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**Tong Ren Tang Technologies Co. Ltd.**

**北京同仁堂科技發展股份有限公司**

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

(Stock Code: 1666)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
PROPERTY LEASING FRAMEWORK AGREEMENT**

The Board hereby announces that, as the Property Leasing Framework Agreement entered into between the Company and Tong Ren Tang Holdings will expire on 31 December 2019, the parties renewed such agreement on 30 December 2019, for a term of three years from 1 January 2020 to 31 December 2022, and set the annual caps for the continuing connected transactions contemplated under the aforesaid agreement for the three years ending 31 December 2022.

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

As one or more of the applicable percentage ratios in respect of the estimated annual caps for the continuing connected transactions under the renewed Property Leasing Framework Agreement exceed 0.1% but are all less than 5%, the renewed Property Leasing Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder are only subject to reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

**BACKGROUND**

Reference is made to the announcements of the Company dated 25 January 2017 and 19 March 2019 in relation to continuing connected transactions under the Property Leasing Framework Agreement between the Group and Tong Ren Tang Holdings, the ultimate controlling shareholder of the Company.

As the Property Leasing Framework Agreement entered into between the Company and Tong Ren Tang Holdings will expire on 31 December 2019, the parties renewed such agreements on 30 December 2019, for a term of three years from 1 January 2020 to 31 December 2022, and set the annual caps for the continuing connected transactions contemplated under the aforesaid agreement for the three years ending 31 December 2022.

## **RENEWAL OF THE PROPERTY LEASING FRAMEWORK AGREEMENT**

### ***Major Terms of the Renewed Property Leasing Framework Agreement***

**Renewal Date:** 30 December 2019

**Parties:** (i) the Company  
(ii) Tong Ren Tang Holdings

**Term of the Agreement:** The Property Leasing Framework Agreement is for a term of three years commencing from 1 January 2020 and ending on 31 December 2022. Upon expiry, the Property Leasing Framework Agreement can be extended for three years after the agreement between the parties and the approval of the Hong Kong Stock Exchange (if applicable) (depending on the requirements of the Hong Kong Listing Rules) and the corresponding procedures.

**Principal Terms and Conditions:** Pursuant to the renewed Property Leasing Framework Agreement, Tong Ren Tang Holdings has agreed to lease and procure other members of the Tong Ren Tang Group to lease certain premises to any members of the Group for the Group's productions and operations, including but not limited to office premises, warehouses and staff quarter.

**Pricing Policies:** The continuing connected transactions under the renewed Property Leasing Framework Agreement will be entered into in accordance with the pricing policies below:

- The relevant market price is determined by the Group with reference to rent information of certain properties located in similar locations, with similar specifications and similar areas, and determined after arm's length negotiations between the two parties based on market conditions to ensure that the terms offered by the Tong Ren Tang Group would not be less favorable than those offered by independent third parties on the market.

- Where the market price is not available, then the contracted price, which shall be determined after arm's length negotiation between the parties of the agreement based on the principle of cost plus a fair and reasonable profit ratio and by reference to the historical rentals. The reasonable cost shall be determined by reference to the size of the premises provided by the Tong Ren Tang Group, and the cost of premises management.

**Payment Agreement:**

The rentals under the renewed Property Leasing Framework Agreement are payable by cash according to the specific and separate implementation agreements and funded by the Group's internal resources. The Directors are of view that such payment terms are in line with the market practice.

**Implementation Agreements:**

Members of the Group and members of the Tong Ren Tang Group will enter into, from time to time and as necessary, specific and separate implementation agreements to set out the specific terms and conditions in respect of the relevant premises leased thereunder.

As the implementation agreements provide for the lease of the relevant premises contemplated under the renewed Property Leasing Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements shall be within the ambit of the Property Leasing Framework Agreement and the relevant annual caps.

