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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Traditional Chinese Medicine Holdings Co. Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**(I) DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO
ACQUISITION OF THE ENTIRE REGISTERED CAPITAL OF
CERTAIN PHARMACEUTICAL COMPANIES;
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to China Traditional Chinese Medicine Holdings Co. Limited



**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



A notice convening the extraordinary general meeting of China Traditional Chinese Medicine Holdings Co. Limited to be held at 2:00 p.m. on Friday, 22 December 2017 at Conference Room, 2nd Floor, No. 1 Keyuan Heng 4 Road, Gaoli Hi-Tech Park, Ronggui, Shunde District, Foshan City, Guangdong Province, the PRC is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the registered office of China Traditional Chinese Medicine Holdings Co. Limited at Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment of it, if you so wish.

24 November 2017

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DEFINITIONS

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

“Acquisitions”	collectively, the proposed acquisitions 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 the Jiangyou Agreement
“Akron”	Akron Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day(s) (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

DEFINITIONS

“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 before HLJ Sinopharm Completion
“HLJ Sinopharm Acquisition”	the proposed acquisition of the entire registered capital of HLJ Sinopharm by the Purchaser pursuant to the HLJ Sinopharm Agreement
“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 before Huamiao Completion
“Huamiao Acquisition”	the proposed acquisition of the entire registered capital of Huamiao by the Purchaser pursuant to the Huamiao Agreement
“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 before Huatai Completion
“Huatai Acquisition”	the proposed acquisition of the entire registered capital of Huatai by the Purchaser pursuant to the Huatai Agreement
“Huatai Agreement”	the agreement dated 20 October 2017 entered into between the Purchaser and the Vendor in respect of the Huatai Acquisition

DEFINITIONS

“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 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 before Jiangyou Completion
“Jiangyou Acquisition”	the proposed acquisition of the entire registered capital of Jiangyou by the Purchaser pursuant to the Jiangyou Agreement
“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
“Latest Practicable Date”	21 November 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Targets”	collectively, Huamiao, Huatai, HLJ Sinopharm and Jiangyou
“TCM”	traditional Chinese medicine
“Vendor”	中國中藥公司 (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
“%”	percent.

* For identification purpose only

Unless the context requires otherwise, amounts in RMB in this circular 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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. WU Xian (*Chairman*)
Mr. WANG Xiaochun (*Managing Director*)
Mr. ZHAO Dongji
Ms. HUANG He

Registered office:

Room 1601
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Non-executive Directors:

Mr. LIU Cunzhou
Mr. DONG Zenghe
Ms. TANG Hua

Independent non-executive Directors:

Mr. ZHOU Bajun
Mr. XIE Rong
Mr. YU Tze Shan Hailson
Mr. LO Wing Yat

24 November 2017

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 20 October 2017 in relation to, among other things, the Acquisitions.

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;

LETTER FROM THE BOARD

- (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.

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 and are subject to the reporting and announcement requirements under the Listing Rules.

As at the Latest Practicable Date, the Company is owned as to approximately 36.43% by Sinopharm Hongkong, which is 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 and are subject to the independent shareholders' approval requirements under 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. Akron has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in this respect.

The purpose of this circular is to provide you with, 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 Akron to the Independent Board Committee and the Independent Shareholders; (iv) the valuation report in respect of the properties held by the Targets prepared by Assets Appraisal Limited (an independent professional property valuer) as set out in Appendix I to this circular (the "**Valuation Report**"); (v) other information required to be disclosed under the Listing Rules; and (vi) the notice of the EGM.

LETTER FROM THE BOARD

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 was below the average of the price-to-earnings ratio of the comparable companies set out below. The consideration also represents a price-to-book ratio of approximately 1.20 times based on the net asset value of Huamiao as at 31 August 2017 of approximately RMB180.4 million (equivalent to approximately HK\$212.9 million), which was also below the average of the price-to-book ratio of the comparable companies. Details of the comparable companies are set out below.

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Comparable companies

To the best of the Directors' knowledge, the Company has identified an exhaustive list of comparable companies based on the following criteria: (i) companies engaged in the manufacture and sale of TCM products in the PRC and listed on the Stock Exchange; and (ii) companies which recorded profit for the most recent financial year as follows:

Company (stock code)	Principal activities	Market capitalisation as at the date of Huamiao Agreement (Note 1) (HK\$'m)	Price-to- earnings ratio (Note 2) (times)	Price-to- book ratio (Note 3) (times)
Guangzhou Baiyunshan Pharmaceutical Holdings Co. Ltd. (874)	Research and development, manufacture and sale of Chinese patent medicine, wholesale, retail, import and export of western and Chinese pharmaceutical products and medical devices; research and development of natural medicine and biological medicine	55,530	18.09	1.75
Tong Ren Tang Technologies Co. Ltd. (1666)	Manufacture and sale of Chinese patent medicine in the form of granules, pills, tablets and soft capsules	13,704	19.29	2.53
Beijing Tong Ren Tang Chinese Medicine Company Limited (8138)	Manufacturing, retail and wholesale of TCM products and healthcare products and provision of Chinese medical consultation and treatments	9,007	21.52	3.99
China Shineway Pharmaceutical Group Limited (2877)	Research and development, manufacture and trading of TCM products	5,822	8.40	0.87

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Company (stock code)	Principal activities	Market capitalisation as at the date of Huamiao Agreement (Note 1) (HK\$'m)	Price-to- earnings ratio (Note 2) (times)	Price-to- book ratio (Note 3) (times)
Zhongzhi Pharmaceutical Holdings Limited (3737)	Manufacture and sale of pharmaceutical products in the PRC	1,440	22.47	2.03
		Average	17.98	2.23

Notes:

1. As extracted from Bloomberg.
2. Price-to-earnings ratio is calculated by dividing closing price of the shares of the relevant comparable company as at the Huamiao Agreement by the earnings per share disclosed in the latest annual report of the relevant comparable company.
3. Price-to-book ratio is calculated by dividing closing price of the shares of the relevant comparable company as at the Huamiao Agreement by the book value per share disclosed in the latest published financial statements of the relevant comparable company.
4. Having considered that the price-to-earnings ratio of Huamiao and the price-to-book ratios of Jiangyou are far below the average of the comparable companies, the Directors have not considered any adjustment factors such as marketability discount and control premium in the analyses.

The consideration for the Huamiao Acquisition shall be payable in cash 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.

LETTER FROM THE BOARD

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 two production plants to Huamiao and Huayi (an indirect wholly-owned subsidiary of the Company) respectively and certain industrial units and offices to the Vendor, 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 of approximately RMB137.5 million (equivalent to approximately HK\$162.3 million) and the preliminary valuation of the properties held by Huatai as at 31 August 2017.

According to the Valuation Report, the market value of the properties held by Huatai as at 31 August 2017 amounted to RMB260.0 million (equivalent to approximately HK\$306.8 million). Taking into account the book value of the properties held by Huatai as at 31 August 2017 of approximately RMB262.5 million (equivalent to approximately HK\$310.0 million), the adjusted net asset value of Huatai as at 31 August 2017 would amount to

LETTER FROM THE BOARD

RMB135.0 million (equivalent to approximately HK\$159.3 million). The consideration for the Huatai Acquisition represents a slight premium of approximately 3.4% over the aforesaid adjusted net asset value. The Directors consider it necessary and beneficial to the Group to secure the two production plants which are being used by Huamiao and Huayi for production use through the Huatai Acquisition and therefore are of the view that the slight premium is acceptable.

The consideration for the Huatai Acquisition shall be payable in cash by the Purchaser to the Vendor within 15 Business Days from the date of satisfaction of all the conditions precedent described below.

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 will ensure that the amount owed by Huatai to the Vendor of approximately RMB163.6 million (equivalent to approximately HK\$193.0 million) will be settled after the Huatai Completion. It is intended that the amount will be settled with the internal resources of the Group by the fourth quarter of 2018. Given that Huatai will become an indirect wholly-owned subsidiary of the Company and its liabilities (including the amount owing by Huatai to the Vendor) will become the Group's liabilities, the Directors consider such terms acceptable.

LETTER FROM THE BOARD

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 TCM products and chemical drugs to pharmaceutical companies in several regions and 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 consolidated net asset value of HLJ Sinopharm as at 31 August 2017 of approximately RMB25.9 million (equivalent to approximately HK\$30.6 million) and the preliminary valuation of the properties held by HLJ Sinopharm as at 31 August 2017.

According to the Valuation Report, the aggregate market value of the properties with title documents issued to HLJ Sinopharm as at 31 August 2017 amounted to approximately RMB40.1 million (equivalent to approximately HK\$47.3 million). Asset Appraisal Limited has not ascribed any commercial value to three other properties held by HLJ Sinopharm as their land use rights are in the nature of administrative allocation and are restricted from being transferred (the “**Non-transferrable Properties**”). For indication purpose, on the assumption that land use right certificates were issued for the Non-transferable Properties in the name of HLJ Sinopharm, the aggregate market value of the Non-transferrable Properties would be RMB5.0 million (equivalent to approximately HK\$5.9 million). As there is no current intention to dispose of the Non-transferrable Properties or to obtain the transferrable rights of the Non-transferrable Properties after the HLJ Sinopharm Completion, the Company has also considered the indicative market values of the Non-transferrable Properties in the negotiation of the HLJ Sinopharm Acquisition. Taking into account the market values of all the properties held by HLJ Sinopharm and their corresponding book

LETTER FROM THE BOARD

value as at 31 August 2017 of approximately RMB8.6 million (equivalent to approximately HK\$10.1 million), the adjusted net asset value of HLJ Sinopharm as at 31 August 2017 would amount to RMB62.4 million (equivalent to approximately HK\$73.6 million). The consideration for the HLJ Sinopharm Acquisition represents a slight discount of 1.6% to the aforesaid adjusted net asset value.

The consideration for the HLJ Sinopharm Acquisition shall be payable in cash by the Purchaser to the Vendor within 15 Business Days from the date of satisfaction of all the conditions precedent described below.

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.

LETTER FROM THE BOARD

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 establishment of a new production plant in Jiangyou City and commenced production of decoction pieces of toxic Chinese medicinal herbs. 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 net asset value of Jiangyou as at 31 August 2017 of approximately RMB63.6 million (equivalent to approximately HK\$75.0 million), the preliminary valuation of the properties held by Jiangyou as at 31 August 2017 and that the newly established production plant was not fully utilised and the earning potential of Jiangyou following commencement of production of the plant has not been reflected in the historical financial results of Jiangyou. The production plant is expected to bring synergy with the Group’s existing special Aconite decoction pieces business.

According to the Valuation Report, the aggregate market value of the properties with title documents issued to Jiangyou as at 31 August 2017 amounted to approximately RMB30.8 million (equivalent to approximately HK\$36.3 million). Taking into account the market values of these properties and their corresponding book value as at 31 August 2017 of approximately RMB28.6 million (equivalent to approximately HK\$33.7 million), the adjusted net asset value of Jiangyou as at 31 August 2017 would amount to RMB65.8 million (equivalent to approximately HK\$77.6 million). The consideration for the Jiangyou Acquisition represents a premium of approximately 24.2% over the aforesaid net asset value. Having considered that (i) the consideration represents a price-to-book ratio of approximately 1.28 times based on the net asset value and approximately 1.24 times based on the adjusted net asset value of Jiangyou. Both ratios were below the average of the price-to-book ratio of comparable companies set out in the paragraph headed “Comparable companies” above; (ii) the newly established production plant which is the largest production plant for Aconite decoction pieces in the PRC is expected to enhance the profitability of Jiangyou; (iii) the Jiangyou Acquisition will strengthen the Group’s foothold and enhance market share in the toxic decoction pieces business in the PRC; and (iv) the consolidation of Jiangyou with the Group’s existing decoction arm is expected to create synergies such as enhanced pricing power, combined distribution channels and economy of scale, the Directors are therefore of the view that such premium is acceptable.

The consideration for the Jiangyou Acquisition shall be payable in cash by the Purchaser to the Vendor within 15 Business Days from the date of satisfaction of all the conditions precedent described below.

LETTER FROM THE BOARD

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).

LETTER FROM THE BOARD

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

	For the year ended	
	31 December	
	2015	2016
	<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
		As at
		31 August
		2017
		<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 asset 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 Huamiao Completion and 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 upon the Huatai Completion. 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).

LETTER FROM THE BOARD

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

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

The increase in net loss of Huatai for the year ended 31 December 2016 was mainly attributable to (i) the increase in depreciation of approximately RMB6.9 million following the completion of construction of Phase II of the industrial complex in late 2015; and (ii) the recognition of an imputed interest expense of approximately RMB8.4 million for an interest-free loan provided by the Vendor to finance the construction of Phase II of the industrial complex. Such imputed interest was capitalised before completion of the construction of Phase II of the industrial complex in previous years.

HLJ Sinopharm

HLJ Sinopharm is a company established in the PRC in 2008 with limited liability. It is principally engaged in the distribution of TCM products and chemical drugs to pharmaceutical companies in several regions and hospitals in Heilongjiang Province, the PRC. It also holds certain retail properties in Harbin which are being leased to independent third parties for rental income and owns two plantation bases of medicinal herbs in Heilongjiang Province, the PRC. In addition, it operates a retail pharmacy through its wholly-owned subsidiary.

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

LETTER FROM THE BOARD

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

	For the year ended	
	31 December	
	2015	2016
	<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
		As at
		31 August
		2017
		<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 establishment of a new production plant in Sichuan which commenced production 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:

	For the year ended	
	31 December	
	2015	2016
	<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

LETTER FROM THE BOARD

**As at 31
August 2017**
(RMB'000)
(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.

The Group's concentrated TCM granules business 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 with and economies of scale into 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 policy support from the PRC government. 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 (being the eastern, northern, southern, southwestern and northwestern regions) after the acquisitions and is expected to benefit from integration of resources in terms of management, procurement, production and financial aspects.

The Directors consider that each of the Targets has strategic value to the Group:

- 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.
- 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 represents an asset reorganisation to enhance management efficiency and realign the ownership and user of the assets.

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- HLJ Sinopharm is the only enterprise in Heilongjiang Province that holds the qualification of poppy shell operation which refers to procurement and sale of poppy shell to pharmaceutical manufacturers. Its possession of a retail pharmacy and direct sales qualification is also 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, the Group 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.
- Jiangyou possesses the largest production plant for Aconite decoction pieces in the PRC. Leveraging on its special Aconite decoction pieces business and the synergy expected to be created with the Group's existing capacity, the Company will develop the best Aconite brand in the PRC within the sub-category of toxic decoction pieces after the acquisition.

The Company intends to finance the aggregate consideration for the Acquisitions amounting to approximately RMB499.3 million (equivalent to approximately HK\$589.2 million) by internal resources of the Group.

Based on the above, the Directors (including the independent non-executive Directors) consider that the respective 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 and are subject to the reporting and announcement requirements under the Listing Rules.

As at the Latest Practicable Date, the Company is owned as to approximately 36.43% by Sinopharm Hongkong, which is 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 and are subject to the independent shareholders' approval requirements under 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 after completion of the Huamiao Acquisition, the HLJ Sinopharm Acquisition and the Jiangyou Acquisition and will fall within the continuing connected transactions between the Group and the CNPGC Group contemplated under the master purchase agreement and the master supply agreement as disclosed in the circular of

LETTER FROM THE BOARD

the Company dated 19 December 2016. Transaction amount of each of such transactions will be counted towards the annual caps of continuing connected transactions set out in the aforesaid circular and approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 6 January 2017. The Company will continue to monitor the usage of the annual caps and comply with the Listing Rules as and when necessary.

