



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)

(於香港註冊成立之有限公司)

Stock code 股份代號 : 8138



HEALTHY LIFE
GLOBAL CHOICE

創造健康 全球共享



中期報告



Interim Report 2015



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.

This report, for which the directors (the “Directors”) of Beijing Tong Ren Tang Chinese Medicine Company Limited (the “Company”, and its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) of the Stock Exchange 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 report 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 report misleading.



CORPORATE INFORMATION

DIRECTORS

Non-executive Director

Mei Qun (*Chairman*)

Executive Directors

Ding Yong Ling
Zhang Huan Ping
Lin Man

Independent Non-Executive Directors

Leung, Oi Sie Elsie
Zhao Zhong Zhen
Chan Ngai Chi

AUDIT COMMITTEE

Chan Ngai Chi (*Chairman*)
Leung, Oi Sie Elsie
Zhao Zhong Zhen

NOMINATION COMMITTEE

Leung, Oi Sie Elsie (*Chairman*)
Chan Ngai Chi
Ding Yong Ling

REMUNERATION COMMITTEE

Zhao Zhong Zhen (*Chairman*)
Chan Ngai Chi
Ding Yong Ling

COMPANY SECRETARY

Lin Man

COMPLIANCE OFFICER

Ding Yong Ling

AUTHORISED REPRESENTATIVES

Ding Yong Ling
Lin Man

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

COMPANY'S WEBSITE

www.tongrentangcm.com

REGISTERED ADDRESS

Room 1405–1409, Office Tower
Convention Plaza, 1 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISER

DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark, 15 Queen's Road Central
Hong Kong

COMPLIANCE ADVISOR

Kim Eng Securities (Hong Kong) Limited
30th Floor, Three Pacific Place
1 Queen's Road East
Admiralty
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

STOCK CODE

8138

FINANCIAL HIGHLIGHTS



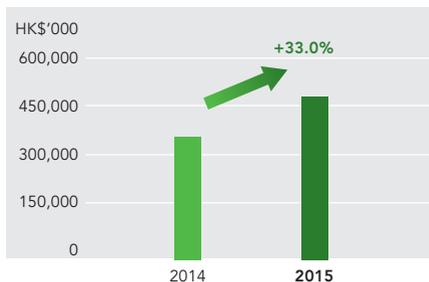
(HK\$'000)	Six months ended 30 June		Change
	2015	2014	
Revenue	484,117	364,044	+ 33.0%
Gross profit	329,106	255,374	+ 28.9%
Profit attributable to Owners of the Company	173,126	140,335	+ 23.4%
Earnings per share	HK\$0.21	HK\$0.17	+ 23.5%

(HK\$'000)	30 June	31 December	Change
	2015	2014	
Cash and bank balances	1,132,813	1,033,912	+ 9.6%
Total assets	1,874,278	1,632,541	+ 14.8%
Total equity	1,722,285	1,536,861	+ 12.1%

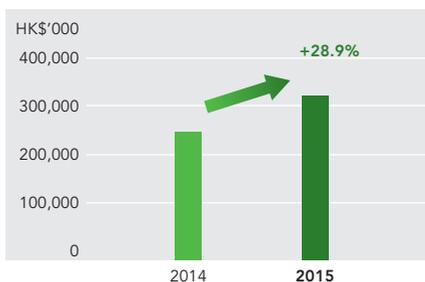
Financial Analysis

For the six months ended 30 June 2015

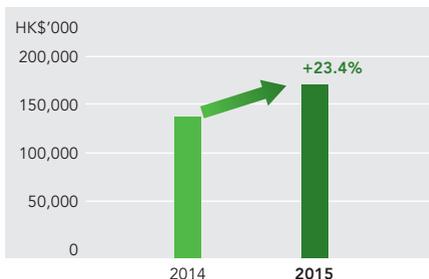
Revenue



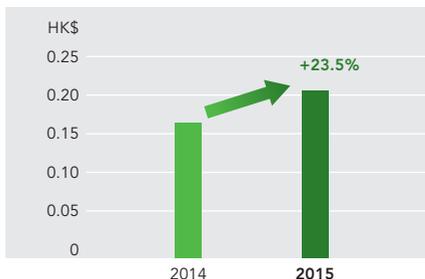
Gross Profit



Profit Attributable to Owners of the Company



Earnings Per Share





MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In view of the growing popularity of the Chinese regimen, the culture of Chinese medicines and the increase in health consciousness of the modern generation, the demand for Chinese medicines has been increasing. Capitalizing on the unique brand advantage and the foundation in Hong Kong, the Group has actively expanded to overseas markets, broaden the impact of Tong Ren Tang brand overseas and increased our market share.

During the six months ended 30 June 2015 (the “Period”), the revenue of the Group was HK\$484.1 million (2014: HK\$364.0 million), representing an increase of 33.0% as compared to the same period last year, and the profit for the Period attributable to owners of the Company was HK\$173.1 million (2014: HK\$140.3 million), representing an increase of 23.4% as compared to the same period last year. During the Period, due to (i) global economy being puzzled by the Greek debt crisis, (ii) the overall slowdown in the growth in retail market, (iii) continuation on anti-corruption measures of the PRC government in suppressing the high-end consumer products and the slowdown of economy in the Mainland China; and (iv) the limitation of annual cap for connected transactions with the Parent Group, our subsidiary in Beijing had reduced the sales of products manufactured by the Parent Group to third parties to secure the supply of these products for our Group companies overseas, resulting of a decrease of 16.3% in our revenue generated from the Mainland China as compared to the same period last year. Despite the global economic downturn, the Group’s retail revenue and same store sales has a steady increase of 24.5% and 18.7%, respectively, as compared to the same period last year.

