



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

Interim Report 2013 中期報告





## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

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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

## 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

## 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](http://www.tongrentangcm.com)

## REGISTERED ADDRESS

3 Dai King Street

Tai Po Industrial Estate

New Territories

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

Six months ended 30 June  
2013      2012      Change

(HK\$'000)			
<b>Continuing operations</b>			
Revenue	<b>279,263</b>	137,994	+102.4%
Gross profit	<b>193,216</b>	92,002	+110.0%
Profit attributable to owners of the Company	<b>93,457</b>	28,026	+233.5%
Earnings per share	<b>HK\$0.14</b>	HK\$0.05	+180.0%

(HK\$'000)	30 June 2013	31 December 2012	Change
Cash and bank balances	<b>853,343</b>	235,445	+262.4%
Total assets	<b>1,259,160</b>	668,859	+88.3%
Total equity	<b>1,191,937</b>	567,688	+110.0%

## Continuing Operations Financial Analysis

For the six months ended 30 June 2013

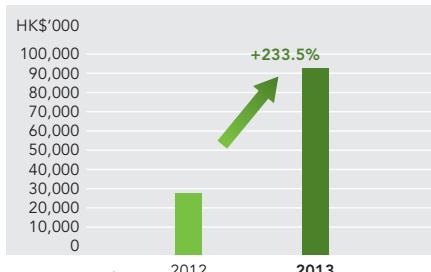
### Revenue



### Gross Profit



### Profit Attributable to Owners of the Company



### Earnings Per Share



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The first half of 2013 was full of challenges and delights for our Group (as defined below). Thanks to the dedication and supports of our staff, the Group was successfully listed on the GEM of the Stock Exchange on 7 May 2013. As a professional platform for the overseas development of Tong Ren Tang, we were devoted to developing retail and wholesale business of Chinese medicines and promoting Chinese medicines in Hong Kong and overseas. Despite the uncertainty in the People's Republic of China (the "PRC") and global economies and the slowdown of consumption growth, the Group managed to maintain the steady growth in sales and increased the market share by adopting prudent operation strategy. For the six months ended 30 June 2013 (the "Period"), revenue from the continuing operations of the Group was approximately HK\$279.3 million, representing an increase of 102.4% as compared to the same period last year (2012: HK\$138.0 million), and the profit from continuing operations attributable to the owners of the Company was approximately HK\$93.5 million, representing an increase of 233.5% as compared to the same period last year (2012: HK\$28.0 million).

### Hong Kong market

The Group actively developed its retail and wholesale business in Hong Kong. During the first half of 2013, the Group opened 4 new stores in Hong Kong and the total number of its retail outlets increased to 15. As a result, the Group gained higher market share and brand recognition in Hong Kong. During the Period, revenue from Hong Kong significantly increased to HK\$186.7 million, representing an increase of 211.2% as compared to the same period last year (2012: HK\$60.0 million).

To ensure effective cost control and enhance efficiency, the Group launched a global ERP system last year. During the Period, the Group has completed the installation, personnel training and simulation tests of the finance module in Hong Kong. All the modules of the system in Hong Kong are scheduled to be implemented in the second half of the year, marking a milestone of the systematic management of the Group.

### Non-Hong Kong market

In addition to the Hong Kong market, the Group also increased the number of overseas retail stores to expand its overseas sales network. As at 30 June 2013, the Group had 22 retail stores in 10 overseas countries and region, including Macao, Singapore, Australia, Canada, Thailand, Dubai, Brunei, Malaysia, Indonesia and Cambodia. Supported by the promotion of Chinese medicines in overseas markets, the Group recorded steady growth in overseas sales by leveraging its brand value and product quality. The consolidated revenue from overseas amounted to HK\$65.2 million, representing an increase of 4.8% as compared to the same period last year (2012: HK\$62.2 million).



# MANAGEMENT DISCUSSION AND ANALYSIS

To centralise the management of the overseas sales network under the "Tong Ren Tang" brand, the Group has acted as the sole 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") under the "Tong Ren Tang" brand since 1 November 2012. The arrangement allowed the Tong Ren Tang Group to centralise resources allocation and improve efficiency of the overseas distribution in order to boost the development of overseas business.

## Production, Research and Development

The Group's production plant in Tai Po Industrial Estate in Hong Kong has obtained the Certificate for Good Manufacturing Practice for Proprietary Chinese Medicines issued by Chinese Medicines Traders Committee under Chinese Medicine Council of Hong Kong, and the production process and product quality were under strict control. The Group emphasised on the upgrade of core technologies and product research and development, strengthening technology development, promoting international expansion, enriching the product portfolio and enhancing the research and development and marketing of ganoderma lucidum products. The Group also conducted overseas cooperative research and development projects for its major products to improve the competitiveness of its products. During the Period, the Group has completed the research and development of a ganoderma lucidum product and has applied for registration. The Group also attached great importance to market development and improved the modern management on procurement, production, sales and clinical test. During the Period, sales of self-manufactured products in Hong Kong and overseas under the continuing operations significantly increased to HK\$167.2 million, representing an increase of 247.6% as compared to the same period last year (2012: HK\$48.1 million).

