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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in **Beijing Tong Ren Tang Chinese Medicine Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



**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)**

**(1) CONTINUING CONNECTED TRANSACTIONS REGARDING  
RENEWAL OF THE EXCLUSIVE DISTRIBUTORSHIP  
FRAMEWORK AGREEMENTS;  
AND  
(2) NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



A letter from the Board is set out on pages 5 to 18 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 30 of this circular. This circular is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([cm.tongrentang.com](http://cm.tongrentang.com)).

A notice convening the EGM to be held at Room 1405–1409, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 27 December 2023 at 10:30 a.m., is set out on pages 36 to 37 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof, and deposit it with Computershare Hong Kong Investor Services Limited, the share registrar and transfer office of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading, and all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

5 December 2023

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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 person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	The director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on Wednesday, 27 December 2023 at 10:30 a.m. to, among other things, consider and, if thought fit, approve the New Exclusive Distributorship Framework Agreements and the proposed annual caps contemplated thereunder
“Existing Exclusive Distributorship Framework Agreements”	collectively, the Existing TRT Tech Exclusive Distributorship Framework Agreement and the Existing TRT Ltd. Exclusive Distributorship Framework Agreement
“Existing TRT Ltd. Exclusive Distributorship Framework Agreement”	the exclusive distributorship framework agreement dated 6 November 2020 entered into between the Company and Tong Ren Tang Ltd. in relation to the distribution of the Relevant Products of the Tong Ren Tang Ltd. Group in markets outside the Mainland China
“Existing TRT Tech Exclusive Distributorship Framework Agreement”	the exclusive distributorship framework agreement dated 6 November 2020 entered into between the Company and Tong Ren Tang Technologies in relation to the distribution of the Relevant Products of the Tong Ren Tang Technologies Group in markets outside the Mainland China
“Group”	the Company and its subsidiaries (either directly owned or indirectly owned)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Tsang Yok Sing, Jasper, Mr. Xu Hong Xi and Mr. Chan Ngai Chi, formed for the purpose of advising the Independent Shareholders in respect of the terms of the New Exclusive Distributorship Framework Agreements (including the proposed annual caps)
“Independent Shareholders”	Shareholders other than the Parent Group
“Latest Practicable Date”	29 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Mainland China”	the PRC and for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan region
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules
“New Exclusive Distributorship Framework Agreements”	collectively, the New TRT Tech Exclusive Distributorship Framework Agreement and the New TRT Ltd. Exclusive Distributorship Framework Agreement
“New TRT Ltd. Exclusive Distributorship Framework Agreement”	the new exclusive distributorship framework agreement dated 29 November 2023 entered into between the Company and Tong Ren Tang Ltd. in relation to the distribution of the Relevant Products of the Tong Ren Tang Ltd. Group in markets outside the Mainland China
“New TRT Tech Exclusive Distributorship Framework Agreement”	the new exclusive distributorship framework agreement dated 29 November 2023 entered into between the Company and Tong Ren Tang Technologies in relation to the distribution of the Relevant Products of the Tong Ren Tang Technologies Group in markets outside the Mainland China
“Parent Group”	Tong Ren Tang Holdings, Tong Ren Tang Ltd., Tong Ren Tang Technologies and their respective associates (excluding the Group)
“PRC”	the People’s Republic of China

## DEFINITIONS

“Relevant Products”	the “Tong Ren Tang” branded products and/or Chinese medicine products supplied by the Tong Ren Tang Ltd. Group or the Tong Ren Tang Technologies Group to TRT International Natural-Pharm under the New Exclusive Distributorship Framework Agreements for the purpose of the distribution or production in the markets outside the Mainland China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong
“Shareholder(s)”	the shareholder(s) of the Company
“Somerville” or “Independent Financial Adviser”	Somerville Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Exclusive Distributorship Framework Agreements (including the proposed annual caps)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tong Ren Tang Holdings”	China Beijing Tong Ren Tang Group Co., Ltd., a state-owned enterprise established in the PRC on 17 August 1992 and is the ultimate controlling shareholder of the Company
“Tong Ren Tang Ltd.”	Beijing Tong Ren Tang Company Limited, a joint stock limited company established in the PRC on 18 June 1997, the shares of which have been listed on the Shanghai Stock Exchange since 1997 and is the intermediate holding company of the Company
“Tong Ren Tang Ltd. Group”	Tong Ren Tang Ltd. and its subsidiaries (either directly owned or indirectly owned, other than Tong Ren Tang Technologies Group and the Group)
“Tong Ren Tang Technologies”	Tong Ren Tang Technologies Co. Ltd., a joint stock limited company established in the PRC on 22 March 2000, the H shares of which are listed on the Stock Exchange, and is the immediate holding company of the Company
“Tong Ren Tang Technologies Group”	Tong Ren Tang Technologies and its subsidiaries (either directly owned or indirectly owned, other than the Group)

## DEFINITIONS

“TRT International Natural-Pharm”

Beijing Tong Ren Tang International Natural-Pharm Co., Ltd., a company incorporated in the PRC with limited liability on 6 March 2006 and a wholly-owned subsidiary of the Company

“%”

per cents

LETTER FROM THE BOARD



**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)**

*Executive Directors:*

Mr. Yu Jin

Mr. Chen Fei

*Non-executive Director:*

Ms. Feng Li

*Independent non-executive Directors:*

Mr. Tsang Yok Sing, Jasper

Mr. Xu Hong Xi

Mr. Chan Ngai Chi

*Registered Office:*

Room 1405–1409

Office Tower, Convention Plaza

1 Harbour Road

Wanchai, Hong Kong

5 December 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS REGARDING  
RENEWAL OF THE EXCLUSIVE DISTRIBUTORSHIP  
FRAMEWORK AGREEMENTS;  
AND  
(2) NOTICE OF EGM**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 29 November 2023 in relation to, inter alia, the entering of the New TRT Tech Exclusive Distributorship Framework Agreement and the New TRT Ltd. Exclusive Distributorship Framework Agreement by the Company with each of Tong Ren Tang Technologies and Tong Ren Tang Ltd., respectively.

The Group is the primary overseas distribution platform of the Parent Group and is the only member of the Parent Group solely distributing the Mainland China manufactured “Tong Ren Tang” branded Chinese medicine products outside the Mainland China. The renewal of the Existing Exclusive Distributorship Framework Agreements is to ensure the continuity of the exclusive distributorship arrangement outside the Mainland China, which is of utmost importance to the Parent Group as well as the Group.

## LETTER FROM THE BOARD

As each of the Existing Exclusive Distributorship Framework Agreements will expire after 31 December 2023, the Company entered into the New TRT Tech Exclusive Distributorship Framework Agreement with Tong Ren Tang Technologies and the New TRT Ltd. Exclusive Distributorship Framework Agreement with Tong Ren Tang Ltd. to extend the respective continuing connected transactions for a further term of three years ending 31 December 2026.

