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If you have sold or transferred all your shares in **Tong Ren Tang Technologies Co. Ltd.**, you should at once hand this circular and the accompanying form of proxy and the reply slip to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



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 incorporated in the People's Republic of China with limited liability)

(Stock Code: 1666)

**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES
OF BOARD OF DIRECTORS
PROPOSED ACQUISITION OF TARGET ASSET
BY CASH FROM TONG REN TANG HOLDINGS
AND
NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Innovax Capital Limited

A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 18 to 19 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 34 of this circular.

A notice convening the EGM to be held at 9:30 a.m. on Monday, 17 February 2020 in No. 20 Nansanhuan Zhonglu, Fengtai District, Beijing, the PRC, is set out on pages 54 to 56 of this circular.

If you intend to appoint a proxy to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof, and deposit it with, (i) for holders of H Shares, Hong Kong Registrars Ltd., the H Share registrar and transfer office of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and (ii) for holders of Domestic Shares, the office of the Company, at No. 20, Nansanhuan Zhonglu, Fengtai District, Beijing, the PRC. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

31 December 2019

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DEFINITIONS

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

“Acquisition”	means the acquisition of the Target Asset by the Company from Tong Ren Tang Holdings by way of payment of RMB640,681,910 (tax inclusive) in cash pursuant to the Asset Transfer Agreements
“Articles of Association”	means the articles of association of the Company
“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
“Asset Transfer Agreements”	means the Asset Transfer Agreement and the Supplemental Asset Transfer Agreement respectively entered into by and between the Company and Tong Ren Tang Holdings on 4 November 2019 and 30 December 2019
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“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
“Daxing Branch”	means the Daxing branch of the Company located in Daxing Biomedicine Industrial Base in Zhongguancun Science Park, Beijing
“Director(s)”	means the director(s) of the Company

DEFINITIONS

“Domestic Independent Valuer”	means Beijing Guorong Xinghua Assets Appraisal Co., Ltd., a domestic independent third party valuer appointed for the Acquisition
“Domestic Valuation Reference Date”	means 31 August 2019
“Domestic Valuation Report”	means the Asset Valuation Report of the Beijing Tong Ren Tang 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 Domestic Independent Valuer dated 19 October 2019
“EGM”	means the extraordinary general meeting to be convened by the Company to be held at 9:30 a.m. on Monday, 17 February 2020 in No. 20 Nansanhuan Zhonglu, Fengtai District, Beijing, the PRC, to consider and, if thought fit, to approve the amendments to the Articles of Association and the amendments to the Rules of Procedures of the Board of Directors, as well as the Asset Transfer Agreements between the Company and Tong Ren Tang Holdings and the Acquisition
“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Independent Valuer”	means LCH (Asia-Pacific) Surveyors Limited, a Hong Kong independent third party valuer appointed for the Acquisition
“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
“Hong Kong Valuation Reference Date”	means 31 October 2019
“Hong Kong Valuation Report”	means the valuation report of the Target Asset prepared by the Hong Kong Independent Valuer as at Hong Kong Valuation Reference Date

DEFINITIONS

“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 Agreements and the Acquisition
“Independent Financial Adviser”	means Innovax Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Asset Transfer Agreements and the Acquisition
“Independent Shareholders”	means Shareholders excluding Tong Ren Tang Holdings and its associates
“Latest Practicable Date”	means 23 December 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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
“Rules of Procedures of the Board of Directors”	means the Rules of Procedures of the Board of Directors of the Company
“Share(s)”	means the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including Domestic Shares and H Shares
“Shareholder(s)”	means the shareholder(s) of the Company
“Supplemental Asset Transfer Agreement”	means the supplemental agreement to the Asset Transfer Agreement entered into by and between the Company and Tong Ren Tang Holdings on 30 December 2019, in relation to the consideration adjustment from RMB650,953,010 (tax inclusive) to RMB640,681,910 (tax inclusive) based on the adjusted Valuation (domestic) which was approved by Beijing SASAC

DEFINITIONS

“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, Beijing (including land use right and building ownership)
“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 (domestic)”	means the valuation of the Target Asset as at the Domestic Valuation Reference Date, being RMB640,681,910, according to the Domestic Valuation Report
“Valuation (Hong Kong)”	means the valuation of the Target Asset as at the Hong Kong Valuation Reference Date, being RMB645,000,000, according to the Hong Kong Valuation Report
“%”	means percentage



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 incorporated in the People's Republic of China with limited liability)

(Stock Code: 1666)

Executive Directors:

Mr. Gu Hai Ou
Mr. Huang Ning
Mr. Wu Le Jun
Ms. Wu Qian
Mr. Wang Yu Wei
Ms. Fang Jia Zhi

Independent Non-executive Directors:

Mr. Ting Leung Huel, Stephen
Ms. Chan Ching Har, Eliza
Mr. Zhan Yuan Jing

Registered Office:

No. 16 Tongji Beilu,
Beijing Economic and Technology
Development Zone,
Beijing, the PRC

Office and Mailing Address:

No. 20 Nansanhuan Zhonglu,
Fengtai District,
Beijing, the PRC

31 December 2019

To the Shareholders

Dear Sir or Madam,

**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES
OF BOARD OF DIRECTORS
AND
PROPOSED ACQUISITION OF TARGET ASSET
BY CASH FROM TONG REN TANG HOLDINGS**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 4 November 2019, in relation to the proposed amendments to the Articles of Association.

References are made to the announcements of the Company dated 4 November 2019 and 30 December 2019, in relation to the proposed Acquisition of the Target Asset by the Company from Tong Ren Tang Holdings by way of cash. On 4 November 2019 and 30 December 2019, the Company entered into the Asset Transfer Agreement and the Supplemental Asset Transfer Agreement with Tong Ren Tang Holdings respectively, pursuant to which Tong Ren Tang Holdings has agreed to transfer and the Company has agreed to

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purchase Target Asset, which shall be satisfied by way of payment of RMB640,681,910 (tax inclusive) in cash. Pursuant to the Hong Kong Listing Rules, the Acquisition is subject to the approval by the Independent Shareholders.

The purpose of this circular is to provide you with, among other things, (i) proposed amendments to the Articles of Association; (ii) proposed amendments to the Rules of Procedures of Board of Directors; (iii) the details of the proposed Acquisition; (iv) a letter from the Independent Board Committee to the Independent Shareholders; (v) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (vi) the notice convening the EGM.

2. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

(a) Amendment of Article 1 in Chapter 1 of the existing Articles of Association:

Which originally reads as: “The Company was established as a joint stock limited company pursuant to the “Company Law of the People’s Republic of China (“Company Law”), the “Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies” (the “Special Regulations”) and other related laws and administrative regulations of the PRC.

The Company was established by Beijing Tong Ren Tang Co., Ltd. (北京同仁堂股份有限公司) as the primary promoter.”

is to be amended as follows: “The Company was established as a joint stock limited company pursuant to the “Constitution of the Communist Party of China” (the “Party Constitution”), the “Company Law of the People’s Republic of China (“Company Law”), the “Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies” (the “Special Regulations”) and other related laws and administrative regulations of the PRC.

The Company was established by Beijing Tong Ren Tang Co., Ltd. (北京同仁堂股份有限公司) as the primary promoter.”

(b) Amendment of Article 9 in Chapter 1 of the existing Articles of Association:

Which originally reads as: “In accordance with the “Constitution of the Communist Party of China” (the “Party Constitution”), the Company shall establish a grassroots Party organization of the Communist Party of China (the “Party”); the Company shall adhere to the leadership of the Party, and fully exert the functions of leading core and political core of the Party organization; the Party organization of the Company shall earnestly implement the responsibility of comprehensive and strict Party management; innovate and advance the close combination of the construction of the Party with the reform and development of the Company; provide leadership for ideological and political work and mass organization work; support the shareholders’ general meeting, the Board of Directors, the Supervisory Committee and the management to exercise their rights and perform their duties in accordance with the laws; implement the principle of placing cadres and talents under Party’s supervision; commence the establishment of a

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clean and honest Party; strengthen the establishment of leading team, talent team and Party organization; transform the political advantages, organizational advantages, and mass work advantages of the Party into the Company's innovative advantages, development advantages and competitive advantages.”

is to be amended as follows: “The Company shall establish a modern state-owned enterprise system with Chinese characteristics. In accordance with the Party Constitution, the Company shall establish a grassroots Party organization of the Communist Party of China (the “Party”); establish a working organization of the Party and Party affairs personnel. The organization and personnel of the Party shall be incorporated into the Company’s management system and staffing. The funding of the Party organization shall be included in the Company’s budget and recorded as administrative expenses. The Company shall adhere to the leadership of the Party, strengthen the development of the Party organization, and fully exert the functions of leading core and political core of the Party organization; and shall take the right direction, consider the overall situation and ensure effective implementation. The Party organization shall support the shareholders’ general meeting, the Board of Directors, the Supervisory Committee and the management to exercise their rights and perform their duties in accordance with the laws.”

(c) Addition of an article after Article 88 of the existing Articles of Association:

“**Article 89** The Party Committee of the Company generally consists of seven to nine members, including one secretary and two deputy secretaries (one of them is in charge of the Party development in the Company). Generally the Chairman shall also act as the Party Committee Secretary of the Company. Eligible Party committee members may take seats in the Board of Directors, the Board of Supervisors and the management through legal procedures. Eligible members of the Board of Directors, the Board of Supervisors and the management who are Party members may take seats in the Party committee in accordance with the relevant regulations and procedures. The Company’s discipline committee is generally composed of three members, including a secretary.”

