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Tong Ren Tang Technologies Co. Ltd.
北京同仁堂科技發展股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1666)

SHARE TRANSACTION
PROPOSED ACQUISITION OF THE 51% ISSUED CAPITAL OF
HONOUR ESSENCE TRADING LIMITED

The Board is pleased to announce that on 5 February 2015, the Purchaser, a subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing 51% of the issued share capital of the Target Company as at the date of this announcement, at the Initial Consideration of HK\$71,426,000 (subject to downward adjustment, if any), which shall be satisfied by the allotment and issue of the Consideration Shares by the Purchaser to the Vendor. Upon completion, the shareholding ratio of the Company in the Purchaser will decline from 38.38% to 38.05%, but the Purchaser will continue to be a subsidiary of the Company and whilst the Target Company will become a 51%-owned subsidiary of the Purchaser.

An application will be made by the Purchaser to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are all below 5%, the Acquisition contemplated under the Agreement constitutes a share transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 5 February 2015, the Purchaser, a subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing 51% of the issued share capital of the Target Company as at the date of this announcement, at the Initial Consideration of HK\$71,426,000 (subject to downward adjustment, if any), which shall be satisfied by the allotment and issue of the Consideration Shares by the Purchaser to the Vendor. Upon completion, the Purchaser will continue to be a subsidiary of the Company and whilst the Target Company will become a 51%-owned subsidiary of the Purchaser.

THE AGREEMENT

Date

5 February 2015 (after trading hours of the Stock Exchange)

Parties

- (a) Mr. Lin, as the Vendor; and
- (b) TRT CM, a subsidiary of the Company, as the Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor is a third party individual independent of the Company and the connected persons (as defined under the Listing Rules) of the Company.

Assets to be acquired

Subject to and in accordance with the terms and conditions of the Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing 51% of the issued share capital of the Target Company as at the date of this announcement.

Consideration

The Consideration shall be the Initial Consideration of HK\$71,426,000 or, if downward adjustment is required to be made to the Initial Consideration pursuant to the Agreement, the Final Consideration.

The Initial Consideration shall be satisfied in full by the allotment and issue of the Consideration Shares by the Purchaser to the Vendor on the Completion Date at HK\$10.06 per Share.

The Consideration Shares represent (i) approximately 0.86% of the existing issued share capital of the Purchaser and (ii) approximately 0.85% of the Purchaser's issued share capital as enlarged by the issue of the Consideration Shares. The Consideration Shares will be allotted and issued under the General Mandate. The Consideration Shares when allotted and issued shall be credited as fully paid and rank pari passu with all other Shares in issue in the share capital of the Purchaser.

Application will be made by the Purchaser to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

The Consideration is arrived on an arm's length commercial basis between the Purchaser and the Vendor by reference to the business development and prospects of the Target Company in the medium to long term, the future earning capacity, the overall existing operating results and the financial performance of the Target Company and the guaranteed profit before tax of the Target Company for the financial year ending 31 December 2015 of HK\$20,000,000 as detailed below as well as the prevailing market price of the Shares of the Purchaser.

The issue price of HK\$10.06 per Consideration Share represents:

- (a) a discount of approximately 4.01% over the closing price of HK\$10.48 per Share of the Purchaser as quoted on the Stock Exchange on 5 February 2015, being the date of the Agreement;
- (b) a discount of approximately 0.32% to the average closing price per Share of the Purchaser as quoted on the Stock Exchange for the last 5 consecutive full trading days prior to the date of the Agreement on 5 February 2015, being HK\$10.092 per Share; and
- (c) a premium of approximately 0.37% over the average closing price per Share of the Purchaser as quoted on the Stock Exchange for the last 10 consecutive full trading days prior to the date of the Agreement on 5 February 2015, being approximately HK\$10.023 per Share.

