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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)

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION**  
**PROPOSED ACQUISITION OF TARGET ASSET BY CASH FROM TONG REN TANG**  
**HOLDINGS**

**INTRODUCTION**

The Board hereby announces that, on 4 November 2019, the Company entered into the Asset Transfer Agreement with Tong Ren Tang Holdings, pursuant to which Tong Ren Tang Holdings has agreed to transfer and the Company has agreed to purchase the Target Asset, which shall be satisfied by way of payment of RMB650,953,010 (tax inclusive) in cash.

**HONG KONG LISTING RULES IMPLICATIONS**

As at the date of this announcement, Tong Ren Tang Holdings is the ultimate controlling shareholders of the Company, and is therefore connected person of the Company under the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14A.07 of the Hong Kong Listing Rules) in respect of the Acquisition are more than 5% but below 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 and a non-exempt connected transaction under Chapter 14A of the Hong Kong Listing Rules. Therefore, the Acquisition is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

**EGM**

The Company will convene an EGM for the purpose of, among other things, obtaining the Independent Shareholders' approval for the Asset Transfer Agreement as well as the Acquisition. Tong Ren Tang Holdings and its associates will abstain from voting on the relevant resolution at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Ms. Chan Ching Har, Eliza and Mr. Zhan Yuan Jing, has been established to advise the Independent Shareholders on the Asset Transfer Agreement as well as the Acquisition. The Company will in due course appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) the details of the proposed Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) the recommendation from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM, will be despatched to the Shareholders more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular and to obtain Beijing SASAC's approval.

## **I. PROPOSED ACQUISITION OF TARGET ASSET BY CASH FROM TONG REN TANG HOLDINGS**

### **1. Introduction**

The Board announces that, on 4 November 2019, the Company entered into the Asset Transfer Agreement with Tong Ren Tang Holdings, pursuant to which Tong Ren Tang Holdings has agreed to transfer and the Company has agreed to purchase the Target Asset, which shall be satisfied by way of payment of RMB650,953,010 (tax inclusive) in cash.

### **2. The Asset Transfer Agreement with Tong Ren Tang Holdings**

The principal terms of the Asset Transfer Agreement with Tong Ren Tang Holdings are set out as follows:

#### **Date**

4 November 2019

#### **Parties**

- (i) the Company (as acquiror)
- (ii) Tong Ren Tang Holdings (as transferor)

#### **Background of the Target Asset**

The Target Asset is located in Daxing Biomedicine Industrial Base in Zhongguancun Science Park, with a total construction area of 88,753.01 square meters and industrial land of 114,122.67 square meters. The land of Target Asset is constructed by Tong Ren Tang Holdings, including testing center, pre-processing workshops and product sorting workshops, etc., which are mainly engaged in medicine testing, Chinese medicine pre-processing such as grinding and net material processing, and logistics distribution, etc..

## **Transfer of Legal Formalities**

The transfer consideration shall be based on the Valuation of the Target Asset as at the Valuation Reference Date, and the transfer price will be determined and the asset transfer formalities will be processed after Tong Ren Tang Holdings has completed the relevant formalities. The expenses and related rights and interests incurred by the related project in the Target Asset before the Valuation Reference Date shall be included in the transfer consideration. The Company shall pay the first installments of the consideration to Tong Ren Tang Holdings within 5 working days after the effective date of the Asset Transfer Agreement, and pay the remaining installments within 6 months after the payment of the first installments. The expenses incurred by the project involved in the Target Asset after the effective date of the Asset Transfer Agreement shall be borne by the Company. All legal formalities, permitting certificates and all engineering materials of the related project in the Target Asset obtained by Tong Ren Tang Holdings shall be delivered to the Company after the effective date of the Asset Transfer Agreement.

## **Target Asset, Consideration and Payment**

The Target Asset to be transferred to the Company is Beijing Tong Ren Tang Medicine Processing Base (including land use right and building ownership).