## Brand Management

The Group further strengthened the protection and marketing of our brand in overseas countries. In respect of brand protection, the Group has conducted a comprehensive review on the overseas registration of trademarks and completed or renewed the registration of Tong Ren Tang trademark in overseas countries during the Period. The Group also updated the Company Policies of Overseas Brand Management and Logo and Trademark Usage Guidebook, and provided relevant training to all overseas companies. As for brand marketing, the Group participated in various exhibitions in different countries to promote Chinese medicines and its products under Tong Ren Tang brand. For example, the Group sponsored the Use of Herbs in Chinese and Western Medicine held by Hong Kong Museum of Medical Sciences and displayed its Chinese medicine products in the exhibition so as to further enhance the brand recognition of Tong Ren Tang in overseas markets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PROSPECTS

In the second half of 2013, the Group will endeavour to promote Chinese medicines and healthcare services, enhance the recognition of Chinese medicines and expand the business in Hong Kong and other overseas markets so as to broaden the customer bases and consolidate its leading position in Chinese medicine and healthcare products industry. The Group will further strengthen the control of product quality with an aim to produce products of premium quality. The Group will enhance the market penetration of its Angong Niu Huang Pills and ganoderma lucidum spores powder capsule ("GLSPC") through marketing and promotion activities in different media. The Group is also preparing for the establishment of a Chinese medical healthcare centre in Hong Kong so as to provide high quality Chinese medicines and medical services to Hong Kong customers. With an effort to satisfy the market demand for Angong Niu Huang Pills, the Group will further enhance its manufacturing capacity. With the implementation of its global ERP system, the Group will establish an efficient logistic and financial information system to ensure effective cost control and higher operation efficiency. The Group will strive to register Tong Ren Tang brand and its products in various overseas countries and expand into new markets.

Looking forward, we believe that the Group will constantly roll out new products by capitalising on its advantages of the global distribution network and the financing platform in the Hong Kong capital market, and achieve breakthroughs for the overseas business of Tong Ren Tang by maintaining steady growth, robust operation, innovative business models and stringent management.

## HUMAN RESOURCES

As at 30 June 2013, the Group had a total of 429 employees. The Group's staff costs for the Period were HK\$42.3 million. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

## FINANCIAL REVIEW

### Financial Resources and Liquidity

As at 30 June 2013, the Group's total equity was HK\$1,191.9 million including reserves of HK\$285.8 million. The Group continued to be in a strong financial position with cash and bank balances amounting to HK\$853.3 million. The Group's working capital was HK\$949.5 million. Based on the Group's steady cash inflow generated 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 expansion plans in 2013 and coming years.



# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2013, 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 2013, the Group had total non-current assets of HK\$248.8 million, net current assets of HK\$949.5 million and net assets of HK\$1,191.9 million. During the Period, the Group funded its liquidity by the net proceeds from the Listing (as defined below) and resources generated internally. The current ratio of the Group, defined as the ratio of current assets to current liabilities, was 16.6 as at 30 June 2013, which reflects the abundance of financial resources of the Group.

## Foreign Currency Risk

The Group's business operations were conducted in Hong Kong, the PRC, Macao and other overseas countries. 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 six months ended 30 June 2013.

## Major Investment, Acquisitions and Disposals

As disclosed in the 1st quarterly report of 2013, on 4 March 2013, the Company entered into a sales and purchase agreement to dispose of all its interests in a subsidiary, Beijing Tong Ren Tang (Tang Shan) Nutrition and Healthcare Co., Ltd. ("TRT (Tang Shan)"), to a fellow subsidiary at a cash consideration of RMB84.6 million. The primary activity of TRT (Tang Shan) was construction of a factory in the PRC to manufacture products other than ganoderma lucidum spores powder capsules and Angong Niuhuang Pills. The Company received the consideration in full on 16 April 2013. The equity transfer of TRT (Tang Shan) was approved by the relevant PRC authority on 26 April 2013. A gain of HK\$8.8 million was recognised in the consolidated income statement for the six months ended 30 June 2013.

## Charges over Assets of the Group

At 30 June 2013, the Group did not pledge any assets of the Group.

## Contingent Liabilities

At 30 June 2013, the Group did not have any significant contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Dividends

A dividend of HK\$100.0 million (HK\$0.25 per share) was declared on 15 April 2013 and was paid on 18 April 2013 out of the Company's retained earnings 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.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (2012: Nil).

## 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 2013.

### Business plans for the six months ended 30 June 2013

#### Continue the promotion of Chinese medicine products in Non-PRC markets

- Hold seminars and training program to broadcast Chinese regimen culture and Chinese medicine products
- Set up educational centre of Chinese regimen and start operation in Poland

### Actual business progress up to 30 June 2013

- The Group held a seminar for management of all the Group's entities to promote Chinese regimen culture and Chinese medicine products and communicate the business strategies and future development of the Group.
- The educational centre of Chinese regimen in Poland was set up but has not commenced its operation.

#### Increase geographical coverage and retail stores

- Open two retail stores in Hong Kong
- The Group opened four retail stores in Hong Kong, which are located at Tsuen Wan, Kowloon City, Kwun Tong and Tsing Yi.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Business plans for the six months ended 30 June 2013

### Broaden our registered products and service offerings

- Commence the registration of 4 "Tong Ren Tang" branded products
- Continue our research and development of the ganoderma lucidum series product

### Upgrade and expand the production facilities for Angong Niuhuang Pills

- Start the project of improving the cleanliness
- Continue to expand our production team

### Continue to enhance the distribution of self-manufactured products

- Commence registration or filing of our Angong Niuhuang Pills in Macao, Indonesia and Vietnam
- Commence registration or filing of our GLSPC in Brunei, Canada, Thailand and Indonesia

## Actual business progress up to 30 June 2013

- The Group commenced the registration of more than 4 "Tong Ren Tang" branded products in Singapore, Malaysia, Indonesia and the United Arab Emirates ("UAE").
- The Group completed a research and development on a ganoderma lucidum product and the registration of such product was in progress.