Furthermore, the payment method of issuing the Consideration Shares will enlarge the equity base of the Purchaser. The Directors consider the Consideration as well as the issue price of the Consideration Shares is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Adjustment to Initial Consideration

Pursuant to the Agreement, the Initial Consideration is subject to a downward adjustment if the actual audited profit before tax of the Target Company for the year ending 31 December 2015 falls below HK\$20,000,000, in which case the Vendor shall pay to the Purchaser an amount calculated according to the following formula:

$$\frac{(\text{HK\$}20,000,000 - \text{ANP})}{\text{HK\$}20,000,000} \times (\text{CS} \times \text{MP})$$

ANP = the actual audited profit before tax of the Target Company for the year ending 31 December 2015

CS = the total number of Consideration Shares

MP= the average closing price per Share of the Purchaser as quoted on the Stock Exchange for the last 5 consecutive full trading days prior to the date of the issue of the audited accounts of the Target Company for the year ending 31 December 2015

In such case, the Purchaser is entitled to request the Vendor, within 10 Business Days after the date of issue of the audited accounts of the Target Company for the year ending 31 December 2015, to pay to the Purchaser such amount calculated in accordance with the above-mentioned formula in cash. If the Target Company records a net loss for the year ending 31 December 2015, the Purchaser is entitled to request the Vendor to pay to the Purchaser an amount equivalent to the sum of (i) the then total market value of the Consideration Shares (calculated based on MP); and (ii) 51% of the absolute amount of the net loss.

Lock-up period

Pursuant to the Agreement, the Vendor shall not transfer, assign, dispose of or otherwise deal with any part of the Consideration Shares for a period of one year commencing from the Completion Date, unless with the consent by the Purchaser.

Conditions precedent

Completion of the Agreement is conditional upon, the satisfaction (or waiver, if applicable) of the following conditions, inter alia:

- (a) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Consideration Shares;

- (b) the Purchaser having conducted a due diligence investigation in respect of the Target Company including but not limited to the legal, finance and business due diligence of the Target Company and the Purchaser being satisfied with the results of such due diligence;
- (c) the warranties given by the Vendor in the Agreement remaining true and accurate and not misleading at the date of the Agreement and up to and including the Completion Date; and
- (d) the obtaining of all necessary consents and approvals in respect of the Acquisition from the relevant governmental or regulatory bodies.

The Purchaser is entitled to waive any of the above conditions precedent (save for item (a) above). Under the Agreement, the Vendor undertakes to the Purchaser to procure the satisfaction of all the conditions (save for item (a) above) on or before the Long Stop Date. If any of the conditions has not been fulfilled or waived in writing by the Purchaser within the said period or such later date as the parties may otherwise agree, neither the Vendor nor the Purchaser shall be obliged to proceed with Completion.

Completion

Completion shall take place on the fifth Business Day after the date of the fulfillment or waiver of all the conditions precedent required to be fulfilled before Completion or such later date as the parties may otherwise agree in writing. The Completion Date shall in any event be not later than 27 February 2015.

Upon Completion, the Target Company will become a 51%-owned subsidiary of the Purchaser and therefore become a non wholly-owned subsidiary of the Company. The results and assets and liabilities of the Target Company will be consolidated with, and accounted for as subsidiaries in the Company's consolidated financial statements.

INFORMATION ON THE TARGET COMPANY

The Target Company is principally engaged in the distribution of Chinese medicine in Hong Kong. As at the date of this announcement, the Target Company is owned as to 51% by the Vendor and 49% by the Vendor's sister.

According to the management accounts of the Target Company provided by the Vendor, set out below is the unaudited results of the Target Company for the two financial years ended 31 December 2014 prepared under Hong Kong Financial Reporting Standards:

	For the year ended 31 December	
	2013	2014
	unaudited	unaudited
	HK\$'000	HK\$'000
Revenue	36,634.6	52,404.4
Profit before tax	727.0	34,513.5
Profit after tax	622.2	31,195.4

The unaudited total asset value and net asset value of the Target Company attributable to the Sale Shares was approximately HK\$23.3 million and HK\$11.9 million, respectively as at 31 December 2014.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is engaged in the manufacturing and sale of Chinese medicines.

