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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

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 and the reply slip to the purchaser or the 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 the transferee.



Tong Ren Tang Technologies Co., Ltd.

北京同仁堂科技發展股份有限公司

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

(Stock code: 1666)

CONTINUING CONNECTED TRANSACTION

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

VEDA | CAPITAL
智 略 資 本

A letter from the Board is set out on pages 3 to 8 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 9 to 10 of this circular. A letter from Veda Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 15 of this circular.

A notice convening the EGM to be held at No. 52 Dong Xing Long Street, Dong Cheng District, Beijing, the PRC on Monday, 14 March 2011 at 9:30 a.m., is set out on pages 21 to 23 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof, and deposit it with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

27 January 2011

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associate”	has the meaning ascribed under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Tong Ren Tang Technologies Co., Ltd., (北京同仁堂科技發展股份有限公司) a joint stock company incorporated in the PRC with limited liability and the H shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 1666)
“controlling shareholder”	has the meaning ascribed under the Listing Rules
“Directors”	the directors of the Company
“Distribution Framework Agreement”	an agreement dated 18 January 2011 entered into between the Company and Tong Ren Tang Holdings, pursuant to which the Tong Ren Tang Group, as a non-exclusive distributor of the Group, would purchase products from the Group and then distribute the same to retailers and/or end-users
“EGM”	an extraordinary general meeting of the Company to be convened at No. 52 Dong Xing Long Street, Dong Cheng District, Beijing, the PRC on Monday, 14 March 2011 at 9:30 a.m., to, among other things, consider and, if thought fit, approve the Distribution Framework Agreement and the annual caps contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising the independent non-executive Director of the Company, who have no material interests in the Distribution Framework Agreement, namely Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Distribution Framework Agreement

DEFINITIONS

“Independent Shareholders”	Shareholders other than Tong Ren Tang Limited, Tong Ren Tang Holdings and their respective associates (as defined in the Listing Rules)
“Latest Practicable Date”	25 January 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC”	the People’s Republic of China
“Previous Distribution Framework Agreement”	an agreement dated 15 April 2008 entered into between the Company and Tong Ren Tang Holdings, pursuant to which the Tong Ren Tang Group, as a non-exclusive distributor of the Company, would purchase products from the Company and then distribute the same to retailers and/or end-users
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tong Ren Tang Group”	Tong Ren Tang Holdings and its subsidiaries (either directly owned or indirectly owned) and its associates (other than the Company)
“Tong Ren Tang Holdings”	China Beijing Tong Ren Tang Group Co., Ltd. (中國北京同仁堂(集團)有限責任公司), a State-owned enterprise established under the laws of the PRC and the ultimate holding company of the Company
“Tong Ren Tang Limited”	Beijing Tong Ren Tang Company Limited (北京同仁堂股份有限公司), a joint stock limited company established in the PRC, the A shares of which are listed and traded on the Shanghai Stock Exchange on 25 June 1997, and is the controlling shareholder of the Company

LETTER FROM THE BOARD



Tong Ren Tang Technologies Co., Ltd.

北京同仁堂科技發展股份有限公司

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

(Stock code: 1666)

Executive Directors:

Mr. Mei Qun
Mr. Yin Shun Hai
Mr. Wang Yu Wei
Ms. Fang Jia Zhi
Mr. Xie Zhan Zhong

Non-executive Director:

Ms. Ding Yong Ling

Independent non-executive Directors:

Miss Tam Wai Chu, Maria
Mr. Ting Leung Huel, Stephen
Mr. Jin Shi Yuan

Registered Office:

No.16 Tongji Beilu,
Beijing Economic and Technology,
Development Zone,
Beijing, the PRC

Office:

No. 20, Nansanhuan Zhonglu,
Fengtai District,
Beijing, the PRC

27 January 2011

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

1. INTRODUCTION

Reference is made to the announcement of the Company dated 18 January 2011.

