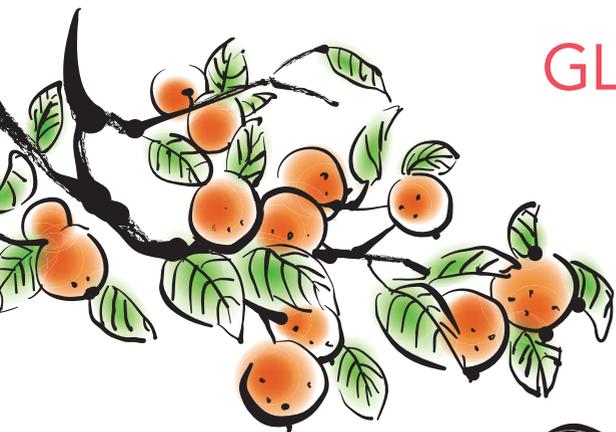




Beijing Tong Ren Tang
Chinese Medicine Company Limited
北京同仁堂國藥有限公司

(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

Third Quarterly Report 2013
第三季度業績報告





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This report, for which the directors (the “Directors”) of Beijing Tong Ren Tang Chinese Medicine Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (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

1. DIRECTORS

Non-executive Director

Yin Shun Hai (*Chairman*)

Executive Directors

Ding Yong Ling
Zhang Huan Ping
Lin Man

Independent Non-Executive Directors

Leung, Oi Sie Elsie
Chan Ngai Chi
Zhao Zhong Zhen

2. AUDIT COMMITTEE

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

3. NOMINATION COMMITTEE

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

4. REMUNERATION COMMITTEE

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

5. COMPANY SECRETARY

Lin Man

6. COMPLIANCE OFFICER

Ding Yong Ling

7. AUTHORISED REPRESENTATIVES

Ding Yong Ling
Lin Man

8. 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

9. COMPANY'S WEBSITE

www.tongrentangcm.com

10. REGISTERED ADDRESS

3 Dai King Street
Tai Po Industrial Estate
New Territories
Hong Kong

11. LEGAL ADVISER

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

12. COMPLIANCE ADVISER

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

13. AUDITOR

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

14. STOCK CODE

8138

FINANCIAL HIGHLIGHTS

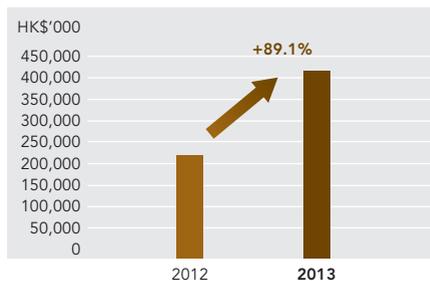


(HK\$'000)	Three months ended 30 September			Nine months ended 30 September		
	2013	2012	Change	2013	2012	Change
Continuing operations						
Revenue	138,965	83,144	+67.1%	418,228	221,138	+89.1%
Gross profit	96,791	62,151	+55.7%	290,007	154,153	+88.1%
Profit attributable to owners of the Company	47,616	26,391	+80.4%	141,073	54,417	+159.2%
Earnings per share	HK\$0.06	HK\$0.04	+50.0%	HK\$0.20	HK\$0.09	+122.2%

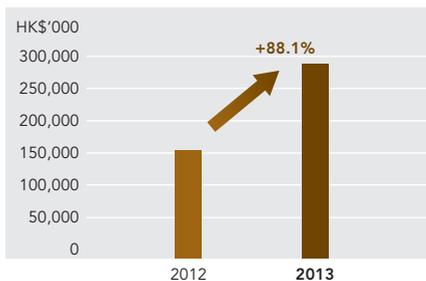
Financial Analysis of Continuing Operations

