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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: 3613)

**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS
REGARDING RENEWAL OF THE ANGONG NIHUANG WAN POWDER MASTER
PURCHASE AGREEMENT**

**RENEWAL OF THE ANGONG NIHUANG WAN POWDER MASTER PURCHASE
AGREEMENT**

Reference is made to the announcement of the Company dated 6 December 2018 in relation to, inter alia, the entering into of the 2019 Angong Niu Huang Wan Powder Master Purchase Agreement with Tong Ren Tang Ltd..

As the 2019 Angong Niu Huang Wan Powder Master Purchase Agreement will expire on 31 December 2021, the Company has entered into the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement with Tong Ren Tang Ltd. on 28 December 2021 to renew the procurement arrangement for a further term of three years from 1 January 2022 to 31 December 2024. The Company also resolved to obtain new annual caps for the transactions contemplated under the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement, details of which are set out in this announcement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tong Ren Tang Ltd. is interested in approximately 71.67% of the issued share capital of the Company and is the controlling shareholder of the Company, and it is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed Angong Niu Huang Wan Powder Master Purchase 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 new annual caps of the transactions contemplated under the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement exceeds 0.1% but less than 5% on an annual basis, the transactions contemplated under the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement are subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

RENEWAL OF THE ANGONG NIHUANG WAN POWDER MASTER PURCHASE AGREEMENT

Reference is made the announcement of the Company dated 6 December 2018 in relation to, inter alia, the entering into of the 2019 Angong Niu Huang Wan Powder Master Purchase Agreement with Tong Ren Tang Ltd..

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Renewed Angong Niu Huang Wan Powder Master Purchase Agreement

Date : 28 December 2021

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

Term : a term of three years from 1 January 2022 to 31 December 2024 (both days inclusive)

Major terms and conditions :

- Within the term of the Renewed Angong Niu Huang Wan 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 Niu Huang Wan Powder, being the raw materials for the production of Angong Niu Huang Wan, as agreed by the parties; and
- Individual purchase agreement will be signed by members of the Tong Ren Tang Ltd. Group and the Group during the term of the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement to set out details of the quantity, price, specifications, standards, delivery time and settlement of the Angong Niu Huang Wan 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 Renewed Angong Niu Huang Wan Powder Master Purchase Agreement.

Pricing policy :

- The price of Angong Niu Huang Wan Powder payable to Tong Ren Tang Ltd. Group by the Group is based on the costs of raw materials (including 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 Niu Huang Wan Powder with natural musk in the PRC market; and
- Payment of the price will be settled within three months from the date of delivery of the Angong Niu Huang Wan Powder to the Group.

HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS

Set out below are the aggregate historical amounts paid or payable by the Group in respect of its purchase of the Angong Niu Huang Wan Powder from the Tong Ren Tang Ltd. Group for the two years ended 31 December 2020 and nine months ended 30 September 2021 as well as the previous annual caps:

	Year ended 31 December				Nine months ended 30 September 2021 (HK\$ million) (Unaudited)	Year ending 31 December 2021 (HK\$ million)
	2019 (HK\$ million) (Audited)		2020 (HK\$ million) (Audited)			
	Actual amounts	Historical Cap	Actual amounts	Historical Cap	Actual amounts	Historical Cap
Amounts paid/payable under the 2019 Angong Niu Huang Wan Powder Master Purchase Agreement	24.3	31.0	22.3	42.0	9.5	55.0

The proposed annual caps under the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement for each of the three years ending 31 December 2024 are set out below:

	For the year ending 31 December		
	2022 (HK\$ million)	2023 (HK\$ million)	2024 (HK\$ million)
Proposed annual caps	54.0	60.0	64.0

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

- the expected demand of Angong Niu Huang Wan in Hong Kong and Macao markets;
- the expected increase in market coverage of Angong Niu Huang Wan as the Group has commenced the preparation of registration or filing for the use of Angong Niu Huang Wan in certain overseas countries;
- the expected increase in prices of Angong Niu Huang Wan Powder over the next three years as a result of possible increase in costs of raw materials (including the natural musk) and the continuous increase in processing fees, in particular, continuous increase in costs in labour; and
- the inclusion of a buffer for the estimated amount of the purchase of Angong Niu Huang Wan Powder by the Group under the Renewed Angong Niu Huang Wan 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 Niu Huang Wan) or unexpected increase in the prices of Angong Niu Huang Wan Powder as well as any possible appreciation in the RMB against HK\$ during the term of the Renewed Angong Niu Huang Wan 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 ENTERING INTO THE RENEWED ANGONG NIUHUANG WAN POWDER MASTER PURCHASE AGREEMENT

The transactions contemplated under the Renewed Angong Niuhuang Wan Powder Master Purchase Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group.