(d) Amendment of Article 89 of the existing Articles of Association:

Which originally reads as: “The Party Committee of the Company shall play a leading role, assume the responsibility of comprehensive Party management and governance, undertake the main responsibilities for the construction of a clean and honest Party and perform the following duties in accordance with the “Party Constitution” and other provisions:

- (1) to guarantee and supervise the implementation in the Company of policies and guidelines of the Party and the state as well as the decisions and deployments of Party organizations of higher levels;
- (2) to adhere to the principle of placing cadres under Party’s supervision while ensuring the lawful selection by the Board of Directors of the management and the lawful exercise of the power of the management in the employment of personnel;

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- (3) to research and discuss the matters in relation to the reform, development and stability of the Company, major operational and management issues as well as the major issues in relation to the vital interests of employees and give opinions and suggestions thereon; support the shareholders' general meeting, the Board of Directors, the Supervisory Committee and the management of the Company to exercise their rights and perform their duties in accordance with law; and support the Congress of Employees in carrying out its work;
- (4) to undertake responsibility of comprehensive and strict Party management. It shall take lead in the Company's ideological and political work, united front work, spiritual civilization construction, corporate culture construction and group work such as labor union and the Communist Youth League. It shall also take lead in the establishment of a clean and honest Party and support the Disciplinary Committee of the Company to perform its supervision duties;
- (5) to strengthen the construction of the Company's Grassroots Party organizations and development of Party members; give full play to the role of the Party Committee as stronghold and the role of Party members as pioneers and fine examples; and unite and lead cadres and employees to devote themselves into the Company's reform and development;
- (6) other duties that should be performed by the Party Committee of the Company."

is to be amended as follows: "The Party Committee of the Company shall perform the following duties in accordance with the "Party Constitution" and other provisions:

- (1) to guarantee and supervise the implementation in the Company of policies and guidelines of the Party and the state as well as the decisions and deployments of Party organizations of higher levels;
- (2) to adhere to the principle of placing cadres under Party's supervision while ensuring the lawful selection by the Board of Directors of the management and the lawful exercise of the power of the management in the employment of personnel;
- (3) to research and discuss the matters in relation to the reform, development and stability of the Company, major operational and management issues as well as the major issues in relation to the vital interests of employees and give opinions and suggestions thereon; support the shareholders' general meeting, the Board of Directors, the Supervisory Committee and the management of the Company to exercise their rights and perform their duties in accordance with law; and support the Congress of Employees in carrying out its work;
- (4) to undertake responsibility of comprehensive and strict Party management. It shall take lead in the Company's ideological and political work, united front work, spiritual civilization construction, corporate culture construction and group work such as labor union and the Communist Youth League. It shall also take lead in the establishment of a clean and honest Party and support the Disciplinary Committee of the Company to perform its supervision duties;

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- (5) to strengthen the construction of the Company's Grassroots Party organizations and development of Party members; give full play to the role of the Party Committee as stronghold and the role of Party members as pioneers and fine examples; and unite and lead cadres and employees to devote themselves into the Company's reform and development;
- (6) other duties that should be performed by the Party Committee of the Company."

(e) Amendment of Article 92 of the existing Articles of Association

Which originally reads as: "The Board shall report to the shareholders' general meeting and exercises the following powers:

- (1) to convene general meetings and report its work to the general meeting;
- (2) to implement the resolutions of general meetings;
- (3) to decide on the Company's business plans and investment plans;
- (4) to formulate the Company's plans on annual financial budgets and final accounts;
- (5) to formulate the Company's profit distribution plans and plans on making up losses;
- (6) to formulate the proposals for increase or decrease of the registered capital of the Company and issue of bonds of the Company;
- (7) to formulate plans for merger, division and dissolution of the Company;
- (8) to determine the establishment of the Company's internal management structure;
- (9) to appoint or remove the manager of the Company and to appoint or remove the deputy manager and financial officer of the Company based on the nomination by the manager and to decide on their remunerations;
- (10) to formulate the basic management system of the Company;
- (11) to formulate proposals for amendment to the Articles of Association;
- (12) to determine the establishment of specific committees and to appoint and remove the relevant persons in charge.

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Except for the Board resolutions in respect of the matters specified in subparagraphs (6), (7) and (11) of this Article which shall be passed by not less than two-thirds of the Directors, the Board resolutions in respect of all other matters may be passed by the affirmative vote of a simple majority of the Directors.”

is to be amended as follows: “The Board shall report to the shareholders’ general meeting and exercises the following powers:

- (1) to convene general meetings and report its work to the general meeting;
- (2) to implement the resolutions of general meetings;
- (3) to decide on the Company’s business plans and investment plans;
- (4) to formulate the Company’s plans on annual financial budgets and final accounts;
- (5) to formulate the Company’s profit distribution plans and plans on making up losses;
- (6) to formulate the proposals for increase or decrease of the registered capital of the Company and issue of bonds of the Company;
- (7) to formulate plans for merger, division and dissolution of the Company;
- (8) to determine the establishment of the Company’s internal management structure;
- (9) to appoint or remove the manager of the Company and to appoint or remove the deputy manager and financial officer of the Company based on the nomination by the manager and to decide on their remunerations;
- (10) to formulate the basic management system of the Company;
- (11) to formulate proposals for amendment to the Articles of Association;
- (12) to determine the establishment of specific committees and to appoint and remove the relevant persons in charge.

Except for the Board resolutions in respect of the matters specified in subparagraphs (6), (7) and (11) of this Article which shall be passed by not less than two-thirds of the Directors, the Board resolutions in respect of all other matters may be passed by the affirmative vote of a simple majority of the Directors. Any matter which belongs to major decision-makings, important personnel appointments and dismissals, or major project arrangements and large-sum capital operations is subject to the study and discussion by the Party organization before the Board and management make any decision.”

As a result of proposed adding of the above new provision (Article 89), the subsequent provisions of the Articles of Association will be renumbered hereafter.

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3. PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES OF BOARD OF DIRECTORS

(a) Amendment of Article 2 in Chapter 1 of the existing Rules of Procedures of Board of Directors:

Which originally reads as: “The Board, which represents the decision-making body for the operation and management of the Company, protects the interests of the Company and its shareholders as a whole, and is responsible for making decisions on the development objectives and major operating activities of the Company.”

is to be amended as follows: “The Board, which represents the decision-making body for the operation and management of the Company, protects the interests of the Company and its shareholders as a whole, and is responsible for making decisions on the development objectives and major operating activities of the Company. In the meantime, studies and discussions by the Party Committee shall serve as the preliminary procedures for the decision-making of the Board as to major issues, wherein actual operations ensure seamless connection between the Party Committee and the Board for the purpose of effectively settling the relevant decision-making matters.”

(b) Addition of an article after Article 21 in Chapter 3 of the existing Rules of Procedures of Board of Directors:

Article 22 To improve the decision-making effectiveness and operating efficiency of the Board, the Board establishes the audit committee, the nomination committee, the remuneration committee, and the planning and strategy committee.

These special committees are internal working bodies established under the Board, which are comprised of the directors that will consider important matters proposed to the Board or other matters authorized by the Board, and provide professional consultation and recommendations to the Board. These special committees shall be accountable to the Board and make no any resolution in the name of the Board.

(c) Addition of an article after Article 52 in Chapter 6 of the existing Rules of Procedures of Board of directors:

“Article 53 The Board shall maintain minutes recording its meetings. The minutes shall include the date, venue, name of the chairperson, names of attending directors, subject matters of the meeting, highlights of directors’ speeches, methods and results of voting on resolutions, etc. The directors attending the meetings, who shall sign their names on the minutes, are entitled to request for explanatory records about their speeches addressed at the meetings. The minutes for the meetings of the Board shall be permanently retained as the Company profile.”

Due to the above addition of new articles, the articles subsequent to the existing Rules of Procedures of Board will be commensurately renumbered.

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4. PROPOSED ACQUISITION OF TARGET ASSET BY CASH FROM TONG REN TANG HOLDINGS

(a) Principal terms of the Asset Transfer Agreements

Date

4 November 2019 and 30 December 2019

Parties

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

The Target Asset

The Target Asset to be transferred to the Company is Beijing Tong Ren Tang Medicine Processing Base (including land use right and building and its ancillary equipment ownership). The Target Asset is located in Daxing Biomedicine Industrial Base in Zhongguancun Science Park. The land of the Target Asset is constructed by Tong Ren Tang Holdings, including testing center, pre-processing workshops and product sorting workshops, etc., which is mainly engaged in medicine testing, Chinese medicine pre-processing such as grinding and net material processing, and logistics distribution, etc. The Target Asset has a total construction area of 88,753.01 square meters and industrial land of 114,122.67 square meters.

Transfer of Legal Formalities

The expenses and related rights and interests incurred by the related project in the Target Asset before the Domestic Valuation Reference Date shall be included in the transfer consideration. The expenses incurred by the project involved in the Target Asset after the effective date of the Asset Transfer Agreements 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 Agreements.

Consideration and Payment

The Company shall purchase the Target Asset, which shall be satisfied by way of payment of RMB640,681,910 (tax inclusive) in cash. The consideration is based on the valuation of the net value of the Target Asset in the Domestic Valuation Report as at the Domestic Valuation Reference Date. The consideration has been approved by the Beijing SASAC.

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 Agreements, and pay the remaining installments

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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 PRC government (except as otherwise specifically provided by other clauses in the Asset Transfer Agreements) shall be borne by the Company.

Liabilities

If Tong Ren Tang Holdings fails to deliver relevant documents to the Company on time as agreed in Asset Transfer Agreements, 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 Agreements, 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 Agreements 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 Agreements, 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 Agreements 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 Agreements

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 Agreements shall become established after signing and

LETTER FROM THE BOARD

sealing between the Company and Tong Ren Tang Holdings and shall become effective on the day of approval of shareholders' at general meeting after the approval of Beijing SASAC.

(b) Information of the Target Asset

The Target Asset, namely the assets (including land use right and building and its ancillary equipment ownership) in the Beijing Tong Ren Tang Medicine Processing Base (北京同仁堂中藥加工基地). As at the Domestic 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 land involved in the Target Asset was acquired by Tong Ren Tang Holdings by cash of RMB69,617,700, and the buildings involved in the Target Asset was constructed by Tong Ren Tang Holdings.