For the nine months ended 30 September 2013

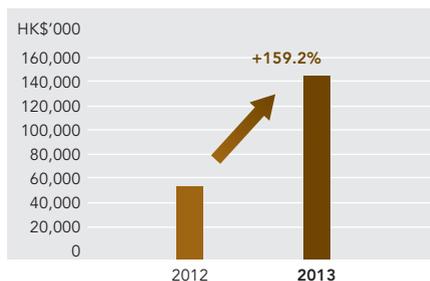
Revenue



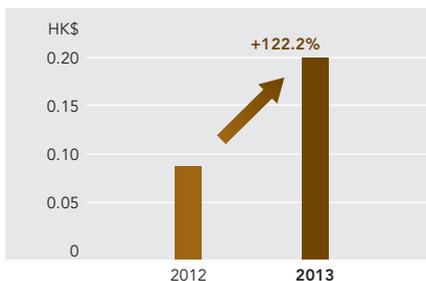
Gross Profit



Profit Attributable to Owners of the Company



Earnings Per Share



BUSINESS REVIEW

During the nine months ended 30 September 2013 (the “Period”), the Company and its subsidiaries (collectively referred to as the “Group”), as a professional platform for the overseas development of Tong Ren Tang, overcame the difficulties and achieved further growth in overseas market share and rapid growth in operation results by implementing stringent operation strategy despite the uncertainties in global economies and the slowdown of consumption growth. During the Period, revenue from the continuing operations of the Group was HK\$418.2 million, representing an increase of 89.1% as compared to the same period last year (2012: HK\$221.1 million), and the profit from continuing operations attributable to the owners of the Company was HK\$141.1 million, representing an increase of 159.2% as compared to the same period last year (2012: HK\$54.4 million).

Hong Kong market

We continued to actively develop our manufacturing, retail and wholesale business in Hong Kong, the largest market of the Group. As at 30 September 2013, the total number of retail outlets of the Group in Hong Kong increased to 15. Our market share further increased and economies of scale were enhanced. During the Period, revenue from Hong Kong was HK\$275.4 million, representing an increase of 119.0% as compared to the same period last year (2012: HK\$125.7 million).

During the Period, the Group continued to advance its global ERP system in order to minimize costs and maximize efficiency. The finance module in Hong Kong has been put into operation. In addition, the supply chain and point of sales modules are scheduled to operate by the end of this year, building a solid foundation for the implementation of our global ERP system.

Non-Hong Kong markets

For overseas markets other than Hong Kong, the Group actively expanded its existing markets and explored new markets. As at 30 September 2013, the Group has set up the business in 12 overseas countries and regions, including Thailand, Malaysia, Canada, Macao, South Korea, Indonesia, Singapore, Australia, Cambodia, Brunei, Dubai and Poland. The Group was devoted to promoting Chinese medicines in overseas markets and enhancing the recognition of Chinese medicines, and it recorded steady growth in revenue from overseas sales by leveraging Tong Ren Tang brand value and product quality. The overseas consolidated revenue amounted to HK\$105.8 million, representing an increase of 10.9% as compared to the same period last year (2012: HK\$95.4 million).



As the exclusive overseas distributor of “Tong Ren Tang” branded products of Beijing Tong Ren Tang Company Limited (“Tong Ren Tang Ltd.”) and Tong Ren Tang Technologies Co. Ltd. (“Tong Ren Tang Technologies”), the Group further centralised the management of the overseas sales network of the Tong Ren Tang brand to boost the steady development of its overseas business.

Production, Research and Development

During the Period, the Group’s production plant in Tai Po Industrial Estate in Hong Kong passed the fourth assessment of Chinese Medicines Traders Committee under Chinese Medicine Council of Hong Kong and obtained the Certificate for Good Manufacturing Practice for Proprietary Chinese Medicines. Apart from implementing strict control over the production process and quality, we also emphasized on the upgrade of product research and core technologies, strengthening technology innovation, promoting overseas expansion, expanding and enriching the existing product portfolio and enhancing the research and development of ganoderma lucidum products. The Group also conducted overseas cooperative research and development projects to improve the competitiveness of its products. Moreover, the Group is working hard for the registration of the self-manufactured products. We have commenced the sales of Angong Niu Huang Pills upon completion of registration in Macao and received positive market response. Besides, we are conducting the registration of Angong Niu Huang Pills in Vietnam and registration or filing of GLSPC in Brunei, Canada, Thailand and Indonesia. During the Period, sales of self-manufactured products in Hong Kong and overseas was HK\$255.3 million, representing an increase of 200.0% as compared to the same period last year (2012: HK\$85.1 million).

