



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

(incorporated in Hong Kong with limited liability)  
(於香港註冊成立之有限公司)

Stock code 股份代號：8138



# Healthy Life Global Choice

## 創造健康 全球共享

Third Quarterly Report **2014**  
第三季度業績報告





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



## CORPORATE INFORMATION

### DIRECTORS

**Non-executive Director**  
Mei Qun (*Chairman*)

### Executive Directors

Ding Yong Ling  
Zhang Huan Ping  
Lin Man

### Independent Non-Executive Directors

Leung, Oi Sie Elsie  
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

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

### LEGAL ADVISER

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

### COMPLIANCE ADVISOR

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

### AUDITOR

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

### STOCK CODE

8138

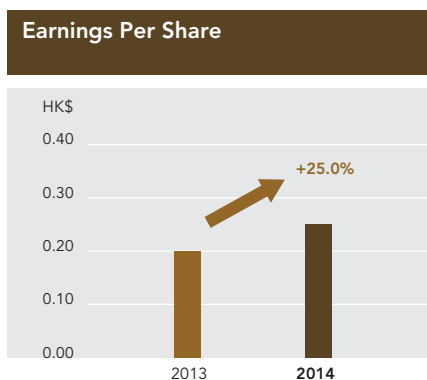
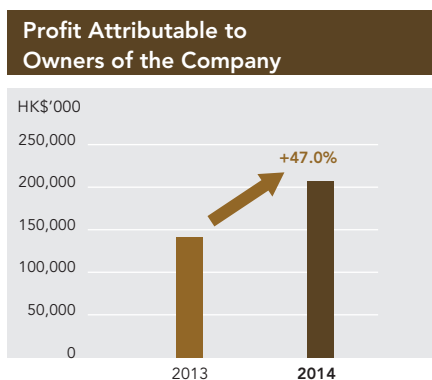
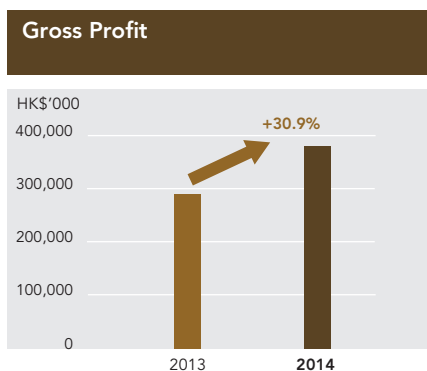
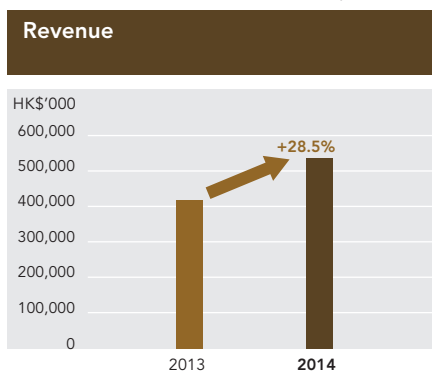
# FINANCIAL HIGHLIGHTS



(HK\$'000)	Three months ended 30 September			Nine months ended 30 September		
	2014	2013	Change	2014	2013	Change
Revenue	<b>173,221</b>	138,965	+ 24.7%	<b>537,265</b>	418,228	+ 28.5%
Gross profit	<b>124,316</b>	96,791	+ 28.4%	<b>379,690</b>	290,007	+ 30.9%
Profit attributable to Owners of the Company	<b>66,992</b>	47,616	+ 40.7%	<b>207,327</b>	141,073	+ 47.0%
Earnings per share	<b>HK\$0.08</b>	HK\$0.06	+ 33.3%	<b>HK\$0.25</b>	HK\$0.20	+ 25.0%

## Financial Analysis

For the nine months ended 30 September 2014



## BUSINESS REVIEW

During the nine months ended 30 September 2014 (the “Period”), the revenue of the Group was HK\$537.3 million (2013: HK\$418.2 million), representing an increase of 28.5% as compared to the same period last year, and the profit for the Period attributable to owners of the Company was HK\$207.3 million (2013: HK\$141.1 million), representing an increase of 47.0% as compared to the same period last year.

In view of current complicated global economic environment, increasingly fierce competition in the market and eliminatory nature of the medical industry, the Group has accelerated the establishment of worldwide presence in accordance with our established global development strategy to expand from Chinese-dominated markets to Western markets such as Europe and the United States.

During the Period, the Group completed further expansion in Australasia and successfully entered into the New Zealand market in providing healthcare services and building up of retail network, allowing for synergy between Australia and New Zealand yet with a different focus. As cornerstone of the Group, Hong Kong market has great potential for development of Chinese medicine and in line with our direction to match consultation and medication, with a focus in healthcare services. The Group also completed the acquisition of certain equity interests in Fook Ming Tong to pursue an enhanced and effective operation model of clinic chain. The Group continues to explore existing overseas markets and to expand market shares. During the Period, an additional sales outlet was established in each of Macao, Toronto and Vancouver in Canada, expanding the Group’s global sales network to 52 outlets which promote the development of overseas retail terminals.

While exploring the markets and identifying quality investment, the Group is also making use of its own brand together with quality local natural resources and technology to develop new Tong Ren Tang branded products. During the Period, the Group launched four categories of products which comprised of 13 products such as Rhodiola category, Camphorata category, Ginseng category and Marine Collagen Peptide. During the Period, the Group has also completed registration of five Tong Ren Tang branded products, and also commenced registration of an additional five Tong Ren Tang branded products in markets outside PRC.

