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

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

(Stock Code: 1666)

CONNECTED TRANSACTIONS
DISPOSAL OF THE TARGET ASSETS

INTRODUCTION

The Board hereby announces that, on 20 June 2022, the Company entered into the Asset Transfer Agreements with Tong Ren Tang Medical Caring (同仁堂醫養) pursuant to which the Company has agreed to dispose, and Tong Ren Tang Medical Caring has agreed to purchase, 49% of the equity interest in Tong Ren Tang Second Traditional Chinese Medicine Hospital (同仁堂第二中醫醫院) and 49% of the equity interest in Nansanhuan Zhonglu Drugstore (南三環中路藥店), which shall be satisfied by way of payment of approximately RMB42,011,200 and RMB19,376,300 respectively.

HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, Tong Ren Tang Medical Caring is a direct wholly-owned subsidiary of Tong Ren Tang Holdings, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. As such, the transactions contemplated under the Asset Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Under Rule 14A.81 of the Hong Kong Listing Rules, as the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital and the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore were both entered into by the Company and Tong Ren Tang Medical Caring within a 12-month period, the transactions contemplated under the Asset Transfer Agreements shall be aggregated as if they were one transaction. As one or more of the applicable percentage ratios (as defined under Rule 14A.07 of the Hong Kong Listing Rules) in respect of the transactions contemplated under the Asset Transfer Agreements, on standalone and aggregate basis, are more than 0.1% but less than 5%, therefore the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

BACKGROUND

The Board hereby announces that, on 20 June 2022, the Company entered into the Asset Transfer Agreements with Tong Ren Tang Medical Caring pursuant to which the Company has agreed to dispose and Tong Ren Tang Medical Caring has agreed to purchase, 49% of the equity interest in Tong Ren Tang Second Traditional Chinese Medicine Hospital and 49% of the equity interest in Nansanhuan Zhonglu Drugstore, which shall be satisfied by way of payment of approximately RMB42,011,200 and RMB19,376,300 respectively.

ASSET TRANSFER AGREEMENT IN RESPECT OF TONG REN TANG SECOND TRADITIONAL CHINESE MEDICINE HOSPITAL

Date:

20 June 2022

Parties

- (i) the Company (as transferor)
- (ii) Tong Ren Tang Medical Caring (as transferee)

Transaction

Pursuant to the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital, the Company has agreed to dispose and Tong Ren Tang Medical Caring has agreed to purchase 49% of the equity interest in Tong Ren Tang Second Traditional Chinese Medicine Hospital.

Consideration

The consideration under the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital, being approximately RMB42,011,200 was agreed by the parties after arm's length negotiations with reference to the Asset Valuation Report on Tong Ren Tang Second Traditional Chinese Medicine Hospital prepared by the Independent Valuer. According to the Asset Valuation Report on Tong Ren Tang Second Traditional Chinese Medicine Hospital based on the income approach, the appraised value of Tong Ren Tang Second Traditional Chinese Medicine Hospital's total equity is approximately RMB85,737,200 on the Valuation Reference Date.

Payment Arrangement

Tong Ren Tang Medical Caring will settle the payment by installments: (i) 20% of the consideration shall be transferred to the designated bank account of the Company within 30 business days after the signing of the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital; and (ii) the remaining consideration shall be transferred to the designated bank account of the Company within 30 business days after the issue of Transaction Certificate of State-owned Assets of Enterprises (企業國有資產交易憑證) by the China Beijing Equity Exchange (北京產權交易所).

Closing of Asset Transfer

The Company and Tong Ren Tang Medical Caring shall fulfill or assist in fulfilling the obligation of reporting to the approval authority, and use their best efforts to address any reasonable requests and enquiries from the approval authority, in order to obtain approval in respect of the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital and the transfer of assets thereunder.

The Company shall procure Tong Ren Tang Second Traditional Chinese Medicine Hospital to change equity registration, and Tong Ren Tang Medical Caring shall provide necessary assistance and cooperation, within 10 business days after the payment of all the transaction consideration under the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital.

