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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: 8069)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RESPECT OF FORMATION OF JOINT VENTURE**

SUMMARY

On 9 July 2004, the Company entered into the Joint Venture Agreement with Tongrentang Limited whereby the parties agreed to establish a joint venture in Hong Kong to engage in the business of manufacturing and distribution of Chinese patent medicines, healthcare products and cosmetics. The investment to be injected in the Joint Venture upon its establishment will be HK\$150 million in cash, of which HK\$76.5 million will be contributed by the Company and the remaining HK\$73.5 million by Tongrentang Limited. The issued share capital of the Joint Venture will be held as to 51% by the Company and 49% by Tongrentang Limited.

Given that Tongrentang Limited is a connected person of the Company under the GEM Listing Rules, the establishment of the Joint Venture and the transactions contemplated by the Joint Venture Agreement constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules and will be subject to the approval of the Independent Shareholders at the SGM.

The Company will issue a circular to the Shareholders containing details of the establishment of the Joint Venture and the terms of the Joint Venture Agreement, a letter of recommendation from the independent board committee of the Company, and a letter of advice from the independent financial adviser to the independent board committee. Notice of the SGM will be despatched to the Shareholders together with the circular pursuant to the GEM Listing Rules.

FORMATION OF JOINT VENTURE

Background

On 9 July 2004, the Company entered into the Joint Venture Agreement with Tongrentang Limited whereby the parties agreed to establish a joint venture in Hong Kong to engage in the business of manufacturing and distribution of Chinese patent medicines, healthcare products and cosmetics.

The Joint Venture Agreement

Date

9 July 2004

Parties

- (i) The Company
- (ii) Tongrentang Limited

Formation

The Company and Tongrentang Limited will set up the Joint Venture in Hong Kong. It is proposed that the name of the Joint Venture be Beijing Tong Ren Tang Chinese Medicine Co., Ltd. (北京同仁堂國藥有限公司).

Conditions precedent

The obligations of the parties under the Joint Venture Agreement are conditional upon:

- (i) the Company having obtained the approval of the Independent Shareholders at the SGM; and
- (ii) all necessary consents and/or approvals in the PRC with regard to the establishment of the Joint Venture having been obtained.

If the above conditions are not fulfilled, the Joint Venture Agreement will, upon mutual agreement between the parties, lapse, and no party shall have any liability to the other arising out of the Joint Venture Agreement.

Capital injection and shareholding structure

The investment to be injected in the Joint Venture upon its establishment will be HK\$150 million in cash which is determined by reference to the initial capital requirement of the Joint Venture. The investment of HK\$150 million will be contributed as to HK\$76.5 million by the Company and the remaining HK\$73.5 million by Tongrentang Limited payable within 30 days after the date on which the Joint Venture Agreement shall become unconditional. The cash of HK\$76.5 million to be injected by the Company will be funded by the Company's internal resources.

The issued share capital of the Joint Venture will be held as to 51% by the Company and 49% by Tongrentang Limited.

Composition of the board

The board of directors of the Joint Venture shall comprise five members, of which three will be nominated by the Company and two by Tongrentang Limited.

Scope of business

The Joint Venture will be principally engaged in the manufacture and distribution of Chinese patent medicines, healthcare products and cosmetics.

Disposal of shares and pre-emptive right

Pursuant to the terms of the Joint Venture Agreement, no disposal of shares in the Joint Venture to a third party may be effected unless with the approval of the shareholders holding more than 50% interests in the Joint Venture. If any shareholder shall object to the disposal of shares in the Joint Venture to the third party, it shall take up the shares to be disposed of, failing which it will be treated as having agreed to the disposal of such shares.

If either party wishes to dispose of its interests (whether in whole or in part) in the Joint Venture to any third party, the other party shall be entitled to a right of pre-emption to acquire such interests on the same terms as those offered to the third party. The pre-emptive right shall not be exercisable under the following circumstances:

- (i) any transfer between the Company and Tongrentang Limited;
- (ii) any transfer by a party to its subsidiary which is 51% (or above) owned by such party; and
- (iii) any transfer by a party to the senior management of the Joint Venture provided that such transfer has been duly approved by the shareholders of the Joint Venture by way of shareholders' resolutions.

Term

The Joint Venture will have a term of 30 years and is extendable by mutual agreement between the shareholders of the Joint Venture.

