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**BEIJING TONG REN TANG CHINESE MEDICINE COMPANY LIMITED**

北京同仁堂國藥有限公司

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 8138)**

**CONTINUING CONNECTED TRANSACTIONS  
REGARDING RENEWAL OF  
THE ANGONG NIUHUANG POWDER MASTER PURCHASE AGREEMENT**

**RENEWAL OF ANGONG NIUHUANG POWDER MASTER PURCHASE AGREEMENT**

Reference is made to the Prospectus in relation to, inter alia, the continuing connected transactions contemplated under the Existing Angong Niuhuang Powder Master Purchase Agreement with Tong Ren Tang Ltd.

As the Existing Angong Niuhuang Powder Master Purchase Agreement will soon expire on 31 December 2015, the Company entered into the new Angong Niuhuang Powder Master Purchase Agreement with Tong Ren Tang Ltd. on 28 October 2015 to renew the procurement arrangement for a further term of three years. The Company also resolved to obtain the new annual caps for the transactions contemplated under the Angong Niuhuang Powder Master Purchase Agreement for the three years ending 31 December 2018 in order to comply with the GEM Listing Rules.

**GEM LISTING RULES IMPLICATIONS**

Tong Ren Tang Ltd. is the controlling shareholder of the Company, and is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Angong Niuhuang Powder Master Purchase Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed new annual caps of the transactions contemplated under the Angong Niuhuang Powder Master Purchase Agreement exceeds 0.1% but less than 5% on an annual basis, the transactions contemplated under the Angong Niuhuang Powder Master Purchase Agreement are subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under the GEM Listing Rules.

## **RENEWAL OF ANGONG NIHUANG POWDER MASTER PURCHASE AGREEMENT**

Reference is made to the Prospectus in relation to the continuing connected transactions contemplated under the Existing Angong Niuhuang Powder Master Purchase Agreement with Tong Ren Tang Ltd.

As the existing Angong Niuhuang Powder Master Purchase Agreement will soon expire on 31 December 2015, the Company entered into the Angong Niuhuang Powder Master Purchase Agreement with Tong Ren Tang Ltd. to renew the procurement arrangement for a further term of three years . The Company also resolved to obtain the new annual caps for the transactions contemplated under the Angong Niuhuang Powder Master Purchase Agreement for the three years ending 31 December 2018 in order to comply with the GEM Listing Rules.

### **Angong Niuhuang Powder Master Purchase Agreement**

**Date:** 28 October 2015

**Parties:** (1) the Company  
(2) Tong Ren Tang Ltd.

**Term:** a term of three years from 1 January 2016 to 31 December 2018

**Major terms and conditions:**

- Within the term of the Angong Niuhuang Powder Master Purchase Agreement, the Group will procure from the Tong Ren Tang Ltd. Group, and the Tong Ren Tang Ltd. Group shall supply to the Group, the Angong Niuhuang Powder, being the raw materials for production of Angong Niuhuang Pills, as agreed by the parties.
- Individual purchase agreement will be signed by members of the Tong Ren Tang Ltd. Group and the Group during the term of the Angong Niuhuang Powder Master Purchase Agreement to set out details of the quantity, price, specifications, standards, delivery time and settlement of the Angong Niuhuang Powder supplied, save as such individual purchase agreement shall be entered into on normal commercial terms as well as in accordance with the provisions of the Angong Niuhuang Powder Master Purchase Agreement.

**Pricing policy:**

- The price of Angong Niuhuang Powder payable to Tong Ren Tang Ltd. Group by the Group is based on the costs of raw materials (mainly the natural musk) with a mark-up for the processing fees of Tong Ren Tang Ltd. Group. There has not been any comparative market price as there is no other supplier providing Angong Niuhuang Powder with natural musk in the PRC market.
- Payment of the price will be settled within three months from the date of delivery of the Angong Niuhuang Powder to the Group.

## Historical figures and proposed annual caps

Set out below is the aggregate historical amounts paid by the Group in respect of its purchase of the Angong Niuhuang Powder from the Tong Ren Tang Ltd. Group for the two years ended 31 December 2014 and nine months ended 30 September 2015 as well as the previous annual caps:

|  | Year ended<br>31 December 2013<br><i>(HK\$ million)</i><br>(Audited)                                 |                   | Year ended<br>31 December 2014<br><i>(HK\$ million)</i><br>(Audited) |                   | Nine months ended<br>30 September 2015<br><i>(HK\$ million)</i><br>(Unaudited) | Year ending 31<br>December 2015<br><i>(HK\$ million)</i> |
|--|--|-------------------|--|-------------------|--|--|
|  | Actual<br>amounts  | Historical<br>Cap | Actual<br>amounts  | Historical<br>Cap | Actual amounts   | Historical Cap   |
|  | Amounts paid/payable<br>under the Existing<br>Angong Niuhuang<br>Powder Master<br>Purchase Agreement | 7.9               | 10.0   | 5.6               | 12.0   | 10.8   |