Liabilities for Breach of the Agreement

After the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital takes effect, either party that proposes to terminate without reason shall pay liquidated damages in an amount of 20% of the transaction consideration under the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital in one lump sum to the other party and further compensate for the losses incurred thereof to the Company if applicable.

If Tong Ren Tang Medical Caring fails to pay the transaction consideration as agreed in the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital, then for each day so delayed, it shall pay liquidated damages of 0.05% of the overdue payment to the Company. If the overdue persists for more than 60 days, the Company has the right to terminate the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital and demand Tong Ren Tang Medical Caring to pay for liquidated damages above. If the above liquidated damages are insufficient to compensate for the losses of the Company, the Company can further claim damages from Tong Ren Tang Medical Caring.

If the Company fails to transfer the equity interest in Tong Ren Tang Second Traditional Chinese Medicine Hospital as agreed in the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital, Tong Ren Tang Medical Caring has the right to terminate the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital and demand the Company to pay liquidated damages in an amount of 20% of the transaction consideration under the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital to Tong Ren Tang Medical Caring.

If there are undisclosed or omitted material information in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital's assets and liabilities that may have significant adverse effects on Tong Ren Tang Second Traditional Chinese Medicine Hospital or may affect the transaction consideration of 49% of its equity interest, Tong Ren Tang Medical Caring has the right to terminate the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital and demand the Company to pay liquidated damages in an amount of 20% of the consideration under the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital. If Tong Ren Tang Medical Caring does not terminate the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital, it has the right to demand the Company to compensate for related matters. The compensation amount shall be equivalent to the corresponding loss of the transferred equity in Tong Ren Tang Second Traditional Chinese Medicine Hospital that may be caused by the above undisclosed or omitted assets and liabilities.

Arrangements during the Transitional Period

Transitional Period is from the Valuation Reference Date to the date of signing the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital and completing the change of Tong Ren Tang Second Traditional Chinese Medicine Hospital's equity registration.

Unless the Company fails to fulfill a duty of good faith, the accumulated undistributed profit of Tong Ren Tang Second Traditional Chinese Medicine Hospital as of the Valuation Reference Date of Tong Ren Tang Second Traditional Chinese Medicine Hospital will be borne and shared by the Company and Tong Ren Tang Medical Caring in proportion to their equity interest in Tong Ren Tang Second Traditional Chinese Medicine Hospital after the equity transfer. The distribution of profit and loss generated from Tong Ren Tang Second Traditional Chinese Medicine Hospital during the Transitional Period shall be otherwise negotiated by the Company and Tong Ren Tang Medical Caring.

ASSET TRANSFER AGREEMENT IN RESPECT OF NANSANHUAN ZHONGLU DRUGSTORE

Date:

20 June 2022

Parties

- (i) the Company (as transferor)
- (ii) Tong Ren Tang Medical Caring (as transferee)

Transaction

Pursuant to the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore, the Company has agreed to dispose and Tong Ren Tang Medical Caring has agreed to purchase 49% of the equity interest in Nansanhuan Zhonglu Drugstore.

Consideration

The consideration under the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore, being approximately RMB19,376,300 was agreed by the parties after arm's length negotiations with reference to the Asset Valuation Report on Nansanhuan Zhonglu Drugstore prepared by the Independent Valuer. According to the Asset Valuation Report on Nansanhuan Zhonglu Drugstore based on the income approach, the appraised value of Nansanhuan Zhonglu Drugstore's total equity is approximately RMB39,543,400 on the Valuation Reference Date.

Payment Arrangement

Tong Ren Tang Medical Caring will settle the payment by installments: (i) 20% of the consideration shall be transferred to the designated bank account of the Company within 30 business days after the signing of the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore; and (ii) the remaining consideration shall be transferred to the designated bank account of the Company within 30 business days after the issuance of Transaction Certificate of State-owned Assets of Enterprises by the Beijing Equity Exchange.

Closing of Asset Transfer

The Company and Tong Ren Tang Medical Caring shall fulfill or assist in fulfilling the obligation of reporting to the approval authority, and use their best efforts to address any reasonable requests and enquiries from the approval authority, in order to obtain approval in respect of the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore and the transfer of assets thereunder.

