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**BEIJING TONG REN TANG CHINESE MEDICINE COMPANY
LIMITED**

北京同仁堂國藥有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3613)

CONNECTED TRANSACTION

**ACQUISITION OF 40% EQUITY INTERESTS
IN THE TARGET COMPANY**

The Board is pleased to announce that on 10 February 2021, the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which, the Company had agreed to purchase, and the Vendor agreed to sell, the Sale Equity, representing 40% of the entire equity interests of the Target Company for a total consideration of RMB33,109,300 (equivalent to approximately HK\$39,832,000).

As at the date of this announcement, TRT Technologies is a controlling shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. As TRT Technologies is interested in 60% equity interests in the Target Company, the Acquisition constitutes a connected transaction under Rule 14A.28 of the Listing Rules. As more than one of the applicable percentage ratios in respect of the Acquisition exceed 0.1% but is less than 5%, the Acquisition is only subject to the reporting and announcement requirements under the Listing Rules, and is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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THE ACQUISITION

Principal terms of the Sale and Purchase Agreement are summarized as follows:

- Date** : 10 February 2021
- Parties** : (i) the Company; and
(ii) the Vendor

Subject matter

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agrees to sell, and the Company conditionally agrees to purchase, the Sale Equity, representing 40% of the entire equity interests of the Target Company.

Consideration

The consideration for the sale and purchase of the Sale Equity is RMB33,109,300 (equivalent to approximately HK\$39,832,000) and will be financed by the internal resources of the Company and payable by the Company as follows:

- (i) 30% of the total consideration (i.e. RMB9,932,800, which is equivalent to approximately HK\$11,950,000) shall be paid by the Company to the Vendor within 15 business days upon the signing of the Sale and Purchase Agreement (the “**First Consideration Payment**”); and
- (ii) 70% of the total consideration (i.e. RMB23,176,500, which is equivalent to approximately HK\$27,882,000) shall be paid by the Company to the Vendor within 10 business days upon completion of the business registration in relation to the Acquisition with the relevant SAMR.

The consideration for the sale and purchase of the Sale Equity was determined after arm’s length negotiations between the Company and the Vendor on normal commercial terms taking into account for factors including but not limited to the valuation of the Target Company as appraised by an independent professional valuer and the reasons as set out in the section headed “Reasons for and benefits of the Acquisition” in this announcement.

Termination

In the event that the business registration of the Target Company in relation to the Acquisition with the relevant SAMR cannot be completed within 30 business days from the date of the First Consideration Payment due to the failure on the part of the Vendor, the Company shall have the right to terminate the Sale and Purchase Agreement and the Vendor shall forthwith return the consideration paid by the Company with interest which is calculated at the loan prime rate announced by the National Interbank Funding Center (全國銀行間同業拆借中心). In addition, the Vendor shall pay to the Company the fees directly and indirectly incurred by the Company in connection with the Acquisition and any financial loss caused by the Vendor.

Completion

Completion shall take place on the day which the business registration in relation to the Acquisition with the relevant SAMR has been completed.

Upon completion of the Acquisition, the Target Company will be owned as to 60% and 40% by TRT Technologies and the Company, respectively, and it will become an associate of the Group.

INFORMATION OF THE COMPANY

The Company is principally engaged in manufacturing, retail and wholesale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatment.

INFORMATION OF THE VENDOR

The Vendor is a company established under the laws of Hong Kong with limited liability and is principally engaged in trading and investment holding. As at the date of this announcement, it holds 40% of the equity interests in the Target Company. The ultimate beneficial owner of the Vendor is Mr. Yu Hoi Yee, Alwin. Save as its equity interests in the Target Company prior to the completion of the Acquisition, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Vendor and its ultimate beneficial owner are Independent Third Party.

INFORMATION OF TRT TECHNOLOGIES

TRT Technologies is principally engaged in the manufacturing and sale of Chinese medicines.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited company established in the PRC with a registered capital of US\$3,000,000. The Target Company is principally engaged in technological development and sales of biological products, Chinese and western medicines, cosmetics and healthcare products. As at the date of this announcement, the Target Company is owned as to 60% and 40% by TRT Technologies and the Vendor, respectively.

