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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**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 to the purchaser or 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 transferee.

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

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock code: 8069)**

**CONTINUING CONNECTED TRANSACTIONS**

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

**VEDA | CAPITAL**  
**智略資本**

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A letter from the Board (as defined in this circular) is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee (as defined in the circular) is set out on pages 10 to 11 of this circular. A letter from Veda Capital setting out its advice and recommendation to the Independent Board Committee and the Independent Shareholders (as defined in this circular) is set out on pages 12 to 16 of this circular.

A notice convening the AGM to be held at No.52 Dong Xing Long Street, Chong Wen District, Beijing, the PRC on Wednesday, 18 June 2008 at 9:30 a.m., is set out on pages 24 to 26 of this circular. A form of proxy for use at the AGM is also enclosed with this circular. Whether or not you intend to attend the AGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office, Hong Kong Registrars Ltd. at Rooms 1806-1807, 18/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than twenty-four (24) hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment of it should you so wish.

5 May 2008

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## DEFINITIONS

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*In this circular, the following expressions have the meanings set out below unless the context otherwise requires.*

“AGM”	the annual general meeting of the Company in respect of the financial year ended 31 December 2007 which is to be convened to, among other things, consider and, if thought fit, approve the Non-exempt Continuing Connected Transactions
“Company”	Tong Ren Tang Technologies Co., Ltd., a joint stock company incorporated in the PRC with limited liability and the issued shares of which are listed on GEM
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“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
“Group Agents”	distributors of pharmaceutical products in which Tongrentang Holdings is directly or indirectly interested and which are either subsidiaries or associates of Tongrentang Holdings
“Independent Board Committee”	the independent board committee of the Company comprising the independent non-executive Director of the Company, namely Tam Wai Chu, Maria, Ting Leung Huel, Stephen and Jin Shi Yuan
“Independent Shareholders”	Shareholders other than Tongrentang Holdings, Tongrentang Limited and their respective associates (as defined in the GEM Listing Rules)
“Latest Practicable Date”	29 April 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining caution information for inclusion therein
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Tongrentang 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 under the laws of the PRC and the ultimate holding company of the Company and Tongrentang Limited
“Tongrentang Holdings Master Distribution Agreement”	an agreement dated 15 April 2008 entered into between the Company and Tongrentang Holdings, pursuant to which the Company agreed to sell its products to the Group Agents
“Tongrentang Limited”	Beijing Tongrentang 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 is the holding Company of the Company
“Veda Capital”	Veda Capital Limited, a licensed corporation under the Securities and Futures Ordinance to conduct type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of Tongrentang Holdings Master Distribution Agreement

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## CHARACTERISTICS OF GEM

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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## LETTER FROM THE BOARD

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

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock code: 8069)**

*Executive Directors:*

Mei Qun (*Chairman*)  
Zhang Sheng Yu (*Vice-chairman*)  
Kuang Gui Shen (*Vice-chairman*)  
Yin Shun Hai  
Wang Quan  
Ding Yong Ling

*Independent Non-executive Directors:*

Tam Wai Chu, Maria  
Ting Leung Huel, Stephen  
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

5 May 2008

*To the Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

On 15 April 2008, the Company announced that the Company had on 15 April 2008 entered into the Tongrentang Holdings Master Distribution Agreement.

The Tongrentang Holdings Master Distribution Agreement constitutes non-exempt continuing connected transactions of the Company (“**Non-exempt Continuing Connected Transactions**”) under Chapter 20 of the GEM Listing Rules. The Tongrentang Holdings Master Distribution Agreement and the respective annual caps are subject to the reporting and announcement requirements and the approval of the Independent Shareholders at the AGM under the GEM Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Tongrentang Holdings Master Distribution Agreement and the respective annual caps, whether or not they are in the interests of the Company and

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## LETTER FROM THE BOARD

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the Shareholders as a whole and to advise the Independent Shareholders on how to vote on the ordinary resolutions to be proposed at the AGM for approving the Tongrentang Holdings Master Distribution Agreement, the Non-exempt Continuing Connected Transactions and the respective annual caps. The Company has appointed Veda Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

#### **Tongrentang Holdings Master Distribution Agreement**

##### *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. Such connected parties consist of, among others, the Group Agents, namely distributors of pharmaceutical products and subsidiaries or associates of Tongrentang Holdings, in which Tongrentang Holdings is directly or indirectly interested.