The Company shall procure Nansanhuan Zhonglu Drugstore to change equity registration, and Tong Ren Tang Medical Caring shall provide necessary assistance and cooperation, within 10 business days after the payment of all the transaction consideration under the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore.

Liabilities for Breach of the Agreement

After the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore takes effect, either party that proposes to terminate without reason shall pay liquidated damages in an amount of 20% of the transaction consideration under the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore in one lump sum to the other party and further compensate for the losses incurred thereof to the Company if applicable.

If Tong Ren Tang Medical Caring fails to pay the transaction consideration as agreed in the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore, then for each day so delayed, it shall pay liquidated damages of 0.05% of the overdue payment to the Company. If the overdue persists for more than 60 days, the Company has the right to terminate the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore and demand Tong Ren Tang Medical Caring to pay for liquidated damages above. If the above liquidated damages are insufficient to compensate for the losses of the Company, the Company can further claim damages from Tong Ren Tang Medical Caring.

If the Company fails to transfer the equity interest in Nansanhuan Zhonglu Drugstore as agreed in the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore, Tong Ren Tang Medical Caring has the right to terminate the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore and demand the Company to pay liquidated damages in an amount of 20% of the transaction consideration under the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore to Tong Ren Tang Medical Caring.

If there are undisclosed or omitted material information in respect of Nansanhuan Zhonglu Drugstore's assets and liabilities that may have significant adverse effects on Nansanhuan Zhonglu Drugstore or may affect the transaction consideration of 49% of its equity interest, Tong Ren Tang Medical Caring has the right to terminate the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore and demand the Company to pay liquidated damages in an amount of 20% of the consideration under the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore. If Tong Ren Tang Medical Caring does not terminate the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore, it has the right to demand the Company to compensate for related matters. The compensation amount shall be equivalent to the corresponding loss of the transferred equity in Nansanhuan Zhonglu Drugstore that may be caused by the above undisclosed or omitted assets and liabilities.

Arrangements during the Transitional Period

Transitional Period is from the Valuation Reference Date to the date of signing the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore and completing the change of Nansanhuan Zhonglu Drugstore's equity registration.

Unless the Company fails to fulfill a duty of good faith, the accumulated undistributed profit of Nansanhuan Zhonglu Drugstore from the Valuation Reference Date of Nansanhuan Zhonglu Drugstore will be borne and shared by the Company and Tong Ren Tang Medical Caring in proportion to their equity interest in Nansanhuan Zhonglu Drugstore after the equity transfer. The distribution of profit and loss generated from Nansanhuan Zhonglu Drugstore during the Transitional Period shall be otherwise negotiated by the Company and Tong Ren Tang Medical Caring.

PROFIT FORCAST

According to the Asset Valuation Reports, the valuations of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore were performed based on the income approach, which involves the calculation of discounted future estimated cash flows. Such valuations are regarded as profit forecasts under Rule 14.61 of the Hong Kong Listing Rules.

Valuation Assumptions

(I) Basic Assumptions

1. Transaction Assumption

The transaction assumption is to assume that all the to-be-evaluated assets are predicted to be in the process of trading, and the Independent Valuer conducts valuation based on the simulated market such as trading conditions. Transaction assumption is one of the most basic premise for asset valuation to be carried out.

2. Open Market Assumption

The open market assumption is to assume that, as for the assets traded in the market, or the assets to be traded in the market, are equal to each other in asset transaction and each has the opportunity and time to obtain sufficient market information to make rational judgment on the functions, use and transaction price of the assets. The open market assumption is based on the fact that the subject assets can be publicly traded in the market.

3. Asset Continuity Assumption

Asset continuity assumption refers to the assets to be evaluated should be used continuously according to the current use, using mode, scale, frequency and environment, or used on the basis of changes, and the evaluation methods, parameters and basis should be determined accordingly.

4. Sustainable Operation of Enterprise Assumption

The Sustainable Operation of Enterprise Assumption is to assume that Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore will maintain sustainable operation and operate in consistent with its current manner.

