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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)

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

The Board hereby announces that, as the annual caps for the continuing connected transactions under the Land Use Right Leasing Agreement entered into between the Company and Tong Ren Tang Holdings will expire on 31 December 2013, the Board resolved on 10 October 2013 to set the new annual caps for such continuing connected transactions for the three years ending 31 December 2016.

In addition, as each of the Storage and Custody Agreement, the Distribution Framework Agreement and the Master Procurement Agreement entered into between the Company and Tong Ren Tang Holdings will expire on 31 December 2013, the Company and Tong Ren Tang Holdings renewed such agreements on 10 October 2013, each for a term of three years from 1 January 2014 to 31 December 2016, and set the annual caps for the continuing connected transactions contemplated under each of the aforesaid agreements for the three years ending 31 December 2016 .

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 transactions contemplated under each of the Land Use Right Leasing Agreement, the renewed Storage and Custody Agreement, the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the estimated annual caps for the continuing connected transactions under the Land Use Right Leasing Agreement and the renewed Storage and Custody Agreement, respectively exceed 0.1% but are all less than 5%, such continuing connected transactions are only subject to reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the estimated annual caps for the continuing connected transactions contemplated under the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, respectively exceed 5%, both the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are subject to independent shareholders' approval requirement in addition to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

An extraordinary general meeting of the Company will be convened to seek the approval of the independent Shareholders in this regard. Tong Ren Tang Holdings and its associates will abstain from voting in respect of the relevant resolutions at the extraordinary general meeting.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the independent Shareholders in relation to the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder, and an independent financial adviser has been appointed to advise the Independent Board Committee and the independent Shareholders.

A circular containing, among others, details of the renewed Distribution Framework Agreement, the renewed Master Procurement Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder, a letter from the Independent Board Committee and the advice from the independent financial adviser to the Independent Board Committee and independent Shareholders, together with a notice convening the extraordinary general meeting of the Company, will be dispatched to the Shareholders on or before 31 October 2013.

## **I. BACKGROUND**

Reference is made to the announcements of the Company dated 18 January 2011, 28 February 2011 and 2 August 2013, and the circular of the Company dated 27 January 2011, as well as the 2012 annual report of the Company which set out details of the existing continuing connected transactions conducted between the Company and Tong Ren Tang Holdings, the ultimate controlling shareholder of the Company.

As the annual caps for the continuing connected transactions under the Land Use Right Leasing Agreement entered into between the Company and Tong Ren Tang Holdings will expire on 31 December 2013, the Board resolved on 10 October 2013 to set the new annual caps for such continuing connected transactions for the three years ending 31 December 2016.

In addition, as each of the Storage and Custody Agreement, the Distribution Framework Agreement and the Master Procurement Agreement entered into between the Company and Tong Ren Tang Holdings will expire on 31 December 2013, the Company and Tong Ren Tang Holdings renewed such agreements on the same terms and conditions on 10 October 2013, each for a term of three years from 1 January 2014 to 31 December 2016, and set the annual caps for the continuing connected transactions contemplated under each of the aforesaid agreements for the three years ending 31 December 2016.

**II. LAND USE RIGHT LEASING AGREEMENT**

As disclosed in the announcement of the Company dated 18 January 2011 and the 2012 annual report of the Company, the Company and Tong Ren Tang Holdings entered into a land use right leasing agreement on 6 October 2000 for a term of 20 years, which was supplemented by a supplemental agreement entered into between the parties on 1 January 2006. Details of the Land Use Right Leasing Agreement, supplemented by the supplemental agreement are set out below:

- Date:** 6 October 2000, supplemented by a supplemental agreement dated 1 January 2006
- Parties:** (i) the Company  
(ii) Tong Ren Tang Holdings
- Term of the Agreement:** The Land Use Right Leasing Agreement is for a term of 20 years commencing from 6 October 2000.  
During the term of the agreement, the Company has the right to terminate the agreement by giving six months' prior notice in writing to Tong Ren Tang Holdings.
- Principal Terms and Conditions:** Pursuant to the Land Use Right Leasing Agreement and its supplemental agreement:
- Tong Ren Tang Holdings agreed to lease to the Company a piece of land with a total area of 43,815.15 sq.m., which is located at No. 20 Nan San Huan Zhong Road, Feng Tai District, Beijing, the PRC (the "**Nan San Huan Zhong Road Land**"), for a term of 20 years from 6 October 2000 to 5 October 2020.
  - The Company agreed to pay an annual rental of RMB 2,363,827.34 to Tong Ren Tang Holdings for the leasing of the Nan San Huan Zhong Road Land, calculated based on the rate of RMB 53.95 per sq.m., which was determined by the parties with reference to the then market rate.
  - The annual rental can be reviewed and adjusted by the parties by supplemental agreement after two years from the effective date of the agreement, provided that the increase/decrease in the annual rental shall be determined with reference to the then market rate, and shall not exceed 10% of the annual rental paid by the Company in the previous year.
- Payment of the Rental:** The rental shall be paid in cash on an annual basis and shall be settled before the 20th day of December of each year during the term of the Land Use Right Leasing Agreement.

As the annual caps for the continuing connected transactions under the Land Use Right Leasing Agreement will expire on 31 December 2013, the Board resolved on 10 October 2013 to set the new annual caps for such continuing connected transactions for the three years ending 31 December 2016 as follows:

	<i>Year ending 31 December 2014 (RMB million)</i>	<i>Year ending 31 December 2015 (RMB million)</i>	<i>Year ending 31 December 2016 (RMB million)</i>
<b>Expected Annual Caps</b>	2.6	2.9	3.2

The expected annual caps were determined according to the annual rental to be paid by the Company to Tong Ren Tang Holdings as stated in the Land Use Right Leasing Agreement and the potential increase in the annual rental by 10% at most during the term of the agreement as agreed by the parties in the agreement.

The Directors (including the independent non-executive Directors) are of the view that the newly set annual caps for the continuing connected transactions under the Land Use Right Leasing Agreement for the three years ending 31 December 2016 are fair and reasonable, and are in the best interests of the Shareholders and the Company as a whole.

### **III. STORAGE AND CUSTODY AGREEMENT**

As disclosed in the announcement of the Company dated 18 January 2011 and the 2012 annual report of the Company, the Company and Tong Ren Tang Holdings entered into a storage and custody agreement on 15 April 2008, which was renewed by the parties on 18 January 2011 for a term of three years, for the purpose of the provision of storage and custody services by Tong Ren Tang Holdings to the Company.

#### ***1. Renewal of the Storage and Custody Agreement***

As the existing Storage and Custody Agreement will expire on 31 December 2013, the Company and Tong Ren Tang Holdings renewed such agreement on the same terms and conditions on 10 October 2013, for a term of three years from 1 January 2014 to 31 December 2016 as follows:

**Date of Renewal:** 10 October 2013

**Parties:** (i) the Company  
(ii) Tong Ren Tang Holdings

**Term of the Agreement:** The renewed Storage and Custody Agreement is for a term of three years from 1 January 2014 to 31 December 2016.

During the term of the agreement, the Company has the right to terminate the agreement by giving six months' prior notice in writing to Tong Ren Tang Holdings.

- Principal Terms and Conditions:** Pursuant to the renewed Storage and Custody Agreement:
- Tong Ren Tang Holdings agreed to provide storage and custody services to the Company for the purpose of keeping Chinese medicinal raw materials and finished products of the Company.
  - The Company agreed to pay a storage fee to Tong Ren Tang Holdings calculated by the monthly rate of RMB 21 per sq.m. (equal to an annual rate of RMB 252 per sq.m.) multiplied by the actual storage areas leased by the Company in the month. The monthly rate was determined by the parties with reference to the then market rate.
  - The monthly rate of the storage fee to be paid by the Company can be reviewed and adjusted by the parties by supplemental agreement once each year after one year from the effective date of the renewed agreement, provided that the increase/decrease in the monthly rate shall be determined with reference to the then market rate, and shall not exceed 10% of the rate in the previous year.

**Payment of the Fees:** The storage fees shall be paid in cash in two instalments each year. The first payment shall be made before the 10th day of July of each year, while the second payment shall be made before the 10th day of January of the next year.