As at 30 June 2015, the Group has set up its business in 15 countries and regions outside the PRC with 56 retail outlets, including Hong Kong, Thailand, Malaysia, Canada, Macao, Korea, Indonesia, Singapore, Australia, Cambodia, Brunei, Dubai, Poland, the United Kingdom and New Zealand.

As foundation of the Group’s global development, opportunities in the Chinese medicine market in Hong Kong has continued to be massive. During the Period, the Company completed the acquisition of Honour Essence Trading Limited (“Honour Essence”) to further enhance the Group’s competitiveness and market share, please refer to the section headed “Financial Review” for details. Meanwhile, complementing to our development for health and wellness centres, seeking opportunities for Tong Ren Tang in this business segment, the Group held series of seminars on health and wellness centres aiming to promote preventive treatment; adding on the feedback from customers, we will continue to improve our services, increase awareness of health and wellness together with Tong Ren Tang, consolidating the leading position of the Tong Ren Tang branded products in Hong Kong.



Market expansion

Currently, the Group has been actively expanding to the markets in Europe and the United States, and enhancing the influence and penetration of Tong Ren Tang brand through a series of promotions, and we will further strengthen our efforts for overseas expansion and implement overall planning at various stages. During the Period, we have conducted comprehensive research in Western Europe and the United States to provide integrated health and wellness, and consultation services, as well as product distributions.

With the ever-changing generation of mobile internet, new expenditure pattern of consumers is established. Adhering to the strategic development of healthcare industry in the PRC, the Group has set up our online business company, relying on the Internet to enhance our services and forms of products and transform our production and operation to accommodate the ever-changing generation. By creating an internet platform via large data analysis that is knowledgeable and informative, we have consolidated the quality Chinese Medicine products globally, realizing an integrated health and wellness service chain with the best quality products and experience for our consumers globally.

Production, Research and Development

During the Period, we continued to improve our production processes in our manufacturing plant in Tai Po, in view of the preparation for production of new products and for our fifth Good Manufacturing Practice for proprietary Chinese Medicine certification. The Group has placed great emphasis on research and development of new products, consolidating the philosophy of Chinese medicine together with the advanced technology of modern research, and we focused on research and development of high-end health and wellness products. We are to provide consumers with more quality products. During the Period, we have commenced the development of certain new products by stages.

Future Prospect

Looking forward, the Company will continue to explore business model that covers the entire industry chain via merger and acquisitions. We are devoted to establishing a platform integrating plantation, procurement, research and development, production, distribution, services and culture, the global professional Chinese medicine group. We pro-actively expand our coverage in various business segments such as health and wellness and integration of cosmetology in Chinese medicine. Leveraging on services provision, the Group shall duplicate the business model of health and wellness centres overseas, propagating and developing TCM culture and services globally. Endorsing the global health via Chinese medicines, we endeavor to develop Tong Ren Tang as a global Tong Ren Tang.



MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources

As of 30 June 2015, we had a total of 645 employees (2014:488 employees), whom were mainly new recruits of the sales, marketing and production teams. During the Period, the staff cost of the Group was HK\$67.1 million (2014: HK\$51.5 million). In order to attract and retain talents, the Group reviewed its remuneration policy on a regular basis and offered discretionary bonus to qualified employees according to the results and personal performance.

FINANCIAL REVIEW

Financial Resources and Liquidity

As at 30 June 2015, the Group continued to be in a strong financial position with cash and bank balances amounting to HK\$1,132.8 million (31 December 2014: HK\$1,033.9 million). During the Period, the Group funds its liquidity by the net proceeds from the Listing (as defined below) and resources generated internally. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its current expansion plans in 2015.

As at 30 June 2015, the Group's cash and bank balances were mainly denominated in Hong Kong dollars, Renminbi, Macao pataca, Singapore dollar, Australian dollar and Canadian dollar and were deposited in reputable financial institutions with maturity dates falling within one year.

As at 30 June 2015, the Group had total non-current assets, net current assets and net assets of HK\$381.2 million, HK\$1,350.6 million and HK\$1,722.3 million, respectively (31 December 2014: HK\$312.9 million, HK\$1,228.6 million and HK\$1,536.9 million). The current ratio of the Group, defined as the ratio of current assets to current liabilities, was 10.5 as at 30 June 2015 (31 December 2014: 14.5), which reflects the abundance of financial resources of the Group. The gearing ratio of the Group, defined as the borrowings to total equity, was 0.3% as at 30 June 2015 (31 December 2014: not applicable).



Capital Expenditure

During the Period, the Group's capital expenditure was HK\$16.6 million (2014: HK\$11.1million), which was mainly used in the establishment of new overseas retail outlets, purchase of property and production equipment.

Foreign Currency Risk

The Group's main business operations are conducted in Hong Kong and other overseas counties/regions. The transactions, monetary assets and liabilities of the Group are mainly denominated in Hong Kong dollar, Renminbi, Macao pataca, Singapore dollar, Australian dollar, Canadian dollar and United States dollar. During the Period, there was no material impact to the Group arising from the fluctuation in the exchange rates of these currencies.

The Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign exchange exposure during the Period.

Major Investment, Acquisitions and Disposals

On 27 February 2015, the Company completed the acquisition of 51% of the issued share capital of Honour Essence, and the total consideration of HK\$71,426,000 was settled by the issue of 7,100,000 ordinary shares of the Company by the Company to the vendor. Please refer to note 17 to the section headed "Notes to Condensed Consolidated Interim Financial Information" for details.