The following Directors hold the following positions in the CNPGC Group or its associates:

- (i) Mr. Wu Xian is the director, general manager and deputy secretary of the Party Committee of the Vendor;
- (ii) Mr. Liu Cunzhou is currently the chief expert of CNPGC;
- (iii) Mr. Dong Zenghe is currently the deputy general manager of CNPGC and the chairman of the board of the Vendor;
- (iv) Mr. Zhao Dongji is currently the manager of Investment Management Department and deputy general manager of the Vendor;
- (v) Ms. Huang He is currently the director of operations and the manager of the human resources department of the Vendor;
- (vi) Ms. Tang Hua is currently the financial controller and the manager of finance department of the Vendor; and
- (vii) Mr. Yu Tze Shan Hailson is currently an independent non-executive director of Sinopharm Group Co. Ltd. which is a subsidiary of CNPGC.

The above Directors are regarded as having a material interest in the Agreements by virtue of their positions held in the CNPGC Group or its associates. Each of them had abstained from voting at the Board meeting on the relevant resolutions for approving the Agreements.

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 (the holding company of the Vendor) and accordingly is not included as a member of the Independent Board Committee. Akron has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Sinopharm Hongkong which held 1,614,313,642 Shares (representing approximately 36.43% of the total issued Shares as at the Latest Practicable Date) and its associates will be required to abstain from voting on the resolutions approving the Acquisitions at the EGM.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at 2:00 p.m. on Friday, 22 December 2017 at Conference Room, 2nd Floor, No. 1 Keyuan Heng 4 Road, Gaoli Hi-Tech Park, Ronggui, Shunde District, Foshan City, Guangdong Province, the PRC is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 19 December 2017 to Friday, 22 December 2017, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant Share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 18 December 2017.

RECOMMENDATION

The Directors (excluding members of the Independent Board Committee) are of the view that (i) the nature of the Acquisitions are not in the ordinary and usual course of business of the Group but is in line with the strategic development of the Group; (ii) the terms of the Acquisitions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Acquisitions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions approving the Acquisitions at the EGM.

The Independent Board Committee, having taken into account the advice of Akron, considers that (i) the nature of the Acquisitions are not in the ordinary and usual course of business of the Group but is in line with the strategic development of the Group; (ii) the terms of the Acquisitions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Acquisitions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisitions.

LETTER FROM THE BOARD

Your attention is drawn to the letter from the Independent Board Committee set out on page 24 of this circular which contains its recommendation to the Independent Shareholders and the letter of advice from Akron set out on pages 25 to 53 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders on the Acquisitions. Your attention is also drawn to the Valuation Report set out in appendix I to this circular and the other general information of the Company set out in appendix II to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

24 November 2017

To the Independent Shareholders

Dear Sir or Madam,

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

We have been appointed as the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisitions, details of which are set out in the letter from the Board contained in the circular of the Company dated 24 November 2017 (the “**Circular**”). Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We wish to draw your attention to the letter from the Board on pages 5 to 23 of the Circular and the letter from Akron to the Independent Board Committee and the Independent Shareholders containing its advice on the Acquisitions on pages 25 to 53 of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by, Akron in relation to the Acquisitions as stated in its letter, we consider that (i) the nature of the Acquisitions are not in the ordinary and usual course of business of the Group but is in line with the strategic development of the Group; (ii) the terms of the Acquisitions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Acquisitions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisitions.

Yours faithfully,
For and on behalf of

Independent Board Committee

ZHOU Bajun

XIE Rong

Independent Non-executive Director

LO Wing Yat

LETTER FROM AKRON

The following is the text of a letter of advice from Akron Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisitions for the purpose of inclusion in this circular.



24 November 2017

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 24 November 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 20 October 2017, the Purchaser and the Vendor entered into the following agreements:

(i) The Huamiao Agreement

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. The consideration for the Huamiao Acquisition is approximately RMB216.6 million (equivalent to approximately HK\$255.6 million).

(ii) The Huatai Agreement

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. The consideration for the Huatai Acquisition is approximately RMB139.6 million (equivalent to approximately HK\$164.7 million).

LETTER FROM AKRON

(iii) The HLJ Sinopharm Agreement

Pursuant to the HLJ Sinopharm 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. The consideration for the HLJ Sinopharm Acquisition is approximately RMB61.4 million (equivalent to approximately HK\$72.5 million).

(iv) The Jiangyou Agreement

Pursuant to the Jiangyou 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 Jiangyou Completion. The consideration for the Jiangyou Acquisition is approximately RMB81.7 million (equivalent to approximately HK\$96.4 million).

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

As the Agreements were all entered with the Vendor, the Acquisitions are required to be aggregated. 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 Latest Practicable Date, (i) the Purchaser is a wholly-owned subsidiary of the Company; (ii) 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 constituted connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the announcement, reporting and Independent Shareholders' approval pursuant to the Listing Rules.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save for Sinopharm Hongkong which is interested in 1,614,313,642 Shares, representing approximately 36.43% of the total number of issued Shares, no Shareholders is interested in the Acquisitions and will be required to abstain from voting on the resolutions approving the Acquisitions at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising 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 (the holding company of the Vendor) and accordingly Mr. Yu Tze Sha Hailson is not included as a member of the Independent Board Committee.

LETTER FROM AKRON

We, Akron Corporate Finance Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the independent financial adviser to the independent board committee and the Independent Shareholders of the Company for any transaction.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to the Listing Rules.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinion and representations contained or referred to in the Circular and the statements, information, opinion and representations provided to us by the management of the Company (the “**Management**”) and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Management and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors as set out in the Circular were reasonably made after due and careful inquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular as a whole misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Agreements and the transactions contemplated thereunder. Our opinion is necessarily based on the financial, economic,

LETTER FROM AKRON

market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Akron Corporate Finance Limited to ensure that such information has been correctly extracted from relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions, we have taken into consideration the following principal factors and reasons:

1. Business and financial information of the Group

1.1 Principal business of the Group

The Company is an investment holding company and 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, TCM decoction pieces and TCM healthcare complex.

As advised by the Management, the Group commenced engaging in the pharmaceutical business since late 2006 and is a leading TCM manufacturer in the PRC. Its products include concentrated TCM granules, TCM finished drugs, TCM decoction pieces and healthcare products. Currently, TCM finished drugs and concentrated TCM granules are two major segments of the Company. The Group has over 700 concentrated TCM granules products and 979 finished drugs, of which 282 finished drugs listed on 2017 National Drugs List for Basic Medical Insurance, including 26 exclusive products and eight out of which are listed on the National Essential Drug List.

1.2 Financial information of the Group

(a) Financial Performance

Set out below are the audited consolidated financial results of the Group for (i) the financial year ended 31 December 2015 (“**FY2015**”) and 31 December 2016 (“**FY2016**”) respectively as extracted from the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”); and (ii) the

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six months ended 30 June 2016 and 30 June 2017 respectively as extracted from the interim report of the Company for the six months ended 30 June 2017 (the “2017 Interim Report”):

	For the year ended 31 December		For the six months ended 30 June	
	2015	2016	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(Restated and audited)	(audited)	(unaudited)	(unaudited)
Revenue	3,709,406	6,532,867	3,199,290	3,899,168
Gross profit	2,200,673	3,787,680	1,833,689	2,169,823
Gross profit margin	59.3%	58.0%	57.3%	55.6%
Profit for the year/period	664,049	1,086,540	545,076	662,769
Profit for the year/period attributable to owners of the Company	625,596	966,927	490,776	598,623

For the year ended 31 December 2016

As stated in the 2016 Annual Report,

- (i) revenue of the Group for FY2016 was approximately RMB6.5 billion, representing an increase of approximately 76.1% from approximately RMB3.7 billion for FY2015. The growth of revenue was mainly attributable to full consolidation of the financial statements of Jiangyin Tianjiang Pharmaceutical Co., Ltd. (“**Tianjiang Pharmaceutical**”) and its subsidiaries and the growth of revenue of newly acquired concentrated TCM granules business after the acquisition of Tianjiang Pharmaceutical in October 2015. Among the revenue, the revenue from concentrated TCM granules business amounted to approximately RMB4.4 billion, accounting for approximately 66.7% of total revenue. Finished drug business achieved revenue of approximately RMB2.2 billion, representing approximately 33.3% of the total revenue and representing a decrease of approximately 20.4% compared to approximately RMB2.7 billion for FY2015. We are given to understand from the Management that such decrease was mainly due to (i) a slight decrease in tender prices and the cancellation of tenders in some regions due to secondary price negotiation, and (ii) a destocking process due to the “two invoice system” policy; and
- (ii) the Group’s gross profit margin dropped slightly from approximately 59.3% in 2015 to 58.0% in 2016. We are made known that the decrease in gross profit margin is mainly attributable to (i) a decrease in gross profit margin of finished drug business as compared to last year; and (ii) gross profit margin for the concentrated TCM granules business in 2016 was

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lower than that of the finished drugs business in 2015. Decrease in gross profit margin of finished drugs business is mainly attributable to (i) a decrease in tender prices of certain products and a decrease in revenue due to adjustment of sales strategy; and (ii) affected by the changes in sales volume, production volume has experienced a decline with higher fixed unit production cost, which led to a decrease in gross profit.

For the six months ended 30 June 2017

As stated in the 2017 Interim Report,

- (i) the Group's revenue amounted to approximately RMB3.9 billion for the six months ended 30 June 2017, representing an increase of approximately 21.9% from approximately RMB3.2 billion for the same period of last year, mainly attributable to sales improvement in concentrated TCM granules business and sale contribution brought by the subsidiaries acquired by the Group during 2016 and/or in January 2017 which focused on TCM decoction pieces business and TCM healthcare complex business; and
- (ii) the gross profit margin for the six months ended 30 June 2017 dropped by 1.7% to 55.6% from 57.3% for the six months ended 30 June 2016. The decrease in gross profit margin was mainly due to the increase in raw material costs and the gross profit margins of the newly consolidated companies were lower than the gross margins of the original businesses of the Group.

(b) Revenue by segment

The following table set out the revenue by segment with reference to the 2017 Interim Report and as advised by the Management:

	For the year ended 31 December		For the six months ended 30 June	
	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Restated</i>		<i>(Restated</i>	
	<i>and</i>		<i>and</i>	
	<i>audited)</i>	<i>(audited)</i>	<i>unaudited)</i>	<i>(Unaudited)</i>
Sale of pharmaceutical products				
– TCM Finished drugs	2,730,514	2,174,321	1,111,166	1,144,335
– TCM granules	978,892	4,358,546	2,054,739	2,543,295
– TCM decoction pieces	–	–	31,226	185,226
– TCM healthcare complex	–	–	2,159	26,312
	<u>3,709,406</u>	<u>6,532,867</u>	<u>3,199,290</u>	<u>3,899,168</u>

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It is noted from the above table that although the revenue from the TCM decoction pieces business accountable for approximately 4.8% of the total revenue, it recorded a significant increase of approximately 6 times from RMB31.2 million for the six months ended 30 June 2016 to 185.2 million for the six month ended 30 June 2017. It is in line with the business development of the Group of strengthening TCM decoction pieces business.

2. Business and financial information on the Targets

2.1 Huamiao

Huamiao is a company established in the PRC in 1995 with limited liability. Huamiao is principally engaged in the manufacture and sale of TCM decoction pieces in Beijing, the PRC. Huamiao (i) produces more than 800 kinds of TCM decoction pieces products which are mainly sold to hospitals and medical institutions in Beijing, the PRC; (ii) produces decoction pieces for sale to TCM manufacturing companies; (iii) produces health products for end-users; and (iv) provides decoction services for several hospitals in Beijing. Huamiao also has two production bases located at Daxing District and Shunyi District, Beijing respectively with total construction area of 33,500 sq. meters.

As advised by the Management, the two production bases of Huamiao have four production lines in total with annual production capacity of (i) 500 tonnes for toxic decoction pieces; and (ii) 3,000 tonnes for general decoction pieces.

Set out below is a summary of the financial information of Huamiao prepared in accordance with HKFRS:

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

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As discussed with the Management, we are given to understand that the TCM decoction pieces for sale to hospitals and medical institutions and for sale to TCM manufacturing plant respectively contributed over 75% and 15% of the total revenue since 2015. Growth in financial performance in 2016 was mainly driven by these two segments.

2.2 *Huatai*

Huatai is a company established in the PRC in 1992 with limited liability. The major asset of Huatai 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.

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.

Set out below is a summary of the financial information of Huatai prepared in accordance with HKFRS:

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

As discussed with the Management, we are given to understand that the Management considered the Huatai Acquisition merely represents an asset reorganization to enhance management efficiency and realign the ownership and user of the assets.

2.3 *HLJ Sinopharm*

HLJ Sinopharm is a company established in 2008 in the PRC with limited liability. HLJ Sinopharm is principally engaged in the distribution of TCM products and chemical drugs to pharmaceutical companies in several regions and hospitals in Heilongjiang Province, the PRC. It also holds certain retail properties in Harbin which

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are being leased to independent third parties for rental income and operates a retail pharmacy through its wholly-owned subsidiary. In addition, HLJ Sinopharm owns two plantation bases of medicinal herbs in Heilongjiang Province, the PRC.

Furthermore, HLJ Sinopharm is the only enterprise in Heilongjiang Province that holds the qualification of poppy shell operation which refers to procurement and sale of poppy shell to pharmaceutical manufacturers.

Set out below is a summary of the consolidated financial information of HLJ Sinopharm and its subsidiary prepared in accordance with HKFRS:

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

As discussed with the Management, HLJ Sinopharm focuses on direct sale to hospitals and pharmaceutical institutions in Heilongjiang Province and supplemented by sale to distributors and sale to the public through its own retail platform, Harbin Longjiang Pharmacy (哈爾濱龍江大藥房). HLJ Sinopharm has also expanded its sales network to the downstream terminals over the past few years.

2.4 Jiangyou

Jiangyou is a company established in the PRC in 2001 with limited liability. Jiangyou 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 establishment of a new production plant in Sichuan which commenced production 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.

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Set out below is a summary of the financial information of Jiangyou prepared in accordance with HKFRS:

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

As disclosed in the Letter from the Board, Jiangyou possesses the largest production plant for Aconite decoction pieces in the PRC. The Company will develop the best Aconite brand in the PRC within the sub-category of toxic decoction pieces after the Jiangyou Acquisition.

3. Reasons for the Acquisitions

Prospects of the TCM Industry in the PRC

The PRC government has placed increasing attention towards the development and growth of the TCM industry.

According to the Consultation Paper on the Administration of Traditional Chinese Medicine Granules* (《中藥配方顆粒管理辦法(徵求意見稿)》) published by the China Food and Drug Administration (國家食品藥品監督管理總局) on 24 December 2015, the TCM manufacturers will be required to improve traceability of the origin of raw Chinese herbs used in manufacturing of TCM products. The TCM manufacturers are recommended to set up their own, or through joint venture, raw Chinese herbs plantation bases which comply with the PRC Good Agricultural Practice for Chinese Crude Drugs* (《中藥材生產質量管理規範》).