The purpose of this circular is to provide you with, among other things, (i) further information in relation to the New Exclusive Distributorship Framework Agreements and the proposed annual caps contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

Details of the transactions and the arrangements contemplated under the New Exclusive Distributorship Framework Agreements are set out as follows:

### 2. THE NEW EXCLUSIVE DISTRIBUTORSHIP FRAMEWORK AGREEMENTS

#### (I) The New TRT Tech Exclusive Distributorship Framework Agreement

<b>Date</b>	:	29 November 2023
<b>Parties</b>	:	(1) the Company (2) Tong Ren Tang Technologies
<b>Term</b>	:	The New TRT Tech Exclusive Distributorship Framework Agreement shall be for a term of three years from 1 January 2024 to 31 December 2026 (both days inclusive) and shall be effective upon the approval of the Independent Shareholders at the EGM.
<b>Major terms and conditions</b>	:	<ul style="list-style-type: none"><li>• The Tong Ren Tang Technologies Group appoints TRT International Natural-Pharm, a wholly-owned subsidiary of the Company, as its sole overseas distributor for the distribution of the Relevant Products of the Tong Ren Tang Technologies Group in markets outside the Mainland China.</li></ul>



## LETTER FROM THE BOARD

- Within the term of the New TRT Tech Exclusive Distributorship Framework Agreement and for the purpose of the overseas distribution of the Relevant Products of the Tong Ren Tang Technologies Group, TRT International Natural-Pharm will procure from the Tong Ren Tang Technologies Group, and the Tong Ren Tang Technologies Group shall supply to TRT International Natural-Pharm, the Relevant Products as agreed by the parties.
- The Tong Ren Tang Technologies Group shall provide trainings on the Relevant Products of the Tong Ren Tang Technologies Group and the Group is responsible for the promotion of Relevant Products in markets outside the Mainland China.
- Individual distribution agreement will be signed by members of the Tong Ren Tang Technologies Group and TRT International Natural-Pharm during the term of the New TRT Tech Exclusive Distributorship Framework Agreement to set out details of the quantity, price, specifications, standards, delivery time and settlement of the Relevant Products supplied, save as such individual distribution agreement shall be entered into on normal commercial terms as well as in accordance with the provisions of the New TRT Tech Exclusive Distributorship Framework Agreement.

## LETTER FROM THE BOARD

- Pricing policy** :
- The price of the Relevant Products supplied by the Tong Ren Tang Technologies Group to TRT International Natural-Pharm shall be adjusted according to the actual situation (e.g. the prices of the Relevant Products may increase because of the increase of cost of the Relevant Products) and determined after arm's length negotiation, and under the same conditions, which shall not be higher than the wholesale price of the Relevant Products, which are identical or similar, sold by the Tong Ren Tang Technologies Group to the wholesale customers in the Mainland China. Given that the Group is the sole exclusive distributor of Tong Ren Tang Technologies Group overseas and that the Relevant Products are unique in nature and are not directly comparable to those available in the market, the Group can only make reference to and compare the price of the Relevant Products sold in the Mainland China.
  - Payment of the price will be specified in individual distribution agreement to be signed between members of the Tong Ren Tang Technologies Group and TRT International Natural-Pharm.
  - TRT International Natural-Pharm shall obtain an updated wholesale price list and payment terms of the Relevant Products which the members of Tong Ren Tang Technologies Group have offered to independent third parties on a quarterly basis so as to determine whether the price and terms offered to TRT International Natural-Pharm are fair and reasonable and comparable to those they offered to their unrelated wholesale customers in the Mainland China. Members of the Tong Ren Tang Technologies Group shall also notify TRT International Natural-Pharm in case there is any material update of the said wholesale price list and payment terms of the Relevant Products from time to time.

## LETTER FROM THE BOARD

### (II) The New TRT Ltd. Exclusive Distributorship Framework Agreement

- Date** : 29 November 2023
- Parties** : (1) the Company  
(2) Tong Ren Tang Ltd.
- Term** : The New TRT Ltd. Exclusive Distributorship Framework Agreement shall be for a term of three years from 1 January 2024 to 31 December 2026 (both days inclusive) and shall be effective upon the approval of the Independent Shareholders at the EGM.
- Major terms and conditions** :
- The Tong Ren Tang Ltd. Group appoints TRT International Natural-Pharm, as its sole overseas distributor for the distribution of the Relevant Products of the Tong Ren Tang Ltd. Group in markets outside the Mainland China.
  - Within the term of the New TRT Ltd. Exclusive Distributorship Framework Agreement and for the purpose of the overseas distribution of the Relevant Products of the Tong Ren Tang Ltd. Group, TRT International Natural-Pharm will procure from the Tong Ren Tang Ltd. Group, and the Tong Ren Tang Ltd. Group shall supply to TRT International Natural-Pharm, the Relevant Products as agreed by the parties.
  - The Tong Ren Tang Ltd. Group shall provide trainings on the Relevant Products of the Tong Ren Tang Ltd. Group and the Group is responsible for the promotion of Relevant Products in markets outside the Mainland China.
  - Individual distribution agreement will be signed by members of the Tong Ren Tang Ltd. Group and TRT International Natural-Pharm during the term of the New TRT Ltd. Exclusive Distributorship Framework Agreement to set out details of the quantity, price, specifications, standards, delivery time and settlement of the Relevant Products supplied, save as such individual distribution agreement shall be entered into on normal commercial terms as well as in accordance with the provisions of the New TRT Ltd. Exclusive Distributorship Framework Agreement.

## LETTER FROM THE BOARD

- Pricing policy** :
- The price of the Relevant Products supplied by the Tong Ren Tang Ltd. Group to TRT International Natural-Pharm shall be adjusted according to the actual situation (e.g. the prices of the Relevant Products may increase because of the increase of cost of the Relevant Products) and determined after arm's length negotiation, and under the same conditions, which shall not be higher than the wholesale price of the Relevant Products, which are identical or similar, sold by the Tong Ren Tang Ltd. Group to the wholesale customers in the Mainland China. Given that the Group is the sole exclusive distributor of Tong Ren Tang Ltd. Group overseas and that the Relevant Products are unique in nature and are not directly comparable to those available in the market, the Group can only make reference to and compare the price of the Relevant Products sold in the Mainland China.
  - Payment of the price will be specified in individual distribution agreement to be signed between members of the Tong Ren Tang Ltd. Group and TRT International Natural-Pharm.
  - TRT International Natural-Pharm shall obtain an updated wholesale price list and payment terms of the Relevant Products which the members of the Tong Ren Tang Ltd. Group have offered to independent third parties on a quarterly basis so as to determine whether the price and terms offered to TRT International Natural-Pharm are fair and reasonable and comparable to those they offered to their unrelated wholesale customers in the Mainland China. Members of the Tong Ren Tang Ltd. Group shall also notify TRT International Natural-Pharm in case there is any material update of the said wholesale price list and payment terms of the Relevant Products from time to time.