## 2. *Proposed annual caps for the three years ending 31 December 2016*

Historical transaction amount between the Company and Tong Ren Tang Holdings under the Storage and Custody Agreement is as follows:

	<i>Year ended 31 December 2011 (RMB million)</i>	<i>Year ended 31 December 2012 (RMB million)</i>	<i>Nine months ended 30 September 2013 (RMB million)</i>
<b>Historical Transaction Amount</b>	2.92	2.92	2.19

The Directors expect the annual caps for the continuing connected transactions contemplated under the renewed Storage and Custody Agreement for the three years ending 31 December 2016 as follows:

	<i>Year ending 31 December 2014 (RMB million)</i>	<i>Year ending 31 December 2015 (RMB million)</i>	<i>Year ending 31 December 2016 (RMB million)</i>
<b>Expected Annual Caps</b>	7	7	7

The above expected annual caps were determined with reference to the historical transaction figures as listed above and after taking into consideration the following factors:

- i) the expected increase in the storage areas to be utilized by the Company in the next three years;
- ii) the potential adjustment of the monthly rate of the storage fee by the parties during the term of the renewed agreement; and
- iii) the growth of the Group's business and any future expansion which will result in further demand for the storage and custody services provided by Tong Ren Tang Holdings.

### **3. *Reasons for and benefit of renewal of the Storage and Custody Agreement***

In order to maintain the integrity and functional character of the Chinese medicinal raw materials and finished products, it is necessary for the Company to process and store them at the prescribed temperature and humidity. Given that the storage and custody facilities currently owned by the Company are unable to satisfy the need of the Company's operation and development, it is necessary to seek storage and custody facilities from Tong Ren Tang Holdings. In consideration of cost efficiency and practical necessity, the Company will continue to rely on Tong Ren Tang Holdings for the provision of storage and custody services in the next three years.

The Directors (including the independent non-executive Directors) are of the view that the renewed Storage and Custody Agreement was entered into on normal commercial terms, and the terms and conditions therein as well as the annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

## **IV. DISTRIBUTION FRAMEWORK AGREEMENT**

As disclosed in the announcement of the Company dated 18 January 2011, the circular of the Company dated 27 January 2011 and the 2012 annual report of the Company, the Company and Tong Ren Tang Holdings entered into a distribution framework agreement on 15 April 2008, which was renewed by the parties on 18 January 2011 for a term of three years, pursuant to which the Company agreed to sell its products to Tong Ren Tang Group, and Tong Ren Tang Holdings agreed to purchase products from the Group and then distribute the same to retailers or end-users as non-exclusive distributor of the Group.

### **1. *Renewal of the Distribution Framework Agreement***

As the existing Distribution Framework Agreement will expire on 31 December 2013, the Company and Tong Ren Tang Holdings renewed such agreement on the same terms and conditions on 10 October 2013, for a term of three years from 1 January 2014 to 31 December 2016 as follows:

<b>Date of Renewal:</b>	10 October 2013
<b>Parties:</b>	(i) the Company (ii) Tong Ren Tang Holdings
<b>Term of the Agreement:</b>	Subject to the approval by the independent Shareholders, the renewed Distribution Framework Agreement is for a term of three years from 1 January 2014 to 31 December 2016.  During the term of the agreement, the Company has the right to terminate the agreement by giving six months' prior notice in writing to Tong Ren Tang Holdings.
<b>Principal Terms and Conditions:</b>	Pursuant to the renewed Distribution Framework Agreement: <ul style="list-style-type: none"> <li>• The Company agreed that it or any of its subsidiaries may, from time to time, sell its products to members of Tong Ren Tang Group or other independent distributors.</li> <li>• Tong Ren Tang Holdings agreed that as non-exclusive distributor of the Group, any member of Tong Ren Tang Group may, from time to time, purchase products from the Group and then distribute the same to retailers and/or end-users.</li> <li>• Details of the products and quantities to be sold by the Group to Tong Ren Tang Group shall be determined by the parties according to market conditions and stated in individual implementation agreement.</li> </ul>
<b>Pricing Principle:</b>	The price of the products to be sold by the Group to Tong Ren Tang Group shall not be lower than that charged by the Group to other independent third parties.
<b>Payment Arrangement:</b>	Payment arrangement will be negotiated by the parties and stated in individual implementation agreement, but shall be the same as the arrangement with other independent third parties.
<b>Implementation Agreement:</b>	During the term of the renewed Distribution Framework Agreement, members of the Group and members of Tong Ren Tang Group will enter into, from time to time and as necessary, individual implementation agreement for each of the specific transactions contemplated under the renewed Distribution Framework Agreement, including such implementation agreement entered into during the term of the existing Distribution Framework Agreement which has an expiring date within the term of the renewed agreement.  Any such implementation agreement shall be within the ambit of the Distribution Framework Agreement and the relevant annual caps for the continuing connected transactions contemplated thereunder.