The Company shall purchase the Target Asset, which shall be satisfied by way of payment of RMB650,953,010 (tax inclusive) in cash. The consideration is based on the Valuation of the net value of the Target Asset in the Valuation Report as at the Valuation Reference Date. The consideration is subject to the approval from Beijing SASAC and the approved price shall be regarded as the final transfer price of the Target Asset.

The Company shall pay the first installments of the consideration being RMB350,000,000 to Tong Ren Tang Holdings within 5 working days after the effective date of the Asset Transfer Agreement, and pay the remaining installments within 6 months after the payment of the first installments. The consideration shall be paid either by transfer cheque or by cash transfer to the bank account designated by Tong Ren Tang Holdings.

## **Indirect Transfer Expenses**

The tax including the real estate tax, deed tax, stamp duty and any other taxes and fees incurred in the transfer of the Target Asset shall be borne by each of the Company and Tong Ren Tang Holdings in accordance with the applicable tax laws of the state.

Following the transfer of the Target Asset, all expenses payable to the relevant department of the PRC government (except as otherwise specifically provided by other clauses in the Asset Transfer Agreement) shall be borne by the Company.

## **Post-Transfer Obligations**

After the Asset Transfer Agreement becomes effective, the Company shall be responsible for completing the subsequent construction of the related project in the Target Asset, inspection and acceptance of the projects and the initial registration processing work of the buildings. Tong Ren Tang Holdings shall be responsible for assisting the Company in the above procedures.

## **Liabilities**

If Tong Ren Tang Holdings fails to deliver relevant documents to the Company on time as agreed in Asset Transfer Agreement, the Company may remind Tong Ren Tang Holdings in writing to deliver the relevant documents within 20 days. If Tong Ren Tang Holdings fails to do so within the reminding period, it shall compensate the economic losses incurred thereof to the Company.

If Tong Ren Tang Holdings violates its obligations under the Asset Transfer Agreement, it shall take remedial actions within one month. If Tong Ren Tang Holdings fails to take remedial actions or even if it takes remedial actions, the defaults still exist, then the Company has the right to terminate the Asset Transfer Agreement in which case Tong Ren Tang Holdings shall return all payments already received from the Company.

If the Company fails to pay the transfer consideration to Tong Ren Tang Holdings as agreed in the Asset Transfer Agreement, then for each day so delayed, the Company shall pay a liquidated damages of 0.05% of the overdue payment to Tong Ren Tang Holdings. If the overdue persists for more than 30 days, Tong Ren Tang Holdings has the right to terminate the Asset Transfer Agreement without any breach of its liability. If the above liquidated damages is insufficient to compensate the losses of Tong Ren Tang Holdings, in addition to the liquidated damages, the Company shall make additional compensation for the economic losses incurred thereof to Tong Ren Tang Holdings.

## **Effectiveness of the Asset Transfer Agreement**

The Company and Tong Ren Tang Holdings shall complete the approval and authorization procedures in accordance with the laws and their respective articles of association (including but not limited to the approval of their respective board of directors). The Asset Transfer Agreement shall become established after signing and sealing between the Company and Tong Ren Tang Holdings and shall become effective on the day of approval of shareholders' at general meetings after the approval of Beijing SASAC.

## **3. Information of the Target Asset**

The Target Asset, namely the assets (including land use right and building ownership) in the Beijing Tong Ren Tang Medicine Processing Base (北京同仁堂中藥加工基地). As at the Valuation Reference Date, the book value of the audited total assets and net assets of the Target Asset was both RMB417,238,917, and there is no identifiable profit of the Target Asset for the two financial years ended 31 December 2018.

The total consideration of the Acquisition was determined by the Company and Tong Ren Tang Holdings after arm's length negotiations with reference to the Valuation of the Target Asset as at the Valuation Reference Date, being RMB650,953,010, according to the Valuation Report prepared by the Independent Valuer dated 19 October 2019, where separate valuation of land and building was conducted, i.e. market approach was adopted for the valuation of the land use right and cost approach was adopted for the valuation of the buildings and the affiliated equipment.

