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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 People's Republic of China with limited liability)
(Stock Code: 1666)*

**CONTINUING CONNECTED TRANSACTIONS
THE E-COMMERCE SERVICE COOPERATION FRAMEWORK AGREEMENT**

THE E-COMMERCE SERVICE COOPERATION FRAMEWORK AGREEMENT

The Board hereby announces that, on 11 March 2024 (after trading hours), the Company entered into the E-commerce Service Cooperation Framework Agreement with Tong Ren Tang Shuzi Technology, pursuant to which Tong Ren Tang Shuzi Technology agreed to provide E-Commerce Services (as defined below) to the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tong Ren Tang Shuzi Technology was held by Tong Ren Tang Ltd. (the controlling shareholder of the Company) as to 51%, among which (i) Tong Ren Tang Ltd. directly holds 25% equity interest in Tong Ren Tang Shuzi Technology, and (ii) Tong Ren Tang Ltd. indirectly through Tong Ren Tang Commercial (its non-wholly owned subsidiary) holds 26% equity interest in Tong Ren Tang Shuzi Technology. Accordingly, Tong Ren Tang Shuzi Technology is an associate of Tong Ren Tang Ltd. and a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the E-commerce Service Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) exceeds 0.1% but less than 5%, the transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board hereby announces that, on 11 March 2024 (after trading hours), the Company entered into the E-commerce Service Cooperation Framework Agreement with Tong Ren Tang Shuzi Technology, pursuant to which Tong Ren Tang Shuzi Technology agreed to provide E-Commerce Services (as defined below) to the Group.

THE E-COMMERCE SERVICE COOPERATION FRAMEWORK AGREEMENT

The principal terms of the E-commerce Service Cooperation Framework Agreement are set out below:

Date:	11 March 2024 (after trading hours)
Parties:	(1) The Company (2) Tong Ren Tang Shuzi Technology
Term:	From 11 March 2024 to 31 December 2024
Subject Matter:	Pursuant to the E-commerce Service Cooperation Framework Agreement: (A) The Company agreed to engage Tong Ren Tang Shuzi Technology Group to provide the Group with e-commerce services (the “ E-commerce Services ”) for the “Tong Ren Tang” brand products (including but not limited to Chinese medicine products and healthcare food) on e-commerce channels (such as “JD Platform (京東平臺)” and “Tmall Platform (天貓平臺)”) (collectively, the “ E-commerce Channels ”); (B) The service scope of the E-commerce Services includes but not limited to marketing services for the Group’s E-commerce Channel products, basic e-commerce store operation services and other services to be agreed between the parties.
Implementation Agreements:	The Group and Tong Ren Tang Shuzi Technology Group will enter into, from time to time, specific implementation agreements as agreed by both parties to set out the detailed terms, including service categories, fee amounts, assessment standards and settlement methods, which shall be concluded on normal commercial terms and determined in accordance with the pricing policy set out in the E-commerce Service Cooperation Framework Agreement.
Pricing Policy:	Pursuant to the E-commerce Service Cooperation Framework Agreement, service fees (including but not limited to the promotion service fees and platform operation service fees), payable by the Group to Tong Ren Tang Shuzi Technology Group shall be on normal commercial terms and determined after arm’s length negotiations with reference to the costs incurred by Tong Ren Tang Shuzi Technology Group plus a profit margin of no more than 15%. The profit margin is determined with reference to the labor cost, the gross profit margin of previous operation and reasonable costs of Tong Ren Tang Shuzi Technology Group, the profit margin of similar services provided by independent third parties to the Group and the fee rates of similar services available in the open market. The price and terms of the transactions contemplated under the E-commerce Service Cooperation Framework Agreement shall be on normal commercial terms and in any case (a) not higher than the fee paid by the Group to independent third parties for acquiring similar E-commerce Services, and (b) be comparable to the pricing policy offered to the Group from independent third parties for supplying similar E-commerce Services.

HISTORICAL AMOUNTS

The historical transaction amounts in relation to the e-commerce service fees paid by the Group to Tong Ren Tang Shuzi Technology Group for the years ended 31 December 2021, 2022 and 2023 were approximately RMB0, RMB3,809,504 and RMB0, respectively.

