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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)**

**CONTINUING CONNECTED TRANSACTIONS  
REGARDING**

**(I) THE RENEWED TRT GROUP PRC DISTRIBUTION FRAMEWORK  
AGREEMENT; AND**

**(II) THE RENEWED TRT TECH PRC DISTRIBUTION FRAMEWORK  
AGREEMENT**

**THE RENEWED TRT GROUP PRC DISTRIBUTION FRAMEWORK AGREEMENT**

References are made to the announcements of the Company dated 2 December 2019 and 6 November 2020 in relation to, inter alia, the continuing connected transactions and the revisions of the annual caps contemplated under the Existing TRT Group PRC Distribution Framework Agreement with Tong Ren Tang Holdings.

As the Existing TRT Group PRC Distribution Framework Agreement has expired on 31 December 2022, the Company has entered into the Renewed TRT Group PRC Distribution Framework Agreement with Tong Ren Tang Holdings on 20 February 2023 to renew the PRC distribution arrangement for a further term of approximately three years ending 31 December 2025. Pursuant to the Renewed TRT Group PRC Distribution Framework Agreement, the Company had agreed (i) to sell the Products to the Tong Ren Tang Group and the Tong Ren Tang Group may, by acting as the non-exclusive distributor of the Group, distribute the same to, among others, distributors, retailers or end-users in the PRC or use them for the purpose of production; and (ii) to expand the scope of products to be sold under the Existing TRT Group PRC Distribution Framework Agreement by adding Chinese Medicine Products.

**THE RENEWED TRT TECH PRC DISTRIBUTION FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 13 May 2020 in relation to, inter alia, the continuing connected transactions contemplated under the Existing TRT Tech PRC Distribution Framework Agreement with Tong Ren Tang Technologies.

As the Existing TRT Tech PRC Distribution Framework Agreement has expired on 31 December 2022, the Company has entered into the Renewed TRT Tech PRC Distribution Framework Agreement with Tong Ren Tang Technologies on 20 February 2023 to renew the PRC distribution arrangement for a further term of approximately three years ending 31 December 2025.

## **IMPLICATIONS UNDER THE LISTING RULES**

As of the date of this announcement, Tong Ren Tang Holdings, who is interested in approximately 71.67% of the issued share capital of the Company, is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed TRT Group PRC Distribution Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As of the date of this announcement, Tong Ren Tang Technologies, who is interested in approximately 38.05% of the issued share capital of the Company, is a controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed TRT Tech PRC 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 contemplated under each of the Renewed TRT Group PRC Distribution Framework Agreement and the Renewed TRT Tech PRC Distribution Framework Agreement exceed 5%, the transactions contemplated thereunder are subject to reporting, announcement, circular, annual review, as well as the Independent Shareholders' approval requirements under the Listing Rules.

With the approval of the Independent Board Committee, Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of each of the Renewed TRT Group PRC Distribution Framework Agreement and the Renewed TRT Tech PRC Distribution Framework Agreement.

A circular containing, among others, details of the Renewed PRC Distribution Framework Agreements, a letter from the Independent Board Committee and a letter from the independent financial adviser on the terms of each of the Renewed TRT Group PRC Distribution Framework Agreement and the Renewed TRT Tech PRC Distribution Framework Agreement, together with a notice convening the EGM, will be despatched to the Shareholders on or before 23 February 2023.

### **(I) THE RENEWED TRT GROUP PRC DISTRIBUTION FRAMEWORK AGREEMENT**

References are made to the announcements of the Company dated 2 December 2019 and 6 November 2020 in relation to, inter alia, the continuing connected transactions and the revisions of the annual caps contemplated under the Existing TRT Group PRC Distribution Framework Agreement with Tong Ren Tang Holdings.

As the Existing TRT Group PRC Distribution Framework Agreement has expired on 31 December 2022, the Company has entered into the Renewed TRT Group PRC Distribution Framework Agreement with Tong Ren Tang Holdings on 20 February 2023 to renew the PRC distribution arrangement for a further term of approximately three years ending 31 December 2025. Pursuant to the Renewed TRT Group PRC Distribution Framework Agreement, the Company had agreed (i) to sell the Products to the Tong Ren Tang Group and the Tong Ren Tang Group may, by acting as the non-exclusive distributor of the Group, distribute the same to, among others, distributors, retailers or end-users in the PRC or use them for the purpose of production; and (ii) to expand the scope of products to be sold under the Existing TRT Group PRC Distribution Framework Agreement by adding Chinese Medicine Products.