As indicated in the Development Plan of TCM Healthcare Services (2015-2020)* (《中醫藥健康服務發展規劃(2015-2020)》) published by the General Office of State Council in May 2015, its objective is to establish a TCM healthcare system in year 2020. In addition, the PRC government considers to induce the setting up of a

* for identification purpose only

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healthcare fund for promoting and supporting TCM health care projects. As such, the Management believes that such government policy would continue to support the development of the TCM industry in the PRC.

According to the Traditional Chinese Medicine Act* (《中醫藥法》) which has been implemented on 1 July 2017, it indicated the promotion of TCM services including (i) the setting up of Chinese medicine clinics in hospitals and community centres; (ii) extending the medical insurance coverage to include those Chinese medicine clinics operated by the private sector and the qualified staff employed by private operated Chinese medicine clinics can enjoy the same rights and benefits as those operated by the government.

We also note that according to the information available in the website of Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), total revenue from production of TCM products in the PRC was approximately RMB669.7 billion in 2016. Furthermore, according to the information available in the website of China Industry Information Network* (中國產業信息網), the total revenue from production of TCM products in the PRC is estimated to increase to approximately RMB950.9 billion by 2020, representing a compound annual growth rate of approximately 9.16%.

In view of the above, the Management considers that it is reasonable to expect continued growth in the demand for TCM products and ancillary services.

In line with the Group's core strategies and potential synergetic effects

As disclosed in the 2017 Interim Report, it is the development strategy of the Company to (i) improve the source reliability, tracking process and quality control on the upstream raw materials for concentrated TCM granules and TCM finished drugs segments; and (ii) develop TCM decoction business and penetrate into more hospitals.

Each of the Targets has strategic value to the Group, following completion of the Acquisitions, it will combine extensive technical experience of the Group in extraction of Chinese medicinal herbs, preparation of traditional and modern Chinese medicine with the production facility, special qualification and distribution network that can be offered by the Targets.

With the production capacity of TCM decoction pieces of Huamiao and Jiangyou in Beijing and Sichuan Province respectively and the plantation bases of medicinal herbs of HLJ Sinopharm in Heilongjiang, the Acquisitions will expand the geographical footprint of the Group to a nationwide basis together with its existing production bases in Guangdong, Shanghai, Guiyang and Gansu.

In addition, Huamiao mainly sells its products to hospitals and medical institutions in Beijing, whereas HLJ Sinopharm has a retail pharmacy for direct sale to the public. Leveraging on the established sales network and retail platform of the Huamiao and HLJ Sinopharm, the Group may expand its sales channels and reach into both hospitals and retail network in Beijing and Heilongjiang through the Acquisitions.

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Making use of production capacity and distribution channels of the Targets, it is believed that the Company may benefit from the synergy and potential cross-selling opportunities in promoting its concentrated TCM granules, finished drugs and decoction pieces businesses in the PRC.

The major assets of Huatai is the industrial complex in Beijing which is being leased to Huamiao and Huayi, a wholly-owned subsidiary of the Company. Considering the Huamiao Acquisition and the Huatai Acquisition, it will enable the Group to secure a production plant for operations of Huamiao and hence support continuity of its business and also improve the operation efficiency.

It has been the intention of the Group to integrate the upstream and downstream activities in its TCM business by (i) securing upstream supply of Chinese medicinal herbs as raw materials for the Group's TCM business; and (ii) expansion of downstream business towards retailing of pharmaceutical products. In this connection, the HLJ Sinopharm Acquisition will facilitate the Group's vertical business integration development by gaining access to plantation bases of medical herbs and retail platform in Heilongjiang.

Moreover, in view of the product mix, production facilities and capabilities, access to supply of medical herbs, established customer base, sales channel and retail platform of the Targets as stated above, it is anticipated that the Acquisitions will allow the Group to optimize its production, storage, transportation and distribution activities, maximize inventory turnover and reduce related transportation and storage costs. The Group will be able to lower its production costs through achievement of economies of scale and, in turn, increase the profit margin.

Based on the above, we are of the view that although the Acquisitions are not in the ordinary and usual course of business of the Group. Having considered that the Acquisitions are in line with the core strategies of the Group and the aforementioned benefits which will result from the Acquisitions, we consider that the Acquisitions are in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Agreements

On 20 October 2017, the Purchaser and the Vendor entered into four agreements, namely the Huamiao Agreement, the Huatai Agreement, the HLJ Sinopharm Agreement and the Jiangyou Agreement in relation to acquisition of the entire registered capital of each of Huamiao, Huatai, HLJ Sinopharm and Jiangyou by the Purchaser respectively. Consideration for each of the Agreements will be settled in cash.

4.1 The Huamiao Agreement

Evaluation of the consideration:

As stated in the Letter from the Board, the consideration for the Huamiao Acquisition (the “**Huamiao Consideration**”) is approximately RMB216.6 million (equivalent to approximately HK\$255.6 million) and was determined after arm's

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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 Huamiao 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 was below the average of the price-to-earnings ratio of the comparable companies as set out in the Letter from the Board. The Huamiao Consideration also represents a price-to-book ratio of approximately 1.20 times based on the net asset value of Huamiao as at 31 August 2017 of approximately RMB180.4 million (equivalent to approximately HK\$212.9 million), which was also below the average of the price-to-book ratio of the comparable companies.

We note that the trading multiples analysis is a commonly adopted valuation method in the market. Price-to-earnings ratio ("**PER**") and price-to-book ratio ("**PBR**") are two of the most commonly used benchmarks for valuation of companies. Given that Huamiao was profit making and recorded net assets, we have performed both the PER and PBR analysis to assess the fairness and reasonableness of the Huamiao Consideration.

We consider that PER analysis is a commonly adopted method for evaluating companies with recurring profitable track record. Having considered that (i) Huamiao has a profitable track record over the last five consecutive years; (ii) value of business of Huamiao in the manufacture and sale of TCM decoction products lies in its profit generating ability rather than in the value of its assets; and (ii) Huamiao was established in 1995, which has long operation history and the earning ability of Huamiao in generating sizeable profits of over RMB20 million in the past two years, we consider that a PER analysis is the most suitable and relevant method for valuation of Huamiao and as the primary basis for determining the Huamiao Consideration given that it will better reflect earnings potential of Huamiao in its valuation.

As an additional reference, given that Huamiao recorded net assets, we have also considered PBR analysis for the purpose of assessing the Huamiao Consideration.

Having considered that the intention and core focus of the Group in the Huamiao Acquisition is to acquire a company which generates profit from its business operations instead of acquisition of its assets, we consider that evaluating the Huamiao Consideration with reference to adjusted net asset value may not reflect the true value of Huamiao as it does not take into account the income generating ability of Huamiao from utilization of its assets. As such, we reckon that comparing the Huamiao Consideration with the adjusted net asset value will not provide a reasonable reference for the purpose of assessing the Huamiao Consideration.

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In assessing the fairness and reasonableness of the Huamiao Consideration, to the best of our endeavours, we have reviewed certain relevant announcements and circulars published on the websites of the Stock Exchange and identified 10 comparable transactions (the “**Comparable Transactions**”) involving (i) acquisition of over 51% of issued share capital of target companies; (ii) principal activities of target companies and its subsidiary(ies) are engaged in pharmaceutical business; and (iii) acquisition announced during the period from 1 November 2015 to 20 October 2017 (being the date of the Agreements). The Comparable Transactions represent an exhaustive list of relevant comparable transactions based on the said criteria, and are sufficient for assessing the fairness and reasonableness of the Huamiao Consideration. Details of which are set out in the table below:

Item Number	Date of announcement	Listed company (stock code)	Name of target company	Connected transaction	Shareholders' approval requirement	Principal activities of target company and its subsidiary(ies)	PER ¹	PBR ²
1	28 January 2016	Tongfang Kontafarma Holdings Limited (formerly known as Allied Cement Holdings Limited) (1312)	Beijing Ziguang Pharmaceutical Co., Ltd.	Yes	Yes	Manufacturing and sales of prescription drugs, including injection powder, tablets, capsules, ointments, traditional Chinese medicine patent prescriptions, synthetic drugs, preparations, biochemical drugs and other biochemical products and extended range of other pharmaceutical – related businesses, including the sales of health supplements and food products, sales of medical equipment, as well as pharmaceutical research and testing	1,050.51 ³	2.52
2	29 June 2016	China Grand Pharmaceutical and Healthcare Holdings Limited (512)	Xian Beilin Pharmaceutical Company Limited	No	No	Manufacturing of pharmaceutical products, pre-processing and extraction of Chinese medicine and sale of health food in the PRC	16.54	2.78
3	25 July 2016	Luye Pharma Group Ltd. (2186)	Acino AG and Acino Supply AG	No	No	Developing and producing therapeutic systems for drug release, which in particular include transdermal systems and implants; and distribution of pharmaceutical products	15.12	3.53
4	28 July 2016	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (2196)	Gland Pharma Limited	No	No	Manufacture of injectable drugs	31.71	N/A ⁴
5	11 October 2016	Jacobson Pharma Corporation Limited (2633)	Cawah Holdings Limited	No	No	Manufacturing and sale of generic drugs in Hong Kong	9.99	5.57
6	4 November 2016	Sinco Pharmaceuticals Holdings Limited (6833)	Qingdao Ruichi Pharmaceuticals Company Limited	No	No	Distribution of Chinese patent medicines, chemical pharmaceutical ingredients, chemico-pharmaceutical preparations and antibiotics	73.35 ³	2.70
7	3 March 2017	CSPC Pharmaceutical Group Limited (1093)	Hebei Shiwei Pharmaceutical Trading Co., Ltd.	Yes	No	Sales of pharmaceutical products	N/A ⁵	1.00
8	19 April 2017	Real Nutraceutical Group Limited (2010)	Major Express Group Limited	No	Yes	Sale and distribution of pharmaceutical and healthcare products	N/A ⁵	11.31
9	28 July 2017	Besunyen Holdings Company Limited (926)	Zhuhai Kangbaina Pharmaceutical Co., Ltd.	No	No	Wholesale of traditional Chinese medicine pieces, traditional Chinese medicine finished drugs, chemical API, chemical medicine preparations, antibiotics API, antibiotics preparations and biochemical medicine	5.66	1.53

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Item Number	Date of announcement	Listed company (stock code)	Name of target company	Connected transaction	Shareholders' approval requirement	Principal activities of target company and its subsidiary(ies)	PER ¹	PBR ²
10	28 July 2017	Besunyen Holdings Company Limited (926)	Zhuhai Aolixin Pharmaceutical Co., Ltd.	No	No	Online sales and retail of pharmaceutical products, medical devices, healthcare food and prepacked food	N/A ⁵	0.89
						Maximum	31.71	11.31
						Minimum	5.66	0.89
						Average	15.08	3.54
						The Huamiao Acquisition	9.71	1.20

Source: website of the Stock Exchange

Notes:

- (1) The PERs of the Comparable Transactions are calculated based on the consideration divided by the proportionate share of the net profit after tax of the respective target companies for the respective financial year end attributable to the equity interests in the target companies being acquired (the “Acquired Interests”).
- (2) The PBRs of the Comparable Transactions are calculated based on the consideration divided by the proportionate share of the latest net asset value of the respective target companies attributable to the respective Acquired Interests.
- (3) Excluded as outliers.
- (4) The net asset value of the target company was not given in the announcement, hence no PBR can be calculated.
- (5) The PER was not applicable as the target companies recorded a loss for the respective financial year end.

As depicted from the above table,

- (i) the PERs of the Comparable Transactions ranged from approximately 5.66 times to 31.71 times (the “**PER Range**”), with an average of approximately 15.08 times (excluding the outliers) (the “**PER Average**”). Accordingly, the implied PER as represented by the Huamiao Consideration of approximately 9.71 times is within the PER Range and is lower than the PER Average; and
- (ii) the PBRs of the Comparable Transactions ranged from 0.89 times to 11.31 times (the “**PBR Range**”) with an average of approximately 3.54 times (the “**PBR Average**”). The implied PBR as represented by the Huamiao Consideration of approximately 1.20 times is within the PBR Range and is lower than the PBR Average.

In view of the above, we are of the view that the Huamiao Consideration is fair and reasonable so far as the Independent Shareholders are concerned and the terms of the Huamiao Acquisition are on normal commercial terms.

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4.2. The Huatai Agreement

Evaluation of the consideration:

As stated in the Letter from the Board, the consideration for the Huatai Acquisition (the “**Huatai Consideration**”) 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 of approximately RMB137.5 million (equivalent to approximately HK\$162.3 million) and the preliminary valuation of the properties held by Huatai as at 31 August 2017 as indicated by Asset Appraisal Limited (“**Asset Appraisal**”).

As advised by the Management, Huatai is an investment holding company and its major asset is the land use rights in respect of a parcel of land with a site area of 59,128.50 square meters and the industrial complex and ancillary structures erected thereon located at Daxing District Bio-Engineering and Pharmaceutical Industrial Base, Beijing, the PRC (the “**Industrial Property**”). Phase I and Phase II of the industrial complex are currently leased to Huayi (an indirect wholly-owned subsidiary of the Company) and Huamiao respectively for production use. In addition, Huatai also leased certain industrial units and offices to the Vendor with aggregate annual rental of approximately RMB2.3 million. The Huatai Acquisition merely represents an asset reorganization to enhance management efficiency and realign the ownership and user of the assets.

We note that the Industrial Property is the core assets of Huatai and accounted for over 80% of the total assets of Huatai. As such, we consider that it is more meaningful to make reference to the latest market value of the Industrial Property as appraised by the Asset Appraisal as at 31 August 2017 than its book value as recorded on 31 August 2017 when assessing the true value of Huatai. We also consider that it is more indicative to compare the Huatai Consideration with the net asset value after making adjustment of properties from book value to appraised market value (the “**Adjusted NAV**”) of Huatai so as to assess the fairness and reasonableness of the Huatai Consideration. The Adjusted NAV of Huatai as at 31 August 2017 with its comparison with the Huatai Consideration is set out as follows:

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	Approximately RMB (million)
Unaudited net asset value of Huatai as at 31 August 2017	137.5
Add: Fair value of the Industrial Property appraised by Asset Appraisal as at 31 August 2017	260.0
Less: Book value of the Industrial Property as at 31 August 2017	<u>263.0</u>
Adjusted net asset value of Huatai as at 31 August 2017	<u><u>135.0</u></u>
 Huatai Consideration	 139.6
Premium	3.4%

The Huatai Consideration represents a premium of approximately 3.4% to the Adjusted NAV of Huatai as at 31 August 2017. Upon the Huatai Completion and the Huamiao Completion, both Huatai and Huamiao will become indirect wholly-owned subsidiary of the Company. As such, there is no actual cash inflow/outflow of cash in respect of the payment/receipt of rental for the Industrial Property for the Group. The Group may save the rental expenses as a whole on one hand and will receive rental income from the Vendor for an aggregate annual rental of approximately RMB2.3 million on the other hand. Furthermore, we are made known that the Directors consider it is beneficial and necessary for the Group to secure the two production plants which are being used by Huamiao and Huayi for long-term production use through the Huatai Acquisition.