With a view to formalizing the transactions with the Group Agents, on 15 April 2008, the Company entered into the Tongrentang Holdings Master Distribution Agreement with Tongrentang Holdings for a term up until 31 December 2010, subject to the approval of the Independent Shareholders at the AGM. Pursuant to this agreement, the Company may sell its products to the Group Agents. The purchase price of the products distributed under the Tongrentang Holdings Master Distribution Agreement shall be determined by the Company and the Group Agents in accordance with the normal commercial practice provided that the purchase price payable by the Group Agents shall be no less than that charged by the Company to other independent customers.

As the Group Agents are connected parties of the Company under the GEM Listing Rules, and the transactions contemplated under the Tongrentang Holdings Master Distribution Agreement will be on an ongoing basis, they constitute continuing connected transactions under Rule 20.14 of the GEM Listing Rules.

##### *Annual cap*

Prior to the entering into of the Tongrentang Holdings Master Distribution Agreement, for a period from 21 February 2005 up until 31 December 2007, the Company sold its products to the Group Agents pursuant to a master distribution agreement entered into between the Company and Tongrentang Holdings on 21 February 2005. The value of the annual sale of the Company's products to the Group Agents for each of the three financial years ended 31 December 2007 was as follows and have not exceeded the annual cap of RMB380 million for the three financial years ended 31 December 2007:

<b>Year ended 31 December 2005</b>	<b>Year ended 31 December 2006</b>	<b>Year ended 31 December 2007</b>
RMB92,880,000	RMB98,603,000	RMB109,051,000

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## LETTER FROM THE BOARD

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With a view to increasing the market share and the sales volume of the Company's products, the Company has been endeavouring to further expand the turnover of the sale of the Company's products via ultimate retail distributors. In light of the aforesaid, the Company expects a substantial increase in the transaction volume with the Group Agents in the coming three years.

Based on the transaction amount of over RMB109,051,000 in respect of the sales of the Company's products to the Group Agents for the year ended 31 December 2007 and on the assumption that the annual growth rate of the transaction amount of the sale of the Company's products to the Group Agents will be approximately 25% for the three years ending 31 December 2010 as a result of substantial increases in the aggregate transaction amount of the sales to the existing Group Agents and the expected expansion in the number of the Group Agents, the Directors propose that the aggregate annual transaction volume for the distribution of products of the Company to the Group Agents shall be capped at RMB140,000,000, RMB170,000,000 and RMB200,000,000 for the three financial years ending 31 December 2010 respectively.

### *Payment arrangement*

The consideration for the products sold by the Company under the Tongrentang Holdings Master Distribution Agreement is to be satisfied by Tongrentang Holdings in cash. The time of payment will be negotiated upon the parties entering into individual contracts pursuant to the Tongrentang Holdings Master Distribution Agreement.

### *Reasons for the transactions*

The Directors consider that it is in the interests of the Company and the Shareholders to sell its products via the Group Agents on the following basis:

- (i) the Group Agents are entities qualified to distribute pharmaceutical products. The Directors believe that the sale of the Company's products to these Group Agents would be beneficial to the development of the Company's business;
- (ii) it would be a waste of resources for not utilising the sales network operating under the brand of "Tong Ren Tang" which is targeted to gain dominant position in respect of sales and pharmaceutical products; and
- (iii) the sales and pricing policies of the Company in respect of the sales of its products to the Group Agents are the same as those for the independent network agents and hence the transactions are concluded fairly and on normal commercial terms in all respects.



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## LETTER FROM THE BOARD

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### *GEM Listing Rules implications of the Tongrentang Holdings Master Distribution Agreement*

As the respective applicable percentage ratios (other than the profits ratio) for the annual cap of the turnover of the sales to the Group Agents under the Tongrentang Holdings Master Distribution Agreement each exceeds 2.5% of each of the applicable percentage ratios (other than the profits ratio) of the Company as set out in Rule 20.34(1) of the GEM Listing Rules, and the annual cap is more than HK\$10,000,000 as set out in Rule 20.34(2) of the GEM Listing Rules, the transactions contemplated under the Tongrentang Holdings Master Distribution Agreement are subject to reporting, announcement as well as Independent Shareholders' approval requirements. Appropriate disclosure of the aforesaid transactions will be made in the annual reports and accounts of the Company in accordance with the GEM Listing Rules.