On 18 January 2011, the Company announced that the Company and Tong Ren Tang Holdings had entered into the Distribution Framework Agreement, pursuant to which Tong Ren Tang Group, as a non-exclusive distributor of the Group, would purchase products from the Group and distribute the same to the retailers and/or end-users. The Distribution Framework Agreement will become effective from the date of approval from the Independent Shareholders at the EGM and end on 31 December 2013.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with among other things, (i) further information in relation to the transactions under the Distribution Framework Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

2. DISTRIBUTION FRAMEWORK AGREEMENT

Background

Reference is made to the announcement dated 15 April 2008 and the circular dated 5 May 2008 in relation to the entering into the Previous Distribution Framework Agreement.

Distribution Framework Agreement

Date

18 January 2011

Parties

- (i) the Company
- (ii) Tong Ren Tang Holdings

Continuing transactions

Pursuant to the Distribution Framework Agreement, the Company agreed that the Tong Ren Tang Group may purchase the products from the Group and may distribute the same to retailers and/or end-users by acting as the non-exclusive distributor of the Group. The detailed products and the quantities of such products shall be determined by both parties in accordance with the market conditions and shall be stated in the specific implementation agreements. As the implementation agreements as contemplated under the Distribution Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the Distribution Framework Agreement and the relevant annual caps, and if exceeded, the Company will comply with the relevant Listing Rules accordingly.

Term and termination

The Previous Distribution Framework Agreement expired on 31 December 2010. The Distribution Framework Agreement will become effective from the date of approval by the Independent Shareholders at the EGM and end on 31 December 2013. The Company is entitled to unilaterally terminate the Distribution Framework Agreement by giving six months' prior notice to Tong Ren Tang Holdings.

LETTER FROM THE BOARD

Consideration

The purchase price and the payment terms under the Distribution Framework Agreement shall be no less favorable than that charged by the Group to other independent third parties. The payment time will be negotiated by the parties when entering into specific implementation agreements. The normal payment term is within 120 calendar days after the execution of the relevant implementation agreement.

Annual cap

The annual caps for the transactions under the Previous Distribution Framework Agreement for the three years ended 31 December 2010, respectively are set out below:

	Year ended 31 December		
	2008 (RMB)	2009 (RMB)	2010 (RMB)
Annual Caps	140,000,000	170,000,000	200,000,000

Actual Transaction Value

The values of the annual sale of the Group's products to the Tong Ren Tang Group under the Previous Distribution Framework Agreement for the three years ended 31 December 2010, respectively are set out below:

	Year ended 31 December		
	2008 (RMB)	2009 (RMB)	2010 (RMB) (Unaudited)
Actual Transaction Value	116,426,000	152,001,000	187,104,000

Proposed Annual Cap

With a view to increasing the market share and the sale volume of the Group's products, and taking full advantage of the sales network with the brand of "Tong Ren Tang", the Group has been acting as its best endeavors to further expand the sales of the Group's products through ultimate retail distributors. In light of the aforesaid, the Company expects a substantial increase in the transaction volume with the Tong Ren Tang Group in the coming three years. Therefore, the Company proposes that annual caps for the transactions under the Distribution Framework Agreement shall be RMB350,000,000, RMB480,000,000 and RMB650,000,000 for the three years ending 31 December 2013, respectively.

LETTER FROM THE BOARD

In arriving at the propose annual caps, the Company has taken into account (i) the historical transaction amount in respect of the sale of the Group's products to the Tong Ren Tang Group; (ii) the expected annual growth rate in respect of the sale of the Group's products to the Tong Ren Tang Group; and (iii) the expected expansion in the number of the members of Tong Ren Tang Group.

The Company confirms that there shall not be any implementation agreement as contemplated under the Distribution Framework Agreement or relevant transaction to be conducted with the Tong Ren Tang Group during the period from 1 January 2011 to the date of the EGM, and if have, the Company will comply with the relevant Listing Rules accordingly.

Reasons for the entering into the Distribution Framework Agreement

The Directors believe that the sale of the Group's products to the members of the Tong Ren Tang Group would be beneficial to the development of the Group's business; it would be a waste of resources for not utilizing the sales network operating under the brand of "Tong Ren Tang" which is targeted to gain dominant position in respect of sale products. As at the date of this circular, there are approximately 1300 retail terminals, among others, drugstores and shop-within-a-shops owned by Tong Ren Tang Group in more than 20 provinces and cities in the PRC, and approximately 20 ones in Hong Kong and overseas.

