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



Tong Ren Tang Technologies Co. Ltd.

北京同仁堂科技發展股份有限公司

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

(Stock code: 1666)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EGM**

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



China Everbright Capital Limited

A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from China Everbright Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 28 of this circular.

A notice convening the EGM to be held at No. 52 Dong Xing Long Street, Dong Cheng District, Beijing, the PRC at 10:00 a.m. on Monday, 16 December 2013, is set out on pages 35 to 37 of this circular. If you intend to appoint a proxy to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof, and deposit it with, (i) for holders of H Shares, Hong Kong Registrars Limited, the H Share registrar and transfer office of the Company in Hong Kong, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong; and (ii) for holders of Domestic Shares, the office of the Company, at No. 20, Nansanhuan Zhonglu, Fengtai District, Beijing, the PRC. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

29 October 2013

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associate”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Beijing Jinfeng Company”	means Beijing Jinfeng Bee Industry Company (北京金峰蜂業公司), 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 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
“Domestic Share(s)”	means the domestic invested ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are subscribed for in RMB
“EGM”	means the extraordinary general meeting of the Company to be convened at No. 52 Dong Xing Long Street, Dong Cheng District, Beijing, the PRC at 10:00 a.m. on Monday, 16 December 2013, to consider and, if thought fit, to approve the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the respective continuing connected transactions contemplated thereunder

DEFINITIONS

“Group”	means the Company and its subsidiaries
“H Share(s)”	means the overseas-listed foreign invested ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are listed on the Hong Kong Stock Exchange
“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 respective continuing connected transactions contemplated thereunder
“Independent Financial Adviser” or “China Everbright Capital”	means China Everbright Capital Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, and the independent financial adviser to the Independent Board Committee and 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 respective continuing connected transactions contemplated thereunder
“Independent Shareholders”	means Shareholders other than Tong Ren Tang Holdings and its associates
“Latest Practicable Date”	means 22 October 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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

DEFINITIONS

“PRC”	means the People’s Republic of China, which for the purpose of this circular 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
“SFO”	means Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	means the shareholder(s) of the Company
“Supervisor(s)”	means the supervisor(s) of 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 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
“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

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

(Stock code: 1666)

Executive Directors:

Mr. Mei Qun

Mr. Xie Zhan Zhong

Mr. Yin Shun Hai

Mr. Wang Yu Wei

Ms. Fang Jia Zhi

Independent non-executive Directors:

Ms. Tam Wai Chu, Maria

Mr. Ting Leung Huel, Stephen

Mr. Jin Shi Yuan

Registered office:

No.16 Tongji Beilu,

Beijing Economic and Technology

Development Zone, Yizhuang,

Beijing, the PRC

Office and mailing address:

No. 20, Nansanhuan Zhonglu,

Fengtai District,

Beijing, the PRC

29 October 2013

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EGM

1. INTRODUCTION

Reference is made to the announcement of the Company dated 10 October 2013 in relation to the renewal of certain continuing connected transactions of the Company.

On 10 October 2013, the Company and Tong Ren Tang Holdings renewed a series of continuing connected transactions between them including the Distribution Framework Agreement and the Master Procurement Agreement, and set the annual caps for the respective continuing connected transactions contemplated thereunder for the three years ending 31 December 2016. Pursuant to the Hong Kong Listing Rules, both of the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement as well as the proposed annual caps for the respective continuing connected transactions contemplated thereunder are still subject to the approval by the Independent Shareholders.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) detailed information regarding the renewal of the Distribution Framework Agreement and the Master Procurement Agreement and the proposed annual caps for the respective continuing connected transactions contemplated thereunder for the three years ending 31 December 2016; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from China Everbright Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

2. 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:

Date of Renewal: 10 October 2013

Parties:

- (i) the Company
- (ii) Tong Ren Tang Holdings

Term of the Agreement: 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.

Principal Terms and Conditions:

Pursuant to the renewed Distribution Framework Agreement:

- 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.

LETTER FROM THE BOARD

- 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.
- 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.

Pricing Principle: 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.