- The improvement of the cleanliness was completed.
- The Group expanded the production team for Angong Niuhuang Pills.

- The Group commenced the preparation of registration or filing of our Angong Niuhuang Pills in Macao and Vietnam.
- The Group commenced the preparation of registration or filing of our GLSPC in Canada, Indonesia, Korea and UAE.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business plans for the six months ended 30 June 2013

**Build up effective logistics and financial information system to improve cost and operating efficiencies**

- Continue to build up logistic and financial information system
- The build-up of ERP system in Hong Kong was in progress. The Group completed the installation, personnel training and simulation tests of the finance module in Hong Kong.

## Actual business progress up to 30 June 2013

### USE OF PROCEEDS FROM THE LISTING

The Company was listed on GEM on 7 May 2013 (the "Listing") and issued 230,000,000 new shares at HK\$3.04 per share for the Listing. 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 2013, the net proceeds from the Listing had been applied as follows:

- (i) HK\$8.4 million on expanding retail network in Hong Kong;
- (ii) HK\$0.2 million on upgrading the production facilities and expanding production capacities for Angong Niuhuang Pills;
- (iii) HK\$0.4 million on building up ERP system.

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 of directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2013 together with the comparative unaudited figures for the corresponding period in 2012 as follows:

	Note	Unaudited Six months ended 30 June 2013 HK\$'000	2012 HK\$'000 (Restated)
<b>Continuing operations</b>			
Revenue	6	<b>279,263</b>	137,994
Cost of sales	8	<b>(86,047)</b>	(45,992)
<b>Gross profit</b>		<b>193,216</b>	92,002
Distribution and selling expenses	8	<b>(48,086)</b>	(36,162)
General and administrative expenses	8	<b>(27,795)</b>	(14,172)
Professional expenses incurred in connection with the Company's listing		<b>(12,630)</b>	(7,979)
Other gains	7	<b>12,154</b>	519
<b>Operating profit</b>		<b>116,859</b>	34,208
Finance income		<b>314</b>	349
Share of (losses)/profits of jointly controlled entities		<b>(394)</b>	787
Share of loss of an associated company		<b>(599)</b>	(530)
<b>Profit before income tax</b>		<b>116,180</b>	34,814
Income tax expense	9	<b>(19,170)</b>	(5,607)
<b>Profit for the period from continuing operations</b>		<b>97,010</b>	29,207
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	10	<b>–</b>	26,463
<b>Profit for the period</b>		<b>97,010</b>	55,670
<b>Profit attributable to:</b>			
Owners of the Company		<b>93,457</b>	54,489
Non-controlling interests		<b>3,553</b>	1,181
		<b>97,010</b>	55,670

# CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June 2013 HK\$'000	2012 HK\$'000 (Restated)
<b>Profit attributable to owners of the Company</b>			
<b>arises from:</b>			
Continuing operations		<b>93,457</b>	28,026
Discontinued operations		—	26,463
		<b>93,457</b>	54,489
<b>Earnings per share attributable to owners of the Company</b>			
<b>Basic and diluted (in HK\$)</b>	11		
From continuing operations		<b>0.14</b>	0.05
From discontinued operations		—	0.04
From profit for the period		<b>0.14</b>	0.09

The accompanying notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

	Note	Unaudited Six months ended 30 June 2013 HK\$'000	2012 HK\$'000
<b>Dividends</b>	12	<b>100,000</b>	—



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

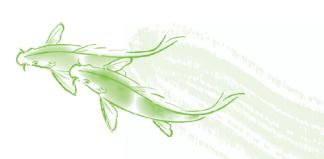
Unaudited  
Six months ended 30 June  
2013                    2012  
HK\$'000            HK\$'000  
(Restated)

<b>Profit for the period</b>	<b>97,010</b>	55,670
<b>Other comprehensive income:</b>		
Currency translation differences	(2,963)	(1,457)
<b>Total comprehensive income for the period</b>	<b>94,047</b>	54,213
<b>Attributable to:</b>		
Owners of the Company	91,147	53,634
Non-controlling interests	2,900	579
	<b>94,047</b>	54,213
<b>Total comprehensive income attributable to owners of the Company arises from:</b>		
Continuing operations	91,147	27,360
Discontinued operations	–	26,274
	<b>91,147</b>	53,634

The accompanying notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land	13	18,451	18,723
Property, plant and equipment	14	208,850	103,743
Interests in jointly controlled entities		16,263	23,393
Interest in an associated company		341	928
Deposits paid for purchase of property, plant and equipment		1,920	6,872
Deferred income tax assets		2,934	2,068
		<b>248,759</b>	<b>155,727</b>
<b>Current assets</b>			
Inventories		73,348	79,907
Trade receivables and other current assets	15	83,710	34,795
Short-term bank deposits		7,515	7,372
Cash and cash equivalents		845,828	228,073
		<b>1,010,401</b>	<b>350,147</b>
Assets of the disposal group classified as held for sale	10	—	162,985
		<b>1,010,401</b>	<b>513,132</b>
<b>Total assets</b>		<b>1,259,160</b>	<b>668,859</b>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	16	415,000	201,430
Share premium	16	452,363	3,913
Reserves		—	100,000
— Proposed dividend		285,814	189,540
— Others			
Non-controlling interests		1,153,177	494,883
		38,760	72,805
<b>Total equity</b>		<b>1,191,937</b>	<b>567,688</b>



# CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000 (Restated)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>6,315</b>	3,816
<b>Current liabilities</b>			
Trade and other payables	17	<b>33,631</b>	65,765
Current income tax liabilities		<b>27,277</b>	9,674
Liabilities of the disposal group classified as held for sale	10	<b>60,908</b>	75,439
		<b>—</b>	21,916
		<b>60,908</b>	97,355
<b>Total liabilities</b>		<b>67,223</b>	101,171
<b>Total equity and liabilities</b>		<b>1,259,160</b>	668,859
<b>Net current assets</b>		<b>949,493</b>	415,777
<b>Total assets less current liabilities</b>		<b>1,198,252</b>	571,504

The accompanying notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

# 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 HK\$'000
<b>At 1 January 2012</b>	201,430	3,913	(13,124)	742	1,352	12,105	135,305	341,723	68,042	409,765
Profit for the period	-	-	-	-	-	-	54,489	54,489	1,181	55,670
Other comprehensive income										
Currency translation differences	-	-	-	-	-	(855)	-	(855)	(602)	(1,457)
<b>Total comprehensive income</b>	-	-	-	-	-	(855)	54,489	53,634	579	54,213
Professional expenses incurred in connection with the Company's issuance of new shares										
	-	-	-	(3,039)	-	-	-	(3,039)	-	(3,039)
Total contributions by and distributions to owners	-	-	-	(3,039)	-	-	-	(3,039)	-	(3,039)
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
<b>Total transactions with owners</b>	-	-	-	(3,419)	-	-	-	(3,419)	4,565	1,146
<b>At 30 June 2012</b>	201,430	3,913	(13,124)	(2,677)	1,352	11,250	189,794	391,938	73,186	465,124



# 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 HK\$'000
<b>At 1 January 2013</b>	201,430	3,913	(13,124)	(4,385)	1,352	14,457	291,240	494,883	72,805	567,688
Profit for the period	-	-	-	-	-	-	93,457	93,457	3,553	97,010
Other comprehensive income										
Currency translation differences	-	-	-	-	-	(2,310)	-	(2,310)	(653)	(2,963)
<b>Total comprehensive income</b>	-	-	-	-	-	(2,310)	93,457	91,147	2,900	94,047
Transfer of statutory reserve to retained earnings	-	-	-	-	(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)
<b>Total transactions with owners</b>	213,570	448,450	-	5,127	(106)	-	(99,894)	567,147	(36,945)	530,202
<b>At 30 June 2013</b>	415,000	452,363	(13,124)	742	1,246	12,147	284,803	1,153,177	38,760	1,191,937

The accompanying notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000 (Restated)
<b>Net cash generated from operating activities</b>	<b>60,140</b>	53,666
<b>Net cash used in investing activities</b>	<b>(7,863)</b>	(47,203)
<b>Net cash from financing activities</b>	<b>546,490</b>	2,483
<b>Net increase in cash and cash equivalents</b>	<b>598,767</b>	8,946
Cash and cash equivalents at the beginning of the period	<b>249,301</b>	146,163
Exchange differences	<b>(2,240)</b>	(307)
<b>Cash and cash equivalents at the end of the period</b>	<b>845,828</b>	154,802
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at bank and on hand and deposits with banks with maturity within three months	<b>845,828</b>	111,585
Cash and cash equivalents classified as held for sale	<b>—</b>	43,217
	<b>845,828</b>	154,802

The accompanying notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 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 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.

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 8 August 2013.

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2013 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 financial statements included in the Prospectus for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of this condensed consolidated interim financial information are consistent with those used in preparing the Group's financial statements included in the Prospectus for the year ended 31 December 2012.

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The following new and revised HKFRSs have been adopted by the Group with effect from 1 January 2013.

HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Amendments to HKFRS 10, HKFRS 11 and HKFRS12	Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
Annual Improvements Project	Annual Improvements 2009–2011 cycle

Other than as further explained below regarding the impact of HKAS 28 (Revised 2011), the adoption of the new and revised HKFRSs does not have any significant financial effect on this condensed consolidated interim financial information.

The Group has adopted the amendment in HKAS 28 (revised 2011) "Investments in Associates and Joint Ventures" since 1 January 2013. 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 period ended 30 June 2012 and the effects of adoption are disclosed as follows.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued) Effect on condensed consolidated balance sheet

	Unaudited 30 June 2013 HK\$'000	31 December 2012 HK\$'000
<b>Increase/(decrease)</b>		
<b>Assets</b>		
Properties, plant and equipment	(11,108)	(11,794)
Interests in jointly controlled entities	<b>16,263</b>	23,393
Deferred income tax assets	–	(90)
Inventories	(6,034)	(7,246)
Trade receivables and other current assets	600	(2,931)
Short-term bank deposits	–	(4,225)
Cash and cash equivalents	<b>(7,856)</b>	(8,708)
Tax recoverable	(133)	(178)
<b>Total assets</b>	<b>(8,268)</b>	(11,779)
<b>Liabilities</b>		
Deferred income tax liabilities	(196)	(181)
Bank borrowing	<b>(4,298)</b>	(4,536)
Trade and other payables	<b>(2,602)</b>	(6,122)
Current income tax liabilities	(1,172)	(940)
<b>Total liabilities</b>	<b>(8,268)</b>	(11,779)

