



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

First Quarterly Report 2014  
第一季度業績報告



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

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

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

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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

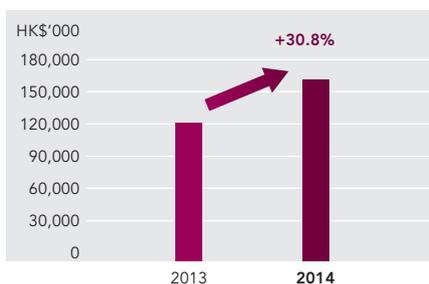


| (HK\$'000)                                   | Three months ended |          |        |
|----------------------------------------------|--------------------|----------|--------|
|                                              | 2014               | 2013     | Change |
| Revenue                                      | <b>160,818</b>     | 122,929  | +30.8% |
| Gross profit                                 | <b>115,492</b>     | 86,240   | +33.9% |
| Profit attributable to owners of the Company | <b>66,403</b>      | 37,077   | +79.1% |
| Earnings per share                           | <b>HK\$0.08</b>    | HK\$0.06 | +33.3% |

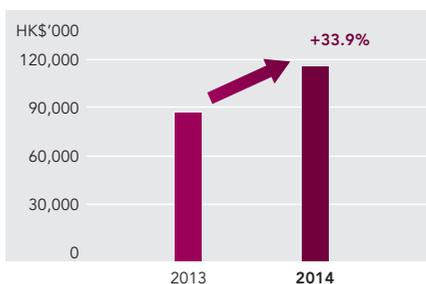
## Financial Analysis

For the three months ended 31 March 2014

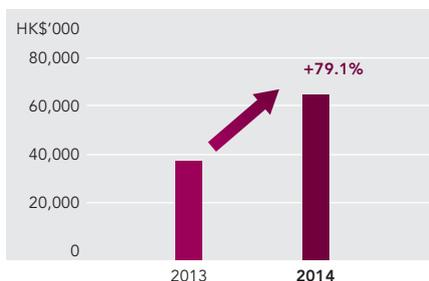
### Revenue



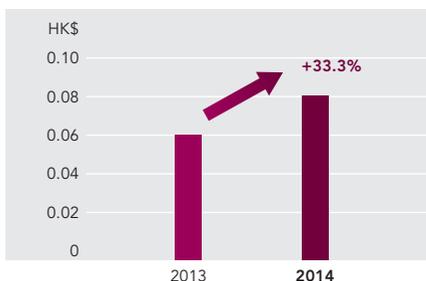
### Gross Profit



### Profit Attributable to Owners of the Company



### Earnings Per Share



## BUSINESS REVIEW

There has been increasing demand for Chinese medicines due to the concept of healthcare and culture of Chinese medicines being extensively spread, the modern generation is more conscious about their health. Leveraging on the unique market position of the Company and its subsidiaries (together referred to as the “Group”) and the strong foundation of its core market in Hong Kong, the Group strived to enhance the position of the Tong Ren Tang brand and to increase market share and actively expanded its overseas markets.

During the three months ended 31 March 2014 (the “Period”), revenue of the Group was HK\$160.8 million, representing an increase of 30.8% as compared to the same period last year (2013: HK\$122.9 million). The profit attributable to the owners of the Company for the Period was HK\$66.4 million, representing an increase of 79.1% as compared to the same period last year (2013: HK\$37.1 million).

## Market Expansion

As the overseas development platform of Tong Ren Tang, the Group has expanded overseas and established global presence with its base in Hong Kong. The Group actively expanded its Hong Kong and overseas markets to enhance the brand of Tong Ren Tang. As at 31 March 2014, the Group has set up its business in 14 countries and regions, including Hong Kong, Thailand, Malaysia, Canada, Macao, Korea, Indonesia, Singapore, Australia, Cambodia, Brunei, Dubai, Poland and the United Kingdom (the “UK”). During the Period, an additional sales outlet was established in each of Macao, Toronto in Canada and Leeds in the UK, expanding its Hong Kong and overseas sales network to 42 outlets with increasing market shares. In spite of the global economic downturn and the high rent and labor cost in certain regions, our sales revenue recorded an increase of 30.8%, and the same-store sales grew by 10.2%.

During the Period, the Group further optimized the resources allocation by establishing an information platform for production and retail, which covers the production, supplies, sales, human resources and other areas to support the future growth.

