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Tong Ren Tang Technologies Co. Ltd.

北京同仁堂科技发展股份有限公司

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

(Stock Code: 1666)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Board hereby announces that, as the annual caps for the continuing connected transactions under each of the Advertising Agency Framework Agreement entered into between Tong Ren Tang Century Advertising, a subsidiary of the Company and Tong Ren Tang Holdings, and the Distribution Framework Agreement as well as the Master Procurement Agreement entered into between the Company and Tong Ren Tang Holdings will expire on 31 December 2016, the parties renewed such agreements on 29 September 2016, each for a term of three years from 1 January 2017 to 31 December 2019, and set the annual caps for the continuing connected transactions contemplated under each of the aforesaid agreements for the three years ending 31 December 2019.

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 CCT Framework Agreements 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 renewed Advertising Agency Framework Agreement respectively exceed 0.1% but are all less than 5%, the renewed Advertising Agency Framework Agreement and as the proposed annual caps for the continuing connected transactions contemplated thereunder 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 exceed 5%, respectively, 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 is subject to review by the Hong Kong Stock Exchange and will be dispatched to the Shareholders as soon as practicable. The Company expects that the circular will be dispatched to the Shareholders on or before 31 October 2016 to allow sufficient time to prepare necessary information for inclusion in the circular to be issued.

BACKGROUND

Reference is made to the announcements of the Company dated 10 October 2013, 20 March 2014, and 20 March 2015 and the circulars of the Company dated 28 October 2013 and 14 April 2015 in relation to the Certain Continuing Connected Transactions between the Group and Tong Ren Tang Holdings, the ultimate controlling shareholder of the Company.

As the annual caps for the continuing connected transactions under the each of the Advertising Agency Framework Agreement entered into between Tong Ren Tang Century Advertising, a subsidiary of the Company and Tong Ren Tang Holdings, and the Distribution Framework Agreement as well as the Master Procurement Agreement entered into between the Company and Tong Ren Tang Holdings will expire on 31 December 2016, the parties renewed such agreements on 29 September 2016, each for a term of three years from January 2017 to 31 December 2019 and set the annual caps for the continuing connected transactions contemplated under each of the aforesaid agreements for the three years ending 31 December 2019.

RENEWAL OF THE ADVERTISING AGENCY FRAMEWORK AGREEMENT

Major Terms of the Renewed Advertising Agency Framework Agreement

- Renewal Date:** 29 September 2016
- Parties:** (i) Tong Ren Tang Century Advertising
(ii) Tong Ren Tang Holdings
- Term of the Agreement:** The renewed Advertising Agency Framework Agreement is for a term of three years from 1 January 2017 to 31 December 2019.
- Principal Terms and Conditions:** Pursuant to the Advertising Agency Framework Agreement:
- Tong Ren Tang Holdings agreed to entrust Tong Ren Tang Century Advertising, as a non-exclusive advertising agent, to provide the Advertising Agency Services to Tong Ren Tang Group for a period from 1 January 2017 to 31 December 2019. Tong Ren Tang Century Advertising agreed to provide such services to Tong Ren Tang Group.
 - Based on the above, Tong Ren Tang Holdings itself, and will procure the members of Tong Ren Tang Group, to enter into individual implementation agreement with Tong Ren Tang Century Advertising for the provision of specific services under the Framework Agreement. Specific terms and conditions will be negotiated between the parties and be reflected in individual implementation agreement but shall not violate the conditions and principles as stated in the Framework Agreement.
 - The content of the advertisement which Tong Ren Tang Holdings entrusts Tong Ren Tang Century Advertising to publish shall be in compliance with the laws, regulations and rules of the PRC in relation to the advertising and drug administration, and the publication of such advertisement shall be duly approved by relevant authorities, if needed.
- Pricing Policy:** The fees for the provision of specific services by Tong Ren Tang Century Advertising to members of Tong Ren Tang Group under individual implementation agreement shall be negotiated and determined by the parties with reference to the actual quotation offered by the advertiser, which is at discount on the basis of its published price list, plus a reasonable fee for the advertising agency service of Tong Ren Tang Century Advertising, which is generally not higher than 15% of the quotation offered by the advertiser.