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 Domestic Valuation Reference Date, being RMB640,681,910, according to the Valuation Report prepared by the Domestic 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.

(c) Information of the parties and ultimate beneficial owner

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.

Beijing SASAC

Beijing SASAC is the ultimate beneficial owner of Tong Ren Tang Holdings. Pursuant to the Program for the Reform of the Institutions of the People's Government of Beijing Municipality as approved by the Central Committee of the Communist Party of China and the State Council and the Circular of the People's Government of Beijing Municipality about the Establishment of Institutions, Beijing

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SASAC, which a special institution directly under the Municipality Government and authorized by the Municipality Government to represent the State to perform the duties of the state-owned assets contributor has been established.

(d) Reasons and benefits of the transaction

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

- (i) The Target Asset is 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 Asset, 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, such as optimizing the transportation cost by shortening the transportation time of the products and decreasing the product turnover expenses;
- (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 Asset will mainly undertake the processing of Daxing Branch's proprietary Chinese medicine products, 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. 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 warehouse management system, vehicle management 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.

5. 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 Shareholder of the Company, and is therefore connected person of the Company under the Hong Kong Listing Rules. As one or

LETTER FROM THE BOARD

more of the applicable percentage ratios (as defined under Rule 14A.07 of the 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.

6. EGM

A notice convening the EGM, at which ordinary resolutions will be submitted to the Shareholders to consider and, if thought fit, to approve the Asset Transfer Agreements with Tong Ren Tang Holdings as well as the Acquisition, is set out on pages 54 to 56 of this circular.

Votes on the resolutions to be proposed at the EGM shall be taken by way of poll. In accordance with the Hong Kong Listing Rules, Tong Ren Tang Holdings and its associates will abstain from voting on the resolution to be proposed at the EGM in relation to the Asset Transfer Agreements with Tong Ren Tang Holdings as well as the Acquisition contemplated thereunder. As at the Latest Practicable Date, Tong Ren Tang Holdings and its associates, directly and indirectly, hold 609,480,000 Domestic Shares (representing approximately 47.59% of the issued share capital of the Company) with voting right.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, other than Tong Ren Tang Holdings and its associates, no other connected person of the Company, Shareholder or their respective associate has a material interest in the transactions contemplated under the Asset Transfer Agreements and is required to abstain from voting on the relevant resolution at the EGM.

If you intend to appoint a proxy to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof, and deposit it with, (i) for holders of H Shares, Hong Kong Registrars Ltd., the H Share registrar and transfer office of the Company in Hong Kong, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong; and (ii) for holders of Domestic Shares, the office of the Company, at No. 20, Nansanhuan Zhonglu, Fengtai District, Beijing, the PRC. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

The register of members of the Company will be closed from Saturday, 18 January 2020 to Monday, 17 February 2020 (both days inclusive), during which time no transfer of Shares will be registered. In order to be qualified for attending and voting at the EGM, all transfer documents of the holders of H Shares together with the relevant share certificate must be lodged with Hong Kong Registrars Ltd., the Company's H Share registrar and transfer office in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 17 January 2020.

LETTER FROM THE BOARD

7. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Asset Transfer Agreements as well as the Acquisition; and (ii) the letter from the Independent Financial Adviser set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Asset Transfer Agreements as well as the Acquisition, as well as the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice.

The Directors (excluding the independent non-executive Directors) are of the view that the Asset Transfer Agreements were entered into on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the respective continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (excluding the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

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



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 incorporated in the People's Republic of China with limited liability)

(Stock Code: 1666)

31 December 2019

To the Shareholders

Dear Sir or Madam,

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

We refer to the circular dated on 31 December 2019 (the “Circular”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to consider and advise you as to whether, in our opinion, the Asset Transfer Agreements as well the Acquisition (details of which are set out in the letter from the Board) are fair and reasonable so far as the Independent Shareholders are concerned.

Innovax Capital Limited has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the Asset Transfer Agreements as well the Acquisition. Details of the advice from Innovax Capital Limited, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 20 to 34 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 17 of the Circular and the additional information set out in the Appendix.

Having considered (i) the terms and conditions of the agreements of the Asset Transfer Agreements; (ii) the discussion with the management of the Company about the background to and nature of the transaction under the Asset Transfer Agreements; (iii) the reasons and benefits of the transaction to the Company; and (iv) the interests of the Independent Shareholders and the advice given by the Independent Financial Advisor and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the view that while the Asset Transfer Agreements are not entered into in the ordinary and usual course of business of the Group, the Asset Transfer Agreements were negotiated on an arm's length basis, will be conducted on normal commercial terms, or on terms no less favorable than those available to or from independent third parties under prevailing local market conditions,

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

and the terms and conditions are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM so as to approve the Asset Transfer Agreements as well as the Acquisition.

Yours faithfully,

For and on behalf of the Independent Board Committee of

Tong Ren Tang Technologies Co. Ltd.

Mr. Ting Leung Huel, Stephen Ms. Chan Ching Har, Eliza Mr. Zhan Yuan Jing
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Innovax Capital Limited to the Independent Board Committee and the Independent Shareholders, for the purpose of incorporation into this circular.



31 December 2019

To the Independent Board Committee and the Independent Shareholders of Tong Ren Tang Technologies Co. Ltd.

Dear Sirs,

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION ACQUISITION OF TARGET ASSET BY CASH FORM

INTRODUCTION

We refer to our engagement as the independent financial adviser (“**IFA**”) to the Independent Board Committee and the Independent Shareholders in relation to the acquisition of target asset (“**Asset Acquisition**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 31 December 2019 issued by the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement dated 4 November 2019 and 30 December 2019 of the Company in relation to Asset Acquisition that on 4 November 2019, the Company entered into the asset transfer agreement with Tong Ren Tang Holdings and on 30 December 2019, the Company entered into a supplemental agreement to the asset transfer agreement, together referred to as the “**Asset Transfer Agreements**”, pursuant to which Tong Ren Tang Holdings agreed to transfer and the Company agreed to acquire the target asset (the “**Target Asset**”) at a consideration of RMB640,681,910 (the “**Consideration**”).

Tong Ren Tang Holdings is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transaction contemplated under the Asset Transfer Agreements constitute connected transaction (“**Connected Transaction**”) of the Company under Chapter 14A of the Hong Kong Listing Rules. As the applicable percentage ratio(s) with respect to the Consideration for Asset Acquisition pursuant to the Asset Transfer Agreements is more than 5% but below 25%, the Connected Transaction will be subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the three independent non-executive Directors, has been formed to consider whether (i) the terms of the Asset Transfer Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the Connected Transaction, including the Consideration, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, Innovax Capital Limited, have been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Connected Transaction. In the last two years, Ms. Erica Ling, for and on behalf of Innovax Capital Limited, signed the opinion letter from independent financial adviser contained in the Company's circular dated 31 October 2019 in relation to the renewal of continuing connected transactions. The past engagement was limited to providing independent advisory services to Independent Board Committee and Independent Shareholders pursuant to the Hong Kong Listing Rules. Apart from normal professional fees paid or payable to us in connection with the engagement aforementioned, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or its subsidiaries or their respective controlling shareholders, Tong Ren Tang Holdings and their respective subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the IFA in respect of the Connected Transaction.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management (“**Management**”) of the Company. We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry 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 facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us. The Directors jointly and severally accept full responsibility for the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

We, as the IFA, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. 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, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Connected Transaction, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Connected Transaction.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view on the transaction contemplated under the Asset Transfer Agreements, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

(A) Background of and reasons for the Connected Transaction

1. Information of the Company

According to the 2018 annual report of the Company (“**2018 Annual Report**”), the Group mainly produces Chinese patent medicine, involving forms pills, tablets, granules and oral liquid. The Company gives full play to its competitive advantages of multi-category, multi-dose and multi-specification product offering.

We noted from the 2018 Annual Report, there were two new production bases under construction, including (i) the Daxing branch of the Company located in Daxing Biomedicine Industrial Base of Zhongguancun Science Park (the “**Daxing Branch**”); and (ii) the Tangshan production base located in the Tangshan City, Hebei Province (the “**Tong Ren Tang Technologies Tangshan**”). According to the 2018 Annual Report, upon its completion, the Daxing Branch will become comprehensive production base which focuses on the manufacture and research of water-honeyed pills, condensed pills, big honeyed pills, and other pills. As at the end of 2018, the construction of research and development center, solid dosage production workshop were all completed. Certain

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production lines and workshops in the Daxing Branch have completed the GMP certification process. The Daxing Branch is expected to gradually commence manufacturing going forward.

We set out below a summary of the financials of the Company and its subsidiaries, collectively known as the “**Group**”. The audited results for the two years ended 31 December 2018 (“**FY2017**” and “**FY2018**”) were extracted from the consolidated income statement in the 2018 Annual Report, which were prepared in accordance with IFRS:

	For the year ended 31 December		
	2018	2017	Variance
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	5,059,638	5,025,183	0.7%
Profit for the year	1,005,853	969,892	3.7%

The Group recorded stable revenue for FY2017 and FY2018. In FY2018, as part of the GMP re-certification process required the modification of the workshops and production lines, the Group suffered from temporary suspension of certain production lines in existing production capacity while the new production capacity was not yet released. Upon the completion of GMP-recertification at the existing production bases and the GMP certification in the Daxing branch and Tong Ren Tang Technologies Tangshan, the Group’s production capacity is expected to gradually increase. In the past five years, the Group’s total sales revenue has increased at a CAGR of about 8% and its net profit at a CAGR of about 10%. The number of products with sales amount exceeding RMB5.0 million has increased year by year, reaching 53 as of 31 December 2018. Despite the temporary impact of the GMP certification on existing production capacity, the Group still managed to record overall growth in revenue and profit for FY2018.