## Production, Research and Development

The Group has placed great emphasis on core technology advancement as well as product research and development. Its commitment in technological innovation has also enriched its product portfolio. The Group was active in market research and survey through development projects and collaboration with third parties. Regular inspections of the air conditioning system and water treatment system were conducted. Various trainings on medicine production and quality control were organized for our staff to ensure the quality of our products.

# MANAGEMENT DISCUSSION AND ANALYSIS



## Brand Management

The Group continued to invest in the protection, development and enhancement of our brands. Brand management has been embedded in all aspects of the management system of the Group through organising effective and special trainings. The Group is improving and renovating our website which can also serve as a platform for the on-going promotion of our products and our business development. The website will provide extensive and latest information of the Group.

## FUTURE PROSPECTS

With history of 345 years, Tong Ren Tang is a renowned brand in the Chinese medicine industry, committed to the mission of promoting Chinese medicines culture. During this year, we will speed up our expansion in Hong Kong and overseas to provide shareholders with stable and satisfactory returns. Activities will be conducted to promote the culture of Chinese medicines for the recognition of Chinese medicines and Chinese medical practice in Hong Kong and overseas. It is believed that our brand awareness will be enhanced through brand building as well as the modernization and internationalization of Chinese medicines.

To speed up the expansion of sales network in Hong Kong, we have negotiated with the owner of a Chinese medicine chain store in Hong Kong for the acquisition of certain of its equity interest. The acquisition is expected to be completed this year. In respect of the overseas business, the Group is in negotiation with one of the well-known retailers and distributors of Chinese medicines in New Zealand for the establishment of a joint venture. The joint venture will speed up the expansion of our network in New Zealand by integrating the resources available in the established sales network.

Leveraging on our brand advantages, sound financial position and flexibility in business development, the Group will overcome the future challenges on the basis of our innovative development strategy and prudent cost control measures. We will stay ahead of our peers in the Chinese medicine industry and create sustainable value for our shareholders.

# CONDENSED CONSOLIDATED INCOME STATEMENT

The board of Directors (the "Board") is pleased to announce the unaudited results of the Group for the three months ended 31 March 2014 together with the comparative unaudited figures for the corresponding period in 2013 as follows:

|                                                                            | Note | Unaudited<br>Three months ended<br>31 March |                  |
|----------------------------------------------------------------------------|------|---------------------------------------------|------------------|
|                                                                            |      | 2014<br>HK\$'000                            | 2013<br>HK\$'000 |
| Revenue                                                                    | 3    | 160,818                                     | 122,929          |
| Cost of sales                                                              |      | (45,326)                                    | (36,689)         |
| <b>Gross profit</b>                                                        |      | <b>115,492</b>                              | 86,240           |
| Distribution and selling expenses                                          |      | (24,022)                                    | (25,100)         |
| General and administrative expenses                                        |      | (12,557)                                    | (12,580)         |
| Professional expenses incurred in connection<br>with the Company's listing |      | –                                           | (2,876)          |
| Other gains                                                                |      | 444                                         | 618              |
| <b>Operating profit</b>                                                    |      | <b>79,357</b>                               | 46,302           |
| Finance income                                                             |      | 2,780                                       | 186              |
| Share of (losses)/profits of jointly controlled entities                   |      | (119)                                       | 163              |
| Share of loss of an associated company                                     |      | –                                           | (234)            |
| <b>Profit before income tax</b>                                            |      | <b>82,018</b>                               | 46,417           |
| Income tax expense                                                         | 4    | (13,724)                                    | (7,886)          |
| <b>Profit for the period</b>                                               |      | <b>68,294</b>                               | 38,531           |
| <b>Profit attributable to:</b>                                             |      |                                             |                  |
| Owners of the Company                                                      |      | 66,403                                      | 37,077           |
| Non-controlling interests                                                  |      | 1,891                                       | 1,454            |
|                                                                            |      | <b>68,294</b>                               | 38,531           |
| <b>Earnings per share attributable to owners<br/>of the Company</b>        |      |                                             |                  |
| Basic and diluted (in HK\$)                                                | 5    | 0.08                                        | 0.06             |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



|                                                  | Unaudited<br>Three months ended<br>31 March |                  |
|--------------------------------------------------|---------------------------------------------|------------------|
|                                                  | 2014<br>HK\$'000                            | 2013<br>HK\$'000 |
| <b>Profit for the period</b>                     | <b>68,294</b>                               | 38,531           |
| <b>Other comprehensive income:</b>               |                                             |                  |
| Currency translation differences                 | (446)                                       | 339              |
| <b>Total comprehensive income for the period</b> | <b>67,848</b>                               | 38,870           |
| <b>Attributable to:</b>                          |                                             |                  |
| Owners of the Company                            | 66,089                                      | 37,300           |
| Non-controlling interests                        | 1,759                                       | 1,570            |
|                                                  | <b>67,848</b>                               | 38,870           |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

