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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 REVISION OF ANNUAL CAPS FOR  
THE ANGONG NIUHUANG POWDER MASTER PURCHASE AGREEMENT**

**REVISION OF ANNUAL CAPS FOR THE ANGONG NIUHUANG POWDER  
MASTER PURCHASE AGREEMENT**

Reference is made to the Prospectus and the announcement of the Company dated 28 October 2015 in relation to, inter alia, the continuing connected transactions contemplated under the Angong Niuhuang Powder Master Purchase Agreement with Tong Ren Tang Ltd.

As the market demand for the Angong Niuhuang Pills exceeds the original projection, the amount of Angong Niuhuang Powder (which is a principal raw material for the Angong Niuhuang Pills) procured by the Group from Tong Ren Tang Ltd. Group under the Angong Niuhuang Powder Master Purchase Agreement is expected to exceed the original annual caps during the remaining term of the Angong Niuhuang Powder Master Purchase Agreement. In view of the above, the Company and Tong Ren Tang Ltd. entered into a Supplemental Agreement on 8 August 2016 to revise the annual caps for each of the three years ending 31 December 2016, 2017 and 2018 in order to comply with Rule 20.52 of 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 and the Supplemental 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 transactions contemplated under the Angong Niuhuang Powder Master Purchase Agreement (including the revision of the annual caps under the Supplemental Agreement) exceeds 0.1% but less than 5% on an annual basis, the transactions contemplated under the Angong Niuhuang Powder Master Purchase Agreement and the Supplemental Agreement are subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under the GEM Listing Rules.

## REVISION OF ANNUAL CAPS FOR THE ANGONG NIHUANG POWDER MASTER PURCHASE AGREEMENT

Reference is made to the Prospectus and the announcement of the Company dated 28 October 2015 in relation to, inter alia, the continuing connected transactions contemplated under the Angong Niuhuang Powder Master Purchase Agreement with Tong Ren Tang Ltd.

As the market demand for the Angong Niuhuang Pills exceeds the original projection, the amount of Angong Niuhuang Powder (which is a principal raw material for the Angong Niuhuang Pills) procured by the Group from Tong Ren Tang Ltd. Group under the Angong Niuhuang Powder Master Purchase Agreement is expected to exceed the original annual caps during the remaining term of the Angong Niuhuang Powder Master Purchase Agreement. In view of the above, the Company and Tong Ren Tang Ltd. entered into a Supplemental Agreement on 8 August 2016 to revise the annual caps for each of the three years ending 31 December 2016, 2017 and 2018 in order to comply with Rule 20.52 of the GEM Listing Rules.

### SUPPLEMENTAL AGREEMENT

**Date:** 8 August 2016 (after trading hours)

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

**Subject matter:** Pursuant to the Supplemental Agreement, the Company and Tong Ren Tang Ltd. have agreed to revise the original annual caps under the Angong Niuhuang Powder Master Purchase Agreement for each of the three years ending 31 December 2016, 2017 and 2018 as follows:

	For the year ending 31 December		
	2016 (HK\$ million)	2017 (HK\$ million)	2018 (HK\$ million)
Original annual caps	14.4	17.8	20.7
Proposed revised annual caps	17.4	23.2	26.5

Save as the said revision, all other terms of the Angong Niuhuang Powder Master Purchase Agreement (as disclosed below) shall remain unchanged.

**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 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 REVISED ANNUAL CAPS**

Set out below are the aggregate historical amounts paid or payable 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 2015 and six months ended 30 June 2016:

	<b>Year ended 31 December 2014 (HK\$ million) (audited)</b>	<b>Year ended 31 December 2015 (HK\$ million) (audited)</b>	<b>Six months ended 30 June 2016 (HK\$ million) (unaudited)</b>
Amounts paid/payable under the Previous Angong Niuhuang Powder Master Purchase Agreement or Angong Niuhuang Powder Master Purchase Agreement	5.6	10.7	7.9
Original annual caps	12.0	13.0	N/A

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

- the historical figures of the relevant transactions and the original annual caps as disclosed above;
- the continuous increase in demand for the Angong Niuhuang Pills in Hong Kong and Macao markets;
- the expected transaction amount under the Angong Niuhuang Powder Master Purchase Agreement for the six months ending 31 December 2016 and the two years ending 31 December 2017 and 2018 is expected to be approximately HK\$8.0 million, HK\$21.1 million and HK\$24.2 million, respectively; 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 projected 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 term of the Angong Niuhuang Powder Master Purchase Agreement.

Such projection is assumed solely for determining the annual caps 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 REVISION OF ANNUAL CAPS UNDER THE ANGONG NIUHUANG POWDER MASTER PURCHASE AGREEMENT AND THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT**

As disclosed above, the reasons for revising the annual caps under the Angong Niuhuang Powder Master Purchase Agreement due to strong market demand for the Angong Niuhuang Pills which exceeds the original projection, and the amount of Angong Niuhuang Powder procured by the Group from Tong Ren Tang Ltd. Group under the Angong Niuhuang Powder Master Purchase Agreement is expected to exceed the original annual caps during the remaining term of the Angong Niuhuang Powder Master Purchase Agreement.

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

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

The Directors (including the independent non-executive Directors) are of the view that the terms of the Angong Niuhuang Powder Master Purchase Agreement and the Supplemental Agreement (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 Niuhuang Powder Master Purchase Agreement and the Supplemental 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 transactions contemplated under the Angong Niuhuang Powder Master Purchase Agreement (including the revision of the annual caps under the Supplemental Agreement) exceeds 0.1% but less than 5% on an annual basis, the transactions contemplated under the Angong Niuhuang Powder Master Purchase Agreement and the Supplemental 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 transactions contemplated under the Angong Niuhuang Powder Master Purchase Agreement and the Supplemental 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 the transactions contemplated under the Angong Niu Huang Powder Master Purchase Agreement and the Supplemental Agreement. 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 and the Supplemental 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 Niu Huang Pills"	pills manufactured by the Company from, among others, Angong Niu Huang Powder
"Angong Niu Huang Powder"	the principal raw material for the Angong Niu Huang Pills
"Angong Niu Huang Powder Master Purchase Agreement"	the master purchase agreement dated 28 October 2015 entered into between the Company and Tong Ren Tang Ltd. in relation to the procurement of Angong Niu Huang 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 have been listed on GEM since May 2013
"connected persons"	has the meaning ascribed thereto under the GEM Listing Rules
"Directors"	the directors of the Company
"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
"Macao"	Macao Special Administrative Region of the PRC
"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 Macao and Taiwan
"Previous Angong Niuhuang Powder Master Purchase Agreement"	the 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
"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
"Supplemental Agreement"	the supplemental agreement the Angong Niuhuang Powder Master Purchase Agreement dated 8 August 2016 entered into between the Company and Tong Ren Tang Ltd.
"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 the intermediate holding company 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 the immediate holding company of the Company

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

Hong Kong, 8 August 2016

*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 of the Company 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 of the Company, 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)).*