### **REASONS FOR, BENEFITS AND ADVANTAGES OF THE CONTINUING CONNECTED TRANSACTIONS**

The Directors believe that it is in the interest of the Company to enter into the Tongrentang Holdings Master Distribution Agreement and to fix the respective annual caps of the relevant transactions as they will facilitate the smooth operations of the Company's day-to-day production and sales business and will therefore enhance the growth of the sales volume and market share of the Company.

Veda Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to the reasonableness and fairness of the Tongrentang Holdings Master Distribution Agreement. A letter of recommendation from the Independent Board Committee to the Independent Shareholders is included in the circular from page 10 to page 11 with regard to the Tongrentang Holdings Master Distribution Agreement.

### **GENERAL**

Tongrentang Holdings is the ultimate holding company of the Company which currently holds approximately 55.24% of the share capital of Tongrentang Limited. Tongrentang Limited is in turn interested in approximately 51.02% of the issued share capital of the Company. As such, each of Tongrentang Holdings and its associates (as defined in the GEM Listing Rules) is a connected party to the Company for the purpose of the GEM Listing Rules. Tongrentang Holdings is engaged in the processing, production and sale of Chinese medicinal raw materials, Chinese patent medicine, oral consumption medicine, healthcare products, medical food, cosmetic products and medical equipment.

Sales transactions between the Company and the Group Agents which took place since 1 January 2008 and prior to this circular represented de minimis transactions under GEM Listing Rule 20.33(3).

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## LETTER FROM THE BOARD

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### ANNUAL GENERAL MEETING AND INDEPENDENT SHAREHOLDERS' APPROVAL

A notice convening the AGM to be held at No.52 Dong Xing Long Street, Chong Wen District, Beijing, the PRC on Wednesday, 18 June 2008 at 9:30 a.m, is set out on pages 24 to 26 of this circular at which an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, to approve Tongrentang Holdings Master Distribution Agreement, the Non-Exempt Continuing Connected Transactions and the respective annual cap contemplated therein.

A form of proxy for use at the AGM is also enclosed with this circular. Whether or not you intend to attend the AGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office, Hong Kong Registrars Ltd. at Rooms 1806-1807, 18/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than twenty-four (24) hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment of it should you so wish.

The Directors propose to seek the approval of the Non-exempt Continuing Connected Transactions from the Independent Shareholders at the AGM by poll. Tongrentang Holdings, Tongrentang Limited and their respective associates, as defined in the GEM Listing Rules, will abstain from voting with respect to the Non-exempt Continuing Connected Transactions at the AGM.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all three independent non-executive Directors has been formed to consider the terms of the Tongrentang Holdings Master Distribution Agreement and the Non-exempt Continuing Connected Transactions and the respective annual caps contemplated therein so far as the Company and the Independent Shareholders are concerned as a whole. Veda Capital has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

### RECOMMENDATION

The Independent Board Committee, having taken into account and based on the recommendation of Veda Capital, considers that the Non-exempt Continuing Connected Transactions and the respective annual caps contemplated therein are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors (including the Independent Board Committee) recommend all the Independent Shareholders to vote in favour of the resolutions to be proposed at the AGM to approve the Tongrentang Holdings Master Distribution Agreement and the Non-exempt Continuing Connected Transactions and the respective annual caps contemplated therein.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 10 to 11 of this circular which contains its recommendation to the Independent Shareholders as to voting at the AGM and to the letter from Veda Capital as set out on pages 12 to 16 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Tongrentang Holdings Master Distribution Agreement and the Non-exempt Continuing Connected Transactions and the respective annual caps contemplated therein.