Charges over Assets of the Group

At 30 June 2015, the Group's property with net book value of HK\$12,275,000 has been pledged as securities for long-term bank borrowings. Such bank borrowings in Australian dollars bears interest at 1.5% plus the bank bill rate of the day in Australia per annum and is wholly repayable in 2020.

Contingent Liabilities

At 30 June 2015, the Group did not have any significant contingent liabilities.

Dividends

The board of Directors ("Board") does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (2014: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON BETWEEN FUTURE PLANS AND PROSPECTS AND ACTUAL BUSINESS PROGRESS

The following is a comparison between the Group's business objectives as set out in the prospectus of the Company dated 25 April 2013 (the "Prospectus") and the actual business progress for the six months ended 30 June 2015.

Business plan for the six months ended 30 June 2015

Actual business progress for the six months ended 30 June 2015

Continue the promotion of Chinese Medicine Products in Non-PRC Markets

- | | |
|---|---|
| <ul style="list-style-type: none">— Continue to hold seminars and training program to broadcast Chinese regimen culture and Chinese Medicine Products | <ul style="list-style-type: none">• Attend the Boao Forum for Asia Annual Conference 2015 to propagate Tong Ren Tang culture via the forum for "Globalisation of Chinese Medicine"• Commenced the production of CCTV's "China's Dream — Globalisation of Beijing Tong Ren Tang"• Held dedicated training on corporate culture and product knowledge for employees |
|---|---|

Increase geographical coverage and retail stores

- | | |
|--|--|
| <ul style="list-style-type: none">— Opening new stores in existing markets | <ul style="list-style-type: none">• Closure of two retail outlets in Singapore due to the expiration of lease, and establishment of a new retail outlet• Established a new retail outlet in New Zealand |
| <ul style="list-style-type: none">— Evaluate potential new markets and then existing markets to determine our expansion plan | <ul style="list-style-type: none">• Justification for business expansion in Italy, Swiss, Sweden, Germany and Netherland to provide health and wellness, and medical consultation services, and distribution |



Business plan for the six months ended 30 June 2015

- Establish joint ventures in new jurisdictions and add new stores in then existing jurisdictions if deemed appropriate

Broaden our products and service offerings

- Launch our new ganoderma lucidum series product in Hong Kong

Upgrade and expand the production facilities

- Continue to evaluate the need for capacity expansion

Continue to enhance the distribution of owned products

- Evaluate registering Angong Niu Huang Pills and GLSPC in countries which we have not registered
- Complete the registration of, and launch, our new ganoderma lucidum series product in Hong Kong

Actual business progress for the six months ended 30 June 2015

- Established a joint venture for online business
- Developing new ganoderma lucidum series products
- Planning on production capacity in accordance with the demand of new products
- Purchase of equipment to increase the production capacity of Angong Niu Huang Pills
- Registration of GLSPC in Poland and Malaysia in process
- Registration of new ganoderma lucidum series products in Hong Kong in process



MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE LISTING

The Company was listed on GEM of the Stock Exchange on 7 May 2013 (the "Listing") and issued 230,000,000 new shares at HK\$3.04 per share. The net proceeds from the Listing received by the Company are HK\$636.7 million. These proceeds are intended to be applied in accordance with the business plan set out in the Prospectus. The business plan and schedule of use of proceeds disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied in accordance with the actual development of the market.

During the six months ended 30 June 2015, the net proceeds from the Listing were applied as follows:

- (i) HK\$2.6 million on expanding our distribution network in existing overseas countries/regions;
- (ii) HK\$3.9 million on expanding our distribution network into new overseas markets as defined in the Prospectus;
- (iii) HK\$1.1 million on upgrading the production facilities and capacities for manufacturing; and
- (iv) HK\$1.7 million on products' research and development.

The Directors had evaluated our business plan and considered that no modification of the business plan and future plans regarding the use of proceeds as described in the Prospectus was required.

CONDENSED CONSOLIDATED INCOME STATEMENT



The Board is pleased to announce the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2015 together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	6	250,118	203,226	484,117	364,044
Cost of sales	7	(76,049)	(63,344)	(155,011)	(108,670)
Gross profit		174,069	139,882	329,106	255,374
Distribution and selling expenses	7	(34,272)	(28,675)	(67,713)	(52,697)
General and administrative expenses	7	(25,298)	(21,054)	(43,309)	(33,611)
Other gains		351	251	816	695
Operating profit		114,850	90,404	218,900	169,761
Finance income		2,941	2,807	5,260	5,587
Finance costs		(63)	–	(135)	–
Share of loss of investments accounted for using the equity method		(476)	(393)	(218)	(512)
Profit before income tax		117,252	92,818	223,807	174,836
Income tax expense	8	(22,117)	(16,013)	(41,000)	(29,737)
Profit for the period		95,135	76,805	182,807	145,099
Profit attributable to:					
Owners of the Company		90,124	73,932	173,126	140,335
Non-controlling interests		5,011	2,873	9,681	4,764
		95,135	76,805	182,807	145,099
Earnings per share attributable to owners of the Company (expressed in HK\$ per share)					
Basic and diluted	9	0.11	0.09	0.21	0.17

The notes on pages 18 to 35 are an integral part of this condensed consolidated interim financial information.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Profit for the period	95,135	76,805	182,807	145,099
Other comprehensive income: <i>Item that may be subsequently reclassified to profit or loss</i>				
Currency translation differences	(111)	2,417	(7,252)	1,971
Total comprehensive income for the period	95,024	79,222	175,555	147,070
Attributable to:				
Owners of the Company	90,023	75,512	167,839	141,601
Non-controlling interests	5,001	3,710	7,716	5,469
	95,024	79,222	175,555	147,070