Payment of the Rees: The advertising agency fees shall be paid in cheque at the end of each month, except the provisions negotiated by the parties in individual implement agreements.

Annual Caps

Historical Transaction Amount

Historical transaction amount under the Advertising Agency Framework Agreement for the two years ended 31 December 2015 and for the eight months ended 31 August 2016 is set out below:

	Year ended 31 December 2014 (RMB million)	Year ended 31 December 2015 (RMB million)	Eight months ended 31 August 2016 (RMB million)
Historical Transaction Amount	32.571	34.081	27.740

Historical Annual Caps

The annual caps for the transactions contemplated under the Advertising Agency Framework Agreement for the three years ending 31 December 2016 are set out below:

	Year ended 31 December 2014 (RMB million)	Year ended 31 December 2015 (RMB million)	Year ending 31 December 2016 (RMB million)
Historical Annual Caps	50	55	61

The Directors have been monitoring the transaction amount contemplated under the Advertising Agency Framework Agreement, and for the two years ended 31 December 2015, the annual caps for each year has not been exceeded. As at the date of this announcement and for the year ending 31 December 2016, the annual cap for the transactions contemplated under the Advertising Agency Framework Agreement for the year ending 31 December 2016 has not been and is not expected to be exceeded.

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the Advertising Agency Framework Agreement for the three years ending 31 December 2019 are set below:

	Year ending 31 December 2017 (RMB million)	Year ending 31 December 2018 (RMB million)	Year ending 31 December 2019 (RMB million)
Expected Annual Caps	50	52	54

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 historical transaction amount for the two years ended 31 December 2015 and the annual caps for three years ending 31 December 2016. For the eight months ended 31 August 2016, the actual transaction amount under the Advertising Agency Framework Agreement was RMB27.740 million, which has already reached to approximately 81.39% of the actual transaction amount of the whole year in 2015, being RMB34.081 million and currently the annual amount has witnessed an increase of approximately 55% as compare to that of RMB17.897 million for the same period of 2015. The Company anticipated that the actual transaction amount of 2016 and of the next three years under the Advertising Agency Framework Agreement will maintain the increasing trend year by year;
- (ii). Tong Ren Tang Group is continuously expanding the scope and scale of production and business operation of its products to ensure its long-term development. With a view to increase the market share and sales volume of the Tong Ren Tang Group's products, and taking full advantage of its resources, Tong Ren Tang Group will further expand the sales network of its products. In light of the aforesaid, the Company expects a corresponding increase in the demand of advertising agency service. Accordingly, the transaction amount under the Advertising Agency Framework Agreement will also increase; and
- (iii). the members of Tong Ren Tang Group may increase in the next three years, which will inevitably result in the increase in the transaction amount under the Advertising Agency Framework Agreement.

Reasons for and benefit of renewal of the Advertising Agency Framework Agreement

The Directors and the directors Tong Ren Tang Holdings consider that, to use Tong Ren Tang Century Advertising, a wholly-owned subsidiary of the Company, is more efficient and effective in the publicity and promotion of the brand image of "Tong Ren Tang" and the products of the group, the build-up and maintaining of the overall image of "Tong Ren Tang", as well as the integration of the needs for advertising services among the members of Tong Ren Tang Group.

The Directors (including the independent non-executive Directors) are of the view that the Advertising Agency 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.

PROPOSED RENEWAL OF THE DISTRIBUTION FRAMEWORK AGREEMENT

Major Terms of the Renewed Distribution Framework Agreement

Renewal Date: 29 September 2016

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 2017 to 31 December 2019.

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.
- Tong Ren Tang Holdings agreed that as 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 Policy:

Under the Distribution Framework Agreement, 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 and shall be determined in accordance with a reasonable cost plus a fair and reasonable profit margin: (i) the reasonable cost shall be determined by reference to the cost of the raw materials, the cost of labour and the manufacturing expense etc.; and (ii) the profit margin shall be determined by reference to the prevailing market and the then market price for comparable products in the related industry, and the profit rate of the products of the Group in the past years of not exceeding 50%, which is in line with the previous gross profit rate of the Group.

Payment of the Rees:

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.

