



CENTURY
BRAND

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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

Third Quarterly Report 2017
第三季度業績報告



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

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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”, and its subsidiaries, together the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



CORPORATE INFORMATION

DIRECTORS

Non-executive Director

Mei Qun (*Chairman*)

Executive Directors

Ding Yong Ling
Zhang Huan Ping
Lin Man

Independent Non-executive Directors

Tsang Yok Sing, Jasper
Zhao Zhong Zhen
Chan Ngai Chi

AUDIT COMMITTEE

Chan Ngai Chi (*Chairman*)
Tsang Yok Sing, Jasper
Zhao Zhong Zhen

NOMINATION COMMITTEE

Tsang Yok Sing, Jasper (*Chairman*)
Chan Ngai Chi
Ding Yong Ling

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Lin Man

COMPLIANCE OFFICER

Ding Yong Ling

AUTHORISED REPRESENTATIVES

Ding Yong Ling
Lin Man

HONG KONG SHARE REGISTRAR

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

COMPANY'S WEBSITE

www.tongrentangcm.com

REGISTERED ADDRESS

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Convention Plaza, 1 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISER

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

AUDITOR

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

STOCK CODE

8138

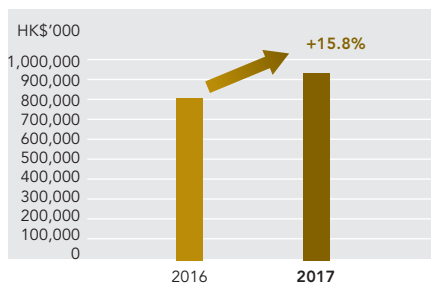
FINANCIAL HIGHLIGHTS



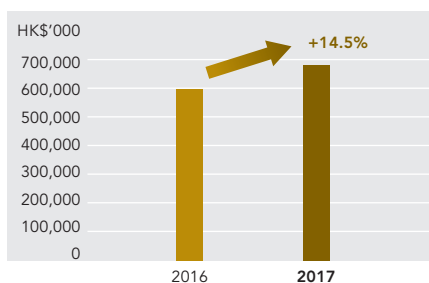
(HK\$'000)	Three months ended 30 September			Nine months ended 30 September		
	2017	2016	Change	2017	2016	Change
Revenue	312,461	266,292	+ 17.3%	936,236	808,242	+ 15.8%
Gross profit	222,229	195,728	+ 13.5%	682,321	596,009	+ 14.5%
Profit attributable to owners of the Company	124,758	105,280	+ 18.5%	382,107	333,832	+ 14.5%
Earnings per share	HK\$0.15	HK\$0.13	+ 15.4%	HK\$0.46	HK\$0.40	+ 15.0%

For the nine months ended 30 September 2017

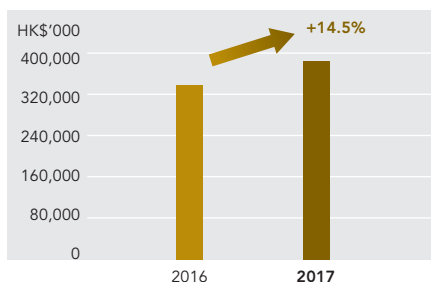
Revenue



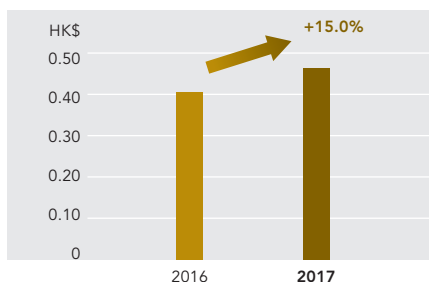
Gross Profit



Profit Attributable to Owners of the Company



Earnings Per Share





MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2017 (the “Period”), the Group’s business coverage outside Mainland China has extended to 19 countries and regions with 72 retail outlets. It recorded a revenue of HK\$936.2 million (2016: HK\$808.2 million), representing an increase of 15.8% over the same period of last year, and profit attributable to owners of the Company of HK\$382.1 million (2016: HK\$333.8 million), representing an increase of 14.5% over the same period of last year.

Chinese medicine culture is not only a treasure of Chinese traditional culture, but also the key to open the treasure of Chinese civilization. As the overseas development platform for Tong Ren Tang, the Group carries the mission of spreading China’s traditional Chinese medicine (“TCM”) culture overseas from Hong Kong. During the Period, we continued to consolidate the foundation of the existing markets and actively explored the feasibility of the Chinese medicine culture settling down in new markets overseas. In order to further promote the culture of Chinese medicine in the countries along the Belt and Road, taking the opportunity of the 2nd China — Central & Eastern European Countries Capital City Mayors Forum, we have invited several well-known Chinese medicine experts from Mainland China to visit Podgorica (the capital city of Montenegro), Serbia, the Czech Republic and Poland, to carry out large-scale free Chinese medical consultation services and other activities, providing authentic Chinese medicine services for the local people. The praise and recognition received from the above events greatly enhanced the brand awareness and influence of Tong Ren Tang.