The proposed annual caps under the Angong Niuhuang Powder Master Purchase Agreement for each of the three years ending 31 December 2016, 2017 and 2018 are set out below:

|                      | For the year ending 31 December |                               |                               |
|----------------------|---------------------------------|-------------------------------|-------------------------------|
|                      | 2016<br><i>(HK\$ million)</i>   | 2017<br><i>(HK\$ million)</i> | 2018<br><i>(HK\$ million)</i> |
| Proposed annual caps | 14.4                            | 17.8                          | 20.7                          |

The proposed annual caps set out above are determined based on the following:

- the historical figures of the relevant transactions and the historical annual caps as disclosed above;
- the continuous increase in scale and business operation of the Group in Hong Kong and Macao which will lead to increase in sale of Angong Niuhuang Pills;
- the expected increase in number of the registered or filed Angong Niuhuang Pills as the Group has commenced the preparation of registration or filing of the Angong Niuhuang Pills in certain overseas countries;
- the expected increase in prices of Angong Niuhuang Powder over the next three years as a result of possible increase in costs of raw materials (mainly the natural musk) and the continuous increase in processing fees, in particular, continuous increase in costs in labour;
- the expected increase in transaction amounts between the Group with the Tong Ren Tang Ltd. Group under the Angong Niuhuang Powder Master Purchase Agreement taking into account the above items (b) and (c) which will lead to a possible increase in demand of the Angong Niuhuang Pills so as to increase in our production volume as well as the increase in prices of Angong Niuhuang Powder as explained in item (d) above; and
- the inclusion of a buffer for the estimated amount of the purchase of Angong Niuhuang Powder by the Group under the Angong Niuhuang Powder Master Purchase Agreement so as to accommodate any unexpected increase in the aforesaid transaction volume amount (as a result of any unexpected increase in market demand for the Angong Niuhuang Pills) or unexpected increase in the prices of Angong Niuhuang Powder as well as any possible appreciation in the RMB against HK\$ during the period of the Angong Niuhuang Powder Master Purchase Agreement.

Such projection is assumed solely for determining the annual cap and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group and of the Tong Ren Tang Ltd. Group.

## **REASONS FOR ENTERING INTO THE ANGONG NIUHUANG POWDER MASTER PURCHASE AGREEMENT**

The Group manufactures and sells Angong Niu Huang Pills and Angong Niu Huang Pills has been the key product of the Group's business.

Natural musk, being the major ingredient in manufacturing Angong Niu Huang Powder which in turn is the principal raw material in manufacturing Angong Niu Huang Pills, is a high regulated substance in the PRC and the Parent Group is licensed to process natural musk for the production of Angong Niu Huang Pills. In addition, there is no other supplier providing Angong Niu Huang Powder with natural musk in the PRC market. The quality of Angong Niu Huang Powder produced by the Parent Group is assured. Therefore, the continuous purchase of Angong Niu Huang Powder from the Tong Ren Tang Ltd. Group can make sure the Group's continuous production quality of Angong Niu Huang Pills and satisfy its business expansion objectives.

The Directors (including the independent non-executive Directors) are of the view that the Angong Niu Huang Powder Master Purchase Agreement (including the caps thereunder) (i) have been negotiated on an arm's length basis; (ii) have been conducted and will continue to be conducted on normal commercial terms or better; (iii) are entered into in the ordinary and usual course of business of the Group; and (iv) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

Tong Ren Tang Ltd. is the controlling shareholder of the Company, and is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Angong Niu Huang Powder Master Purchase Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed new annual caps of the transactions contemplated under the Angong Niu Huang Powder Master Purchase Agreement exceeds 0.1% but less than 5% on an annual basis, the transactions contemplated under the Angong Niu Huang Powder Master Purchase Agreement are subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under the GEM Listing Rules.

Mr. Mei Qun (who is the chairman of Tong Ren Tang Holdings) and Ms. Ding Yong Ling (who is the director and the Deputy General Manager of Tong Ren Tang Holdings and vice chairman of Tong Ren Tang Ltd.), are considered to have material interests in the Angong Niu Huang Powder Master Purchase Agreement by virtue of their positions in Tong Ren Tang Holdings or Tong Ren Tang Ltd. and have abstained from voting on the relevant resolutions in the Board meeting to approve such agreements. Save as disclosed, there is no other Director who has a material interest in the transactions contemplated under the Angong Niu Huang Powder Master Purchase Agreement.