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 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 Group and Tong Ren Tang Group under the Distribution Framework Agreement is as follows:

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

LETTER FROM THE BOARD

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:

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

LETTER FROM THE BOARD

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 proposed 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.

3. 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:

Date of Renewal: 10 October 2013

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

Term of the Agreement: 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.

LETTER FROM THE BOARD

- 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 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 transactions contemplated thereunder.

LETTER FROM THE BOARD

2) Proposed annual caps for the three years ending 31 December 2016

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

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

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

LETTER FROM THE BOARD

- 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 sales 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 proposed 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.

LETTER FROM THE BOARD

4. 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 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 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 respective 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.

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 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.

5. 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.

6. EGM

A notice convening the EGM, at which ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the respective continuing connected transactions contemplated thereunder, is set out on pages 35 to 37 of this circular.

Votes on the resolutions to be proposed at the EGM shall be taken by way of poll. In accordance with the Hong Kong Listing Rules, Tong Ren Tang Holdings and its associates will abstain from voting on the resolutions to be proposed at the EGM in relation to the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the respective continuing

LETTER FROM THE BOARD

connected transactions contemplated thereunder. As at the Latest Practicable Date, Tong Ren Tang Holdings and its associates, directly and indirectly, hold 304,740,000 Domestic Shares (representing approximately 47.59% of the issued share capital of the Company) with voting right.

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

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

The register of members of the Company will be closed from Saturday, 16 November 2013 to Monday, 16 December 2013 (both days inclusive), during which time no transfer of the shares of the Company will be registered. In order to be qualified for attending and voting at the EGM, all transfer documents of the holders of H Shares together with the relevant share certificate must be lodged with Hong Kong Registrars Limited, the Company's H Share registrar and transfer office in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 15 November 2013.

7. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the respective continuing connected transactions contemplated thereunder; and (ii) the letter from China Everbright Capital set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the renewed Distribution Framework Agreement, the renewed Master Procurement Agreement and the proposed annual caps for the respective continuing connected transactions contemplated thereunder, as well as the principal factors and reasons taken into account by China Everbright Capital in arriving at its advice.

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

LETTER FROM THE BOARD

Accordingly, the Directors (excluding the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

29 October 2013

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 29 October 2013 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to consider and advise you as to whether, in our opinion, the terms of the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the respective continuing connected transactions contemplated thereunder (details of which are set out in the letter from the Board) are fair and reasonable so far as the Independent Shareholders are concerned.

China Everbright Capital has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the terms and conditions of the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the respective continuing connected transactions contemplated thereunder. Details of the advice from China Everbright Capital, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out in its letter on pages 17 to 28 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 14 of the Circular and the additional information set out in the Appendix.

Having considered the terms and conditions of the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement as well as the proposed annual caps for the respective continuing connected transactions contemplated thereunder, the interests of the Independent Shareholders and the advice of China Everbright Capital, we are of the opinion that the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement were entered into on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the respective continuing

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

connected transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM so as to approve the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement as well as the proposed annual caps for the respective continuing connected transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee of

Tong Ren Tang Technologies Co. Ltd.

Tam Wai Chu, Maria

Ting Leung Huel, Stephen

Jin Shi Yuan

Independent Non-executive Directors

LETTER FROM CHINA EVERBRIGHT CAPITAL

The following is the full text of a letter of advice from China Everbright Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement prepared for the purpose of inclusion in this circular.



29 October 2013

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

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement (collectively, “**Framework Agreements**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 29 October 2013 issued by the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

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 (“**Continuing Connected Transactions**”) contemplated under the Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the applicable percentage ratio(s) with respect to the renewed annual caps (“**Renewed Annual Caps**”) for the Framework Agreements are more than 5% and the annual consideration is expected to exceed HK\$10,000,000, the transactions under these contracts will be subject to reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

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Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Group, Tong Ren Tang Holdings or any of their respective associates. We are independent from and not connected with the Group, Tong Ren Tang Holdings or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates pursuant to Rule 13.84 of the Hong Kong Listing Rules, and are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions.

II. BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the management (“**Management**”) of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Group. We have assumed that all statements and representations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

III. PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

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

(A) Background of and reasons for the Continuing Connected Transactions

The Company is engaged in the manufacturing and sale of Chinese medicine, biological preparations, Chinese herbal medicine, food and healthcare food, etc.

Tong Ren Tang Holdings is engaged in the processing, manufacturing and sale of Chinese medicinal materials, Chinese patent medicine, Chinese medicinal decoction pieces, medical food, warehousing and transportation, etc. As stated in the Letter from the Board, 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. In addition, 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.

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To facilitate its business development and operation, the Group entered into the distribution framework agreement with Tong Ren Tang Holdings 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.

In addition, the Group also entered into the master procurement agreement Tong Ren Tang Holdings on 28 February 2011, pursuant to which the Group agreed to procure from Tong Ren Tang Group, and Tong Ren Tang Group agreed to supply to the Group, raw materials, semi-finished products and finished products for the Group's production, sale and distribution.

The existing distribution framework agreement and master procurement agreement will expire on 31 December 2013. Since the Continuing Connected Transactions shall continue, the Directors propose to seek Independent Shareholders' approval to renew the Continuing Connected Transactions for a term up to 31 December 2016 in order to comply with the continuing connected transaction requirements under the Hong Kong Listing Rules.

As stated in the Letter from the Board, 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.

Through the renewed Master Procurement Agreement, Tong Ren Tang Group can supply raw materials, semi-finished products and finished products for the Group's production, sale and distribution. 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 sales 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.

Having taken into account of the above and:

1. the Group has established and maintained long-term business relationship with Tong Ren Tang Group;
2. The recurring nature of the transactions under the Framework Agreements and the entering into of the Framework Agreements will enable the Company to continue its business with Tong Ren Tang Group;
3. the Continuing Connected Transactions are in line with the existing business activities of the Group;

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4. the extensive sales network of Tong Ren Tang Group in the PRC will enable the Group to further expand its market share and strengthen its presence in the PRC market;
5. Through the Framework Agreements, the Group can secure stable supply of Chinese medicinal raw materials from Tong Ren Tang Group, and ensure the stability of production and supply of the products of the Group; and
6. the transactions contemplated under the Framework Agreements shall be conducted on an arm's length basis and on terms that are fair and reasonable to the Company,

we are of the view that the Continuing Connected Transactions are usual and ordinary course of business of the Group, and are in the interests of the Group and the Independent Shareholders as a whole.

(B) The Major Terms of the Framework Agreements

Renewed Distribution Framework Agreement

Pursuant to the renewed Distribution Framework Agreement and subject to the Renewed Annual Caps, 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. 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.

Based on the terms and conditions of the renewed Distribution Framework Agreement, the parties will enter into a separate sales contract to set out, inter alia, the selling price, quantity and specifications of products for each sale transaction in accordance with prevailing market conditions. As stated in the Letter from the Board, the selling prices of the products supplied by the Group to Tong Ren Tang Group shall not be lower than that charged by the Group to other independent third parties. 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.

Renewed Master Procurement Agreement

Pursuant to the renewed Master Procurement Agreement and subject to the Renewed Annual Caps, the Company agreed that it, or any of its subsidiaries may, from time to time, procure the Chinese medicinal raw materials, semi-finished products and finished products for the Group's production, sale and distribution 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.

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Based on the terms and conditions of the renewed Master Procurement Agreement, the parties will enter into a separate purchase contract to set out, inter alia, the purchase price, quantity and specifications of products for each sale transaction in accordance with prevailing market conditions.

As stated in the Letter from the Board, the price to be paid for Chinese medicinal raw materials, semi-finished products and finished products procured by the Group from the Tong Ren Tang Group shall be determined in accordance with the following principles:

- 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 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.

Our views on the major terms of the Framework Agreements:

Shareholders should note that there is no provision in the Framework Agreements requiring the Group to transact with Tong Ren Tang Group and its associates exclusively. In other words, the Group is not obligated to transact with Tong Ren Tang Group and its associates and would only do so if it is in the commercial interests of the Group, and it does not restricts the Group from transacting with any third parties. Therefore, we consider the Framework Agreements provide commercial flexibility to the Group to transact with other customers or suppliers in the event that the Group might not be able to agree with any terms or pricing with Tong Ren Tang Group and its associates.