Brand Management

The Group further strengthened the marketing, promotion and protection of our brand in overseas countries and regions. In respect of brand marketing and promotion, the Group has participated in various promotional activities, including the sponsorship and participation in the exhibition of Chinese and Western Medicine held by Hong Kong Museum of Medical Sciences, and establishment of Tong Ren Tang cultural corner in Kiang Wu Hospital in Macao during the Period. The overseas popularity of the brand of Tong Ren Tang was further enhanced by promoting the Chinese medical culture. Moreover, Beijing Tong Ren Tang won the award of High Quality Chinese Medicine Product in the 6th Lisa Quality Life Awards 2013 by Lisa Magazine, a member of South China Media in Hong Kong, showing the high popularity of the brand of Tong Ren Tang among consumers. In respect of brand protection, the Group conducted a comprehensive review on the overseas registration of trademark and completed the registration of Tong Ren Tang trademark in overseas countries and regions during the Period.

FUTURE PROSPECTS

The Group will endeavor to expand the overseas promotion of Chinese medicines, enhance the brand recognition of Tong Ren Tang and expand the sales network and overseas market shares so as to consolidate our leading position in Chinese medicine industry around the world. The Group will adhere to strict product quality control to ensure the quality and safety of its products by capitalizing on the quality management system. The Group will enhance the market penetration of self-manufactured products through various forms of promotions. In order to satisfy the market demand for Angong Niu Huang Pills, the Group will increase its manufacturing capacity. We will also strive to register Tong Ren Tang brand and its products in various overseas countries and regions so as to further expand our overseas markets. In addition, the Group will further improve its Chinese medical healthcare services and accelerate the establishment of the Chinese medical healthcare centre in Hong Kong, so as to provide excellent Chinese medical services to Hong Kong customers. Moreover, we will continue to advance the global ERP system and set up efficient logistic and financial information systems to minimize the operation costs and enhance the efficiency.

In the future, we believe that the overseas business performance of Tong Ren Tang will achieve another breakthrough by fully leveraging on the advantages of the Group, especially its outstanding brand and reliable product quality and the global sales network, with stringent operation strategy, innovative business models and professional management.

CONDENSED CONSOLIDATED INCOME STATEMENT



The board of Directors (the "Board") is pleased to announce the unaudited results of the Group for the three months and nine months ended 30 September 2013 together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

	Note	Unaudited		Unaudited	
		Three months ended		Nine months ended	
		2013	2012	2013	2012
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations					
Revenue	3	138,965	83,144	418,228	221,138
Cost of sales		(42,174)	(20,993)	(128,221)	(66,985)
Gross profit		96,791	62,151	290,007	154,153
Distribution and selling expenses		(26,520)	(20,206)	(74,606)	(56,368)
General and administrative expenses		(12,471)	(6,053)	(40,266)	(20,225)
Professional expenses incurred in connection with the Company's listing		–	(2,946)	(12,630)	(10,925)
Other gains	4	777	303	12,931	822
Operating profit		58,577	33,249	175,436	67,457
Finance income		1,433	71	1,747	420
Share of (losses)/profits of jointly controlled entities		(145)	368	(539)	1,155
Share of loss of an associated company		(102)	(170)	(701)	(700)
Profit before income tax		59,763	33,518	175,943	68,332
Income tax expense	5	(10,211)	(5,330)	(29,381)	(10,937)
Profit for the period from continuing operations		49,552	28,188	146,562	57,395
Discontinued operations					
Profit for the period from discontinued operations	6	–	9,044	–	35,507
Profit for the period		49,552	37,232	146,562	92,902
Profit attributable to:					
Owners of the Company		47,616	35,435	141,073	89,924
Non-controlling interests		1,936	1,797	5,489	2,978
		49,552	37,232	146,562	92,902



CONDENSED CONSOLIDATED INCOME STATEMENT

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
Note	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to owners of the Company arises from:				
Continuing operations	47,616	26,391	141,073	54,417
Discontinued operations	–	9,044	–	35,507
	47,616	35,435	141,073	89,924
Earnings per share attributable to owners of the Company				
Basic and diluted (in HK\$)				
From continuing operations	0.06	0.04	0.20	0.09
From discontinued operations	–	0.02	–	0.06
From profit for the period	0.06	0.06	0.20	0.15

