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Tong Ren Tang Technologies Co. Ltd.

北京同仁堂科技发展股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1666)

**CONTINUING CONNECTED TRANSACTIONS
THE TONG REN TANG TECHNOLOGIES PRC DISTRIBUTION
FRAMEWORK AGREEMENT**

The Board hereby announces that, on 20 February 2023, the Company and Tong Ren Tang Chinese Medicine, a connected subsidiary of the Company, renewed the Tong Ren Tang Technologies PRC Distribution Framework Agreement, pursuant to which, the Group, as a non-exclusive distributor of Tong Ren Tang Chinese Medicine Group, would purchase the Products from Tong Ren Tang Chinese Medicine Group and then sale the same to, among others, distributors, retailers or end users in the PRC or for the purpose of production for a period from 20 February 2023 to 31 December 2025.

Tong Ren Tang Ltd. is the controlling shareholder of the Company, which holds approximately 46.85% equity interest in the Company. As at the date of this announcement, Tong Ren Tang Ltd. also directly holds approximately 33.62% equity interest in Tong Ren Tang Chinese Medicine, a non-wholly owned subsidiary of the Company. Pursuant to Rule 14A.16 of the Hong Kong Listing Rules, Tong Ren Tang Chinese Medicine constitutes a connected subsidiary of the Company. Accordingly, the transactions contemplated under the Tong Ren Tang Technologies PRC Distribution Framework 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 Tong Ren Tang Technologies PRC Distribution Framework Agreement respectively exceed 0.1% but are all less than 5%, the Tong Ren Tang Technologies PRC Distribution Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder are only subject to reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

BACKGROUND

The Board hereby announces that, on 20 February 2023, the Company and Tong Ren Tang Chinese Medicine, a connected subsidiary of the Company, renewed the Tong Ren Tang Technologies PRC Distribution Framework Agreement, pursuant to which, the Group, as a non-exclusive distributor of Tong Ren Tang Chinese Medicine Group, would purchase the Products from Tong Ren Tang Chinese Medicine Group and then sale the same to, among others, distributors, retailers or end users in the PRC or for the purpose of production for a period from 20 February 2023 to 31 December 2025.

Major terms of the Tong Ren Tang Technologies PRC Distribution Framework Agreement

Signing date:	20 February 2023
Parties:	(i) The Company (ii) Tong Ren Tang Chinese Medicine
Term of the agreement:	The Tong Ren Tang Technologies PRC Distribution Framework Agreement is for a term from 20 February 2023 to 31 December 2025. Upon expiry, the Tong Ren Tang Technologies PRC Distribution Framework Agreement can be renewed after the agreement between the parties and subject to compliance with relevant laws and regulations (including the Hong Kong Listing Rules).
Principal terms and conditions:	<p>Pursuant to the Tong Ren Tang Technologies PRC Distribution Framework Agreement:</p> <ul style="list-style-type: none">• The Company agreed that, the Group, acting as the non-exclusive distributor of Tong Ren Tang Chinese Medicine Group, would purchase the Products from the Tong Ren Tang Chinese Medicine Group and then sale the same to, among others, distributors, retailers or end-users in the PRC or use them for the purpose of production.• Details and the quantities of such Products shall be determined by both parties in accordance with the then market conditions and shall be stated in separate implementation agreements within the ambit of the Tong Ren Tang Technologies PRC Distribution Framework Agreement.

Pricing policy:

Price for the Products shall be determined based on:

- (i) The price of Products sold by Tong Ren Tang Chinese Medicine Group to the Group shall be determined according to the prevailing market price, which is with reference to the price and sale terms of similar products in the industry and in the PRC market at that time. The price and supply terms of the Products sold by Tong Ren Tang Chinese Medicine Group to the Group shall be comparable to those sold by the Tong Ren Tang Chinese Medicine Group to other independent third parties under the same conditions. The price at which Tong Ren Tang Chinese Medicine Group sell its own products to the Group shall be determined at a reasonable cost plus a fair and reasonable profit margin and with reference to the prevailing market price. The reasonable cost shall be determined by reference to the cost of the raw materials, the cost of labour and the manufacturing expense, etc.; and the profit margin shall be determined by reference to the average gross profit rate of Tong Ren Tang Chinese Medicine Group in the previous three years, which shall not be less than 50%; and
- (ii) The prevailing market price, which is with reference to the price and sale terms of similar products in the industry and in the PRC market at the time when a separate implementation agreement is entered into.