## **The Renewed TRT Group PRC Distribution Framework Agreement**

- Date** : 20 February 2023
- Parties** : (1) the Company; and  
(2) Tong Ren Tang Holdings
- Term** : The Renewed TRT Group PRC Distribution Framework Agreement shall be from 20 February 2023 to 31 December 2025 (both days inclusive) and shall be effective upon the approval of the Independent Shareholders at the EGM
- Major terms and conditions** :
- The Company agreed that the Tong Ren Tang Group, by acting as the non-exclusive distributor of the Group, may purchase the Products from the Group and may distribute the same to, among others, distributors, retailers or end-users in the PRC or use them for the purpose of production;
  - Details and the quantities of the Products shall be determined by both parties in accordance with the then market conditions and shall be stated in separate implementation agreements within the ambit of the Renewed TRT Group PRC Distribution Framework Agreement.
- Pricing policy** :
- Price for the Products shall be determined based on the prevailing market price, which is with reference to the price and sale terms of similar products in the industry and in the PRC market at the time when a separate implementation agreement is entered into. The Group shall: (i) compare the prices of the major Products supplied to the Tong Ren Tang Group with the prices for similar products as obtained by the Group on the market from time to time representing market prices for these products; and (ii) at least, on a quarterly basis, compare the price and sales terms of the purchase orders of the major Products supplied to the Tong Ren Tang Group with those entered into with and/or obtained from at least two independent third parties. After conducting the above mechanisms, the Group shall determine the prices and sales terms of the Products sold to members of Tong Ren Tang Group which shall not be more beneficial than those sold to independent third parties under the same condition;
  - In addition, price for the Owned Products shall be determined based on a reasonable cost plus a fair and reasonable profit margin: (a) the reasonable cost shall be determined by reference to the cost of the raw materials, the cost of labour and the manufacturing expense, etc.; and (b) the profit margin shall be determined by reference to the average gross profit rate of the Group in the previous three years, which shall not be less than 50%.

The consideration for the Products sold by the Group under the Renewed TRT Group PRC Distribution Framework Agreement shall be settled by the Tong Ren Tang Group within three months from the date of their receipt of the Products.

## Implementation Agreements

Members of the Group and members of the Tong Ren Tang Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the Renewed TRT Group PRC Distribution Framework Agreement during the term thereof. Each implementation agreement will set out the details of the products supplied, and the specifications, quantities, prices and other relevant terms thereof. Any such implementation agreements will be within the ambit of the Renewed TRT Group PRC Distribution Framework Agreement and the relevant annual caps, and if exceeded, the Company will comply with the relevant Listing Rules accordingly.

## Historical Figures and Proposed Annual Caps

The Existing TRT Group PRC Distribution Framework Agreement only covered sales of the Owned Products by the Group to Tong Ren Tang Group, while the sales of Chinese Medicine Products to Tong Ren Tang Ltd Group (being members of the Tong Ren Tang Group) only commenced in 2022 under the Sales Framework Agreement. Set out below is the aggregate historical amounts received/receivable by the Group in respect of its sales of the Owned Products for the Tong Ren Tang Group's distribution to, among others, retailers or end-users in the PRC for the two years ended 31 December 2021 and nine months ended 30 September 2022 as well as the previous annual caps (exclusive of value-added tax in the PRC) as revised based on the announcement of the Company dated 6 November 2020 under the Existing TRT Group PRC Distribution Framework Agreement:

	Year ended 31 December				Nine	Year ended
	2020		2021		months ended	31 December
	Actual	Historical	Actual	Historical	30 September	2022
	amounts	Cap	amounts	Cap	Actual	Historical
	(HK\$' million)		(HK\$' million)		amounts	Cap
	(Audited)		(Audited)		(HK\$' million)	(HK\$' million)
					(Unaudited)	
<b>Amounts received/ receivable under the Existing TRT Group PRC Distribution Framework Agreement (exclusive of value-added tax in the PRC)</b>	338.0	363.0	92.1	430.0	53.5	470.0