**Annual Caps**

*Historical Transaction Amount*

Rentals and annual caps under the Property Leasing Framework Agreement for the two years ended 31 December 2018 and for the six months ended 30 June 2019 is set out below:

	<b>Year ended 31 December 2017 (RMB '000)</b>	<b>Year ended 31 December 2018 (RMB '000)</b>	<b>Six months ended 30 June 2019 (RMB '000)</b>
<b>Rentals</b>	7,586	8,682	5,788
<b>Value of Right-of-use Assets</b>	-	-	1,654

	<b>Year ended 31 December 2017 (RMB'000)</b>	<b>Year ended 31 December 2018 (RMB'000)</b>	<b>Year ending 31 December 2019 (RMB'000)</b>
<b>Annual Caps</b>	10,900	11,600	53,000

*Notes:*

*According to IFRS 16 "Lease", effective 1 January 2019, the annual caps for the continuing connected transactions of property leasing with the Group as the lessee for the year 2019 will be set based on the value of right-of-use assets relating to the leased property of the Group. The Company revised the 2019 annual cap to RMB53,000,000 on 19 March 2019. Please refer to the announcement of the Company dated 19 March 2019 for details.*

The Directors have been monitoring the transaction amount contemplated under the Property Leasing Framework Agreement, and for the two years ended 31 December 2018, the annual cap for each year has not been exceeded. As at the date of this announcement and for the year ending 31 December 2019, the annual cap for the transactions contemplated under the Property Leasing Framework Agreement has not been and is not expected to be exceeded.

***Proposed Annual Caps***

The proposed annual caps for the transactions contemplated under the renewed Property Leasing Framework Agreement for the three years ending 31 December 2022 are set below:

	<b>Year ending 31 December 2020 (RMB '000)</b>	<b>Year ending 31 December 2021 (RMB '000)</b>	<b>Year ending 31 December 2022 (RMB '000)</b>
<b>Expected Annual Caps</b>	200,000	80,000	60,000

In arriving at the above expected annual caps, the Directors have taken into account the following factors:

- (i ) value of the right-of-use assets of the Group's existing leased property;
- (ii ) the stable growth of the market rental of the premises leased under the Property Leasing Framework Agreement during the three years ending 31 December 2022;
- (iii ) the potential appreciation in the RMB and other foreign currencies against HKD; and
- (iv ) a buffer has been provided to the proposed annual caps for the possible demand of the Group for the new leases of premises for its business expansion.

***Reasons for and benefit of renewal of the Property Leasing Framework Agreement***

The Directors think that entering into the renewed Property Leasing Framework Agreement will continue the existing leases with the Tong Ren Tang Group and satisfy the future business needs of the Company from time to time, which is beneficial to the business development of the Group.

The Directors (including the independent non-executive Directors) consider that the renewed Property Leasing Framework Agreement is entered into on normal commercial terms and the terms of the leases contemplated thereunder (together with the annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

***Measures of Internal Control***

To ensure the Group's conformity with the pricing policies in relation to the continuing connected transactions contemplated under the Property Leasing Framework Agreement, the Group has the following internal control procedures in place:

- (i) after entering into the renewed Property Leasing Framework Agreement, the continuing connected transactions shall be strictly in compliance with the approved terms and conditions. Implementation agreements under the renewed Property Leasing Framework Agreement shall be performed in strict accordance with pricing policies set out in the Property Leasing Framework Agreement. If revision of such terms and conditions is required due to change of actual situation, it is required to re-perform appropriate approval process;

- (ii) the relevant departments of the Company are responsible to continuously monitor the pricing terms and actual transaction amounts of each of the specific implementation agreements to the renewed Property Leasing Framework Agreement. The financial department of the Company is responsible to collect the total transaction amounts of the continuing connected transactions under the renewed Property Leasing Framework Agreement on a monthly basis and prepare summary report accordingly. Relevant departments, if discover any imminent or possible exceeding of the annual caps of any continuing connected transactions under the renewed Property Leasing Framework Agreement shall report as soon as possible to the financial department of the Company and the securities department. If relevant departments confirm the necessity to raise the annual caps, the relevant departments shall apply to revise annual caps. After obtaining the approval of the person in charge, it shall be submitted to the executive office of the Company for consideration, and the Board or the general meeting of shareholders shall ultimately decide whether to revise the annual caps for the continuing connected transactions and to perform the disclosure procedures accordingly. Before completion of all of the approval and disclosure procedures, the person in charge of relevant departments involved in the continuing connected transactions shall ensure that the transaction amounts do not exceed the respective annual caps;
- (iii) the independent non-executive Directors will review the continuing connected transactions under the renewed Property Leasing Framework Agreement to ensure all transactions contemplated thereunder are entered into on normal commercial terms or better, are fair and reasonable, the terms and conditions available to the Group are no less favourable than those available to independent third parties, and such transactions are carried out pursuant to the terms of the renewed Property Leasing Framework Agreement; and
- (iv) the auditors of the Company will also conduct an annual review on the pricing and annual caps of the continuing connected transactions under the renewed Property Leasing Framework Agreement.