Listing Rules Implications

Tong Ren Tang Holdings is an associate of Tong Ren Tang Limited, the controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Distribution Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed annual caps of the transactions under the Distribution Framework Agreement exceed 5% and the proposed annual cap is more than HK\$10,000,000, the transactions under the Distribution Framework Agreement are subject to reporting, announcement and annual review requirements, as well as the requirement of independent shareholders' approval under the Listing Rules.

The Directors (excluding the independent non-executive Directors who express their views after receiving advice from Veda Capital in the letter from the Independent Board Committee set out in this circular) are of the view that the terms of the Distribution Framework Agreement (i) have been negotiated on an arm's length basis; (ii) have been conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; (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.

LETTER FROM THE BOARD

Mr. Yin Shun Hai and Mr. Mei Qun (who are directors of Tong Ren Tang Holdings), have material interests in the Distribution Framework Agreement and have abstained from voting on the relevant resolutions. Save as disclosed, there is no other Director who has a material interest in the transactions contemplated under the Distribution Framework Agreement.

Furthermore, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, there is no other continuing transaction entered into between the Company and Tong Ren Tang Holdings and its ultimate beneficial owner(s) within a 12-month period from the date of this circular or otherwise related, which would be, together with the transactions contemplated under the Distribution Framework Agreement, regarded as a series of transactions and treated as if they are one transaction under Rule 14A.25 of the Listing Rules.

General Information on the parties to the Distribution Framework Agreement

The Company

The Company is engaged in the manufacturing and sale Chinese medicine, biological preparations, Chinese herbal medicine, food and healthcare food, etc.

Tong Ren Tang Holdings

Tong Ren Tang Holdings is engaged in the investment and investment management, manufacturing Chinese medicine and Chinese herbal medicine, etc.

3. EGM

A notice convening the EGM to be held at No.52 Dong Xing Long Street, Dong Cheng District, Beijing, the PRC on Monday, 14 March 2011 at 9:30 a.m., is set out on pages 21 to 23 of this circular at which an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the transactions under the Distribution Framework Agreement and its annual caps contemplated therein.

Votes on the resolution to be proposed at the EGM shall be taken by way of poll. In accordance with the Listing Rules, Tong Ren Tang Holdings and its associates will abstain from voting on the resolution to be proposed at the EGM in relation to the Distribution Framework Agreement and the respective annual caps contemplated therein. As of the Latest Practicable Date, Tong Ren Tang Holdings and its associates, who directly and indirectly, hold 101,580,000 domestic shares (representing approximately 51.83% of the issued share capital of the Company), control or are entitled to control over the voting right in respect of their shares in the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than Tong Ren Tang Holdings and its associates, no connected person of the Company, Shareholder and their respective associates with a material interest in the transaction contemplated under the Distribution Framework Agreement is required to abstain from voting on such resolution at the EGM.

LETTER FROM THE BOARD

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof, and deposit it with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

4. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Distribution Framework Agreement; and (ii) the letter from Veda Capital set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Distribution Framework Agreement and the principal factors and reasons taken into account by Veda Capital in arriving at its advice.

The Directors are of the view that the terms of the Distribution Framework Agreement (a) have been negotiated on an arm's length basis; (b) will be conducted on normal commercial terms; (c) are entered into in the ordinary and usual course of business of the Group; and (d) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Distribution Framework Agreement and its annual caps by way of poll.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Distribution Framework Agreement and the Continuing Connected Transaction, 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 limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 1666)

27 January 2011

To the Independent Shareholders

Dear Sir or Madam,

DISTRIBUTION FRAMEWORK AGREEMENT

INTRODUCTION

We refer to a circular (the “Circular”) of the Company dated 27 January 2011 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 to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the Distribution Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Distribution Framework Agreement and the advice of Veda Capital in relation the Distribution Framework Agreement and its annual caps thereto as set out on pages 11 to 15 of the Circular, we are of the opinion that the terms of the Distribution Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Veda Capital set out on pages 11 to 15 of the Circular. We have also considered, amongst others, the various factors contained in such letter.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Distribution Framework Agreement and its annual caps by way of poll.