The low utilisation of the historical annual caps for the year ended 31 December 2021 and the nine months ended 30 September 2022 was due to the adjustment of the Group's sales strategy after considering that there were long overdue receivables from certain subsidiaries, jointly-controlled entities and associates of the Tong Ren Tang Group. Pursuant to the implementation agreements entered into between Tong Ren Tang Group and the Group under the Existing TRT Group PRC Distribution Framework Agreement, the Group had granted to the Tong Ren Tang Group a payment term of three months. As at 31 December 2020, the Group had recorded an amount of HK\$187,570,000 from Tong Ren Tang Group which was past due. Although the Directors were of the view that the overdue receivables did not pose significant credit risks to the Group given the Group had implemented stringent internal control measures, the sales to certain members of Tong Ren Tang Group was halted and the Group had taken various measures, including but not limited to, issuing formal demand letters and holding discussion with the management of the Tong Ren Tang Group. The overdue receivables were subsequently fully settled as at 31 December 2021. Details of the overdue receivables and the relevant settlement are set out in the announcement of the Company dated 31 December 2021.

The Company entered into the Sales Framework Agreement with Tong Ren Tang Ltd. (a controlling shareholder of the Company) on 22 September 2022. Pursuant to the Sales Framework Agreement, members of the Tong Ren Tang Ltd Group will procure from the Group the Chinese Medicine Products. For illustration of the historical amounts of sales of the Chinese Medicine Products by the Group to Tong Ren Tang Ltd Group, for the nine months ended 30 September 2022, the Group sold to the Tong Ren Tang Group the Chinese Medicine Products in the amount of HK\$7.0 million.

The proposed annual caps (exclusive of value-added tax in the PRC) under the Renewed TRT Group PRC Distribution Framework Agreement for the distribution of the Products (including both the Owned Products and the Chinese Medicine Products) for each of the three years ending 31 December 2025 are set out below:

	<b>For the year ending 31 December</b>		
	<b>2023</b> <i>(HK\$' million)</i>	<b>2024</b> <i>(HK\$' million)</i>	<b>2025</b> <i>(HK\$' million)</i>
<b>Proposed annual caps (exclusive of value-added tax in the PRC)</b>	330.0 <i>(Note)</i>	380.0	436.0

*Note: From 1 January 2023 and up to the date of this announcement, Tong Ren Tang Group had not purchased any Products from the Group.*

The proposed annual caps for the three years ending 31 December 2025 set out above are determined based on the following factors which are applicable to the Renewed TRT Group PRC Distribution Framework Agreement:

- (a) the historical figures of the relevant transactions and the historical annual caps for each of the Owned Products and the Chinese Medicine Products as disclosed above. Having considered that the long overdue receivables had been fully recovered as at 31 December 2021 and that the Company has a set of comprehensive internal control measures in monitoring and collecting receivables under the Renewed TRT Group PRC Distribution Framework Agreement, the Group expects to resume normal trading with Tong Ren Tang Group for the three years ending 31 December 2025;
- (b) an estimated year-on-year growth rate of 15% for the Products for the three years ending 31 December 2025;
- (c) the estimated sales of potential new Owned Products and the Chinese Medicine Products for the year ending 31 December 2023;
- (d) the expected price of the Products for the three years ending 31 December 2025; and
- (e) a buffer for any unexpected increase of the sales amount, the current market condition, and for any potential appreciation in the RMB against HK\$. The buffer 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 Group.

## **(II) THE RENEWED TRT TECH PRC DISTRIBUTION FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 13 May 2020 in relation to, inter alia, the continuing connected transactions contemplated under the Existing TRT Tech PRC Distribution Framework Agreement with Tong Ren Tang Technologies.

As the Existing TRT Tech PRC Distribution Framework Agreement has expired on 31 December 2022, the Company has entered into the Renewed TRT Tech PRC Distribution Framework Agreement with Tong Ren Tang Technologies on 20 February 2023 to renew the PRC distribution arrangement for a further term of approximately three years ending 31 December 2025.

