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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)

### **PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

The Board hereby announces that, as each of the Distribution Framework Agreement and the Master Procurement Agreement entered into between the Company and Tong Ren Tang Holdings will expire on 31 December 2022, the parties renewed such agreements on 28 November 2022, each for a term of three years from 1 January 2023 to 31 December 2025, and set the annual caps for the continuing connected transactions contemplated under each of the aforesaid agreements for the three years ending 31 December 2025.

Tong Ren Tang Holdings is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under each of the renewed Distribution Framework Agreement and renewed Master Procurement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the estimated annual caps for the continuing connected transactions under the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement respectively exceed 5%, both the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are subject to independent shareholders' approval requirement in addition to reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

An extraordinary general meeting of the Company will be convened to seek the approval of the Independent Shareholders in this regard. Tong Ren Tang Holdings and its associates will abstain from voting in respect of the relevant resolutions at the extraordinary general meeting.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in relation to the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder, and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, details of the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement as well as the proposed annual caps for the continuing connected transactions contemplated thereunder, a letter from the Independent Board Committee and the advice from the independent financial adviser to the Independent Board Committee and Independent Shareholders, together with a notice convening the extraordinary general meeting of the Company, will be dispatched to the Shareholders on or before 4 December 2022.

## **BACKGROUND**

On 28 November 2022, the Company and Tong Ren Tang Holdings renewed the Distribution Framework Agreement and the Master Procurement Agreement, and set the annual caps for the respective continuing connected transactions contemplated thereunder for the three years ending 31 December 2025. Pursuant to the Hong Kong Listing Rules, both of the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement as well as the proposed annual caps for the respective continuing connected transactions contemplated thereunder are still subject to the approval by the Independent Shareholders.

## **PROPOSED RENEWAL OF THE DISTRIBUTION FRAMEWORK AGREEMENT**

### **Major Terms of the Renewed Distribution Framework Agreement**

- Renewal Date:** 28 November 2022
- Parties:**
- (i) the Company
  - (ii) Tong Ren Tang Holdings
- Term of the Agreement:** Subject to the approval by the Independent Shareholders, the renewed Distribution Framework Agreement is for a term of three years from 1 January 2023 to 31 December 2025.
- Principal Terms and Conditions:** Pursuant to the renewed Distribution Framework Agreement:
- The Company agreed that the Group may, from time to time, sell its products to members of Tong Ren Tang Group.
  - Tong Ren Tang Holdings agreed that Tong Ren Tang Group as the non-exclusive distributor of the Group, members of Tong Ren Tang Group may, from time to time, purchase products from the Group and then distribute the same to retailers and/or end-users.
  - Details of the products and quantities to be sold by the Group to Tong Ren Tang Group shall be determined by the Group and Tong Ren Tang Group according to market conditions and stated in the individual implementation agreement.

**Pricing Policies:**

Under the renewed Distribution Framework Agreement, the price of the products to be sold by the Group to Tong Ren Tang Group shall not be lower than the price of the products sold by the Group to other independent third parties and shall be determined in accordance with a reasonable cost plus a fair and reasonable profit margin: (i) the reasonable cost shall be determined with reference to the cost of the raw materials, the cost of labour and the manufacturing expense of the Group, etc.; and (ii) the profit margin shall be determined by reference to the prevailing market rate and the then market price for comparable products in the related industry, and the average gross profit rate of the products of the Group in the past years (approximately 45%).

**Payment of the Fees:**

Payment arrangement will be negotiated by the parties participated in the specific transactions contemplated under the renewed Distribution Framework Agreement and stated in the individual implementation agreement, but shall be the same as the arrangement with other independent third parties. The payment shall be settled in cash or by acceptance bill, and the credit period is usually between 30 days and 180 days.

**Implementation Agreement:**

During the term of the renewed Distribution Framework Agreement, members of the Group and members of Tong Ren Tang Group will enter into, from time to time and as necessary, individual implementation agreement for each of the specific transactions contemplated under the renewed Distribution Framework Agreement.

Any such implementation agreement shall be subject to the terms and conditions of the renewed Distribution Framework Agreement, and the relevant annual caps for the continuing connected transaction contemplated thereunder.

The terms of the renewed Distribution Framework Agreement have no material difference from those of the existing Distribution Framework Agreement.

**Annual Caps*****Historical Transaction Amount***

The historical transaction amount under the Distribution Framework Agreement for the two years ended 31 December 2021 and for the nine months ended 30 September 2022 is set out as below:

	Year ended 31 December 2020 <i>(RMB million)</i>	Year ended 31 December 2021 <i>(RMB million)</i>	Nine months ended 30 September 2022 <i>(RMB million)</i>
<b>Historical Transaction Amount</b>	1,262.162	1,297.032	1,266.468

### ***Historical Annual Caps and Utilization Rate***

The annual caps for the transactions contemplated under the Distribution Framework Agreement and the utilization rate of each of the historical annual caps for the three years ending 31 December 2022 are set out as below:

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2021</b>	<b>Year ended 31 December 2022</b>
<b>Historical Annual Caps (RMB million)</b>	1,450	1,670	1,850
<b>Utilization Rate (%)</b>	87.0%	77.7%	91.2% <sup>(Note)</sup>

*Note: The utilization rate is calculated by dividing the historical transaction amount for the nine months ended 30 September 2022 by the pro-rated annual cap.*

The Directors have been monitoring the transaction amount contemplated under the Distribution Framework Agreement, and for the two years ended 31 December 2021, the annual cap for each year has not been exceeded. As at the date of this announcement and for the year ending 31 December 2022, the annual cap for the transactions contemplated under the Distribution Framework Agreement for the year ending 31 December 2022 has not been and is not expected to be exceeded.