We set out below a summary of the financials of the Group extracted from the audited consolidated balance sheet in the 2018 Annual Report, which were prepared in accordance with IFRS:

	As at 31 December		
	2018	2017	Variance
	<i>RMB'000</i>	<i>RMB'000</i>	
Non-current assets	2,378,188	2,032,281	17.0%
Current assets	7,391,678	6,843,376	8.0%
Net current assets	5,899,351	5,441,830	8.4%
Net assets	7,276,849	6,459,542	12.7%

As demonstrated above, the Group recorded growth in both net current assets and net assets mainly as a result of the increase in property, plant and equipment and short-term deposits. It is noted that among the current assets of RMB7.4 billion as at 31 December

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2018, RMB3.4 billion were short-term deposits, cash and cash equivalent, representing approximately 46.6% of the total current assets. The proportion also increased from approximately 44.9% as at 31 December 2017.

2. Information of Tong Ren Tang Holdings

Tong Ren Tang Holdings is engaged in the processing and manufacture of Chinese patent medicine and Chinese medicine decoction pieces, sales of Chinese medicinal, Chinese patent medicine and Chinese medicinal decoction pieces, medical food, warehousing and transportation, etc. Tong Ren Tang Group has a sales network providing a wide coverage. Beijing SASAC is the ultimate beneficial owner of Tong Ren Tang Holdings. Pursuant to the Program for the Reform of the Institutions of the People's Government of Beijing Municipality as approved by the Central Committee of the Communist Party of China and the State Council and the Circular of the People's Government of Beijing Municipality about the Establishment of Institutions, Beijing SASAC, which a special institution directly under the Municipality Government and authorized by the Municipality Government to represent the State to perform the duties of the state-owned assets contributor has been established.

3. Information of the Target Asset

The Target Asset to be transferred to the Company includes the land use rights of a parcel of industrial land in the Daxing Biomedicine Industrial Base in Zhongguancun Science Park with a total size of approximately 114,122.67 sq.m.; and the ownership of the buildings (structures) and the ancillary equipment on top of it. According to the valuation report issued by Beijing Guorong Xinghua Assets Appraisals Co., Ltd. ("**Beijing Guorongxinghua**") , an independent qualified valuer, (the "**Domestic Valuation Report**"), there were six buildings and structures erected on the parcel of land which comprised one 4-storey testing centre, a 4 storey pre-processing workshop; single storey warehouse for finished products; and three single storey guard rooms. The ancillary equipment therein included security monitoring system and other supporting facilities.

The land involved in the Target Asset was acquired by Tong Ren Tang Holdings by cash of RMB69,617,700, and the buildings involved in the Target Asset was constructed by Tong Ren Tang Holdings. According to the Domestic Valuation Report, the land use rights was first obtained by Tong Ren Tang Holdings in 2011.

4. Reason for and benefits of the Asset Acquisition

As stated in the Letter from the Board, the Directors considered the followings:

- (i) The Target Asset is 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 Asset, it will work synergistically with the Company's Daxing Branch, forming a closed-loop production chain from traditional Chinese medicine pre-treatment, pharmaceutical production to logistics and

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distribution, and effectively lowering the operation cost of the Company, such as optimizing the transportation cost by shortening the transportation time of the products and decreasing the product turnover expenses;

- (ii) With the gradual release of production capacity of Daxing Base of the Company, it is expected that the production will continue to grow, and the Target Asset will mainly undertake all the processing of Daxing Branch's proprietary Chinese medicine products, 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. 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 warehouse management system, vehicle management 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 the Daxing International Airport, the location advantage becomes more obvious, and there is 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.

In arriving our opinion in respect of the Asset Acquisition, we have taken into consideration the following principal factors and reasons:

1. The growth of healthcare and traditional Chinese medicine industry in the PRC

The Chinese government continued to attach great importance to and remained supportive to the Chinese medicine industry, which has brought about new opportunities for development in the industry. Healthcare and pharmaceutical industry remains one of the focus areas of the 13th Five-Year Plan. There will be strategic planning in the promotion of "Healthy China" (健康中國) under the Plan, include improving the healthcare system, as well as increasing the public health awareness and encourage the promotion of Chinese medicines. National Health and Family Planning Commission (the former Ministry of Health) released a blueprint "Healthy China 2030" in October 2016. According to report "Embrace Healthcare Revolution — Strategically moving from volume to value" developed by Deloitte Research and Deloitte China Life Sciences and Healthcare Industry Team about China Healthcare Industry's current situation and future trends, the "Healthy China 2030" strategy sets goals on the scale of the healthcare industry, specifies many key indicators for "Healthy China" construction, and raises the requirements on

healthcare services. “Healthy China” strategy will serve as an important guideline for developing China’s healthcare industry from 2016 to 2030 with the theme of cobuilding, sharing and achieving nation-wide health based on the principles of health first, reform and innovation, scientific development and fairness and equality. In 2016, China’s total health spending occupied 6.2% of the total GDP of China, and as proposed during the 12th Five-Year Plan period, the total health spending will exceed RMB6.5 trillion by 2020, accounting for 6.5% to 7% of the total GDP of China. According to the World Health Organization Global Health Expenditure Database of the World Bank, health expenditure in the United States was approximately 17.1% of its GDP in 2016, representing a significantly higher percentage than China. According to the data obtained from the International Monetary Fund, it is noted that the China’s GDP is projected to grow at an average rate of 5.9% a year in 2020-2022, as a result, it will stimulate the growth in healthcare spending in the PRC over the next few years.

Further, particularly regarding Chinese traditional medicine, on 6 December 2016, the PRC government published its first white paper on traditional Chinese medicine, detailing policies and measures on traditional Chinese medicine development and highlighting its unique value in the new era. As ideas on fitness and medical models change and evolve, traditional Chinese medicine has come to underline an increasing profound value, according to the white paper. Stressing the innovative development of traditional Chinese medicine for health preservation, the white paper said the PC government aspires to enable every Chinese citizen to have access to basic traditional Chinese medicine services by 2020 and make traditional Chinese medicine services to cover all areas of medical care by 2030.

In light of the basic principles and main measures envisioned in the white paper, it is estimated that the market size of traditional Chinese medicine related services will reach RMB3.0 trillion in 2020, representing a CAGR of 19.7% as compared to approximately RMB1.7 trillion in 2017.

2. The completion of the new production base, the Daxing Branch, and the release of new production capacity

According to the 2018 Annual Report, upon its completion, the Daxing Branch will become comprehensive production base which focuses on the manufacture and research of water-honeyed pills, condensed pills, big honeyed pills, and other pills. As at the end of 2018, the construction of research and development center, solid dosage production workshop were all completed. As confirmed by the Management, certain production lines and workshops in the Daxing Branch have already completed GMP certification. As at the Latest Practicable Date, the GMP certification process is still ongoing.

As advised by the Management, all raw materials and herbal medicines must first undergo pre-treatment processing such as filtering, frying, steaming and grinding, etc.. In the pre-treatment of traditional Chinese herbal medicines, different processing methods will be adopted according to the nature of the raw material to

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neutralise the toxicity and alleviate the side effects of the medicinal materials, thereby ultimately improving the effectiveness of the medicinal materials. Therefore, with the gradual release of the new production capacity from the Daxing Branch; and the growth in the healthcare and traditional Chinese medicine industry, the Group has a need for additional pre-treatment plant to support the growing production volume.

The Target Asset is located adjacent to the Daxing Branch. The Directors therefore considered that the Target Asset would be suitable for the expansion of the Group in terms of size, location and time. Further, as the construction of the pre-treatment workshops and storage warehouse have been completed, and the Target Asset is immediately ready for use, while certain production lines and workshops in the Daxing Branch have completed the GMP certification process and, therefore, it is expected that the new production capacity will be gradually released from 2020 onwards. In addition, the Target Asset also possessed storage warehouse for logistics distribution function. Given the close proximity to the Daxing Branch, after the production process in the Daxing Branch, all finished products will enter the Target Asset, which will be distributed across the PRC based on relevant sales schedule. Therefore, the Management is of the view that upon the completion of construction and GMP certification process of the Daxing Branch, together with the support of the pre-treatment function and logistics distribution function from the Target Asset, the Daxing Branch and the Target Asset together will form a complete, closed-loop production chain, thereby allowing the Group to closely monitor and better improve the quality of products, which is vital and foremost for a Chinese patent medicine manufacturer. As discussed in the 2018 Annual Report, the Group will closely focus on the main idea of “quality management enhancement”, constantly improve quality management, safety production and operational risk prevention and control system, consolidate the foundation of development, enhance brand image, and ensure healthy, sustainable and stable high-quality development of the Group.

3. Safeguarding the smooth operation of the Group

A complete and close-looped production chain not only allows close monitoring of products but also reduces third party risk such as the rising in rental cost and the withdrawal of lease. If the Group does not acquire the Target Asset, the Group will have to lease the properties from Tong Ren Tang Holdings or independent third parties in nearby location of the Daxing Branch. Based on the Domestic Valuation Report, in considering the income approach for valuing the Target Asset, Beijing Guorongxinghua has found three leasing arrangement in nearby locations to determine the potential rental income the properties would be able to generate had it been leased out. Based on the Domestic Valuation Report, the probable average adjusted daily rent in nearby location would be RMB1.43 per sq.m.. Assuming the Group is to rent properties of the same gross floor area of 88,753.01 sq.m., the rental expenditure for the Group would be approximately RMB44.0 million per year. Without taking into account the assumption that there may be an increase in rental price for leasing the properties as pre-treatment and logistics distribution centre, the Group will benefit from an annual rental savings of RMB46.3 million if the Group

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acquire the Target Asset. The breakeven period for the Group acquisition investment of approximately RMB640.7 million would be approximately 14.6 years. If there are any upward adjustment in the rental price in the future, the breakeven period will be less than 14.6 years. Given the long-term development of the Group, it is more cost-effective to own than to lease the Target Asset for the Group in the long run.