## II. REASONS AND BENEFITS OF THE TRANSACTION

The Company considers the following factors to acquire the Target Asset:

- i) The Target Assets are mainly engaged in pre-treatment of traditional Chinese medicine, which integrates logistics distribution and medicine testing, and is adjacent to the Daxing Branch of the Company (mainly engaged in the production of pills such as water-honeyed pills and big honeyed pills). Upon acquisition of the Target Assets, it will work synergistically with the Company's Daxing Branch, forming a closed-loop production chain from traditional Chinese medicine pretreatment, pharmaceutical production to logistics and distribution, and effectively lowering the operation cost of the Company;
- ii) With the gradual release of production capacity of Daxing Branch of the Company, it is expected that the production volume will continue to grow, and the Target Assets will undertake all the processing of the Company's proprietary Chinese medicine products with the existing pre-processing production management center, including the processes of grinding and processing of net materials, providing strong guarantee for the production and supply of the Company;
- iii) The logistics distribution function of the Target Asset will undertake the logistics distribution and dispatching of the products of the Company and some subsidiaries. After the finished products are shipped out, they will uniformly enter the base, and then, after sales scheduling, they will be sent to all parts of the country in order. Its logistics and distribution function design storage capacity of 1.31 million pieces, designed throughput capacity of 60,000 pieces per day, and the use of the most advanced WMS (warehouse management system), TMS (transport monitoring system), fully meet the daily work needs; and
- iv) The Target Asset is located in Daxing Biomedicine Industrial Base, with obvious location advantage, and with the implementation of Southern Beijing Planning (北京城南規劃) and the commencement of operation of Daxing International Airport, the location advantage becomes more obvious, and there's obvious potential in the increase in the value of the properties of the Target Asset. After acquisition of the Target Asset, the Company will directly obtain and benefit from the increased returns in the properties in the future.

As such, the Directors (excluding the independent non-executive Directors, whose view on the Asset Transfer Agreement and the Acquisition will be set out in the circular to be despatched to the Shareholders) are of the view that the Asset Transfer Agreement was entered into on normal commercial terms, the terms and conditions therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **III. HONG KONG LISTING RULES IMPLICATIONS**

The Acquisition will take place between the Company and Tong Ren Tang Holdings, Tong Ren Tang Holdings is the ultimate controlling shareholders of the Company, and is therefore connected person of the Company under the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14A.07 of the Hong Kong Listing Rules) are more than 5% but below 25%, the Acquisition constitutes a disclosable transaction under Chapter 14 and a non-exempt connected transaction under Chapter 14A of the Hong Kong Listing Rules. Therefore, the Acquisition is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

None of the Directors has a material interest in the Acquisition.

### **IV. EGM**

The Company will convene an EGM for the purpose of, among other things, obtaining the Independent Shareholders' approval for the Asset Transfer Agreement with Tong Ren Tang Holdings as well as the Acquisition. Tong Ren Tang Holdings and its Associates will abstain from voting on the relevant resolution at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Ms. Chan Ching Har, Eliza and Mr. Zhan Yuan Jing, has been established to advise the Independent Shareholders on the Asset Transfer Agreement as well as the Acquisition. The Company will in due course appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) the details of the proposed Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) the recommendation from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM, will be despatched to the Shareholders more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular and to obtain approval from Beijing SASAC.

### **V. INFORMATION OF THE PARTIES IN THE ASSET T TRANSFER AGREEMENT**

#### **The Company**

The Company is principally engaged in the manufacturing and sale of Chinese patent medicine.

#### **Tong Ren Tang Holdings**

Tong Ren Tang Holdings is principally engaged in the processing, manufacture Chinese patent medicine and Chinese medicinal decoction pieces and sale of Chinese medicinal materials, Chinese patent medicine, Chinese medicinal decoction pieces, medical food, warehousing and transportation, etc..