In addition, although Huatai recorded loss for year ended 31 December 2016, it has turned around for the eight months ended 31 August 2017. Furthermore, revenue and costs of Huatai mainly comprises of rental income and non-cash depreciation and imputed interest expenses (which accounted for over 70% of total costs of Huatai) that mainly associated with the Industrial Property. In this connection, true value of Huatai mainly lies upon market value of the Industrial Property which has been taken into account in the Adjusted NAV as discussed above instead of the profit or loss position of Huatai.

In light of the foregoing, we are of the view that the Huatai Consideration is fair and reasonable.

In determining the Huatai Consideration, it takes into account valuation of the Industrial Property, please refer to the paragraph headed “5. Valuation report of Huatai, HLJ Sinopharm and Jiangyou” for further details.

We also note that the Purchaser will ensure (the “**Purchaser’s Arrangement**”) the settlement of the amount owed by Huatai to the Vendor of approximately RMB163.6 million (equivalent to approximately HK\$193.0 million) (the “**Vendor’s Loan**”) after the Huatai Completion. Upon the Huatai Completion, Huatai will become a wholly-owned subsidiary of the Group and the Vendor’s

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Loan will therefore become liabilities of the Group. As such, it is normal commercial practice for a holding company to ensure settlement of liabilities of its subsidiaries. We are also made known by the Management that the Vendor's Loan represents shareholder's loan from the Vendor to Huatai for financing construction of the Industrial Property. In view of (i) the Group's intention for the Huatai Acquisition is to secure the Industrial Property; (ii) the nature of the Vendor's Loan was associated with construction of the Industrial Property; (iii) the Adjusted NAV has deducted the Vendor's Loan for demonstrating net worth of Huatai, we consider that the Purchaser's Arrangement is commercially justifiable.

4.3 The HLJ Sinopharm Agreement

Evaluation of the consideration:

As stated in the Letter from the Board, the consideration for the HLJ Sinopharm Acquisition (the "**HLJ Sinopharm Consideration**") 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 of approximately RMB25.9 million (equivalent to approximately HK\$30.6 million) and the preliminary valuation of the properties held by HLJ Sinopharm (the "**HLJ Sinopharm Properties**") as at 31 August 2017 as indicated by Asset Appraisal.

We have discussed with the Management and understood that HLJ Sinopharm possesses qualifications approved by the relevant government department for its operation as a pharmaceutical wholesaler and distributor for sale of TCM products and chemical drugs and other pharmaceutical products. The customer base of HLJ Sinopharm mainly comprises of pharmaceutical companies and second tier distributors in Guangdong, Shanghai and Heilongjiang province as well as hospitals in Heilongjiang. HLJ Sinopharm also operates a retail pharmacy for sale of TCM products and chemical drugs to the general public in Harbin. In addition, HLJ Sinopharm is the only enterprise in Heilongjiang Province that holds the qualification for procurement and sale of poppy shell to pharmaceutical manufacturers. The aforesaid qualifications, distribution channels and retail platform of HLJ Sinopharm are of strategic significance to the Group's business expansion in the Northeast China region. As advised by the Management, we expect that after completion of the HLJ Sinopharm Acquisition, it will accelerate implementation of the Group's business plan in the Northeast China region by allowing the Group to have immediate access to the clientele and TCM resources of HLJ Sinopharm, thus enabling the Group to have a better control on the cost and distribution of pharmaceutical products by taking advantage of the business integration through HLJ Sinopharm.

Given that (i) the HLJ Sinopharm Acquisition will be beneficial to the Group from the sales qualifications together with the established business presence, sales network and customer base (particularly in Heilongjian Province) of HLJ

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Sinopharm as a whole rather than the current business operation of HLJ Sinopharm; (ii) fixed assets of HLJ Sinopharm comprises of property, plant and equipment and investment properties; (iii) book value of the HLJ Sinopharm Properties constitutes over 90% of the fixed assets of HLJ Sinopharm whereas retail properties accounted for over 35% of the HLJ Sinopharm Properties and over 5% of total assets of HLJ Sinopharm while the rest of the HLJ Sinopharm Properties are properties used by HLJ Sinopharm as offices, retail shops and storage usage; (iv) the Group considers that the HLJ Sinopharm Properties, in particular, retail properties which are located in prime locations are core assets of HLJ Sinopharm of which the Group intends to acquire in pursuing its business development in the Northeast China region; and (v) current assets (including cash and bank balances, trade and other receivables and inventories) which have relatively high liquidity and are essential for providing working capital for business operations of HLJ Sinopharm accounted for over 80% of its total assets, we are of the view that it will be meaningful to determine the HLJ Sinopharm Consideration from a net assets perspective.

Furthermore, we consider that it is more meaningful to make reference to the latest market value of the HLJ Sinopharm Properties as appraised by the Asset Appraisal on 31 August 2017 than the book value as recorded on 31 August 2017 when assessing the true value of HLJ Sinopharm. Therefore, we are of the view that it is more indicative to compare the HLJ Sinopharm Consideration with the Adjusted NAV of HLJ Sinopharm so as to assess the fairness and reasonableness of the HLJ Sinopharm Consideration. As such, we have calculated the Adjusted NAV of HLJ Sinopharm and compared with the HLJ Sinopharm Consideration as set out below:

	Approximately <i>RMB</i> <i>(million)</i>
Unaudited net asset value of HLJ Sinopharm as at 31 August 2017	25.9
Add: Fair value of HLJ Sinopharm Properties appraised by Asset Appraisal as at 31 August 2017	45.1 <i>(Note)</i>
Less: Book value of HLJ Sinopharm Properties as at 31 August 2017	8.6 <i>(Note)</i>
Adjusted NAV of HLJ Sinopharm as at 31 August 2017	<u>62.4</u>
HLJ Sinopharm Consideration	61.4
Discount	1.6%

Note: Three other properties held by HLJ Sinopharm have their land use rights in the nature of administrative allocation and are restricted from being transferred (the “**Non-transferrable Properties**”). According to the Valuation Report, no commercial value was ascribed to the Non-transferable Properties. For indication purpose, assuming that land use right certificates were issued to the Non-transferable Properties in the name of HLJ Sinopharm, the aggregate market value of the Non-transferrable Properties

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would be RMB5.0 million (the “**Indicative Value**”). Aggregating the market values of the properties with proper ownership title and the Indicative Value regarding the Non-transferable Properties, aggregate market value of the HLJ Sinopharm Properties as at 31 August 2017 was approximately RMB45.1 million and their corresponding book value as at 31 August 2017 was approximately RMB8.6 million.

As set out in the Letter from the Board, there is no current intention to dispose of the Non-transferrable Properties after the HLJ Sinopharm Completion, as such, we consider that it is justifiable to consider the Indicative Value in determining the Adjusted NAV of HLJ Sinopharm.

The HLJ Sinopharm Consideration represents a slight discount of approximately 1.6% to the Adjusted NAV of HLJ Sinopharm as at 31 August 2017. As such, we are of the view that the HLJ Sinopharm Consideration is fair and reasonable.

The Adjusted NAV of HLJ Sinopharm reflects its underlying net assets backing and represents its net worth. We are given to understand that the core focus of Group in the HLJ Sinopharm Acquisition primarily rests on (i) the HLJ Properties, in particular, the retail properties which are located in prime locations; and (ii) established market presence, customer base and sales networks, qualifications for its operations and access to TCM resources etc (the “**Established Qualifications & Networks**”). We are also made known that the business operation of HLJ Sinopharm is not the focus of the HLJ Sinopharm Acquisition. As such, the HLJ Sinopharm Acquisition is essentially acquisition of quality assets of HLJ Sinopharm instead of acquisition of business of HLJ Sinopharm. We note that PER and PBR analysis are methodologies for valuation of companies which are engaged in particular business operations. Having considered that the HLJ Sinopharm Acquisition is not concerned with acquisition of business operation of HLJ Sinopharm, we believe that the PER and PBR analysis will not provide meaningful reference for assessing the HLJ Sinopharm Consideration.

The Adjusted NAV is commonly adopted for valuation of company whose value is represented by its underlying assets rather than its business. The Adjusted NAV of HLJ Sinopharm did not take into account the potential intangible assets of HLJ Sinopharm associated with its Established Qualifications & Networks (the “**Intangible Assets**”). As such, the Adjusted NAV analysis represents a prudent and reasonable assessment of the HLJ Sinopharm Acquisition which represents the minimum net worth of HLJ Sinopharm. If value of the Intangible Assets are also considered, the Group may have to pay a higher amount than the HLJ Sinopharm Consideration. However, it is difficult to obtain data for deriving a reliable estimate of the value of the Intangible Assets. Moreover, it is not the intention of the Vendor and the Purchaser to take into account the value of the Intangible Assets in determining the HLJ Sinopharm Consideration. In view of the above, we consider that it will be irrelevant to include value of the Intangible Assets in assessing the HLJ Sinopharm Consideration.

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Based on the foregoing, no other alternative methods of evaluation is considered for the purpose of assessing the HLJ Sinopharm Consideration.

In determining the HLJ Sinopharm Consideration, it has taken into account valuation of HLJ Sinopharm Properties, please also refer to the paragraph headed “5. Valuation report of Huatai, HLJ Sinopharm and Jiangyou” for further details.

4.4 The Jiangyou Agreement

Evaluation of consideration:

As stated in the Letter from the Board, the consideration for the Jiangyou Acquisition (the “**Jiangyou Consideration**”) 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 net asset value of Jiangyou as at 31 August 2017 of approximately RMB63.6 million (equivalent to approximately HK\$75.0 million), the preliminary valuation of the properties held by Jiangyou (the “**Jiangyou Properties**”) as at 31 August 2017 as indicated by Asset Appraisal and that the newly established production plant was not fully utilised and the earning potential of Jiangyou following commencement of production of the plant has not been reflected in the historical financial results of Jiangyou. The production plant is expected to bring synergy with the Group’s existing special Aconite decoction pieces business.

Taking into account that (i) the Jiangyou Properties are core assets of Jiangyou; (ii) it will be more meaningful to make reference to the latest market value of the Jiangyou Properties as at 31 August 2017 than the corresponding book value as at 31 August 2017 when assessing the true value of Jiangyou; and (iii) the Adjusted NAV of Jiangyou reflects its underlying net asset backing after taking into account the valuation of the Jiangyou Properties performed by Asset Appraisal, we consider that it is more relevant and meaningful to compare and assess the Jiangyou Consideration by using the Adjusted NAV. Calculation of the Adjusted NAV of Jiangyou and comparison with the Jiangyou Consideration is as follows:

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	Approximately RMB (million)
Unaudited net asset value of Jiangyou as at 31 August 2017	63.6
Add: Valuation of the Jiangyou Properties appraised by Asset Appraisal as at 31 August 2017	30.8
Less: Book value of the Jiangyou Properties as at 31 August 2017	<u>28.6</u>
Adjusted NAV of Jiangyou as at 31 August 2017	<u><u>65.8</u></u>
Jiangyou Consideration	81.7
Premium	24.2%

The Jiangyou Consideration represents a premium of approximately 24.2% over the Adjusted NAV of Jiangyou.

As mention in this letter under the section headed “Reasons for the Acquisitions”, the Group will leverage on qualification and capacity of producing Aconite decoction pieces from Jiangyou to expand the product lines so as to enhance competitiveness of the Group. Furthermore, following completion and commencement of production of the newly established production plant in late 2016, the production capacity of Jiangyou in toxic TCM decoction pieces will be further enhanced. The old production plant was mainly used to produce ordinary decoction pieces with only 800 tonnes of processing capacity whereas the new production plant is equipped with processing capacity of 4,000 tonnes of decoction pieces of toxic Chinese medicinal herbs and it became the largest production plant for Aconite decoction pieces in the PRC. With the new production plant, Jiangyou will be capable of producing a variety of toxic Chinese medicinal herbs products such as different forms of Aconite decoction pieces including heishunpian (黑順片), shengfupian (生附片), and Rhizome Pinelliae Preparata (姜半夏) etc.

Besides, the toxic medicinal herbs are essential ingredients of dozens of classical TCM formulations and some of the herbs, such as Aconite, are originally grown in the Sichuan province. Given that Jiangyou and its production plant are situated in Sichuan, it will enable Jiangyou to have direct sourcing of quality medicinal herbs from the origins. With the geographical advantage of Jiangyou and its possession of the largest production plant for Aconite decoction pieces in the PRC, the Jiangyou Acquisition will allow the Group to develop the best Aconite brand in the PRC.

Based on the foregoing, as the valuations on the Jiangyou Properties only reflect their market value which do not take into account the strategic value and potential synergistic effects from the Jiangyou Acquisition with the Group’s

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existing special Aconite decoction pieces business, we consider that the premium of the Jiangyou Consideration over the Adjusted NAV of Jiangyou to be acceptable.

To further assess the fairness and reasonableness of the Jiangyou Consideration, we have also adopted the PBR analysis. PBR is a commonly used business valuation method for capital-intensive business or businesses with plenty of assets on the books. Based on the management accounts of Jiangyou as at 31 August 2017, we note that major assets of Jiangyou mainly comprised of (i) property, plant and equipment which accounted for over 50% of its total assets; and (ii) current assets (including cash and bank balances, trade receivables and inventories) which have relatively high liquidity and are essential for providing working capital for its business operations and accounted for over 40% of its total assets. In view of the nature of assets of Jiangyou and the historical financial performance of Jiangyou has yet taken into account the earning potential of Jiangyou following commencement of production of the new production plant for production of decoction pieces of toxic Chinese medicinal herbs in late 2016, we consider the PBR approach instead of the PER approach to be more suitable for assessing the fairness and reasonableness of the Jiangyou Consideration.