### ***Proposed Annual Caps***

The proposed annual caps for the transactions contemplated under the renewed Distribution Framework Agreement for the three years ending 31 December 2025 are set out as below:

	<b>Year ending 31 December 2023 (RMB million)</b>	<b>Year ending 31 December 2024 (RMB million)</b>	<b>Year ending 31 December 2025 (RMB million)</b>
<b>Proposed Annual Caps</b>	2,680	3,000	3,450

The above proposed annual caps were determined with reference to the historical transaction amount as listed above and after taking into consideration the following factors:

- (i) The historical transaction amount for the two years ended 31 December 2021 and the nine months ended 30 September 2022: for the year ended 31 December 2020, the transaction amount under the Distribution Framework Agreement amounted to RMB1,262.162 million, with an utilization rate of 87.0%; for the year ended 31 December 2021, the transaction amount under the Distribution Framework Agreement amounted to RMB1,297.032 million, with an utilization rate of 77.7%; and for the nine months ended 30 September 2022, the transaction amount under the Distribution Framework Agreement amounted to RMB1,266.468 million, with an utilization rate of 91.2%;

- (ii) with the initiation of Daxing Branch and Tong Ren Tang Technologies Tangshan in the second half of 2019, the total production value and production volume of the Group's Chinese patent medicine for 2021 increased by 17.9% and 4.2% as compared to that of 2020, and is expected to increase steadily in the future. As a significant portion of the Group's products were sold and will continue to be sold through the "Tong Ren Tang" brand distribution channel of the Tong Ren Tang Group, it is expected that the transaction amount under the renewed Distribution Framework Agreement will continue to increase in the coming three years;
- (iii) since 2020, despite the recurring COVID-19 pandemic and significant downward pressure on the economy, the Group conducted careful analysis on the market environment, took proactive actions, adapted to the new normal of development and grasped development opportunities, reached a 2.92% increase in sales revenue for 2020 as compared to 2019, a 17.21% increase in sales revenue for 2021 as compared to 2020, and a 8.99% increase in sales revenue for 2022 first half as compared to 2021 first half, which illustrated that the overall operation of the Group continued to improve. Benefiting from the growing of the Group's sales revenue, as compared to 2019, the actual transaction amount under the Distribution Framework Agreement increased by approximately 36.10% for 2020, and by approximately 39.86% for 2021. As a significant portion of the Group's products were sold and will continue to be sold through the "Tong Ren Tang" brand distribution channel of the Tong Ren Tang Group and taking into consideration of such growing trend, the Company expects that the transaction amount under the renewed Distribution Framework Agreement will continue to grow. Meanwhile, as of 31 December 2021, additional two and four series of products of the Group achieved a single-product sales amount of more than RMB100 million and RMB5 million, compared to that as of 31 December 2020, which illustrated that the product series of the Group continued to expand. Among major products of the Group, for the six months ended 30 June 2022, the sales amount of Liuwei Dihuang Pills (六味地黃丸) series, Jinkui Shenqi Pills (金匱腎氣丸) series, Niu Huang Jiedu Pills (牛黃解毒片) series, Jiawei Xiaoyao Pills (加味逍遙丸) series, Shengmai Liquor (生脈飲) series and Ejiao (阿膠) series increased by 17%, 7%, 5%, 66%, 26% and 30% as compared to the same period of the previous year. Benefiting from the development of the large-variety-strategy, for the six months ended 30 June 2022, the sales revenue of Niu Huang Jiangya Pills (牛黃降壓丸) series, Zhibai Dihuang Pills (知柏地黃丸) series, Qiju Dihuang Pills (杞菊地黃丸) series, and Fuzi Lizhong Pills (附子理中丸) series all achieved double-digit growth as compared with the same period of the previous year. In addition to the Chinese patent medicine, product series of the Group's subsidiaries cover food, cosmetics, disinfectant products and so on, the Company will promote its subsidiaries to rely on their own professional positioning, achieve in-depth development, and constantly expand the product fields and sales revenue. In the future, the Company will continue to focus on modern traditional Chinese medicine, seize the opportunity of the development of traditional Chinese medicine, continue to focus on the customer-centric approach, work under the guidance of the large-variety-strategy, continuously refine the products series of "treatment of chronic disease, treatment of foreseeable disease, non-medicine, pediatric drugs, cancer prevention and anti-cancer drugs, Tong Ren Tang special medicine" and boost the overall sales volume of related products. The Company will also continue to enrich the diversity of products to be sold to Tong Ren Tang Group by the Group under the Distribution Framework Agreement through product development and introduction. Accordingly, the Company expects that the transaction amount under the renewed Distribution Framework Agreement will continue to grow;