## Effect on condensed consolidated income statement

	Unaudited Six months ended 30 June 2013 HK\$'000	2012 HK\$'000
<b>Increase/(decrease)</b>		
<b>Continuing operations</b>		
Revenue	(11,363)	(12,791)
Cost of sales	<b>(4,935)</b>	(5,688)
Other gains	(15)	–
Distribution and selling expenses	(3,434)	(4,325)
General and administrative expenses	<b>(2,201)</b>	(1,739)
Finance income	(106)	(68)
Share of losses/profits of jointly controlled entities	<b>394</b>	787
Income tax expense	<b>(1,308)</b>	(320)
Profit for the period	–	–

# **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

### **3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following are standards and amendments that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods, but have not been early adopted by the Group.

**Effective for the accounting periods beginning on or after 1 January 2014**

HKAS 32 (Amendment) Financial Instruments: Presentation — Offsetting  
Financial Assets and Financial Liabilities

Effective for the accounting periods beginning on or after 1 January 2015

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9	Financial Instruments

4 ESTIMATE

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 Group's financial statements for the year ended 31 December 2012.

## 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 financial statements for the year ended 31 December 2012.

**(b) Liquidity risk**

Compared to year ended 31 December 2012, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

## 6 REVENUE AND 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 the "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.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 REVENUE AND SEGMENT INFORMATION *(Continued)*

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 provision of Chinese medical consultation services through retail outlets as well as wholesale of self-manufactured products in Hong Kong. In addition, it includes the royalty fee income received from overseas entities for using "Tong Ren Tang" brand name. In 2012, it included the agency fee income for acting as the sales agent of the immediate holding company and the intermediate holding company of the Company for their "Tong Ren Tang" branded products sold outside the PRC until the expiry of the agency agreements in December 2012.
- (ii) PRC (excluded Hong Kong and Macao) — wholesale of healthcare products in the PRC, the operations of TRT (Tang Shan) and the sole distributor operation. The wholesale of healthcare products in the PRC was ceased after October 2012. From management perspective, the wholesale business in the PRC is not considered as a reportable operating segment. To reflect the result of the discontinued operation, the wholesale business in the PRC is presented as discontinued operations in the segment information. Aside from the wholesale business in the PRC, the PRC operation represents the sole distributor operation for Tong Ren Tang Technologies and Tong Ren Tang Ltd. for Tong Ren Tang brand products in the non-PRC markets. In 2012, the Group also decided to dispose of TRT (Tang Shan) to a fellow subsidiary. Assets and liabilities of TRT (Tang Shan) were presented as assets held for sale in the segment information as at 31 December 2012.
- (iii) Overseas — sale of Chinese medicine products and provision of Chinese medical consultation services in other overseas countries.

Unallocated items comprise mainly corporate expenses and finance income.

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

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, interests in jointly controlled entities, interest in an associated company, deferred tax assets, deposits paid for purchase of leasehold land and property, plant and equipment, inventories, trade receivables and other current assets, short-term bank deposits and cash and cash equivalents. Segment liabilities include trade and other payables, current and deferred income tax liabilities.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 REVENUE AND SEGMENT INFORMATION *(Continued)* (a) Analysis of consolidated income statement

	Hong Kong HK\$'000	The PRC HK\$'000	Overseas HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000 (Note 10)	Total HK\$'000
<b>Six months ended 30 June 2013</b>						
Revenue	190,924	41,052	65,178	297,154	-	297,154
Inter-segment revenue				(17,891)	-	(17,891)
Revenue from external customers				279,263	-	279,263
Segment results	123,297	(5,506)	12,261	130,052	-	130,052
Inter-segment elimination					(563)	
Professional fee in connection with the Company's listing						(12,630)
Operating profit						116,859
Finance income						314
Share of losses of jointly controlled entities	-	-	(394)	-	-	(394)
Share of loss of an associated company	-	(599)	-	-	-	(599)
Profit before income tax						116,180
Income tax expense						(19,170)
Profit for the period						97,010
<b>Six months ended 30 June 2012 (Restated)</b>						
Revenue	118,308	-	62,157	180,465	46,288	226,753
Inter-segment revenue				(42,471)	-	(42,471)
Revenue from external customers				137,994	46,288	184,282
Segment results	71,595	(653)	8,947	79,889	3,976	83,865
Inter-segment elimination						(8,068)
Professional fee in connection with the Company's listing						(7,979)
Operating profit						67,818
Finance income						438
Share of profits of jointly controlled entities	-	-	787	787	-	787
Share of loss of an associated company	-	(530)	-	(530)	-	(530)
Profit before income tax						68,513
Income tax expense						(12,843)
Profit for the period						55,670



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Analysis of consolidated balance sheet