In assessing the fairness and reasonableness of the Jiangyou Consideration, to the best of our endeavours, we have reviewed certain relevant announcements and circulars published on the websites of the Stock Exchange and identified the Comparable Transactions (as set out in the section headed “4.1 The Huamiao Agreement”) which comprises of 10 comparable transactions. The Comparable Transactions represent an exhaustive list of relevant comparable transactions based on the said criteria, and are sufficient for assessing the fairness and reasonableness of the Jiangyou Consideration. Details of which are set out in the table below:

Item Number	Date of announcement	Listed company (stock code)	Name of target company	Connected transaction	Shareholders' approval requirement	Principal activities of target company and its subsidiary(ies)	PBR ¹
1	28 January 2016	Tongfang Kontafarma Holdings Limited (formerly known as Allied Cement Holdings Limited) (1312)	Beijing Ziguang Pharmaceutical Co., Ltd.	Yes	Yes	Manufacturing and sales of prescription drugs, including injection powder, tablets, capsules, ointments, traditional Chinese medicine patent prescriptions, synthetic drugs, preparations, biochemical drugs and other biochemical products and extended range of other pharmaceutical – related businesses, including the sales of health supplements and food products, sales of medical equipment, as well as pharmaceutical research and testing	2.52
2	29 June 2016	China Grand Pharmaceutical and Healthcare Holdings Limited (512)	Xian Beilin Pharmaceutical Company Limited	No	No	Manufacturing of pharmaceutical products, pre-processing and extraction of Chinese medicine and sale of health food in the PRC	2.78
3	25 July 2016	Luye Pharma Group Ltd. (2186)	Acino AG and Acino Supply AG	No	No	Developing and producing therapeutic systems for drug release, which in particular include transdermal systems and implants; distribution of pharmaceutical products	3.53

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Item Number	Date of announcement	Listed company (stock code)	Name of target company	Connected transaction	Shareholders' approval requirement	Principal activities of target company and its subsidiary(ies)	PBR ¹
4	28 July 2016	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (2196)	Gland Pharma Limited	No	No	Manufacture of injectable drugs	N/A ²
5	11 October 2016	Jacobson Pharma Corporation Limited (2633)	Cawah Holdings Limited	No	No	Manufacturing and sale of generic drugs in Hong Kong	5.57
6	4 November 2016	Sinco Pharmaceuticals Holdings Limited (6833)	Qingdao Ruichi Pharmaceuticals Company Limited	No	No	Distribution of Chinese patent medicines, chemical pharmaceutical ingredients, chemico-pharmaceutical preparations and antibiotics	2.70
7	3 March 2017	CSPC Pharmaceutical Group Limited (1093)	Hebei Shiwei Pharmaceutical Trading Co., Ltd.	Yes	No	Sales of pharmaceutical products	1.00
8	19 April 2017	Real Nutraceutical Group Limited (2010)	Major Express Group Limited	No	Yes	Sale and distribution of pharmaceutical and healthcare products	11.31
9	28 July 2017	Besunyen Holdings Company Limited (926)	Zhuhai Kangbaina Pharmaceutical Co., Ltd.	No	No	Wholesale of traditional Chinese medicine pieces, traditional Chinese medicine finished drugs, chemical API, chemical medicine preparations, antibiotics API, antibiotics preparations and biochemical medicine	1.53
10	28 July 2017	Besunyen Holdings Company Limited (926)	Zhuhai Aolixin Pharmaceutical Co., Ltd.	No	No	Online sales and retail of pharmaceutical products, medical devices, healthcare food and prepacked food	0.89
Maximum							11.31
Minimum							0.89
Average							3.54
The Jiangyou Acquisition							1.24

Source: website of the Stock Exchange

Notes:

- (1) The PBRs of the Comparable Transactions are calculated based on the consideration divided by the proportionate share of the latest net asset value of the respective target companies attributable to the respective Acquired Interests.
- (2) The net asset value of the target company was not given in the announcement, hence no PBR can be calculated.

As set out in table above, the PBRs of the Comparable Transactions ranged from approximately 0.89 times to 11.31 times with an average of approximately 3.54 times. The implied PBR as represented by the Jiangyou Consideration of approximately 1.24 times is within the PBR Range and is lower than the PBR Average. As such, we are of the view that the Jiangyou Consideration is fair and reasonable in this regard.

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In determining the Jiangyou Consideration, it has taken into account valuation of the Jiangyou Properties, please also refer to the paragraph headed “5. Valuation report of Huatai, HLJ Sinopharm and Jiangyou” for further details.

5. Valuation report of Huatai, HLJ Sinopharm and Jiangyou

Pursuant to the Letter from the Board, the valuation of the Industrial Property, HLJ Sinopharm Properties and Jiangyou Properties (the “**Properties**”) by Asset Appraisal is one of the basis in determining the Huatai Consideration, HLJ Sinopharm Consideration and Jiangyou Consideration respectively (collectively, “**Considerations**”). In assessing the fairness and reasonableness of the valuation of the Properties (the “**Valuation**”), we have reviewed the valuation report set out in Appendix I to the Circular (“**Valuation Report**”) and discussed with Asset Appraisal in relation to its competence, methodologies used and assumptions adopted in performing the Valuation.

5.1 *Competence of the Valuer*

We note that the Valuation Report was prepared by the Valuer in accordance with the HKIS Valuation Standards and have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Listing Rules. In the course of our discussion with Asset Appraisal, we note that Asset Appraisal has relied on the information given by the Company and the legal opinion issued by the PRC legal adviser to the Company regarding the titles of the properties, tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters. We also understand that Asset Appraisal had conducted on-site inspection of the Properties including the exterior and interior (if possible) and did not note any apparent defects on the Properties. Furthermore, we have reviewed the qualification and experience of Asset Appraisal and the person in charge of the Valuation. Asset Appraisal is a qualified professional valuation firm in Hong Kong with extensive experience in the valuation of properties in the Hong Kong and the PRC. Ms. Sandra Lau, who is responsible for signing the Valuation Report, has over 10 years’ experience in valuation of properties in Hong Kong, Macau and the PRC. Furthermore, we have enquired with Asset Appraisal as to its independence from the Group, and understood that Asset Appraisal is an independent third party from the Group, the connected persons of the Group and other parties to the Acquisitions. We have also reviewed mandate letter of Asset Appraisal and noted that its scope of work is appropriate to the opinion given and there were no limitations to the scope of work.

5.2 *Valuation Methodologies*

According to our discussion with Asset Appraisal, the valuation of any asset can be broadly classified into one of three approaches, namely the income approach, the cost approach and the market approach. We note that Asset Appraisal has adopted the market approach by making use of the direct comparison method. We also understand from Asset Appraisal that the income approach and the cost approach were not applicable to the valuation of the Properties as at the valuation date.

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(a) Income approach

Income approach involves assessment of future economic benefits of an asset and then discounted to present value with an appropriate risk-adjusted discount rate. Asset Appraisal considered that as the income approach involves various assumptions and subject to various uncertainties, such as economic environment in the future, thus, Asset Appraisal considers that the adoption of income approach in this case may not be appropriate for valuing the Properties.

(b) Cost approach

Cost approach considers the cost to reproduce or replace the property, however it does not take into account the market value attributable to the owner. In addition, through our discussion with Asset Appraisal, we are given to understand that cost approach is generally applied when there is absence of public market information. Given that there is public market information available in relation the Properties, Asset Appraisal considers that the adoption of cost approach in this case may not be appropriate for the valuation of the Properties.

(c) Market approach

As advised by Asset Appraisal, it is a common practice of adopting the market approach by making use of the direct comparison method, where comparison is based on price information of comparable properties is made. During our discussion with Asset Appraisal and our review of the Valuation Report, we understand how the Valuation was being derived and how the comparable properties of similar size, character, and location were weighted against all the respective advantages and disadvantages. We are of the view that the valuation method of adoption of the direct comparison approach for the Valuation adopted by Asset Appraisal is in line with the market practice.

5.3 Valuation Assumptions

We have discussed with Asset Appraisal in respect of the valuation assumptions applied in the Valuation. We note that the valuation assumptions adopted by Asset Appraisal are common assumptions adopted in property valuations, including (i) the owners sell the Properties on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties; (ii) the Properties are held by the owners by means of long term land use rights granted by the PRC Government; and (iii) the owners have free and uninterrupted rights to use the Properties for the whole of the unexpired term of the respective land use rights. We are not aware of any material facts which may lead us to doubt the principal basis and assumptions adopted for or the information used in the Valuation.

As set out above, we are satisfied that (i) Asset Appraisal is independent from the Company and has sufficient experience and competency to perform the valuations; (ii) scope of work of Asset Appraisal is appropriate for the relevant engagement; and (iii)

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the valuation assumptions and methodologies used by Asset Appraisal are fair, reasonable and complete in relation to the Valuation. Based on the above, we are of the view that the Valuation performed by Asset Appraisal is fair and reasonable.

Taking into account the factors discussed above, we consider the Valuation is a good reference to assess the fairness and reasonableness of the Considerations and are of the view that each of the Huatai Consideration, the Sinopharm Consideration and the Jiangyou Consideration is fair and reasonable and in the interest of the Company and Shareholders as a whole.

6. Possible financial effect of the Acquisitions

Upon completion of the Acquisitions, the Targets will become indirect wholly-owned subsidiaries of the Company and their respective financial results will be consolidated into the consolidated financial statements of the Group.

Set out below illustrates the effect on earnings, net asset value, gearing and working capital of the Group as a result of the Acquisitions.

(i) *Effects on earnings*

According to the 2016 Annual Report, the Group had an audited net profit attributable to the equity Shareholders of approximately RMB966.9 million for FY2016. As set out in the Letter from the Board, except for Huatai which recorded a net loss, each of Huamiao, HLJ Sinopharm and Jiangyou recorded a net profit for the year ended 31 December 2015 and 2016 respectively:

	Profit/(loss) for the year ended 31 December	
	2015	2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Huamiao	25,186	22,316
Huatai	(2,736)	(17,441)
HLJ Sinopharm	1,131	1,137
Jiangyou	1,767	1,849
	<u>25,348</u>	<u>7,861</u>

For the year ended 31 December 2016, the significant increase in net loss of Huatai as compared with its corresponding period in 2015 is mainly due to (i) an increase in depreciation expenses by approximately RMB6.9 million following completion of the construction of Phase II of the industrial complex in late 2015; and (ii) approximately RMB8.4 million of the imputed interest expenses on the interest-free loan provided by the Vendor (the “**Construction Loan**”) for the construction of Phase II of the industrial complex was recognized due to the accounting treatment (such

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imputed interest was capitalised before completion of the construction of Phase II of the industrial complex in previous years). Each of the aforesaid items is non-cash item and did not have any cash flow impact to Huatai.

The financial performance of Huatai has turned around from loss making to profit making for the eight months ended 31 August 2017. It is mainly attributable to (i) the increase in rental income of approximately RMB3 million due to the net effect of (a) the recognition of eight months rental during the period in 2017 while only four months of rental income were recorded for the year ended 31 December 2016 following the commencement of a lease of Phase II of the industrial complex in August 2016 and (b) the reduction of rental income of Phase I of the industrial complex; (ii) a decrease in finance costs by approximately RMB8.0 million in respect of the decrease of imputed interest expenses following the Construction Loan became due in May 2017 and only five months of imputed interest expenses on the Construction Loan was recognized; and (iii) the absence of the consultancy fee of approximately RMB1.2 million for the construction of Phase II of the industrial complex and the equipment test-run fee of approximately RMB1.2 million for the production plants in Phase II of the industrial complex, those items were non-recurring expenses for the year ended 31 December 2016.

In view of the profit generating record of the Targets, positive prospects of the TCM industry and potential synergy effect after completion of the Acquisitions, it is anticipated that the Acquisitions will improve profitability of the Group upon completion of the Acquisitions.

(ii) Effects on net asset value

We note that (i) all the Targets recorded net assets as at 31 August 2017; and (ii) the consideration for the Acquisitions would be settled by cash. It is expected that there would be no material effect on the net asset value of the Group. We also note that the consideration of the Acquisitions exceed the aggregate net asset value of the Targets. As such, goodwill representing the difference between fair value of the consideration and the aggregate net asset value of the Targets upon completion is expected to be recorded by the Group.

Taking into account that the Group recorded unaudited net assets value attributable to owners of the Company of approximately RMB12,050.0 million as at 30 June 2017, it is expected that there would not be material impact on the Group's net assets except for the recognition of goodwill.

(iii) Effects on gearing and working capital

Based on the Group's unaudited cash and bank balances (excluding pledged bank deposits) of approximately RMB3,362.7 million and net current assets of approximately RMB6,902.0 million as at 30 June 2017, it is expected that the Group will have sufficient capital to settle the total consideration of approximately RMB499.3 million for the Acquisitions.

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In addition, each of the Targets recorded net asset as follows as at 31 August 2017:

	<i>RMB'000</i> <i>(unaudited)</i>
Huamiao	180,414
Huatai	137,473
HLJ Sinopharm	25,865
Jiangyou	<u>63,598</u>
	<u><u>407,350</u></u>

In view of the aggregate net assets of the Targets of approximately RMB407.4 million as at 31 August 2017 as stated above and as advised by the Management that save for Huamiao which recorded bank borrowings of approximately RMB80.0 million as at 31 August 2017, each of the Targets does not have bank borrowings as at 31 August 2017, it is expected that upon completion of the Acquisitions, the increase in level of bank borrowings will be less than the increase in net assets. Hence, it will not have material impact on the gearing of the Group.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that, (i) the nature of the Acquisitions are not in the ordinary and usual course of business of the Group but is in line with the strategic development of the Group; (ii) the terms of the Acquisitions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Acquisitions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisitions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Akron Corporate Finance Limited
Ross Cheung
Managing Director

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal, an independent valuer, in connection with its valuation as at 31 August 2017 of the properties held by the Targets.

**Asset Appraisal Limited****中誠達資產評估顧問有限公司**

Rm 901 9/F On Hong Commercial Building
No.145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號宏源商業大廈9樓901室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

Date: 24 November 2017

The Board of Directors**China Traditional Chinese Medicine Holdings Company Limited**

Room 1601

Emperor Group Centre

No. 288 Hennessy Road

Hong Kong

Dear Sirs,

Re: Valuation of Various Properties situated in the People's Republic of China (the "PRC")

In accordance with the instructions from **China Traditional Chinese Medicine Holdings Company Limited** (the "**Company**") to value the property interests (the "**Properties**") held by Targets and situated in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at **31 August 2017** (the "**date of valuation**").

BASIS OF VALUATION

Our valuation of the Properties represents the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHP

We have been provided with copies of legal documents regarding title to the Properties. However, we have not verified ownership of the Properties and to ascertain any amendment which may not appear on the copies handed to us.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Hylands Law Firm (北京市浩天信和律師事務所, the "**PRC Legal Opinion**"), to the Company on the relevant laws and regulations in the PRC.

VALUATION METHODOLOGY

In valuing the Properties, we have considered three common approaches of valuation, namely, the cost approach, the income approach and the market approach.

By the costs approach, the market value of a property is arrived at based on the depreciated replacement cost (DRC) of the property. DRC is the current costs of replacement or reproduction of a property (including the market value for existing use of the land component and the current replacement costs of the buildings or structure thereon) with allowance on physical deterioration and all relevant forms of obsolescence and optimization. It is normally used when there is either no evidence of transaction prices for similar property or no identifiable actual or notional income stream that would accrue to the owner of the relevant interest. It is principally used for the valuation of specialised property, which is property that is rarely if ever sold in the market, except by way of sale of the business or entity of which it is part.

The income approach refers to the approach by which the value of a property can be measured by the present worth of the economic benefits to be generated from the existing business operations occupying the property. Projection on the future economic benefits from the business operations is made and such economic benefits in the form of net cash flows are discounted to their present value using an appropriate discount rate. This approach has not been employed in this valuation on the ground that the adoption of much more assumptions than the other two approaches, not all of which can be easily quantified or ascertained.

The market approach refers to the approach by which the value of a property is determined by making reference to comparable sales evidences as available in the relevant market of properties similar to the property being valued. This approach which is widely used for valuation of land parcels, residential properties and commercial property has been selected for the valuation of the Properties.

We have adopted the Market Approach by making use of the Comparison Method where comparison based on price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the Properties on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

Unless otherwise stated, the Properties are held by the owners by means of long term Land Use Rights granted by the Government. We have assumed that the owners have free and uninterrupted rights to use the Properties for the whole of the unexpired term of the respective land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in holding it. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Properties were last inspected by Zhou Tong, who is a registered PRC Real Estate Appraiser, on between 14 September 2017 and 21 September 2017. We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment. As confirmed by the Company, the owners of the Properties are not aware of any environmental issue with respect to the Properties.

The market value estimate contained within this report specifically excludes the impact of environmental contamination resulting from earthquakes or other causes. It is recommended that the reader of this report consult a qualified environmental auditor for the evaluation of possible environmental defects, the existence of which could have a material impact on market value.