## 2. *Proposed annual caps for the three years ending 31 December 2016*

Historical transaction amount between the Company and Tong Ren Tang Holdings under the Distribution Framework Agreement is as follows:

	<i>Year ended 31 December 2011 (RMB million)</i>	<i>Year ended 31 December 2012 (RMB million)</i>	<i>Nine months ended 30 September 2013 (RMB million)</i>
<b>Historical Transaction Amount</b>	260.53	304.07	221.77

The Directors expect the annual caps for the continuing connected transactions contemplated under the renewed Distribution Framework Agreement for the three years ending 31 December 2016 as follows:

	<i>Year ending 31 December 2014 (RMB million)</i>	<i>Year ending 31 December 2015 (RMB million)</i>	<i>Year ending 31 December 2016 (RMB million)</i>
<b>Expected Annual Caps</b>	470	580	740

The above expected annual caps were determined with reference to the historical transaction figures as listed above and after considering the following factors:

- i) With a view to increase the market share and sales volume of the Group's products, and taking full advantage of its resources, the Group will further expand the sales of its products through the sales network with the brand of "Tong Ren Tang". In light of the aforesaid, the Company expects a substantial increase in the transaction volume with Tong Ren Tang Group in the next three years;
- ii) The expected expansion of the sales network with the brand of "Tong Ren Tang" operated by Tong Ren Tang Group will also lead to the increase in the transaction volume under the renewed Distribution Framework Agreement;
- iii) The proposed 2014 and 2015 annual caps of HK\$ 110 million and HK\$ 150 million, respectively for the continuing connected transactions contemplated under the individual implementation agreement entered into between Tong Ren Tang Chinese Medicine and Tong Ren Tang Holdings for the purpose of the sale of its Chinese medicine products containing ganoderma lucidum or ganoderma lucidum spore as raw materials (including ganoderma lucidum spores powder capsule) as disclosed in the announcement of Tong Ren Tang Chinese Medicine dated 3 October 2013, as well as the anticipated amount of such transactions in 2016; and
- iv) A buffer has been included for the estimated amount of sales of products by the Group under the renewed Distribution Framework Agreement for any unexpected increase in the aforesaid amount in the next three years.

### ***3. Reasons for and benefit of renewal of the Distribution Framework Agreement***

Tong Ren Tang Holdings, with its subsidiaries and associates located in the PRC and overseas market, have a sales network providing a wide coverage in both domestic and overseas market. The Directors consider that the utilization of the sales network of Tong Ren Tang Group to distribute the products of the Group will give full play to the advantage of the resources owned by Tong Ren Tang Group and expand the market share of the Group, hence is beneficial to the development of the business of the Group.

The Directors (excluding the independent non-executive Directors) are of the view that the renewed Distribution Framework Agreement was entered into on normal commercial terms, and the terms and conditions therein as well as the annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

## **V. MASTER PROCUREMENT AGREEMENT**

As disclosed in the announcement of the Company dated 28 February 2011 and 2 August 2013, as well as the 2012 annual report of the Company, the Company and Tong Ren Tang Holdings entered into a master procurement agreement on 28 February 2011 for a term of three years, pursuant to which the Group agreed to procure from Tong Ren Tang Group, and Tong Ren Tang Group agreed to supply to the Group, the Relevant Products for the Company's production, sale and distribution.

