

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONNECTED TRANSACTION

ENTERING INTO THE NEW LAND USE RIGHT LEASING AGREEMENT

With the expiration of the Previous Land Use Right Leasing Agreement, the Company and Tong Ren Tang Holdings entered into the New Land Use Right Leasing Agreement on 26 March 2021, pursuant to which Tong Ren Tang Holdings has agreed to lease the Land to the Company, with a leasing period of 5 years commencing from 6 October 2020 to 5 October 2025.

Tong Ren Tang Holdings is the ultimate controlling Shareholder of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. In accordance of IFRS 16, the Company recognizes the value of the right-of-use asset on its consolidated statement of financial position in connection with the lease of the Land under the New Land Use Right Leasing Agreement. Accordingly, the transactions contemplated thereunder is regarded as an acquisition of right-of-use asset by the Company which will constitute a one-off connected transaction of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the value of the right-of-use asset recognized by the Company pursuant to IFRS 16 under the New Land Use Right Leasing Agreement are more than 0.1% but all less than 5% , such connected transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

BACKGROUND

With the expiration of the Previous Land Use Right Leasing Agreement, the Company and Tong Ren Tang Holdings entered into the New Land Use Right Leasing Agreement on 26 March 2021, pursuant to which Tong Ren Tang Holdings has agreed to lease the Land to the Company, with a leasing period of 5 years commencing from 6 October 2020 to 5 October 2025.

PRINCIPAL TERMS OF THE NEW LAND USE RIGHT LEASING AGREEMENT

- Date:** 26 March 2021
- Parties:** (i) the Company, as leasee; and
(ii) Tong Ren Tang Holdings, as lessor
- Land:** the Land, being the land located at No. 20, Nansanhuan Zhonglu, Fengtai District, Beijing, the PRC, with a total area of 43,812.949 square meters
- Term:** 5 years commencing from 6 October 2020 to 5 October 2025
- Rent:** RMB8,372,700 per year, subject to adjustment in case of any changes in national policies.

The rent was determined after arm's length negotiations between the Company and Tong Ren Tang Holdings and with reference to the valuation report by the Independent Valuer. According to the valuation report, as at the valuation reference date (namely 31 July 2020), the value of the unit rent and the annual rent of the right of use of the Land are RMB191.10/m² per year, and RMB8,372,700 per year, respectively.

- Payment:** The rent is payable on a yearly basis during 5 October to 31 October each year.
- Security deposit:** The security deposit is RMB698,000, which shall be returned to the Company upon the expiration of the New Land Use Right Leasing Agreement if Tong Ren Tang Holdings has no objection to the Land acceptance and no due charge or breach of contract by the Company occurs.
- Other terms:** In case of breach of contract, either early termination of the New Land Use Right Leasing Agreement by Tong Ren Tang Holdings due to its own reasons or failure of payment of rent by the Company as agreed, the breaching party shall pay the other party 3‰ of the annual rent each day, i.e. RMB25,118.1 for each day ahead of the original expiration date or each day after the due payment date respectively, and in any case no more than RMB300,000 in total.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW LAND USE RIGHT LEASING AGREEMENT

Entering into the New Land Use Right Leasing Agreement enables the Company to renew its lease of the Land from Tong Ren Tang Holdings, which meets the needs of the future business of the Company and is beneficial for the business development of the Company. The Directors (including the independent non-executive Directors) are of the view that the New Land Use Right Leasing Agreement was entered into the ordinary and usual course of business of the Group and on normal commercial terms, and fair and reasonable as well as in line with the interests of the Company and its Shareholders as a whole.

HONG KONG LISTING RULES IMPLICATIONS

Tong Ren Tang Holdings is the ultimate controlling Shareholder of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. In accordance of IFRS 16, the Company recognizes the value of the right-of-use asset on its consolidated statement of financial position in connection with the lease of the Land under the New Land Use Right Leasing Agreement. Accordingly, the transactions contemplated thereunder is regarded as an acquisition of right-of-use asset by the Company which will constitute a one-off connected transaction pursuant to Chapter 14A of the Hong Kong Listing Rules.

The value of the right-of-use asset recognized by the Company pursuant to IFRS 16 in respect of the leased asset the New Land Use Right Leasing Agreement amounts to approximately RMB30,079,000 on 26 March 2021. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future. The right-of-use asset represents its right to use the underlying leased asset over the lease term and the lease liability represents its obligation to make lease payments (i.e. the rent). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the lease payments under the New Land Use Right Leasing Agreement, using the incremental borrowing rate as the discount rate. Under IFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use asset; and (ii) interest expenses amortised from the lease liability over the lease term.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the value of the right-of-use asset recognized by the Company pursuant to IFRS 16 under the New Land Use Right Leasing Agreement are more than 0.1% but all less than 5%, such connected transaction is subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the New Land Use Right Leasing Agreement.

GENERAL INFORMATION

The Company

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

Tong Ren Tang Holdings

Tong Ren Tang Holdings is principally engaged in the processing, manufacture and sale of Chinese medicinal materials, Chinese patent medicine, 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 have the meanings set out below:

“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 director(s) of the Company
“Group”	means the Company and its subsidiaries
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange (as amended from time to time)
“Independent Valuer”	means Tong Xin Heng Xin (Beijing) Asset Valuation Company Limited (同新恒信(北京)資產評估有限公司)
“Land”	means the land leased by the Company from Tong Ren Tang Holdings, being located at No. 20, Nansanhuan Zhonglu, Fengtai District, Beijing, the PRC
“New Land Use Right Leasing Agreement”	means the land use right leasing agreement entered into between the Company and Tong Ren Tang Holdings on 26 March 2021, pursuant to which Tong Ren Tang Holdings has agreed to lease the Land to the Company, with a leasing period of 5 years commencing from 6 October 2020 to 5 October 2025
“PRC”	means the People’s Republic of China
“Previous Land Use Right Leasing Agreement”	means the land use right leasing agreement and the supplemental agreement thereof entered into between the Company and Tong Ren Tang Holdings on 6 October 2000 and 1 January 2006 respectively, pursuant to which Tong Ren Tang Holdings has agreed to lease the Land to the Company, with a leasing period of 20 years commencing from 6 October 2000
“RMB”	means Renminbi, the lawful currency of the PRC
“Shareholder(s)”	means the shareholder(s) of the Company

“Tong Ren Tang Holdings”

means China Beijing Tong Ren Tang Group Co., Ltd.(中國北京同仁堂(集團)有限責任公司), a state-owned enterprise established in the PRC and the ultimate controlling shareholder of the Company

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

Beijing, the PRC
26 March 2021

As at the date of this announcement, the Board comprises Mr. Gu Hai Ou, Mr. Jin Tao, Mr. Ma Guan Yu, 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.