|                                                                          | Share capital<br>HK\$'000 | Share premium<br>HK\$'000 | Merger reserve<br>HK\$'000 | Other reserve<br>HK\$'000 | Statutory reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Retained earnings<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total Equity<br>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                                                    | -                         | -                         | -                          | -                         | -                             | -                            | 37,077                        | 37,077            | 1,454                                 | 38,531                   |
| Other comprehensive income                                               |                           |                           |                            |                           |                               |                              |                               |                   |                                       |                          |
| Currency translation differences                                         | -                         | -                         | -                          | -                         | -                             | 223                          | -                             | 223               | 116                                   | 339                      |
| <b>Total comprehensive income</b>                                        | -                         | -                         | -                          | -                         | -                             | 223                          | 37,077                        | 37,300            | 1,570                                 | 38,870                   |
| Transfer of statutory reserve to retained profits                        | -                         | -                         | -                          | -                         | (106)                         | -                            | 106                           | -                 | -                                     | -                        |
| Professional expenses incurred in connection with the Company's listing  | -                         | -                         | -                          | (1,333)                   | -                             | -                            | -                             | (1,333)           | -                                     | (1,333)                  |
| <b>Total transactions with owners</b>                                    | -                         | -                         | -                          | (1,333)                   | (106)                         | -                            | 106                           | (1,333)           | -                                     | (1,333)                  |
| <b>At 31 March 2013</b>                                                  | 201,430                   | 3,913                     | (13,124)                   | (5,718)                   | 1,246                         | 14,680                       | 328,423                       | 530,850           | 74,375                                | 605,225                  |
| <b>At 1 January 2014</b>                                                 | 415,000                   | 452,363                   | (13,124)                   | 742                       | 1,634                         | 6,141                        | 410,959                       | 1,273,715         | 36,004                                | 1,309,719                |
| Profit for the period                                                    | -                         | -                         | -                          | -                         | -                             | -                            | 66,403                        | 66,403            | 1,891                                 | 68,294                   |
| Other comprehensive income                                               |                           |                           |                            |                           |                               |                              |                               |                   |                                       |                          |
| Currency translation differences                                         | -                         | -                         | -                          | -                         | -                             | (314)                        | -                             | (314)             | (132)                                 | (446)                    |
| <b>Total comprehensive income</b>                                        | -                         | -                         | -                          | -                         | -                             | (314)                        | 66,403                        | 66,089            | 1,759                                 | 67,848                   |
| Transfer of retained profits to statutory reserve                        | -                         | -                         | -                          | -                         | 390                           | -                            | (390)                         | -                 | -                                     | -                        |
| <b>Total contributions by and distributions to owners of the Company</b> | -                         | -                         | -                          | -                         | 390                           | -                            | (390)                         | -                 | -                                     | -                        |
| Capital contribution to a newly formed subsidiary                        | -                         | -                         | -                          | -                         | -                             | -                            | -                             | -                 | 3,806                                 | 3,806                    |
| <b>Total changes in ownership interests in subsidiaries</b>              | -                         | -                         | -                          | -                         | -                             | -                            | -                             | -                 | 3,806                                 | 3,806                    |
| <b>Total transactions with owners</b>                                    | -                         | -                         | -                          | -                         | 390                           | -                            | (390)                         | -                 | 3,806                                 | 3,806                    |
| <b>At 31 March 2014</b>                                                  | 415,000                   | 452,363                   | (13,124)                   | 742                       | 2,024                         | 5,827                        | 476,972                       | 1,339,804         | 41,569                                | 1,381,373                |



## 1 GENERAL INFORMATION

The Group is engaged in manufacturing, retail and wholesale of Chinese medicine products. The immediate holding company of the Company is Tong Ren Tang Technologies Co., Ltd. (“Tong Ren Tang Technologies”) which is a joint stock limited company incorporated in the People’s Republic of China (the “PRC”) and is listed on the Main Board of the Stock Exchange. The intermediate holding company of the Company is Beijing Tong Ren Tang Co., Ltd. (“Tong Ren Tang Ltd.”) which is a joint stock limited company incorporated in the PRC and is listed on the Shanghai Stock Exchange. The ultimate holding company of the Company is China Beijing Tong Ren Tang (Holdings) Corporation (“Tong Ren Tang Holdings”) which is a limited liability 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 April 2014.