The Purchaser is principally engaged in manufacturing, retail and wholesale of Chinese medicine products.

As the Purchaser is the subsidiary of the Company, and as mentioned in the latest annual report of the Purchaser for the year ended 31 December 2013, the Group will further expand its distribution business in the existing markets, with a view to broadening the Group's revenue source, enhancing the performance of the Group, creating value for the Shareholders and increasing Shareholders' return. The Board believes that the Acquisition is consistent with the development strategy of the Group. In view of the past profitable conditions of the Target Company, the Directors are of the view that after the Acquisition, the Target Company will contribute positively to the financial performance and will enlarge the income sources of the Group.

The Directors consider that the Agreement is entered into after arm's length negotiation and the terms therein are on normal commercial terms and the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are all below 5%, the Acquisition contemplated under the Agreement constitutes a share transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	means the proposed acquisition by the Purchaser of the Sale Shares pursuant to the Agreement
“Agreement”	means the conditional sale and purchase agreement entered into between the Purchaser and the Vendor on 5 February 2015 in relation to the Acquisition
“Board”	means the board of Directors of the Company
“Business Day”	any day (excluding a Saturday, Sunday and public holiday) on which banks both in Hong Kong and the PRC are generally open for business throughout their normal business hours
“Company”	means Tong Ren Tang Technologies Co. Ltd. (北京同仁堂科技發展股份有限公司), a joint stock company incorporated in the PRC with limited liability and the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Completion”	means the completion of the Acquisition contemplated under the Agreement
“Completion Date”	means the date on which Completion takes place in accordance with the Agreement, which is the fifth Business Day after the satisfaction or waiver of all the conditions precedent to Completion, or such other date as may be agreed in writing between the parties and in any event, shall not be later than 27 February 2015
“Consideration”	means the consideration for the Acquisition

“Consideration Shares”	means 7,100,000 new Shares to be allotted and issued upon Completion to the Vendor at HK\$10.06 per Share as the Consideration
“Director(s)”	means the director(s) of the Company
“Final Consideration”	means the Initial Consideration after taking into account the downward adjustment (if any) to be made pursuant to the Agreement, details of which are set out in the section headed “Adjustment to Initial Consideration” in this announcement
“General Mandate”	means the general mandate granted to the board of the directors of the Purchaser by the shareholders of the Purchaser at the annual general meeting held on 7 May 2014, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Purchaser as at the date of the annual general meeting
“Group”	means the Company and its subsidiaries and associates
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Initial Consideration”	means the aggregate consideration of HK\$71,426,000 for the Sale Shares pursuant to the Agreement, which is subject to adjustment set out in the section headed “Adjustment to Initial Consideration” in this announcement
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Long Stop Date”	means the latest date on which the Vendor shall satisfy the conditions precedent to Completion, being 13 February 2015
“Mr. Lin” or “Vendor”	means Mr. Lin Song Xiong, the vendor under the Agreement
“PRC”	means the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser or TRT CM”	means Beijing Tong Ren Tang Chinese Medicine Company Limited (北京同仁堂國藥有限公司), a company incorporated in Hong Kong with limited liability and a non wholly-owned subsidiary of the Company, the issued shares of which are listed on GEM

“Sale Shares”	means 51% of the entire issued share capital of the Target Company as at the date of this announcement and at Completion
“Share(s)”	means ordinary share(s) in the share capital of the Purchaser
“Shareholder(s)”	means shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Target Company”	means Honour Essence Trading Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“%”	means percent

By order of the board of Directors
Tong Ren Tang Technologies Co. Ltd.
Mei Qun
Chairman

Beijing, the PRC
5 February 2015

As at the date of this announcement, the Board comprises Mr. Mei Qun, Mr. Wang Quan, Mr. Gong Qin, Mr. Wang Yu Wei and Ms. Fang Jia Zhi as executive Directors; Ms. Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan as independent non-executive Directors.