	Hong Kong HK\$'000	The PRC HK\$'000	Overseas HK\$'000	Total HK\$'000
<b>At 30 June 2013</b>				
<b>Segment assets and liabilities</b>				
Total assets	1,071,173	58,876	129,111	1,259,160
Investments in jointly controlled entities	–	–	16,263	16,263
Investment in an associated company	–	341	–	341
Total liabilities	(40,765)	(13,471)	(12,987)	(67,223)
<b>At 31 December 2012</b>				
<b>Segment assets and liabilities</b>				
Total assets (Restated)	309,895	247,589	111,375	668,859
Investments in jointly controlled entities (Restated)	–	–	23,393	23,393
Investment in an associated company	–	928	–	928
Assets of disposal group held for sale	–	162,985	–	162,985
Total liabilities (Restated)	(31,367)	(56,788)	(13,016)	(101,171)
Liabilities of disposal group held for sale	–	(21,916)	–	(21,916)

## 7 OTHER GAINS

	Unaudited Six months ended 30 June 2013 HK\$'000	2012 HK\$'000 (Restated)
Gain on disposal of a subsidiary (Note 10)	8,767	–
Gain on remeasurement of existing interest in a jointly controlled entity (Note 18)	2,067	–
Others	1,320	519
	<b>12,154</b>	<b>519</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 8 EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
(Restated)		
Cost of inventories sold	75,512	38,291
Staff costs (including directors' emoluments)	42,329	29,858
Operating leases in respect of buildings	19,099	13,765
Amortisation of leasehold land	479	575
Depreciation of property, plant and equipment	7,250	3,825
Net exchange loss/(gain)	761	(220)
Amortisation of government grant	–	(205)
Others	16,498	10,437
Total cost of sales, distribution and selling expenses and general and administrative expenses	<b>161,928</b>	96,326

## 9 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 period. Income tax on overseas profits has been calculated on the estimated assessable profit for the period at the income tax rates prevailing in the tax jurisdictions in which the entities operate.

	Unaudited Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
(Restated)		
Current income tax		
Hong Kong	17,643	4,415
The PRC	(561)	–
Overseas	1,537	1,755
Deferred income tax expense/(credit)	<b>18,619</b>	6,170
	<b>551</b>	(563)
	<b>19,170</b>	5,607



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 10 DISCONTINUED OPERATIONS AND ASSETS OF THE DISPOSAL GROUP HELD FOR SALE

### (a) 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 period ended 30 June 2012. The Group has terminated its PRC distribution business from 1 November 2012. The PRC distribution business is presented as a discontinued operation in the condensed consolidated income statement.

#### (i) Analysis of the result of discontinued operations

	Unaudited Six months ended 30 June 2012 HK\$'000
Revenue	46,288
Expenses	(12,589)
Profit before income tax	33,699
Income tax	(7,236)
Profit for the period from discontinued operations	<u>26,463</u>

#### (ii) Analysis of the cash flows of discontinued operations

	Unaudited Six months ended 30 June 2012 HK\$'000
Operating cash inflows	53,962
Investing cash inflows	73
Total cash inflows	<u>54,035</u>

Note: There were no financing cash inflows/outflows generated from discontinued operations.

#### (iii) Income or expense recognised in other comprehensive income relating to discontinued operations

	Unaudited Six months ended 30 June 2012 HK\$'000
Foreign exchange translation expenses	<u>189</u>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 10 DISCONTINUED OPERATIONS AND ASSETS OF THE DISPOSAL GROUP HELD FOR SALE *(Continued)*

### (b) Assets of the disposal group held for sale

In February 2012, the Company decided to dispose of a 68% owned subsidiary, TRT (Tang Shan), to its fellow subsidiary. Accordingly, the assets and liabilities of TRT (Tang Shan) are classified as held for sale at 31 December 2012. Subsequently, the Company entered into a sales and purchase agreement dated 4 March 2013 to dispose of all its equity interests in TRT (Tang Shan) to a fellow subsidiary at a cash consideration of RMB84,600,000 and received the consideration in full on 16 April 2013. The equity transfer of TRT (Tang Shan) was approved by the relevant PRC authority on 26 April 2013. A gain of HK\$8,767,000 was recognised in the consolidated income statement for the six months ended 30 June 2013.

At 31 December 2012, the assets and liabilities related to TRT (Tang Shan) have been presented as held for sale as follows:

	Audited 31 December 2012 HK\$'000
<b>Assets</b>	
Leasehold land	29,648
Property, plant and equipment	105,558
Inventories	333
Other current assets	6,218
Cash and cash equivalents	21,228
Total assets	<u>162,985</u>
<b>Liabilities</b>	
Other payables	1,927
Deferred income — government grant	19,989
Total liabilities	<u>21,916</u>



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11 EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Restated)	
Profit attributable to owners of the Company		
— Continuing operations	<b>93,457</b>	28,026
— Discontinued operations	—	26,463
	<b>93,457</b>	54,489
Weighted average number of shares in issue (thousand shares)	<b>667,238</b>	600,000
Earnings per share (HK\$)		
— Continuing operations	<b>0.14</b>	0.05
— Discontinued operations	—	0.04
	<b>0.14</b>	0.09

The Company had no potential dilutive shares for the six months ended 30 June 2013 (2012: Nil).