### **The Renewed TRT Tech PRC Distribution Framework Agreement**

- Date** : 20 February 2023
- Parties** : (1) the Company; and  
(2) Tong Ren Tang Technologies
- Term** : The Renewed TRT Tech PRC Distribution Framework Agreement shall be from 20 February 2023 to 31 December 2025 (both days inclusive) and shall be effective upon the approval of the Independent Shareholders at the EGM
- Major terms and conditions** :
- The Company agreed that the Tong Ren Tang Technologies Group, by acting as the non-exclusive distributor of the Group, may purchase the Products from the Group and may distribute the same to, among others, distributors, retailers or end-users in the PRC or use them for the purpose of production;
  - Details and the quantities of the Products shall be determined by both parties in accordance with the then market conditions and shall be stated in separate implementation agreements within the ambit of the Renewed TRT Tech PRC Distribution Framework Agreement.
- Pricing policy** :
- Price for the Products shall be determined based on the prevailing market price, which is with reference to the price and sale terms of similar products in the industry and in the PRC market at the time when a separate implementation agreement is entered into. The Group shall: (i) compare the prices of the major Products supplied to the Tong Ren Tang Technologies Group with the prices for similar products as obtained by the Group on the market from time to time representing market prices for these products; and (ii) at least, on a quarterly basis, compare the prices and sales terms of the purchase orders of the major Products supplied to the Tong Ren Tang Technologies Group with those entered into with and/or obtained from at least two independent third parties. After conducting the above mechanisms, the Group shall determine the prices and sales terms of the Products sold to members of the Tong Ren Tang Technologies Group which shall be comparable to those sold to independent third parties under the same condition;

- In addition, price for the Owned Products shall be determined based on a reasonable cost plus a fair and reasonable profit margin: (a) the reasonable cost shall be determined by reference to the cost of the raw materials, the cost of labour and the manufacturing expense, etc.; and (b) the profit margin shall be determined by reference to the average gross profit rate of the Group in the previous three years, which shall not be less than 50%.

The consideration for the Products sold by the Group under the Renewed TRT Tech PRC Distribution Framework Agreement shall be settled by the Tong Ren Tang Technologies Group within three months from the date of their receipt of the Products.

## Implementation Agreements

Members of the Group and members of the Tong Ren Tang Technologies Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the Renewed TRT Tech PRC Distribution Framework Agreement during the term thereof. Each implementation agreement will set out the details of the products supplied, and the specifications, quantities, prices and other relevant terms thereof. Any such implementation agreements will be within the ambit of the Renewed TRT Tech PRC Distribution Framework Agreement and the relevant annual caps, and if exceeded, the Company will comply with the relevant Listing Rules accordingly.

## Historical Figures and Proposed Annual Caps

Set out below is the aggregate historical amounts received/receivable by the Group in respect of its sales of the Products for the Tong Ren Tang Technologies Group's distribution to, among others, distributors, retailers or end-users in the PRC for the two years ended 31 December 2021 and nine months ended 30 September 2022 as well as the previous annual caps (exclusive of value-added tax in the PRC) under the Existing TRT Tech PRC Distribution Framework Agreement:

	Year ended 31 December		Year ended 31 December		Nine months ended 30 September 2022	Year ended 31 December 2022
	2020	2021	2020	2021		
	Actual amounts	Historical Cap	Actual amounts	Historical Cap	Actual amounts	Historical Cap
	(HK\$' million)	(HK\$' million)	(HK\$' million)	(HK\$' million)	(HK\$' million)	(HK\$' million)
	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
<b>Amounts received/ receivable under the Existing TRT Tech PRC Distribution Framework Agreement (exclusive of value-added tax in the PRC)</b>	8.7	50.0	0.7	57.0	1.8	65.0

The low utilisation of the historical annual caps was because the Group had adjusted its sales strategy on customer distribution to e-commerce distributors since 2020 and had focused on sales of the Products through the e-commerce sales channel, to which the Group had prioritised its sales effort and the Products were allocated to such sales channel as it was at its early stage of operation. It was also noted that the Tong Ren Tang Technologies Group had also adjusted its sales strategies in respect of the Products.

The proposed annual caps (exclusive of value-added tax in the PRC) under the Renewed TRT Tech PRC Distribution Framework Agreement for the distribution of the Products for each of the three years ending 31 December 2025 are set out below:

	<b>For the year ending 31 December</b>		
	<b>2023</b> (HK\$' million)	<b>2024</b> (HK\$' million)	<b>2025</b> (HK\$' million)
<b>Proposed annual caps (exclusive of value-added tax in the PRC)</b>	74.0 <sup>(Note)</sup>	85.0	98.0

*Note: From 1 January 2023 and up to the date of this announcement, Tong Ren Tang Technologies Group had not purchased any Products from the Group.*

The proposed annual caps for the three years ending 31 December 2025 set out above are determined based on the following factors which are applicable to the Renewed TRT Tech PRC Distribution Framework Agreement:

- (a) the historical figures of the relevant transactions and the historical annual caps for the Products as disclosed above;
- (b) despite the low utilisation of the historical annual caps under the Existing TRT Tech PRC Distribution Framework Agreement, the Group had discussed with the Tong Ren Tang Technologies Group and was given to understand that there will be an expected increase in demand for the Products due to its marketing and sales strategies. The e-commerce sales channel had been developed for more than two years and had been in a growing status. The Group expects to optimise both online and offline platforms in the coming years to boost sales of the Group. There is an estimated year-on-year growth rate of 15% for the Products for the three years ending 31 December 2025;
- (c) the estimated sales of potential new Owned Products and the Chinese Medicine Products for the year ending 31 December 2023;
- (d) the expected price of the Products for the three years ending 31 December 2025; and
- (e) a buffer for any unexpected increase of the sales amount, the current market condition, and for any potential appreciation in the RMB against HK\$. The buffer 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 Technologies Group.

## **REASONS FOR ENTERING INTO THE RENEWED PRC DISTRIBUTION FRAMEWORK AGREEMENTS**

The Directors believe that the Owned Products' continuous availability for sale to the members of the Tong Ren Tang Group and the Tong Ren Tang Technologies Group would be in the interests of the Company and its Shareholders as well as the consumers as a whole. Other than those under the Renewed PRC Distribution Framework Agreements, the Company also entered into distributorship agreements with other PRC distributors, which are independent of and not connected with the Company and its connected persons, the terms of which are substantially the same as those under the Renewed PRC Distribution Framework Agreements. Furthermore, the Directors are also of the view that the expansion of the scope of products under the Renewed TRT Group PRC Distribution Framework Agreement by including the Chinese Medicine Products will further enhance the revenue of the Group in respect of the sales of the Chinese Medicine Products and will be beneficial to the development of the Group.

The sale of the Products to the members of the Tong Ren Tang Group and the Tong Ren Tang Technologies Group would be beneficial to the development of the business of the Group as well as the business of the Tong Ren Tang Group and the Tong Ren Tang Technologies Group, whose sales network is operating under the brand of Tong Ren Tang which is targeted to gain dominant position in respect of sales of Chinese medicine and healthcare products in the PRC. The sales of the Products through the network of the Tong Ren Tang Group and the Tong Ren Tang Technologies Group will also provide additional protection to consumers to ensure that no products of substandard will be purchased by the consumers in the distribution network operated by the Tong Ren Tang Group and the Tong Ren Tang Technologies Group in the PRC.

The Directors (excluding the independent non-executive Directors who will express their views after receiving advice from the Independent Financial Adviser) are of the view that the terms of each of the Renewed TRT Group PRC Distribution Framework Agreement and the Renewed TRT Tech PRC Distribution Framework Agreement (i) have been negotiated on an arm's length basis; (ii) have been conducted and will 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.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, there is no other continuing transaction entered into between any member of the Group and the Tong Ren Tang Group and the Tong Ren Tang Technologies Group and their ultimate beneficial owner(s) or otherwise related, which would be, together with the transactions contemplated under the Renewed PRC Distribution Framework Agreements, aggregated under the Listing Rules.

## **INTERNAL CONTROL MEASURES**

In order to ensure that the aforesaid pricing policies for the transactions contemplated under the Renewed PRC Distribution Framework Agreements will be adhered to, the Company will continue to adopt the following internal control measures:

- (i) the responsible persons of the relevant business departments of the Group shall monitor the performance of the implementation agreements and the prices of the Products sold to the members of the Tong Ren Tang Group and the Tong Ren Tang Technologies Group on a monthly basis (or more frequently if it is determined necessary) to ensure that the prices of the Products are determined in strict accordance with the pricing policies as set out in the Renewed PRC Distribution Framework Agreements. If any revision of terms or any price adjustment is required or if any imminent or possible exceeding of the annual caps is discovered due to change of actual circumstances, the relevant business departments are required to communicate to the finance department of the Company which will consider to initiate the appropriate approval process. Relevant business departments shall also regularly report the actual transaction amount to the finance department of the Company;
- (ii) the finance department of the Company is responsible for monitoring, collecting, and evaluating the specific information in relation to the implementation agreements under the Renewed PRC Distribution Framework Agreements (including but not limited to the pricing terms of each specific transaction, payment arrangement and the actual transaction amount) to ensure the prices of the Products charged by the Group are in compliance with the pricing policies and the aggregate transaction amount does not exceed the proposed annual caps. In particular, based on the actual transaction amount regularly reported by the relevant business departments of the Company, the finance department will collect and add up the transaction amount of the continuing connected transactions. The finance department maintains a database, which is updated monthly (or more frequently if it is determined necessary), to store all the information for the Products sold to the members of the Tong Ren Tang Group and the Tong Ren Tang Technologies Group. Such database allows the relevant business departments of the Company to keep up-to-date records of the selling prices and transaction records for the Products sold to the members of the Tong Ren Tang Group and the Tong Ren Tang Technologies Group. The finance department will check the information monthly (or more frequently if it is determined necessary) to ensure reasonableness of the continuing connected transactions;