Further, the Group may be subject to fluctuations in rental prices for renting the Target Asset and any material and adverse increase in such cost will affect the Group's profitability and competitiveness of the Group amid the intense competition in the industry. In the event that the manufacturing cost is too high or the landlord requested for a withdrawal of lease, the Group will have to identify new and suitable plant available in nearby locations for replacement, during which the Group may suffer temporary suspension of pre-treatment processes and the overall production chain. Therefore, the Asset Acquisition allows the Company to exercise full control over the production chain to mitigate the risks of rising manufacturing costs in the Daxing district and to ensure smooth operation of the complete production chain as a whole.

4. Improves the independence of the Group's assets and related business operations

If the Group does not acquire the Target Asset from Tong Ren Tang Holdings, to support the Group's business growth and the completion of the Daxing Branch, the Group may alternatively lease from Tong Ren Tang Holdings, which will not only subject us to the risks of rising rental costs but also increases continuing connected transactions with Tong Ren Tang Holdings. The Asset Acquisition will therefore enhance our independence by reducing continuing connected transactions. It also saves the costs and efforts of going through the necessary relevant listing procedures on a three-year basis.

5. The Group has relatively sufficient liquidity and working capital

The Group resolved to settle the consideration of the Asset Acquisition by way of cash. Based on our review of the 2018 Annual Report, the Group has sufficient liquidity with RMB3.4 billion short-term deposits, cash and cash equivalent, representing approximately 46.6% of the total current assets. The Group also recorded very high current ratios of approximately 5.0 as at 31 December 2018. Considering sufficient working capital with high current ratios and the need for pre-treatment centre arising from the growth of the healthcare industry and the completion of Daxing Branch, we are of the view that the Asset Acquisition is fair and reasonable.

Having taken into account of the above, we consider that the Asset Acquisition is in the interests of the Group and the Independent Shareholders as a whole.

(B) Principal terms of the Asset Transfer Agreements

Date

4 November 2019

Parties

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

Information of the Target Asset and Consideration

The assets include land use rights and building and its ancillary equipment ownership in the Beijing Tong Ren Tang Medicine Processing Base (the “**Target Asset**”). As at 31 August 2019 (the “**Domestic Valuation Reference Date**”), the book value of the audited total assets and net assets of the Target Asset was both RMB417.2 million, and there is no identifiable profit of the Target Asset for the two financial years ending 31 December 2018.

The total consideration of the Asset 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 Domestic Valuation Reference Date, being RMB640.7 million, according to the Domestic Valuation Report 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 ancillary equipment.

Payment terms

The Company shall purchase the Target Asset, which shall be satisfied by way of payment of RMB640.7 million (tax inclusive) in cash. The consideration is based on the valuation of the net value of the Target Asset in the Domestic Valuation Report as at the Domestic Valuation Date. The consideration has been approved by the Beijing SASAC.

The Company shall pay the first instalments of the consideration being RMB350.0 million to Tong Ren Tang Holdings within 5 working days after the effective date of the Asset Transfer Agreements, and pay the remaining instalments within 6 months after the payment of the first instalment. The consideration shall be paid either by transfer cheque or by cash transfer to the bank account designated by Tong Ren Tang Holdings.

(C) Our views on the major terms of the Asset Transfer Agreements

Assessment of the fairness and reasonableness of the Consideration under the Asset Transfer Agreements

In assessing the fairness and reasonableness of the Consideration under the Asset Transfer Agreements, we have reviewed the Domestic Valuation Report and noted that the fair value of the Asset was RMB640.7 million as at the Domestic Valuation Reference Date. As disclosed in the Letter from the Board, the Domestic Valuation Report have been filed and approved by the Beijing SASAC Authority in the PRC. We also confirmed with the Management that the Target Asset is ready for use immediately upon the completion of Asset Acquisition.

In assessing the fairness and reasonableness of the Domestic Valuation Report, we have taken into account the following factors:

1. The qualification and scope of work of Beijing Guorongxinhua

We have obtained and reviewed the terms of the engagement letter of Beijing Guorongxinhua, in particular, the scope of work and noted that it is appropriate for the opinion required to be given. We also noted that Beijing Guorongxinhua carried out a site visit in October 2019 to inspect the Target Asset, reviewed copies of extracts of title documents relating to the Target Asset. We have also conducted interviews with one of the signing valuers of the Domestic Valuation Report to understand that there is no limitation on the scope of work which might adversely impact on the degree of assurance given by them in connection with Domestic Valuation Report and that Beijing Guorongxinhua has carried out on-site inspections and made relevant enquiries and obtained further information for the purpose of valuation of the Target Asset as at Domestic Valuation Reference Date.

We have enquired into the qualification and experience of the core team members of Beijing Guorongxinhua for the preparation of the Domestic Valuation Report. We were given to understand that Beijing Guorongxinhua is a well-established and one of the largest professional firm for the provision of asset appraisal services in the PRC. Beijing Guorongxinhua also confirmed in the interview that they are independent third party to the Company, Tong Ren Tang Holdings and their respective associates. In addition, the core team members, in particular, the signing valuers have more than 10 years of asset valuation experience in the PRC. Therefore, based on the above, we are of the view that Beijing Guorongxinhua is qualified and possesses sufficient relevant experience in performing the valuation of the Target Asset.

2. Valuation methodology and assumptions

We have reviewed the Domestic Valuation Report and discussed with Beijing Guorongxinhua regarding the assumption made and methodology adopted for the valuation of the Target Asset, including three components: (i) the land use rights; (ii) the buildings and structures; and (iii) ancillary equipment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Domestic Valuation Report, we understand that Beijing Guorongxinghua has adopted two valuation methods to value the Target Asset, including (i) the income approach for the combined values of the two major components; and (ii) the separate appraisal method to adopt different valuation approach for each of the components, namely market approach for the land use rights and cost approach for the buildings and structures. The separate appraisal method was finally chosen for the final valuation upon which the Consideration was determined. Based on our interviews with Beijing Guorongxinghua and the review of the Domestic Valuation Report, the combined appraisal method adopted the income approach to all three components and this method was not finally chosen because income approach assumed the Target Asset would be leased out as an ordinary factory for rental income. As advised by Beijing Guorongxinhua, the income approach is not considered the most appropriate method because (i) the income approach assumed the Target Asset would be leased out as ordinary factory instead of being used for specific purpose such as medicinal materials pre-processing centre for the Daxing Branch, therefore, this valuation method is unable to reflect the function of the Target Asset; (ii) majority of the industrial land in the PRC is directly used by the owner rather than being leased out for rental income; (iii) it is uncommon for a property of such large gross floor area to be leased out to one lessor; and (iv) certain assumptions and estimates cannot be easily or reliably measured. On the other hand, the market approach adopted for the land portion included the market parameters, is straight forward and widely acceptable. As such, Beijing Guorongxinghua is of the view that the market approach under the separate appraisal method can better reflect the market value of the land portion of the Target Asset compared to the income approach.

In adopting the separate appraisal methods, Beijing Guorongxinghua considered different factors for the three components separately as set out in the followings:

(i) The land use rights

Beijing Guorongxinghua adopted the market approach because there are sufficient actual comparable sales transactions available in the proximity of the Target Asset. In applying the market approach for the land use rights, it is assumed that the sales of land in their existing states with immediate vacant possession and by comparing to the recent, comparable sales transactions as available in the market.

In the course of our discussion with Beijing Guorongxinghua, we were advised by Beijing Guorongxinghua, in selecting the Comparables, they have considered the following factors: (a) similar usage of the land; (b) locations of the land; and (c) date of transactions. We were provided several comparable

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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properties (the “**Comparables**”) located in the vicinity of the Target Asset and were all industrial lands. The tables below summarized the values of the Comparables:

	Date of transactions	Value <i>(RMB per sq.m.)</i>
Comparable A	28 June 2019	1,958.77
Comparable B	1 January 2019	1,625.54
Comparable C	17 January 2019	1,671.46
	Reference price range:	1,625.54–1,958.77
	Average (which was used to determine the valuation for the land portion of the Target Asset by Beijing Guorongxinghua)	1,752.00

As confirmed by Beijing Guorongxinghua in the interview, the Comparables above were considered representative and exhaustive, based on the data currently available to them. We were also given to understand that Beijing Guorongxinghua has relied upon the official government website of the Beijing Municipal Commission of Planning and Natural Resources (北京市規劃和自然資源委員會) as the source of sales evidence information on the Comparables. In appraising the Target Asset, Beijing Guorongxinghua set out in the Domestic Valuation Report the comparative factors and conditions of the Target Asset and the three Comparables. These factors and conditions include the location, the area, the plot ratio, the degree of development, the transaction date, the transaction amount and etc. We have cross-checked such details of the Comparables in the Domestic Valuation Report against the same website and noting consistency. Based on our review of the Domestic Valuation Report and our discussion with Beijing Guorongxinghua, we understand that due adjustments to the unit rates, which was initially calculated by dividing the transaction amount by the area of the respective property, were made for the different degree of development, transaction times, plot ratio and remaining life of the land use rights. We have reviewed the Domestic Valuation Report and discussed with Beijing Guorongxinghua to understand how such adjustments were made. For example, the Target Asset is more developed than the Comparables, meeting the standard of the “six utilities clearance and one levelled land”, while the Comparables only achieved “five utilities clearance and one levelled land”. The unit rates of the three Comparables were therefore adjusted by adding back the estimated construction cost per meter for achieving the same degree of development as the Target Asset. We have also checked to other similar valuation reports in the PRC and noted that similar adjustments were made and are therefore common practice in the valuation of properties in the PRC. Taking into account that (i) the above adjustments are common

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

practice in valuation of properties in the PRC; (ii) there were differences in several conditions between the Comparables and the Target Asset; and (iii) as recent transactions of nearby comparable properties were chosen, the adjustments made to the unit rates of the Comparables were minimal at less than 5%, we consider the valuation of the land use rights of the Target Asset using the market approach is fair and reasonable.