## LETTER FROM THE BOARD

### Historical Figures and Proposed Annual Caps

Set out below is the aggregate historical amounts paid/payable by the Group in respect of its purchase of the Relevant Products for its distribution in markets outside the Mainland China for the two years ended 31 December 2022 and nine months ended 30 September 2023 as well as the previous annual caps (exclusive of value-added tax in the PRC) under each of the Existing Exclusive Distributorship Framework Agreements:

	Year ended 31 December				Nine months ended 30 September	Year ending 31 December
	2021		2022		2023	2023
	Actual	Historical	Actual	Historical	Actual	Historical
	amounts	cap	amounts	cap	amounts	cap
	<i>(HK\$'million)</i>		<i>(HK\$'million)</i>		<i>(HK\$'million)</i>	
	(Audited)		(Audited)		(Unaudited)	
Amounts paid/payable under the Existing TRT Tech Exclusive Distributorship Framework Agreement (exclusive of value-added tax in the PRC)	26.3	53.7	39.1	61.8	23.4	71.0
Amounts paid/payable under the Existing TRT Ltd. Exclusive Distributorship Framework Agreement (exclusive of value-added tax in the PRC)	<u>14.3</u>	<u>86.2</u>	<u>20.0</u>	<u>99.1</u>	<u>16.1</u>	<u>114.0</u>
<b>Total paid/payable amounts (exclusive of value-added tax in the PRC)</b>	<u><u>40.6</u></u>	<u><u>139.9</u></u>	<u><u>59.1</u></u>	<u><u>160.9</u></u>	<u><u>39.5</u></u>	<u><u>185.0</u></u>

The low utilisation of the historical annual caps for the transactions contemplated under each of the Existing TRT Tech Exclusive Distributorship Framework Agreement and the Existing TRT Ltd. Exclusive Distributorship Framework Agreement for the years ended 31 December 2021 and 2022 was due to the impact of the COVID-19 pandemic. The logistics and exportation in various regions have been affected during the COVID-19 pandemic which had led to a decrease in purchase amounts, resulting in the low utilisation of the historical annual caps. It is expected that the purchase amounts under the Existing TRT Tech Exclusive Distributorship Framework Agreement and the Existing TRT Ltd. Exclusive Distributorship Framework Agreement for the year ending 31 December 2023 will be approximately HK\$38.2 million and approximately HK\$91.2 million, respectively.

## LETTER FROM THE BOARD

The proposed annual caps (exclusive of value-added tax in the PRC) under the New Exclusive Distributorship Framework Agreements for each of the three years ending 31 December 2026 are set out below:

	<b>For the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>
New TRT Tech Exclusive Distributorship Framework Agreement	49.0	55.8	63.6
New TRT Ltd. Exclusive Distributorship Framework Agreement	<u>111.0</u>	<u>120.0</u>	<u>130.0</u>
<b>Total proposed annual caps (exclusive of value-added tax in the PRC)</b>	<u><u>160.0</u></u>	<u><u>175.8</u></u>	<u><u>193.6</u></u>

The proposed annual caps set out above are determined based on the following factors which are applicable to both of the New Exclusive Distributorship Framework Agreements:

- (a) the historical figures of the relevant transactions and the historical annual caps as disclosed above;
- (b) the expected purchase amounts for the year ending 31 December 2023 which comprises of actual purchase amounts for the nine months ended 30 September 2023 and the expected purchase amounts for the period from 1 October 2023 to 31 December 2023 based on the purchase orders that had been issued by the Group;
- (c) the expected improving market conditions and the continuous increase in demand for the Relevant Products in markets outside the Mainland China;
- (d) the expected increase in supply prices for the Relevant Products over the next three years as a result of the continuous increase in manufacturing costs, in particular, continuous increase in costs in labour and raw materials;

## LETTER FROM THE BOARD

- (e) taking into account the above items (c) and (d), it is estimated (i) a forecasted annual growth rate of approximately 14% for the three years ending 31 December 2026 for the purchase of the Relevant Products from the Tong Ren Tang Technologies Group; and (ii) a forecasted annual growth rate of approximately 8% for the three years ending 31 December 2026 for the purchase of the Relevant Products from the Tong Ren Tang Ltd. Group, which is based on the annual growth in average for the purchase of the Relevant Products from Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group respectively for the years from 2017 to 2019, under an expectation that the annual growth for the three years ending 31 December 2026 will resume to the extent before COVID-19 pandemic; and
- (f) an annual buffer of approximately 13% for each of the three years ending 31 December 2026 for any unexpected increase in the aforesaid transaction volume amount (as a result of any unexpected increase in market demand for the Relevant Products) or unexpected increase in the cost of supply or a change in exchange rate.

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

### **Reasons for Entering into the New Exclusive Distributorship Framework Agreements**

The transactions contemplated under the New Exclusive Distributorship Framework Agreements are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group.

The Directors consider that securing a long-term business relationship with the Tong Ren Tang Ltd. Group and the Tong Ren Tang Technologies Group who have reputable business associated with profound experience in the Chinese medicine industry in the Mainland China is beneficial to the Group. The increased co-operation would be expected to bring considerable and stable contribution to the Group's revenue and profitability in the long run.

The Directors (including the independent non-executive Directors) are of the view that the New Exclusive Distributorship Framework Agreements (including the caps thereunder) (i) have been negotiated on an arm's length basis; (ii) have been conducted and will continue to 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.

## LETTER FROM THE BOARD

### Internal Control Measures

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

- (i) the export department of TRT International Natural-Pharm and the sales department of the Company are responsible for specific implementation and supervision of the transactions contemplated under the New Exclusive Distributorship Framework Agreements, so as to ensure that such transactions are conducted in accordance with the terms of the New Exclusive Distributorship Framework Agreements;
- (ii) the finance department of the Company is responsible for monitoring, collecting and evaluating the detailed information of the transactions contemplated under the New Exclusive Distributorship Framework Agreements (including but not limited to the payment arrangements and actual transaction amount under each of the individual distribution agreements) on a regular monthly basis, so as to ensure that the amount of the transaction does not exceed the established annual caps. If there is any imminent or possible exceeding of the annual caps of the transactions contemplated under the New Exclusive Distributorship Framework Agreements, the export department of TRT International Natural-Pharm and the sales department of the Company shall report as soon as possible to the finance department and the company secretarial department of the Company to determine the necessity to revise the annual caps on a timely basis. If the company secretarial department confirms the necessity to revise the annual caps, the export department of TRT International Natural-Pharm and the sales department of the Company shall propose the revised annual caps and reasons for adjustment, and relevant approval and disclosure procedures shall be implemented as soon as practicable. Prior to the compliance of all of the approval and disclosure procedures, the export department of TRT International Natural-Pharm and the sales department of the Company involved in the transactions contemplated under the New Exclusive Distributorship Framework Agreements shall closely monitor, and ensure that the transaction amounts do not exceed the annual caps;
- (iii) the Company shall regularly, and in any event, at least once a year, provide the export department of TRT International Natural-Pharm and the sales department of the Company with trainings on the requirements for continuing connected transactions under the Listing Rules so as to ensure the adequacy of relevant staff's qualifications and experience;