(II) General Assumptions

1. Assuming that there will not be significant change in the current political, economic, social, and other macro environment where Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore are located that affect their operations after the Valuation Reference Date;

2. Assuming that there will be no material change in the laws and regulations during the future income forecast period, expect for the laws and regulations that have been implemented and promulgated but not yet implemented by the government affecting the operation of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore as at the Valuation Reference Date;

3. Assuming that changes in factors such as exchange rates, interest rates, taxes and inflation involved in the operation of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore after the Valuation Reference Date do not have a material impact on their operations (considered changes in interest rates from the Valuation Reference Date to the date of the Asset Valuation Reports);

4. Assuming that no irresistible or unforeseen events affecting the operation of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore will occur after the Valuation Reference Date;

5. Assuming that the accounting policies adopted by Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore in the future income forecast period are consistent, continuous and comparable in material respects with those adopted as at the Valuation Reference date;

6. Assuming that Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore operates in compliance with laws and regulations during the future income forecast period;

7. Assuming that the operators and management of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore will be responsible and can fulfil their duties. The management team will develop steadily and there will be no material changes on the key management, technical personnel or management system during the future income forecast period that will significantly affect their operations compared with the current pattern as at the Valuation Reference Date;

8. Assuming that the information provided by the Company, Tong Ren Tang Second Traditional Chinese Medicine Hospital or Nansanhuan Zhonglu Drugstore is true, complete and reliable. There are no other defective matters and contingent matters that should have been provided but not be provided or that cannot be known by the Independent Valuer despite having performed the necessary valuation procedures, which may affect the conclusion of the Asset Valuation Reports;

9. Assuming that there will be no litigation, pledge or guarantee occurred in the future income forecast period that will have significant impacts on the operation results of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore.

(III) Special Assumptions

1. Assuming that Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore will not carry out any significant investment in fixed assets that will affect their future operations in the future income forecast period, except for those investments that will affect future production capacity where solid evidence existed on the Valuation Reference Date. The production capacity is estimated based on the status as at the Valuation Reference Date.

2. The Asset Valuation Reports do not take into account the impact of external equity investment on the value of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore after the Valuation Reference Date;

3. Assuming that the turnover of accounts receivable and accounts payable of the Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore for the future income forecast period will be similar to the actual turnover for the recent years, with no significant differences in the default in payment of goods from the past years;

4. Assuming that the cash inflows and cash outflows of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore occur evenly in the future income forecast period.

Confirmation

The Independent Valuer made independent valuations on the 100% equity of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore. The Asset Valuation Reports were prepared by the Independent Valuer based on the income approach. The appraisal value of 100% equity of Tong Ren Tang Second Traditional Chinese Medicine Hospital as at 30 June 2021 was approximately RMB85,737,200, and the appraisal value of 100% equity of Nansanhuan Zhonglu Drugstore as at 30 June 2021 was approximately RMB39,543,400.

PricewaterhouseCoopers (“PwC”), the Company’s reporting accountant, has been engaged to issue reports both dated 20 June 2022 on the calculations of the discounted future estimated cash flow, and does not include the reasonableness of the assumptions, used in the Asset Valuation Reports, as required by Rule 14.62(2) of the Hong Kong Listing Rules. The discounted future estimated cash flows do not involve the adoption of accounting policies.

The Directors confirm that the profit forecasts for Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore, including assumptions, have been made after due and careful enquiry.

The reports from PwC and a Letter from the Board have been submitted to the Hong Kong Stock Exchange, and are included in Appendix I and Appendix II, respectively, to this announcement pursuant to Rules 14.60A and 14.62 of the Hong Kong Listing Rules.

The qualification of relevant expert providing opinions and advice in this announcement is as follows:

Experts

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong

PwC has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its reports and/or opinions and the references to its name included herein in the form and context in which it is included.

As at the date of this announcement, PwC does not hold any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the date of this announcement, as far as the Directors are aware, PwC does not have any direct or indirect interest in any material assets which have been since 31 December 2021 (being the date to which the latest published audited consolidated accounts of the Company were made up) acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group.