Annual Caps***Historical Transaction Amount***

Historical transaction amount under the Distribution Framework Agreement for the two years ended 31 December 2015 and for the eight months ended 31 August 2016 is set out below:

	Year ended 31 December 2014 (RMB million)	Year ended 31 December 2015 (RMB million)	Eight months ended 31 August 2016 (RMB million)
Historical Transaction Amount	436.366	700.879	508.510

Historical Annual Caps

The annual caps for the transactions contemplated under the Distribution Framework Agreement for the three years ending 31 December 2016 are set out below:

	Year ended 31 December 2014 <i>(RMB million)</i>	Year ended 31 December 2015 <i>(RMB million)</i>	Year ending 31 December 2016 <i>(RMB million)</i>
Historical Annual Caps	470	910	1,300

The Directors have been monitoring the transaction amount contemplated under the Distribution Framework Agreement, and for the two years ended 31 December 2015, the annual caps for each year has not been exceeded. As at the date of this announcement and for the year ending 31 December 2016, the annual cap for the transactions contemplated under the Distribution Framework Agreement for the year ending 31 December 2016 has not been and is not expected to be exceeded.

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the Distribution Framework Agreement for the three years ending 31 December 2019 are set below:

	Year ending 31 December 2017 <i>(RMB million)</i>	Year ending 31 December 2018 <i>(RMB million)</i>	Year ending 31 December 2019 <i>(RMB million)</i>
Expected Annual Caps	1,300	1,550	1,850

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 historical transaction amount for the two years ended 31 December 2015 and the annual caps for three years ending 31 December 2016. The actual transaction amount of the year ended 31 December 2015 under the Distribution Framework Agreement increased substantially by approximately 60% comparing with that of 2014. For the eight months ended 31 August 2016, the actual transaction amount under the Distribution Framework Agreement was RMB508.510 million, which has already exceeded the amount of RMB436.366 million generated in the whole year of 2014, and also witnessed an increase by 22.3% as compared to the same period in the year of 2015 of RMB415.833 million. The Company anticipated that the actual transaction amount of 2016 and of the next three years under the Distribution Framework Agreement will maintain the increasing trend year by year;

- (ii). with the continuing development of the business in the Company and its subsidiaries, the sales revenue of the Group shows a trend of sustained growth. The compound annual growth rate of the Group's sales revenue in the past five years was approximately 20%, and compound annual growth rate of the net profit was approximately 27%. As at 31 December 2015, 33 kinds of products achieved a sales amount of more than RMB10 million, representing an increase of 12 kinds of products as compares with that of 2011. In the future, the Company will continue to take modernize traditional Chinese Medicine as its core business, vigorously cultivate potential varieties, further optimize the structure of Chinese patent medicine products, and strive to meet the demand for different types of medicine products so as to enhance the Company's market competitive advantage. Meantime, the Company will facilitate its subsidiaries to constantly develop in-depth in cosmetics, food and other fields and expand the product areas and product types relying on their own professional orientation. Thus, the Company anticipated that the proposed transaction amount under the Distribution Framework Agreement will increase continuously;
- (iii). the expected expansion of the sales network with the brand of "Tong Ren Tang" operated by Tong Ren Tang Group will result in the increase in the transaction amount under the Distribution Framework Agreement. As at 31 December 2015, the number of retail outlets with the brand of "Tong Ren Tang" reached to more than 500, which recorded an increase over 10% as compare to the same period of the prior year. Meanwhile, the members of Tong Ren Tang Group may increase due to any potential new investments in the next three years, which will inevitably result in the increase in the transaction amount under the Distribution Framework Agreement;
- (iv). with the transform of people's health concept and the advancement of modernization of traditional Chinese Medicine, Chinese Medicine is attracting more and more attention from consumers because of its natural origin, low side effects and relatively economic advantages as compared with those chemical drugs such as Western Medicine. In recent years, China has introduced a series of policies to support Chinese Medicine, which has created a favorable policy environment for the development of the Group. In May 2015, the Circular on Printing and Distributing the Opinions on Promoting the Reform of Drug Prices was issued, proposing to abolish the original government-determined drug prices with effect from 1 June 2015, apart from narcotic drugs and Category I psychotropic substances. With further liberalization of price determination of pharmaceuticals, it may lead to the adjustment of the drug prices of the Company. Meanwhile, as the overall market price of raw materials of traditional Chinese Medicine is increasing, the pharmaceuticals of the Group will have room for price increase. Accordingly, it is expected by the Company that the transaction amount under the Distribution Framework Agreement will continue to grow.
- (v). Tong Ren Tang Chinese Medicine will continue to distribute its own products through the sales networks of Tong Ren Tang Group. The compound annual growth rate of the Tong Ren Tang Chinese Medicine's sales revenue in the past three years was more than 20%. Meanwhile, Tong Ren Tang Group's demand of self-owned products of Tong Ren Tang Chinese Medicine will also continue to grow; and