- (iv) reference is made to the announcement of the Company dated 20 June 2022, the Company and Tong Ren Tang Medical Caring entered into an asset transfer agreement, pursuant to which Tong Ren Tang Medical Caring purchased 49% of the equity interest in Nansanhuan Zhonglu Drugstore and 49% of the equity interest in Tong Ren Tang Second Traditional Chinese Medicine Hospital at a consideration of RMB19,376,000 and RMB42,011,000 respectively. Upon the completion of the abovementioned transactions, Nansanhuan Zhonglu Drugstore and Tong Ren Tang Second Traditional Chinese Medicine Hospital became connected subsidiaries of the Company. Meanwhile, reference is made to the announcement of Tong Ren Tang Chinese Medicine dated 10 February 2021, Tong Ren Tang Chinese Medicine entered into a sale and purchase agreement with WM Dianorm Biotech Co., Limited (麥爾海生物技術有限公司), pursuant to which Tong Ren Tang Chinese Medicine acquired 40% of the equity interest of Tong Ren Tang WM Dianorm. Upon the completion of the abovementioned transaction, Tong Ren Tang WM Dianorm became a connected subsidiary of the Company. Transactions between the Company and Nansanhuan Zhonglu Drugstore, Tong Ren Tang Second Traditional Chinese Medicine Hospital and Tong Ren Tang WM Dianorm in relation to the sale of the Group's products also constitute connected transactions under the Distribution Framework Agreement. Accordingly, the Company expects that the transaction amount under the renewed Distribution Framework Agreement will continue to grow;
- (v) reference is made to the Company's announcement dated 25 May 2021, the Company established a joint venture for engaging in the business of e-commerce with Tong Ren Tang Ltd., Tong Ren Tang Commercial and Baitu Information. Upon the commencement of the e-commerce platform, the proposed annual caps have been adjusted upward by RMB310 million, RMB310 million and RMB330 million in relation to the forecast sales transactions between the Group and Tong Ren Tang Group to support the operation of the upcoming e-commerce platform in the three years ending 31 December 2025, respectively. After taking into account of the sales value of the Group's Chinese medicine products on third party e-commerce platforms with approximately RMB200 million a year to forecast the transaction amount between the Group and Tong Ren Tang Group in relation to the e-commerce platform to be around RMB310 million during 2023 and 2024, and assuming the operation of the e-commerce platform getting mature and having higher online market share in 2025, the estimated sales transactions will grow to the level of RMB330 million. Accordingly, the Company expects that the transaction scope and transaction amount under the renewed Distribution Framework Agreement will continue to grow;
- (vi) It is expected that the expansion of the sales network of the "Tong Ren Tang" brand of Tong Ren Tang Group will also lead to an increase in transaction volume under the renewed Distribution Framework Agreement. According to the public information of Tong Ren Tang Ltd.: (i) as of 30 June 2022, Tong Ren Tang Ltd. has 933 "Tong Ren Tang" brand retail pharmacies, which have been increased from 880 retail pharmacies in 2020; and (ii) as compared with 2020, the sales revenue of retail pharmacies increased by approximately 12.6% in 2021. In the future, the Group will continue to strengthen its cooperation with retail pharmacies under "Tong Ren Tang" brand, make full use of the brand advantages, professionalism, and standardized services and customer resources of "Tong Ren Tang" brand sales network to promote interactive marketing with consumers, thus driving the growth of terminal sales. The major component of the proposed annual caps of the Distribution Framework Agreement are the sales of the products of the Group (excluding Tong Ren Tang Chinese Medicine) through the distribution channel of Tong Ren Tang Group, and the Company expects that such transaction amount will reach approximately RMB1,636 million for 2022, and will further increase by 15% on a yearly basis in the coming three years. Such growth rate is made after taking into account of the compound annual growth rate of sale revenue of the Group's top 5 product series from 2019 to 2021, which amounted to approximately 10.35%. Furthermore, the increase in the number of retail pharmacies under "Tong Ren Tang" brand due to any potential new investments that Tong Ren Tang Group may make in the next three years will increase the transaction volume between the Group and Tong Ren Tang Group under the renewed Distribution Framework Agreement;

- (vii) 2025 will be the last year of the Group’s “14th Five-Year Plan”. To ensure the achievement of the Group’s “14th Five- Year Plan”, from 2023 to 2025, the Group will accelerate to build its grand health industrial cluster with traditional Chinese medicine as core business, functional household chemical products as growing business, gel products and disinfectant products as business with growth potential. In the future, the sales amount of the Group’s product series will continue to grow, which will result in the corresponding increase in the transaction amount under the renewed Distribution Framework Agreement; and
- (viii) in consideration of the above reasons, including the full use of the sales network of “Tong Ren Tang” brand, the continuing optimization of the construction of products, and the recovery of market conditions and overall economy in the PRC, it is expected that the sales volume under the Distribution Framework Agreement between the Company and Tong Ren Tang Holdings will increase by over 40% on a yearly basis for 2023, and 10% to 15% on a yearly basis for 2024 and 2025. In addition, an additional buffer of 5% has been included for the estimated amount of sales of products by the Group under the renewed Distribution Framework Agreement for any unexpected increase in the aforesaid amount in the next three years.

### **Reasons for and benefit of renewal of the Distribution Framework Agreement**

Tong Ren Tang Holdings, with its subsidiaries and associates located in the PRC, has a sales network providing a wide coverage. The Directors consider that the utilization of the sales network of Tong Ren Tang Group to distribute the Group’s products will give full play to the advantage of the brand and resources owned by Tong Ren Tang Group and expand the market share of the Group, hence is beneficial to the development of the business of the Group.

The Directors and the Independent Board Committee are of the view that the renewed Distribution Framework Agreement was entered into on normal commercial terms, and the terms and conditions therein as well as the annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

### **Measures of Internal Control**

To ensure the Group’s conformity with the pricing policies in relation to the continuing connected transactions contemplated under the renewed Distribution Framework Agreement, the Company has adopted the following internal control policies for its daily operation:

- (a) after renewing Distribution Framework Agreement, the continuing connected transactions contemplated thereunder shall be strictly in compliance with the approved terms and conditions. Individual implementation agreements of the renewed Distribution Framework Agreement shall be performed in strict accordance with pricing policies set out in the renewed Distribution Framework Agreement. If revision of such terms and conditions is required due to change of actual situation, it is required to re-perform appropriate approval process;
- (b) the relevant business departments of the Company will continuously monitor the pricing terms, receipt arrangements and actual transaction amount of each of the individual implementation agreements relating to the renewed Distribution Framework Agreement, and the audit department of the Company will review the implementation of the relevant management policies of the Company in the assessment of the internal control system every half year, and conduct sampling review of the above information, so as to ensure transactions under the renewed Distribution Framework Agreement comply with the relevant management policies of the Company and ensure the relevant transactions are entered into on normal commercial terms or better and are fair and reasonable, the terms and conditions available to the Group are no less favorable than those available to independent third parties, and such transactions are carried out pursuant to the terms of the renewed Distribution Framework Agreement;