The notes on pages 18 to 35 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET



	Note	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
ASSETS			
Non-current assets			
Leasehold land	11	17,366	17,637
Property, plant and equipment	12	263,692	260,363
Intangible assets	13	61,986	–
Investments accounted for using the equity method		28,720	25,858
Deposits paid for purchase of property, plant and equipment		1,074	2,175
Deferred income tax assets		8,386	6,857
		381,224	312,890
Current assets			
Inventories		140,436	121,025
Trade receivables and other current assets	14	219,805	164,714
Short-term bank deposits		511,879	470,529
Cash and cash equivalents		620,934	563,383
		1,493,054	1,319,651
Total assets		1,874,278	1,632,541
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	938,789	867,363
Reserves		702,603	618,386
		1,641,392	1,485,749
Non-controlling interests		80,893	51,112
Total equity		1,722,285	1,536,861



CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings		4,317	–
Deferred income tax liabilities		5,182	4,675
		9,499	4,675
Current liabilities			
Trade and other payables	16	91,054	70,873
Current income tax liabilities		51,440	20,132
		142,494	91,005
Total liabilities		151,993	95,680
Total equity and liabilities		1,874,278	1,632,541
Net current assets		1,350,560	1,228,646
Total assets less current liabilities		1,731,784	1,541,536

The notes on pages 18 to 35 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



Unaudited

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Other reserve	Statutory reserve	Exchange reserve	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	415,000	452,363	(13,124)	742	1,634	6,141	410,959	1,273,715	36,004	1,309,719
Comprehensive income										
Profit for the period	-	-	-	-	-	-	140,335	140,335	4,764	145,099
Other comprehensive income										
Currency translation differences										
— the Group	-	-	-	-	-	924	-	924	705	1,629
— Joint ventures and an associate	-	-	-	-	-	342	-	342	-	342
Total comprehensive income	-	-	-	-	-	1,266	140,335	141,601	5,469	147,070
Transfer of retained earnings to statutory reserve	-	-	-	-	1,108	-	(1,108)	-	-	-
Transition to no-par value regime on 3 March 2014	452,363	(452,363)	-	-	-	-	-	-	-	-
Dividends relating to 2013	-	-	-	-	-	-	(66,400)	(66,400)	-	(66,400)
Capital injection to subsidiaries	-	-	-	-	-	-	-	-	11,041	11,041
Total transactions with owners, recognised directly in equity	452,363	(452,363)	-	-	1,108	-	(67,508)	(66,400)	11,041	(55,359)
At 30 June 2014	867,363	-	(13,124)	742	2,742	7,407	483,786	1,348,916	52,514	1,401,430



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited								
	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Merger reserve	Other reserve	Statutory reserve	Exchange reserve	Retained earnings	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2015	867,363	(13,124)	742	2,927	(2,549)	630,390	1,485,749	51,112	1,536,861
Comprehensive income									
Profit for the period	-	-	-	-	-	173,126	173,126	9,681	182,807
Other comprehensive income									
Currency translation differences									
— the Group	-	-	-	-	(4,385)	-	(4,385)	(1,965)	(6,350)
— Joint ventures and an associate	-	-	-	-	(902)	-	(902)	-	(902)
Total comprehensive income	-	-	-	-	(5,287)	173,126	167,839	7,716	175,555
Transfer of retained earnings to statutory reserve	-	-	-	1,245	-	(1,245)	-	-	-
Dividends relating to 2014	-	-	-	-	-	(83,710)	(83,710)	-	(83,710)
Issue of new shares	71,426	-	-	-	-	-	71,426	-	71,426
Total contributions by and distributions to owners of the Company, recognised directly in equity	71,426	-	-	1,245	-	(84,955)	(12,284)	-	(12,284)
Non-controlling interests arising from acquisition of a subsidiary	-	-	-	-	-	-	-	21,144	21,144
Changes in ownership interests in a subsidiary without change of control	-	-	88	-	-	-	88	921	1,009
Total changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	88	-	-	-	88	22,065	22,153
Total transactions with owners, recognised directly in equity	71,426	-	88	1,245	-	(84,955)	(12,196)	22,065	9,869
At 30 June 2015	938,789	(13,124)	830	4,172	(7,836)	718,561	1,641,392	80,893	1,722,285

The notes on pages 18 to 35 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



	Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Net cash generated from operating activities	190,560	119,275
Cash flows from investing activities		
Interest received	5,260	5,587
(Increase)/decrease in short-term bank deposits with original maturities exceeding three months	(41,350)	10,723
Investment in a joint venture	–	(6,000)
Investment in an associate	(3,930)	–
Purchase of property, plant and equipment	(14,690)	(8,637)
Deposit paid for purchase of property, plant and equipment	(785)	(4,680)
Increase in long-term borrowings	4,317	–
Acquisition of a subsidiary	3,197	–
Proceeds from disposal of partial interest in a subsidiary	1,009	–
Net cash used in investing activities	(46,972)	(3,007)
Cash flows from financing activities		
Capital injection by non-controlling interests	–	11,041
Dividends paid to the Company's shareholders	(82,937)	(66,400)
Net cash used in from financing activities	(82,937)	(55,359)
Net increase in cash and cash equivalents	60,651	60,909
Cash and cash equivalents at the beginning of the period	563,383	454,264
Exchange (losses)/gains on cash and cash equivalents	(3,100)	1,280
Cash and cash equivalents at the end of the period	620,934	516,453
Analysis of balances of cash and cash equivalents		
Cash at bank and on hand and deposits with banks with maturity within three months	620,934	516,453