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

## **HONG KONG LISTING RULES IMPLICATIONS**

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

As one or more of the applicable percentage ratios in respect of the estimated annual caps for the continuing connected transactions under the renewed Property Leasing Framework Agreement exceed 0.1% but are all less than 5%, the renewed Property Leasing Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder are only subject to reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

None of the Directors has a material interest in the transactions contemplated the Property Leasing Framework Agreement and has to abstain from voting on the relevant resolutions at the Board meeting.

## **GENERAL INFORMATION ON THE PARTIES**

### **The Company**

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

### **Tong Ren Tang Holdings**

Tong Ren Tang Holdings is engaged in the processing and manufacture of Chinese patent medicine and Chinese medicinal decoction pieces, sales of Chinese medicinal, Chinese patent medicine and Chinese medicinal decoction pieces, medical food, warehousing and transportation, etc.. Beijing SASAC is the ultimate beneficial owner of Tong Ren Tang Holdings. Pursuant to the Program for the Reform of the Institutions of the People's Government of Beijing Municipality as approved by the Central Committee of the Communist Party of China and the State Council and the Circular of the People's Government of Beijing Municipality about the Establishment of Institutions, Beijing SASAC is established as a special institution directly under the Municipality Government and is authorized by the Municipality Government to represent the State to perform the duties of the state-owned assets contributor.

## DEFINITIONS

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

"associate(s)"	has the meaning ascribed under the Hong Kong Listing Rules
“Beijing SASAC”	means the State-owned Assets Supervision and Administration Commission of the State Council of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
"Board"	means the board of directors of the Company
"Company"	means Tong Ren Tang Technologies Co. Ltd. (北京同仁堂科技發展股份有限公司), a joint stock company incorporated in the PRC with limited liability and the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"controlling shareholder"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Director(s)"	means the directors of the Company
"Group"	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Hong Kong Stock Exchange"	means The Stock Exchange of Hong Kong Limited
“PRC”	means the People's Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Property Leasing Framework Agreement"	means the Property Leasing Framework Agreement entered into between the Company and Tong Ren Tang Holdings on 25 January 2017 for which the annual cap for the year ending 31 December 2019 were revised on 19 March 2019, and renewed by the parties on 30 December 2019, in respect of the leasing certain premises by Tong Ren Tang Holdings or other members of the Tong Ren Tang Group to the Group



"RMB"	means Renminbi, the lawful currency of the PRC
"Shareholder(s)"	means the shareholder(s) of the Company
"Tong Ren Tang Group"	means Tong Ren Tang Holdings and its subsidiaries and associates (excluding the Group)
"Tong Ren Tang Holdings"	means China Beijing Tong Ren Tang Group Co., Ltd. (中國北京同仁堂(集團)有限責任公司), a state-owned enterprise established in the PRC and the ultimate controlling shareholder of the Company who is directly and indirectly interested in 47.59% equity interest in the Company

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

Beijing, the PRC  
30 December 2019

*As at the date of this announcement, the Board comprises Mr. Gu Hai Ou, Mr. Huang Ning, Mr. Wu Le Jun, Ms. Wu Qian, Mr. Wang Yu Wei and Ms. Fang Jia Zhi as executive Directors, Mr. Ting Leung Huel, Stephen, Ms. Chan Ching Har, Eliza and Mr. Zhan Yuan Jing as independent non-executive Directors. .*