ANNUAL CAP

The annual cap for E-commerce Service fee payable by the Group to Tong Ren Tang Shuzi Technology Group for the transactions contemplated under the E-commerce Service Cooperation Framework Agreement for the year ending 31 December 2024, is set out below:

	Annual cap for the year ending 31 December 2024 <i>(RMB'000)</i>
E-commerce Service fees	20,000

The above annual cap was determined with reference to the following factors:

- (1) the expected growth and changes in the number of the product categories and related service targets that the Group schedules to promote through the E-commerce Channels under the E-commerce Services provided by Tong Ren Tang Shuzi Technology Group;
- (2) the basic operating expenditure of the E-commerce Services proposed to be used by the Group;
- (3) the fact that the Group expects to strengthen the management and control of the E-commerce Channels, to enhance online operation and promotion of products, so as to achieve the increases in sales through the E-commerce Channels; and
- (4) to inclusion of a buffer for any unexpected increase of the sales volume, the current market conditions, and potential appreciation in HKD against RMB. The aforementioned buffer estimation is solely assumed for the purpose of determining the annual cap and shall not be regarded as any direct or indirect indication to the respective revenue, profitability or trading prospects of the Group.

REASONS AND BENEFITS OF ENTERING INTO THE E-COMMERCE SERVICE COOPERATION FRAMEWORK AGREEMENT

The Directors are of the view that entering into the E-commerce Service Cooperation Framework Agreement with Tong Ren Tang Shuzi Technology is commercially beneficial to the Company. Being a company primarily engaged in pharmaceutical e-commerce business, Tong Ren Tang Shuzi Technology can provide operational management and consulting services to the Group. With professional e-commerce operation team and abundant operation experience, Tong Ren Tang Shuzi Technology Group can help the Group in better achieving resource coordination, channel management optimization, E-commerce Channels expansion, online sales system improvement, brand influence expansion and online product sales stimulation, which meets the future business needs of the Group, and help the Group to further enhance the long-term development of its business.

The Directors (including independent non-executive Directors) are of the view that the E-commerce Service Cooperation Framework Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms and conditions as well as the annual cap for the continuing connected transactions contemplated thereunder are fair and reasonable and in the interests of the Group and its Shareholders as a whole.

INTERNAL CONTROL POLICIES

To ensure the Group's conformity with the abovementioned pricing policy in relation to the continuing connected transactions under the E-commerce Service Cooperation Framework Agreement, the Group will adopt the following internal control policies:

- (i) after entering into the E-commerce Service Cooperation Framework Agreement, the continuing connected transactions contemplated thereunder shall be in strict compliance with the approved terms and conditions. The specific implementation agreements under the E-commerce Service Cooperation Framework Agreement shall be performed in strict compliance with the pricing policies set out in the E-commerce Service Cooperation Framework Agreement. If revision of such terms and conditions is required due to changes in actual situation, it is required to re-perform the appropriate approval process;
- (ii) the business department of the Company is responsible for continuously monitoring the pricing terms and actual transaction amounts of the specific implementation agreements relating to the E-commerce Service Cooperation Framework Agreement. The finance department of the Company is responsible for collecting the transaction amounts of the continuing connected transactions under the E-commerce Service Cooperation Framework Agreement on a monthly basis and preparing summary reports accordingly. If any of the aforementioned departments discovers any imminent possibility of exceeding the annual cap stipulated under the E-commerce Service Cooperation Framework Agreement, it shall report as soon as possible to the finance department and the securities department of the Company. If it is necessary to revise the annual cap, the aforementioned departments shall submit a proposal to request for revision of the annual cap. After obtaining the approval of the person in charge, the application shall be submitted to the executive office of the Company for consideration, and the Board or the general meeting of Shareholders (as the case may be) shall ultimately decide whether to revise the annual cap for the continuing connected transactions and to perform the disclosure procedures accordingly. Before the completion of all the approvals and disclosure procedures, the person in charge of the abovementioned relevant departments involved in the continuing connected transactions shall ensure that the transaction amounts do not exceed the annual cap;
- (iii) the independent non-executive Directors will review the continuing connected transactions under the E-commerce Service Cooperation Framework Agreement to ensure that the transactions contemplated thereunder are conducted on normal commercial terms or better and are in the ordinary course of business of the Group, and the terms are fair and reasonable, the fees payable shall not be higher than the fee paid by the Group to independent third parties for acquiring similar e-commerce services, the pricing policy shall be comparable to the pricing policy offered to the Group from independent third parties for supply of similar E-Commerce Services, and such transactions are carried out pursuant to the terms of the continuing connected transactions under the E-commerce Service Cooperation Framework Agreement; and
- (iv) the auditors of the Company will also conduct an annual review on the pricing and annual cap of the continuing connected transactions under the E-commerce Service Cooperation Framework Agreement.