Your attention is also drawn to the general information set out in the Appendix to this circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Agreements and the Continuing Connected Transactions, which has been prepared for the purpose of inclusion in this circular.*



### 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)**

5 May 2008

*To the Independent Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to a circular (the "Circular") of the Company dated 5 May 2008 of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you whether the terms of the Tongrentang Holdings Master Distribution Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned and whether the Non-exempt Continuing Connected Transactions are in the interest of the Company and the Shareholders as a whole. Veda Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 4 to 9 of the Circular and the letter from Veda Capital as set out on pages 12 to 16 of the Circular, which contains, inter alia, its advice and recommendation regarding the terms of the Tongrentang Holdings Master Distribution Agreement with the principal factors and reasons for its advice and recommendation.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having considered the terms of the Tongrentang Holdings Master Distribution Agreement and taking into account the advice and recommendation of Veda Capital, we are of the view that the terms of the Tongrentang Holdings Master Distribution Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Non-exempt Continuing Connected Transactions are on normal commercial term, in ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

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*

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## LETTER FROM VEDA CAPITAL

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*The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*

**VEDA | CAPITAL**  
**智略資本**

**Veda Capital Limited**  
Suite 1302, 13th Floor, Takshing House  
20 Des Voeux Road Central, Hong Kong

5 May 2008

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

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect to the terms of and the transactions contemplated under the Tongrentang Holdings Master Distribution Agreement, details of which are set out in the letter from the Board (the “Board Letter”) contained in this circular (the “Circular”) dated 5 May 2008 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As stated in the section headed “Non-Exempt Continuing Connected Transactions” in the Circular, the transactions contemplated under the Tongrentang Holdings Master Distribution Agreement will constitute, under the GEM Listing Rules, non-exempt continuing connected transactions of the Company, which are subject to the requirements of reporting, announcement and Independent Shareholders’ approval by way of poll at the AGM. Tongrentang Holdings, Tongrentang Limited and their respective associates (as defined in the GEM Listing Rules) will abstain from voting in this regard.

The Independent Board Committee has been established, which comprises all independent non-executive Directors, namely Ms. Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan, each of whom is neither involved in nor has any interest in the continuing connected transactions contemplated under the Tongrentang Holdings Master Distribution Agreement and thus being considered independent, to advise the Independent Shareholders on the terms of the Tongrentang Holdings Master Distribution Agreement and the proposed annual caps, and the action they should take in response to it.

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## LETTER FROM VEDA CAPITAL

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Veda Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Tongrentang Holdings Master Distribution Agreement and the respective annual caps for the relevant transactions are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

### **BASIS OF OUR ADVICE**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true up to the date of the AGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or its subsidiaries.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In assessing whether the terms of the Tongrentang Holdings Master Distribution Agreement and the respective annual caps for the relevant transactions are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole, we have taken into account the following principal factors and reasons.

#### **A. Substantial business relationship between the Company, and Tongrentang Holdings and the Group Agents**

The Company is principally engaged in the production and sale of Chinese medicine. On 21 February 2005, the Company entered into a master distribution agreement with Tongrentang Holdings to sell its products to the Group Agents for the three years ended 31 December 2007. The table below shows the amount of the Company's sale of its products to the Group Agents, as compared to the Group's total turnover for each of the three years ended 31 December 2007.

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## LETTER FROM VEDA CAPITAL

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	Year ended 31 December 2007 RMB\$'000	Year ended 31 December 2006 RMB\$'000	Year ended 31 December 2005 RMB\$'000
Sales revenue from the Group Agents	109,051	98,603	92,880
Total revenue	1,157,030	1,034,768	1,135,678
Percentage	9.43%	9.53%	8.18%

Sources: annual reports of the Company for the years ended 31 December 2006 and 2007.

As shown in the above table, the sale amount to the Group Agents accounted for approximately 8% to 10% of the Group's total turnover for the past three financial years ended 31 December 2007. We also noted from the annual reports of the Company that the amount of sale to the largest single customer accounted for approximately 9%, 9% and 8% of the Group's total turnover, and that the amount of sale of the five largest customers accounted for approximately 34%, 34% and 30% of the Group's total turnover, for each of the three years ended 31 December 2007, respectively. Accordingly, it is considered that Tongrentang Holdings, together with the Group Agents, is one of the most important clients of the Group. The entering into of the Tongrentang Holdings Master Agreement will enable the Company to continue its business with Tongrentang Holdings and the Group Agents. In this regard, the entering into of the Tongrentang Holdings Master Agreement is fair and reasonable and in the ordinary course of the business of the Group.