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

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

The Directors (including the independent non-executive Directors) are of the view that the terms of the Renewed Angong Niuhuang Wan Powder Master Purchase Agreement (including the annual 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.

INTERNAL CONTROL MEASURES

In order to ensure that the aforesaid pricing policies for the transactions contemplated under the Renewed Angong Niuhuang Wan Powder Master Purchase Agreement will be adhered to, the Group will continue to adopt the following internal control measures:

- (i) the relevant business departments of the Group are responsible for specific implementation and supervision of the Continuing Connected Transactions, so as to ensure that such transactions are conducted in accordance with the terms of the Renewed Angong Niuhuang Wan Powder Master Purchase Agreement;
- (ii) the finance department of the Company is responsible for monitoring, collecting and evaluating the detailed information of the Continuing Connected Transactions (including but not limited to the payment arrangements and actual transaction amount under each of the specific implementation agreements) on a regular basis, so as to ensure that the amount of the transactions does not exceed the established annual cap. If there is any imminent or possible exceeding of the annual caps of the Continuing Connected Transactions, the relevant business departments shall report as soon as possible to the finance department and compliance department of the Company to determine the necessity to revise the annual caps on a timely basis. If the compliance department confirms the necessity to revise the annual caps, the relevant business departments shall propose the revised annual caps and reasons for adjustment, and relevant approval and disclosure procedures shall be implemented as soon as practicable. Prior to the compliance of all the approval and disclosure procedures, the relevant business departments involved in the Continuing Connected Transactions shall closely

monitor, and ensure that the transaction amounts do not exceed the annual caps;

- (iii) the independent non-executive Directors will review the Continuing Connected Transactions to ensure all transactions contemplated under the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement are entered into on normal commercial terms or better, are fair and reasonable, and such transactions are carried out pursuant to the terms of the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement; and
- (iv) the auditor of the Company will also conduct an annual review on the pricing and annual caps of the Continuing Connected Transactions under the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tong Ren Tang Ltd. is interested in approximately 71.67% of the issued share capital of the Company and is the controlling shareholder of the Company, and it is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed Angong Niu Huang Wan Powder Master Purchase 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 new annual caps of the transactions contemplated under the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement exceeds 0.1% but less than 5% on an annual basis, the transactions contemplated under the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement are subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Ding Yong Ling (who is the director and the deputy general manager of Tong Ren Tang Holdings), is considered to have material interests in the transactions contemplated under the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement by virtue of her position in Tong Ren Tang Holdings and has abstained from voting on the relevant resolutions in the Board meeting to approve the transactions contemplated under the Renewed Angong Niu Huang Wan Powder Master Purchase Agreement. Save as disclosed, there is no other Director who has a material interest in the transactions contemplated under the Renewed Angong Niu Huang Wan 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:

“2019 Angong Niu Huang Wan Powder Master Purchase Agreement”	the existing master purchase agreement dated 6 December 2018 entered into between the Company and Tong Ren Tang Ltd. in relation to the procurement of Angong Niu Huang Wan Powder from Tong Ren Tang Ltd. Group by the Group
“Angong Niu Huang Wan”	pills manufactured by the Company from, among others, Angong Niu Huang Wan Powder
“Angong Niu Huang Wan Powder”	the principal raw material for the Angong Niu Huang Wan
“Board”	the board of Directors
“Company”	Beijing Tong Ren Tang Chinese Medicine Company Limited, a limited company incorporated in Hong Kong, the share listed on GEM of the Stock Exchange on 7 May 2013 and were transferred to the Main Board of the Stock Exchange on 29 May 2018
“Continuing Connected Transactions”	the continuing connected transactions which have been and will continue to be entered into between the Group and the Tong Ren Tang Ltd. Group, details of which are set out in the paragraph headed “Renewed Angong Niu Huang Wan Powder Master Purchase Agreement” of this announcement
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“GEM”	GEM operated by the Stock Exchange
“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
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“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, its subsidiaries, its jointly controlled entities and its associates (other than the Group)
“PRC”	the People's Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macao and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Renewed Angong Niu Huang Wan Powder Master Purchase Agreement”	a new master purchase agreement dated 28 December 2021 entered into between the Company and Tong Ren Tang Ltd. in relation to the procurement of Angong Niu Huang Wan Powder from Tong Ren Tang Ltd. Group by the Group
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tong Ren Tang Holdings”	China Beijing Tong Ren Tang Group Co., Ltd., 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 Company Limited, 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
Ding Yong Ling
Chairman

Hong Kong, 28 December 2021

As at the date of this announcement, the composition of the Board is as follows:

Executive Directors:

Ms. Ding Yong Ling (Chairman)
Mr. Chen Fei
Ms. Lin Man

Independent Non-executive Directors:

Mr. Tsang Yok Sing, Jasper
Mr. Zhao Zhong Zhen
Mr. Chan Ngai Chi