- (c) the sales department of the Company is responsible for monitoring, collecting and evaluating the market data on a quarterly basis, including but not limited to the prevailing market and the then market price for comparable products in the related industry, which is subject to the preliminary review by the sales personnel and the final review by the sales manager. Under the circumstances such as the then market price for the comparable products recorded significant increases or decreases as compared with the price of the specific product under the renewed Distribution Framework Agreement as set by the Company, the sales department or pricing department of the Company will put forward the proposal of price adjustment, which is subject to the preliminary approval by the deputy general manager of the Company in charge of sales and the final review and approval by the board of managers of the Company after the research and discussion by sales, pricing, financial departments and other relevant departments of the Company;
- (d) the financial department of the Company is responsible to collect and total the transaction amount of the Group's continuing connected transactions on a monthly basis based on the respective transaction amount reported by the relevant business departments, and is responsible to prepare the summary sheet of the Group's continuing connected transactions. Relevant business departments, if discover any imminent or possible exceeding of the annual caps of any continuing connected transactions, shall report as soon as possible to the financial department and the securities affairs office of the Company. If the relevant business departments confirm the necessity to revise the annual caps, they shall make the application regarding the revision of annual caps, including but not limited to the amount and composition of the revised annual caps as well as the basis for adjustment, and then submit the application to the board of managers of the Company for review and discussion after obtaining the approval of the head of business. The Board or the shareholders' general meeting will finally decide whether to revise the annual caps of the relevant continuing connected transactions and proceed with the relevant disclosure procedures. Before completion of all approval and disclosure procedures, the person in charge of the relevant business departments involved in the continuing connected transactions shall ensure that the transaction amounts do not exceed the original annual caps;
- (e) the Company will implement, amend and improve the relevant rules and the requirements, and specify that the subsidiaries of the Company will comply with the above-mentioned pricing policies in respect of the continuing connected transactions contemplated under the renewed Distribution Framework Agreement;
- (f) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions under the renewed Distribution Framework Agreement, so as to ensure all transactions contemplated thereunder are entered into on normal commercial terms or better and are fair and reasonable, the terms and conditions available to the Group are no less favorable than those available to independent third parties, and such transactions are carried out pursuant to the terms of the renewed Distribution Framework Agreement; and
- (g) the auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures are necessary components of an internal control system, including designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the abovementioned review procedures and approval process against the explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the renewed Distribution Framework Agreement, the Directors are of the view that such methods and procedures can ensure and safeguard that the transactions contemplated under the renewed Distribution Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders as a whole.



## PROPOSED RENEWAL OF THE MASTER PROCUREMENT AGREEMENT

### Major Terms of the Renewed Master Procurement Agreement

- Renewal Date:** 28 November 2022
- Parties:**
- (i) the Company
  - (ii) Tong Ren Tang Holdings
- Term of the Agreement:** Subject to the approval by the Independent Shareholders, the renewed Master Procurement Agreement is for a term of three years from 1 January 2023 to 31 December 2025.
- Principal Terms and Conditions:** Pursuant to the renewed Master Procurement Agreement:
- The Company agreed that the Group may, from time to time, procure the Relevant Products<sup>(Note)</sup> from members of Tong Ren Tang Group for the purpose of its production, sale and distribution.
  - Tong Ren Tang Holdings agreed that Tong Ren Tang Group as a non-exclusive supplier of the Group, members of Tong Ren Tang Group may, from time to time, supply the Relevant Products to the Group.
- Pricing Policies:** The price to be paid for the Relevant Products procured by the Group from Tong Ren Tang Group shall be determined in accordance with the following principles:
- the Relevant Products supplied to the Group must satisfy the Pharmacopoeia of the People's Republic of China (《中華人民共和國藥典》) standard and the internal quality standard of the Company. The Group has maintained a list of qualified suppliers (including Tong Ren Tang Group) which are able to provide the Relevant Products that satisfy the abovementioned standards. For each specific transaction, the Company shall negotiate the detailed terms and conditions of the supply of the Relevant Products with different qualified suppliers (including Tong Ren Tang Group, and at least two independent qualified suppliers in the same or surrounding areas) on a fair competition basis through bidding process, competitive negotiation, business inquiry and/or similar procedures. In the abovementioned price determination procedure, the quality of the Relevant Products and the price provided by different qualified suppliers (including Tong Ren Tang Group) will be compared and determined by the Group; and the prevailing market rate of the Relevant Products will also be taken into consideration. Under the premise of equal quality, the procurement contract shall be granted to the supplier offering most favorable terms; and

- if the Relevant Products are only available from specific suppliers due to content, special requirement or market resource limitations (the “**Special Products**”), reference shall be made to the price of Special Products offered by such suppliers and the prevailing market price of the Special Products. During the two years ended 31 December 2020 and 2021, and the nine months ended 30 September 2022, (i) members of Tong Ren Tang Group had always been able to supply the Group with the Special Products; and (ii) there had always been at least two comparable suppliers for each of the transactions involving Special Products. Furthermore, according to the Group’s procurement policies, under extreme circumstances where comparable supplier is not available, the procurement price shall be made with reference to the previous purchase price of the Special Products. During the two years ended 31 December 2020 and 2021, the nine months ended 30 September 2022 and up to the Latest Practicable Date, there had been no such extreme circumstance.

**Payment of the Fees:**

For the Relevant Products, payment arrangement will be negotiated by the parties and stated in the specific implementation agreement, but shall be the same as the arrangement with other independent third parties. Normally, payments will be made in cash or by acceptance bill between 90 to 180 days after the transfer of the ownership of the Relevant Products and the issuance of value-added tax invoices.

**Implementation Agreement:**

During the term of the renewed Master Procurement Agreement, members of the Group and members of Tong Ren Tang Group will enter into, from time to time and as necessary, individual implementation agreement for each of the specific transactions contemplated under the renewed Master Procurement Agreement.

Any such implementation agreement shall be subject to the terms and conditions of the renewed Master Procurement Agreement and the relevant annual caps for the continuing connected transaction contemplated thereunder.

*Note:* Relevant Products mainly include Chinese medicine raw materials, semi-finished products and finished products such as Pinellia ternata (半夏), red ginseng (紅參), rehmannia (地黃), Angong Niuhuang Wan Powder (安宮牛黃丸粉) and so on. Products sold to Tong Ren Tang Group under the Distribution Framework Agreement mainly include Chinese patent medicine products manufactured by the Group such as Liuwei Dihuang Pills (六味地黃丸), Jinkui Shenqi Pills (金匱腎氣丸), Ganmao Qingre Granules (感冒清熱顆粒), as well as other healthcare products and household chemical products developed and manufactured by the Group. Accordingly, there is no product overlap between the Relevant Products and the products under the renewed Distribution Framework Agreement.