No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas, or other subsurface minerals use rights or conditions investigated.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Sandra Lau
MHKIS AAPI RPS(GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

Property	Market value of the Property in existing state as at 31 August 2017
Group I – Property Interests held for self occupation	
1. An industrial complex located at Lot No. 02-0206 Desheng Village Taiping Town Jiangyou City Sichuan Province, the PRC	RMB4,170,000
2. An industrial complex located at Lot No. 81-3-13-132 Henan Industrial Park, Jiangyou City Sichuan Province, the PRC	RMB26,640,000
3. Portion of Level 2 to Level 3, Level 4 to Level 7 No. 186 Hayao Road, Daoli District, Harbin City, Heilongjiang Province, the PRC	RMB12,010,000
4. Level 1, No. 192 Hayao Road, Daoli District, Harbin City, Heilongjiang Province, the PRC	RMB1,650,000
5. Unit 1 on Level 1, No. 79-4 Baling Street, Nangang District, Harbin City, Heilongjiang Province, the PRC	No commercial value
6. Level 1 No. 157 Guogeli Street, Nangang District, Harbin City, Heilongjiang Province, the PRC	No commercial value
Sub-total	<u>RMB44,470,000</u>

Property	Market value of the Property in existing state as at 31 August 2017
Group II – Property Interests held for investment	
7. Level 1, No. 190 Hayao Road, Daoli District, Harbin City, Heilongjiang Province, the PRC	RMB7,780,000
8. Basement, Portion of Level 2 to Level 3, Unit 305 3/F No. 186 Hayao Road, Daoli District, Harbin City, Heilongjiang Province, the PRC	RMB6,040,000
9. Unit 2-3 on Level 1, No. 79-3 Baling Street, Nangang District, Harbin City, Heilongjiang Province, the PRC	No commercial value
10. Unit 8-1-1 on Level 1 Block 24 Hong Qi Sub-district Daowai District Harbin City Heilongjiang Province, the PRC	RMB1,760,000
11. Unit 9 G/F, Block 34, Heping Sub-district Daowai District, Harbin City, Heilongjiang Province, the PRC	RMB1,590,000
12. Unit 10 1/F, Block 34, Heping Sub-district Daowai District, Harbin City, Heilongjiang Province, the PRC	RMB2,390,000
13. Unit 3 1/F, Block 1, Lujai Sub-district Nangang District, Harbin City, Heilongjiang Province, the PRC	RMB3,430,000
14. Unit 3-2 2/F, Block 1, Lujai Sub-district Nangang District, Harbin City, Heilongjiang Province, the PRC	RMB920,000

Property	Market value of the Property in existing state as at 31 August 2017
15. Unit 3 B1, Block 1, Lujai Sub-district Nangang District, Harbin City, Heilongjiang Province, the PRC	RMB2,480,000
16. Phase 1 & 2 of Beijing Hua Tai Chinese Medicine New Technology Development Centre, Daixing District Beijing City, the PRC	RMB260,000,000
Sub-total	<u>RMB286,390,000</u>
Grand total	<u>RMB330,860,000</u>

VALUATION CERTIFICATE

Group I – Property Interests held for self occupation

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
1. An industrial complex located at Lot No. 02-0206 Desheng Village Taiping Town Jiangyou City Sichuan Province, the PRC 四川江油市太平鎮德勝村地號02-0206	The property comprises a parcel of industrial land with an area of 15,723 square metres on which a total of six 1 to 2-storey buildings are erected. The buildings were completed in between 2001 and 2003. The total gross floor area of the subject buildings is 2,703.41 square metres. The land use rights of the subject land parcel have been granted for a term expiring on 26 December 2031.	The property is currently vacant.	RMB4,170,000 See note 4 below

Notes:

- (1) As specified in the Land Use Right Certificate (Ref Jiang Guo Yong 2002 No. 0200273 江國用(2002)字第0200273號) issued by the Municipal Government of Jiangyou City on 12 June 2002, the land use rights of the subject land parcel of the property with an area of 15,723 square metres are held by Jiangyou for a term of years expiring on 26 December 2031 for industrial uses.
- (2) As specified in the Building Ownership Certificate (Ref Jian Zheng Zi No.0036927 監證字第0036927號) issued by the Jiangyou Real Estate Administration Bureau on 2 August 2002, the building ownership rights of one of the 6 subject buildings with a gross floor area of 177.39 square metres is held by Jiangyou.
- (3) As specified in another Building Ownership Certificate (Ref Jian Zheng Zi No.0036928 監證字第0036928號) issued by the Jiangyou Real Estate Administration Bureau on 2 August 2002, the building ownership rights of four of the 6 subject buildings with a gross floor area of 2,400.02 square metres are held by Jiangyou.
- (4) As at the date of valuation, Building Ownership Certificate of one of the 6 subject buildings with a gross floor area of 126 square metres has not been issued. In the course of our valuation, we have disregarded the market value of this building. For indication purpose, on the assumption that a Building Ownership Certificate was issued to the aforesaid building in the name of Jiangyou on the date of valuation, the total market value of the property as at the date of valuation is RMB4,300,000.
- (5) Opinion of the PRC Lawyer on the property is summarized as follows:
 - i. On 12 June 2002, the Municipal Government of Jiangyou City issued the Land Use Right Certificate (Ref Jiang Guo Yong 2002 No. 0200273 江國用(2002)字第0200273號) to Jiangyou and the Jiangyou is entitled to the land use rights of the subject land parcel. As specified in the Land Use Right Certificate, the land use rights of the land parcel which are expiring on 26 December 2031 are in the nature of granted land use rights permitted for industrial uses.

- ii. As specified in two sets of Building Ownership Certificate (Ref Jian Zheng Zi Nos. 0036927 and 0036928 監證字第0036927, 0036928號) both issued by the Jiangyou Real Estate Administration Bureau on 2 August 2002, five subject buildings of the property with a total gross floor area of 2,577.41 square metres are held by Jiangyou.
- iii. Jiangyou cannot provide a copy of Construction Project Construction Permit (建設工程施工許可證) but pursuant the record of (綿陽市建設工程竣工驗收證書) the registered no. of Construction Project Construction Permit is (2001) 009.
- iv. According to the Real Property Registry of Jiangyou City (江油市不動產登記中心), the subject land parcel and the aforesaid 5 subject buildings were not subject to court seizure order as at 13 September 2017. No bank mortgage and liabilities were registered against the 5 subject buildings.
- v. According to the land use right and encumbrance registration details released by the Real Property Registry of Jiangyou City (江油市不動產登記中心), as at 25 September 2017, the land use rights of the subject land parcels have been pledged to China Construction Bank Corporation Jiangyou Branch for various bank loans. With confirmation from Jiangyou and investigation by the PRC Lawyer, all concerned bank loans have been fully repaid. However, the application for registration on bank loan discharged has yet to be submitted to the Real Property Registry. Under the prevailing law in the PRC, the mortgagee's rights in the subject land parcel shall be extinguished once the underlying bank loans are fully repaid.
- vi. Jiangyou has the rights to possess, use, device benefits and otherwise dispose of the land use rights and building ownership rights of the property.

VALUATION CERTIFICATE

Group I – Property Interests held for self occupation

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
2. An industrial complex located at Lot No. 81-3-13-132 Henan Industrial Park, Jiangyou City Sichuan Province, the PRC. 四川江油市河南工業園區地號 81-3-13-132	The property comprises a parcel of industrial land with an area of 26,098.20 square metres on which a total of four 1 to 4-storey buildings are erected. The buildings were completed in 2016. The total gross floor area of the subject buildings is 9,866.4 square metres. The land use rights of the subject land parcel have been granted for a term expiring on 21 April 2065.	The property is currently occupied by Jiangyou as its production base.	RMB26,640,000 See notes 5 & 6 below

Notes:

- (1) As specified in the Land Use Right Certificate (Ref Jiang Guo Yong 2015 No. 0300894 江國用(2015)字第0300894號) issued by the Municipal Government of Jiangyou City on 29 April 2015, the land use rights of the subject land parcel of the property with an area of 26,098.20 square metres are held by Jiangyou for a term of years expiring on 21 April 2065 for industrial uses.
- (2) As revealed by the Construction Land Use Planning Permit (建設用地規劃許可證, Ref Di Zi No. 2015014, 地字第2015014號) dated 16 April 2015 and the Construction Work Planning Permit (建設工程規劃許可證, Ref. Jian Zi No. 2013076, 建字第2013076號) dated 25 February 2013 both issued by the Jiangyou City Town and Rural Planning, Construction and Housing Supply Bureau (江油市城鄉規劃建設和住房保障局), the subject land parcel with an area of 25,993.33 square metres has been planned for second class industrial use with an authorized developable gross floor area of 9,866.4 square metres.
- (3) Jiangyou was issued by the Jiangyou City Town and Rural Planning, Construction and Housing Supply Bureau with the Construction Work Start Permit (建設工程施工許可證) on 20 March 2014 for undertaking the construction work for the property.
- (4) As revealed by the Construction Works Permits (Ref No. Jian Shi No. (2014)019) dated 20 March 2014 the total gross floor area is 9,886.4 square metres. The construction unit is Sichuan Jiangyou Fuzi Technology Development Limited Company 四川江油中壩附子科技發展有限公司 with project name 年產4000噸附子中藥飲片加工生產線技術改造(附子產業升級)工程. The project is located in the East district of Jiangyou City Industrial Park. The Construction period is from March 2014 to March 2015.
- (5) The Building Ownership Certificate of the subject buildings has yet to be issued as at the date of valuation. As confirmed by Jiangyou, it is entitled to apply for the issue of the Building Ownership Certificate upon completion of certain structural modification work for the property.
- (6) We have valued the property on the basis that there shall have no legal impediment and substantial charge for obtaining the Building Ownership Certificate for the property.
- (7) Opinion of the PRC Lawyer on the property is summarized as follows:

- i. On 29 April 2015, the Municipal Government of Jiangyou City issued the Land Use Right Certificate (Ref Jiang Guo Yong 2015 No. 0300894 江國用(2015)字第0300894號) to Jiangyou and Jiangyou is entitled to the land use rights of the subject land parcel. As specified in the Land Use Right Certificate, the land use rights of the land parcel which are expiring on 21 April 2065 are in the nature of granted land use rights permitted for industrial uses.
- ii. For undertaking the construction work for the property, Jiangyou has applied and was issued with the Construction Land Use Planning Permit (建設用地規劃許可證, Ref Di Zi No. 2015014, 地字第2015014號) dated 16 April 2015, the Construction Work Planning Permit (建設工程規劃許可證, Ref. Jian Zi No. 2013076, 建字第2013076號) dated 25 February 2013 and the Construction Work Start Permit (建設工程施工許可證) on 20 March 2014. As revealed from the aforesaid permits, the subject land parcel is planned for second class industrial use with an authorized developable gross floor area of 9,866.4 square metres.
- iii. According to the Confirmation released by the Real Property Registry of Jiangyou City (江油市不動產登記中心) on 13 September 2017, the subject land parcel is not subject to court seizure order. According to the Land Use Right and Encumbrance Registration Details released by the Real Property Registry of Jiangyou City (江油市不動產登記中心) on 25 September 2017, the land use rights of the subject land parcel is not subject to any mortgage.
- iv. The title registration procedures of the property have yet to be proceeded. According to the written statement provided by Jiangyou, despite the fact that the work completion inspection and examination process has been performed for the subject buildings, certain sub-standard building works were found in the subject buildings when they were about to be put for occupation. Relevant structural modification works are currently in progress and it is entitled to file application to the relevant government authorities for performing work completion inspection and examination upon the completion of the structural modification works. After going through all the above progress, title registration procedures can be proceeded for the property.
- v. Jiangyou has the rights to possess, use, device benefits and otherwise dispose of the land use rights of the property.

VALUATION CERTIFICATE

Group I – Property Interests held for self occupation

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
3. Portion of Level 2 to Level 3, Level 4 to Level 7 No. 186 Hayao Road, Daoli District, Harbin City, Heilongjiang Province, the PRC 黑龍江道里區哈藥路186號部分2-3層, 4層至7層 Lot No. 1-12-8-58	The property comprises office units within an 8-storey commercial building completed in about 1994. The gross floor area of the property area 1,645.60 square metres. The land use rights of the subject land parcel have been granted for a term expiring on 31 May 2044.	The property is occupied by HLJ Sinopharm as offices.	RMB12,010,000

Notes:

- (1) As revealed by the Land uses right Certificate (Ref Ha Guo Yong 2009 No. 02000559, 哈國用(2009)第02000559號) issued by the Municipal Government of Harbin City on 16 October 2009, the land use rights of the property are held by HLJ Sinopharm for a land use right term expiring on 31 May 2044 for commercial/service (office) uses.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 0801078597, 哈房權證里字第0801078597號) issued by the Harbin City Real Estate Housing Administration Bureau on 26 December 2008, the building ownership rights of the property are held by HLJ Sinopharm.
- (3) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Land Use Rights Certificate (Ref Ha Guo Yong 2009 No. 02000559, 哈國用(2009)第02000559號) and Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 0801078597, 哈房權證里字第0801078597號) for the property and is legally holding the land use rights and building ownership rights of the property.
 - (ii) The land use rights and building ownership rights of the property can be freely transferred, leased or mortgaged.
 - (iii) The land use rights and building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group I – Property Interests held for self occupation

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
4. Level 1 No. 192 Hayao Road, Daoli District, Harbin City, Heilongjiang Province, the PRC 黑龍江道里區哈藥路192號1層 Lot No. 1-12-8-58	The property comprises carparking spaces on Level 1 within an 8-storey commercial building completed in about 1994. The gross floor area of the property area 239.42 square metres. The land use rights of the subject land parcel have been granted for a term expiring on 31 May 2034.	The property is occupied by HLJ Sinopharm as storage purpose.	RMB1,650,000

Notes:

- (1) As revealed by Land uses right Certificate (Ref Ha Guo Yong 2009 No. 02000560, 哈國用(2009)第02000560號) issued by the Municipal Government of Harbin City on 21 October 2009, the land use rights of the property are held by HLJ Sinopharm for a land use right term expiring on 31 May 2034 for commercial/service (carpark) uses.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 0801078598, 哈房權證里字第0801078598號) issued by the Harbin City Real Estate Housing Administration Bureau on 26 December 2008, the building ownership rights of the property are held by HLJ Sinopharm.
- (3) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Land Use Rights Certificate (Ref Ha Guo Yong 2009 No. 02000560, 哈國用(2009)第02000560號) and Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 0801078598, 哈房權證里字第0801078598號) for the property and is legally holding the land use rights and building ownership rights of the property.
 - (ii) The land use rights and building ownership rights of the property can be freely transferred, leased or mortgaged.
 - (iii) The land use rights and building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group I – Property Interests held for self occupation

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
5. Unit 1 on Level 1 No. 79-4 Baling Street, Nangang District Harbin City, Heilongjiang Province, the PRC	The property comprises commercial units on Level 1 within an 8 storey commercial building completed in about 1982.	The property is occupied by HLJ Sinopharm as retail shop.	No commercial value See note 3 below
黑龍江南崗區巴陵街79號 4單元1層1號	The gross floor area of the property is 70.28 square metres.		
Lot No. 2-5-23-3	The land use rights of the property have been obtained by way of administrative allocation for an unspecified term.		