## LETTER FROM THE BOARD

- (iv) as mentioned above, TRT International Natural-Pharm shall procure an updated wholesale price list and payment terms of the Relevant Products which the Tong Ren Tang Technologies Group and the Tong Ren Tang Ltd. Group have offered to independent third parties on a quarterly basis so as to determine whether that the price and terms offered to TRT International Natural-Pharm are fair and reasonable and comparable to those they offered to their unrelated wholesale customers in the Mainland China. The Group will, on a random and sample basis, request each of the Tong Ren Tang Technologies Group and the Tong Ren Tang Ltd. Group to provide supporting documents to the Group in relation to the wholesale price and payment terms offered to independent third parties to ensure that the prices obtained by the Group are reasonable and comparable. Members of the Tong Ren Tang Technologies Group and the Tong Ren Tang Ltd. Group shall also notify TRT International Natural-Pharm in case there is any material update of the said wholesale price list and payment terms of the Relevant Products from time to time;
- (v) the independent non-executive Directors and the auditor of the Company will also on a regular basis, in any event, no less than once a year, be provided with (i) the New Exclusive Distributorship Framework Agreements; (ii) sales contracts entered into between the Tong Ren Tang Technologies Group or the Tong Ren Tang Ltd. Group and independent third parties for the supply of the Relevant Products; (iii) individual distribution agreements entered into between the Group and the Tong Ren Tang Technologies Group or the Tong Ren Tang Ltd. Group (as the case may be); and (iv) the quarterly updated wholesale price lists and payment terms of the Relevant Products;
- (vi) the independent non-executive Directors have reviewed and will continue to review and compare the relevant payment terms, payment method and price payable under these agreements and sales contracts to ensure that the transactions contemplated under the New Exclusive Distributorship Framework Agreements are conducted on normal commercial terms, are fair and reasonable, are comparable to those entered into between the Tong Ren Tang Technologies Group or the Tong Ren Tang Ltd. Group (as the case may be) and independent third parties and are carried out pursuant to the terms of such agreements; and
- (vii) the auditor of the Company has reviewed and will also continue to conduct annual review on the pricing and annual caps of the transactions contemplated under the New Exclusive Distributorship Framework Agreements and confirm the transactions contemplated under the New Exclusive Distributorship Framework Agreements are conducted in accordance with the terms of the New Exclusive Distributorship Framework Agreements.

## LETTER FROM THE BOARD

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

### **Listing Rules Implications**

As at the Latest Practicable Date, Tong Ren Tang Technologies, who is interested in approximately 38.05% of the issued share capital of the Company, is the immediate controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New TRT Tech Exclusive Distributorship Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Tong Ren Tang Ltd., who is interested in approximately 71.67% of the issued share capital of the Company, is the intermediate controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New TRT Ltd. Exclusive Distributorship 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 highest annual caps in aggregate of the transactions contemplated under the New Exclusive Distributorship Framework Agreements exceed 5% and the proposed highest annual caps in aggregate are more than HK\$10,000,000, the transactions contemplated thereunder are subject to reporting, announcement, circular, annual review, as well as the Independent Shareholders' approval requirements under the Listing Rules.

Ms. Feng Li (who is the non-executive director of Tong Ren Tang Technologies as well as the deputy general manager and the secretary to the board of directors of Tong Ren Tang Ltd.), the non-executive Director of the Company, is considered to have material interests in the transactions contemplated under the New Exclusive Distributorship Framework Agreements by virtue of her respective positions in Tong Ren Tang Technologies and 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 New Exclusive Distributorship Framework Agreements.

## LETTER FROM THE BOARD

Save as disclosed, there is no other Director who has a material interest in the transactions contemplated under the New Exclusive Distributorship Framework Agreements.

### **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 Technologies*

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

#### *Tong Ren Tang Ltd.*

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

#### *TRT International Natural-Pharm*

TRT International Natural-Pharm is principally engaged in the sale and distribution of Chinese medicines and healthcare products.

### **3. EGM**

A notice convening the EGM to be held at Room 1405–1409, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 27 December 2023 at 10:30 a.m., is set out on pages 36 to 37 of this circular at which ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the terms of the New Exclusive Distributorship Framework Agreements and the proposed annual caps.

Votes on the resolutions to be proposed at the EGM shall be taken by way of poll. In accordance with the Listing Rules, Tong Ren Tang Holdings and its associates shall abstain from voting on the resolutions to be proposed at the EGM in relation to the New Exclusive Distributorship Framework Agreements and the respective annual cap contemplated therein. As of the Latest Practicable Date, Tong Ren Tang Holdings and its associates, who directly and indirectly, held 600,000,000 shares of the Company (representing approximately 71.67% of the total number of shares in issue of the Company), control or are entitled to control over the voting right in respect of their shares in the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than Tong Ren Tang Holdings and its associates, no connected person of the Company, Shareholder and their respective associates with a material interest in the transaction contemplated under the New Exclusive Distributorship Framework Agreements is required to abstain from voting on such resolutions at the EGM.

## LETTER FROM THE BOARD

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof, and deposit it with Computershare Hong Kong Investor Services Limited, the share registrar and transfer office of the Company in Hong Kong, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

#### 4. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the terms of the New Exclusive Distributorship Framework Agreements and the proposed annual caps; and (ii) the letter from the Independent Financial Adviser set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Exclusive Distributorship Framework Agreements and the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice.

The Directors (including the independent non-executive Directors) are of the view that the terms of the New Exclusive Distributorship Framework Agreements (including the proposed annual caps) (a) have been negotiated on an arm's length basis; (b) will be conducted on normal commercial terms or better; (c) are entered into in the ordinary and usual course of business of the Group; and (d) are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New Exclusive Distributorship Framework Agreements (including the proposed annual caps) by way of poll.

By order of the Board  
**Beijing Tong Ren Tang**  
**Chinese Medicine Company Limited**  
**Yu Jin**

*Executive Director and Chief Executive Officer*

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

*The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the New Exclusive Distributorship Framework Agreements (including the proposed annual caps), which has been prepared for the purpose of inclusion in this circular.*



**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)**

5 December 2023

*To the Independent Shareholders*

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS REGARDING  
RENEWAL OF THE EXCLUSIVE DISTRIBUTORSHIP  
FRAMEWORK AGREEMENTS**

We refer to a circular (the “**Circular**”) of the Company dated 5 December 2023 of which this letter forms part. Terms used in this letter have the same meaning as defined in the Circular unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the New Exclusive Distributorship Framework Agreements and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the New Exclusive Distributorship Framework Agreements and the proposed annual caps and the advice of the Independent Financial Adviser in relation the New Exclusive Distributorship Framework Agreements and the proposed annual caps thereto as set out in the Circular, we are of the opinion that the terms of the New Exclusive Distributorship Framework Agreements (together with the proposed annual caps) are fair and reasonable and are on normal commercial terms or better and in the ordinary and usual course of business of the Company so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser set out on pages 21 to 30 of the Circular. We have also considered, amongst others, the various factors contained in such letter.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New Exclusive Distributorship Framework Agreements (including the proposed annual caps).