Financial Information of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore

According to the audited financial statements of Tong Ren Tang Second Traditional Chinese Medicine Hospital, the total assets and the net assets of Tong Ren Tang Second Traditional Chinese Medicine Hospital are approximately RMB85,883,800 and RMB37,080,700 respectively as at 31 December 2021.

The audited results of Tong Ren Tang Second Traditional Chinese Medicine Hospital as at 31 December 2020 and 2021 prepared in accordance with China Accounting Standards for Business Enterprises are set out below (the financial information was audited by Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership)):

	For the year ended 31 December	
	2020	2021
	RMB'000	RMB'000
Profit before income tax	3,070.5	7,102.9
Profit for the year	2,302.9	5,327.2

According to the audited financial statements of Nansanhuan Zhonglu Drugstore, the total assets and the net assets of Nansanhuan Zhonglu Drugstore are approximately RMB30,405,700 and RMB27,147,600 respectively as at 31 December 2021.

The audited results of Nansanhuan Zhonglu Drugstore as at 31 December 2020 and 2021 prepared in accordance with China Accounting Standards for Business Enterprises are set out below (the financial information was audited by Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership)):

	For the year ended 31 December	
	2020	2021
	RMB'000	RMB'000
Profit before income tax	1,997.4	2,039.7
Profit for the year	2,028.0	1,900.0

REASONS AND BENEFITS FOR THE DISPOSAL

Through the introduction of Tong Ren Tang Medical Caring's market-oriented operation and management experience, information management system, the operation model and information management level of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore can be further enhanced, which in turn assists the high-quality development of the Group's medical care business.

Therefore, the Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Asset Transfer Agreements are fair and reasonable; and (ii) the Asset Transfer Agreements were entered into on normal commercial terms or better in the ordinary and usual course of business of the Company, serve the overall development strategies of the Group and are in the interests of the Company and the Shareholders as a whole.

Financial Effect on the Group

Based on the book value of the Target Assets as at the Valuation Reference Date, the Directors expect that the Group's expected proceeds from the Asset Transfer Agreements will be approximately RMB31,864,900, which is calculated by reference to the consideration under the Asset Transfer Agreement and the carrying value of the Target Assets as at the Valuation Reference Date.

The actual gain on the Disposal to be recorded is subject to audit and may be different from the estimated amount as it will depend on, among others, (i) the actual amount of the Target Assets as at the completion date of the Disposal; and (ii) the actual transaction costs incurred.

USE OF PROCEEDS FROM THE ASSET TRANSFER AGREEMENTS

The Company expects to use the proceeds from the Asset Transfer Agreements (i.e., approximately RMB61,387,500) for, among others, (i) the Group's sustainable development and general corporate use; and (ii) general working capital to further enhance its cash flow.

HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, Tong Ren Tang Medical Caring is a direct wholly-owned subsidiary of Tong Ren Tang Holdings, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. As such, the transactions contemplated under the Asset Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Under Rule 14A.81 of the Hong Kong Listing Rules, as the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital and the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore were both entered into by the Company and Tong Ren Tang Medical Caring within a 12-month period, the transactions contemplated under the Asset Transfer Agreements shall be aggregated as if they were one transaction. As one or more of the applicable percentage ratios (as defined under Rule 14A.07 of the Hong Kong Listing Rules) in respect of the transactions contemplated under the Asset Transfer Agreements, on standalone and aggregate basis, are more than 0.1% but less than 5%, therefore the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Since Mr. Gu Hai Ou, the chairman of the Board, is also a member of the Standing Committee of the Party Committee of Tong Ren Tang Holdings, he is deemed to have material interests in the above connected transactions, and therefore has abstained from voting on the relevant resolutions of the Board. Save for disclosed above, to the best of the Directors' knowledge, information and belief after all reasonable enquiry, no Directors have material interests in the Disposal and as a result are required to abstain from voting on the relevant resolution at the Board meeting.

INFORMATION ON THE PARTIES

The Company

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

Tong Ren Tang Medical Caring

Tong Ren Tang Medical Caring is a medical and health care industry group, principally engaged in hospital management, health management, health consultation and other businesses.