The notes on pages 18 to 35 are an integral part of this condensed consolidated interim financial information.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Group is engaged in manufacturing, retail and wholesale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments. The immediate holding company of the Company is Tong Ren Tang Technologies Co., Ltd. (“Tong Ren Tang Technologies”) which is a limited liability company established in the People’s Republic of China (the “PRC”) and is listed on the Main Board of the Stock Exchange. The intermediate holding company of the Company is Beijing Tong Ren Tang Co., Ltd. (“Tong Ren Tang Ltd.”) which is a joint stock limited company incorporated in the PRC and is listed on the Shanghai Stock Exchange. The ultimate holding company of the Company is China Beijing Tong Ren Tang (Holdings) Corporation (“Tong Ren Tang Holdings”) which is a company incorporated in the PRC.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 1405–1409, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This consolidated interim financial information has been approved for issue by the Board on 11 August 2015.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the three months and six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules of the Stock Exchange.

This condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).



3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Taxation on income in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Adoption of new standards and amendments to standards

The following are new standards and amendments to existing standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2015.

Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle

The adoption of above new standards and amendments to existing standards does not have any significant financial effect on this condensed consolidated interim financial information.

(b) Standards and amendments which are not yet effective

The following are new standard and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 January 2016, but have not been early adopted by the Group.

Annual Improvements Project	Annual Improvements 2012-2014 Cycle ⁽¹⁾
Amendments to HKAS 1	Disclosure initiative ⁽¹⁾
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁽¹⁾
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁽¹⁾
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁽¹⁾
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception ⁽¹⁾
HKFRS 15	Revenue from Contracts with Customers ⁽²⁾
HKFRS 9	Financial Instruments ⁽²⁾

⁽¹⁾ Effective for the accounting period beginning on 1 January 2016

⁽²⁾ Effective for the accounting period beginning on 1 January 2018



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Standards and amendments which are not yet effective *(Continued)*

The Group will apply the above new standard and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standard and amendments to standards and does not expect that the adoption of these new standard and amendments to standards will result in any material impact on the Group's results and financial position.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management policies since year end.

(b) Liquidity risk

Compared to 31 December 2014, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Sales of products	241,565	195,467	467,525	350,179
Provision of service	8,376	7,563	16,242	13,532
Royalty fee income	177	196	350	333
	250,118	203,226	484,117	364,044

(b) Segment information

The chief operating decision maker has been identified as the executive directors and non-executive director of the Company (the "Executive Directors" and "Non-executive Director"). The Executive Directors and Non-executive Director review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports.

The Executive Directors and Non-executive Director consider the Group's business from a geographic perspective and have determined that the Group has three reportable operating segments as follows:

- (i) Hong Kong — sale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments through retail outlets as well as wholesale of Chinese medicine products in Hong Kong. In addition, it includes the royalty fee income received from overseas entities for using "Tong Ren Tang" brand name.
- (ii) Mainland China — wholesale of Chinese medicine products and healthcare products in Mainland China and the sole distributor operation for Tong Ren Tang Technologies and Tong Ren Tang Ltd. for Tong Ren Tang branded products outside Mainland China.
- (iii) Overseas — sale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments in other overseas countries, including Macao.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Unallocated items comprise mainly corporate expenses.

Sales between segments are carried in accordance with terms agreed by the parties involved.

Segment information provided to the Executive Directors and Non-executive Director for decision-making is measured in a manner consistent with that in the financial statements. The Executive Directors and Non-executive Director assess the performance of the operating segments based on revenue and segment results of each segment. Management has determined the operating segments based on the location of the entities and the information reviewed by the Group's chief operating decision maker for the purposes of allocating resources and assessing performance.

Segment assets include leasehold land, property, plant and equipment, intangible assets, investments accounted for using the equity method, deferred income tax assets, deposits paid for purchase of property, plant and equipment, inventories, trade receivables and other current assets, short-term bank deposits and cash and cash equivalents. Segment liabilities include long-term borrowings, trade and other payables, current and deferred income tax liabilities.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



6 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(i) Analysis of condensed consolidated income statement

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
Six months ended 30 June 2015				
Segment revenue	392,720	130,275	123,221	646,216
Inter-segment revenue	(116,523)	(44,622)	(954)	(162,099)
Revenue from external customers	276,197	85,653	122,267	484,117
Segment results	200,929	18,050	13,369	232,348
Inter-segment elimination				(13,448)
Operating profit				218,900
Finance income	5,020	67	173	5,260
Finance costs	-	-	(135)	(135)
Share of loss of investments accounted for using equity method				(218)
Profit before income tax				223,807
Income tax expense	(32,342)	(5,670)	(2,988)	(41,000)
Profit for the period				182,807
Six months ended 30 June 2014				
Segment revenue	255,559	129,024	92,843	477,426
Inter-segment revenue	(86,696)	(26,686)	-	(113,382)
Revenue from external customers	168,863	102,338	92,843	364,044
Segment results	152,881	14,715	11,010	178,606
Inter-segment elimination				(8,845)
Operating profit				169,761
Finance income	5,414	56	117	5,587
Share of loss of investments accounted for using equity method				(512)
Profit before income tax				174,836
Income tax expense	(26,085)	(2,691)	(961)	(29,737)
Profit for the period				145,099



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(ii) Analysis of condensed consolidated balance sheet