Yours faithfully,  
For and on behalf of  
the Independent Board Committee of  
**Beijing Tong Ren Tang**  
**Chinese Medicine Company Limited**

**Tsang Yok Sing, Jasper**

**Xu Hong Xi**  
*Independent Non-executive Directors*

**Chan Ngai Chi**

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**SOMERLEY CAPITAL LIMITED**

20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

5 December 2023

*To: the Independent Board Committee and the Independent Shareholders of  
Beijing Tong Ren Tang Chinese Medicine Company Limited*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS REGARDING RENEWAL OF THE EXCLUSIVE DISTRIBUTORSHIP FRAMEWORK AGREEMENTS**

#### **INTRODUCTION**

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the New Exclusive Distributorship Framework Agreements and the transactions contemplated thereunder together with the proposed annual caps (the “**Annual Caps**”) for each of the three years ending 31 December 2024, 2025 and 2026. Details of the New Exclusive Distributorship Framework Agreements together with the Annual Caps are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 5 December 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context requires otherwise.

As each of the Existing Exclusive Distributorship Framework Agreements will expire after 31 December 2023, the Company entered into the New TRT Tech Exclusive Distributorship Framework Agreement with Tong Ren Tang Technologies and the New TRT Ltd. Exclusive Distributorship Framework Agreement with Tong Ren Tang Ltd. to extend the respective continuing connected transactions for a further term of three years ending 31 December 2026.

As at the Latest Practicable Date, Tong Ren Tang Technologies and Tong Ren Tang Ltd., interested in approximately 38.05% and 71.67% of the issued share capital of the Company respectively, are controlling shareholders of the Company and are therefore connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New Exclusive Distributorship Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (other than the profits ratio) of the highest Annual Caps in aggregate under the New Exclusive Distributorship Framework Agreements exceed 5% and the highest Annual Caps in aggregate are more than HK\$10,000,000, the transactions contemplated thereunder are subject to reporting, announcement, circular, annual review, as well as the Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tsang Yok Sing, Jasper, Mr. Xu Hong Xi and Mr. Chan Ngai Chi, has been formed for the purpose of advising the Independent Shareholders in respect of the terms of the New Exclusive Distributorship Framework Agreements and the transactions contemplated thereunder (together with the Annual Caps). We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, Tong Ren Tang Ltd., Tong Ren Tang Technologies or their respective substantial shareholders or associates and accordingly we are considered eligible to give independent advice on the terms of the New Exclusive Distributorship Framework Agreements and the transactions contemplated thereunder (together with the Annual Caps). Apart from the normal professional fees payable/paid to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, Tong Ren Tang Ltd., Tong Ren Tang Technologies, or their respective substantial shareholders or associates.

During the past two years, Somerley Capital Limited acted as the independent financial adviser and issued an opinion letter contained in the Company's circular dated 22 February 2023 in relation to continuing connected transactions of the Group. The past engagement was limited to providing independent advisory services to the Independent Board Committee and Independent Shareholders pursuant to the Listing Rules. Under the past engagement, Somerley Capital Limited received normal professional fees from the Company. Save for the past engagement, as at the Latest Practicable Date, there were no relationships or interests between Somerley Capital Limited on one hand and the Group, Tong Ren Tang Ltd. Group and Tong Ren Tang Technologies Group on the other hand that could reasonably be regarded as a hindrance to our independence as defined under the Listing Rules to act as the independent financial adviser to the Independent Board Committee and Independent Shareholders in connection with the New Exclusive Distributorship Framework Agreements and the transactions contemplated thereunder (together with the Annual Caps).

In formulating our opinion, we have reviewed, amongst others, the New Exclusive Distributorship Framework Agreements, annual reports of the Company for the years ended 31 December 2019, 2020, 2021 and 2022 (the "**Annual Reports**") and the information contained in the Circular. We have also discussed with and reviewed information provided by the management of the Group regarding the businesses of the Group, the prospects of conducting the New Exclusive Distributorship Framework Agreements and the transactions contemplated thereunder.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have relied on the information and facts supplied, and the opinions expressed to us, by management of the Group and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendation with regard to the terms of the New Exclusive Distributorship Framework Agreements and the transactions contemplated thereunder (together with the Annual Caps), we have taken into account the principal factors and reasons set out below:

#### 1. Information on the Group

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. TRT International Natural-Pharm, a wholly-owned subsidiary of the Company, is principally engaged in the sale and distribution of Chinese medicines and healthcare products.

#### 2. Information on connected parties

##### *Tong Ren Tang Ltd.*

Tong Ren Tang Ltd., 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, is the intermediate holding company of the Company. It is principally engaged in the manufacturing and sale of Chinese medicines.

##### *Tong Ren Tang Technologies*

Tong Ren Tang Technologies, a joint stock limited company established in the PRC on 22 March 2000, the H shares of which have been listed on the Stock Exchange since 2000, is the immediate holding company of the Company. Tong Ren Tang Technologies is principally engaged in the manufacturing and sale of Chinese medicines.

**3. New Exclusive Distributorship Framework Agreements**

***A. Reasons for and benefits of the entering into of the New Exclusive Distributorship Framework Agreements***

As set out in the letter from the Board, the Group is the primary overseas distribution platform of the Parent Group and is the only member of the Parent Group solely distributing the Mainland China manufactured “Tong Ren Tang” branded Chinese medicine products outside the Mainland China. The renewal of the Existing Exclusive Distributorship Framework Agreements is to ensure the continuity of the exclusive distributorship arrangement outside the Mainland China, which is of utmost importance to the Parent Group as well as the Group.

The Directors consider that securing a long-term business relationship with Tong Ren Tang Ltd. Group and Tong Ren Tang Technologies Group which have reputable business associated with profound experience in the Chinese medicine industry in the Mainland China is beneficial to the Group. The increased co-operation would also be expected to bring considerable and stable contribution to the Group’s revenue and profitability in the long run.

Based on the above, we concur with the Directors’ view that the entering into of the New Exclusive Distributorship Framework Agreements is in the ordinary and usual course of the business of the Company and we consider that it is in the interests of the Company and the Shareholders as a whole.