While actively expanding into overseas for new markets, we continued to optimize the Hong Kong market. To increase the retail sales in Hong Kong and realize the rational distribution of the retail outlets in Hong Kong, we set up two new retail outlets, using the new product display, fashionable and young decoration design, along with Tong Ren Tang's concept of inheriting TCM culture, showing a new image by the old and new communion. We also educated the public on prevention of stroke through daily diet by organizing a number of Chinese medicine health lectures and invited registered Chinese medicine practitioners writing articles on the prevention and treatment of stroke. In addition, we sponsored a fundraising activity: "a celebration of the 20th Anniversary of the Return of Sovereignty of Hong Kong: The Crested Ibises — performance by Shanghai Dance Theatre". The fund raised in the activity was donated to the Hong Kong Baptist University students for the study, internships abroad and experiences of the diplomatic trip on the Belt and Road. To support the training of local Chinese medicine professionals, our group sponsored "Love & Painless" Pain Relief Program, the teaching of orthopedic massage service by the School of Chinese Medicine of Hong Kong Baptist University. The teaching of orthopedic massage service activities is one of the compulsory teaching activities for the orthopedic massage course which aims to guide those students who are studying Chinese medicine courses to integrate the knowledge they learn from class to serve the society and contribute to the community.

OUTLOOK

With gradual acceleration of the Chinese medicine integrating into the international medical system, the development of Chinese medicine health service industry possesses huge potential, which will promote the innovation of TCM and accelerate the integration and development of TCM traditional thinking and modern science and technology. As an envoy of Chinese medicine practitioners of the Belt and Road, Tong Ren Tang is echoing with our corporate spirit of "Nurturing kindness and virtue, Preserving tranquility and wellness", vigorously promoting TCM theory, service and culture into the national health system along the Belt and Road, forming the medical treatment, health care, scientific research, education, industry and culture into a new collaborative development.



CONDENSED CONSOLIDATED INCOME STATEMENT

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2017 together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	3	312,461	266,292	936,236	808,242
Cost of sales		(90,232)	(70,564)	(253,915)	(212,233)
Gross profit		222,229	195,728	682,321	596,009
Distribution and selling expenses		(44,032)	(38,428)	(139,747)	(110,343)
General and administrative expenses		(28,150)	(25,222)	(78,168)	(69,795)
Other gains		806	293	1,675	2,655
Operating profit		150,853	132,371	466,081	418,526
Finance income		3,690	1,956	9,919	6,006
Finance costs		(7)	(12)	(24)	(30)
Finance income, net		3,683	1,944	9,895	5,976
Share of profit/(loss) of investments accounted for using the equity method		277	(689)	(121)	(2,180)
Profit before income tax		154,813	133,626	475,855	422,322
Income tax expense	4	(26,642)	(25,583)	(81,660)	(75,228)
Profit for the period		128,171	108,043	394,195	347,094
Profit attributable to:					
Owners of the Company		124,758	105,280	382,107	333,832
Non-controlling interests		3,413	2,763	12,088	13,262
		128,171	108,043	394,195	347,094
Earnings per share attributable to owners of the Company (expressed in HK\$ per share)					
Basic and diluted	5	0.15	0.13	0.46	0.40

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Profit for the period	128,171	108,043	394,195	347,094
Other comprehensive income:				
<i>Item that may be reclassified to profit or loss</i>				
Change in value of available-for-sale financial asset	(705)	–	795	–
Currency translation differences	3,881	(708)	14,241	3,425
Other comprehensive income/(loss) for the period	3,176	(708)	15,036	3,425
Total comprehensive income for the period	131,347	107,335	409,231	350,519
Attributable to:				
Owners of the Company	126,972	104,722	393,488	335,706
Non-controlling interests	4,375	2,613	15,743	14,813
Total comprehensive income for the period	131,347	107,335	409,231	350,519



