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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 TRANSACTION  
ENTERING INTO THE SALES FRAMEWORK AGREEMENT  
IN RELATION TO THE SALE AND PURCHASE OF  
CHINESE MEDICINE PRODUCTS**

**ENTERING INTO THE SALES FRAMEWORK AGREEMENT**

The Board announces that, on 22 September 2022 (after trading hours), the Company had entered into the Sales Framework Agreement with Tong Ren Tang Ltd. (a controlling shareholder of the Company). Pursuant to the Sales Framework Agreement, members of the Tong Ren Tang Ltd Group will procure from the Group the Chinese Medicine Products. The Sales Framework Agreement shall have a term from 22 September 2022 to 31 December 2022.

**IMPLICATIONS UNDER THE LISTING RULES**

As of the date of this announcement, Tong Ren Tang Ltd. is interested in 71.67% of the issued share capital of the Company and is a controlling shareholder of the Company and therefore Tong Ren Tang Ltd. is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Sales 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 cap of the Sales Framework Agreement exceeds 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirements under the Listing Rules.

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The principal terms of the Sales Framework Agreement are set out as follows:

- Date : 22 September 2022
- Parties : (1) the Company; and  
(2) Tong Ren Tang Ltd.;
- Term : From 22 September 2022 to 31 December 2022 (both days inclusive)
- Major terms and conditions : Pursuant to the Sales Framework Agreement :
- (i) Within the term of the Sales Framework Agreement, the Group may sell to any members of the Tong Ren Tang Ltd Group the Chinese Medicine Products, subject to the actual needs of Tong Ren Tang Ltd Group; and
  - (ii) Individual purchase agreement will be signed by members of the Tong Ren Tang Ltd Group and the Group during the term of the Sales Framework Agreement to set out details of the products supplied, and the specifications, quantities, prices and other relevant terms thereof, save as such individual purchase agreement shall be entered into on normal commercial terms as well as in accordance with the provisions of the Sales Framework Agreement.
- Pricing policy : (i) The prices of the Chinese Medicine Products are determined based on the prevailing market price which is with reference to the price and sales terms of similar products in the industry and in the PRC market. The Group shall from time to time compare the price and sales terms of the purchase orders of the Chinese Medicine Products supplied to members of the Tong Ren Tang Ltd Group with those entered into with and/or obtained from other independent third parties. The prices and sales terms of the relevant Chinese Medicine Products sold to members of the Tong Ren Tang Ltd Group shall not be more beneficial than those sold to independent third parties under the same condition; and
- (ii) Payment shall be settled by the relevant members of the Tong Ren Tang Ltd Group within three months from the date of their receipt of the Chinese Medicine Products and invoices.

## **Proposed Annual Cap**

The proposed annual cap for the transactions contemplated under the Sales Framework Agreement for the period from 22 September 2022 to 31 December 2022 is HK\$74,000,000.

The proposed annual cap set out above is determined based on the following factors which are applicable to the Sales Framework Agreement:

- (a) the projected orders of the Chinese Medicine Products indicated by the members of the Tong Ren Tang Ltd Group for the period ending 31 December 2022;
- (b) the expected prices of the Chinese Medicine Products for the period ending 31 December 2022; and
- (c) the inclusion of a buffer for the estimated amount of the purchase by members of the Tong Ren Tang Ltd Group from the Group so as to accommodate any unexpected increase of the transaction volume or unexpected increase in the prices of the Chinese Medicine Products as well as any potential appreciation in the RMB against HK\$ during the terms of the Sales Framework Agreement.

Such projection is assumed solely for determining the annual cap and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group.

## **REASONS FOR ENTERING INTO THE SALES FRAMEWORK AGREEMENT**

The transactions contemplated under the Sales Framework Agreement are conducted in the ordinary and usual course of business of the Group.

Members of Tong Ren Tang Ltd Group from time to time need the Chinese Medicine Products for the production of Chinese medicines and for sales. The Group owns subsidiaries that specialise in the procurement of the Chinese Medicine Products with good quality. The Company is of the view that the sale of the Chinese Medicine Products to the members of the Tong Ren Tang Ltd Group will enhance revenue of the Group in respect of the sales of Chinese Medicine Products and would be beneficial to the development of the Group's business.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sales 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.

## **INTERNAL CONTROL MEASURES**

In order to effectively implement the Sales Framework Agreement, the Company has adopted the following internal control measures:

- (a) the financial department of the Group will continuously monitor and regularly collect and evaluate the pricing principles, transaction terms and actual transaction amounts under the Sales Framework Agreement to ensure that the transactions thereunder are conducted on normal commercial terms or on terms no less favorable than those available to independent third parties and that the total transaction amount will not exceed the relevant proposed annual cap before the relevant approval procedures;
- (b) if there is any imminent or possible exceeding of the relevant annual cap as set out in the Sales Framework Agreement, 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 cap on a timely basis. If the compliance department confirms the necessity to revise the annual cap, the relevant business departments shall propose the revised annual cap and reasons for adjustment, and relevant approval and disclosure procedures shall be implemented as soon as practicable. Prior to the completion of all the approval and disclosure procedures, the relevant business departments involved shall closely monitor, and ensure that the transaction amounts do not exceed the annual cap;
- (c) the Company's auditor and the independent non-executive Directors will conduct annual review on the pricing principles, transaction terms and the proposed annual cap under the Sales Framework Agreement; and
- (d) 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 Ltd Group shall settle the receivables in accordance with the terms set out in the Sales Framework Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

As of the date of this announcement, Tong Ren Tang Ltd. is interested in 71.67% of the issued share capital of the Company and 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 Sales Framework Agreement constitutes 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 cap of the Sales Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirements under the Listing Rules.

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 Sales Framework Agreement 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 Sales Framework Agreement.

Save as mentioned above, none of the Directors has any material interest in the transactions contemplated under the Sales Framework Agreement and thus be required to abstain from voting on the relevant Board resolution.

## **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 a company established in the PRC and is principally engaged in the manufacturing and sale of Chinese medicines. Its shares are listed on the Shanghai Stock Exchange.

## **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 Chinese medicines and/or healthcare products to be researched, developed and manufactured by the Group from time to time

“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 shareholder”	has the meaning ascribed under the Listing Rules
“Directors”	the directors of the Company
“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)
“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
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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)

“%”

per cents.

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

Hong Kong, 22 September 2022

*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