***B. Principal terms of the New Exclusive Distributorship Framework Agreements***

Pursuant to the New Exclusive Distributorship Framework Agreements, Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group appoint TRT International Natural-Pharm as the sole overseas distributor for the distribution of the Relevant Products in markets outside the Mainland China. The New Exclusive Distributorship Framework Agreements will be valid for a term of three years from 1 January 2024 to 31 December 2026 (both days inclusive) and will be effective upon the approval of the Independent Shareholders at the EGM. Details of the quantity, price, specifications, standards, delivery time and settlement of the Relevant Products supplied shall be set out in an individual distribution agreement signed by the parties. The price of the Relevant Products supplied to TRT International Natural-Pharm by the Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group shall be adjusted (the “**Adjustments**”) according to the actual situation where the prices of the Relevant Products may increase because of the increase in the cost of Relevant Products and determined after arm’s length negotiation, and under the same conditions, which shall not be higher than the wholesale price of the Relevant Products which are identical and similar, sold by the Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group to their wholesale customers in the Mainland China. Payment of the price will be specified in an individual distribution agreement to be signed between the parties. Given that the Adjustments, if any, to the price of the Relevant Products according to the actual situation as aforementioned will not affect the pricing principle where the price offered to the Group by Tong Ren Tang

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Technologies Group and Tong Ren Tang Ltd. Group shall not be higher than the wholesale price of the Relevant Products under the same conditions for identical or similar Relevant Products, we consider the pricing term under the New Exclusive Distributorship Framework Agreements which has built in possible Adjustments to be fair and reasonable.

TRT International Natural-Pharm shall obtain an updated wholesale price list and payment terms of the Relevant Products that have been offered to independent third parties from members of the Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group on a quarterly basis so as to determine whether the price and terms offered to TRT International Natural-Pharm are fair and reasonable and comparable to those offered to their unrelated wholesale customers in the Mainland China. The Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group shall also notify TRT International Natural-Pharm in case there is any material update of the said wholesale price list and payment terms of the Relevant Products from time to time.

Under both the Existing Exclusive Distributorship Framework Agreements and the New Exclusive Distributorship Framework Agreements, the Group shall not be offered a price higher than the wholesale price of the Relevant Products sold by the Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group to the wholesale customers in the Mainland China during the respective terms. Given that the Group is the sole overseas distributor of the Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group for the distribution of the Relevant Products in markets outside the Mainland China and that the Relevant Products are unique in nature, it is therefore considered reasonable to conduct pricing comparison with those of the Tong Ren Tang Technologies Group's and Tong Ren Tang Ltd. Group's other wholesale distributors in Mainland China. Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group also entered into sales contracts with other Mainland China distributors, which are independent of and not connected with the Company and its connected persons, for distributing the Relevant Products in the Mainland China (the "**Third Party Sales Contracts**"). We have reviewed 15 samples of sales contracts between Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group on one hand and the Group on the other and 15 samples of the Third Party Sales Contracts entered into in the past three years and information provided by the Company, which are considered to be fair and representative samples given that such sales contracts are randomly selected, and noted the pricing and payment terms of the Relevant Products offered to the third party wholesalers are no more favorable than those offered to the Group by Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group. On this basis, we consider that (i) the purchases of the Relevant Products by the Group from the Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group have been carried out in accordance with the Existing Exclusive Distributorship Framework Agreements; and (ii) effective measures have been adopted by the Group to verify the wholesale price list and payment terms of the Relevant Products that have been offered to independent third parties by Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given (i) the terms of the New Exclusive Distributorship Framework Agreements, which were arrived at after arm's length negotiations between the Company on one hand and Tong Ren Tang Technologies Group or Tong Ren Tang Ltd. Group on the other, are substantially the same as the existing ones; (ii) the pricing of the Relevant Products offered to the Group will be determined on an arm's length basis and at rates not higher than those offered by Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group to the third party wholesalers in the Mainland China; and (iii) the Group enjoys the sole distribution rights in markets outside Mainland China under the New Exclusive Distributorship Framework Agreements, we consider that the terms of the New Exclusive Distributorship Framework Agreements are on normal commercial terms or better and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

Given that (i) the pricing of the Relevant Products offered to the Group were not higher than those offered by Tong Ren Tang Technologies Group and Tong Ren Tang Ltd. Group to the third party wholesalers in the Mainland China under the Existing Exclusive Distributorship Framework Agreements; (ii) the independent non-executive Directors will, pursuant to Rule 14A.55 of the Listing Rules and as stated in the letter from the Board of the Circular, review and compare the relevant payment terms, payment method and price payable under these agreements and sales contracts to ensure that the transactions contemplated under the New Exclusive Distributorship Framework Agreements are conducted on normal commercial terms, and are fair and reasonable; and (iii) the auditors of the Company will, for the purpose of Rule 14A.56 of the Listing Rules, conduct annual review on the pricing and annual caps of the transactions contemplated under the New Exclusive Distributorship Framework Agreements, we are of the view that adequate measures have been put in place to monitor the transactions contemplated under the New Exclusive Distributorship Framework Agreements in order to safeguard the interests of the Company and the Independent Shareholders. For more details of the internal control measures, please refer to the letter from the Board.

### *C. Analysis on the Annual Caps (exclusive of value-added tax in the PRC)*

Set out below are the proposed Annual Caps (exclusive of value-added tax in the PRC) for each of the three years ending 31 December 2024, 2025 and 2026:

Counterparty	<b>For the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Tong Ren Tang Technologies	49.0	55.8	63.6
Tong Ren Tang Ltd.	111.0	120.0	130.0
<b>Total</b>	<b>160.0</b>	<b>175.8</b>	<b>193.6</b>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should note that the Annual Caps (exclusive of value-added tax in the PRC) shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group and of the Tong Ren Tang Technologies Group or Tong Ren Tang Ltd. Group.

We have reviewed and discussed with the management of the Group the calculation of the proposed Annual Caps (exclusive of value-added tax in the PRC) for the purchase of the Relevant Products from Tong Ren Tang Technologies Group and the Tong Ren Tang Ltd. Group for the years ending 31 December 2024, 2025 and 2026, and noted that the proposed Annual Caps were prepared with reference to (i) average annual growth in historical purchase amounts of the Relevant Products in pre-pandemic period (i.e. 2017–2019); (ii) estimated purchase amounts of the Relevant Products for the year ending 31 December 2023; and (iii) a buffer for each of 2024–2026.

*(i) Average annual growth in historical purchase amounts of the Relevant Products*

Based on the historical figures in 2017–2019 as disclosed in the Company’s circular dated 27 November 2020 (the “**2020 Circular**”), the average annual growth in 2017–2019 for purchase of the Relevant Products from Tong Ren Tang Technologies is approximately 14% and from Tong Ren Tang Ltd. is approximately 8%.