## 12 DIVIDENDS

Pursuant to the written resolution passed by the board of directors of the Company on 15 April 2013, a dividend of HK\$100,000,000 (HK\$0.25 per share) was declared and to be paid out of the Company's retained earnings 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 six months ended 30 June 2012.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13 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 2013 (audited)	18,723
Amortisation	(272)
Net book value at 30 June 2013 (unaudited)	<u>18,451</u>

## 14 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 2013 (as previously reported)	115,537
Effect of adoption of HKAS 28 (revised 2011)	(11,794)
	<u>103,743</u>
Additions (Note)	112,291
Deemed acquisition of a subsidiary (Note 18)	592
Disposals	(121)
Depreciation	(7,198)
Exchange differences	(457)
	<u>208,850</u>
At 30 June 2013 (unaudited)	<u>208,850</u>

Note: The additions during the period mainly relate to the purchase of an office unit and a staff quarter in Hong Kong.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000 (Restated)
Trade receivables		
— third parties	61,194	21,575
— fellow subsidiaries	—	188
— jointly controlled entities	1,419	1,065
Trade receivables	<b>62,613</b>	22,828
Prepayment and other receivables	<b>11,934</b>	4,393
Deposits	<b>8,049</b>	6,439
Amount due from immediate holding company	<b>—</b>	21
Amounts due from jointly controlled entities	<b>1,114</b>	1,114
	<b>83,710</b>	34,795

The aging analysis of trade receivables based on invoice date (including trade receivables from group companies) is as follows:

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000 (Restated)
Up to 3 months	61,836	22,820
3 to 6 months	777	8
	<b>62,613</b>	22,828

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares			HK\$'000
	Number of shares	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
Authorised ordinary shares:				
At 1 January 2013	1,000,000,000			1,000,000
Share subdivision (Note a)	1,000,000,000			-
At 30 June 2013 (unaudited)	<u>2,000,000,000</u>			<u>1,000,000</u>
At 1 January 2013	201,430,473	201,430	3,913	205,343
Share subdivision (Note a)	201,430,473	-	-	-
Capitalisation issue (Note b)	197,139,054	98,570	(98,570)	-
Share offer (Note c)	200,000,000	100,000	508,000	608,000
Over-allotment (Note d)	30,000,000	15,000	76,200	91,200
Professional expense incurred in connection with the Company's issuance of new shares (Note e)	-	-	(32,433)	(32,433)
Transfer of professional expenses previously capitalised (Note f)	-	-	(4,747)	(4,747)
At 30 June 2013 (unaudited)	<u>830,000,000</u>	<u>415,000</u>	<u>452,363</u>	<u>867,363</u>

### Notes:

- (a) Pursuant to the written resolution passed by the shareholders of the Company on 27 March 2013, the authorised ordinary shares of the Company was subdivided from 1,000,000,000 shares with a par value of HK\$1.00 each into 2,000,000,000 shares of HK\$0.50 each while the issued share capital was subdivided from 201,430,473 shares of par value of HK\$1.00 each into 402,860,946 shares of HK\$0.50 each.
- (b) Pursuant to the resolutions passed by the shareholders of the Company on 28 March 2013, the Directors were authorised to capitalise an aggregate amount of HK\$98,569,527 standing to the credit of the share premium of the Company and to appropriate such amount as capital to pay up in full at par of 197,139,054 shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 25 April 2013 each ranking pari passu in all respects with the then existing issued shares.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

Notes: *(Continued)*

- (c) On 7 May 2013, the Company was listed on GEM by way of share offer of 200,000,000 new shares at HK\$3.04 per share.
- (d) On 23 May 2013, 30,000,000 new shares were further issued by the Company at HK\$3.04 per share after the over-allotment option was fully exercised by the stabilisation manager.
- (e) For the six months ended 30 June 2013, the Company incurred HK\$45,063,000 professional expenses in connection with the Company's listing, of which HK\$32,433,000 was recognised against the share premium.
- (f) The amount represented professional expenses incurred in connection with the Company's issuance of new shares which were capitalised in other reserves in 2012. The amount was transferred to share premium upon the completion of the Company's listing during the period.

## 17 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000 (Restated)
Trade payables		
— third parties	10,424	44,034
— immediate holding company	2,408	—
— intermediate holding company	7,032	—
Trade payables	19,864	44,034
Accruals and other payables	12,516	18,618
Amounts due to fellow subsidiaries	429	2,100
Amounts due to jointly controlled entities	822	1,013
	33,631	65,765

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17 TRADE AND OTHER PAYABLES *(Continued)*

The aging analysis of trade payables at respective balance sheet dates is as follows:

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000 (Restated)
Up to 3 months	18,478	40,882
3 to 6 months	1,386	1,905
6 months to 1 year	-	1,177
1 to 2 years	-	68
Over 2 years	-	2
	<b>19,864</b>	<b>44,034</b>

## 18 BUSINESS COMBINATION

The Group has held 51% equity interest in Beijing Tong Ren Tang Canada Co., Ltd. ("TRT (Canada)"). Pursuant to the revised shareholders agreement entered into on 1 June 2013, the other joint venturer of TRT (Canada) has given up the joint control and as a result, 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 on business combination arose.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 BUSINESS COMBINATION *(Continued)*

The following table summarises the gain on remeasurement of existing interest in TRT (Canada) on deemed acquisition, fair value of the assets and liabilities acquired and non-controlling interest at the deemed acquisition date.