The terms of the renewed Master Procurement Agreement have no material difference from those of the existing Master Procurement Agreement.

## Annual Caps

### *Historical Transaction Amount*

Historical transaction amount under the Master Procurement Agreement for the two years ended 31 December 2021 and for the nine months ended 30 September 2022 is set out as below:

	<b>Year ended 31 December 2020 (RMB million)</b>	<b>Year ended 31 December 2021 (RMB million)</b>	<b>Nine months ended 30 September 2022 (RMB million)</b>
<b>Historical Transaction Amount</b>	114.585	125.104	189.174

### *Historical Annual Caps and Utilization Rate*

The historical annual caps for the transactions contemplated under the Master Procurement Agreement and the utilization rate of the historical annual caps for the three years ending 31 December 2022 are set out as below:

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2021</b>	<b>Year ending 31 December 2022</b>
<b>Historical Annual Caps (RMB million)</b>	270	320	370
<b>Utilization Rate (%)</b>	42.6%	39.1%	68.0% <sup>(Note)</sup>

*Note:* The utilization rate is calculated by dividing the historical transaction amount for the nine months ended 30 September 2022 by the pro-rated annual cap.

The Directors have been monitoring the transaction amount contemplated under the Master Procurement Agreement, and for the two years ended 31 December 2021, the annual cap for each year has not been exceeded. As at the date of this announcement and for the year ending 31 December 2022, the annual caps for the transactions contemplated under the Master Procurement Agreement for the year ending 31 December 2022 has not been and is not expected to be exceeded.

### ***Proposed Annual Caps***

The proposed annual caps for the transactions contemplated under the renewed Master Procurement Agreement for the three years ending 31 December 2025 are set below:

	<b>Year ending 31 December 2023 (RMB million)</b>	<b>Year ending 31 December 2024 (RMB million)</b>	<b>Year ending 31 December 2025 (RMB million)</b>
<b>Proposed Annual Caps</b>	500	550	600

The above proposed annual caps were determined with reference to the historical transaction amount as listed above and after taking into consideration the following factors:

- (i) The historical transaction amount for the two years ended 31 December 2021 and the nine months ended 30 September 2022, as well as the annual caps for the three years ending 31 December 2022: since the outbreak of the COVID-19 pandemic in 2020, the Group has faced various unfavorable factors such as obstruction of material transportation and difficulty in material procurement, the actual transaction amount under the Master Procurement Agreement for 2020 and 2021 was relatively low. However, during the first half of 2022, the COVID-19 pandemic in the PRC is getting normalized and all production units of the Group adjusted their production plans in a timely manner according to the development of the COVID-19 pandemic and made preparation of raw materials, supplementary materials and packaging materials in advance. The Group recorded procurement transactions with Tong Ren Tang Group of approximately RMB155 million during the first half of 2022. The procurement of the Relevant Products from Tong Ren Tang Group has been further increased to RMB189.174 million during the nine months ended 30 September 2022, which has far exceeded the actual transaction amount for 2021 and accounted for almost 70% of the pro-rated annual cap of 2022. With reference to the actual procurement amount in the nine months ended 30 September 2022, the estimated procurement amount between the Group and Tong Ren Tang Group in 2022 may reach almost RMB252 million, representing almost a double of actual procurement amount in 2021. Assuming that the Group will be operating in a normal business environment without production disruption caused by COVID-19 pandemic, the Company expects that the growing trend of transaction amount under the Master Procurement Agreement will continue in the future;

- (ii) Since 2020, despite the recurring COVID-19 pandemic and significant downward pressure on the economy, the Group conducted careful analysis on the market environment, took proactive actions, adapted to the new normal of development and grasped development opportunities, reached a 2.92% increase in sales revenue for 2020 as compared to 2019; and a 17.21% increase in sales revenue for 2021 as compared to 2020, and a 8.99% increase in sales revenue for 2022 first half as compared to 2021 first half, which illustrate that the overall operation of the Group continued to improve. Meanwhile, as of 31 December 2021, additional two and four series of products of the Group achieved a single-product sales amount of more than RMB100 million and RMB5 million, compared to that as of 31 December 2020, which illustrate that the series of products of the Group continued to expand. In the future, the Company will continue to focus on modern traditional Chinese medicine, seize the opportunity of the development of traditional Chinese medicine, continue to focus on the customer-centric approach, work under the guidance of the large-variety-strategy, continuously refine the products series of “treatment of chronic disease, treatment of foreseeable disease, non-medicine, pediatric drugs, cancer prevention and anti-cancer drugs, Tong Ren Tang special medicine” and boost the overall sales volume of related products. At the same time, the Company will promote its subsidiaries to rely on their own professional positioning, achieve in-depth development, and constantly expand the product fields and product types. Furthermore, the sales revenue of two of the Company’s subsidiaries, namely Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore, amounted to approximately RMB215 million in 2021, representing a year-on-year increase of approximately 8.9%. Tong Ren Tang Medical Caring became the new shareholder of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore in June 2022. Through the introduction of Tong Ren Tang Medical Caring’s market-oriented operation and management experience, the operation of Tong Ren Tang Second Traditional Chinese Medicine Hospital and Nansanhuan Zhonglu Drugstore will be further enhanced. It is expected that in the future, Tong Ren Tang Second Traditional Chinese Medicine Hospital will further enhance its medical services, and Nansanhuan Zhonglu Drugstore will expand the varieties of the products to meet the consumers’ demand. Accordingly, the Company expect that the sales revenue of these two subsidiaries will be further increased in 2023 onward. In order to secure such steady increase in sales revenue, as well as the production and supply of products, the Company expects that the procurement volume of the Relevant Products by the Group is expected to increase in the next three years;
- (iii) with the initiation of Daxing Branch and Tong Ren Tang Technologies Tangshan in the second half of 2019, the total production value and production volume of the Group’s Chinese patent medicine for 2021 increased by 17.9% and 4.2% as compared to that of 2020, and is expected to increase steadily in the future. In view of the increment in the Group’s production volume in 2021 and the expecting growth in the sales revenue of the Group, the Company estimates that the procurement volume of the Relevant Products in the next three years will keep increasing in order to support the higher sales demand of the Group’s products. Meanwhile, it is expected that the expansion of the sales network of the “Tong Ren Tang” brand of Tong Ren Tang Group will further lead to an increase in the sales of the Group’s products, which in return will result in the increase in Group’s procurement volume;
- (iv) reference is made to the announcement of Tong Ren Tang Chinese Medicine dated 28 December 2021 regarding the renewal of the continuing connected transaction contemplated under the Angong Niu Huang Wan Powder (安宮牛黃丸粉) master purchase agreement. Pursuant to the Angong Niu Huang Wan Powder master purchase agreement, Tong Ren Tang Chinese Medicine may procure from Tong Ren Tang Ltd. Angong Niu Huang Wan Powder, being the raw material for the production of Angong Niu Huang Wan. The determined annual caps for the transactions contemplated under the Angong Niu Huang Wan Powder master purchase agreement for each of the years ending 31 December 2022, 2023 and 2024 are HK\$54 million, HK\$60 million and HK\$64 million, respectively. As the Angong Niu Huang Wan Powder fall within the scope of the Relevant Products under the Master Procurement Agreement, the Company expects that the transaction amount of the transactions contemplated under the renewed Master Procurement Agreement will also continue to increase;