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Profit for the period	49,552	37,232	146,562	92,902
Other comprehensive income:				
Currency translation differences	72	2,903	(2,891)	1,446
Total comprehensive income for the period	49,624	40,135	143,671	94,348
Attributable to:				
Owners of the Company	47,361	37,515	138,508	91,149
Non-controlling interests	2,263	2,620	5,163	3,199
	49,624	40,135	143,671	94,348
Total comprehensive income attributable to owners of the Company arises from:				
Continuing operations	47,361	28,343	138,508	55,703
Discontinued operations	–	9,172	–	35,446
	47,361	37,515	138,508	91,149

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total Equity HK\$'000
At 1 January 2012	201,430	3,913	(13,124)	742	1,352	12,105	135,305	341,723	68,042	409,765
Profit for the period	-	-	-	-	-	-	89,924	89,924	2,978	92,902
Other comprehensive income										
Currency translation differences	-	-	-	-	-	1,225	-	1,225	221	1,446
Total comprehensive income	-	-	-	-	-	1,225	89,924	91,149	3,199	94,348
Professional expenses incurred in connection with the Company's issuance of new shares	-	-	-	(4,041)	-	-	-	(4,041)	-	(4,041)
Total contributions by and distributions to owners	-	-	-	(4,041)	-	-	-	(4,041)	-	(4,041)
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	4,185	4,185
Acquisition of additional interest in a subsidiary	-	-	-	(380)	-	-	-	(380)	380	-
Changes in ownership interests in subsidiaries	-	-	-	(380)	-	-	-	(380)	4,565	4,185
Total transactions with owners	-	-	-	(4,421)	-	-	-	(4,421)	4,565	144
At 30 September 2012	201,430	3,913	(13,124)	(3,679)	1,352	13,330	225,229	428,451	75,806	504,257

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



Unaudited

	Share capital	Share premium	Merger reserve	Other reserve	Statutory reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	201,430	3,913	(13,124)	(4,385)	1,352	14,457	291,240	494,883	72,805	567,688
Profit for the period	-	-	-	-	-	-	141,073	141,073	5,489	146,562
Other comprehensive income										
Currency translation differences	-	-	-	-	-	(2,565)	-	(2,565)	(326)	(2,891)
Total comprehensive income	-	-	-	-	-	(2,565)	141,073	138,508	5,163	143,671
Transfer of statutory reserve to retained profits	-	-	-	-	(106)	-	106	-	-	-
Issue of new shares	115,000	584,200	-	-	-	-	-	699,200	-	699,200
Professional expenses incurred in connection with the Company's issuance of new shares	-	(32,433)	-	-	-	-	-	(32,433)	-	(32,433)
Transfer of professional expenses previously capitalised	-	(4,747)	-	4,747	-	-	-	-	-	-
Issue of new shares upon the capitalisation of share premium	98,570	(98,570)	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Total contributions by and distributions to owners	213,570	448,450	-	4,747	(106)	-	(99,894)	566,767	-	566,767
Deemed acquisition of a subsidiary	-	-	-	-	-	-	-	-	7,779	7,779
Disposal of a subsidiary	-	-	-	380	-	-	-	380	(44,724)	(44,344)
Changes in ownership interests in subsidiaries	-	-	-	380	-	-	-	380	(36,945)	(36,565)
Total transactions with owners	213,570	448,450	-	5,127	(106)	-	(99,894)	567,147	(36,945)	530,202
At 30 September 2013	415,000	452,363	(13,124)	742	1,246	11,892	332,419	1,200,538	41,023	1,241,561

1 GENERAL INFORMATION

The Company was incorporated as a limited liability company in Hong Kong on 18 March 2004 and was listed on GEM of the Stock Exchange on 7 May 2013. The Group is engaged in manufacture, retail and wholesale of Chinese medicine products in Hong Kong and overseas. Its immediate holding company is 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. Its ultimate holding company is China Beijing Tong Ren Tang (Holdings) Corporation ("Tong Ren Tang Holdings") which is a company incorporated in the PRC.

The condensed consolidated results are presented in Hong Kong dollars ("HK\$"), unless otherwise stated. These condensed consolidated results has been approved for issue by the Board on 29 October 2013.

These condensed consolidated results have not been audited.