### **B. Key terms of the Tongrentang Holdings Master Agreement**

#### *Products*

The Group will sell its products to the Group Agents. As advised by the Directors, it is intended that all types of products manufactured by the Group could be sold to the Group Agents including its flagship products, namely LiuweiDihuang Pill (六味地黄丸), Niu Huang Jiedu Tablet (牛黄解毒片) and Ganmao Qingre Granule (感冒清热颗粒).

#### *Pricing mechanism*

The selling price of the products will be determined by the Company and the Group Agents in accordance with the normal commercial practice provided that the purchase price payable by the Group Agents shall be no less than that charged by the Company to other independent customers.

#### *Payment arrangement*

The consideration for the products to be sold by the Company will be satisfied by Tongrentang Holdings in cash. The time of payment will be negotiated upon the parties entering into individual contracts pursuant to the Tongrentang Holdings Master Agreement.



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## LETTER FROM VEDA CAPITAL

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Since the entering into of the Tongrentang Holdings Master Distribution Agreement is considered a renewal of the previous master distribution agreement dated 21 February 2005 to continue the Group's business with Tongrentang Holdings and the Group Agents and the above-mentioned terms are similar in these two agreements, we have performed a random check on the transactions made between the Group and the Group Agents for the past three years ended 31 December 2007 and concluded that:

- (i) the Company sold its products to the Group Agents on an ongoing basis in a normal commercial way;
- (ii) the selling price of the products charged by the Company to the Group Agents was not more favourable than those to the other independent customers;
- (iii) the credit period of around 30 to 120 days granted by the Company to the Group Agents is in line with the credit period granted to other independent customers;
- (iv) the repayment records of the Group Agents were comparable to that of other independent customers. Most of the accounts receivable from customers had been collected and received within 4 months.

Given (i) our above due diligence conclusion; (ii) the independent non-executive Directors will, pursuant to Rule 20.37 of the GEM Listing Rules, review, amongst other things, whether the relevant continuing connected transactions are conducted on normal terms, or if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no more favourable than terms available to independent customers; and (iii) the auditors of the Company will, pursuant to Rule 20.38 of the GEM Listing Rules, review for the purpose to confirm whether the relevant continuing connected transactions are conducted in accordance with the relevant agreement governing the transactions, we are of the opinion that (i) the above-mentioned terms of the continuing connected transactions contemplated under the Tongrentang Holdings Master Distribution Agreement are fair and reasonable and on normal commercial terms and in the ordinary and usual course of business of the Company; and (ii) adequate measures have been in place, as required under the said GEM Listing Rules above, to monitor the continuing connected transactions contemplated under the Tongrentang Holdings Master Distribution Agreement in order to protect the interests of the Company and the Independent Shareholders.

### *Annual caps*

The Directors proposed that the aggregate annual sale volume of the Company's products to the Group Agents are capped at RMB140,000,000, RMB170,000,000 and RMB200,000,000 for the three financial years ending 31 December 2010, respectively. Such proposed caps are determined on the assumption that the annual growth rate of the transaction amount of the sale of the Company's products to the Group Agents will be approximately 25% for the three years ending 31 December 2010 as a result of substantial increases in the aggregate transaction amount of the sales to the existing Group Agents and the expected increase in the number of the Group Agents.

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## LETTER FROM VEDA CAPITAL

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To assess whether the respective annual caps are reasonably determined, we have discussed with the management of the Company and noted that the Group Agents are entities qualified to distribute pharmaceutical products and are members of the sales network of Tongrentang Holdings. The utilization of the sale network of the Group Agents (most of which are operating under the brand of “Tong Ren Tang”) would enable the Company to gain a dominant position in respect of sales of pharmaceutical products. The sale network of the Group Agent has been and will continue to be one of the principal distribution channels of the Company’s products. In 2005, there were approximately 400 Group Agents. With the continuous expansion, there were approximately 700 Group Agents located in the PRC and overseas countries in 2007, representing an annual growth rate of approximately 20%. Given the above, the Company’s turnover increased by approximately 11.82% in 2007 as compared to a decrease of approximately 8.89% in 2006 while the sale turnover to the Group Agents increased by approximately 10.60% in 2007 as compared to an increase of approximately 6.16% in 2006.