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

LETTER FROM VEDA CAPITAL

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

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Suite 3214, 32/F,
COSCO Tower,
183 Queen's Road Central,
Hong Kong

27 January 2011

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTION

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Distribution Framework Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in this circular (the “**Circular**”) dated 27 January 2011 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.

The Independent Board Committee, comprising all independent non-executive Directors has been established to advise whether the Distribution Framework Agreement are in the interests of the Company and the Independent Shareholders as a whole. Veda Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the Distribution Framework Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM VEDA CAPITAL

II. 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 when they were made and continue to be true at the date of the EGM.

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 not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

III. PRINCIPAL FACTORS AND REASONS

In assessing the Distribution Framework Agreement and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

Background and reasons

The Company is engaged in the manufacturing and sale Chinese medicine, biological preparations, Chinese herbal medicine, food and healthcare food, etc.

Pursuant to the Distribution Framework Agreement, the Company agreed that the Tong Ren Tang Group may purchase the products from the Group and may distribute the same to retailers and/or end-users by acting as the non-exclusive distributor of the Group. The detailed products and the quantities of such products shall be determined by both parties in accordance with the market conditions and shall be stated in the specific implementation agreements. As the implementation agreements as contemplated under the Distribution Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the Distribution Framework Agreement and the relevant annual caps, and if exceeded, the Company will comply with the relevant Listing Rules accordingly. The Previous Distribution Framework Agreement expired on 31 December 2010.

The Directors believe that the sale of the Group's products to the members of the Tong Ren Tang Group would be beneficial to the development of the Group's business; it would be a waste of resources for not utilizing the sales network operating under the brand of "Tong Ren Tang" which is targeted to gain dominant position in respect of sale products.

LETTER FROM VEDA CAPITAL

We were advised by the Company that Tong Ren Tang Group currently has a sales network of approximately 1,300 retail terminals in the PRC and it is the business strategy of Tong Ren Tang Group to continue to expand its distribution network in the next three years. We noted from Board Letter that the annual sale of the Group's products to the Tong Ren Tang Group under the Previous Distribution Framework Agreement for the three years ended 31 December 2010 were approximately RMB116.43 million (the “**2008 Sales**”), approximately RMB152.00 million (the “**2009 Sales**”) and approximately RMB187.10 million (the “**2010 Sales**”) respectively. We also noted that the 2008 Sales and the 2009 Sales represented (i) approximately 9.61% and approximately 11.62% of the total revenue of the Group for the years ended 31 December 2008 and 2009; and (ii) approximately 9.68% and approximately 11.70% of the total revenue generated from the sales of medicine of the Group for the years ended 31 December 2008 and 2009.

Having consider (i) the principal activities of the Company and the recurring nature of the transactions under the Distribution Framework Agreement and the entering into of the Distribution Framework Agreement will enable the Company to continue its business with Tong Ren Tang Group; and (ii) the sales network of Tong Ren Tang Group, we consider that the Distribution Framework Agreement is fair and reasonable, in the ordinary and usual course of business of the Company and in the interests of the Company and the Independent Shareholders.

Pricing basis

The Company confirms that the purchase price and the payment terms under the Distribution Framework Agreement shall be no less favorable than those charged by the Group to other independent third parties. The payment time will be negotiated by the parties when entering into specific implementation agreements and the normal payment term is within 120 days after the execution of the relevant implementation agreement.