- (v) 2025 will be the last year of the Group's "14th Five-Year Plan". To ensure the achievement of the Group's "14th Five-Year Plan", from 2023 to 2025, the Group will accelerate to build its grand health industrial cluster with traditional Chinese patent medicine as core business, household chemical products as growing business, gel products and disinfectant products as business with growth potential. In the future, the sales amount of the Group's product series will continue to grow. The Company expects that in the next three years, the purchase amount of raw materials will continue to grow in order to make sure the supply of products. Accordingly, the transaction amount under the renewed Master Procurement Agreement will continue to increase;
- (vi) The Group sets strict standards on the choice of raw materials, while Tong Ren Tang Holdings has been engaged in the business of traditional Chinese medicine raw materials for a long period and such business has become well established in recent years. As compared with other suppliers, Tong Ren Tang Group has obvious advantages, and the traditional Chinese medicine raw materials supplied by Tong Ren Tang Group can better meet the medical standard of the Group, are more convenient to track origin and therefore can better meet the Group's needs. Meanwhile, the Group will continue to implement strategic reserves of some Chinese medicine raw materials for the continuous development of potential species and the demand for some scarce Chinese medicine raw materials. Accordingly, it is expected that the procurement amount of the Group from Tong Ren Tang Group will grow significantly;
- (vii) Based on the Weekly Price-Based Index of Chinese Medicines (中藥材周價格定基指數), due to the shortage of labour and higher logistic cost caused by the recurring outbreak of COVID-19 pandemic, the price of Chinese medicine raw materials increased significantly since August 2021. The average increase in the unit price of 16 types of core raw materials which applied on the Group's major products is around 10.3% during 2021 and the first half of 2022. Among those core raw materials, one of the major raw materials used in the Group's major products recorded a price increase of approximately 14.1% for the first half of 2022. The Company believe that such increasing trend will continue in the future and the annual caps of the Master Procurement Agreement shall increase accordingly; and
- (viii) A buffer of around 5% of the estimated procurement amount of the Relevant Products has been included for any unexpected increase in the next three years. For example, it is expected that Tong Ren Tang Group will continuously expand the scope and scale of production and operation of traditional Chinese medicine products to ensure its long-term development. Furthermore, the increase in the number of members of Tong Ren Tang Group due to any new investments that Tong Ren Tang Group may make in the next three years will increase the transaction volume between the Group and Tong Ren Tang Group under the renewed Master Procurement Agreement.

### **Reasons for and benefit of renewal of the Master Procurement Agreement**

Tong Ren Tang Holdings owns subsidiaries that specialize in Chinese medicinal raw materials related business, which provides variable Chinese medicinal raw materials with good quality. Meanwhile, some of its subsidiaries in China own their own production facilities for medicinal raw materials in local Chinese medicinal raw materials origins and have extensive experience in procuring Chinese medicinal raw materials and a broad customer base. Since resources of suppliers or qualifications of several Chinese medicinal raw materials are limited, procurement of such raw materials by the Group from Tong Ren Tang Group which owns such resources and qualifications will secure the quality of raw materials procured by the Group, and ensure the production stability and product supply of the Group. In addition, Tong Ren Tang Holdings also owns subsidiaries which are engaged in the production and sales of Chinese Medicine products. Therefore, the procurement of such products by the Group from Tong Ren Tang Group for further production or distribution by the Group is beneficial to the production and the development of the business of distribution of Chinese Medicine products of the Group.