We have reviewed sample copies of sale contracts and purchase contracts between the Group and (i) independent third parties; and (ii) Tong Ren Tang Group. After our reviews, we noted that the pricing terms and payment terms of the Group’s products supplied to/procured from Tong Ren Tang Group and its associates were no less favourable than that charged to independent third parties and on terms no less favourable than those the Group can obtain from independent third parties.

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Taking into account of the above and the Framework Agreements does not impose any contractual obligation to the Group to transact with Tong Ren Tang Group, we are of the view that the terms of the Framework Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(C) The Renewed Annual Caps

The Continuing Connected Transactions are subject to the Hong Kong Listing Rules' requirements and conditions as discussed in detail under the section headed "Reporting requirements and conditions of the Continuing Connected Transactions" below. In particular, the Continuing Connected Transactions are subject to the Renewed Annual Caps.

Review of historical figures

The table below sets out (i) the historical transaction amounts of the Continuing Connected Transactions' for each of the two years ended 31 December 2012 and the nine months ended 30 September 2013 ("**Track Record Period**") and (ii) the Renewed Annual Caps:

Historical transaction amounts during the Track Record Period

	Year ended 31 December		Nine months ended 30
	2011	2012	September 2013
	<i>RMB (Million)</i>	<i>RMB (Million)</i>	<i>RMB (Million)</i>
Distribution Framework Agreement	260.53	304.07	221.77
Master Procurement Agreement	49.63	56.70	50.93

Renewed Annual Caps

	Year ending 31 December		
	2014	2015	2016
	<i>RMB (Million)</i>	<i>RMB (Million)</i>	<i>RMB (Million)</i>
Distribution Framework Agreement	470	580	740
Master Procurement Agreement	190	240	300

Assessment of the Renewed Annual Caps

As stated in the Letter from the Board, the Renewed Annual Caps were determined with reference to the historical transaction figures as listed above and after considering the following factors:

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(I) Renewed Distribution Framework Agreement

1. 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;
2. 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;
3. 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
4. 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.

(II) Renewed Master Procurement Agreement

1. 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;
2. 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;
3. 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;

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4. 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;
5. 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
6. 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.

In our assessment of the Management's rationale in determining the Renewed Annual Caps, we have also taken into consideration of the following factors:

Historical transaction amounts between the Group and Tong Ren Tang Group

According to the 2012 Annual Report of the Company ("2012 AR") and 2013 Interim Report of the Company ("2013 IR"), we noted that the Group continued to implement the strategy of "professional, sizable and collective growth", focused on its core business, as well as pursued diversified development. Benefited from the Group's brand popularization strategy, a steady growth was achieved in the sales revenue of the Company's mainstream products, of which twenty-one products achieved total sales of more than RMB10 million and seventeen products achieved total sales of between RMB5 million and RMB10 million. Among these mainstream products, the sales of Liuwei Dihuang Pills (六味地黃丸) series increased by 33.37% in the first half of 2013 over the corresponding period of 2012; the sales of Ganmao Qingre Granule (感冒清熱顆粒) series increased by 37.63% in the first half of 2013 over the corresponding period of 2012. There was remarkable increase in the sales of some other products including Ban Langen Granule (板藍根) series, E Jiao (阿膠) series and Jiawei Xiaoyao Pills (加味逍遙丸) series, etc. during the first half of 2013.

As a result of the Group's product portfolio expansion and growth in sales volume, the transaction amounts under the Distribution Framework Agreement and Master Procurement Agreement maintained growth trend during the Track Record Period. The historical transaction amounts under the Distribution Framework Agreement increased by approximately 16.7% from RMB260.53 million in 2011 to approximately RMB304.07 million in 2012. During the nine months ended 30 September 2013, the sales amounts under the Distribution Framework Agreement were approximately RMB221.77 million, representing approximately 72.9% of historical annual transaction amounts in 2012.