- (vi). 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.

Reasons for and benefit of renewal of the Distribution Framework Agreement

Tong Ren Tang Holdings, with its subsidiaries and associates located in the PRC, have a sales network providing a wide coverage. 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.

PROPOSED RENEWAL OF THE MASTER PROCUREMENT AGREEMENT

Major Terms of the Renewed Master Procurement Agreement

Renewal Date: 29 September 2016

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 2017 to 31 December 2019.

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 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 Policy:

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, which shall be determined with reference to the prevailing market price of comparable service negotiated and provided by at least two independent suppliers in the same or surrounding areas;
- 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 (the related cost shall be determined with reference to the cost of raw materials, labour cost and production expenses, etc.); 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 of the Rees:

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.

Annual Caps

Historical Transaction Amount

Historical transaction amount under the Master Procurement Agreement for the two years ended 31 December 2015 and for the eight months ended 31 August 2016 is set out below:

	Year ended 31 December 2014 <i>(RMB million)</i>	Year ended 31 December 2015 <i>(RMB million)</i>	Eight months ended 31 August 2016 <i>(RMB million)</i>
Historical Transaction Amount	84.125	110.355	79.710

Historical Annual Caps

The annual caps for the transactions contemplated under the Master Procurement Agreement for the three years ending 31 December 2016 are set out below:

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

The Directors have been monitoring the transaction amount contemplated under the Master Procurement Agreement, and for the two years ended 31 December 2015, the annual caps for each year has not been exceeded. As at the date of this announcement and for the year ending 31 December 2016, the annual cap for the transactions contemplated under the Master Procurement Agreement for the year ending 31 December 2016 has not been and is not expected to be exceeded.

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the Master Procurement Agreement for the three years ending 31 December 2019 are set below:

	Year ending 31 December 2017 (RMB million)	Year ending 31 December 2018 (RMB million)	Year ending 31 December 2019 (RMB million)
Expected Annual Caps	240	270	300

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 historical transaction amount for the two years ended 31 December 2015, the annual caps for three years ending 31 December 2016, and the significant increase in the growth rate of the Group's business in the past years. The actual transaction amount of the year ended 31 December 2015 under the Master Procurement Agreement increased substantially by approximately 31.2% comparing with that of 2014. For the eight months ended 31 August 2016, the actual transaction amount under the Master Procurement Agreement was RMB79.710 million, which has nearly reached to the amount of RMB84.125 million generated in the whole year of 2014, and also witnessed an increase as compared to the same period in the year of 2015 of RMB75.63 million. The Company anticipated that the actual transaction amount of 2016 and of the next three years under the Master Procurement Agreement will maintain the increasing trend year by year;
- (ii). the Group's business growth in the past years. The compound annual growth rate of the Group's total sales revenue in the past five years was approximately 20%, and compound annual growth rate of the net profit was approximately 27%. Besides, the compound annual growth rate of the total procurement amount in the past three years increased by more than 50%; the compound annual growth rate of the main dosages' output increased by more than 5% in the past three years and the future output is expected to increase sustainably;
- (iii). the strategic reserve of certain raw materials of Chinese Medicine due to the Group's continuous development of potential species and the demand of certain scarce Chinese Medicine raw materials. Meanwhile, the market price of Chinese Medicinal raw materials in recent years shows a continuously increasing trend. According to KangMei Medicinal Material Price Index of China, the index for September 2016 increased by 7% from the beginning of the year; and according to the data of Raw Material Composite 200 Index from the World Chinese Medicine Materials Website, the index for September 2016 increased by 16% from the beginning of the year, which will also lead to the increase in the transaction value of the Group's procurement of the Relevant Products from Tong Ren Tang Group;

