent financial adviser) consider that the terms of the Agreements are fair and reasonable and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the Agreements were all entered into with the Vendor, the Acquisitions are aggregated for the purpose of classification of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) are greater than 5% but less than 25% when aggregated, the Acquisitions constitute disclosable transactions for the Company under the Listing Rules and are subject to the reporting and announcement requirements under the Listing Rules.

As at the date of this announcement, the Company is owned as to approximately 36.43% by Sinopharm Hongkong, which is the controlling shareholder of the Company and a wholly-owned subsidiary of the Vendor. Accordingly, the Vendor is a connected person of the Company and the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

From time to time, Huamiao, HLJ Sinopharm and Jiangyou purchase TCM materials from the CNPGC Group and sell various pharmaceutical products to the CNPGC Group. Such transactions will become continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon completion of the Huamiao Acquisition, the HLJ Sinopharm Acquisition and the Jiangyou Acquisition and will fall within the transactions contemplated under the master purchase agreement and the master

supply agreement as disclosed in the circular of the Company dated 19 December 2016 in relation to the continuing connected transactions. Transaction amount of each of such transactions will account for the usage of the annual caps. The Company will continue to monitor the usage of the annual caps and comply with the Listing Rules as and when necessary.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Acquisitions. The Independent Board Committee which comprises Mr. Zhou Bajun, Mr. Xie Rong and Mr. Lo Wing Yat, all being independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Acquisitions. The other independent non-executive Director, namely Mr. Yu Tze Shan Hailson, is currently an independent non-executive director of Sinopharm Group Co. Ltd which is a subsidiary of CNPGC and accordingly is not included as a member of the Independent Board Committee. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Sinopharm Hongkong will be required to abstain from voting on the resolutions approving the Acquisitions at the EGM.

A circular containing, among others things, (i) details of the Agreements; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information required to be disclosed under the Listing Rules; and (v) the notice of the EGM is expected to be despatched to the Shareholders on or before 10 November 2017.

## **DEFINITIONS**

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

“Acquisitions”	collectively, the proposed acquisition of the entire registered capital of each of Huamiao, Huatai, HLJ Sinopharm and Jiangyou by the Purchaser pursuant to the respective terms and conditions of the Agreements
“Agreements”	collectively, the Huamiao Agreement, the Huatai Agreement, the HLJ Sinopharm Agreement and Jiangyou Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday and Sunday) on which commercial banks in Hong Kong and the PRC are open for general business
“CNPGC”	China National Pharmaceutical Group Corporation (中國醫藥集團總公司), a state-owned enterprise established in the PRC
“CNPGC Group”	CNPGC and its subsidiaries

“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Acquisitions
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“HLJ Sinopharm”	黑龍江國藥藥材有限公司 (Heilongjiang Sinopharm Medicinal Materials Co., Limited*), a company established in the PRC with limited liability, and a wholly-owned subsidiary of the Vendor as at the date of this announcement
“HLJ Sinopharm Acquisition”	the proposed acquisition of the entire registered capital of HLJ Sinopharm by the Purchaser
“HLJ Sinopharm Agreement”	the agreement dated 20 October 2017 entered into between the Purchaser and the Vendor in respect of the HLJ Sinopharm Acquisition
“HLJ Sinopharm Completion”	completion of the HLJ Sinopharm Acquisition in accordance with the terms and conditions of the HLJ Sinopharm Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huamiao”	北京華邈藥業有限公司 (Beijing Huamiao Pharmaceutical Co., Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Huamiao Acquisition”	the proposed acquisition of the entire registered capital of Huamiao by the Purchaser
“Huamiao Agreement”	the agreement dated 20 October 2017 entered into between the Purchaser and the Vendor in respect of the Huamiao Acquisition
“Huamiao Completion”	completion of the Huamiao Acquisition in accordance with the terms and conditions of the Huamiao Agreement

“Huatai”	北京華泰中藥新技術開發有限責任公司 (Beijing Huatai Chinese Medicine New Technology Development Limited Liability Company*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Huatai Acquisition”	the proposed acquisition of the entire registered capital of Huatai by the Purchaser
“Huatai Agreement”	the agreement dated 20 October 2017 entered into between the Purchaser and the Vendor in respect of the Huatai Acquisition
“Huatai Completion”	completion of the Huatai Acquisition in accordance with the terms and conditions of the Huatai Agreement
“Huayi”	華頤藥業有限公司 (Huayi Pharmaceutical Co., Ltd.), an indirect wholly-owned subsidiary of the Company
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Zhou Bajun, Mr. Xie Rong and Mr. Lo Wing Yat, all being independent non-executive Directors, established to give a recommendation to the Independent Shareholders in respect of the Acquisitions
“Independent Shareholder(s)”	the Shareholder(s) other than the Vendor and its associates (including Sinopharm Hongkong)
“Jiangyou”	四川江油中壩附子科技發展有限公司 (Sichuan Jiangyou Zhongba Fuzi Technology Development Co., Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Jiangyou Acquisition”	the proposed acquisition of the entire registered capital of Jiangyou by the Purchaser
“Jiangyou Agreement”	the agreement dated 20 October 2017 entered into between the Purchaser and the Vendor in respect of the Jiangyou Acquisition
“Jiangyou Completion”	completion of the Jiangyou Acquisition in accordance with the terms and conditions of the Jiangyou Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“Purchaser”	國藥集團馮了性(佛山)藥材飲片有限公司 Sinopharm Group Feng Liao Xing (Foshan) Medicinal Material & Slices Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Sinopharm Hongkong ”	Sinopharm Group Hongkong Co., Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Targets”	collectively, Huamiao, Huatai, HLJ Sinopharm and Jiangyou
“TCM”	traditional Chinese medicine
“Vendor”	China National Traditional Chinese Medicine Corporation, a company established in the PRC and managed by State-owned Assets Supervision and Administration Commission of the State Council
“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\$1.18. 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, 20 October 2017

*As at the date of this announcement, the board of directors 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.*

*\* For identification purpose only*