2 BASIS OF PREPARATION

The accompanying condensed consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules of the Stock Exchange.

Except for the amendment in HKAS 28 (revised 2011) "Investments in Associates and Joint Ventures" adopted by the Group since 1 January 2013, the accounting policies applied in the preparation of the condensed consolidated results for the three months and nine months ended 30 September 2013 are consistent with those used in preparing the Group's financial statements for the year ended 31 December 2012 included in the prospectus of the Company dated 25 April 2013. As a result of adoption of this amendment, the accounting of the Group's investment in jointly controlled entities changed from proportionate consolidation to equity method of accounting. The Group has adopted this amendment retrospectively for the three months and nine months ended 30 September 2012. Certain comparative amounts have been restated to conform to the current period's presentation and accounting treatment.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the accounting periods beginning on or after 1 January 2013.



3 REVENUE

	Unaudited Three months ended 30 September 2013		Unaudited Nine months ended 30 September 2013	
	HK\$'000	2012 HK\$'000	HK\$'000	2012 HK\$'000
Hong Kong market	88,149	49,910	275,415	125,747
Non-Hong Kong markets	50,816	33,234	142,813	95,391
	138,965	83,144	418,228	221,138

4 OTHER GAINS

	Unaudited Three months ended 30 September 2013		Unaudited Nine months ended 30 September 2013	
	HK\$'000	2012 HK\$'000	HK\$'000	2012 HK\$'000
Gain on disposal of a subsidiary (<i>Note a</i>)	–	–	8,767	–
Gain on remeasurement of existing interest in a jointly controlled entity (<i>Note b</i>)	–	–	2,067	–
Others	777	303	2,097	822
	777	303	12,931	822

Notes:

- (a) For the nine months ended 30 September 2013, the Group recognised a gain of HK\$8,767,000 which arose from the disposal of a 68% owned subsidiary of the Company, Beijing Tong Ren Tang (Tang Shan) Nutrition and Healthcare Co., Ltd. ("TRT (Tang Shan)"), to a fellow subsidiary of the Company. This equity transfer was approved by the relevant PRC Authority on 26 April 2013.
- (b) On 1 June 2013, the Company entered into a revised shareholders agreement with the other joint venturer of Beijing Tong Ren Tang Canada Co., Ltd. ("TRT (Canada)") that the other joint venturer has given up the joint control over TRT (Canada). Accordingly, the Company has obtained the control over the financial and operating policies of TRT (Canada). TRT (Canada) has changed its status from a jointly controlled entity to a subsidiary of the Company. The Group consolidated the results of TRT (Canada) from 1 June 2013 onwards. The Company has obtained control of TRT (Canada) at nil consideration and without any acquisition of further equity interest in TRT (Canada). There was no change in equity interest and profit-sharing ratio. The carrying value of the Group's interest in TRT (Canada) immediately before the deemed acquisition date was HK\$6,147,000. The fair value of the identified net assets of TRT (Canada) shared by the Group at the deemed acquisition date was HK\$8,214,000. As a result, a gain of HK\$2,067,000 was recognised in the condensed consolidated income statement for the nine months ended 30 September 2013.

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the three months and nine months ended 30 September 2013. Income tax on overseas profits has been calculated on the estimated assessable profit for the three months and nine months ended 30 September 2013 and 2012 at the income tax rates prevailing in the tax jurisdictions in which the entities operate.

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Current income tax				
Hong Kong	9,669	4,276	27,312	8,691
The PRC	297	–	(264)	–
Overseas	1,405	1,206	2,942	2,961
	11,371	5,482	29,990	11,652
Deferred income tax credit	(1,160)	(152)	(609)	(715)
	10,211	5,330	29,381	10,937

6 DISCONTINUED OPERATIONS

The Group had a PRC distribution operation substantially distributing its self-manufactured products to fellow subsidiaries of the Company and independent third parties in the PRC for the three months and nine months ended 30 September 2012. The Group has terminated its PRC distribution business since 1 November 2012. The PRC distribution business is presented as a discontinued operation in the condensed consolidated income statement.