The Company further estimates that the number of Group Agents will continue to increase to around 1,300 by 2011, representing an annual growth rate of approximately 17%. In addition, the favourable changes in the medical policies in the PRC will provide good opportunities for the Company to expand its business. Such policies include the implementation of medical insurance policies which would raise the demand for medication services; and the amended drug registration regulations to regulate the drug registration requirements in the PRC and rules about the management of circulation area of drugs and medical equipments which would foster the development of the business of large-size enterprises like the Company. Together with the Company’s continuing efforts in strengthening its sale and distribution network, we are of the opinion that it is justifiable for the Directors to make an optimistic estimation in determining the annual caps for the next three years ending 31 December 2010 to accommodate the Company’s future business development. To this end, we consider that the determination of the respective annual caps is made in a fair and reasonable manner and is in the interests of the Company and the Independent Shareholders as a whole.

### RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, we consider that the terms of the Tongrentang Holdings Master Distribution Agreement and the respective annual caps are (i) on normal commercial terms and in the ordinary course of business of the Company; and (ii) fair and reasonable so far as the interests of the Independent Shareholders are concerned. We are also of the opinion that the transactions contemplated under the Tongrentang Holdings Master Distribution Agreement are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholder and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the AGM.

Yours faithfully,

For and on behalf of

**Veda Capital Limited**

**Hans Wong**

*Managing Director*

**Julisa Fong**

*Executive Director*

## 1. RESPONSIBILITY STATEMENT

This circular, 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 the issuer. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 2. DISCLOSURE OF INTERESTS

### (i) Directors and Chief Executive of the Company

As at Latest Practicable Date, the interests and short positions of the Directors and chief executives 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 Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM, 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 registered share capital
Mr. Yin Shun Hai	Personal	Beneficial owner	500,000	0.460%	0.255%
Mr. Mei Qun	Personal	Beneficial owner	500,000	0.460%	0.255%

*Note:* All represented domestic shares.

**Tongrentang Ltd.**

<b>Name</b>	<b>Type of Interest</b>	<b>Capacity</b>	<b>Number of shares (Note)</b>	<b>Percentage of total registered share capital</b>
Mr. Yin Shun Hai	Personal	Beneficial owner	38,850	0.009%
Mr. Mei Qun	Personal	Beneficial owner	31,081	0.007%
Mr. Kuang Gui Shen	Personal	Beneficial owner	22,700	0.005%

*Note:* All represented A shares.

**Beijing Tong Ren Tang International Co., Limited**

<b>Name</b>	<b>Type of Interest</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of total registered share capital</b>
Mr. Yin Shun Hai	Personal	Beneficial owner	39,000	0.125%
Mr. Mei Qun	Personal	Beneficial owner	78,000	0.250%
Ms. Ding Yong Ling	Personal	Beneficial owner	39,000	0.125%

**Beijing Tong Ren Tang Nature-Pharm Co. Ltd.**

<b>Name</b>	<b>Type of Interest</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of total registered share capital</b>
Mr. Wang Quan	Personal	Beneficial owner	200,000	0.400%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives 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 recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

**(ii) Substantial Shareholders**

As at the Latest Practicable Date, the following persons (other than the Directors and chief executive of the Company) had interests, short positions or shares in a lending pool 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 domestic shares	Percentage of total registered share capital
Tongrentang Ltd	Beneficial owner	100,000,000	92.013%	–	51.020%
Tongrentang Holdings (Note 2)	Interest in a controlled corporation	100,000,000	92.013%	–	51.020%
	Beneficial owner	1,580,000	1.454%	–	0.806%
Hamon Asset Management Limited (Note 3)	Investment manager	1,197,000(L)	–	1.371%	0.611%
Hamon U.S. Investment Advisors Limited (Note 3)	Investment manager	2,852,000(L)	–	3.266%	1.455%
Hamon Investment Management Limited (Note 3)	Investment manager	1,000,000(L)	–	1.145%	0.510%
The Hamon Investment Group Pte Limited (Note 3)	Interest in a controlled Corporation	5,049,000(L)	–	5.782%	2.576%
Atlantis Investment Management Ltd	Investment Manager	7,041,000(L)	–	8.063%	3.592%
Templeton Asset Management Ltd	Investment Manager	5,236,000(L)	–	5.996%	2.671%
JPMorgan Chase & Co	Investment Manager	5,386,000(L) 5,386,000(P)	– –	6.168% 6.168%	2.748% 2.748%