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited								
	Attributable to owners of the Company								
	Share capital HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2016	938,789	(13,124)	830	4,130	(14,643)	899,726	1,815,708	93,207	1,908,915
Comprehensive income									
Profit for the period	-	-	-	-	-	333,832	333,832	13,262	347,094
Other comprehensive income									
Currency translation differences									
— the Group	-	-	-	-	1,390	-	1,390	1,551	2,941
— Joint ventures	-	-	-	-	484	-	484	-	484
Total comprehensive income	-	-	-	-	1,874	333,832	335,706	14,813	350,519
Transactions with owners in their capacity as owners									
Transfer of retained earnings to statutory reserve	-	-	-	1,375	-	(1,375)	-	-	-
Payment of dividends relating to 2015	-	-	-	-	-	(108,822)	(108,822)	(10,985)	(119,807)
Capital injection to subsidiaries	-	-	-	-	-	-	-	11,397	11,397
Total transactions with owners in their capacity as owners	-	-	-	1,375	-	(110,197)	(108,822)	412	(108,410)
At 30 September 2016	938,789	(13,124)	830	5,505	(12,769)	1,123,361	2,042,592	108,432	2,151,024
At 1 January 2017	938,789	(13,124)	355	5,295	(18,827)	1,210,053	2,122,541	104,696	2,227,237
Comprehensive income									
Profit for the period	-	-	-	-	-	382,107	382,107	12,088	394,195
Other comprehensive income									
Change in value of available-for-sale financial asset	-	-	795	-	-	-	795	-	795
Currency translation differences									
— the Group	-	-	-	-	9,926	-	9,926	3,655	13,581
— Joint ventures	-	-	-	-	660	-	660	-	660
Total comprehensive income	-	-	795	-	10,586	382,107	393,488	15,743	409,231
Transactions with owners in their capacity as owners									
Transfer of retained earnings to statutory reserve	-	-	-	1,758	-	(1,758)	-	-	-
Payment of dividends relating to 2016	-	-	-	-	-	(133,936)	(133,936)	(15,148)	(149,084)
Capital injection to subsidiaries	-	-	-	-	-	-	-	15,021	15,021
Total transactions with owners in their capacity as owners	-	-	-	1,758	-	(135,694)	(133,936)	(127)	(134,063)
At 30 September 2017	938,789	(13,124)	1,150	7,053	(8,241)	1,456,466	2,382,093	120,312	2,502,405



1 GENERAL INFORMATION

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

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

These condensed consolidated results are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These condensed consolidated results have been approved for issue by the Board on 27 October 2017.

These condensed consolidated results have not been audited.

2 BASIS OF PREPARATION

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

These condensed consolidated results have been prepared under the historical cost convention. The accounting policies used in the preparation of these condensed consolidated results are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2016.

The HKICPA has issued a number of new and revised standards and amendments to standards. The Group has adopted the new and 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 2017. The adoption of these new and 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 standards and amendments to standards that have been issued but are not yet effective for the nine months ended 30 September 2017.



NOTES TO THIRD QUARTERLY FINANCIAL INFORMATION

3 REVENUE

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Sales of products	299,945	256,349	901,655	779,715
Service income	12,301	9,707	33,983	27,868
Royalty fee income	215	236	598	659
	312,461	266,292	936,236	808,242

4 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period. PRC corporate income tax has been provided at the rate of 25% (2016: 25%) on the estimated assessable profits for the period of the subsidiaries operating in Mainland China. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the entities operate.

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current income tax				
Hong Kong	25,410	22,350	74,109	67,181
Mainland China	332	1,152	5,859	4,584
Overseas	1,487	1,695	4,321	4,405
	27,229	25,197	84,289	76,170
Deferred income tax (credit)/expense	(587)	386	(2,629)	(942)
	26,642	25,583	81,660	75,228



5 EARNINGS PER SHARE

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Profit attributable to owners of the Company	124,758	105,280	382,107	333,832
Weighted average number of ordinary shares in issue (thousand shares)	837,100	837,100	837,100	837,100
Earnings per share (HK\$)	0.15	0.13	0.46	0.40

There were no potential dilutive shares for the three months and nine months ended 30 September 2017 (2016: Nil).

6 DIVIDEND

The Board did not recommend the payment of any dividend for the nine months ended 30 September 2017 (2016: Nil).



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2017, 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 Future Ordinance ("SFO")) of Directors and chief executives of the Company which would have to be notified to the Company pursuant to Division 7 and Division 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 Rule 5.48 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares

	Types of interests	Capacity	Number of shares	Approximate percentage of issued share capital
The Company				
Ding Yong Ling	Personal	Beneficial owner	250,000	0.029%
Lin Man	Personal	Beneficial owner	220,000	0.026%
Tong Ren Tang Technologies				
Mei Qun	Personal	Beneficial owner	3,000,000 ⁽¹⁾	0.234%
Tong Ren Tang Ltd.				
Mei Qun	Personal	Beneficial owner	93,242 ⁽²⁾	0.007%

Notes:

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

Save as disclosed above, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by Directors as referred to in Rule 5.48 to Rule 5.67 of the GEM Listing Rules.