We have reviewed sample copies of invoices for the three years ended 31 December 2010 in respect of the transactions contemplated under the Previous Distribution Framework Agreement and similar transactions entered into between the Group and customers who are independent third parties (the “**Independent Third Parties**”) and noted that the pricing for the products to Tong Ren Tang Group are comparables to those offered to the Independent Third Parties. In addition, given that (i) the independent non-executive Directors will, pursuant to Rule 14A.37 of the Listing Rules, review, amongst other things, whether the Distribution Framework Agreement 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 less favourable to the Group than those offered to the customers of the Group who are Independent Third Parties; and (ii) the auditors of the Company will, pursuant to Rule 14A.38 of the Listing Rules, review for the purpose of confirming whether the continuing connected transactions entered into between the Company and Tong Ren Tang Group are conducted in accordance with the Distribution Framework Agreement, we are of the opinion that (a) the Distribution Framework Agreement is fair and reasonable and on normal commercial terms; and (b) adequate measures have been in place, as required under the said Listing Rules above, to monitor the Distribution Framework Agreement in order to protect the interests of the Company and the Independent Shareholders.

LETTER FROM VEDA CAPITAL

Proposed Annual Caps

The values of the annual sale of the Group's products to the Tong Ren Tang Group under the Previous Distribution Framework Agreement for the three years ended 31 December 2010, respectively are set out below:

	Year ended 31 December		
	2008 (RMB)	2009 (RMB)	2010 (RMB) (Unaudited)
Actual transaction value	116,426,000	152,001,000	187,104,000

As set out in the Board Letter, with a view to increasing the market share and the sale volume of the Group's products, and taking full advantage of the sales network with the brand of "Tong Ren Tang", the Group has been acting as its best endeavors to further expand the sales of the Group's products through ultimate retail distributors. In light of the aforesaid, the Company expects a substantial increase in the transaction volume with the Tong Ren Tang Group in the coming three years. Therefore, the Company proposes that annual caps for the transactions under the Distribution Framework Agreement shall be RMB350,000,000 (the "**2011 Annual Cap**"), RMB480,000,000 (the "**2012 Annual Cap**") and RMB650,000,000 (the "**2013 Annual Cap**") for the three years ending 31 December 2013, respectively.

As advised by the Company, in arriving at the propose annual caps, the Company has taken into account (i) the historical transaction amount in respect of the sale of the Group's products to the Tong Ren Tang Group; (ii) the expected annual growth rate in respect of the sale of the Group's products to the Tong Ren Tang Group; and (iii) the expected expansion in the number of the members of Tong Ren Tang Group.

The 2009 Sales and the 2010 Sales represented annual growth of approximately 31% and approximately 23%, with an average annual growth of approximately 27% (the "**Average Growth**"). We noted that 2011 Annual Cap represented a growth of approximately 87.06% from the 2010 Sales. We were given to understand by the Company that the 2011 Annual Cap was arrived based on (i) the Average Growth; (ii) as advised by Tong Ren Tang Group, the strategic planning of an annual growth of 7% to 8% of the distribution network of Tong Ren Tang Group in the next three years; and (iii) the estimated transaction value of the new products of the Group of approximately RMB80 million between the Group and Tong Ren Tang Group for the year 2011. As noted from annual report 2009 of the Group, the total revenue from the sale of medicine for the year ended 31 December 2009 was approximately RMB1,298.82 million and as advised by the Company, the Company has manufactured approximately 140 products per annum in past years and the Group is planning to introduce approximately 20 new products to the market for the year 2011. Based on the above, each product of the Group has generated, on average, approximately RMB9.28 million (the "**Average Product Sales**") revenue to the business segment of sale of medicine of Group and hence, the potential revenue generated from the new products would be RMB185.6 million based on the Average Product Sales. As

LETTER FROM VEDA CAPITAL

advised by the Company, with the above basis and the inclusion of estimated transaction value of approximately RMB80 million from new products for year 2011, the total transaction value under the Distribution Framework Agreement for the year 2011 is estimated to be approximately RMB333 million (the “**Estimated Value**”) and the 2011 Annual Cap represent a premium of approximately 5.1% over the Estimated Value. In view of the above, we consider the 2011 Annual Cap is fair and reasonable and in the interests of the Company and the Independent Shareholders as whole.

We noted that the 2012 Annual Cap and the 2013 Annual Cap represent increase of approximately 37.14% and 35.42% respectively as compared with the annual caps in previous years. Having considered the Average Growth and the strategic planning of the expansion of the distribution network of Tong Ren Tang Group, we consider the 2012 Annual Cap and the 2013 Annual Cap are fair and reasonable and in the interests of the Company and the Independent Shareholders as whole.