Notes:

- (1) Land Use Right Certificate has not been issued to the property as at the date of valuation.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Nan Zi No. 0901045749, 哈房權證南字第0901045749號) dated 21 July 2009, the building ownership certificate of the property are held by HLJ Sinopharm for commercial/service uses.
- (3) The land use rights of the property are in the nature of administrative allocation and are restricted from being transferred. Given the non-assignable nature of the property, we have ascribed no commercial value to the property. For indication purpose, on the assumption that a Land Use Right Certificate is issued to the property in the name of HLJ Sinopharm, its market value as at the date of valuation is RMB820,000.
- (4) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Building Ownership Certificate (Ref Ha Fang Quan Zheng Nan Zi No. 0901045749, 哈房權證南字第0901045749號) for the property and is legally holding the building ownership rights of the property.
 - (ii) The land use rights of the property have been obtained by way of administrative allocation. In case where Heilongjian Sinopharm opts to transfer the property to third party, it is required to pay land premium together with all taxes and levies to the government.
 - (iii) The building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group I – Property Interests held for self occupation

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
6. Level 1 No. 157 Guogeli Street, Nangang District, Harbin City, Heilongjiang Province, the PRC 黑龍江南崗區果戈里大街157號1層 Lot No. 2-5-23-3	The property comprises commercial units on Level 1 within an 8 storey commercial building completed in about 1982. The gross floor area of the property is 146.51 square metres. The land use rights of the property have been obtained by way of administrative allocation for an unspecified term.	The property is occupied by HLJ Sinopharm as retail shop.	No commercial value See note 3 below

Notes:

- (1) Land Use Right Certificate has not been issued to the property as at the date of valuation.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Nan Zi No. 0901045747, 哈房權證南字第0901045747號) dated 21 July 2009, the building ownership certificate of the property are held by HLJ Sinopharm for commercial/service uses.
- (3) The land use rights of the property are in the nature of administrative allocation and are restricted from being transferred. Given the non-assignable nature of the property, we have ascribed no commercial value to the property. For indication purpose, on the assumption that a Land Use Right Certificate is issued to the property in the name of HLJ Sinopharm, its market value as at the date of valuation is RMB3,120,000.
- (4) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Building Ownership Certificate (Ref Ha Fang Quan Zheng Nan Zi No. 0901045747, 哈房權證南字第0901045747號) for the property and is legally holding the building ownership rights of the property.
 - (ii) The land use rights of the property have been obtained by way of administrative allocation. In case where Heilongjian Sinopharm opts to transfer the property to third party, it is required to pay land premium together with all taxes and levies to the government.
 - (iii) The building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group II – Property Interests held for investment

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
7. Level 1 No. 190 Hayao Road, Daoli District, Harbin City, Heilongjiang Province, the PRC 黑龍江道里區哈藥路190號1層 Lot No. 1-12-8-58	The property comprises commercial units on Level 1 within an 8-storey commercial building completed in about 1994. The gross floor area of the property area 393.06 square metres. The land use rights of the subject land parcel have been granted for a term expiring on 31 May 2034.	The property is subject to a tenancy for a lease term commencing on 1 February 2015 and expiring on 31 January 2020 at an annual rent of RMB550,000.	RMB7,780,000

Notes:

- (1) As revealed by the Land uses right Certificate (Ref Ha Guo Yong 2009 No. 02000558, 哈國用(2009)第02000558號) issued by the Municipal Government of Harbin City on 21 October 2009, the land use rights of the property are held by HLJ Sinopharm for a land use right term expiring on 31 May 2034 for commercial uses.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 080107856, 哈房權證里字第0801078596號) issued by the Harbin City Real Estate Housing Administration Bureau on 26 December 2008, the building ownership rights of the property are held by HLJ Sinopharm.
- (3) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Land Use Rights Certificate (Ref Ha Guo Yong 2009 No. 02000558, 哈國用(2009)第02000558號) and Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 0801078596, 哈房權證里字第0801078596號) for the property and is legally holding the land use rights and building ownership rights of the property.
 - (ii) The land use rights and building ownership rights of the property can be freely transferred, leased or mortgaged.
 - (iii) The land use rights and building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group II – Property Interests held for investment

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
8. Basement, Portion of Level 2 to Level 3, Unit 305 on Level 3 No. 186 Hayao Road, Daoli District, Harbin City, Heilongjiang Province, the PRC 黑龍江道里區哈藥路186號地下室, 部分2-3層, 單元305 Lot No. 1-12-8-58	The property comprises office units within an 8-storey commercial building completed in about 1994. The gross floor area of the property area 828.05 square metres. The land use rights of the subject land parcel have been granted for a term expiring on 31 May 2044.	Unit 305 on Level 3 is subject to a tenancy for a lease term from 1 June 2017 to expiring on 31 May 2018 at an annual rent of RMB10,000. Portion of Level 2 to Level 3 is subject to a tenancy for a lease term from 1 June 2015 to 31 May 2020 at an annual rent of RMB120,000 The basement is subject to a tenancy for a lease term from 1 May 2017 to 30 April 2018 at an annual rent of RMB67,000.	RMB6,040,000

Notes:

- (1) As revealed by the Land uses right Certificate (Ref Ha Guo Yong 2009 No. 02000559, 哈國用(2009)第02000559號) issued by the Municipal Government of Harbin City on 16 October 2009, the land use rights of the property are held by HLJ Sinopharm for a land use right term expiring on 31 May 2044 for commercial/service (office) uses.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 0801078597, 哈房權證里字第0801078597號) issued by the Harbin City Real Estate Housing Administration Bureau on 26 December 2008, the building ownership rights of the property are held by HLJ Sinopharm.
- (3) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Land Use Rights Certificate (Ref Ha Guo Yong 2009 No. 02000559, 哈國用(2009)第02000559號) and Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 0801078597, 哈房權證里字第0801078597號) for the property and is legally holding the land use rights and building ownership rights of the property.
 - (ii) The land use rights and building ownership rights of the property can be freely transferred, leased or mortgaged.
 - (iii) The land use rights and building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group II – Property Interests held for investment

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
9. Unit 2-3 on Level 1 No. 79-3 Baling Street Nangang District, Harbin City, Heilongjiang Province, the PRC	The property comprises commercial units on Level 1 within an 8 storey commercial building completed in about 1982.	Unit 2 of the property is subject to a tenancy for a lease term from 22 November 2016 to 22 December 2017 at an annual rent of RMB80,000.	No commercial value See note 3 below
黑龍江南崗區巴陵街79號 3單元1層2-3號	The gross floor area of the property is 90.14 square metres.	Unit 3 is subject to a tenancy for a lease term from 1 August 2017 to 31 July 2018 at an annual rent of RMB42,000.	
Lot No. 2-5-23-3	The land use rights of the property have been obtained by way of administrative allocation for an unspecified term.		

Notes:

- (1) Land Use Right Certificate has not been issued to the property as at the date of valuation.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Nan Zi No. 0901045749, 哈房權證南字第0901045749號) dated 21 July 2009, the building ownership certificate of the property are held by HLJ Sinopharm for commercial/service uses.
- (3) The land use rights of the property are in the nature of administrative allocation and are restricted from being transferred. Given the non-assignable nature of the property, we have ascribed no commercial value to the property. For indication purpose, on the assumption that a Land Use Right Certificate is issued to the property in the name of HLJ Sinopharm, its market value as at the date of valuation is RMB1,050,000.
- (4) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Building Ownership Certificate (Ref Ha Fang Quan Zheng Nan Zi No. 0901045749, 哈房權證南字第0901045749號) for the property and is legally holding the building ownership rights of the property.
 - (ii) The land use rights of the property have been obtained by way of administrative allocation. In case where Heilongjian Sinopharm opts to transfer the property to third party, it is required to pay land premium together with all taxes and levies to the government.
 - (iii) The building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group II – Property Interests held for investment

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
10. Unit 8-1-1 on Level 1 Block 24 Hong Qi Sub-district Daowai District Harbin City Heilongjiang Province, the PRC 黑龍江道外區紅旗小區24棟8單元1層1號	The property comprises commercial units on Level 1 within a 7-storey commercial building completed in about 1995. The gross floor area of the property area 202.28 square metres.	The property is subject to a tenancy for a lease term from 20 June 2014 to 19 June 2018 at an annual rent of RMB38,000.	RMB1,760,000
Lot No. 5-7-28-5-1	The land use rights of the subject land parcel have been granted for a term expiring on 4 June 2035.		

Notes:

- (1) As revealed by the Land uses right Certificate (Ref Ha Guo Yong 2009 No. 04004254, 哈國用(2009)第04004254號) issued by the Municipal Government of Harbin City on 22 June 2009, the land use rights of the property are held by HLJ Sinopharm for a land use right term expiring on 4 June 2035 for commercial uses.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 200811581, 哈房權證里字第200811581號) issued by the Harbin City Real Estate Housing Administration Bureau on 6 February 2008, the building ownership rights of the property are held by HLJ Sinopharm.
- (3) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Land Use Rights Certificate (Ref Ha Guo Yong 2009 No. 04004254, 哈國用(2009)第04004254號) and Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 200811581, 哈房權證里字第200811581號) for the property and is legally holding the land use rights and building ownership rights of the property.
 - (ii) The land use rights and building ownership rights of the property can be freely transferred, leased or mortgaged.
 - (iii) The land use rights and building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group II – Property Interests held for investment

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
11. Unit 9 on Level 1 Block 34, Heping Sub-district Daowai District, Harbin City, Heilongjiang Province, the PRC 黑龍江道外區和平小區34棟1層9號 Lot No. 5-7-28-39-1	The property comprises commercial units on Level 1 within a 7-storey commercial building completed in about 1997. The gross floor area of the property area 193.29 square metres. The land use rights of the subject land parcel have been granted for a term expiring on 16 September 2037.	The property is subject to a tenancy for a lease term from 25 October 2015 to 24 October 2017 at an annual rent of RMB50,000.	RMB1,590,000

Notes:

- (1) As revealed by the Land uses right Certificate (Ref Ha Guo Yong 2009 No. 04006368, 哈國用(2009)第04006368號) issued by the Municipal Government of Harbin City on 16 July 2009, the land use rights of the property are held by HLJ Sinopharm for a land use right term expiring on 16 September 2037 for commercial uses.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 200811582, 哈房權證里字第200811582號) issued by the Harbin City Real Estate Housing Administration Bureau on 26 December 2008, the building ownership rights of the property are held by HLJ Sinopharm.
- (3) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Land Use Rights Certificate (Ref Ha Guo Yong 2009 No. 04006368, 哈國用(2009)第04006368號) and Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 200811582, 哈房權證里字第200811582號) for the property and is legally holding the land use rights and building ownership rights of the property.
 - (ii) The land use rights and building ownership rights of the property can be freely transferred, leased or mortgaged.
 - (iii) The land use rights and building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group II – Property Interests held for investment

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
12. Unit 10 on Level 1 Block 34 Heping Sub-district Daowai District, Harbin City, Heilongjiang Province, the PRC	The property comprises commercial units on Level 1 within a 7-storey commercial building completed in about 1997.	The property is subject to a tenancy for a lease term from 1 December 2016 to 30 November 2017 at an annual rent of RMB80,000.	RMB2,390,000
黑龍江道外區和平小區34棟1層10號	The gross floor area of the property area 174.59 square metres.		
Lot No 5-7-28-39-1	The land use rights of the subject land parcel have been granted for a term expiring on 16 September 2037.		

Notes:

- (1) As revealed by the Land uses right Certificate (Ref Ha Guo Yong 2009 No. 04006370, 哈國用(2009)第04006370號) issued by the Municipal Government of Harbin City on 16 July 2009, the land use rights of the property are held by HLJ Sinopharm for a land use right term expiring on 16 September 2037 for commercial uses.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 200811578, 哈房權證里字第200811578號) issued by the Harbin City Real Estate Housing Administration Bureau on 26 December 2008, the building ownership rights of the property are held by HLJ Sinopharm.
- (3) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Land Use Rights Certificate (Ref Ha Guo Yong 2009 No. 04006370, 哈國用(2009)第04006370號) and Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 200811578, 哈房權證里字第200811578號) for the property and is legally holding the land use rights and building ownership rights of the property.
 - (ii) The land use rights and building ownership rights of the property can be freely transferred, leased or mortgaged.
 - (iii) The land use rights and building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group II – Property Interests held for investment

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
13. Unit 3 on Level 1 Block 1 Lujai Sub-district Nangang District Harbin City, Heilongjiang Province, the PRC	The property comprises commercial units on Level 1 within a 9-storey commercial building completed in about 1997.	The property is subject to a tenancy for a lease term from 1 April 2017 to 31 March 2018 at an annual rent of RMB100,000.	RMB3,430,000
黑龍江南崗區蘆家小區1棟3單元1層門市	The gross floor area of the property area 228.35 square metres.		
Lot No. 2-6-13-2	The land use rights of the subject land parcel have been granted for a term expiring in March 2038.		

Notes:

- (1) As revealed by the Land uses right Certificate (Ref Ha Guo Yong 2009 No. 03009341, 哈國用(2009)第03009341號) issued by the Municipal Government of Harbin City on 14 July 2009, the land use rights of the property are held by HLJ Sinopharm for a land use right term expiring in March 2038 for commercial uses.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 200811579, 哈房權證里字第200811579號) issued by the Harbin City Real Estate Housing Administration Bureau on 26 December 2008, the building ownership rights of the property are held by HLJ Sinopharm.
- (3) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Land Use Rights Certificate (Ref Ha Guo Yong 2009 No. 03000341, 哈國用(2009)第03009341號) and Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 200811579, 哈房權證里字第200811579號) for the property and is legally holding the land use rights and building ownership rights of the property.
 - (ii) The land use rights and building ownership rights of the property can be freely transferred, leased or mortgaged.
 - (iii) The land use rights and building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group II – Property Interests held for investment

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
14. Unit 3-2 on Level 2 Block 1 Lujai Sub-district Nangang District Harbin City, Heilongjiang Province, the PRC	The property comprises commercial units on Level 2 within a 9-storey commercial building completed in about 1997.	The property is subject to a tenancy for a lease term from 1 February 2016 to 31 January 2018 at an annual rent of RMB20,000.	RMB920,000
黑龍江南崗區蘆家小區1棟3單元2層2號	The gross floor area of the property area 122.96 square metres.		
Lot No. 2-6-13-2	The land use rights of the subject land parcel have been granted for a term expiring in March 2038.		

Notes:

- (1) As revealed by the Land uses right Certificate (Ref Ha Guo Yong 2009 No. 030009339, 哈國用(2009)第030009339號) issued by the Municipal Government of Harbin City on 14 July 2009, the land use rights of the property are held by HLJ Sinopharm for a land use right term expiring in March 2038 for commercial uses.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 200811583, 哈房權證里字第200811583號) issued by the Harbin City Real Estate Housing Administration Bureau on 26 December 2008, the building ownership rights of the property are held by HLJ Sinopharm.
- (3) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Land Use Rights Certificate (Ref Ha Guo Yong 2009 No. 030009339, 哈國用(2009)第030009339號) and Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 200811583, 哈房權證里字第200811583號) for the property and is legally holding the land use rights and building ownership rights of the property.
 - (ii) The land use rights and building ownership rights of the property can be freely transferred, leased or mortgaged.
 - (iii) The land use rights and building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group II – Property Interests held for investment

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
15. Unit 3 Basement Level 1 Block 1 Lujai Sub-district Nangang District Harbin City, Heilongjiang Province, the PRC	The property comprises commercial units in Basement Level 1 within a 9-storey commercial building completed in about 1997.	The property is subject to a tenancy for a lease term from 1 May 2017 to 30 April 2018 at an annual rent of RMB33,000.	RMB2,480,000
黑龍江南崗區蘆家小區1棟3單元-1層商服	The gross floor area of the property area 275.9 square metres.		
Lot No. 2-6-13-2	The land use rights of the subject land parcel have been granted for a term expiring in March 2038.		