- (iv). following with the gradual expand of the Group's scale, the increase of amount of subsidiaries under the Group (such as the acquisition of Beijing Tong Ren Tang Second Traditional Chinese Medicine Hospital Co., Ltd. (北京同仁堂第二中醫醫院有限責任公司) in 2016) will lead to increase in procurement volume. Meanwhile, considering the Group's strict selection of raw materials, the Chinese Medicine products produced by Tong Ren Tang Group will better meet the requirements of the Group, the amount of the Group's procurement of finished products from Tong Ren Tang Group will also increase accordingly;
- (v). it is expected that Tong Ren Tang Group will continue to expanding the scope and scale of production and business operation of Chinese Medicine products during the period of "Thirteen Five" Plan to ensure its long-term development. Meanwhile, the members of Tong Ren Tang Group may be increased due to any new investments of Tong Ren Tang Group in the next three years, 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.

Reasons for and benefit of renewal of the Master Procurement Agreement

Tong Ren Tang Holdings owns a subsidiary that specializes in the Chinese medicinal raw materials and variable 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 medicinal 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 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.

MEASURES OF INTERNAL CONTROL

To ensure the Group's conformity with the pricing policies in relation to the Certain Continuing Connected Transactions, the Company adopts the following internal control policies for its daily operation:

- (i). after entering into the CCT Framework Agreements, the Certain Continuing Connected Transactions contemplated thereunder shall be strictly in compliance with the approved terms and conditions. Implementation agreements of the CCT Framework Agreements shall be performed in strict accordance with pricing policies set out in the CCT Framework Agreements. If revision of such terms and conditions is required due to change of actual situation, it is required to re-perform appropriate approval process;
- (ii). the financial department of the Company is responsible to continuously monitor, collect and review the pricing terms, payment arrangements and actual transaction amounts of each of the specific implementation agreements relating to the Certain Continuing Connected Transactions, and the relevant business department of the Company will also continue to monitor the aforesaid information so as to ensure all transactions under the CCT Framework Agreements are entered into on normal commercial terms or better, are fair and reasonable, the terms and conditions available to the Group are no less favorable than those available to independent third parties, and such transactions are carried out pursuant to the terms of the CCT Framework Agreements;
- (iii). in terms of the renewed Distribution Agreement and the renewed Master Procurement Agreement, with the relatively stable price of the majority of the Chinese patent medicine products under the Distribution Framework Agreement and the Master Procurement Agreement, the sales department and procurement department of the Company are responsible for monitoring, collecting and evaluating the market data, including but not limited to the prevailing market and the then market price for comparable products in the related industry on a quarterly basis, which is subject to the preliminary investigation by the sales and procurement personnel and the final review by the sales and procurement manager. Under the circumstances such as the then market price for the comparable product increases or decreases by more than 20% as compared with the price of the specific product under the Distribution Framework Agreement or the Master Procurement Agreement as set by the Company, the sales/procurement department or pricing department of the Company will put forward the proposal of price adjustment, which is subject to the preliminary review by the deputy general manager of the Company in charge of sales/procurement and the final approval by the joint meeting held by production, sales/procurement, pricing, financial departments and other relevant departments of the Company;