As advised by the management of the Group, the purchase amounts of the Relevant Products from Tong Ren Tang Technologies and Tong Ren Tang Ltd. in recent years in general were smaller than those in 2017–2019 due to the outbreak and resurgence of COVID-19 pandemic, during which the logistics and exportation in various regions have been affected during the COVID-19 pandemic which, in turn, had led to a decrease in purchase amounts. Following the ease of COVID-19 related curbs, the management of the Group, however, believes that the logistics and exportation will resume to the pre-pandemic level and thus so will the Group’s purchase of the Relevant Products from Tong Ren Tang Technologies and Tong Ren Tang Ltd.. We further noted that, after experiencing relatively slow growth or even negative growth in 2020–2021, the purchase amounts of the Relevant Products from Tong Ren Tang Technologies and Tong Ren Tang Ltd. achieved near or above 40% annual increases in 2022, the year immediately preceding lifting the COVID-19 restrictions. On this basis, we consider the adoption of the pre-pandemic average annual growth in the purchase of the Relevant Products from Tong Ren Tang Technologies of 14% and those from Tong Ren Tang Ltd. of 8% in the projection of the purchase of the Relevant Products from each of them in 2024–2026 respectively to be fair and reasonable.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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(ii) *Estimated purchase amounts of the Relevant Products for the year ending 31 December 2023*

<i>HK\$ million</i>	<b>Actual amounts for the nine months ended 30 September 2023</b>	<b>Plus: Estimated amounts for the 4th quarter of 2023 (4Q2023)</b>	<b>Estimated amounts for the year ending 31 December 2023</b>
Tong Ren Tang Technologies	23.4	14.8	38.2
Tong Ren Tang Ltd.	16.1	75.1	91.2

We have discussed with the management of the Group and were advised that the Group provides Tong Ren Tang Technologies and Tong Ren Tang Ltd. with indicative purchase demand (the “**Purchase Demand**”) showing the names of the Relevant Products, the specifications, the quantities and expected delivery time from time to time and will enter into individual distribution agreements or purchase orders with them once the Relevant Products are about to be delivered. For the purchase orders for 4Q2023, the business unit of the Group has liaised and confirmed with each of Tong Ren Tang Technologies and Tong Ren Tang Ltd. as to the quantity of products to be delivered to the Group in 4Q2023, which are largely in line with the Purchase Demand. Thus, the estimated amounts for 4Q2023 have been determined with reference to (i) the products set out in the Purchase Demand for 2023 which are yet to be delivered; and (ii) unit prices of the products to be purchased. As a result, the purchase in 4Q2023 has been projected based on the difference between the Purchase Demand for 2023 and the products actually delivered by Tong Ren Tang Technologies and Tong Ren Tang Ltd. so far.

We have reviewed the calculation for the estimated amounts for 4Q2023 and noted that the calculation agreed to the products set out in the Purchase Demand and unit prices provided by the Company and therefore consider the estimated purchase amounts for 4Q2023 as well as for the year ending 31 December 2023 to be fair and reasonable.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *(iii) Buffer for 2024–2026*

A buffer of approximately of 13% has been applied on top of the estimated purchase amounts of the Relevant Products from Tong Ren Tang Technologies and Tong Ren Tang Ltd. in 2024–2026, which have been calculated based on (a) the average annual growth rates as discussed in 3.C.(i) above and (b) estimated purchase amounts of the Relevant Products from Tong Ren Tang Technologies and Tong Ren Tang Ltd. for the year ending 31 December 2023 as discussed in 3.C.(ii) above, to arrive at the proposed Annual Caps for the three years ending 31 December 2024, 2025 and 2026 as set out below:

<i>HK\$'million</i>	<b>For the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
Tong Ren Tang Technologies	43.5	49.6	56.5
Buffer	5.5	6.2	7.1
<b>Total</b>	<b>49.0</b>	<b>55.8</b>	<b>63.6</b>
Tong Ren Tang Ltd.	98.5	106.4	114.9
Buffer	12.5	13.6	15.1
<b>Total</b>	<b>111.0</b>	<b>120.0</b>	<b>130.0</b>

As advised by the management of the Group and as stated in the letter from the Board, the buffer has been provided to accommodate any unexpected increase in the transaction volume (as a result of any unexpected increase in market demand for the Relevant Products) or unexpected increase in the cost of supply or a change in exchange rate. Given that, subject to market conditions and changes in costs or exchange rate, the historical purchase amounts of the Relevant Products in 2017–2022 could be quite volatile (from an annual decrease of (71.3)% to an annual increase of 80.1% based on the historical figures in 2017–2022 as disclosed in the 2020 Circular and the Annual Reports), we consider the buffer of approximately 13% to be fair and reasonable.

Having taken into account that (i) the annual growth rates applied in the Annual Caps projection have been determined with reference to pre-pandemic average growth rates; (ii) the estimated purchase amounts of the Relevant Products for the year ending 31 December 2023 have been substantiated by the Purchase Demand; and (iii) in view of the volatility of the historical purchase amounts of the Relevant Products, the buffer adopted in the Annual Caps projection is to allow for changes in market demand, costs and exchange rate, we consider the proposed Annual Caps to be fair and reasonable.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

**OPINION AND RECOMMENDATION**

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the New Exclusive Distributorship Framework Agreements is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the New Exclusive Distributorship Framework Agreements and the transactions contemplated thereunder (together with the Annual Caps) are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders, to vote in favor of the ordinary resolutions to be proposed at the EGM in relation to the terms of the New Exclusive Distributorship Framework Agreements and the transactions contemplated thereunder (together with the Annual Caps).

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Jenny Leung**  
*Director*

*Ms. Jenny Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the Securities Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Directors and Chief Executive of the Company

As at the Latest Practicable Date, the interest and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of the Directors and chief executives of the Company which would have to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### *Long position in shares of the Company*

<b>Name of Directors</b>	<b>Types of interests</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Approximate percentage of issued share capital</b>
Chen Fei	Personal	Beneficial owner	43,000	0.005%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules.

**(ii) Substantial shareholders**

As at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, the interest of the persons, other than Directors or chief executives of the Company, in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

*Long position in shares of the Company*

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Approximate percentage of issued share capital</b>
Tong Ren Tang Technologies	Beneficial owner	318,540,000	38.05%
Tong Ren Tang Ltd. <sup>(1)</sup>	Beneficial owner	281,460,000	33.62%
	Interest of a controlled corporation	318,540,000	38.05%
Tong Ren Tang Holdings <sup>(2)</sup>	Interest of a controlled corporation	600,000,000	71.67%

*Notes:*

- (1) Tong Ren Tang Ltd. directly holds approximately 46.85% of the issued share capital of Tong Ren Tang Technologies. Accordingly, Tong Ren Tang Ltd. is deemed to be interested in 318,540,000 shares of the Company held by Tong Ren Tang Technologies.
- (2) Tong Ren Tang Holdings directly holds approximately 52.45% of the issued share capital of Tong Ren Tang Ltd. which in turn directly holds approximately 46.85% of the issued share capital of Tong Ren Tang Technologies. Tong Ren Tang Holdings also directly holds approximately 1.34% domestic shares and H shares in total of Tong Ren Tang Technologies. Accordingly, Tong Ren Tang Holdings is deemed to be interested in 318,540,000 shares of the Company and 281,460,000 shares of the Company held by Tong Ren Tang Technologies and Tong Ren Tang Ltd., respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and chief executives of the Company, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### 3. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

