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

**(Stock Code: 1666)**

## **CONNECTED TRANSACTION CAPITAL INCREASE AGREEMENT**

As disclosed in the Announcement, the Company, Jiayi Packaging, Jingqiao Medicine and TRT Chinese Medicine entered into the JV Agreement, pursuant to which the JV Partners have agreed to establish the JV Company. The registered capital of the JV Company is RMB70,000,000 and the JV Company is owned as to 10%, 30%, 10% and 50% by the Company, Jiayi Packaging, Jingqiao Medicine and TRT Chinese Medicine, respectively. Since TRT Chinese Medicine is a subsidiary of the Company, the JV Company, being owned as to 50% by TRT Chinese Medicine, is also an indirect subsidiary of the Company.

Since the JV Company plans to expand its production plant and building scale and certain equipment which will need more capital, the JV Partners, being the shareholders of the JV Company, have agreed to increase the registered capital of the JV Company by RMB50,000,000 for the purpose of construction of production plant and purchase of equipment.

TRT Chinese Medicine is a non-wholly owned subsidiary of the Company, while our Parent, the controlling shareholder of the Company, holds 46.91% equity interest in TRT Chinese Medicine. Therefore, TRT Chinese Medicine is a connected person of the Company (as defined under Rule 14A.11(5) of the Hong Kong Listing Rules). The JV Company, being the 50%-owned subsidiary of TRT Chinese Medicine, is therefore a connected person of the Company under the Hong Kong Listing Rules. The Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) in relation to the transactions contemplated under the Capital Increase Agreement exceed 0.1% but below 5%, the Capital Increase is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

## 1. INTRODUCTION

As disclosed in the Announcement, the Company, Jiayi Packaging, Jingqiao Medicine and TRT Chinese Medicine (together, the "**JV Partners**") entered into the JV Agreement, pursuant to which the JV Partners have agreed to establish the JV Company. The registered capital of the JV Company is RMB70,000,000 and the JV Company is owned as to 10%, 30%, 10% and 50% by the Company, Jiayi Packaging, Jingqiao Medicine and TRT Chinese Medicine, respectively. Since TRT Chinese Medicine is a subsidiary of the Company, the JV Company, being owned as to 50% by TRT Chinese Medicine, is also an indirect subsidiary of the Company.

Since the JV Company plans to expand its production plant and building scale and certain equipment which will need more capital, the JV Partners, being the shareholders of the JV Company, have agreed to increase the registered capital of the JV Company by RMB50,000,000 for the purpose of construction of production plant and purchase of equipment.

## 2. CAPITAL INCREASE AGREEMENT

### **Date**

22 September 2011

### **Parties**

- (i) the Company
- (ii) Jiayi Packaging
- (iii) Jingqiao Medicine
- (iv) TRT Chinese Medicine

## **Transaction**

Pursuant to the Capital Increase Agreement, RMB200,000 will be contributed by the Company, RMB3,000,000 will be contributed by Jiayi Packaging, RMB200,000 will be contributed by Jingqiao Medicine and RMB46,600,000 will be contributed by TRT Chinese Medicine.

Upon completion of the Capital Increase, the JV Company will be owned as to 6%, 20%, 6% and 68% by the Company, Jiayi Packaging, Jingqiao Medicine and TRT Chinese Medicine, respectively.

There is no further capital commitment that is required to be contributed by the Company or TRT Chinese Medicine other than the capital contribution by the Company or TRT Chinese Medicine towards the Capital Increase set out above.

## **Consideration**

The consideration for the Capital Increase in the amount of RMB50,000,000 will be payable in full by each of the JV Partners in cash by internal resources within 60 business days upon satisfaction of the conditions precedent under the Capital Increase Agreement.

The above consideration was determined by arm's length commercial negotiations between the JV Partners, with reference to, among other things, (i) the audited net assets value of the JV Company in the amount of RMB69,721,352.81 as at 31 December 2010; and (ii) the business prospects of the JV Company.

## **Other Key Terms of the Capital Increase Agreement**

Upon completion of the Capital Increase Agreement, the board of directors of the JV Company shall comprise of seven members, where the Company will appoint one director, Jiayi Packaging will appoint one director, Jingqiao Medicine will appoint one director and TRT Chinese Medicine will appoint four directors.

## **Conditions Precedent**

The completion of the Capital Increase Agreement will be conditional upon the fulfillment of, among other matters, the following conditions precedent:

- (i) the approval of the Capital Increase Agreement by the Board;
- (ii) the approval of the Capital Increase Agreement by the internal decision making body of the other JV Partners;

(iii) the due execution of the Capital Increase Agreement by the legal representative or authorized representative of each of the JV Partners thereto; and

(iv) the completion of all necessary submission or filing procedure to relevant administrative authority for industry and commerce and obtaining of all necessary consents, permits or approvals from the relevant regulatory authorities (if any) in relation to the transactions contemplated under the Capital Increase Agreement.

### 3. SHAREHOLDING STRUCTURE OF THE JV COMPANY

The shareholding structure of the JV Company before and after the completion of the Capital Increase Agreement is set out below:

Shareholders	Capital	Equity	Additional contribution pursuant to the Capital Increase Agreement	Capital	Equity
	Contribution before the completion of the Capital Increase Agreement	before the completion of the Capital Increase Agreement		after the completion of the Capital Increase Agreement	Interest after the completion of the Capital Increase Agreement
The Company	RMB 7,000,000	10%	RMB 200,000	RMB 7,200,000	6%
Jiayi Packaging	RMB 21,000,000	30%	RMB 3,000,000	RMB 24,000,000	20%
Jingqiao Medicine	RMB 7,000,000	10%	RMB 200,000	RMB 7,200,000	6%
TRT Chinese Medicine	RMB 35,000,000	50%	RMB 46,600,000	RMB 81,600,000	68%
Total	RMB 70,000,000	100%	RMB 50,000,000	RMB 120,000,000	100%

Upon completion of the Capital Increase, the JV Company will still be a subsidiary of the Company.