(ii) Buildings and structures and ancillary equipment

Due to the nature of the buildings and structures and ancillary equipment of the Target Asset and the particular location in which they are situated, there are no comparable sales transactions readily available that are similar to the buildings and structures in terms of use, function, maintenance condition and operation intensity. As such, the buildings and structures have been valued by the cost approach with reference to their depreciated replacement costs. According to the Domestic Valuation Report, the depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent assets less deduction for physical deterioration and all relevant forms of obsolescence and optimization”.

Based on the review of the Domestic Valuation Report and our discussion with Beijing Guorongxinghua, the construction of buildings and structures in the Target Asset has completed, which therefore satisfied the application conditions of the cost approach. We also understand that Beijing Guorongxinghua has separately considered the depreciated replacement cost for buildings/structures and ancillary equipment. In assessing the valuation of the buildings/structures, Beijing Guorongxinghua considered (i) construction costs; and (ii) preliminary and other costs including but not limited to government fees, consultancy fees, design fees and tendering fees. We understand that Beijing Guorongxinghua has conducted site visits to the Target Asset in October 2019 to assess the amount of construction required for the buildings/structures as well as the conditions/depreciation of the buildings/structures and then to calculate the construction cost (including the interest rates on bank borrowings) using interest rates, the construction materials price and construction cost around Domestic Valuation Reference Date.

In relation to the ancillary equipment, we understand that Beijing Guorongxinghua has reviewed the fixed asset list and obtained the relevant contracts and payment proof to verify the ownership of such ancillary equipment. In assessing the valuation of the ancillary equipment, Beijing Guorongxinghua has considered (i) the procurement cost, which Beijing Guorongxinghua made reference to market quotations; (ii) transportation cost after considering the weight, distance and volume; (iii) installation cost; (iv) preliminary expenses such as design fees, management and monitoring fees, feasibility studies cost, tendering fees and etc; and (v) cost of capital using the interest rates at Domestic Valuation Reference Date according to the People’s Bank of China.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our interviews with Beijing Guorongxinghua, they confirmed that they had assessed the reasonableness of and made adjustment to the expected construction costs and other expenses to be incurred for the buildings and structures and the ancillary equipment of the Target Asset upon the review and assessment above.

Based on our work performed above and having considered that (i) the independence, qualification and experience of Domestic Valuation Report; (ii) the selection and application of the valuation methodologies are reasonably prepared, we are of the view that (i) the methodology and assumptions which had been adopted in the Domestic Valuation Report were arrived at after due and careful consideration; and (ii) the valuation was carried out on a fair and reasonable basis by Beijing Guorongxinghua.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, while the Asset Transfer Agreements are not entered into in the ordinary and usual course of business of the Group, we are of the opinion that (i) the terms of the Asset Transfer Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Connected Transaction is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Connected Transaction, as detailed in the notice of extraordinary general meeting as set out at the end of the Circular.

Yours faithfully,
For and on behalf of
Innovax Capital Limited
Erica Ling
Director

Ms. Erica Ling is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and is a responsible officer of Innovax Capital Limited who has over eight years of experience in the corporate finance industry.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuation as at 31 October 2019 of the Target Asset to be acquired by the Company.



利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
 PROFESSIONAL SURVEYOR
 PLANT AND MACHINERY VALUER
 BUSINESS & FINANCIAL SERVICES VALUER

The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2017 (“IVS”) and published by the International Valuation Standards Council which followed by the HKIS Valuation Standards 2017 Edition (the “HKIS Standards”) and published by The Hong Kong Institute of Surveyors (the “HKIS”). The standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers’ legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader’s identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitute to this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to us at the Latest Practicable Date of this circular. If additional documents and facts are made available, we reserve the right to amend this report and its conclusions.

17th Floor
 Champion Building
 287–291 Des Voeux Road Central
 Hong Kong

31 December 2019

The Board of Directors
 Tong Ren Tang Technologies Co., Ltd.
 No. 16 Tongji Beilu
 Beijing Economic and Technological Development Zone
 Beijing
 The People’s Republic of China

Dear Sirs,

In accordance with the instructions given to us by the present management of Tong Ren Tang Technologies Co., Ltd. (hereinafter referred to as the “**Instructing Party**”) to conduct an agreed-upon procedures valuation of a designated *real property* (same as the word “**property**”

in this report) proposed to be acquired by Tong Ren Tang Technologies Co., Ltd. (hereinafter referred to as the “**Company**”) and its subsidiary (together with the Company hereinafter referred to as the “**Group**”) in the People’s Republic of China (hereinafter referred to as the “**PRC**” or “**China**”), we confirm that we have followed the agreed upon procedures to conduct inspection, to make relevant enquiries and investigation as we consider necessary to support our working, and to perform an independent valuation of the property as at 31 October 2019 (the “**Valuation Date**”). We are given to understand our work product is for the Instructing Party’s internal management reference purpose and our opinions will be included in a circular of the Company for its shareholders’ reference. This valuation report comprises the text section and the property particulars with value section.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party’s due diligence but we have not been engaged to make specific sales or purchase recommendations, or to give opinion for any financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decision regarding the property valued. Our work is designed solely to provide information that will give the Instructing Party a reference in its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and conclusion of value of the property are documented in this valuation report and submitted to the Instructing Party at today’s date.

VALUATION OF PROPERTY

Basis of Value and Assumptions

According to the IVS, in which HKIS follows, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, having considered the inherent characteristic of the property, that is, it could be freely transferred in the market, we have provided our value of the property on the market value basis.

The term “Market Value” is defined by the IVS as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Unless otherwise stated, our valuation of the property has been made on the assumptions, that, as at the Valuation Date:

1. the legally interested party in the property has absolute title to its relevant property interests;
2. the legally interested party in the property has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired term as granted, and any premiums payable have already been fully paid;

3. the legally interested party in the property sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest;
4. the property has obtained relevant government's approval for the sale of the property and is able to be disposed of and transferred it free of all encumbrances (including but not limited to the cost of transaction) in the market; and
5. the property can be freely disposed and transferred free of all encumbrances at the Valuation Date for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the value as reported.

Approach to Value

There are three generally accepted approaches to value in arriving at the market value of a property on an absolute title basis, namely the Market Approach, the Cost Approach and the Income Approach.

Having considered the general and inherent characteristics of the property, we have adopted the depreciated replacement cost (“**DRC**”) approach. The DRC approach is a procedural valuation approach and is an application of the Cost Approach in valuing specialised properties like the property when there is no readily identifiable market sale comparable, and the buildings cannot be valued by comparable market transactions. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works or improvement works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the real properties. The land use right of these real properties has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

For owner-occupied specialised properties where it is impracticable to identify the market value by the sales comparison approach due to lack of en-block factory complex transactions, the DRC approach is considered as the most appropriate approach. The underlying theory of this approach is the market value of the valued property should, at least, be equivalent to the replacement cost of the remaining service potential of the valued property i.e. the DRC of the valued property. In our opinion, the estimated DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market basis.

The valuation of the property is on the assumption that the property is subject to the adequate potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the building, the estimated gross replacement cost of the building should take into consideration everything which is necessary to complete the construction from a new green field site to provide building as it is, as at the valuation date, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect building in the future but have the building available for occupation at the valuation date, the work having commenced at the appropriate time.

Unless otherwise stated, we have not carried out a valuation on possible alternative development basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

We need to state that the reported value of the property is not intended to represent the amounts that might be realised from disposition of the property on piecemeal basis in the open market. Reader or interested party in the property is reminded to seek their own legal opinion on the transferability of the property before entering any commercial decision with regard to the property. Should any of the above not be the case, it will have adverse impact to the value reported.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided, and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the right to revise our report and the valuation accordingly.

Unless otherwise stated, no allowance has been made in our valuation for any charges, mortgages, outstanding premium, idle land penalties or amounts owing on the property valued nor any expenses or taxation which may be incurred in affecting a sale of the property. It is further assumed that the property is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

Unless otherwise stated, in our valuation, we have assumed that the property is able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

Unless otherwise stated, as at the Latest Practicable Date of this circular, we are unable to identify any adverse news against the property which may affect the reported findings or value in our work product. Thus, we are not in the position to report and comment on its impact (if any) on the property. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the findings or value reported herein.

ESTABLISHMENT OF TITLES

Due to the purpose of this engagement, the Instructing Party or the appointed personnel of the Company provided us the necessary documents to support that the legally interested party in the property has free and uninterrupted rights to assign, to transfer, to mortgage, to let or to use the property at its existing use (in this instance, an absolute title), for the whole of the unexpired terms as granted, free of all encumbrances or any premiums payable have already been paid in full or outstanding procedures have been completed, and that the legally interested party has the right to occupy or to use the property. Our agreed procedures to value, as agreed with the Instructing Party, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the property from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal adviser to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the property.

We have been provided with copies of the title documents of the property. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the property valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The land registration system of China forbids us to search the original documents of the property that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the property in China. However, we have complied with the requirements as stated in the Hong Kong Listing Rules (as defined in this circular) and relied solely on the copies of document and the copy of the PRC legal opinions provided by the Instructing Party with regard to the legal titles of the property. We are given to understand that the PRC legal opinions were prepared by the Group's PRC legal adviser, Hai Run Law Firm (北京海潤天睿律師事務所) in November 2019. No responsibility or liability from our part is assumed in relation to those legal opinions.