SUBSTANTIAL SHAREHOLDERS

As at 30 September 2017, the interest of the persons, other than Directors or chief executives of the Company, in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Division 2 and Division 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Long position in shares

Name of shareholder	Capacity	Number of shares	Approximate percentage of issued share capital
Tong Ren Tang Technologies	Beneficial owner	318,540,000	38.05%
Tong Ren Tang Ltd. ⁽¹⁾	Beneficial owner	281,460,000	33.62%
	Interest of a controlled corporation	318,540,000	38.05%
Tong Ren Tang Holdings ⁽²⁾	Interest of a controlled corporation	600,000,000	71.67%
Greenwoods Asset Management Holdings Limited ⁽³⁾	Interest of controlled corporation	45,936,000	5.49%
Greenwoods Asset Management Limited ⁽³⁾	Interest of controlled corporation	45,936,000	5.49%
Jiang Jinzhi ⁽³⁾	Interest of controlled corporation	45,936,000	5.49%
Unique Element Corp. ⁽³⁾	Interest of controlled corporation	45,936,000	5.49%

Notes:

- (1) Tong Ren Tang Ltd. directly holds 46.85% of the issued share capital of Tong Ren Tang Technologies. Accordingly, Tong Ren Tang Ltd. is deemed to be interested in 318,540,000 shares of the Company held by Tong Ren Tang Technologies.



OTHER INFORMATION

- (2) Tong Ren Tang Holdings directly holds 52.45% of the issued share capital of Tong Ren Tang Ltd. which in turn directly holds 46.85% of the issued share capital of Tong Ren Tang Technologies. Tong Ren Tang Holdings also directly holds 0.74% of the issued share capital of Tong Ren Tang Technologies. Accordingly, Tong Ren Tang Holdings is deemed to be interested in 318,540,000 shares of the Company and 281,460,000 shares of the Company held by Tong Ren Tang Technologies and Tong Ren Tang Ltd., respectively.
- (3) According to the disclosure forms filed by Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Limited, Jiang Jinzhi and Unique Element Corp. on 8 December 2016, the following interests in shares of the Company were held by Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Limited, Jiang Jinzhi and Unique Element Corp. as follows:

Name of controlled corporation	Name of controlling shareholder	Percentage of control (%)	Direct interest (Yes/No)		Number of shares
Unique Element Corp.	Jiang Jinzhi	100	No	Long position	45,936,000
Greenwoods Asset Management Holdings Limited	Unique Element Corp.	81	No	Long position	45,936,000
Greenwoods Asset Management Limited	Greenwoods Asset Management Holdings Limited	100	No	Long position	45,936,000
Golden China Master Fund	Jiang Jinzhi	100	Yes	Long position	7,685,000
Greenwoods Asset Management Limited	Greenwoods Asset Management Holdings Limited	100	No	Long position	14,004,000
Greenwoods China Alpha Master Fund	Greenwoods Asset Management Limited	100	Yes	Long position	19,545,000
Golden China Plus Master Fund	Jiang Jinzhi	100	Yes	Long position	1,700,000
Greenwoods China Healthcare Master Fund	Greenwoods Asset Management Limited	100	Yes	Long position	3,002,000

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executives 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 Division 2 and Division 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS IN COMPETING BUSINESSES

To ensure that the business classification between the Company, Tong Ren Tang Ltd., Tong Ren Tang Technologies and Tong Ren Tang Holdings (collectively the “Controlling Shareholders”) are properly documented and established, each of the Controlling Shareholders entered into a deed of non-competition in favour of the Company on 18 April 2013 (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;



OTHER INFORMATION

- (iii) carry out any sales or registration (new or renewal) for Angong Niu Huang Wan in the Non-PRC Markets;
- (iv) engage in the distribution of any Chinese medicine products in Non-PRC Markets, except for certain existing arrangements as disclosed in the Prospectus; and
- (v) carry out any new overseas registration of “Tong Ren Tang” branded products ((i) to (v) are collectively known as “Restricted Business”).

In addition, under the Deed of Non-competition, each of the Controlling Shareholders has also undertaken that if each of them and/or any of its associates is offered or becomes aware of any project or new business opportunity (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 (7) 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 (refer to Tong Ren Tang Holdings, Tong Ren Tang Ltd., Tong Ren Tang Technologies and their respective subsidiaries, other than the Group and their respective predecessors) an executive committee (the “Competition Executive Committee”) comprising two disinterested Directors, namely Mr. Zhang Huan Ping and Ms. Lin Man, has been established with the following major responsibilities:

- (a) conduct quarterly inspection of the distribution channels of the Parent Group, including retail stores and wholesale customers, to check whether any products 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 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, Mr. Tsang Yok Sing, Jasper, Mr. Zhao Zhong Zhen and Mr. Chan Ngai Chi, has been established and Mr. Tsang Yok Sing, Jasper has been appointed as the chairman of the Competition Supervisory Committee of the Company with effect from 27 October 2017 with the following major responsibilities:

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



OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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 Rule 5.48 to Rule 5.67 of the GEM Listing Rules. Having made specific enquires to all the Directors, all the Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the Period.

CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the 2017 third quarterly report.

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

Hong Kong, 27 October 2017



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

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