IV. RECOMMENDATION

Taking into consideration of the above-mentioned principal factors and reasons, we consider that the Distribution Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We also consider that the Distribution Framework Agreement are on normal commercial terms and in the ordinary and usual course of businesses of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Distribution Framework Agreement

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong
Chairman

Julisa Fong
Managing Director

1. RESPONSIBILITY STATEMENT

This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors, Supervisors and Chief Executive of the Company

As at Latest Practicable Date, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Interests in the Shares of the Company

Name	Type of Interest	Capacity	Number of shares (Note)	Percentage of domestic shares	Percentage of total issued 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.

Interests in the Shares of Tong Ren Tang Limited

Name	Type of Interest	Capacity	Number of shares (Note)	Percentage of total issued share capital
Mr. Yin Shun Hai	Personal	Beneficial owner	46,620	0.009%
Mr. Mei Qun	Personal	Beneficial owner	37,297	0.007%

Note: All represented A shares.

Interests in the Shares of Beijing Tong Ren Tang International Co., Limited

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors and chief executive 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) were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under the SFO) or were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required, pursuant to the requirements as set out in the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules.

(ii) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the Supervisors and the chief executive of the Company, the following persons (other than a Director, a Supervisor or the chief executive of the Company) had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity	Number of shares	Percentage of domestic shares	Percentage of H shares	Percentage of total issued share capital
Tong Ren Tang Limited (Note 2)	Beneficial owner	100,000,000	92.013%	–	51.020%
Tong Ren Tang Holdings (Note 3&4)	Interest of a controlled corporation	100,000,000	92.013%	–	51.020%
	Beneficial owner	1,580,000	1.454%	–	0.806%
Yuan Sainan	Beneficial owner	5,655,000 (L)	–	6.47%	2.885%

Notes:

- (1) (L) – Long position, (S) – Short position, (P) – Lending pool
- (2) As at the Latest Practicable Date, Mr. Mei Qun, Mr. Yin Shun Hai, Ms. Ding Yong Ling and Mr. Xie Zhan Zhong, being Directors, are also vice chairman, vice chairman, director, and executive deputy general manager of Tong Ren Tang Limited respectively.
- (3) Such shares were held through Tong Ren Tang Limited as at the Latest Practicable Date, Tong Ren Tang Limited was owned as to 55.24% by Tong Ren Tang Holdings. According to Part XV of the SFO, Tong Ren Tang Holdings was deemed to be interested in the 100,000,000 shares held by Tong Ren Tang Limited.
- (4) As at the Latest Practicable Date, Mr. Mei Qun, Mr. Yin Shun Hai and Ms. Ding Yong Ling, being Directors, are also vice chairman and general manager, chairman, and deputy general manager of Tong Ren Tang Holdings respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, the Supervisors and the chief executive of the Company, there was no other person (other than the Director, the Supervisors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of divisions 2 and 3 of Part XV of the SFO, or who is, directly, or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors and the Supervisors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up.

4. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, the Supervisors nor their respective Associates is interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's business and none of the Directors, the Supervisors nor their respective Associates is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant to the business of the Group taken as a whole.

5. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors nor the Supervisors 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 since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors nor the Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

6. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors nor the Supervisors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. LITIGATION

As far as the Directors are aware, none of the members of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

8. EXPERT'S QUALIFICATION AND CONSENT

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

The following is the qualification of Veda Capital who has given its opinions or advices which are contained in this circular:

Name	Qualification
Veda Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO.

9. EXPERTS' INTERESTS

As the Latest Practicable Date, Veda Capital had not any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2009, the date to which the latest audited financial statements of the Group were made up, and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. METHOD OF VOTING AT THE EXTRAORDINARY GENERAL MEETING

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the Chairman of the Extraordinary General Meeting will demand a poll in relation to the proposed resolution at the Extraordinary General Meeting.