- (iii) the independent non-executive Directors and the auditor of the Company will on a regular basis be provided with (i) the Renewed PRC Distribution Framework Agreements; (ii) the agreements entered into between the Group and independent third parties for the distribution of the same type of the Products; and (iii) separate implementation agreements entered into between the Group and the Tong Ren Tang Group and the Tong Ren Tang Technologies Group as well as those between the Group and independent third parties in respect of distribution of the Products in the PRC. The independent non-executive Directors will also review and compare the relevant payment terms, payment method and price payable under these agreements and to ensure that the transactions contemplated under the Renewed PRC Distribution Framework Agreements are conducted on normal commercial terms or better, and are fair and reasonable. The auditor of the Company will review and confirm the transactions contemplated under the Renewed PRC Distribution Framework Agreements are conducted in accordance with the terms of the Renewed PRC Distribution Framework Agreements on an annual basis; and
- (iv) the finance department, on a regular basis, will monitor the status of the collection of the receivables under individual purchase agreements and that the members of the Tong Ren Tang Group and the Tong Ren Tang Technologies Group shall settle the receivables in accordance with the terms set out in the Renewed PRC Distribution Framework Agreements.

Taking into account of that: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the abovementioned review procedures against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the Renewed PRC Distribution Framework Agreements. The Directors (including the independent non-executive Directors) are of the view that the Company has implemented effective internal control measures, and such methods and procedures can ensure that the transactions contemplated under the Renewed PRC Distribution Framework Agreements will be conducted on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Tong Ren Tang Holdings, who is interested in approximately 71.67% of the issued share capital of the Company, is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed TRT Group PRC Distribution Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Tong Ren Tang Technologies, who is interested in approximately 38.05% of the issued share capital of the Company, is a controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed TRT Tech PRC 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 contemplated under each of the Renewed TRT Group PRC Distribution Framework Agreement and the Renewed TRT Tech PRC Distribution Framework Agreement exceed 5%, the transactions contemplated thereunder are subject to reporting, announcement, circular, annual review as well as the Independent Shareholders' approval requirements under the Listing Rules.

Ms. Ding Yong Ling (who is the director and the deputy general manager of Tong Ren Tang Holdings), the Chairman and an executive Director of the Company, is considered to have material interests in the transactions contemplated under the Renewed PRC Distribution Framework Agreements by virtue of her positions 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 PRC Distribution Framework Agreements.

Ms. Feng Li (who is the deputy general manager and the secretary to the board of directors of Tong Ren Tang Ltd.), an executive Director of the Company, is considered to have material interests in the transactions contemplated under the Renewed PRC Distribution Framework Agreements by virtue of her position in Tong Ren Tang Ltd., for good corporate governance, Ms. Feng Li has abstained from voting on the relevant Board resolutions in the Board meeting to approve the transactions contemplated under the Renewed PRC Distribution Framework Agreements.

Save as disclosed, there is no other Director who has a material interest in the transactions contemplated under the Renewed PRC Distribution Framework Agreements.

With the approval of the Independent Board Committee, Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Renewed PRC Distribution Framework Agreements.

A circular containing, among others, details of the Renewed PRC Distribution Framework Agreements, a letter from the Independent Board Committee and a letter from the independent financial adviser on the terms of the Renewed PRC Distribution Framework Agreements, together with a notice convening the EGM, will be despatched to the Shareholders on or before 23 February 2023.

## **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 Holdings*

Tong Ren Tang Holdings is an investment holding company. The Tong Ren Tang Group is engaged in the processing, manufacturing and sale of Chinese medicinal materials, Chinese patent medicine, Chinese medicinal decoction pieces, medical food, warehousing and transportation, etc.