The Directors and the Independent Board Committee are of the view that the renewed Master Procurement Agreement was entered into on normal commercial terms, and the terms and conditions therein as well as the annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

## Measures of Internal Control

To ensure the Group's conformity with the pricing policies in relation to the continuing connected transactions contemplated under the renewed Master Procurement Agreement, the Company adopts the following internal control policies for its daily operation:

- (a) after renewing Master Procurement Agreement, the continuing connected transactions contemplated thereunder shall be strictly in compliance with the approved terms and conditions. Specific implementation agreements of the renewed Master Procurement Agreement shall be performed in strict accordance with pricing policies set out in the renewed Master Procurement Agreement. If revision of such terms and conditions is required due to change of actual situation, it is required to re-perform appropriate approval process;
- (b) the relevant business departments of the Company will continuously monitor the pricing terms and actual transaction amount of each of the specific implementation agreements relating to the renewed Master Procurement Agreement, the financial department will arrange payment in accordance with the procurement agreement and payment policies, and the audit department of the Company will review the implementation of the relevant transaction management policies of the Company in the assessment of the internal control system every half year, and conduct sampling review of the above information, so as to ensure all transactions under the renewed Master Procurement Agreement conform with the relevant management policies of the Company and ensure the relevant transactions are entered into on normal commercial terms or better and are fair and reasonable, the terms and conditions available to the Group are no less favorable than those available to independent third parties, and such transactions are carried out pursuant to the terms of the renewed Master Procurement Agreement;
- (c) the procurement department of the Company are responsible for regularly monitoring, collecting and evaluating the market data of common raw materials, including but not limited to the prevailing market and the then market price for comparable products in the related industry. Under the circumstances such as the then market price for the comparable products increases by more than 30% as compared with the procurement price of the Company in the previous year, the procurement department of the Company will submit the written price raising application as reviewed and signed by the executive in charge to the pricing department, and the pricing department will review the relevant materials, consult the opinions of the relevant departments and form their opinions on price inquiry, price determination and cost and profit influence, etc., and then review such opinions and submit to the board of managers of the Company, which will finally approve and implement such opinions;
- (d) as for material procurement or procurement of new variety and other issues, the procurement department will organize the production department, financial department, audit department, quality control department and other relevant departments to research, discuss and confirm the feasibility (including discussing whether public bidding procedures are needed) and, when necessary, form joint research group to conduct on-site market investigation and prepare research report and opinions, which is subject to the review and approval of the party committee, board of managers and the Board (if necessary) of the Company;

- (e) the financial department of the Company is responsible to collect and total the transaction amounts of the Group's continuing connected transactions on a monthly basis based on the respective transaction amounts reported by the relevant business departments, and is responsible to prepare the summary sheet of the Group's continuing connected transactions. Relevant business departments, if discover any imminent or possible exceeding of the annual caps of any continuing connected transactions, shall report as soon as possible to the financial department and the securities affairs office of the Company. If the relevant business departments confirm the necessity to revise the annual caps, they shall make the application regarding the revision of annual caps, including but not limited to the amount and composition of the revised annual caps as well as the basis for adjustment, and then submit the application to the board of managers of the Company for review and discussion after obtaining the approval of the head of business. The Board or the shareholders' general meeting will finally decide whether to revise the annual caps of relevant continuing connected transactions and proceed with the relevant disclosure procedures. Before completion of all approval and disclosure procedures, the person in charge of the relevant business departments involved in the continuing connected transactions shall ensure that the transaction amounts do not exceed the original annual caps;
- (f) the Company will implement, amend and improve the relevant rules and the requirements, and specify that the subsidiaries of the Company comply with the above-mentioned pricing policies in respect of the continuing connected transactions contemplated under the renewed Master Procurement Agreement;
- (g) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions under the renewed Master Procurement Agreement to ensure all transactions contemplated thereunder are entered into on normal commercial terms or better and are fair and reasonable, the terms and conditions available to the Group are no less favorable than those available to independent third parties, and such transactions are carried out pursuant to the terms of the renewed Master Procurement Agreement; and
- (h) the auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures are necessary components of an internal control system, including designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the abovementioned review procedures and approval process against the explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the renewed Master Procurement Agreement, the Directors are of the view that such methods and procedures can ensure and safeguard that the transactions contemplated under the Master Procurement Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders as a whole.

## **HONG KONG LISTING RULES IMPLICATIONS**

Tong Ren Tang Holdings is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under each of the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.



As one or more of the applicable percentage ratios in respect of the estimated annual caps for the continuing connected transactions under the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement respectively exceed 5%, both the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are subject to independent shareholders' approval requirement in addition to reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

An extraordinary general meeting of the Company will be convened to seek the approval of the Independent Shareholders in this regard. Tong Ren Tang Holdings and its associates will abstain from voting in respect of the relevant resolutions at the extraordinary general meeting.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in relation to the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder, and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, details of the Distribution Framework Agreement and the Master Procurement Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder, a letter from the Independent Board Committee and the advice from the independent financial adviser to the Independent Board Committee and Independent Shareholders, together with a notice convening the extraordinary general meeting of the Company, will be dispatched to the Shareholders on or before 4 December 2022.

Since Mr. Gu Hai Ou, the chairman of the Board, is also the vice general manager and member of the Standing Committee of the Party Committee of Tong Ren Tang Holdings, he is deemed to have material interests in the above connected transactions, and therefore has 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 have material interests in the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement and as a result are required to abstain from voting on the relevant resolution at the Board meeting.

## **GENERAL INFORMATION ON THE PARTIES**

### **The Company**

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

### **Tong Ren Tang Holdings**

Tong Ren Tang Holdings is engaged in the processing and manufacture of Chinese patent medicine and Chinese medicinal decoction pieces, sales of Chinese medicinal, Chinese patent medicine and Chinese medicinal decoction pieces, medical food, warehousing and transportation, etc. Beijing State-owned Assets Supervision and Administration Commission (北京市國有資產監督管理委員會) ("Beijing SASAC") is the ultimate beneficial owner of Tong Ren Tang Holdings. Pursuant to the Program for the Reform of the Institutions of the People's Government of Beijing Municipality (《北京市人民政府機構改革方案》) as approved by the Central Committee of the Communist Party of China and the State Council and the Circular of the People's Government of Beijing Municipality about the Establishment of Institutions (《北京市人民政府關於設立機構的通知》), Beijing SASAC is established as a special institution directly under the Municipality Government and is authorized by the Municipality Government to represent the State to perform the duties of the state-owned assets contributor.