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Similarly, the historical transaction amounts under the Master Procurement Agreement increased by approximately 14.2% from RMB49.63 million in 2011 to approximately RMB56.7 million in 2012. During the nine months ended 30 September 2013, the purchase amounts under the Master Procurement Agreement were approximately RMB50.93 million, representing approximately 89.8% of historical annual transaction amounts in 2012.

After discussion with the Management, in order to further increase the market share and the sale volume of the Group's products, and take full advantage of the sales network with the brand of "Tong Ren Tang", the Group has been doing its best endeavors to further expand the sales of the Group's products through ultimate retail distributors. As stimulated by the growth of Group's market share in the PRC market and expansion of the Group's product portfolio, it will further increase the Group's procurement of Chinese medicinal raw materials, semi-finished products and finished products from Tong Ren Tang Group. In light of the aforesaid, the Company expects a substantial increase in the transaction volume with Tong Ren Tang Group in the coming three years.

Expected increase in the sales of the Group's products to Tong Ren Tang Group under the renewed Distribution Framework Agreement over the next three years

1. As advised by the Management and future development plan of Tong Ren Tang Group, the strategic planning of an annual growth of around 7% to 8% of the distribution network of Tong Ren Tang Group in the next three years. 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; and
2. To capture the business opportunities and increase its market shares in the PRC market, the Group will continue to broaden its product portfolio and expand to non-medicine markets, such as cosmetics products. For example, Tong Ren Tang WM was established to introduce liposome technology into modern Chinese medicine and promoting its application in pharmaceuticals and cosmetics. Its major products include lotion, cream, facial and eye masks and liposome skincare products. In order to take full advantage of extensive distribution network of Tong Ren Tang Group, the Group will further expand the sales of its products through the sales network with the brand of "Tong Ren Tang".

Expected increase in the procurement of relevant products by the Groups from Tong Ren Tang Group under the renewed Master Procurement Agreement over the next three years

1. As advised by the Management, the Company will continue to accumulate strategic reserves for some Chinese medicinal raw materials. Due to the limited resources of its suppliers, some precious and fine Chinese medicinal raw materials can be purchased by Tong Ren Tang Group possessing such resources to ensure the production supply of products of the Group and the stability in raw materials price. Furthermore, the average selling prices of fine Chinese medicinal raw materials have continued to grow at around 10%-20% annually over the past few

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years. As a result, the Management expects that the transaction amounts of raw materials purchased by the Group from Tong Ren Tang Group will continue to increase;

2. As stated in the Letter from the Board, 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; and
3. Following with the development of the Group's distribution business and the corresponding increase in the categories and quantities of the products distributed by the Group, 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.

The growth of the healthcare industry in the PRC

Healthcare spending in China as % of GDP was 5.6% in 2012 (roughly US\$400B), which represents roughly half that of most developed markets and less than 1/3 of the US spend. National Health and Family Planning Commission (the former Ministry of Health) released a blueprint "Healthy China 2020" in August 2012, aiming to increase the ratio to 6.5-7.0% by 2020. As a result, it will stimulate the growth in healthcare spending in the PRC over the next few years.

Meanwhile, PRC government contribution to healthcare spending continues to increase to support growth in primary care institutions and basic medical insurance, funding from social capital to improve to drive the growth in private hospitals, while the contribution from out-of-pocket expenses to decline. It will benefit the consumption of medicine products, and will increase the overall demand on the Group's products.

Having considered the above, we are of the view that the basis adopted by the Management in determining the Renewed Annual Caps is fair and reasonable so far as the Independent Shareholders are concerned. However, Shareholders should note that the Renewed Annual Caps relate to future events and they do not represent a forecast of turnover to be generated from the Continuing Connected Transactions.