Tong Ren Tang Medical Caring is a wholly-owned subsidiary of Tong Ren Tang Holdings. Tong Ren Tang Holdings is wholly owned by Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心). Beijing State-owned Capital Operation and Management Center is wholly owned by 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).

Tong Ren Tang Second Traditional Chinese Medicine Hospital

Tong Ren Tang Second Traditional Chinese Medicine Hospital is a for-profit, first-class Chinese medicine (general) hospital operating in Beijing.

As at the date of this announcement, Tong Ren Tang Second Traditional Chinese Medicine Hospital is a wholly-owned subsidiary of the Company. After the closing, the Company will continue to hold 51% equity interest in Tong Ren Tang Second Traditional Chinese Medicine Hospital, and Tong Ren Tang Second Traditional Chinese Medicine Hospital will continue to be a subsidiary of the Company.

Nansanhuan Zhonglu Drugstore

Nansanhuan Zhonglu Drugstore is a business and trade enterprise, principally engaged in Chinese patent medicine, Chinese medicinal decoction pieces, and health products and food.

As at the date of this announcement, Nansanhuan Zhonglu Drugstore is a wholly-owned subsidiary of the Company. After the closing, the Company will continue to hold 51% equity interest in Nansanhuan Zhonglu Drugstore, and Nansanhuan Zhonglu Drugstore will continue to be a subsidiary of the Company.

DEFINITIONS

In this announcement, save as the context otherwise requires, the defined terms have the following meanings:

“Disposal”	means the disposal of the Target Assets by the Company to Tong Ren Tang Medical Caring pursuant to the Asset Transfer Agreements
“Independent Valuer”	means Beijing Zhongheyi Assets Appraisal Ltd., an independent third-party valuer appointed for the disposal
“Asset Transfer Agreements”	means the Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital and the Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore
“Tong Ren Tang Medical Caring”	means Beijing Tong Ren Tang Medical Caring Industry Investment Group, Co., Ltd. (北京同仁堂醫養產業投資集團有限公司), a limited liability company incorporated in the PRC under the PRC laws.
“Tong Ren Tang Second Traditional Chinese Medicine Hospital”	means Beijing Tong Ren Tang Second Traditional Chinese Medicine Hospital, Co., Ltd. (北京同仁堂第二中醫醫院有限責任公司), a limited liability company incorporated in the PRC under the PRC laws
“Nansanhuan Zhonglu Drugstore”	means Beijing Tong Ren Tang Nansanhuan Zhonglu Drugstore Co., Limited (北京同仁堂南三環中路藥店有限公司), a limited liability company incorporated in the PRC under the PRC laws
“Asset Transfer Agreement in respect of Tong Ren Tang Second Traditional Chinese Medicine Hospital”	means the Asset Transfer Agreement and supplementary agreements entered by the Company and Tong Ren Tang Medical Caring on 20 June 2022, pursuant to which the Company has agreed to dispose and Tong Ren Tang Medical Caring has agreed to purchase 49% of the equity interest in Tong Ren Tang Second Traditional Chinese Medicine Hospital
“Asset Transfer Agreement in respect of Nansanhuan Zhonglu Drugstore”	means the Asset Transfer Agreement and supplementary agreements entered by the Company and Tong Ren Tang Medical Caring on 20 June 2022, pursuant to which the Company has agreed to dispose and Tong Ren Tang Medical Caring has agreed to purchase 49% of the equity interest in Nansanhuan Zhonglu Drugstore
“Asset Valuation Report on Tong Ren Tang Second Traditional Chinese Medicine Hospital”	means the Asset Valuation Report on the Total Equity Value of Beijing Tong Ren Tang Second Traditional Chinese Medicine Hospital Co., Ltd. for the Proposed Asset Transfer of Tong Ren Tang Technologies Co. Ltd. (Zhongheyi Ping Bao Zi [2022] No. 10010) prepared by the Independent Valuer dated 20 March 2022