*Notes:*

- (1) (L) – Long position, (S) – Short positions, (P) – Lending pool.
- (2) Such shares were held through Tong Ren Tang Ltd.. As at the Latest Practicable Date, Tong Ren Tang Holdings owned a 55.24% interest in Tong Ren Tang Ltd.. According to Part XV of the SFO, Tong Ren Tang Holdings is deemed to be interested in the 100,000,000 shares held by Tongrentang Ltd..
- (3) The Hamon Investment Group Pte Limited owns a 100% interest in Hamon Asset Management Limited, Hamon U.S. Investment Advisors Limited and Hamon Investment Management Limited.

Accordingly, The Hamon Investment Group Pte Limited is deemed under Part XV of the SFO to be interested in 1,197,000 shares held by Hamon Asset Management Limited, 2,852,000 shares held by Hamon U.S. Investment Advisors Limited and 1,000,000 shares held by Hamon Investment Management Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had any interests, short positions or shares in a lending pool in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 335 of the SFO.

### **3. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

### **4. SERVICE CONTRACTS**

Each of Mr. Yin Shun Hai and Mr. Mei Qun has entered into a service contract with the Company for a term of three years commencing on 9 March 2000. Upon the reappointment at the annual general meeting in 2003 and 2006, the term of the original service contracts remains valid until the conclusion of the annual general meeting in 2009. Each of other directors has entered into a service contract with the Company for a term commencing on their respective appointment dates to the conclusion of the annual general meeting in 2009. Save as disclosed above, none of the Directors or Supervisors has any service contract with the Company that cannot be terminated by the Company within one year without payment of compensation other than statutory compensation. There is currently no proposed service contracts.

### **5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, management Shareholder and their respective associates (as defined in Listing Rules) had an interest in a business, which competes or may compete with the businesses of the Company and any other conflicts of interest which any such person has or may have with the Company.

### **6. DIRECTORS INTERESTS' IN ASSETS**

None of the Directors 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 or proposed to be so acquired, disposed of or leased since 31 December 2007, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

### **7. DIRECTORS INTERESTS' IN CONTRACTS**

There was no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

**8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there was not any material adverse changes in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited consolidated accounts of the Group were made up.

**9. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Veda Capital	a licensed corporation registered under the SFO to carry out Type 6 regulated activity (advising on corporate finance)

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

As at the Latest Practicable Date, Veda Capital had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, Veda Capital was not interested, directly or indirectly, in any assets which had since 31 December 2007 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

**10. PROCEDURES FOR DEMANDING A POLL AT A GENERAL MEETING OF THE COMPANY**

Pursuant to Article 67 of the Articles of Association, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:-

- (a) the chairman of the AGM; or
- (b) at least two members present in person or by proxy and entitled to vote; or
- (c) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to vote at the AGM.

Unless a poll is so demanded, a declaration by the chairman of the AGM that a resolution has been passed on a show of hands, and an entry to that effect in the book containing the minutes of the proceedings of meetings of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

A demand of poll can be withdrawn by the person who demanded it.

In compliance with the GEM Listing Rules, the Company will procure the chairman of the AGM to demand for a poll, pursuant to Article 67 of the Articles of Association of the Company, for the ordinary resolution to be proposed to approve the transactions contemplated under the Tongrentang Holdings Master Distribution Agreement, the Non-exempt Continuing Connected Transactions and the respective annual caps contemplated therein.

## **11. 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 and the office of the Company is located at No. 20, Nansanhuan Zhonglu, Fengtai District, Beijing, the PRC.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Ltd. at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The company secretary of the Company is Ms. Zhang Jing Yan, is a practicing pharmacist with a master degree in Economics. She formerly served as an officer of the securities department and a securities representative of Tongrentang Ltd. She is currently the secretary to the Company's Board of Directors.
- (d) The qualified accountant of the Company is Mr. Mak Kam Chiu, an associate member of the Hong Kong Institute of Certified Public Accountants.
- (e) The compliance officer of the Company is Mr. Mei Qun, a deputy chief pharmacist with a postgraduate qualification.
- (f) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.