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	–	22,894	–	69,182
Expenses	–	(12,322)	–	(24,911)
Profit before income tax	–	10,572	–	44,271
Income tax	–	(1,528)	–	(8,764)
Profit for the period from discontinued operation	–	9,044	–	35,507



7 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Profit attributable to owners of the Company				
— Continuing operations	47,616	26,391	141,073	54,417
— Discontinued operations	—	9,044	—	35,507
	47,616	35,435	141,073	89,924
Weighted average number of shares in issue (thousand shares)	830,000	600,000	722,088	600,000
Earnings per share (HK\$)				
— Continuing operations	0.06	0.04	0.20	0.09
— Discontinued operations	—	0.02	—	0.06
	0.06	0.06	0.20	0.15

The Company had no potential dilutive shares for the three months and nine months ended 30 September 2013 (2012: Nil).

8 DIVIDENDS

Pursuant to the written resolution passed by the Board on 15 April 2013, a dividend of HK\$100.0 million (HK\$0.25 per share) was declared and to be paid out of the Company's retained profits to the shareholders of the Company whose names appeared on the register of members of the Company on 15 April 2013 in proportion to the number of shares held by them. Such dividend was fully paid on 18 April 2013.

The Directors did not declare any dividend to the shareholders of the Company for the nine months ended 30 September 2013 (2012: Nil).

9 EVENT AFTER THE REPORTING PERIOD

On 3 October 2013, the Company entered into the PRC distribution framework agreement with Tong Ren Tang Holdings that Tongrentang Group would purchase Chinese medicine products containing ganoderma lucidum or ganoderma lucidum spore as raw materials manufactured by the Company (including GLSPC) and would distribute these products in the PRC by acting as the non-exclusive distributor of the Group for a period from 1 October 2013 to 31 December 2015.

An ordinary resolution to approve the PRC Distribution Framework Agreement was passed at the extraordinary general meeting held on 23 October 2013.

OTHER INFORMATION



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2013, 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 Securities and Futures Ordinance (the "SFO")) of the Directors and chief executive 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	70,000	0.008%
Lin Man	Personal	Beneficial owner	60,000	0.007%
Tong Ren Tang Technologies				
Yin Shun Hai	Personal	Beneficial owner	1,500,000 ⁽¹⁾	0.234%
Tong Ren Tang Ltd.				
Yin Shun Hai	Personal	Beneficial owner	116,550 ⁽²⁾	0.009%

Notes:

(1) The shares represent 0.46% of domestic shares of Tong Ren Tang Technologies.

(2) These shares are A shares.

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 September 2013, 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:

Name of shareholder	Capacity	Number of shares	Approximate percentage of issued share capital
Tong Ren Tang Technologies	Beneficial owner	318,540,000	38.38%
Tong Ren Tang Ltd. ⁽¹⁾	Beneficial owner	281,460,000	33.91%
	Interest of a controlled corporation	318,540,000	38.38%
Tong Ren Tang Holdings ⁽²⁾	Interest of a controlled corporation	600,000,000	72.29%

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 held by Tong Ren Tang Technologies.
- (2) Tong Ren Tang Holdings directly holds 54.88% of the issued share capital of Tong Ren Tang Ltd. which in turns 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 and 281,460,000 shares held by Tong Ren Tang Technologies and Tong Ren Tang Ltd., respectively.

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.

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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 nine months ended 30 September 2013 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.

INTEREST OF COMPLIANCE ADVISER

As at 30 September 2013, as notified by the Company’s compliance adviser, Kim Eng Securities (Hong Kong) Limited (the “Compliance Adviser”), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 6 May 2013 effective on the date of the Listing, neither the Compliance Adviser 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.

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 Chinese medicine 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;



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- (iii) carry out any sales or registration (new or renewal) for Angong Niu Huang Pills in 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 of the Company; 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.

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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 GLSPC 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; 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 30 September 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed shares.

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 of 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 from the commencement of trading in shares of the Company on GEM from 7 May 2013 to 30 September 2013.



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CORPORATE GOVERNANCE CODE

Since the Company's shares were traded on GEM on 7 May 2013 and up to 30 September 2013, the Company complied with the provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed and discussed the 2013 third quarterly report.

On behalf of the Board
Beijing Tong Ren Tang Chinese Medicine Company Limited
Yin Shun Hai
Chairman

Hong Kong, 29 October 2013



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

www.tongrentangcm.com