“Asset Valuation Report on Nansanhuan Zhonglu Drugstore”	means the Asset Valuation Report on the Total Equity Value of Beijing Tong Ren Tang Nansanhuan Zhonglu Drugstore Co., Limited. for the Proposed Asset Transfer of Tong Ren Tang Technologies Co. Ltd. (Zhongheyi Ping Bao Zi [2022] No. 10011) prepared by the Independent Valuer dated 20 March 2022
“Asset Valuation Reports”	means the Asset Valuation Report on Tong Ren Tang Second Traditional Chinese Medicine Hospital and the Asset Valuation Report on Nansanhuan Zhonglu Drugstore
“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, whose H Shares are listed and traded on the main board of the Hong Kong Stock Exchange
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	means the director(s) of the Company
“Group”	means the Company and its subsidiaries
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“PRC”	means the People’s Republic of China, which for the purposes of this circular only (unless otherwise indicated) excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	means the lawful currency of the PRC, Renminbi
“Shareholder(s)”	means the shareholder(s) of the Company
“Target Assets”	means 49% of the equity interest in Tong Ren Tang Second Traditional Chinese Medicine Hospital and 49% of the equity interest in Nansanhuan Zhonglu Drugstore sold by the Company to Tong Ren Tang Medical Caring pursuant to the Asset Transfer Agreements
“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
“Valuation Reference Date”	means 30 June 2021
“%”	means percentage

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

Beijing, the PRC

20 June 2022

As at the date of this announcement, the Board comprises Mr. Gu Hai Ou, Mr. Wang Yu Wei and Ms. Feng Zhi Mei as executive Directors, Mr. Jin Tao, Mr. Ma Guan Yu and Ms. Guo Ya Qing as non-executive Directors, Mr. Ting Leung Huel, Stephen, Ms. Chan Ching Har, Eliza and Mr. Zhan Yuan Jing as independent non-executive Directors.

Appendix I — REPORT FROM PRICEWATERHOUSECOOPERS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE ASSET VALUATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT
ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS
IN CONNECTION WITH THE ASSET VALUATION OF
BEIJING TONG REN TANG SECOND TRADITIONAL CHINESE MEDICINE HOSPITAL
CO., LTD.**

**TO THE BOARD OF DIRECTORS OF
TONG REN TANG TECHNOLOGIES CO. LTD.**

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows of Beijing Tong Ren Tang Second Traditional Chinese Medicine Hospital Co., Ltd. (北京同仁堂第二中醫醫院有限責任公司) (“Tong Ren Tang Second Traditional Chinese Medicine Hospital”), on which the asset valuation (the “Valuation”) dated 20 March 2022 prepared by Beijing Zhongheyi Assets Appraisal Ltd. (北京中和誼資產評估有限公司) in respect of the appraisal of the fair value of the 100% equity interests in Tong Ren Tang Second Traditional Chinese Medicine Hospital as at 30 June 2021 is based. The Valuation is set out in the announcement of Tong Ren Tang Technologies Co. Ltd. (北京同仁堂科技發展股份有限公司) (the “Company”) dated 20 June 2022 (the “Announcement”) in connection with the connected transaction relating to the disposal by the Company of its 49% equity interests in Tong Ren Tang Second Traditional Chinese Medicine Hospital. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows, including the bases and assumptions set on pages 6 to 8 of the Announcement on which the discounted future estimated cash flows are based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT
ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS
IN CONNECTION WITH THE ASSET VALUATION OF
BEIJING TONG REN TANG SECOND TRADITIONAL CHINESE MEDICINE HOSPITAL
CO., LTD.**

**TO THE BOARD OF DIRECTORS OF
TONG REN TANG TECHNOLOGIES CO. LTD. (Continued)**

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility, pursuant to paragraph 14.62(2) of the Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out on pages 6 to 8 of the Announcement. The extent of procedures selected depends on the Reporting Accountant's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT
ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS
IN CONNECTION WITH THE ASSET VALUATION OF
BEIJING TONG REN TANG SECOND TRADITIONAL CHINESE MEDICINE HOSPITAL
CO., LTD.**

**TO THE BOARD OF DIRECTORS OF
TONG REN TANG TECHNOLOGIES CO. LTD. (Continued)**

Reporting Accountant's Responsibilities (Continued)

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of Tong Ren Tang Second Traditional Chinese Medicine Hospital.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out on pages 6 to 8 of the Announcement.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 June 2022