### ***1. Renewal of the Master Procurement Agreement***

As the existing Master Procurement Agreement will expire on 31 December 2013, the Company and Tong Ren Tang Holdings renewed such agreement on the same terms and conditions on 10 October 2013, for a term of three years from 1 January 2014 to 31 December 2016 as follows:

<b>Date of Renewal:</b>	10 October 2013
<b>Parties:</b>	(i) the Company (ii) Tong Ren Tang Holdings
<b>Term of the Agreement:</b>	Subject to the approval by the independent Shareholders, the renewed Master Procurement Agreement is for a term of three years from 1 January 2014 to 31 December 2016.

During the term of the agreement, the Company has the right to terminate the agreement by giving six months' prior notice in writing to Tong Ren Tang Holdings.

**Principal Terms and Conditions:**

Pursuant to the renewed Master Procurement Agreement:

- The Company agreed that it, or any of its subsidiaries may, from time to time, procure the Relevant Products from members of Tong Ren Tang Group or other independent suppliers for the purpose of its production, sale and distribution.
- Tong Ren Tang Holdings agreed that as non-exclusive supplier of the Group, any member of Tong Ren Tang Group may, from time to time, supply the Relevant Products to the Group.
- Details of the Relevant Products and quantities to be procured by the Group from Tong Ren Tang Group shall be determined by the parties according to market conditions and stated in individual implementation agreement.

**Pricing Principle:**

The price to be paid for the Relevant Products procured by the Group from the Tong Ren Tang Group shall be determined in accordance with the following principle:

- The price shall be negotiated and agreed by the parties within the range of the then prevailing market price for the similar products (the "**Market Price**");
- If there is no comparable Market Price available for the Relevant Products, the price shall be determined based on the integrated cost plus not more than 15% surcharge; and
- In any event, the price to be paid by the Group for the procurement of the Relevant Products shall not be higher than that available from independent third parties for similar product, or higher than the Market Price, whichever is the lower.

**Payment Arrangement:**

Payment arrangement will be negotiated by the parties and stated in individual implementation agreement, but shall be the same as the arrangement with other independent third parties.

**Implementation Agreement:**

During the term of the renewed Master Procurement Agreement, members of the Group and members of Tong Ren Tang Group will enter into, from time to time and as necessary, individual implementation agreement for each of the specific transactions contemplated under the renewed Master Procurement Agreement, including such implementation agreement entered into during the term of the existing Master Procurement Agreement which has an expiring date within the term of the renewed agreement.

Any such implementation agreement shall be within the ambit of the Master Procurement Agreement and the relevant annual caps for the continuing connected transaction contemplated thereunder.

## 2. *Proposed annual caps for the three years ending 31 December 2016*

Historical transaction amount between the Company and Tong Ren Tang Holdings under the Master Procurement Agreement is as follows:

	<i>Year ended 31 December 2011 (RMB million)</i>	<i>Year ended 31 December 2012 (RMB million)</i>	<i>Nine months ended 30 September 2013 (RMB million)</i>
<b>Historical Transaction Amount</b>	49.63	56.70	50.93

The Directors expect the annual caps for the continuing connected transactions contemplated under the renewed Master Procurement Agreement for the three years ending 31 December 2016 as follows:

	<i>Year ending 31 December 2014 (RMB million)</i>	<i>Year ending 31 December 2015 (RMB million)</i>	<i>Year ending 31 December 2016 (RMB million)</i>
<b>Expected Annual Caps</b>	190	240	300

The above expected annual caps were determined with reference to the historical transaction figures as listed above and after considering the following factors:

- i) Based on the significant increase in the growth rate of the Group's business in the last two years, the Company's continuous development of potential products and its demand for several scarce Chinese medicinal raw materials, the Company will continue to build up a strategic reserve of a few Chinese medicinal raw materials, which will inevitably lead to an increase in the Group's procurement of raw materials and semi-finished products from Tong Ren Tang Group ;
- ii) The continuous increase in the market price of Chinese medicinal raw materials in recent years will also lead to the increase in the transaction value of the Group's procurement of the Relevant Products from Tong Ren Tang Group;
- iii) In the past, the Group procured bee products including honey and beeswax from Beijing Jinfeng Company for its production. Beijing Jinfeng Company was acquired by Tong Ren Tang Ltd. as its subsidiary in the first half of 2013 and hence became a connected person of the Company. The Company anticipated that the amount of the Group's procurement of bee products from Beijing Jinfeng Company in the next three years will be approximately RMB70 million, RMB80 million and RMB90 million, respectively;

- iv) Following with the development of the distribution business of the Company's subsidiaries and the corresponding increase in the categories and quantities of the products distributed by them, especially the Chinese Medicine products produced by Tong Ren Tang Group, the amount of the Group's procurement of finished products from Tong Ren Tang Group is also on the increase;
- v) Tong Ren Tang Group is continuously expanding the scope and scale of production and business operation of Chinese medicine products to ensure its long-term development; meanwhile, the members of Tong Ren Tang Group may be increased due to any potential acquisition or consolidation to be done by Tong Ren Tang Group in the next three years, both of which will inevitably result in the increase in the transaction amount between the Group and Tong Ren Tang Group under the renewed Master Procurement Agreement; and
- vi) A buffer has been included for the estimated amount of procurement of the Relevant Products by the Group under the renewed Master Procurement Agreement for any unexpected increase in the aforesaid amount in the next three years.

### ***3. Reasons for and benefit of renewal of the Master Procurement Agreement***

Tong Ren Tang Holdings owns a subsidiary that specializes in the purchase and sale of Chinese medicinal raw materials and offers a wide range of Chinese medicinal raw materials with good quality. Meanwhile, some of its subsidiaries in China own its own production facilities for Chinese medicinal raw materials in local Chinese medicinal raw materials origins and have extensive experience in purchasing Chinese medicinal raw materials and a broad customer base. Since resources of suppliers of several Chinese medicinal raw materials are limited, procurement of such raw materials by the Group from Tong Ren Tang Group which owns such resources will secure the quality of raw materials procured by the Group, and ensure the stability of production and supply of the products of the Group. In addition, Tong Ren Tang Holdings also owns subsidiaries which are engaged in the production and sale of Chinese medicine products. Therefore, the procurement of such products by the Group from Tong Ren Tang Group for further production or distribution by the Group is beneficial to the production and the development of the business of distribution of Chinese medicine products of the Group.

The Directors (excluding the independent non-executive Directors) are of the view that the renewed Master Procurement Agreement was entered into on normal commercial terms, and the terms and conditions therein as well as the annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

## **VI. HONG KONG LISTING RULES IMPLICATIONS**

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 transactions contemplated under each of the Land Use Right Leasing Agreement, the renewed Storage and Custody Agreement, the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the estimated annual caps for the continuing connected transactions under the Land Use Right Leasing Agreement and the renewed Storage and Custody Agreement, respectively exceed 0.1% but are all less than 5%, such continuing connected transactions are only subject to reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the estimated annual caps for the continuing connected transactions contemplated under the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, respectively exceed 5%, both the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are subject to independent shareholders' approval requirement in addition to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

An extraordinary general meeting of the Company will be convened to seek the approval of the independent Shareholders in this regard. Tong Ren Tang Holdings and its associates will abstain from voting in respect of the relevant resolutions at the extraordinary general meeting.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the independent Shareholders in relation to the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder, and an independent financial adviser has been appointed to advise the Independent Board Committee and the independent Shareholders.

A circular containing, among others, details of the renewed Distribution Framework Agreement, the renewed Master Procurement Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder, a letter from the Independent Board Committee and the advice from the independent financial adviser to the Independent Board Committee and independent Shareholders, together with a notice convening the extraordinary general meeting of the Company, will be dispatched to the Shareholders on or before 31 October 2013.

As Mr. Yin Shun Hai and Mr. Mei Qun are also directors of Tong Ren Tang Holdings, they are deemed to have material interest in all the above-mentioned continuing connected transactions and have thus abstained from voting on the relevant resolutions at the Board meeting. Besides, none of the other Directors has a material interest in any of the above-mentioned continuing connected transactions.