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
At 30 June 2015				
Segment assets and liabilities				
Total assets	1,536,088	129,293	208,897	1,874,278
Investments accounted for using equity method	16,913	-	11,807	28,720
Total liabilities	(88,837)	(37,839)	(25,317)	(151,993)
At 31 December 2014				
Segment assets and liabilities				
Total assets	1,295,220	134,047	203,274	1,632,541
Investments accounted for using equity method	12,795	-	13,063	25,858
Total liabilities	(40,933)	(35,649)	(19,098)	(95,680)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



7 EXPENSES BY NATURE

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	62,107	50,779	126,659	85,907
Employee benefit expenses (including directors' emoluments)	38,835	30,518	67,077	51,479
Operating leases payments	13,036	11,908	26,333	22,467
Depreciation of property, plant and equipment (Note 12)	5,318	4,070	10,411	8,281
Amortisation of leasehold land (Note 11)	135	135	271	271
Amortisation of intangible assets (Note 13)	433	–	433	–
Write-off of inventories	64	250	64	250
Loss on disposal of property, plant and equipment	435	25	435	25
Net exchange (gain)/loss	(11)	(145)	(328)	56



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period. PRC corporate income tax has been provided at the rate of 25% (2014: 25%) on the estimated assessable profits for the period of the subsidiaries operating in the PRC. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the entities operate.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Current income tax				
Hong Kong	16,397	14,772	33,346	26,935
Mainland China	3,692	1,832	5,670	2,849
Overseas	1,701	1,597	2,988	2,406
	21,790	18,201	42,004	32,190
Deferred income tax expense/(credit)	327	(2,188)	(1,004)	(2,453)
	22,117	16,013	41,000	29,737

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Profit attributable to owners of the Company	90,124	73,932	173,126	140,335
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	832,603	830,000	834,864	830,000
Earnings per share (HK\$)	0.11	0.09	0.21	0.17

The Company had no potential dilutive shares for the three months and six months ended 30 June 2015 (2014: Nil).



10 DIVIDENDS

During the six months ended 30 June 2015, the Board did not recommend the payment of any interim dividend (2014: Nil).

11 LEASEHOLD LAND

The interest in leasehold land represents prepaid operating lease payments for land held in Hong Kong under lease of between 10 to 50 years. Its net book value is analysed as follows:

	HK\$'000
Net book value at 1 January 2015 (audited)	17,637
Amortisation	(271)
Net book value at 30 June 2015 (unaudited)	17,366

12 PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment is analysed as follows:

	HK\$'000
Net book value at 1 January 2015 (audited)	260,363
Additions	16,589
Acquisition of a subsidiary (Note 17)	384
Disposals	(435)
Depreciation	(10,411)
Currency translation differences	(2,798)
Net book value at 30 June 2015 (unaudited)	263,692

As at 30 June 2015, the Group's property with net book value of HK\$12,275,000 has been pledged as securities for the long-term bank borrowings (2014: Nil).



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 INTANGIBLE ASSETS

	Goodwill	Customer relationships	Total
	HK\$'000	HK\$'000	HK\$'000
Net book value as at 1 January 2015	–	–	–
Acquisition of a subsidiary (Note 17)	49,419	13,000	62,419
Amortisation	–	(433)	(433)
Net book value as at 30 June 2015 (unaudited)	49,419	12,567	61,986

14 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	Unaudited	Audited
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Trade receivables		
— fellow subsidiaries	63,512	50,507
— joint ventures	1,192	986
— third parties	119,870	75,887
Trade receivables	184,574	127,380
Prepayment and other receivables	17,886	21,337
Deposits	16,231	14,883
Amount due from a joint venture	1,114	1,114
	219,805	164,714

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



14 TRADE RECEIVABLES AND OTHER CURRENT ASSETS *(Continued)*

The aging analysis of trade receivables (including amounts due from related parties of trading in nature) based on invoice date is as follows:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Up to 3 months	139,618	113,804
3 to 6 months	26,228	9,629
6 months to 1 year	17,734	3,922
1 to 2 years	994	25
	184,574	127,380

15 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares issued and fully paid:		
At 1 January 2015 (audited)	830,000	867,363
Issue of new shares upon acquisition of a subsidiary (Note 17)	7,100	71,426
At 30 June 2015 (unaudited)	837,100	938,789



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Trade payables		
— A fellow subsidiary	916	955
— intermediate holding company	21,123	8,624
— immediate holding company	10,667	5,287
— third parties	18,019	23,291
Trade payables	50,725	38,157
Accruals, deposits and other payables	40,329	32,716
	91,054	70,873

The aging analysis of trade payables (including amounts due to the related parties of trading in nature) based on invoice date is as follows:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Up to 3 months	40,931	29,392
3 to 6 months	9,150	4,456
6 months to 1 year	153	3,749
1 to 2 years	491	560
	50,725	38,157

17 BUSINESS COMBINATION

On 27 February 2015, the Company completed the purchase of 51% of the issued share capital of Honour Essence Trading Limited, a limited company incorporated in Hong Kong which is principally engaged in the distribution of Chinese medicine products in Hong Kong, at the total consideration of HK\$71,426,000 which was settled by the issue of 7,100,000 ordinary shares by the Company to the vendor. As a result, Honour Essence Trading Limited became a subsidiary of the Company.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



17 BUSINESS COMBINATION (Continued)

The following table summarises the consideration paid for the acquisition, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

At 27 February 2015

	HK\$'000
Purchase consideration:	
— Equity instruments	71,426
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (Note 12)	384
Customer relationships (Note 13)	13,000
Trade receivables and other current assets	30,910
Cash and cash equivalents	3,197
Inventories	33,859
Trade and other payables	(32,701)
Current income tax liabilities	(3,658)
Deferred income tax liabilities	(1,840)
Total identifiable net assets	43,151
Non-controlling interest	(21,144)
Goodwill (Note 13)	49,419
	71,426

Acquisition-related costs included in administrative expenses in the interim consolidated financial information for the period ended 30 June 2015 is HK\$343,000.

