# Tong Ren Tang Technologies Co. Ltd.
# 北京同仁堂科技發展股份有限公司

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

**(Stock code: 8069)**

## ONGOING CONNECTED TRANSACTIONS


### SUMMARY

The Directors announce that the Group currently sells its products to Chuan Chiong, a substantial shareholder of the Company's subsidiary. The transactions with Chuan Chiong constitute ongoing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. These transactions and their annual caps are subject to the reporting and announcement requirements under the GEM Listing Rules.


## DISTRIBUTION OF PRODUCTS BY THE COMPANY TO CHUAN CHIONG

### Background and nature of the transaction

The Group is engaged in the business of Chinese patent medicines and currently sells its products to both independent third parties and connected parties. Chuan Chiong, one of the purchasers of the Group's products, is a substantial shareholder of TRT Canada, which is a non wholly owned subsidiary of the Company.

On 2 September 2005, the Company and Chuan Chiong entered into the Distribution Agreement for the period up to 31 December 2007. Pursuant to the Distribution Agreement, the Company and Chuan Chiong agreed that the prices of the products to be sold to Chuan Chiong shall be determined in accordance with various factors such as the (i) market condition; (ii) market acceptance; and (iii) market competitiveness in a particular region and seasonality, but in any event shall not be lower than the cost of such products incurred by the Company. The type and quantity of the products to be sold to Chuan Chiong shall be determined by negotiation between the parties based on the market condition. Either party is entitled to give the other party a prior written notice to terminate the Distribution Agreement and the term of the Distribution Agreement can be extended by mutual agreement.

**Connection between the parties**

TRT Canada is owned as to 51% and 49% by the Company and Chuan Chiong respectively. As such, Chuan Chiong is a substantial shareholder of TRT Canada and is a connected party to the Company under the GEM Listing Rules. Accordingly, the Transactions constitute ongoing connected transactions of the Company under the GEM Listing Rules.

**Ongoing connected transactions**

The Transactions did not constitute ongoing connected transactions under the old GEM Listing Rules prior to 31 March 2004. Chuan Chiong has become a connected person of the Company by virtue of the amended definition of "connected person" under the revised GEM Listing Rules which took effect from 31 March 2004.

The total value of the Transactions for the period from 1 January 2005 up to 30 June 2005 was approximately RMB4,040,000. The percentage ratios in respect of these Transactions calculated in accordance with Chapter 19 of the GEM Listing Rules have exceeded 0.1% but are less than 2.5%. Accordingly, the Transactions during the period from 1 January 2005 up to 30 June 2005 are subject to the reporting and announcement requirements under Chapter 20 of the GEM Listing Rules.

**Annual cap**

The annual transaction volumes in respect of the Transactions for the three years ended 31 December 2004 were approximately RMB6,822,000, RMB10,088,000 and RMB7,398,000 respectively. The percentage ratios of the Transantions for the year ended 31 December 2004 calculated in accordance with Chapter 19 of the GEM Listing Rules have exceeded 0.1% but are less than 2.5%.

With a view to increase the market share and the sales volume of the Company's products, the Company has been endeavoring to further expand the turnover in respect of the sales of the Company's products in specific regions via distributors since 2005. In this connection, the Directors expect that the transaction volume in a specific region will probably increase at a rate of about 25% per annum for the period up to 31 December 2007. Based on the aforesaid, the transaction volume with Chuan Chiong for the financial year ending 31 December 2007 will be about RMB14,500,000. In addition, since the Company sells its products to Chuan Chiong with reference to the actual market condition, the volume of the Transactions may fluctuate when the market condition changes. In order to secure that the sales transactions of the Company are smoothly conducted and to effectively increase the sales volume of the Company in the relevant regions, the Directors propose that the annual cap for the Transactions shall be RMB15 million for each of the three financial years ending 31 December 2007.

Given that each of the applicable percentage ratio (other than the profit ratio) calculated in accordance with Chapter 19 of the GEM Listing Rules in respect of the above annual cap does not exceed 2.5% on an annual basis, the Transactions are only subject to the reporting and annual review requirements and are exempt from independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

**Reasons and benefits of the Transactions**

The terms of the Transactions with Chuan Chiong are made on an arm's length basis in the ordinary and usual course of business of the Company and are normal commercial terms which are no less favourable than terms available to or from independent third parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the Transactions and the annual caps thereof are fair and reasonable and in the interest of the Shareholders as a whole.

Chuan Chiong is a distributor of medicines. Chuan Chiong has been one of the major customers of the Company since the establishment of the Company. The Directors believe that sale of the Company's products to Chuan Chiong would increase the market share of the Company in the respective regions and thus would be in the best interest of the Company and the Shareholders as a whole.

## DEFINITIONS

As used in this announcement, the following words and phrases shall have the following meanings:

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| "Chuan Chiong" | Chuan Chiong Co., Ltd. (泉昌有限公司), a company incorporated in Hong Kong, being a distributor of medicines and a substantial shareholder of TRT Canada |
| "Company" | Tong Ren Tang Technologies Co. Ltd., a joint stock company incorporated in the PRC with limited liability |
| "Directors" | directors of the Company |
| "Distribution Agreement" | the master distribution agreement dated 2 September 2005 entered into between the Company and Chuan Chiong pursuant to which Chuan Chiong was appointed as a distributor of the Company's products for the period up to 31 December 2007 |
| "GEM Listing Rules" | Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (as amended from time to time) |
| "Group" | the Company and its subsidiaries |
| "Hong Kong" | Hong Kong Special Administrative Region of the PRC |
| "PRC" | the People's Republic of China |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Shareholders" | the shareholders of the Company |

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| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "TRT Canada" | Beijing Tong Ren Tang Canada Co. Ltd., a limited liability company incorporated in Canada, being a non wholly owned subsidiary of the Company |
| "Transactions" | the sale by the Company of its products to Chuan Chiong |

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

Beijing, the PRC, 2 September 2005

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

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

*This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting.*