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 share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, 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 a securities representative of Tong Ren Tang Limited. She is currently the secretary to the Company's Board of Directors.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at principal place of business in Hong Kong at 20th Floor, Park Avenue, No. 5 Moreton Terrace, Causeway Bay, Hong Kong from the date of this circular up to and including 12 February 2011.

- (a) the letter from Veda Capital as set out in pages 11 to 15 of this circular;
- (b) the written consent of Veda Capital referred to in this Appendix;
- (c) the Distribution Framework Agreement; and
- (d) the Previous Distribution Framework Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Tong Ren Tang Technologies Co., Ltd.

北京同仁堂科技發展股份有限公司

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

(Stock code: 1666)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“EGM”) of Tong Ren Tang Technologies Co., Ltd., (the “Company”) will be held at 9:30 a.m. on Monday, 14 March 2011 at No.52 Dong Xing Long Street, Dong Cheng District, Beijing, the People's Republic of China (the “PRC”) for the purpose of considering and, if thought fit, passing the following resolution:

As an Ordinary Resolution

THAT, the distribution framework agreement dated 18 January 2011 (the “Distribution Framework Agreement”) and entered into between the Company and China Beijing Tong Ren Tang Group Co., Ltd., and the annual caps for the three years ending 31 December 2013 for the transactions contemplated thereunder are hereby approved, ratified and confirmed; and **THAT** any one director of the Company be and is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effect to the Distribution Framework Agreement and completing the transactions contemplated thereunder with such changes as he may consider necessary, desirable or expedient.

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

Beijing, the PRC
27 January 2011

As at the date of this notice, the board of directors of the Company comprises Mr. Mei Qun, Mr. Yin Shun Hai, Mr. Wang Yu Wei, Ms. Fang Jia Zhi and Mr. Xie Zhan Zhong as executive Directors; Ms. Ding Yong Ling as non-executive Director; Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan as independent non-executive Directors.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. ELIGIBILITY FOR ATTENDING THE EGM

Holders of H Shares whose names appear on the register of the Company maintained by Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, on Saturday, 12 February 2011 shall be entitled to attend the EGM.

Holders of H Shares intending to attend and vote at the EGM to be held on Monday, 14 March 2011 shall lodge all the transfer documents for H Shares with the relevant share certificates to the H Share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 11 February 2011.

2. PROXY

- (1) Shareholders entitled to attend and vote at the EGM may appoint one or more proxies in writing to attend and vote at the meeting on his behalf. The proxy need not be a shareholder of the Company.
- (2) A proxy shall be appointed by a shareholder by a written instrument signed by the appointor or his attorney duly authorized in writing. In case of a corporation, the same must be either under its common seal or under hand of its director(s) or duly authorized attorney(s). If the written instrument is signed by an attorney of the appointor, the power of attorney or other documents of authorization of such attorney shall be notarized.
- (3) To be valid, the notarized power of attorney or other document(s) of authorization (if any) and the form of proxy shall be delivered to (i) the office address of Company for holders of domestic shares; and (ii) Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, for holders of H shares, no less than 24 hours before the time fixed for convening the EGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so desires.
- (4) If a shareholder appoints more than one proxy, such proxies shall only exercise their voting rights by a poll.

3. REGISTRATION PROCEDURES FOR ATTENDING THE EGM

- (1) A shareholder or his proxy shall produce his identification document when attending the EGM. Where a shareholder is a legal person, the legal representative of that shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (2) Shareholders intending to attend the EGM shall return to the Company the reply slip stating their attendance on or before Monday, 21 February 2011.
- (3) A shareholder may return the above reply slip to the Company in person, by post or by facsimile.

4. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 12 February 2011 to Monday, 14 March 2011 (both dates inclusive), during which time no transfer of shares will be registered.

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. METHOD OF VOTING AT THE EGM

Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the EGM will demand a poll in relation to all the proposed resolution at the EGM.

6. MISCELLANEOUS

- (1) The EGM of the Company is expected to be held for less than half a day. Shareholders attending the EGM shall be responsible for their own travelling and accommodation expenses.
- (2) The address of the Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The office and the contact details of the Company are:

No. 20, Nansanhuan Zhonglu,
Fengtai District,
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