### 4. INTERESTS OF CONTROLLING SHAREHOLDERS IN COMPETING BUSINESS

To ensure that the business classification between the Company, Tong Ren Tang Ltd., Tong Ren Tang Technologies and Tong Ren Tang Holdings (collectively the “**Relevant Controlling Shareholders**”) are properly documented and established, each of the Relevant Controlling Shareholders entered into a deed of non-competition in favour of the Company on 18 April 2013 (the “**Deed of Non-competition**”), details of which are set out in the prospectus of the Company dated 25 April 2013 (the “**Prospectus**”), mainly to the effect that at any time until their collective beneficial interest in the equity interest in the Company is less than 30%, each of them shall not, and shall procure their respective subsidiaries (except through its interests in the Group) not to, without prior written consent of the Company, directly or indirectly:

- (i) engage in the research, development, manufacture and sale of any products containing ganoderma lucidum or ganoderma lucidum spores as raw materials in markets outside of the Mainland China (the “**Non-Mainland China Markets**”);
- (ii) engage in the research, development, manufacture and sale of any products with “Tong Ren Tang” brands in Non-Mainland China Markets, except for the manufacture of the Chinese medicine products for the two independent third parties in Japan; for the avoidance of doubt and without prejudice to the generality of the Deed of Non-competition, except for the current excluded business in Japan, engage in arrangement with any other parties in the Non-Mainland China Markets similar to the excluded business in Japan;
- (iii) carry out any sales or registration (new or renewal) for Angong Niu Huang Wan in the Non-Mainland China Markets;
- (iv) engage in the distribution of any Chinese medicine products in Non-Mainland China Markets, except for certain existing arrangements as disclosed in the Prospectus; and
- (v) carry out any new overseas registration of “Tong Ren Tang” branded products ((i) to (v) are collectively known as “**Restricted Business**”).

In addition, under the Deed of Non-competition, each of the Relevant Controlling Shareholders has also undertaken that if each of them and/or any of its associates is offered or becomes aware of any project or new business opportunity (the “**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, it shall (i) promptly and in any event not later than seven (7) days notify the Company in writing of such opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such opportunity; and (ii) use its best endeavours to procure that such opportunity is offered to the Company on terms no less favourable than the terms on which such opportunity is offered to it and/or its associates.

The Directors (including the independent non-executive Directors) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity within thirty (30) business days of receipt of notice from the Relevant Controlling Shareholders.

Tong Ren Tang Holdings has also granted the Company rights of first refusal to acquire its interest in Beijing Tong Ren Tang Hong Kong Medicine Management Limited, Beijing Tong Ren Tang (UK) Limited and Beijing Tong Ren Tang Tai Fong Co., Ltd. on terms which are not less favorable than the terms it wishes to sell to other parties.

In this connection, the Group adopted the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing business and to safeguard the interests of the Shareholders:

- (i) the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by the Relevant Controlling Shareholders; and
- (ii) the Company will disclose the review by the independent non-executive Directors with basis on the compliance with and enforcement of the terms of the Deed of Non-competition in its annual report.

## **5. INTERESTS OF DIRECTORS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors nor their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules).

## **6. DIRECTORS’ INTEREST IN ASSETS OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which had since 31 December 2022, the date to which the latest audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

## 7. DIRECTORS SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## 8. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Somerley Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley:

- (1) had no direct or indirect shareholdings in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and
- (2) had no interests, direct or indirect, in any assets which had been, since 31 December 2022 being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any of member of the Group, or are proposed to be acquired or disposed of by or leased to any of member of the Group

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, report or opinion and reference to its name in the form and context in which they respectively appear.

## 9. DOCUMENTS ON DISPLAY

The following documents will be posted on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([cm.tongrentang.com](http://cm.tongrentang.com)) for at least 14 days from the date of this circular.

- (1) the New TRT Tech Exclusive Distributorship Framework Agreement; and
- (2) the New TRT Ltd. Exclusive Distributorship Framework Agreement.

## NOTICE OF EXTRAORDINARY GENERAL MEETING



### 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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of Beijing Tong Ren Tang Chinese Medicine Company Limited (the “**Company**”) will be held at 10:30 a.m. on Wednesday, 27 December 2023 at Room 1405–1409, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions:

#### **As Ordinary Resolutions**

1. “**THAT**, the new exclusive distributorship framework agreement entered into by the Company with Tong Ren Tang Technologies Co. Ltd. on 29 November 2023 (the “**New TRT Tech Exclusive Distributorship Framework Agreement**”), and the new annual caps for the three years ending 31 December 2026 for the continuing connected transactions of the Company contemplated under the New TRT Tech Exclusive Distributorship Framework Agreement are hereby approved, ratified and confirmed; and **THAT** any one director of the Company be and is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he/she may consider necessary or desirable for the purpose of giving effect to the terms of the New TRT Tech Exclusive Distributorship Framework Agreement and completing the transactions contemplated thereunder with such changes as he may consider necessary, desirable or expedient.”
2. “**THAT**, the new exclusive distributorship framework agreement entered into by the Company with Beijing Tong Ren Tang Company Limited on 29 November 2023 (the “**New TRT Ltd. Exclusive Distributorship Framework Agreement**”), and the new annual caps for the three years ending 31 December 2026 for the continuing connected transactions of the Company contemplated under the New TRT Ltd. Exclusive Distributorship Framework Agreement are hereby approved, ratified and confirmed; and **THAT** any one director of the Company be and is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he/she may consider necessary or desirable for the purpose of giving effect to the terms of

## NOTICE OF EXTRAORDINARY GENERAL MEETING

the New TRT Ltd. Exclusive Distributorship Framework Agreement and completing the transactions contemplated thereunder with such changes as he may consider necessary, desirable or expedient.”

By order of the Board  
**Beijing Tong Ren Tang**  
**Chinese Medicine Company Limited**  
**Yu Jin**

*Executive Director and Chief Executive Officer*

Hong Kong, 5 December 2023

*Notes:*

- (1) Shareholders entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his/her/its behalf. A proxy need not be a shareholder of the Company.
- (2) In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed (or a notorially certified copy of such power or authority), must be delivered to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof.
- (3) Delivery of an instrument appointing a proxy should not preclude a shareholder from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) If a shareholder appoints more than one proxy, such proxies shall only exercise their voting rights by a poll.
- (5) For the purpose to determine the entitlements of the shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 20 December 2023 to Wednesday, 27 December 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 19 December 2023.

*As at the date of this notice, the composition of the Board is as follows:*

*Executive Directors:*

Mr. Yu Jin  
Mr. Chen Fei

*Independent Non-executive Directors:*

Mr. Tsang Yok Sing, Jasper  
Mr. Xu Hong Xi  
Mr. Chan Ngai Chi

*Non-executive Director:*

Ms. Feng Li