By referencing to the legal opinions, we understood that the legally interested party in the property has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue its titles in the property. Should this not be the case, it will affect our findings and conclusions in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability from our part is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY

The property was inspected by our Mr. Zheng Ming (a graduate surveyor and engineer) in October 2019, around the Valuation Date. We have inspected the exterior, and where possible, the interior of the property in respect of which we have been provided with such information as we have requested for the purpose of our valuation. We have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and our work should not be taken as making any implied representation or statement about such parts. No building survey, structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the property valued. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the property, but have assumed that the areas shown on the documents and official plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the property did not include an independent land survey to verify the legal boundaries of the property. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the property that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested parties in the property should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the property, or have since been incorporated into the property, and we are therefore unable to report that the property are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigations would not disclose the presence of any such materials to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION

In the course of our work, we have been provided with copies of the documents regarding the property, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our agreed procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party or the appointed personnel of the Group.

We have relied solely on the information provided by the appointed personnel of the Group or the Instructing Party without further verification, and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, site and floor areas and all other relevant matters.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our agreed procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

Our valuation has been made only based on the advice and information made available to us. While a limited scope of general inquiries has been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

When we adopted the work products from other professions, external data providers and the appointed personnel of the Group or the Instructing Party in our valuation, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuation. The procedures we have taken as agreed do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the appointed personnel of the Group or the Instructing Party. Also, we have sought and received confirmation from the appointed personnel of the Group or the Instructing Party that no material factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Group or the Instructing Party of material and latent facts that may affect our work.

We have had no reason to doubt the truth and accuracy of the information provided to us by the appointed personnel of the Group or the Instructing Party. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan (“**RMB**”).

OPINION OF VALUE

Based on the above information and assumptions, we are of the opinion that the Market Value of the property for internal management reference purpose as at the Valuation Date in its existing states, and assuming free of all encumbrances, was in the order of **RENMINBI SIX HUNDRED AND FORTY FIVE MILLION YUAN ONLY (RMB645,000,000)**.

LIMITING CONDITIONS

Our findings or value of the property in this report are valid only for the stated purpose and only for the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person. Our valuation has been made on the assumption that no unauthorized alteration, extension or addition has been made in the property, and that the inspection and the use of this report do not purport to be a building survey of the property.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise this report to reflect events or conditions, which occur or make known to us subsequent to the date hereof. Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular to the Company's shareholders' reference.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt, our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

It is agreed that the Instructing Party and the Company are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages

or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our report is prepared in line with the reporting guidelines contained in the IVS. The valuation has been undertaken by us, acting as external valuer, for the purpose of the valuation.

We retain a copy of this report together with the data and documents provided by the Instructing Party for the purpose of this assignment, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us in writing. Moreover, we will add the Company's information into our client list for our future reference.

The analysis and valuation of the property depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or value significantly.

We hereby certify that the fee for this service is not contingent upon our opinion of value and we have no significant interests in the property, the Group or the value reported.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *B.Sc. M.Sc. RPS (GP)*

Executive Director

Sr Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong, Macau and mainland China since 1994. She is a Fellow of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.

PROPERTY PARTICULARS WITH VALUE

Property held under long-term title certificates in the PRC and valued on Market Value basis

Property	Description	Particulars of occupancy	Amount of valuation in its existing state as at 31 October 2019
A factory complex erected on a parcel of land (Lot No. 11602100257000000) and located at No. 26 Tian Gui Street Da Xing District Beijing The People's Republic of China 102629	The property comprises a parcel of land having a site area of 114,122.67 square meters ("sq.m.") with 6 various major buildings and structures erected thereon. The buildings and structures are of single to 4-storey in height having a total gross floor area of 88,753.01 sq.m. The buildings and structures was completed in June 2017. (See Note 2 below). Locality of the property is a mainly high technology industrial zone mixed residential-cum-commercial area. The property is subject to a right to use the land for a 50-year term till 6 September 2061 for industrial purpose. (See Note 1 below)	As inspected by us and confirmed by the appointed personnel of the Group, as at the Valuation Date, the property was occupied for manufacturing, warehouse for logistics and distribution purposes.	RMB645,000,000 (100 per cent. Interest)

Notes:

- The rights to possess the land is held by the State and the rights to use the land has been granted by the State to 中國北京同仁堂(集團)有限責任公司 (China Beijing Tong Ren Tang Group Co., Ltd. and hereinafter referred to as "TRT Group"), the Company's ultimate holding company, via a State-owned Land Use Rights Certificate known as Jing Xing Guo Yung (2011 Chu) Di 00198 Hao (京興國用(2011出)第00198號) issued by the Beijing People's Government and dated 1 February 2016 with a site area of 114,122.67 sq.m. and for a term till 6 September 2061 for industrial usage. The land premium payable was RMB12,555,120.

2. Pursuant to 3 various Real Estate Title Certificates issued on 31 July 2019, the legally interested party in the buildings having a total gross floor area of approximately 88,753.01 sq.m. is TRT Group. Details of the certificates are summarised as below:

Nos.	Real Estate Certificates (Jing (2019) Bu Dong Chan Quan No.)	Building Descriptions	Gross Floor Area(sq. m.)
1	0026133	4-storey workshop	45,430.10
2	0026135	A single storey warehouse for finished products and 3 various single storey guard rooms	36,514.49
3	0026137	4-storey testing centre	<u>6,808.42</u>
Total			<u>88,753.01</u>

3. According to the legal opinions prepared by the Group's PRC legal adviser, the following opinions are noted:
- (i) TRT Group has obtained the right to use the property legally by way of land grant or assignment and all relevant land premium was fully paid; and
 - (ii) TRT Group obtained the right of the property within the remaining specified land use term in an absolute title.

**China Beijing Tong Ren Tang Group Co., Ltd. Intend
to conduct an asset transfer involving a Beijing Tong Ren Tang
Chinese Medicine Processing Base Project**

Asset Valuation Summary Report

Guorong Xinghua Ping Bao Zi (2019) No. 050078

To China Beijing Tong Ren Tang Group Co. Ltd.

In accordance with your engagement, we, Beijing Guorong Xinghua Assets Appraisal Co., Ltd. (北京國融興華資產評估有限責任公司), have appraised the value of the Chinese medicine processing base submitted by China Beijing Tong Ren Tang Group Co. Ltd, namely: land use rights and buildings with ancillary equipment, as at the valuation date, at the basis of stand-alone and as a unique interest, by carrying out necessary valuation procedures in accordance with the laws, administrative regulations and asset appraisal standards while sticking to the principles of independence, objectiveness and justice. The Income Approach is adopted for the appraisal of land and buildings of the property asset as a unique interest. When valuing the land use rights and buildings separately to add up the total value of the property asset, the Market Approach and Land Datum Value Method are adopted for the appraisal of the land use rights while Cost Approach is adopted for the appraisal of buildings and with ancillary equipment in this valuation as at 31 August 2019. The summary of the asset valuation report is extracted as follows:

Purpose of valuation: As China Beijing Tong Ren Tang Group Co. Ltd. proposes to transfer its Chinese medicine processing base, it is required to assess the market value of the Chinese medicine processing base (including land use rights and buildings) for China Beijing Tong Ren Tang Group Co., Ltd. value reference purpose for such economic behavior.

Subject of valuation: The value of China Beijing Tong Ren Tang Group Co. Ltd.'s proposed transfer assets, i.e. the value of the Chinese medicine processing base (including land use rights and buildings)

Scope of valuation: The land use rights and buildings with ancillary equipment, more precisely described as China Beijing Tong Ren Tang Group Co. Ltd. submitted land use rights and buildings with ancillary equipment. The book value of the assets is RMB417.2389 million, of which the original book value of buildings is RMB348.5321 million with net book value RMB341.1742 million; the original book value of ancillary equipment is RMB25.4642 million with net book value RMB23.8514 million; and the book value of the intangible assets (land use rights) is RMB52.2133 million. The above financial data had been audited by Grant Thornton LLP, which has issued an auditor's report titled "Grant Thornton (2019) No. 110ZC5284". The specific scope for this engagement is based on the asset appraisal list submitted by China Beijing Tong Ren Tang Group Co. Ltd.

Valuation Date: 31 August 2019

Types of Value: Market Value

Valuation method: Income Approach for combined value of land and building; When valuing the land use rights and buildings separately to add up the total value of the property asset, the Market Approach and Land Datum Value Method are adopted for the appraisal of the land use rights while Cost Approach is adopted for the appraisal of buildings with ancillary equipment.

Valuation conclusion: As of the Valuation Date, finally adopted valuation amounts by adding value of land use right and buildings. The valuation results of the assets submitted by China Beijing Tong Ren Tang Group Co. Ltd. were RMB640.6819 million, representing an appreciation amount of RMB223.4430 million and an appreciation ratio of 53.55% over its net book value of 417.2389 million.

This asset valuation report is issued for the sole purpose of providing value reference for the economic behavior described herein, and the valuation conclusion shall be valid for one year from the valuation date.

Users of the asset valuation report shall fully consider the assumptions, limiting conditions and notes on special matters set out in the asset valuation report and their impacts on the valuation conclusion.

The above has been extracted from the full text of the asset valuation report. In order to fully understand the valuation and have a correct understanding of the valuation conclusion, reader should read carefully the full text of the asset valuation report.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. 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, Supervisors and the Chief Executive of the Company

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code.