**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the office of the Company at No. 20, Nansanhuan Zhonglu, Fengtai District, Beijing, the PRC from the date of this circular up to and including 19 May 2008:

- (a) the letter from Veda Capital as set out in pages 12 to 16 of this circular;
- (b) the written consent of Veda Capital referred to in this Appendix; and
- (c) the Tongrentang Holdings Master Distribution Agreement.
- (d) the service contracts of each of Mr. Yin Shun Hai and Mr. Mei Qun entered into with the Company as referred to in the paragraph headed “Service Contracts” in this Appendix.

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## NOTICE OF THE AGM

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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: 8069)**

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting (the “AGM”) of Tong Ren Tang Technologies Co. Ltd., (the “Company”) will be held at No. 52 Dong Xing Long Street, Chong Wen District, Beijing, the PRC on Wednesday, 18 June 2008 at 9:30 a.m., for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

1. to receive and consider the audited consolidated financial statements of the Company and the Report of the Directors and the Auditors for the year ended 31 December 2007;
2. to receive and consider the Report of the Supervisory Committee of the Company for the year ended 31 December 2007;
3. to declare and propose a final dividend of RMB0.40 (including tax) per share for the year ended 31 December 2007. The proposed dividend will be payable before 31 August 2008 to shareholders whose names appear on the register of shareholders of the Company on 18 June 2008. Dividend payable to the shareholders of H shares will be paid in Hong Kong Dollars (“HKD”). The exchange rate between RMB and HKD shall be ascertained on the basis of the average of the middle exchange rates for RMB to HKD as published by the People’s Bank of China for the five trading days prior to 18 June 2008;
4. to re-appoint PricewaterhouseCoopers as the auditors of the Company for the year ending 31 December 2008 and to authorize the board of directors of the Company to fix their remuneration;
5. (a) the Tongrentang Holdings Master Distribution Agreement dated 15 April 2008 entered into between the Company and Tongrentang Holdings (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and (i) the annual cap contemplated thereunder; and (ii) the non-exempt continuing connected transactions (as defined in the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”)) contemplated thereunder, be and are hereby approved, ratified and confirmed; and

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## NOTICE OF THE AGM

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- (b) any one executive Director, be and/is hereby authorized for and on behalf of the Company to execute all documents, instruments and agreements and to do all acts or things deemed by him/her to be necessary or expedient to implement and/or give effect to the aforesaid documents, instruments and agreements and all transactions contemplated thereunder.”

Yours faithfully,  
For and on behalf of the Board of  
**TONG REN TANG TECHNOLOGIES CO., LTD.**  
**Mei Qun**  
*Chairman*

Beijing, the PRC  
5 May 2008

*Notes:*

- (i) A member of the Company (“Member”) entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a Member. A form of proxy for use at the meeting is enclosed herewith. In the case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the register of Members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
- (ii) To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the H share registrar of the Company in Hong Kong, Hong Kong Registrars Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong and in case of holders of domestic shares, to the Company’s mailing address at No. 20 Nansanhuan Zhonglu, Fengtai District, Beijing, the PRC not later than 24 hours before the time appointed for holding the meeting or the time appointed for passing the resolutions. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (iii) Members and their proxies should produce identity proof (and form of proxy in case of proxies) when attending the meeting.
- (iv) The register of Members in Hong Kong will be closed from Monday, 19 May 2008 to Wednesday, 18 June 2008, both days inclusive, during which period no transfer of H shares of the Company will be effected. For the identification of Members who are qualified to attend and vote at the meeting and to be entitled to the proposed final dividend for the year ended 31 December 2007, all transfer document accompanied by the relevant share certificates must be lodged with the Company’s H share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 pm on Friday, 16 May 2008.
- (v) Holders of H shares of the Company who intend to attend the annual general meeting shall complete the enclosed reply slip for the meeting and return it, by hand or by post to the Company’s H shares registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or by fax to (852) 2865 0990/(852) 2529 6087, on or before Wednesday, 28 May 2008.

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## NOTICE OF THE AGM

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- (vi) Holders of domestic shares of the Company who intend to attend the Annual General Meeting shall complete the enclosed reply slip for the meeting and return it, by hand or by post or by fax, to the Company's mailing address on or before Wednesday, 28 May 2008.
  
- (vii) It is expect that the annual general meeting will last not more than half day. Shareholders and their proxies attending the annual general meeting shall bear their own travel and accommodation expenses.