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT
ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS
IN CONNECTION WITH THE ASSET VALUATION OF
BEIJING TONG REN TANG NANSANHUAN ZHONGLU DRUGSTORE CO., LIMITED**

**TO THE BOARD OF DIRECTORS OF
TONG REN TANG TECHNOLOGIES CO. LTD.**

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows of Beijing Tong Ren Tang Nansanhuan Zhonglu Drugstore Co., Limited (北京同仁堂南三環中路藥店有限公司) ("Nansanhuan Zhonglu Drugstore"), on which the asset valuation (the "Valuation") dated 20 March 2022 prepared by Beijing Zhongheyi Assets Appraisal Ltd. (北京中和誼資產評估有限公司) in respect of the appraisal of the fair value of the 100% equity interests in Nansanhuan Zhonglu Drugstore as at 30 June 2021 is based. The Valuation is set out in the announcement of Tong Ren Tang Technologies Co. Ltd. (北京同仁堂科技發展股份有限公司) (the "Company") dated 20 June 2022 (the "Announcement") in connection with the connected transaction relating to the disposal by the Company of its 49% equity interests in Nansanhuan Zhonglu Drugstore. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows, including the bases and assumptions set on pages 6 to 8 of the Announcement on which the discounted future estimated cash flows are based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT
ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS
IN CONNECTION WITH THE ASSET VALUATION OF
BEIJING TONG REN TANG NANSANHUAN ZHONGLU DRUGSTORE CO., LIMITED**

**TO THE BOARD OF DIRECTORS OF
TONG REN TANG TECHNOLOGIES CO. LTD. (Continued)**

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility, pursuant to paragraph 14.62(2) of the Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out on pages 6 to 8 of the Announcement. The extent of procedures selected depends on the Reporting Accountant's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT
ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS
IN CONNECTION WITH THE ASSET VALUATION OF
BEIJING TONG REN TANG NANSANHUAN ZHONGLU DRUGSTORE CO., LIMITED**

**TO THE BOARD OF DIRECTORS OF
TONG REN TANG TECHNOLOGIES CO. LTD. (Continued)**

Reporting Accountant's Responsibilities (Continued)

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of Nansanhuan Zhonglu Drugstore.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out on pages 6 to 8 of the Announcement.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 June 2022

Appendix II — Letter from 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 company incorporated in the People's Republic of China with limited liability)

(Stock code: 1666)

20 June 2022

To: Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place Central
Hong Kong

Dear Sirs,

CONNECTED TRANSACTIONS OF TONG REN TANG TECHNOLOGIES CO. LTD. DISPOSAL OF THE TARGET ASSETS

We refer to the announcement of the Company dated 20 June 2022 (the “**Announcement**”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings in this letter when used herein.

We note that PricewaterhouseCoopers, the reporting accountant of the Company, has reviewed the arithmetical accuracy of the calculation of the discounted future estimated cash flow forecast in the valuations prepared by Beijing Zhongheyi Assets Appraisal Ltd. (北京中和誼資產評估有限公司), the Independent Valuer, in relation to the valuations of entire equity interests in Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore. The valuations are were performed based on the income approach, which involves the calculation of discounted future estimated cash flows method, and are regarded as profit forecasts under Rule 14.61 of the Hong Kong Listing Rules (the “**Underlying Forecast**”).

We have discussed with the Independent Valuer about the bases and assumptions in the valuations upon which the Underlying Forecast has been made and have reviewed the valuations. We have also considered the report issued by PricewaterhouseCoopers regarding whether the discounted future estimated cash flows of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore, so far as the calculations are concerned, have been properly complied, in all material aspects, in accordance with the bases and assumptions that we adopted as set out on pages 6 to 8 of the Announcement.

Based on the foregoing, we confirm that the valuations, including the Underlying Forecast, have been made after due and careful enquiry.

The purpose of this letter is solely for the compliance with Rule 14.62(3) of the Hong Kong Listing Rules. We, however, express no opinion in this letter on the actual results of the Underlying Forecast as the Underlying Forecasts are based on certain hypothesis on future events.

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