### *Tong Ren Tang Technologies*

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

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the EGM, which is expected to be convened on or around Tuesday, 14 March 2023 for approving the Renewed PRC Distribution Framework Agreements and the proposed annual caps contemplated thereunder, the register of members of the Company will be closed from Thursday, 9 March 2023 to Tuesday, 14 March 2023, both days inclusive, during which period no transfer of the Shares will be registered.

In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Wednesday, 8 March 2023. All persons who are registered holders of the Shares on 14 March 2023, the record date of the EGM, will be entitled to attend and vote at the EGM.

## **DEFINITIONS**

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

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Chinese Medicine Products”	Chinese medicines, healthcare products, Chinese herbs and raw materials for production of Chinese medicines and healthcare products but excluding Owned Products
“Company”	Beijing Tong Ren Tang Chinese Medicine Company Limited, a limited company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholders”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to, among other things, consider and, if thought fit, approve the Renewed PRC Distribution Framework Agreements and the proposed annual caps contemplated thereunder
“Existing TRT Group PRC Distribution Framework Agreement”	an existing framework agreement dated 2 December 2019 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 the Owned Products from the Group and then distribute the same to, among others, retailers or end-users in the PRC

“Existing TRT Tech PRC Distribution Framework Agreement”	an existing framework agreement dated 13 May 2020 entered into between the Company and Tong Ren Tang Technologies, pursuant to which the Tong Ren Tang Technologies Group, as a non-exclusive distributor of the Group, would purchase the Products from the Group and then distribute the same to, among others, distributors, retailers or end-users in the PRC or use them for the purpose of production
“GLSPC”	Sporoderm-broken Ganoderma Lucidum Spores Powder Capsule manufactured by the Group
“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
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Tsang Yok Sing, Jasper, Mr. Zhao Zhong Zhen and Mr. Chan Ngai Chi, formed for the purpose of advising the Independent Shareholders in respect of the terms of the Renewed PRC Distribution Framework Agreements (including the proposed annual caps)
“Independent Shareholders”	Shareholders other than Tong Ren Tang Holdings, Tong Ren Tang Technologies and their associates (excluding the Group)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Owned Products”	Chinese medicine and/or healthcare products to be researched, developed and manufactured by the Group from time to time, including the Chinese medicine and/or healthcare products containing ganoderma lucidum or ganoderma lucidum spore as raw materials to be researched, developed and manufactured by the Group (including GLSPC), but for the avoidance of doubt, excluding Angong Niu Huang Wan
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Products”	collectively, the Chinese Medicine Products and the Owned Products
“Renewed PRC Distribution Framework Agreements”	collectively, the Renewed TRT Group PRC Distribution Framework Agreement and the Renewed TRT Tech PRC Distribution Framework Agreement

“Renewed TRT Group PRC Distribution Framework Agreement”	a new framework agreement dated 20 February 2023 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 continue to purchase the Products from the Group and then distribute the same to, among others, distributors, retailers or end-users in the PRC or use them for the purpose of production
“Renewed TRT Tech PRC Distribution Framework Agreement”	a new framework agreement dated 20 February 2023 entered into between the Company and Tong Ren Tang Technologies, pursuant to which the Tong Ren Tang Technologies Group, as a non-exclusive distributor of the Group, would continue to purchase the Products from the Group and then distribute the same to, among others, distributors, retailers or end-users in the PRC or use them for the purpose of production
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Framework Agreement”	the sales framework agreement dated 22 September 2022 entered into between the Company and Tong Ren Tang Ltd. in relation to the sale and purchase of the Chinese Medicine Products
“Shareholders”	the shareholders of the Company
“Sommerley” or “Independent Financial Adviser”	Sommerley Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Renewed PRC Distribution Framework Agreements (including the proposed annual caps)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tong Ren Tang Group”	Tong Ren Tang Holdings, 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 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 Co. Ltd. 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 are listed on the Stock Exchange, and is the immediate holding company of the Company
“Tong Ren Tang Technologies Group”	Tong Ren Tang Technologies, and its subsidiaries (either directly owned or indirectly owned, other than the Group)
“%”	per cents.

By order of the Board  
**Beijing Tong Ren Tang**  
**Chinese Medicine Company Limited**  
**Ding Yong Ling**  
*Chairman*

Hong Kong, 20 February 2023

*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  
Ms. Feng Li

***Independent Non-executive Directors:***

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