- (iv). the financial department of the Company is responsible to collect and total the transaction amounts of the Certain Continuing Connected Transactions on a monthly basis based on the respective transaction amounts reported by the relevant departments, and is responsible to prepare the summary sheet of the Group's continuing connected transactions. Relevant departments, if discover any imminent or possible exceeding of the annual caps of Certain Continuing Connected Transactions, shall report as soon as possible to the financial department of the Company and discuss with the head of the financial department to determine whether to raise the annual caps of the Certain Continuing Connected Transactions, and such report shall be reported to the office of the securities affairs in the meantime. If the financial department confirms the necessity to raise the annual caps, the relevant departments shall propose the revised annual caps and reasons for adjustment approved by person in charge, and relevant approval and disclosure procedures shall be re-performed. Before completion of all the approval and disclosure procedures, the person in charge of relevant departments involved in the Certain Continuing Connected Transactions shall ensure that the transaction amounts do not exceed the respective annual caps;
- (v). pursuant to the connected transaction management rules of the Company, the Company will implement, amend and improve the relevant rules and the requirements, and to specify that the subsidiaries of the Company comply with the above-mentioned pricing policies in respect of the Certain Continuing Connected Transactions contemplated under each of the CCT Framework Agreements;
- (vi). the independent non-executive Directors have reviewed and will continue to review the Certain Continuing Connected Transactions under each of the CCT Framework Agreements to ensure all transactions under the CCT Framework Agreements are entered into on normal commercial terms or better, are fair and reasonable, the terms and conditions available to the Group are no less favorable than those available to independent third parties, and such transactions are carried out pursuant to the terms of the CCT Framework Agreements; and
- (vii). the auditors of the Company will also conduct an annual review on the pricing and annual caps of such Certain Continuing Connected Transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the abovementioned review procedures and approval process against the explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the CCT Framework Agreements, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure and safeguard that the transactions contemplated under the CCT Framework Agreements will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders as a whole.

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 CCT Framework Agreements 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 renewed Advertising Agency Framework Agreement respectively exceed 0.1% but are all less than 5%, the renewed Advertising Agency Framework Agreement and as the proposed annual caps for the continuing connected transactions contemplated thereunder 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 exceed 5%, respectively, 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 is subject to review by the Hong Kong Stock Exchange and will be dispatched to the Shareholders as soon as practicable. The Company expects that the circular will be dispatched to the Shareholders on or before 31 October 2016 to allow sufficient time to prepare necessary information for inclusion in the circular to be issued.

As Mr. Gao Zhen Kun, the chairman of the Board, is also a director of Tong Ren Tang Holdings, he is deemed to have material interest in the above-mentioned continuing connected transactions and has 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.

GENERAL INFORMATION ON THE PARTIES

The Company

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

Tong Ren Tang Century Advertising

Tong Ren Tang Century Advertising is principally engaged in advertising design, production, agency and publication, etc..

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..

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Advertising Agency Framework Agreement"	the Advertising Agency Framework Agreement entered into between Tong Ren Tang Century Advertising and Tong Ren Tang Holdings on 20 March 2014, and renewed by the parties on 29 September 2016 for the purpose of the provision of the Advertising Agency Services by Tong Ren Tang Century Advertising to Tong Ren Tang Group
"associate(s)"	has the meaning ascribed under the Hong Kong Listing Rules
"Board"	the board of directors of the Company
"CCT Framework Agreement(s)"	the Advertising Agency Framework Agreement, Distribution Framework Agreement, and Master Procurement Agreement
"Certain Continuing Connected Transactions"	the transactions under the Advertising Agency Framework Agreement, Distribution Framework Agreement, and Master Procurement Agreement
"Company"	Tong Ren Tang Technologies Co. Ltd. (北京同仁堂科技發展股份有限公司), a joint stock company incorporated in the PRC with limited liability and the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange

"controlling shareholder"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Director(s)"	the directors of the Company
"Distribution Framework Agreement"	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, 10 October 2013 and 29 September 2016, 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 may purchase products from the Group and then distribute the same to retailers or end-users
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	the independent Board committee comprising all independent non-executive Directors, namely Miss 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
"Master Procurement Agreement"	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 and 29 September 2016, 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"	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"	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"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	the shareholder(s) of the Company
"Tong Ren Tang Century Advertising"	Beijing Tong Ren Tang Century Advertising Co., Ltd. (北京同仁堂世紀廣告有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Tong Ren Tang Chinese Medicine"	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"	Tong Ren Tang Holdings and its associates (excluding the Group)
"Tong Ren Tang Holdings"	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.
Gao Zhen Kun
Chairman of the Board

Beijing, the PRC
29 September 2016

As at the date of this announcement, the Board comprises Mr. Gao Zhen Kun, Mr. Gong Qin, Mr. Gu Hai Ou, Mr. Li Bin, Mr. Wang Yu Wei and Ms. Fang Jia Zhi as executive Directors; Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan as independent non-executive Directors.