## **VII. INFORMATION ON PARTIES TO THE CONTINUING CONNECTED TRANSACTIONS**

### **The Company**

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

### **Tong Ren Tang Holdings**

Tong Ren Tang Holdings is engaged in the processing, manufacture and sale of Chinese medicinal materials, Chinese patent medicine, Chinese medicinal decoction pieces, medical food, warehousing and transportation, etc..

## **VIII. DEFINITIONS**

"associate"	has the meaning ascribed to it in the Hong Kong Listing Rules
"Beijing Jinfeng Company"	means Beijing Jinfeng Bee Industry Company (北京金蜂蜂業公司), a company incorporated in the PRC with limited liability which is principally engaged in the processing and sale of bee products and pharmaceutical excipients (including beeswax and honey), etc., and which has become a subsidiary of Tong Ren Tang Ltd. and changed its name to "Beijing Tong Ren Tang Bee Industry Company" (北京同仁堂蜂業有限公司) on 26 April 2013 following the completion of the acquisition of 51% equity interest in it by Tong Ren Tang Ltd.
"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 incorporated in the PRC with limited liability and whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
"controlling shareholder"	has the meaning ascribed to it in the Hong Kong Listing Rules

"Director(s)"	means the director(s) of the Company
"Distribution Framework Agreement"	means the distribution framework agreement entered into between the Company and Tong Ren Tang Holdings on 15 April 2008, and renewed by the parties on 18 January 2011 and 10 October 2013, which is still subject to the approval by the independent Shareholders, and pursuant to which the Group may sell its products to Tong Ren Tang Group, and Tong Ren Tang Group, as non-exclusive distributor of the Group, may purchase products from the Group and then distribute the same to retailers or end-users
"Group"	means the Company and its subsidiaries
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC
"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
"Independent Board Committee"	means the independent Board committee comprising all independent non-executive Directors, namely Ms. Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan, which was established to advise the independent Shareholders in relation to the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder
"Land Use Right Leasing Agreement"	means the land use right leasing agreement entered into between the Company and Tong Ren Tang Holdings on 6 October 2000 and supplemented by a supplemental agreement dated 1 January 2006, for the purpose of the leasing of the Nan San Huan Zhong Road Land

"Master Procurement Agreement"	means the master procurement agreement entered into between the Company and Tong Ren Tang Holdings on 28 February 2011 and renewed by the parties on 10 October 2013, which is still subject to the approval by the independent Shareholders, and pursuant to which the Group agreed to procure from Tong Ren Tang Group and Tong Ren Tang Group agreed to supply to the Group, the Relevant Products for the Company's production, sale and distribution
"PRC"	means the People's Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Relevant Products"	means the raw materials, semi-finished products and finished products supplied by Tong Ren Tang Group to the Group under the renewed Master Procurement Agreement, collectively
"RMB"	means Renminbi, the lawful currency of the PRC
"Shareholder(s)"	means the shareholder(s) of the Company
"Storage and Custody Agreement"	means the storage and custody agreement entered into between the Company and Tong Ren Tang Holdings on 15 April 2008, and renewed by the parties on 18 January 2011 and on 10 October 2013 for the purpose of the provision of storage and custody services by Tong Ren Tang Holdings to the Company
"Tong Ren Tang Chinese Medicine"	means Beijing Tong Ren Tang Chinese Medicine Company Limited (北京同仁堂國藥有限公司), a subsidiary of the Company which was incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Growth Enterprise Market of the Hong Kong Stock Exchange
"Tong Ren Tang Ltd."	means 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 shares of which have been listed on the Shanghai Stock Exchange A Shares Market since 1997, and the intermediate holding company of the Company

"Tong Ren Tang Group" means Tong Ren Tang Holdings and its subsidiaries and associates (excluding the Group)

"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 who is directly and indirectly interested in 47.59% equity interest in the Company

By order of the Board  
**Tong Ren Tang Technologies Co. Ltd.**  
**Mei Qun**  
*Chairman of the Board*

Beijing, the PRC  
10 October 2013

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