Set out below are certain financial information of the Target Company prepared in accordance with the China Accounting Standards for Business Enterprises for the two years ended 31 December 2019:

	For the year ended 31 December	
	2018 <i>(Audited)</i>	2019 <i>(Audited)</i>
Profit/(Loss) before tax	RMB17,504,000 Equivalent to approximately HK\$20,676,000	RMB(971,000) Equivalent to approximately HK\$(1,103,000)
Profit/(Loss) after tax	RMB15,071,000 Equivalent to approximately HK\$17,802,000	RMB(1,471,000) Equivalent to approximately HK\$(1,672,000)

As at 30 September 2020, the unaudited net asset value of the Target Company was approximately RMB66,810,000 (equivalent to approximately HK\$76,033,000).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors believe that the Target Company's products could broaden the product portfolio of the Group with the potential for growth opportunities. In addition to the expansion on product portfolio, the combined expertise of the Group's manufacturing and retail of Chinese medicine products business with the Target Company's development of healthcare products business would also create a wider spectrum of professional services that can enhance the Group's operation and competitive edge. With the growing health awareness, the Directors are of the view that the Acquisition would strengthen the Group's market position and future development.

None of the Directors has a material interest in the transaction contemplated under the Sale and Purchase Agreement. However, as chairman of the Board and executive Director, Ms. Ding Yong Ling (who is the director and the deputy general manager of Tong Ren Tang Holdings, the ultimate controlling shareholder of the Company and TRT Technologies) is related to Tong Ren Tang Holdings, for good corporate governance, Ms. Ding Yong Ling has abstained from voting on the relevant resolutions in the Board meeting to approve the transaction contemplated under the Sale and Purchase Agreement.

The Board (including the independent non-executive Directors) is of the view that terms of the Sale and Purchase Agreement and the Acquisition are fair and reasonable, and the entering into of the Sale and Purchase Agreement and the Acquisition is conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, TRT Technologies is a controlling shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. As TRT Technologies is interested in 60% equity interests in the Target Company, the Acquisition constitutes a connected transaction under Rule 14A.28 of the Listing Rules.

As more than one of the applicable percentage ratios in respect of the Acquisition exceed 0.1% but is less than 5%, the Acquisition is only subject to the reporting and announcement requirements under the Listing Rules, and is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the Acquisition of the Sale Equity
“Board”	the board of Directors of the Company
“Company”	Beijing Tong Ren Tang Chinese Medicine Company Limited, a limited company incorporated in Hong Kong, the shares of which were listed on GEM on 7 May 2013 and were transferred to the Main Board of the Stock Exchange on 29 May 2018
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“GEM”	GEM operated by the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party”	third party independent of the Company and its connected persons (as defined in the Listing Rules) of the Company and their respective associates (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SAMR”	State Administration for Market Regulation of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 February 2021 entered into between the Company and the Vendor in relation to the sale and purchase of the Sale Equity

“Sale Equity”	40% of the registered capital of the Target Company and owned by the Vendor as at the date of the Sale and Purchase Agreement
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Beijing Tong Ren Tang WM Dianorm Biotech Co., Limited* (北京同仁堂麥爾海生物技術有限公司), a company established in the PRC with limited liability
“Tong Ren Tang Holdings”	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 on 17 August 1992 and the ultimate controlling shareholder of the Company and TRT Technologies
“TRT Technologies”	Tong Ren Tang Technologies Co. Ltd., a joint stock limited company established in the PRC on 22 March 2000, the H shares of which have been listed on GEM since October 2000 and have been transferred to the Main Board of the Stock Exchange since July 2010, and is the immediate holding company of the Company
“US\$”	United States dollar, the lawful currency of the United States
“Vendor”	WM Dianorm Biotech Co., Limited, a company established in Hong Kong with limited liability
“%”	per cent

** for identification purpose only*

By order of the Board
Beijing Tong Ren Tang
Chinese Medicine Company Limited
Ding Yong Ling
Chairman

Hong Kong, 10 February 2021

As at the date of this announcement, the Board comprises the executive directors, namely Ms. Ding Yong Ling (Chairman), Mr. Zhang Huan Ping and Ms. Lin Man; the non-executive director, namely Mr. Chen Fei; and the independent non-executive directors, namely Mr. Tsang Yok Sing, Jasper, Mr. Zhao Zhong Zhen and Mr. Chan Ngai Chi.