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(D) Reporting requirements and conditions of the Continuing Connected Transactions

Pursuant to Rules 14A.37 to 14A.40 of the Hong Kong Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive directors must review the continuing connected transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the group;
 - either on normal commercial terms or, if there are not sufficient comparable continuing connected transaction to judge whether they are on normal commercial terms, on terms no less favourable to the group than terms available to or from (as appropriate) independent third parties; and
 - in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole;
- (b) each year the auditors of the company must provide a letter to the board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the company's annual report) confirming that the continuing connected transactions:
 - have received the approval of the board;
 - are in accordance with the pricing policies of the group;
 - have been entered into in accordance with the terms of the relevant agreements governing the continuing connected transactions; and
 - have not exceeded the annual caps;
- (c) the company shall allow, and shall procure the relevant counterparties to the continuing connected transactions to allow, the company's auditors sufficient access to their records for the purpose of reporting on the continuing connected transactions as set out in paragraph (b); and
- (d) the company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive directors and/or auditors of the company will not be able to confirm the matters set out in paragraphs (a) and (b) respectively.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the maximum value of the Continuing Connected Transactions by way of the Renewed Annual Caps; (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transactions and the Renewed

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Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

IV. RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of transactions contemplated under the Framework Agreements, including the Renewed Annual Caps, are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Framework Agreements, including Renewed Annual Caps, as detailed in the notice of EGM as set out at the end of the Circular.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Alvin Kam
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors, Supervisors and the Chief Executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules were as follows:

Long Positions in Shares

the Company

Name	Type of Interest	Capacity	Number of shares (Note)	Percentage of Domestic Shares	Percentage of total issued share capital
Mr. Yin Shun Hai	Personal	Beneficial owner	1,500,000	0.460%	0.234%
Mr. Mei Qun	Personal	Beneficial owner	1,500,000	0.460%	0.234%

Note: All represented Domestic Shares.

Tong Ren Tang Ltd.

Name	Type of interest	Capacity	Number of shares (Note)	Percentage of total issued share capital	Number of convertible bonds
Mr. Yin Shun Hai	Personal	Beneficial owner	116,550	0.009%	–
Mr. Mei Qun	Personal	Beneficial owner	93,242	0.007%	–
	Personal	Beneficial owner	–	–	86,000

Note: All represented A shares.

Save as disclosed above, as at the Latest Practicable Date, none of the other Directors, Supervisors or the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules.

(ii) Substantial Shareholders

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

Name	Capacity	Number of shares	Percentage of Domestic Shares	Percentage of H Shares	Percentage of total issued share capital
Tong Ren Tang Ltd.	Beneficial owner	300,000,000	92.013%	–	46.846%
Tong Ren Tang Holdings (Note 2)	Interest of controlled corporation by the substantial shareholder	300,000,000	92.013%	–	46.846%
	Beneficial owner	4,740,000	1.454%	–	0.740%
Hillhouse Capital Management, Ltd. (Note 3)	Investment manager	23,868,000(L)	–	7.593%	3.727%
Gaoling Fund, L.P.	Investment manager	23,091,000(L)	–	7.346%	3.606%
Yuan Sainan (Note 4)	Beneficial owner	18,360,000(L)	–	5.841%	2.867%
Commonwealth Bank of Australia (Note 5)	Interest of controlled corporation by the substantial shareholder	19,780,000(L)	–	6.292%	3.089%

Notes:

- (1) (L) – Long position
- (2) Such shares were held through Tong Ren Tang Ltd. As at the Latest Practicable Date, Tong Ren Tang Ltd. was owned as to 55.24% by Tong Ren Tang Holdings. According to Part XV of the SFO, Tong Ren Tang Holdings was deemed to be interested in the 300,000,000 shares held by Tong Ren Tang Ltd..
- (3) According to the information available on the website of the Hong Kong Stock Exchange, as at the Latest Practicable Date, Hillhouse Capital Management, Ltd. was interested in long position of 23,091,000 H Shares indirectly through Gaoling Fund, L.P. and long position of 777,000 H Shares indirectly through YHG Investment, L.P..
- (4) As was known to the Directors, upon completion of the bonus issue of shares of the Company on 20 May 2011 and as at the Latest Practicable Date, this Shareholder held 18,360,000 H shares of the Company.

- (5) As at the Latest Practicable Date, Commonwealth Bank of Australia indirectly held 19,780,000 H shares of the Company in long position through a series of corporations under its control.

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

3. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up.

4. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

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

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

As at the Latest Practicable Date, none of the Directors or the Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up or were proposed to be acquired or disposed of by or leased to any member of the Group; and none of the Directors, Supervisors or their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

6. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

7. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

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

Name of Director	Positions held in specific companies	
	Tong Ren Tang Holdings	Tong Ren Tang Ltd.
Mei Qun	Vice Chairman of the board of directors, General Manager and the Deputy Secretary to the Party Committee	Chairman of the board of directors
Yin Shun Hai	Chairman of the board of directors and the Secretary to the Party Committee	Director

8. LITIGATION

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

9. EXPERT'S QUALIFICATION AND CONSENT

China Everbright Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of China Everbright Capital who has given its opinions or advices which are contained in this circular:

Name	Qualification
China Everbright Capital	a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

10. EXPERT'S INTERESTS

As at the Latest Practicable Date, China Everbright Capital did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group since 31 December 2012, being the date to which the latest audited financial statements of the Group were made up, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, and was not

beneficially interested in the shares of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. METHOD OF VOTING AT THE EGM

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

12. MISCELLANEOUS

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

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 1408-1409, Convention Plaza Office Tower, No.1 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including 12 November 2013:

- (a) the letter from the Independent Board Committee as set out on pages 15 to 16 of this circular;
- (b) the letter from China Everbright Capital as set out on pages 17 to 28 of this circular;
- (c) the written consent of China Everbright Capital referred to in this Appendix;
- (d) the renewed Distribution Framework Agreement dated 10 October 2013; and
- (e) the renewed Master Procurement Agreement dated 10 October 2013.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Tong Ren Tang Technologies Co. Ltd.

北京同仁堂科技發展股份有限公司

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

(Stock code: 1666)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Tong Ren Tang Technologies Co. Ltd. (the “**Company**”) will be held at No.52 Dong Xing Long Street, Dong Cheng District, Beijing, the People’s Republic of China (the “**PRC**”) at 10:00 a.m. on Monday, 16 December 2013 for the purpose of considering and, if thought fit, passing the following resolutions:

As Ordinary Resolutions

1. **THAT**, the Distribution Framework Agreement renewed by the Company and China Beijing Tong Ren Tang Group Co., Ltd. on 10 October 2013 and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2016 are hereby approved and confirmed; and any one director of the Company is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effect to the renewed Distribution Framework Agreement with such changes as he may consider necessary, desirable or expedient.
2. **THAT**, the Master Procurement Agreement renewed by the Company and China Beijing Tong Ren Tang Group Co., Ltd. on 10 October 2013 and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2016 are hereby approved and confirmed; and any one director of the Company is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effect to the renewed Master Procurement Agreement with such changes as he may consider necessary, desirable or expedient.

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

Beijing, the PRC
29 October 2013

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. ELIGIBILITY FOR ATTENDING THE EGM

Holders of H shares whose names appear on the register of the Company maintained by Hong Kong Registrars Limited, the H share registrar and transfer office of the Company in Hong Kong, and holders of domestic shares whose names appear on the register of the Company on Saturday, 16 November 2013 shall be entitled to attend the EGM.

2. PROXY

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

3. REGISTRATION PROCEDURES FOR ATTENDING THE EGM

- (1) A shareholder or his proxy shall produce his identification document when attending the EGM. Where a shareholder is a legal person, the legal representative of that shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (2) Shareholders intending to attend the EGM shall return to the Company the reply slip stating their attendance on or before Monday, 25 November 2013.
- (3) A shareholder may return the above reply slip to the Company in person, by post or by facsimile to the office of the Company or Hong Kong Registrars Limited.

4. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 16 November 2013 to Monday, 16 December 2013 (both days inclusive), during which time no transfer of shares will be registered.

In order to be qualified for attending and voting at the EGM, all transfer documents of the holders of H shares together with the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's H share registrar and transfer office in Hong Kong, at rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 15 November 2013.

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. METHOD OF VOTING AT THE EGM

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

6. MISCELLANEOUS

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

No. 20, Nansanhuan Zhonglu, Fengtai District,
Beijing, the PRC
Telephone: (+86) 10 6705 6924
Fax: (+86) 10 6705 9266