(ii) Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than the Directors, Supervisors and the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as follows:

Name of shareholder	Capacity	Number of Shares	Percentage of Domestic Shares	Percentage of H Shares	Percentage of total registered share capital
Tong Ren Tang Ltd.	Beneficial owner	600,000,000	92.013%	—	46.846%
Tong Ren Tang Holdings (<i>Note 2</i>)	Interest of controlled corporation by the substantial shareholder	600,000,000	92.013%	—	46.846%
	Beneficial owner	<u>9,480,000</u>	<u>1.454%</u>	<u>—</u>	<u>0.740%</u>
Total		<u>609,480,000</u>	<u>93.467%</u>	<u>—</u>	<u>47.586%</u>

Name of shareholder	Capacity	Number of Shares	Percentage of Domestic Shares	Percentage of H Shares	Percentage of total registered share capital
Yuan Sai Nan	Beneficial owner	35,732,000(L) (Note 1)	—	5.68%	2.790%
Mitsubishi UFJ Financial Group, Inc. (Note 3)	Interest of corporation controlled by the substantial shareholder	62,823,000(L) (Note 1)	—	9.99%	4.905%
Hillhouse Capital Advisors, Ltd. (Note 4)	Investment manager	47,663,000(L) (Note 1)	—	7.58%	3.721%
Citigroup Inc. (Note 5)	Interest of controlled corporation by the substantial shareholder Persons having a security interest in shares, Custodian corporation/ approved lending agent	36,180,969(L) (Note 1)	—	5.75%	2.825%
		624,100(S) (Note 1)	—	0.09%	0.049%
		18,298,470(P) (Note 1)	—	2.91%	1.429%

Notes:

Information disclosed above is based on the data published on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) unless otherwise stated in the notes below.

- (1) (L) — Long position (S) — Short position (P) — Lending Pool
- (2) 600,000,000 shares held by Tong Ren Tang Holdings were held through Tong Ren Tang Ltd.. As at the Latest Practicable Date, Tong Ren Tang Ltd. was owned as to 52.45% by Tong Ren Tang Holdings. Tong Ren Tang Holdings was deemed to be interested in the 600,000,000 shares held by Tong Ren Tang Ltd.. Besides, Tong Ren Tang Holdings also directly held 9,480,000 shares.
- (3) As at the Latest Practicable Date, Mitsubishi UFJ Financial Group, Inc. indirectly held 62,823,000 H shares of the Company in long position through a series of corporations under its control.

- (4) As was known by the Directors, due to an internal reorganisation, the investment manager for both Gaoling Fund, L.P. and YHG Investment, L.P. changed from Hillhouse Capital Management, Ltd. to Hillhouse Capital Advisors, Ltd., effective from 1 January 2019. There was no transfer of shares of the Company as part of the reorganisation. As at the Latest Practicable Date, Hillhouse Capital Advisors, Ltd. was indirectly interested in 46,106,000 H shares of the Company in long position indirectly held by Gaoling Fund, L.P. and 1,557,000 H shares of the Company in long position held by YHG Investment, L.P.
- (5) As at the Latest Practicable Date, Citigroup Inc. indirectly held 914,499 H shares of the Company in long position and 624,100 H shares of the Company in short position through a series of entities under its control, held 16,968,000 H shares of the Company in long position as a person holding security interest in shares, and held 18,298,470 H shares in long position of the Company as custodian corporation/approved lending agent.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors, Supervisors and the chief executive of the Company) who had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

3. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

4. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, proposed directors (if applicable), Supervisors, proposed supervisors (if applicable) or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up or were proposed to be acquired or disposed of by or leased to any member of the Group; and none of the Directors, Supervisors or their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

6. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Directors and Supervisors were in the employment of those companies which had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Director and Supervisor	Positions held in specific companies	
	Tong Ren Tang Holdings	Tong Ren Tang Ltd.
Gu Hai Ou (<i>Chairman</i>)	Deputy general manager	—
Huang Ning	Deputy chief TCM pharmacist	—
Wu Qian	Director of the general office	—
Su Li	Deputy head of financial management department	—

8. LITIGATION

As far as the Directors were aware of, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatening by or against any member of the Group as at the Latest Practicable Date.

9. EXPERT'S QUALIFICATION AND CONSENT

Innovax Capital Limited, LCH (Asia-Pacific) Surveyors Limited and Beijing Guorong Xinghua Assets Appraisal Co., Ltd. have given and have not withdrawn their respective written consent to the issue of this circular with the inclusion of their respective letters and references to their name in the form and context in which they appear.

The following are the qualifications of Innovax Capital Limited, LCH (Asia-Pacific) Surveyors Limited and Beijing Guorong Xinghua Assets Appraisal Co., Ltd. who have given their opinions or advices which are contained in this circular:

Name	Qualification
Innovax Capital Limited	Independent Financial Adviser, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
LCH (Asia-Pacific) Surveyors Limited	Professional Surveyor
Beijing Guorong Xinghua Assets Appraisal Co., Ltd.	Licenced Asset Appraisal firm, a corporation approved by the Ministry of Finance and the China Securities Regulatory Commission to carry out securities and futures-related asset appraisal business

10. EXPERT'S INTERESTS

As at the Latest Practicable Date, Innovax Capital Limited, LCH (Asia-Pacific) Surveyors Limited and Beijing Guorong Xinghua Assets Appraisal Co., Ltd. did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group since 31 December 2018, being the date to which the latest audited financial statements of the Group were made up, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, and were not beneficially interested in the shares of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. METHOD OF VOTING AT THE EGM

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the EGM will demand a poll in relation to the proposed resolutions at the EGM.

12. MISCELLANEOUS

- (a) The registered office of the Company is located at No. 16 Tongji Beilu, Beijing Economic and Technology Development Zone, Yizhuang, Beijing, the PRC.
- (b) The share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Ltd. at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The company secretary of the Company is Ms. Zhang Jing Yan, a practicing pharmacist with a master degree in Economics, who also serves as the secretary to the Board.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Rooms 1408–1409, Convention Plaza Office Tower, No. 1 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including 14 January 2020:

- (a) the Asset Transfer Agreement dated 4 November 2019 and the Supplemental Asset Transfer Agreement dated 30 December 2019;
- (b) the letter from the Independent Board Committee;
- (c) the letter from the Independent Financial Adviser;
- (d) the Hong Kong Valuation Report;
- (e) the Domestic Valuation Report;
- (f) the written consent of the Independent Financial Adviser;
- (g) the written consent of the Hong Kong Independent Valuer; and
- (h) the written consent of the Domestic Independent Valuer.



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 incorporated in the People's Republic of China with limited liability)

(Stock Code: 1666)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Tong Ren Tang Technologies Co. Ltd., (the “**Company**”) will be held at 9:30 a.m. on Monday, 17 February 2020 in No. 20 Nansanhuan Zhonglu, Fengtai District, Beijing, the PRC for the purpose of considering and, if thought fit, passing the following resolution:

As Ordinary Resolutions

1. **THAT**, the Asset Transfer Agreement and the Supplemental Asset Transfer Agreement entered into by the Company and China Beijing Tong Ren Tang Group Co., Ltd. on 4 November 2019 and on 30 December 2019, as well as the transaction contemplated thereunder are hereby approved and confirmed; and any director of the Company is hereby authorized to sign or execute other documents or supplement agreements or deeds on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effects to the Asset Transfer Agreement and the Supplemental Asset Transfer Agreement with such changes as he may consider necessary, desirable or expedient.
2. To consider and, if thought fit, to approve the amendments to the Rules of Procedures of the Board of Directors of the Company.

As Special Resolution

3. To consider and, if thought fit, to approve the amendments to the Articles of Association of the Company.

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

Beijing, the PRC
 31 December 2019

As at the date of this notice, 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.

Notes:

1. ELIGIBILITY FOR ATTENDING THE EGM

Holders of H shares whose names appear on the register of the Company maintained by Hong Kong Registrars Ltd., the H share registrar and transfer office of the Company in Hong Kong, and holders of domestic shares whose names appear on the register of the Company on Saturday, 18 January 2020 shall be entitled to attend the EGM.

2. PROXY

- (1) Shareholders entitled to attend and vote at the EGM may appoint one or more proxies in writing to attend and vote at the meeting on his behalf. The proxy need not be a shareholder of the Company.
- (2) A proxy shall be appointed by a shareholder by a written instrument signed by the appoint or his attorney duly authorized in writing. In case of a corporation, the same must be either under its common seal or under hand of its director(s) or duly authorized attorney(s). If the written instrument is signed by an attorney of the appoint or, the power of attorney or other documents of authorization of such attorney shall be notarized.
- (3) To be valid, the notarized power of attorney or other document(s) of authorization (if any) and the form of proxy shall be delivered to (i) Hong Kong Registrars Ltd., the H share registrar and transfer office of the Company in Hong Kong, for holders of H shares; and (ii) the office address of the Company for holders of domestic shares, no less than 24 hours before the time fixed for convening the EGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so desires.
- (4) If a shareholder appoints more than one proxy, such proxies shall only exercise their voting rights by a poll.

3. REGISTRATION PROCEDURES FOR ATTENDING THE EGM

- (1) A shareholder or his proxy shall produce his identification document when attending the EGM. Where a shareholder is a legal person, the legal representative of that shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (2) Shareholders intending to attend the EGM shall return to the Company the reply slip stating their attendance on or before Monday, 27 January 2020.
- (3) A shareholder may return the above reply slip to the Company in person, by post or by facsimile to the office of the Company or the H share registrar and transfer office of the Company, Hong Kong Registrars Ltd..

4. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 18 January 2020 to Monday, 17 February 2020 (both days inclusive), during which time no transfer of shares will be registered.

In order to be qualified for attending and voting at the EGM, all transfer documents of the holders of H shares together with the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's H share registrar and transfer office in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 17 January 2020.

5. METHOD OF VOTING AT THE EGM

Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the EGM will demand a poll in relation to all the proposed resolutions at the EGM.

6. MISCELLANEOUS

- (1) The EGM is expected to be held for less than half a day. Shareholders attending the EGM shall be responsible for their own travelling and accommodation expenses.
- (2) The address of Hong Kong Registrars Ltd., the H share registrar and transfer office of the Company in Hong Kong, is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The office and the contact details of the Company are:

No. 20, Nansanhuan Zhonglu, Fengtai District,
Beijing, the PRC
Telephone: (+86) 10 8763 2179
E-mail: trt1666@163.com