Considering: (i) the above methods and procedures comprise necessary components of an internal control system with designated departments and responsible officers, clear approval process and monitoring system; and (ii) the abovementioned review and approval procedures can ensure that the transactions will be executed in compliance with the pricing policy stipulated under the E-commerce Service Cooperation Framework Agreement, 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 E-commerce Service Cooperation Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

The Company

The Company is principally engaged in the manufacturing and sale of Chinese medicines.

Tong Ren Tang Shuzi Technology

Tong Ren Tang Shuzi Technology is principally engaged in pharmaceutical e-commerce business, providing operation management and advisory services. As at the date of this announcement, Tong Ren Tang Shuzi Technology is directly held as to (a) 25% and 26% by the Company and Tong Ren Tang Commercial, respectively, both of which are controlled by Tong Ren Tang Ltd., (b) 25% by Tong Ren Tang Ltd., which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會) and (c) 24% by Beijing Xiao Baitu Information Technology Co., Ltd.* (北京小白兔信息技術有限公司), which is in turn held by Bai Xue (白雪) and Bai Yuandong (白原東), as to 51% and 49%, respectively.

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As the highest applicable percentage ratio (as defined under the Listing Rules) exceed 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since Mr. Di Shu Bing (the executive Director, Chairman of the Board), Mr. Jin Tao (the non-executive Director), Ms. Wang Chun Rui (the non-executive Director) and Ms. Feng Li (the non-executive Director) hold office in Tong Ren Tang Holdings or Tong Ren Tang Ltd., they are deemed to have material interests in the above continuing connected transactions, and therefore have abstained from voting on the relevant resolutions of the Board. Save for disclosed above, to the best of the Directors' knowledge, information and belief after all reasonable enquiry, no Directors has material interests in the E-commerce Service Cooperation Framework Agreement and as a result is required to abstain from voting on the relevant resolutions at the Board meeting.

DEFINITIONS

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

“associates”	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 on the Main Board of the Hong Kong Stock Exchange
“connected person”	has the meaning ascribed under the Listing Rules
“controlling shareholder”	has the meaning ascribed under the Listing Rules
“Director(s)”	the directors of the Company
“E-commerce Service Cooperation Framework Agreement”	the e-commerce service cooperation framework agreement entered into between the Company and Tong Ren Tang Shuzi Technology on 11 March 2024
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“independent third parties”	an individual or a company which, to the best of the Director’s knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holders of the shares of the Company
“subsidiary(ies)”	has the meaning ascribed under the Listing Rules
“Tong Ren Tang Commercial”	Beijing Tong Ren Tang Commercial Investment Group Co., Ltd. (北京同仁堂商業投資集團有限公司), a limited liability company incorporated in the PRC and is owned by Tong Ren Tang Ltd. as to 51.98%
“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 limited liability company incorporated in the PRC and is the ultimate controlling shareholder of the Company
“Tong Ren Tang Shuzi Technology”	Beijing Tong Ren Tang Shuzi Technology Co., Ltd. (北京同仁堂數字科技有限公司), a limited liability company incorporated in the PRC and is owned by the Company, Tong Ren Tang Ltd., Tong Ren Tang Commercial and

	Beijing Xiao Baitu Information Technology Co., Ltd, as to 25%, 25%, 26% and 24%, respectively
“Tong Ren Tang Shuzi Technology Group”	Tong Ren Tang Shuzi Technology and its subsidiaries
“Tong Ren Tang Ltd.”	Beijing Tong Ren Tang Company Limited (北京同仁堂股份有限公司) (stock code: 600085.SH), a joint stock limited company established in the PRC, the shares of which have been listed on the Shanghai Stock Exchange A Shares Market since 1997, and is the controlling shareholder of the Company
“%”	percent

** For identification purposes only*

By order of the Board
Tong Ren Tang Technologies Co. Ltd.
Di Shu Bing
Chairman of the Board

Beijing, the PRC
11 March 2024

As at the date of this announcement, the Board comprises Mr. Di Shu Bing, Mr. Chen Jia Fu and Ms. Feng Zhi Mei as executive Directors, Mr. Jin Tao, Ms. Wang Chun Rui and Ms. Feng Li as non-executive Directors, Mr. Ting Leung Huel, Stephen, Ms. Chan Ching Har, Eliza and Mr. Zhan Yuan Jing as independent non-executive Directors.