### 4. FINANCIAL INFORMATION OF THE JV COMPANY

The audited net asset value of the JV Company as at 31 December 2010 prepared in accordance with PRC GAAP was RMB 69,721,352.81.

For the financial year ended 31 December 2010, the audited net loss before and after taxation and extraordinary items of the JV Company prepared in accordance with PRC GAAP were as follows:

	<b>For the year ended 31 December 2010</b>
Audited net loss before taxation and extraordinary items	RMB-278,647.19
Audited net loss after taxation and extraordinary items	RMB-278,647.19

## 5. REASONS FOR THE CAPITAL INCREASE

The Company is of the view that the Capital Increase will (i) further develop the business scope of the Group's operating business; and (ii) generate higher returns to the Group in future, should the JV Company become more profitable in future.

## 6. HONG KONG LISTING RULES IMPLICATIONS

TRT Chinese Medicine is a non-wholly owned subsidiary of the Company, while our Parent, the controlling shareholder of the Company, holds 46.91% equity interest in TRT Chinese Medicine. Therefore, TRT Chinese Medicine is a connected person of the Company (as defined under Rule 14A.11(5) of the Hong Kong Listing Rules). The JV Company, being the 50%-owned subsidiary of TRT Chinese Medicine, is therefore a connected person of the Company under the Hong Kong Listing Rules. The Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) in relation to the transactions contemplated under the Capital Increase Agreement exceed 0.1% but below 5%, the Capital Increase is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Increase Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms; and (iii) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Mei Qun and Mr. Yin Shun Hai, also being directors of TRT Chinese Medicine, are deemed to have material interests in the transactions under the Capital Increase Agreement and have abstained from voting on the Board resolution to approve the Capital Increase Agreement. Save as disclosed, none of the other Directors has a material interest in the transactions under the Capital Increase Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, that there is no other transaction entered into between any member of the Group and the JV Company or its associates within a 12-month period or otherwise related, which would be, together with the Capital Increase Agreement, regarded as a series of transactions and treated as if they are one transaction under Rule 14A.25 of the Hong Kong Listing Rules.

## **7. GENERAL INFORMATION ON THE JV PARTNERS AND THE JV COMPANY**

### **The Company**

The Company is engaged in the manufacturing and selling of Chinese medicines in China.

### **Jiayi Packaging**

Jiayi Packaging is engaged in the manufacturing of rubber products, plastics products and glass products.

### **Jingqiao Medicine**

Jingqiao Medicine is engaged in the wholesale and retail business of supply and sales of Chinese medicine materials.

### **TRT Chinese Medicine**

TRT Chinese Medicine is engaged in the operation of the distribution network of Tong Ren Tang Chinese Medicine and the manufacture of its products outside the PRC mainland.

### **JV Company**

The JV Company is engaged in the manufacturing and selling of its products.

## **8. DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless otherwise indicated in the context:

“Announcement”	the announcement of the Company dated 22 June 2010 in relation to the establishment of the JV Company
“Board”	the board of Directors
“Capital Increase”	the capital increase in the JV Company by the JV Partners in the amount of RMB50,000,000 as contemplated under the Capital Increase Agreement
“Capital Increase Agreement”	a capital increase agreement entered into between the JV Partners on 22 September 2011
“Company”	Tong Ren Tang Technologies Co., Ltd. (北京同仁堂科技发展股份有限公司), a joint stock limited company incorporated in the PRC and the H shares of which are listed and traded on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Jiayi Packaging”	Tangshan Jiayi Packaging Industries Co., Ltd. (唐山佳亿包装工程有限公司), a limited liability company established in the PRC
“Jingqiao Medicine”	Bozhou Jingqiao Medicine Co., Ltd. (亳州市京譙医药有限责任公司), a limited liability company established in the PRC
“JV Agreement”	a joint venture agreement entered into by the JV Partners on 22 June 2010 in relation the establishment of the JV Company
“JV Company”	Beijing Tong Ren Tang (Tangshan) Nutrition and Healthcare Co., Ltd. (北京同仁堂(唐山)营养保健品有限公司), the joint venture company established on 13 September 2011 which is owned as to 10%, 30%, 10% and 50% by the Company, Jiayi Packaging, Jingqiao Medicine and TRT Chinese Medicine, respectively as at the date of this announcement

“Parent”	Beijing Tong Ren Tang Company Limited (北京同仁堂股份有限公司), a joint stock limited company established in the PRC, the A shares of which are listed and traded on the Shanghai Stock Exchange, and is the controlling shareholder of the Company
“PRC”	the People’s Republic of China, which for the purposes of this announcement only excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC GAAP”	the general accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholder(s)”	the shareholder(s) of the Company
“TRT Chinese Medicine”	Beijing Tong Ren Tang Chinese Medicine Company Limited (北京同仁堂国药有限公司), a limited liability company incorporated under the law of Hong Kong and a non-wholly owned subsidiary of the Company

By Order of the Board  
**Tong Ren Tang Technologies Co., Ltd.**  
**MEI QUN**  
*Chairman*

Beijing, the PRC  
22 September 2011

*As at the date of this announcement, the Board comprises Mr. Mei Qun, Mr. Yin Shun Hai, Mr. Wang Yu Wei, Ms. Fang Jia Zhi and Mr. Xie Zhan Zhong as executive Directors; Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan as independent non-executive Directors.*