Honour Essence Trading Limited contributed revenue of HK\$74,477,000 and profit of HK\$13,514,000 to the Group for the period from 27 February 2015 to 30 June 2015.

If the acquisition had occurred on 1 January 2015, the consolidated revenue and the profit of the Group for the period ended 30 June 2015 would be HK\$503,199,000 and HK\$185,377,000, respectively.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 DISPOSAL OF INTEREST IN A SUBSIDIARY WITHOUT LOSS OF CONTROL

On 2 March 2015, the Company disposed of 9% of interest in a subsidiary, Beijing Tong Ren Tang (Auckland) Limited ("TRT (Auckland)"), to an independent third party at a consideration of New Zealand dollar 180,000 (equivalent to HK\$1,009,000). After the date of disposal, the Company remains 51% equity interest in TRT Auckland. The carrying amount of the non-controlling interests in TRT (Auckland) on the date of disposal was HK\$921,000. The Group recognised an increase in non-controlling interests of HK\$921,000 and an increase in equity attributable to owners of the Company of HK\$88,000. The effect of changes in the ownership interest of TRT (Auckland) on the equity attributable to owners of the Company for the six month ended 30 June 2015 is summarised as follows:

	HK\$'000
Consideration received from non-controlling interests	1,009
Carrying amount of non-controlling interests disposed of	921
	<hr/>
Gain on disposal recognised within equity	88

Effect of changes in ownership interests in TRT (Auckland) without change of control on the equity is as follows:

	HK\$'000
Total comprehensive income for the period attributable to owners of the Company	167,839
Changes in equity attributable to owners of the Company arising from disposal of interests in TRT (Auckland) without loss of control	88
	<hr/>
	167,927

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



19 COMMITMENTS

(a) Capital commitments

	Unaudited	Audited
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Contracted but not provided for		
— property, plant and equipment	—	12,985
— investment in an associate	—	3,993

(b) Operating lease commitments

The Group leases various retail outlets, warehouses and staff quarters under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years and certain lease agreements are renewable at the end of the lease period at market rate.

The future minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited	Audited
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
No later than 1 year	46,787	45,478
Later than 1 year and not later than 5 years	83,110	72,108
Later than 5 years	7,632	10,706
	137,529	128,292



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those related parties transactions disclosed elsewhere in the condensed consolidated interim financial information, the Group had the following material transactions with related parties.

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a)	Sales of products to:				
	Joint ventures	(i) 353	935	1,097	1,862
	Fellow subsidiaries	(i) 27,388	25,043	52,131	64,384
		27,741	25,978	53,228	66,246
(b)	Purchases of products from:				
	Immediate holding company	(i) 6,557	7,451	9,286	7,814
	Intermediate holding company	(i) 16,724	15,329	32,464	21,492
	Fellow subsidiaries	(i) 702	1,881	1,105	1,881
		23,983	24,661	42,855	31,187
(c)	Royalty fee income from joint ventures	(ii) 149	157	301	294
(d)	Rental expense to a fellow subsidiary	(i) 450	450	900	900

Notes:

- (i) These transactions were conducted in the normal course of business at prices and terms mutually agreed between both parties.
- (ii) The royalty fee is charged annually by the Company at predetermined rates ranging from 1% to 3% on turnover of its joint ventures in accordance with the royalty agreements. Pursuant to these agreements, these joint ventures are allowed to trade under "Tong Ren Tang" brand name.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



20 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(e) Key management compensation

Key management includes directors (executive and non-executive) and senior management. The emoluments paid or payable to key management for employee services is as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Salaries and other short-term employee benefits	2,948	5,872	4,295	6,840
Pension costs — defined contribution plans	37	36	64	74
	2,985	5,908	4,359	6,914



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2015, 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 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 Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares

	Types of interests	Capacity	Number of shares	Approximate Percentage of issued share capital
The Company				
Ding Yong Ling	Personal	Beneficial owner	200,000	0.024%
Lin Man	Personal	Beneficial owner	190,000	0.023%
Tong Ren Tang Technologies				
Mei Qun	Personal	Beneficial owner	3,000,000 ⁽¹⁾	0.234%
Tong Ren Tang Ltd.				
Mei Qun	Personal	Beneficial owner	93,242 ⁽²⁾	0.007%

Notes:

- (1) These shares represent 0.46% of domestic shares of Tong Ren Tang Technologies.
- (2) All represent A shares of Tong Ren Tang Ltd.

Save as disclosed above, 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 standards of dealing by Directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.



SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the interest of the persons, other than Directors or chief executive 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

Name of shareholder	Capacity	Number of shares	Approximate percentage of issued share capital
Tong Ren Tang Technologies	Beneficial owner	318,540,000	38.05%
Tong Ren Tang Ltd. ⁽¹⁾	Beneficial owner	281,460,000	33.62%
	Interest of a controlled corporation	318,540,000	38.05%
Tong Ren Tang Holdings ⁽²⁾	Interest of a controlled corporation	600,000,000	71.67%
Greenwoods Asset Management Holdings Limited ⁽³⁾	Interest of controlled corporation	41,885,500	5.00%
Greenwoods Asset Management Limited ⁽³⁾	Interest of controlled corporation	41,885,500	5.00%
Jiang Jinzhi ⁽³⁾	Interest of controlled corporation	41,885,500	5.00%
Unique Element Corp. ⁽³⁾	Interest of controlled corporation	41,885,500	5.00%

Notes:

- (1) Tong Ren Tang Ltd. directly holds 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 52.45% of the issued share capital of Tong Ren Tang Ltd. which in turn directly holds 46.85% of the issued share capital of Tong Ren Tang Technologies. Tong Ren Tang Holdings also directly holds 0.74% of the issued share capital 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.