Payment of the fees:

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

Implementation agreements:

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

Historical figures and annual caps

Historical transaction amount

The historical transaction amount under the Distribution Framework Agreement for the period from 13 May 2020 to 31 December 2020, and year ended 31 December 2021 and for the nine months ended 30 September 2022 is set out below:

	For the period from 13 May 2020 to 31 December 2020 (RMB million)	Year ended 31 December 2021 (RMB million)	Nine months ended 30 September 2022 (RMB million)
Historical transaction amount	7.70	0.58	1.56

Historical annual caps

The annual caps for the transactions contemplated under the Distribution Framework Agreement for the period from 13 May 2020 to 31 December 2020, and two years ended 31 December 2022 are set out below:

	For the period from 13 May 2020 to 31 December 2020 (RMB million)	Year ended 31 December 2021 (RMB million)	Year ended 31 December 2022 (RMB million)
Historical annual caps	45.64	52.03	59.34

To the best knowledge of the Directors, the low utilisation of the historical annual caps was primarily because Tong Ren Tang Chinese Medicine Group adjusted its sales strategy on customer distribution to e-commerce distributors since 2020 and had focused on sales of the Products through the e-commerce sales channel.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the Tong Ren Tang Technologies PRC Distribution Framework Agreement for the period from 20 February 2023 to 31 December 2025 are set out below:

	Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Proposed annual caps	65	74	86

Note: 1. Base on the exchange rate calculated as HK\$1 to RMB0.87474 (the median price of RMB exchange rate recently announced by The People's Bank of China), the proposed annual caps for each of three years ending 31 December 2025 are approximately HK\$74 million, HK\$85 million and HK\$98 million, respectively.

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

The above expected annual caps were determined after taking into consideration the following factors:

- (i). the historical transaction amount and historical annual caps for the transactions contemplated under the Tong Ren Tang Technologies PRC Distribution Framework Agreement, the expected market conditions and the continuous increase in demand for the Products in the PRC markets;
- (ii). despite the low utilisation of the historical annual caps under the Existing Tong Ren Tang Technologies PRC Distribution Framework Agreement, the Group had discussed with the Tong Ren Tang Chinese Medicine Group and was given to understand that there will be an expected increase in demand for the Products due to the Group's marketing and sales strategies. There is an estimated year-on-year growth rate of 15% under the Tong Ren Tang Technologies PRC Distribution Framework Agreement for the Products for the three years ending 31 December 2025;
- (iii). the estimated sales of potential new products and the Chinese medicine products of Tong Ren Tang Chinese Medicine for the year ending 31 December 2023;
- (iv). the expected market price of the Products for the three years ending 31 December 2025; and
- (v). a buffer for any unexpected increase of the sales amount, the current market condition, and for any potential appreciation in the HK\$ against RMB. The buffer projection is assumed solely for determining the annual caps and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group and of the Tong Ren Tang Chinese Medicine Group.

Reasons for and benefits of renewing the Tong Ren Tang Technologies PRC Distribution Framework Agreement

The Directors consider that, the Group, as a non-exclusive distributor of Tong Ren Tang Chinese Medicine Group, to distribute the Products in the PRC would further expand sales of products of the Group (including Tong Ren Tang Chinese Medicine Group), further improve the revenue of Chinese medicine sales of the Group, enhance the value of the “Tong Ren Tang” brand and promote the culture of Chinese medicine in the PRC market, and hence is beneficial to the development of the Group.

The Directors (including the independent non-executive Directors) are of the view that the Tong Ren Tang Technologies PRC Distribution Framework Agreement was entered into on normal commercial terms in the ordinary course of business, 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 its 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 Tong Ren Tang Technologies PRC Distribution Framework Agreement, the Group has adopted the following internal control procedures:

- (i) after renewing the Tong Ren Tang Technologies PRC Distribution Framework Agreement, the continuing connected transactions contemplated thereunder shall be strictly in compliance with the approved terms and conditions. Implementation agreements under the Tong Ren Tang Technologies PRC Distribution Framework Agreement shall be performed in strict compliance with pricing policies set out in the Tong Ren Tang Technologies PRC 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;
- (ii) the sales department and other relevant business departments of the Company is responsible to continuously monitor the pricing terms and actual transaction amounts of each of the specific implementation agreements to the Tong Ren Tang Technologies PRC Distribution Framework Agreement. The financial department of the Company is responsible to collect the total transaction amounts of the continuing connected transactions under the Tong Ren Tang Technologies PRC Distribution Framework Agreement on a monthly basis and prepare summary report accordingly. If the above relevant departments discovers any imminent or possible exceeding of the annual caps of any continuing connected transactions under the Tong Ren Tang Technologies PRC Distribution Framework Agreement, it shall report as soon as possible to the financial department and the securities department of the Company. If the necessity to raise the annual caps is confirmed, the above relevant departments shall submit proposal to revise annual caps. 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 caps for the continuing connected transactions and to perform the disclosure procedures accordingly. Before completion of all of the approval and disclosure procedures, the person in charge of the above relevant departments involved in the continuing connected transactions shall ensure that the transaction amounts do not exceed the annual caps;