Termination

Any party may terminate the Joint Venture Agreement upon occurrence of the following events:

- (i) any party failing to contribute its investment to the Joint Venture within 30 days after the expiry of the payment period required under the Joint Venture Agreement;
- (ii) any party failing to perform its obligation under the Joint Venture Agreement resulting in the Joint Venture being unable to carry on its operation;
- (iii) force majeure resulting in the Joint Venture being unable to operate for a period of 12 months;
- (iv) a winding-up order being made against any party;
- (v) severe operating loss suffered by the Joint Venture, where the accumulated loss has reached 60% of the investment in the Joint Venture and the parties cannot reach an agreement to the injection of further capital;

(vi) the Joint Venture failing to achieve its business objectives; or

(vii) the parties having mutually agreed to terminate the Joint Venture Agreement.

If the Joint Venture Agreement is so terminated, no party shall have any liability to the other arising out of the Joint Venture Agreement, save for any antecedent breach thereof.

Reasons for and benefits of setting up the Joint Venture

The Joint Venture will, upon its establishment, set up a manufacturing plant in Hong Kong as its production base. The manufacturing plant will be engaged in the production of pharmaceutical, healthcare and cosmetic products. The Directors believe that the presence of a manufacturing arm in Hong Kong will enable the Company to expose itself more extensively to the market outside the PRC, in particular, the Taiwan market. The Directors also expect that the Joint Venture may capture the sophisticated management expertise available in Hong Kong which, coupled with the application of the Company's existing production technology, may expedite the modernisation of Chinese medicines and facilitate the promotion of modern Chinese medical products into the mainstream international pharmaceutical market.

The terms of the Joint Venture Agreement have been determined after arm's length negotiations between the Company and Tongrentang Limited. The Directors (including the independent non-executive Directors) consider that the terms of the Joint Venture Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Connected transaction

As at the date of this announcement, Tongrentang Limited is entitled to exercise approximately 54.705% of the voting power at the general meeting of the Company and is therefore a substantial shareholder of the Company within the meaning of the GEM Listing Rules. Accordingly, the establishment of the Joint Venture and the transactions contemplated by the Joint Venture Agreement constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules and will be subject to the approval of the Independent Shareholders at the SGM.

FURTHER INFORMATION ABOUT THE COMPANY

The Company is mainly engaged in the production and sale of Chinese patent medicine.

SPECIAL GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

The Company will issue a circular to the Shareholders containing details of the establishment of the Joint Venture and the Joint Venture Agreement, a letter of recommendation from the independent board committee of the Company, and a letter of advice from the independent financial adviser to the independent board committee. Notice of the SGM will be despatched to the Shareholders together with the circular pursuant to the GEM Listing Rules. Tongrentang Limited and its associates, as defined in the GEM Listing Rules, will abstain from voting with respect to the establishment of Joint Venture at the SGM.

DEFINITIONS

In this announcement, the following words and phrases shall have the following meanings.:

“Company”	Tong Ren Tang Technologies Co. Ltd.
“Directors”	the directors of the Company
“GEM Listing Rules”	Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (as amended from time to time)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	shareholders of the Company, other than Tongrentang Limited and its associates, as defined in the GEM Listing Rules
“Joint Venture”	the joint venture to be formed by the Company and Tongrentang Limited in Hong Kong pursuant to the Joint Venture Agreement
“Joint Venture Agreement”	an agreement dated 9 July 2004 entered into between the Company and Tongrentang Limited in relation to the formation of the Joint Venture
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SGM”	the special general meeting of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tongrentang Limited”	Beijing Tongrentang Company Limited (北京同仁堂股份有限公司), a joint stock limited company established in the PRC, the shares of which have been listed on the Shanghai Stock Exchange A Shares Market since 1997, and is the holding company of the Company

By order of the board of Directors
Tong Ren Tang Technologies Co. Ltd.
Yin Shun Hai
Chairman

Beijing, the PRC, 9 July 2004

As at the date of this announcement, the board of directors of Tong Ren Tang Technologies Co. Ltd. comprises (i) Yin Shun Hai, Mei Qun and Li Lian Ying as executive directors; (ii) Bi Jie Ping and Zhao Bing Xian as non-executive directors; and (iii) Tam Wai Chu, Maria, Ting Leung Huel, Stephen and Jin Shi Yuan as independent non-executive directors (collectively, the “Directors”).

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Tong Ren Tang Technologies Co. Ltd.. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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