OTHER INFORMATION

- (3) According to the disclosure forms filed by Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Limited, Jiang Jinzhi and Unique Element Corp. on 25 March 2015, the following interests in shares of the Company were held by Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Limited, Jiang Jinzhi and Unique Element Corp. as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)		Number of shares
Unique Element Corp.	Jiang Jinzhi	100.00	N	Long position	41,885,000
Greenwoods Asset Management Holdings Limited	Unique Element Corp.	81.00	N	Long position	41,885,000
Greenwoods Asset Management Limited	Greenwoods Asset Management Holdings Limited	100.00	N	Long position	41,885,000
Golden China Master Fund	Jiang Jinzhi	100.00	Y	Long position	7,685,000
Greenwoods Asset Management Limited	Greenwoods Asset Management Holdings Limited	100.00	N	Long position	21,920,000
Greenwoods China Alpha Master Fund	Greenwoods Asset Management Limited	100.00	Y	Long position	8,937,000
Golden China Plus Master Fund	Jiang Jinzhi	100.00	Y	Long position	3,343,000

According to the disclosure forms filed by Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Limited, Jiang Jinzhi and Unique Element Corp. on 15 July 2015, each of them was interested or deemed to be interested in a total of 50,919,000 shares (long position) of the Company (representing 6.08% shareholdings of the Company).

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executive 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 Divisions 2 and 3 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.



RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the section “Directors’ and chief executives’ interests in the shares” above, at no time during the Period was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS IN COMPETING BUSINESSES

To ensure that the business classification between the Company, Tong Ren Tang Ltd., Tong Ren Tang Technologies and Tong Ren Tang Holdings (collectively the “Controlling Shareholders”) are properly documented and established, each of the Controlling Shareholders entered into a deed of non-competition in favour of the Company on 18 April 2013 (“Deed of Non-competition”), details of which are set out in 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 sales of any products containing ganoderma lucidum or ganoderma lucidum spores as raw materials in Hong Kong, Macao and markets outside of the PRC (the “Non-PRC Markets”);
- (ii) engage in the research, development, manufacture and sale of any products with “Tong Ren Tang” brands in Non-PRC 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-PRC Markets similar to the excluded business in Japan;



OTHER INFORMATION

- (iii) carry out any sales or registration (new or renewal) for Angong Niu Huang Pills in the Non-PRC Markets;
- (iv) engage in the distribution of any Chinese medicine products in Non-PRC 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 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 (“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 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 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 of the Company:

- (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 Controlling Shareholders; and
- (ii) the Company will disclose the review by the independent non-executive Director with basis on the compliance with and enforcement of the terms of the Deed of Non-competition in its annual report.

OTHER INFORMATION



In monitoring the competing business of the Parent Group (refer to Tong Ren Tang Holdings, Tong Ren Tang Ltd., Tong Ren Tang Technologies and their respective subsidiaries, other than the Group and their respective predecessors) an executive committee (the “Competition Executive Committee”) comprising two disinterested Directors, namely Mr. Zhang Huan Ping and Ms. Lin Man, has been established with the following major responsibilities:

- (a) conduct quarterly inspection of the distribution channels of the Parent Group, including retail stores and wholesale customers, to check whether any healthcare product containing ganoderma lucidum or ganoderma lucidum spores as raw materials (other than ganoderma lucidum spores powder capsule manufactured by the Group) is sold in Non-PRC Markets; and
- (b) conduct quarterly communications with representatives of the Parent Group to confirm whether their research and development portfolio has any healthcare products which contain ganoderma lucidum or ganoderma lucidum spores as raw materials.

A supervisory committee (the “Competition Supervisory Committee”), comprising three independent non-executive Directors, namely, Ms. Leung, Oi Sie Elsie, Mr. Zhao Zhong Zhen and Mr. Chan Ngai Chi, has been established with the following major responsibilities:

- (a) meet quarterly and review the quarterly inspection record and daily communication records by the Competition Executive Committee (if applicable); and
- (b) report findings during its review of the records provided by the Competition Executive Committee to the Board which will be published in the Company’s annual report.



OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

INTEREST OF COMPLIANCE ADVISOR

As at 30 June 2015, as notified by the Company's compliance advisor, Kim Eng Securities (Hong Kong) Limited (the "Compliance Advisor"), except for the Compliance Advisor agreement entered into between the Company and the Compliance Advisor dated 6 May 2013 effective on the date of the Listing, neither the Compliance Advisor nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquires to all the Directors, all the Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the Period.

CORPORATE GOVERNANCE CODE

The Company has complied with the provisions set out in Appendix 15 of the Corporate Governance Code of the GEM Listing Rules for the Period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed this interim report.

On behalf of the Board
Beijing Tong Ren Tang
Chinese Medicine Company Limited
Mei Qun
Chairman

Hong Kong, 11 August 2015



Beijing Tong Ren Tang
Chinese Medicine Company Limited
北京同仁堂國藥有限公司

www.tongrentangcm.com