## VI. DEFINITIONS

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

“associate(s)”		has the meaning ascribed thereto under the Hong Kong Listing Rules
“Acquisition”		means the acquisition of the Target Asset by the Company from Tong Ren Tang Holdings by way of payment of RMB650,953,010 (tax inclusive) in cash pursuant to the Asset Transfer Agreement
“Asset Transfer Agreement”		means the asset transfer agreement regarding the project of Beijing Tong Ren Tang Medicine Processing Base entered into by and between the Company and Tong Ren Tang Holdings on 4 November 2019, pursuant to which Tong Ren Tang Holdings has agreed to transfer and the Company has agreed to acquire the Target Asset
“Beijing SASAC”		means the State-owned Assets Supervision and Administration Commission of the State Council of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
“Board”		means the board of Directors
“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 limited company registered and established in the PRC, and whose H Shares are listed and traded on the main board of the Hong Kong Stock Exchange
“connected person”		has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder”		has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”		means the director(s) of the Company
“EGM”		means the extraordinary general meeting to be convened by the Company for the purpose of, among other things, obtaining the Independent Shareholders’ approval for the Asset Transfer Agreement between the Company and Tong Ren Tang Holdings as well as the Acquisition

“Group”		means the Company and its subsidiaries
“Hong Kong Listing Rules”		means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Hong Kong Stock Exchange”		means The Stock Exchange of Hong Kong Limited
“Independent Board Committee”		means the independent board committee comprising all independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Ms. Chan Ching Har, Eliza and Mr. Zhan Yuan Jing, which was established to advise the Independent Shareholders on the Asset Transfer Agreement and the Acquisition
“Independent Shareholders”		means Shareholders excluding Tong Ren Tang Holdings and its associates
“Independent Valuer”		means Beijing Guorong Xinghua Assets Appraisal Co., Ltd., an independent third party valuer appointed for the Acquisition
“PRC”		means the People's Republic of China, which for the purposes of this circular only (unless otherwise indicated) excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”		means the lawful currency of the PRC, Renminbi
“Shareholder(s)”		means the shareholder(s) of the Company
“Target Asset”		means the assets of the Beijing Tong Ren Tang Medicine Processing Base (北京同仁堂中藥加工基地), located in Daxing Biomedicine Industrial Base in Zhongguancun Science Park (including land use right and building ownership )
“Daxing Branch”		means the Daxing branch of the Company located in Daxing Biomedicine Industrial Base in Zhongguancun Science Park
“Tong Ren Tang Holdings”		means China Beijing Tong Ren Tang Group Co., Ltd.(中國北京同仁堂（集團）有限責任公司), a state-owned enterprise established in the PRC and the ultimate controlling shareholder of the Company, directly and indirectly holding 47.59% shares of the Company

“Valuation”		means the preliminary valuation of the Target Asset as at the Valuation Reference Date, being RMB650,953,010, according to the Valuation Report
“Valuation Reference Date”		means 31 August 2019
“Valuation Report”		means the Asset Valuation Report of the Beijing Tong Ren Tang Chinese Medicine Processing Base Involved in the Proposed Asset Transfer of China Beijing Tong Ren Tang Group Co., Ltd. (Guorong Xinghua Ping Bao Zi [2019] No. 050078) prepared by the Independent Valuer dated 19 October 2019
“%”		means percentage

By order of the Board  
**Tong Ren Tang Technologies Co. Ltd.**  
**Gu Hai Ou**  
*Chairman of the Board*

Beijing, the PRC  
4 November 2019

*As at the date of this announcement, the Board comprises Mr. Gu Hai Ou, Mr. Huang Ning, Mr. Wu Le Jun, Ms. Wu Qian, Mr. Wang Yu Wei and Ms. Fang Jia Zhi as executive Directors, Mr. Ting Leung Huel, Stephen, Ms. Chan Ching Har, Eliza and Mr. Zhan Yuan Jing as independent non-executive Directors.*