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 (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

The Group has adopted the new/revised standards and amendments to standards which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2014. The adoption of these new/revised standards and amendments to standards does not have any significant financial effect on Group’s results and financial position.

The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective for the three months ended 31 March 2014.

## 3 REVENUE

|                                      | Unaudited<br>Three months ended<br>31 March |                  |
|--------------------------------------|---------------------------------------------|------------------|
|                                      | 2014<br>HK\$'000                            | 2013<br>HK\$'000 |
| Sales of Chinese medicine products   | 154,712                                     | 116,725          |
| Chinese medical consultation service | 5,969                                       | 5,898            |
| Royalty fee income                   | 137                                         | 306              |
|                                      | <b>160,818</b>                              | <b>122,929</b>   |

## 4 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the three months ended 31 March 2014. Income tax on overseas profits has been calculated on the estimated assessable profit for the three months ended 31 March 2014 at the income tax rates prevailing in the tax jurisdictions in which the entities operate.

|                            | Unaudited<br>Three months ended<br>31 March |                  |
|----------------------------|---------------------------------------------|------------------|
|                            | 2014<br>HK\$'000                            | 2013<br>HK\$'000 |
| Current income tax         |                                             |                  |
| Hong Kong                  | 12,163                                      | 8,001            |
| The PRC                    | 1,017                                       | (263)            |
| Overseas                   | 809                                         | 860              |
|                            | <b>13,989</b>                               | <b>8,598</b>     |
| Deferred income tax credit | (265)                                       | (712)            |
|                            | <b>13,724</b>                               | <b>7,886</b>     |



## 5 EARNINGS PER SHARE

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

|                                                                          | <b>Unaudited</b>          |          |
|--------------------------------------------------------------------------|---------------------------|----------|
|                                                                          | <b>Three months ended</b> |          |
|                                                                          | <b>31 March</b>           |          |
|                                                                          | <b>2014</b>               | 2013     |
|                                                                          | <b>HK\$'000</b>           | HK\$'000 |
| Profit attributable to owners of the Company                             | <b>66,403</b>             | 37,077   |
| Weighted average number of shares in issue<br>( <i>thousand shares</i> ) | <b>830,000</b>            | 600,000  |
| Earnings per share ( <i>HK\$</i> )                                       | <b>0.08</b>               | 0.06     |

The Company had no potential dilutive shares for the three months ended 31 March 2014 (2013: Nil).

## 6 DIVIDEND

The Directors did not declare any dividend to the shareholders of the Company for the three months ended 31 March 2014 (2013: Nil).

## OTHER INFORMATION

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

As at 31 March 2014, 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 | 120,000                  | 0.014%                                         |
| Lin Man                           | Personal           | Beneficial owner | 110,000                  | 0.013%                                         |
| <b>Tong Ren Tang Technologies</b> |                    |                  |                          |                                                |
| Yin Shun Hai                      | Personal           | Beneficial owner | 1,500,000 <sup>(1)</sup> | 0.234%                                         |
| <b>Tong Ren Tang Ltd.</b>         |                    |                  |                          |                                                |
| Yin Shun Hai                      | Personal           | Beneficial owner | 116,550 <sup>(2)</sup>   | 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.

## OTHER INFORMATION



### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2014, 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 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 54.86% 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.

### 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 three months ended 31 March 2014 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.



## OTHER INFORMATION

### INTEREST OF COMPLIANCE ADVISER

As at 31 March 2014, 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 (the "Deed of Non-competition"), details of which are set out in the prospectus of the Company dated 25 April 2013 (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;
- (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; and
- (v) carry out any new overseas registration of "Tong Ren Tang" branded products ((i) to (v) are collectively known as "Restricted Business").

## OTHER INFORMATION



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 (the “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.

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.



## OTHER INFORMATION

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 three months ended 31 March 2014, 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 three months ended 31 March 2014.

### **CORPORATE GOVERNANCE CODE**

During the three months ended 31 March 2014, the Company had complied with the provisions set out in Appendix 15 of the Corporate Governance Code of the GEM Listing Rules.

### **AUDIT COMMITTEE**

The audit committee of the Company has reviewed and discussed the 2014 first quarterly report.

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

Hong Kong, 29 April 2014



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

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