## DEFINITIONS

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

“associate(s)”	has the meaning ascribed under the Hong Kong Listing Rules
“Baitu Information”	means Beijing Xiao Baitu Information Technology Co., Ltd. (北京小白兔信息技術有限公司), a company established in the PRC with limited liability
“Board”	means the board of directors of the Company
“Company”	means 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 (Stock Code: 1666)
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Daxing Branch”	means the Daxing branch of the Company located in Da Xing Bio-Pharma Industrial Base of Zhongguancun Technology Park District, Beijing (北京市中關村科技園區大興生物醫藥基地)
“Director(s)”	means the director(s) of the Company
“Distribution Framework Agreement”	means the Distribution Framework Agreement entered into between the Company and Tong Ren Tang Holdings on 15 April 2008, and renewed by the parties on 18 January 2011, 10 October 2013, 29 September 2016, 16 October 2019 and 28 November 2022, which is still subject to the approval by the Independent Shareholders, and pursuant to which the Group may sell its products to Tong Ren Tang Group, and Tong Ren Tang Group, as non-exclusive distributor of the Group, may purchase products from the Group and then distribute the same to retailers and/or end-users
“Group”	means the Company and its subsidiaries
“H Share(s)”	means the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/ are listed on the main board of the Hong Kong Stock Exchange and subscribed for in Hong Kong dollars
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited

“Independent Board Committee”	means the independent board committee comprising all independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Ms. Chan Ching Har, Eliza and Mr. Zhan Yuan Jing, which was established to advise the Independent Shareholders in relation to the renewed Distribution Framework Agreement and the renewed Master Procurement Agreement, as well as the proposed annual caps for the respective continuing connected transactions contemplated thereunder
“Independent Shareholders”	means Shareholders other than Tong Ren Tang Holdings and its associates
“Master Procurement Agreement”	means the Master Procurement Agreement entered into between the Company and Tong Ren Tang Holdings on 28 February 2011 and renewed by the parties on 10 October 2013, 29 September 2016, 16 October 2019 and 28 November 2022, which is still subject to the approval by the Independent Shareholders, and pursuant to which the Group may procure from Tong Ren Tang Group and Tong Ren Tang Group may supply to the Group the Relevant Products for the Group's production, sale and distribution
“PRC”	means the People's Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan Province
“Relevant Products”	means the raw materials, semi-finished products and finished products supplied by Tong Ren Tang Group to the Group under the renewed Master Procurement Agreement, collectively
“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	means the shareholder(s) of the Company
“Tong Ren Tang Holdings”	means 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 in the PRC and the ultimate controlling shareholder of the Company who is directly and indirectly interested in approximately 48.24% equity interest in the Company
“Tong Ren Tang Group”	means Tong Ren Tang Holdings and its subsidiaries and associates (excluding the Group, but including entities constitute connected subsidiaries of the Company pursuant to the Hong Kong Listing Rules)
“Tong Ren Tang Ltd.”	means 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, whose shares are listed on the Shanghai Stock Exchange (stock code: 600085.SH), and is the controlling shareholder of the Company

“Tong Ren Tang Commercial”	means 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 company established in the PRC with limited liability, in which Tong Ren Tang Ltd. holds 51.98% equity interest
“Tong Ren Tang Chinese Medicine”	means Beijing Tong Ren Tang Chinese Medicine Company Limited (北京同仁堂國藥有限公司), a non-wholly owned and connected subsidiary of the Company, which was incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3613), and its subsidiaries
“Tong Ren Tang Medical Caring”	means Beijing Tong Ren Tang Medical Caring Industry Investment Group Co., Ltd. (北京同仁堂醫養產業投資集團有限公司), a company established in the PRC with limited liability, and a direct wholly-owned subsidiary of Tong Ren Tang Holdings
“Tong Ren Tang Technologies Tangshan”	means Beijing Tong Ren Tang Technologies (Tangshan) Co., Ltd. (北京同仁堂科技發展(唐山)有限公司), located in Yutian County, Tangshan City, Hebei Province, which is a wholly-owned subsidiary of the Company
“Tong Ren Tang WM Dianorm”	means Beijing Tong Ren Tang WM Dianorm Biotech Co., Ltd. (北京同仁堂麥爾海生物技術有限公司), a company established in the PRC with limited liability. Tong Ren Tang Chinese Medicine and WM Dianorm Biotech Co., Ltd. (麥爾海生物技術有限公司) entered into a sale and purchase agreement on 10 February 2021, pursuant to which Tong Ren Tang Chinese Medicine acquired 40% of the equity interest of Tong Ren Tang WM Dianorm
“Nansanhuan Zhonglu Drugstore ”	means Beijing Tong Ren Tang Nansanhuan Zhonglu Drugstore Co., Ltd. (北京同仁堂南三環中路藥店有限公司), a company established in the PRC with limited liability. The Company and Tong Ren Tang Medical Caring entered into an asset transfer agreement and supplementary agreements on 20 June 2022, pursuant to which the Company agreed to dispose and Tong Ren Tang Medical Caring agreed to purchase, 49% of the equity interest in Nansanhuan Zhonglu Drugstore

“Tong Ren Tang Second Traditional Chinese Medicine Hospital”

means Beijing Tong Ren Tang Second Traditional Chinese Medicine Hospital, Co., Ltd. (北京同仁堂第二中醫醫院有限責任公司), a company established in the PRC with limited liability. The Company and Tong Ren Tang Medical Caring entered into an asset agreement and supplementary agreements on 20 June 2022, pursuant to which the Company agreed to dispose and Tong Ren Tang Medical Caring agreed to purchase 49% of the equity interest in Tong Ren Tang Second Traditional Chinese Medicine Hospital

By order of the Board  
**Tong Ren Tang Technologies Co. Ltd.**  
**Gu Hai Ou**  
*Chairman of the Board*

Beijing, the PRC  
28 November 2022

*As at the date of this announcement, the Board comprises Mr. Gu Hai Ou, Mr. Wang Yu Wei, Ms. Feng Zhi Mei as executive Directors, Mr. Jin Tao, Mr. Ma Guan Yu and Ms. Guo Ya Qing as non-executive Directors, Mr. Ting Leung Huel, Stephen, Ms. Chan Ching Har, Eliza and Mr. Zhan Yuan Jing as independent non-executive Directors.*