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## **HUA MEDICINE**

**華領醫藥**

*(Incorporated in the Cayman Islands with limited liability)*

**(stock code: 2552)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO TENANCY AGREEMENT**

#### **THE TENANCY AGREEMENT**

In accordance with prior approval by the Board, the Company announces that on 3 December 2019, Hua Medicine (Shanghai) Ltd. (a subsidiary of the Company) as the Tenant entered into the Tenancy Agreement with the Landlord (Independent Third Parties) for tenancy in respect of the Premises under the Tenancy Agreement for a term of 72 months commencing from 15 November 2019 to 14 November 2025 (both days inclusive) for the Company's Global Operation Headquarters and Research and Development Centre.

#### **IMPLICATIONS UNDER THE LISTING RULES**

Upon implementation of IFRS 16 effective from 1 January 2019, the Group if entering into lease transaction as a lessee should recognise the right-of-use asset in the consolidated financial statements of the Company according to IFRS 16. Under the Listing Rules, the entering into lease transaction by the Group as lessee effective from 1 January 2019 will be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules, and will constitute a notifiable transaction for the Company under the Listing Rules depending on the size of the lease transaction.

As the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) for the transaction contemplated under the Tenancy Agreement exceed 5% but are below 25%, such transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

In accordance with prior approval by the Board, the Company announces that on 3 December 2019, Hua Medicine (Shanghai) Ltd. (a subsidiary of the Company) as the Tenant entered into the Tenancy Agreement with the Landlord (Research and Development an Independent Third Party) for tenancy in respect of the Premises under the Tenancy Agreement for a term of 72 months commencing from 15 November 2019 to 14 November 2025 (both days inclusive) for the Company's Global Operation Headquarters and Research and Development Centre.

## THE TENANCY AGREEMENT

Set out below is a summary of the principal terms of the Tenancy Agreement:

<b>Date</b>	:	3 December 2019
<b>The Landlord</b>	:	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)
<b>The Tenant</b>	:	Hua Medicine (Shanghai) Ltd. (a subsidiary of the Company)
<b>The Premises</b>	:	Building 2, Lane 36, Xuelin Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, China
<b>Term</b>	:	Seventy-two (72) months commencing from 15 November 2019 to 14 November 2025 (both days inclusive)
<b>The aggregate value of consideration payable and basis of consideration</b>	:	<p>The aggregate value of consideration payable under the Tenancy Agreement including basic rent and 5% value-added tax is approximately RMB103.3 million</p> <p>The basic rent under the Tenancy Agreement is determined after arm's length negotiations between the Landlord and the Tenant</p>
<b>Payable term</b>	:	The monthly basic rent shall be payable once every three months. The first three-month rent shall be payable in advance within fifteen (15) days after the commencement date of the Tenancy Agreement. The subsequent monthly rent shall be payable ten (10) days in advance of each and every three-month period

## INFORMATION OF THE PARTIES

### The Company

The Company is a leading, clinical-stage innovative drug development company in China focused on developing novel therapies for the treatment of diabetes. Founded by an experienced group of entrepreneurs and international investment firms, the Company advanced a first-in-class oral drug for the treatment of type 2 diabetes into NDA-enabling stage and is currently evaluating the therapy in adults with diabetes in two Phase III trials in China and in two Phase I trials in the United States. The Company has also initiated product life-cycle management studies of this novel diabetes therapy and advanced its use in personalized diabetes care. The Company's strategy is to leverage the cost-efficient and high-quality drug development capabilities available in China, while working closely with disease experts and regulatory agencies in China and across the world to advance diabetes care solutions for patients worldwide.

## **The Landlord**

The Landlord is a company incorporated in China with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries:

- (i) the Landlord is principally engaged in operation and transfer of high-tech projects, development and design of urban infrastructure, operation of real estate, consultation, comprehensive shopping mall, building materials and metal materials (for the above items subject to approval, relevant approval must be obtained prior to operation); and
- (ii) the Landlord and their respective ultimate beneficial owners are Independent Third Parties.

## **REASONS FOR THE TENANCY AGREEMENT**

To establish the Global Operation Headquarters and Research and Development Center in China, the Group has to enter into the tenancy agreement for leasing office building.

The terms of the Tenancy Agreement, including the rental charge, were determined after arm's length negotiations between the parties. The entering into of the Tenancy Agreement is necessary for the operation of the business in the ordinary and usual course of business of the Group. Therefore, the Board considers that the terms of the Tenancy Agreement are fair and reasonable and entering into the Tenancy Agreement is in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

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As the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) for the transaction contemplated under the Tenancy Agreement exceed 5% but are below 25%, such transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITION

“Board”	Board of Directors
“China”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of China
“Company”	Hua Medicine (華領醫藥) (stock code: 2552), an exempt limited liability company incorporated under the laws of the Cayman Islands and the shares are listed on the main board of the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“IFRS”	International Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of China
“Independent Third Party(ies)”	to the best of the directors’ knowledge, information and belief having made all reasonable enquiry, the Landlord and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules)
“Landlord”	the landlord as more particular set out under the sub-heading “The Landlord” in the section “The Tenancy Agreement” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Premises”	the premises as more particular set out under the sub-heading “The Premises” in the section “The Tenancy Agreement” in this announcement
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 3 December 2019 entered into between the Tenant and the Landlord in relation to the tenancy of the Premises

“Tenant” Hua Medicine (Shanghai) Ltd., a limited liability company incorporated under the laws of China, being an indirect wholly-owned subsidiary of the Company

“%” per cent

By Order of the Board  
**Dr. Li Chen**  
*Chief Executive Officer and  
Executive Director*

Hong Kong, 3 December, 2019

*As of the date of this announcement, the Board of Directors comprises Dr. Li Chen and Mr. George Chien Cheng Lin as executive Directors; Mr. Robert Taylor Nelsen and Dr. Lian Yong Chen as non-executive Directors; and Mr. Walter Teh-ming Kwauk, Mr. William Robert Keller, Mr. Junling Liu and Mr. Yiu Wa Alec Tsui as independent non-executive Directors.*