	HK\$'000
<b>At 1 June 2013</b>	
<b>Total consideration</b>	
Fair value of equity interest in TRT (Canada) held before the business combination	8,214
<b>Fair value of net assets</b>	
Property, plant and equipment	592
Trade and other receivables	2,142
Cash and bank balances	10,293
Inventories	7,519
Deferred income tax liabilities	(1,119)
Trade and other payables	(1,717)
Income tax payables	(1,604)
<b>Total identifiable net assets</b>	16,106
Non-controlling interest	(7,892)
<b>Fair value of net assets acquired</b>	8,214
Carrying amount of interest originally held by the Group as a jointly controlled entity	(6,147)
Gain on remeasurement of existing interest in TRT (Canada) on deemed acquisition (unaudited)	2,067

The fair value of the non-controlling interest in TRT (Canada) was estimated at 49% of the net identifiable assets of TRT (Canada) at the deemed acquisition date.

The Group recognised a gain of HK\$2,067,000 as a result of measuring at fair value its 51% equity interest in TRT (Canada) held before the business combination. The gain is included in other gain in the Group's income statement for the six months ended 30 June 2013.

The revenue, included in the consolidated income statement since 1 June 2013, contributed by TRT (Canada) was HK\$1,353,000. TRT (Canada) also contributed a profit of HK\$273,000 over the same period.

Had TRT (Canada) been consolidated as a subsidiary, rather than equity account for as a jointly controlled entity from 1 January 2013, the consolidated revenue and profit of the Group would be HK\$285,909,000 and HK\$96,890,000 respectively.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 19 COMMITMENTS

### (a) Capital commitments

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Property, plant and equipment: — contracted but not provided for	992	120,784 <sup>(1),(2)</sup>

- (1) Included in the commitment is HK\$23,406,000 relating to commitment of the disposal group classified as held for sale at 31 December 2012.
- (2) Included in the commitment is HK\$96,352,000 relating to commitment to acquire an office unit and a staff quarter in Hong Kong.

### (b) Operating lease commitments

The Group acts as a lessee under operating leases. The Group has future minimum lease payments under non-cancellable operating leases of land and buildings as follows:

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000 (Restated)
Within 1 year	37,332	34,961
Later than 1 year and not later than 5 years	43,165	59,158
Later than 5 years	—	68
	<b>80,497</b>	<b>94,187</b>

These leases typically run for an initial period of one to ten years. Certain operating leases contain renewal options which allow the Group to renew the existing leases upon expiry at the then market rental for specified periods.



# 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, which were entered into at terms mutually agreed with these related parties.

### (a) Continuing transactions:

	Unaudited Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000 (Restated)
Sales of products to jointly controlled entities	<b>2,458</b>	–
Purchases of products from:		
Immediate holding company	7,759	2,539
Intermediate holding company	<b>18,951</b>	25,317
	<b>26,710</b>	27,856
Royalty fee income from jointly controlled entities	<b>565</b>	660
Rental expense to a fellow subsidiary	<b>900</b>	900

### **Key management compensation**

Key management includes executive directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Unaudited Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Salaries, wages and other benefits	<b>4,436</b>	3,186
Pension costs — defined contribution plans	<b>76</b>	64
	<b>4,512</b>	3,250

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 20 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (b) Non-continuing transactions:

	Unaudited Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Sales of products to:		
Fellow subsidiaries	–	38,433
An associated company	–	378
	<hr/>	<hr/>
	–	38,811
Agency fee income from:		
Immediate holding company	–	3,414
Intermediate holding company	–	11,720
	<hr/>	<hr/>
	–	15,134

## 21 EVENT AFTER THE REPORTING PERIOD

On 25 July 2013, the shareholders of Beijing Tong Ren Tang Health Preserving and Culture Co., Ltd. ("TRT Health Preserving and Culture"), which is a 41% owned associated company of the Group, passed a resolution to liquidate TRT Health Preserving and Culture. At the date of this report, the liquidation is still in progress.

As at 30 June 2013, the Group's interest in TRT Health Preserving and Culture was HK\$341,000.



## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 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
<b>The Company</b>				
Ding Yong Ling	Personal	Beneficial owner	70,000	0.008%
Lin Man	Personal	Beneficial owner	60,000	0.007%
<b>Tong Ren Tang Technologies</b>				
Yin Shun Hai	Personal	Beneficial owner	1,500,000 <sup>(1)</sup>	0.255%
<b>Tong Ren Tang Ltd.</b>				
Yin Shun Hai	Personal	Beneficial owner	116,550 <sup>(2)</sup>	0.009%

Notes:

(1) These 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.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 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. <sup>(1)</sup>	Beneficial owner	281,460,000	33.91%
	Interest of a controlled corporation	318,540,000	38.38%
Tong Ren Tang Holdings <sup>(2)</sup>	Interest of a controlled corporation	600,000,000	72.29%

Notes:

- (1) Tong Ren Tang Ltd. directly holds 51.02% 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 55.24% of the issued share capital of Tong Ren Tang Ltd. which in turns directly holds 51.02% of the issued share capital of Tong Ren Tang Technologies. Tong Ren Tang Holdings also directly holds 0.81% 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.



## OTHER INFORMATION



### 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 six months ended 30 June 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 June 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 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 Niuhuang Pills;
- (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.



## OTHER INFORMATION



In monitoring the competing business of the Parent Group, 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; 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 six months ended 30 June 2013, the Company had not 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 June 2013.



## OTHER INFORMATION

### CODE ON CORPORATE GOVERNANCE PRACTICES

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

### AUDIT COMMITTEE

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

On behalf of the Board

**Beijing Tong Ren Tang Chinese Medicine Company Limited**

**Yin Shun Hai**

*Chairman*

Hong Kong, 8 August 2013





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

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