Notes:

- (1) As revealed by the Land uses right Certificate (Ref Ha Guo Yong 2009 No. 030009340, 哈國用(2009)第030009340號) issued by the Municipal Government of Harbin City on 14 July 2009, the land use rights of the property are held by HLJ Sinopharm for a land use right term expiring in March 2038 for commercial uses.
- (2) As revealed by the Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 200811580, 哈房權證里字第200811580號) issued by the Harbin City Real Estate Housing Administration Bureau on 26 December 2008, the building ownership rights of the property are held by HLJ Sinopharm.
- (3) Opinion of the PRC Lawyer on the property is summarized as follows:
 - (i) HLJ Sinopharm has been issued with Land Use Rights Certificate (Ref Ha Guo Yong 2009 No. 030009340, 哈國用(2009)第030009340號) and Building Ownership Certificate (Ref Ha Fang Quan Zheng Li Zi No. 200811580, 哈房權證里字第200811580號) for the property and is legally holding the land use rights and building ownership rights of the property.
 - (ii) The land use rights and building ownership rights of the property can be freely transferred, leased or mortgaged.
 - (iii) The land use rights and building ownership rights of the property are not subject to mortgage, seizure order and other encumbrances.

VALUATION CERTIFICATE

Group II: Property Interests held for investment

Property	Description and Tenure	Particulars of occupancy	Market Value of the Property in existing state as at 31 August 2017
16. Phase 1 & 2 of Beijing Hua Tai Chinese Medicine New Technology Development Centre Daixing District Beijing City the PRC 北京市大興區生物工程與醫藥產業基地 Lot No. M-6-(18)-7	The property comprises an industrial land parcel with an area of 59,128.5 square metres. Phase one of the property is erected with five 1 to 4-storey industrial buildings with a total gross floor area of 18,633.49 square metres. They were completed in about 2015. Phase two of the property is erected with three 2 to 8-storey industrial, research offices, dormitory and canteen buildings with a total gross floor area of 32,431.37 square metres. They were completed in about 2015 (see note 6(vii) below). The land use rights of the property have been granted for a term expiring on 2 March 2056.	The property is subject to 5 tenancies all expiring on 31 December 2017 at a total annual rent of approximately RMB14,238,717.	RMB260,000,000

Notes:

- (1) As revealed by a Land Uses Right Certificate (Ref No. 京興國用(2006出)第091號), the land use rights of the subject land parcel with an area of 59,128.50 square metres are held by Huatai for a term expiring on 2 March 2056 for industrial uses.
- (2) Building ownership certificate of the subject buildings has yet to be issued as at the date of valuation.
- (3) As revealed by the Construction Land Use Planning Permit (建設用地規劃許可證, Ref 2006 Gui (Da) Di Zi No. 0034, 2006規(大)地字0034號) dated 1 December 2005, the Construction Work Planning Permit (建設工程規劃許可證, Ref 2006 Gui (Da) Jian Zi No. 0112, 2006規(大)建字0112號) dated 14 September 2006 and the Construction Work Planning Permit (建設工程規劃許可證, Ref 2013 Gui (Da) Jian Zi No. 0001, 2013規(大)建字0001號) dated 5 January 2013 all issued by the Beijing Tower Planning Committee (北京市規劃委員會), the subject land parcel with an area of 59,128.50 square metres has been planned for a Chinese medicine production base (中藥生產基地) with a total authorized developable gross floor area of 51,304 square metres.
- (4) The Beijing City Building Construction and Community Infrastructure Construction Work Completion Examination and Acceptance Filing Form (北京市房屋建築和市政基礎設施工程竣工驗收備案表, Ref 0240 Da Jun 2015 (Jian) No. 0024, 0240大竣2015(建)0024號) was issued by the Beijing City Daxing District Housing and Urban and Rural Construction Committee on 30 March 2015 for Phase 1 of the property (with a total gross floor area of 18,655 square metres) certifying the undertaking of work completion examination on 18 March 2015.

- (5) The Beijing City Building Construction and Community Infrastructure Construction Work Completion Examination and Acceptance Filing Form (北京市房屋建築和市政基礎設施工程竣工驗收備案表, Ref 0845 Da Jun 2015(Jian) No. 0093, 0845大竣2015(建)0845號) was issued by the Beijing City Daxing District Housing and Urban and Rural Construction Committee on 27 October 2015 for Phase 2 of the property.
- (6) Opinion of the PRC Lawyer on the property is summarized as follows:
- (i) As revealed by a Land Uses Right Certificate (Ref No. 京興國用(2006出)第091號), the land use rights of the subject land parcel (Lot No. M-6-(18)-7) with an area of 59,128.50 square metres are held by Huatai for a term expiring on 2 March 2056 for industrial uses. The land use rights are in the nature of granted land use rights permitted for industrial uses.
 - (ii) As revealed by the Construction Land Use Planning Permit (建設用地規劃許可證, Ref 2006 Gui (Da) Di Zi No. 0034, 2006規(大)地字0034號) issued by the Beijing Tower Planning Committee (北京市規劃委員會) on 1 December 2005, the subject land parcel with an area of 59,128.50 square metres has been planned for a Chinese medicine production base (中藥生產基地).
 - (iii) As revealed by the Construction Work Planning Permit (建設工程規劃許可證, Ref 2006 Gui (Da) Jian Zi No. 0112, 2006規(大)建字0112號) dated 14 September 2006 and the Construction Work Planning Permit (建設工程規劃許可證, Ref 2013 Gui (Da) Jian Zi No. 0001, 2013規(大)建字0001號) dated 5 January 2013 all issued by the Beijing Tower Planning Committee (北京市規劃委員會), the total authorized developable gross floor area of Phase 1 and Phase 2 of the subject development are 18,655 square metres and 32,649 square metres respectively.
 - (iv) The Construction Work Start Permit (建設工程施工許可證, Ref 2013 Shi (Da)Jian Zi No. 0085, [2013]施[大]建字0085號) was issued by the Beijing City Daxing District Housing and Urban and Rural Construction Committee (北京市大興區住房和城鄉建設委員會) on 30 August 2013 for undertaking the construction work for Phase 2 of the property with a total gross floor area of 32,649 square metres.
 - (v) The Beijing City Building Construction and Community Infrastructure Construction Work Completion Examination and Acceptance Filing Form (北京市房屋建築和市政基礎設施工程竣工驗收備案表, Ref 0240 Da Jun 2015(Jian) No. 0024, 0240大竣2015(建)0024號) was issued by the Beijing City Daxing District Housing and Urban and Rural Construction Committee on 30 March 2015 for Phase 1 of the property (with a total gross floor area of 18,655 square metres) certifying the undertaking of work completion examination on 18 March 2015. As revealed from the same document, the Construction Work Start Permit (建設工程施工許可證, Ref 2008 Shi Jian Zi No. 1286, [2008]施建字1286號) has been issued for the construction of the concerned buildings.
 - (vi) The Beijing City Building Construction and Community Infrastructure Construction Work Completion Examination and Acceptance Filing Form (北京市房屋建築和市政基礎設施工程竣工驗收備案表, Ref 0845 Da Jun 2015(Jian) No. 0093, 0845大竣2015(建)0845號) was issued by the Beijing City Daxing District Housing and Urban and Rural Construction Committee on 27 October 2015 for Phase 2 of the property.
 - (vii) As revealed from the Building Registration Schedule (房屋登記表) dated 1 September 2016 in relation to Phase 1 of the Property and another Building Registration Schedule dated 18 April 2016 in relation to Phase 2 of the Property both annexed to the Memorandum on Results on Floor Area Measurement Performed by the Housing Construction Committee (大興區住建委房產測繪成果備案章), the gross floor areas of the subject buildings of Phase 1 and Phase 2 have been measured in accordance with the Building Surveying Standards GB/T50353-2013) are 18,633.49 square metres and 32,431.37 square metres respectively.
 - (viii) With enquiries to the Beijing Town Planning and State-owned Land Resources Administration Committee Land Usage Centre (北京市規劃與國土資源管理委員會土地利用中心), it has been confirmed that the property has satisfied all criteria for the purpose of applying for real estate registration and issue of title certificate for the subject buildings.
 - (ix) Huatai has the rights to possess, use, derive benefits and otherwise dispose of the property and also the rights to apply for real estate registration and issue of title certificate for the subject buildings at total expenses of not more than RMB4,080.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company and/or their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Capacity/Nature of Interest	Number of Shares	Approximate percentage of the issued share capital of the Company (Note 2)
Mr. Wang Xiaochun	Interest in controlled corporation	376,735,042 (long position) (Note 1)	8.50%

Notes:

- The 376,735,042 Shares are held by Hanmax Investment Limited (“Hanmax”) which is wholly owned by Mr. Wang Xiaochun.
- Based on 4,431,505,630 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which

they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial Shareholders

Name	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of the issued share capital of the Company (Note 4)
Sinopharm Hongkong	Beneficial owner	1,614,313,642 (long position) (Note 1)	36.43%
CNPGC	Interest of controlled corporations	1,614,313,642 (long position) (Note 1)	36.43%
Hanmax	Beneficial owner	376,735,042 (long position) (Note 2)	8.50%
GIC Private Limited	Investment Manager	100,532,000 (long position) (Note 3)	2.27%
	Interest of controlled corporation	213,674,000 (long position) (Note 3)	4.82%
Profit Channel Development Limited	Beneficial owner	243,735,042 (long position)	5.50%

Notes:

1. 1,614,313,642 Shares are held by Sinopharm Hongkong, which is indirectly wholly owned by CNPGC.
2. The 376,735,042 Shares are held by Hanmax which is wholly owned by Mr. Wang Xiaochun.
3. The number of Shares held by GIC Private Limited is based on the information of Corporate Substantial Shareholder Notice (Form 2) dated 22 January 2016 which is available on the website of the Stock Exchange.
4. Based on 4,431,505,630 Shares in issue as at the Latest Practicable Date.

So far as is known to the Directors, as at the Latest Practicable Date, no other persons (other than the Directors, the chief executive and substantial Shareholders disclosed above) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

(iii) Competing interests

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

(iv) Other interests

As at the Latest Practicable Date, save for the Directors who hold positions in the CNPGC Group or its associates set out in the section headed "Listing Rules Implications" in the letter from the Board in this circular, none of the Directors or proposed Directors had any direct or indirect material interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group which is not expiring or may not be terminable by the Group within one year without payment of compensation (other than statutory compensation).

4. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained or referred to in this circular:

Akron	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Asset Appraisal Limited	a professional property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, each of the above experts did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Group were made up).

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the registered office of the Company in Hong Kong up to and including the date of the EGM:

- (a) the Agreements;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 24 of this circular;
- (c) the letter of advice from Akron to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 53 of this circular;
- (d) the Valuation Report as set out in Appendix I to this circular;
- (e) the letters of consent referred to in the section headed “Experts and Consents” in this appendix; and
- (f) this circular.

NOTICE OF THE EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Traditional Chinese Medicine Holdings Co. Limited (the “**Company**”) will be held at 2:00 p.m. on Friday, 22 December 2017 at Conference Room, 2nd Floor, No. 1 Keyuan Heng 4 Road, Gaoli Hi-Tech Park, Ronggui, Shunde District, Foshan City, Guangdong Province, the PRC for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the agreement dated 20 October 2017 (the “**Huamiao Agreement**”) entered into between 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.*) (the “**Purchaser**”) and China National Traditional Chinese Medicine Corporation (the “**Vendor**”), pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire registered capital of 北京華邈藥業有限公司 (Beijing Huamiao Pharmaceutical Co., Limited*), for a consideration of RMB216.6 million on the terms and conditions of the Huamiao Agreement, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company (the “**Directors**”) acting together or by committee, or any Director acting individually, be and is/are hereby authorised to do all such further acts and things and execute such further documents and take all such steps on behalf of the Company as he or they may, in his/their absolute discretion, consider necessary, desirable or expedient to implement and/or give effect to the Huamiao Agreement and the transactions contemplated thereunder.”

2. “**THAT:**

- (a) the agreement dated 20 October 2017 (the “**Huatai Agreement**”) entered into between the Purchaser and the Vendor, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire registered capital of 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

NOTICE OF THE EGM

Company*), for a consideration of RMB139.6 million on the terms and conditions of the Huatai Agreement, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

- (b) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to do all such further acts and things and execute such further documents and take all such steps on behalf of the Company as he or they may, in his/their absolute discretion, consider necessary, desirable or expedient to implement and/or give effect to the Huatai Agreement and the transactions contemplated thereunder.”

3. **“THAT:**

- (a) the agreement dated 20 October 2017 (the **“HLJ Sinopharm Agreement”**) entered into between the Purchaser and the Vendor, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire registered capital of 黑龍江國藥藥材有限公司 (Heilongjiang Sinopharm Medicinal Materials Co., Limited*), for a consideration of RMB61.4 million on the terms and conditions of the HLJ Sinopharm Agreement, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to do all such further acts and things and execute such further documents and take all such steps on behalf of the Company as he or they may, in his/their absolute discretion, consider necessary, desirable or expedient to implement and/or give effect to the HLJ Sinopharm Agreement and the transactions contemplated thereunder.”

4. **“THAT:**

- (a) the agreement dated 20 October 2017 (the **“Jiangyou Agreement”**) entered into between the Purchaser and the Vendor, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire registered capital of 四川江油中壩附子科技發展有限公司 (Sichuan Jiangyou Zhongba Fuzi Technology Development Co., Limited*), for a consideration of RMB139.6 million on the terms and conditions of the Jiangyou Agreement, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

NOTICE OF THE EGM

- (b) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to do all such further acts and things and execute such further documents and take all such steps on behalf of the Company as he or they may, in his/their absolute discretion, consider necessary, desirable or expedient to implement and/or give effect to the Jiangyou Agreement and the transactions contemplated thereunder.”

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

24 November 2017

Notes:

1. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company.
2. A form of proxy for the EGM is enclosed. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, shall be deposited at the Company's registered office at Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong as soon as possible and in any event no less than 48 hours before the time appointed for holding the EGM.
3. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 19 December 2017 to Friday, 22 December 2017, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant Share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 18 December 2017.
4. If more than one of the joint holders are present at the EGM personally or by proxy, that one of the said persons whose name stands first on the register of members in respect of the relevant share(s) will alone be entitled to vote in respect of the relevant joint holding.
5. Completion and delivery of the form of proxy will not preclude any member of the Company from attending and voting in person at the EGM. In the event that any member of the Company attends the EGM, the form of proxy will be deemed to be revoked.

As at the date of this notice, 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