## GENERAL INFORMATION

### The Company

The Company is principally engaged in manufacturing, retail and wholesale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments.

### Tong Ren Tang Ltd.

Tong Ren Tang Ltd. is principally engaged in the manufacturing and sale of Chinese medicines.

## DEFINITIONS

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

|   |   |
|---|---|
| "Angong Niuhuang Pills"                                     | pills manufactured by the Company from, among others, Angong Niuhuang Powder  |
| "Angong Niuhuang Powder"                                    | the principal raw material for the Angong Niuhuang Pills  |
| "Angong Niuhuang Powder Master Purchase Agreement"          | a new master purchase agreement dated 28 October 2015 entered into between the Company and Tong Ren Tang Ltd. in relation to the procurement of Angong Niuhuang Powder from Tong Ren Tang Ltd. by the Group         |
| "Board"   | the board of Directors  |
| "Company"   | Beijing Tong Ren Tang Chinese Medicine Company Limited, a company incorporated in Hong Kong with limited liability on 18 March 2004 and the issued shares of which are listed on GEM                                |
| "connected persons"   | has the meaning ascribed thereto under the GEM Listing Rules  |
| "Directors"   | the directors of the Company  |
| "Existing Angong Niuhuang Powder Master Purchase Agreement" | an existing master purchase agreement dated 30 September 2012 entered into between the Company and Tong Ren Tang Ltd. in relation to the procurement of Angong Niuhuang Powder from Tong Ren Tang Ltd. by the Group |
| "GEM"   | the Growth Enterprise Market of the Stock Exchange  |
| "GEM Listing Rules"   | The Rules Governing the Listing of Securities on GEM (as amended from time to time)   |
| "Group"   | the Company and its subsidiaries (either directly owned or indirectly owned)  |
| "Hong Kong"   | the Hong Kong Special Administrative Region of the PRC  |

|                              |  |
|------------------------------|--|
| "HK\$"                       | Hong Kong dollar, the lawful currency of Hong Kong   |
| "Main Board"                 | the stock market operated by the Stock Exchange, which exclude, the option market and which continues to be operated by the Stock Exchange in parallel with GEM and which, for avoidance of doubt, excludes GEM  |
| "Parent Group"               | Tong Ren Tang Holdings, Tong Ren Tang Ltd., Tong Ren Tang Technologies and their respective subsidiaries and excluding the Group   |
| "PRC"                        | the People's Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan  |
| "Prospectus"                 | the prospectus of the Company dated 25 April 2013  |
| "RMB"                        | Renminbi, the lawful currency of the PRC   |
| "Shareholders"               | the shareholders of the Company  |
| "Stock Exchange"             | The Stock Exchange of Hong Kong Limited  |
| "Tong Ren Tang Holdings"     | China Beijing Tong Ren Tang (Holdings) Corporation, a state-owned enterprise established in the PRC on 17 August 1992 and is the ultimate controlling shareholder of the Company   |
| "Tong Ren Tang Ltd."         | Beijing Tong Ren Tang Co., Ltd., a joint stock limited company established in the PRC on 18 June 1997, the shares of which have been listed on the Shanghai Stock Exchange since 1997, and is one of the controlling shareholders of the Company   |
| "Tong Ren Tang Ltd. Group"   | Tong Ren Tang Ltd., its subsidiaries (either directly owned or indirectly owned), its jointly-controlled entities and its associates (other than Tong Ren Tang Technologies and its subsidiaries)  |
| "Tong Ren Tang Technologies" | Tong Ren Tang Technologies Co., Ltd., a joint stock limited company established in the PRC on 22 March 2000, the H shares of which have been listed on GEM since 2000 and have been transferred to the Main Board since July 2010, and is one of the controlling shareholders of the Company |

By order of the Board  
**Beijing Tong Ren Tang**  
**Chinese Medicine Company Limited**  
**Mei Qun**  
Chairman

Hong Kong, 28 October 2015

*As at the date of this announcement, the Board comprises non-executive director, namely Mei Qun; the executive directors, namely Ding Yong Ling, Zhang Huan Ping and Lin Man; and the independent non-executive directors, namely Leung, Oi Sie Elsie, Chan Ngai Chi and Zhao Zhong Zhen.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the ‘Latest Company Announcement’ page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least seven days from the date of its posting and on the Company’s website at ([www.tongrentangcm.com](http://www.tongrentangcm.com)).*