- (iii) the independent non-executive Directors will review the continuing connected transactions under the Tong Ren Tang Technologies PRC Distribution Framework Agreement to ensure all transactions contemplated thereunder are entered into on normal commercial terms or better, are fair and reasonable, the terms and conditions available to the Group are no less favourable than those available to independent third parties, and such transactions are carried out pursuant to the terms of the Tong Ren Tang Technologies PRC Distribution Framework Agreement; and
- (iv) the auditors of the Company will also conduct an annual review on the pricing and annual caps of the continuing connected transactions under the Tong Ren Tang Technologies PRC Distribution Framework Agreement.

Taking into account that: (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 (ii) the above-mentioned review procedures and approval process can ensure that the transactions will be executed in accordance with the pricing principles stipulated in the Tong Ren Tang Technologies PRC Distribution Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure and safeguard that the transactions contemplated under the Tong Ren Tang Technologies PRC Distribution Framework Agreement will be on normal commercial terms and not prejudicial to interests of the Company and its shareholders' interests as a whole.

HONG KONG LISTING RULES IMPLICATIONS

Tong Ren Tang Ltd. is the controlling shareholder of the Company, which holds approximately 46.85% equity interest in the Company. As at the date of this announcement, Tong Ren Tang Ltd. also directly holds approximately 33.62% equity interest in Tong Ren Tang Chinese Medicine, a non wholly-owned subsidiary of the Company. Pursuant to Rule 14A.16 of the Hong Kong Listing Rules, Tong Ren Tang Chinese Medicine constitutes a connected subsidiary of the Company. Accordingly, the transactions contemplated under the Tong Ren Tang Technologies PRC Distribution Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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Since Ms. Feng Li, the non-executive Directors of the Board, is also the director of Tong Ren Tang Chinese Medicine, she 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 Tong Ren Tang Technologies PRC Distribution Framework 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 Chinese Medicine

Tong Ren Tang Chinese Medicine is principally engaged in manufacturing, retail and wholesale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments services.

Tong Ren Tang Holdings is the ultimate controlling shareholder of both the Company and Tong Ren Tang Chinese Medicine. 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
"Beijing SASAC"	The State-owned Assets Supervision and Administration Commission of the State Council of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
"Board"	the board of directors of the Company
"Company" or "Tong Ren Tang Technologies"	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
"controlling shareholder"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Director(s)"	the directors of the Company

"Group"	the Company and its subsidiaries (excluding Tong Ren Tang Chinese Medicine Group)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"PRC"	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
"Tong Ren Tang Technologies PRC Distribution Framework Agreement"	<p>a distribution framework agreement dated 20 February 2023 renewed between the Company and Tong Ren Tang Chinese Medicine, pursuant to which, the Group, as a non-exclusive distributor of Tong Ren Tang Chinese Medicine Group, would purchase the Products from Tong Ren Tang Chinese Medicine Group and then sale the same to, among others, distributors, retailers or end users in the PRC or for the purpose of production for a term from 20 February 2023 to 31 December 2025</p> <p>The extraordinary general meeting of the Tong Ren Tang Chinese Medicine will be convened to, among other things, consider and, if thought fit, approve the Renewed Tong Ren Tang Technologies PRC Distribution Framework Agreement and the proposed annual caps contemplated thereunder</p>
"Products"	Chinese medicine, healthcare products and Chinese herbs, including Chinese medicine and/or healthcare products researched, developed and manufactured by the Tong Ren Tang Chinese Medicine Group (including but not limited to Ganoderma and Ganoderma Lucidum related products, but for the avoidance of doubt, excluding Angong Niu Huang Wan)
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	the shareholder(s) of the Company
"Tong Ren Tang Chinese Medicine"	Beijing Tong Ren Tang Chinese Medicine Company Limited (北京同仁堂國藥有限公司), a limited company incorporated in Hong Kong and a non-wholly-owned subsidiary of the Company, the shares of which were listed on GEM of the Hong Kong Stock Exchange on 7 May 2013 and were transferred to the Main Board of the Hong Kong Stock Exchange on 29 May 2018
"Tong Ren Tang Chinese Medicine Group"	Tong Ren Tang Chinese Medicine and its subsidiaries

"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 state-owned enterprise established in the PRC and the ultimate controlling shareholder of the Company who is directly and indirectly interested in 48.24% equity interest in the Company
"Tong Ren Tang Ltd."	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, 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

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

Beijing, the PRC
20 February 2023

As at the date of this announcement, the Board comprises Mr. Gu Hai Ou, Mr. Wang Yu Wei 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.