# MANAGEMENT DISCUSSION AND ANALYSIS



As the overseas development platform of the Tong Ren Tang Group, the Group has the mission of disseminating the traditional Chinese culture overseas based on the Chinese medicine culture. During the Period, the Group has established cooperation with various colleges and institutions and held different types of Chinese medical health preservation talks, Chinese medicine academic conferences and Chinese medicine exhibitions in Hong Kong, Singapore, Indonesia, Thailand and Poland.

## FUTURE PROSPECTS

In addition to proactively expanding the provision of healthcare services in our existing markets, the Group will continue to impel investment and actively expand overseas business in the major markets of Europe and the United States. To further broaden the impact of Tong Ren Tang brand overseas, the Group has promoted the modernization and globalization of Chinese medicines while further expanded the existing markets of Tong Ren Tang and increased its market shares. The Group has placed great emphasis on overseas culture and continued to promote the culture of Chinese medicines, thus enhancing the awareness of Tong Ren Tang brand so as to support our globalization development and distribution of Tong Ren Tang branded products.

# CONDENSED CONSOLIDATED INCOME STATEMENT

The board of Directors (the "Board") is pleased to announce the unaudited results of the Group for the three months and nine months ended 30 September 2014 together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

	Note	Unaudited		Unaudited	
		Three months ended		Nine months ended	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	173,221	138,965	537,265	418,228
Cost of sales		(48,905)	(42,174)	(157,575)	(128,221)
<b>Gross profit</b>		<b>124,316</b>	<b>96,791</b>	<b>379,690</b>	<b>290,007</b>
Distribution and selling expenses		(29,904)	(26,520)	(82,601)	(74,606)
General and administrative expenses		(14,616)	(12,471)	(48,227)	(40,266)
Professional expenses incurred in connection with the Company's listing		–	–	–	(12,630)
Other gains	4	779	777	1,474	12,931
<b>Operating profit</b>		<b>80,575</b>	<b>58,577</b>	<b>250,336</b>	<b>175,436</b>
Finance income		3,093	1,433	8,680	1,747
Share of profits/(losses) of jointly ventures		46	(145)	(466)	(539)
Share of loss of an associated company		–	(102)	–	(701)
<b>Profit before income tax</b>		<b>83,714</b>	<b>59,763</b>	<b>258,550</b>	<b>175,943</b>
Income tax expense	5	(14,713)	(10,211)	(44,450)	(29,381)
<b>Profit for the period</b>		<b>69,001</b>	<b>49,552</b>	<b>214,100</b>	<b>146,562</b>
<b>Profit attributable to:</b>					
Owners of the Company		66,992	47,616	207,327	141,073
Non-controlling interests		2,009	1,936	6,773	5,489
		<b>69,001</b>	<b>49,552</b>	<b>214,100</b>	<b>146,562</b>
<b>Earnings per share attributable to owners of the Company</b>					
Basic and diluted (in HK\$)	6	0.08	0.06	0.25	0.20

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Profit for the period</b>	69,001	49,552	214,100	146,562
<b>Other comprehensive income:</b>				
<i>Item that may be subsequently reclassified to profit or loss</i>				
Currency translation differences	(5,338)	72	(3,367)	(2,891)
<b>Total comprehensive income for the period</b>	63,663	49,624	210,733	143,671
<b>Attributable to:</b>				
Owners of the Company	63,025	47,361	204,626	138,508
Non-controlling interests	638	2,263	6,107	5,163
	63,663	49,624	210,733	143,671



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Merger reserve	Other reserve	Statutory reserve	Exchange reserve	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<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
<b>Comprehensive income</b>										
Profit for the period	-	-	-	-	-	-	141,073	141,073	5,489	146,562
<b>Other comprehensive income</b>										
Currency translation differences	-	-	-	-	-	(2,565)	-	(2,565)	(326)	(2,891)
<b>Total comprehensive income</b>	-	-	-	-	-	(2,565)	141,073	138,508	5,163	143,671
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)
Deemed acquisition of a subsidiary	-	-	-	-	-	-	-	-	7,779	7,779
Disposal of a subsidiary	-	-	-	380	-	-	-	380	(44,724)	(44,344)
<b>Total transactions with owners, recognised directly in equity</b>	213,570	448,450	-	5,127	(106)	-	(99,894)	567,147	(36,945)	530,202
<b>At 30 September 2013</b>	415,000	452,363	(13,124)	742	1,246	11,892	332,419	1,200,538	41,023	1,241,561

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



Unaudited

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Merger reserve	Other reserve	Statutory reserve	Exchange reserve	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<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
<b>Comprehensive income</b>										
Profit for the period	-	-	-	-	-	-	207,327	207,327	6,773	214,100
<b>Other comprehensive income</b>										
Currency translation differences	-	-	-	-	-	(2,701)	-	(2,701)	(666)	(3,367)
<b>Total comprehensive income</b>	-	-	-	-	-	(2,701)	207,327	204,626	6,107	210,733
Transfer of retained earnings to statutory reserve	-	-	-	-	1,387	-	(1,387)	-	-	-
Transition to no-par value regime on 3 March 2014	452,363	(452,363)	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(66,400)	(66,400)	-	(66,400)
Capital injections to subsidiaries	-	-	-	-	-	-	-	-	11,041	11,041
<b>Total transactions with owners, recognised directly in equity</b>	452,363	(452,363)	-	-	1,387	-	(67,787)	(66,400)	11,041	(55,359)
<b>At 30 September 2014</b>	867,363	-	(13,124)	742	3,021	3,440	550,499	1,411,941	53,152	1,465,093

## 1 GENERAL INFORMATION

The Group is principally 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 limited liability company established in the People’s Republic of China (the “PRC”) and is listed on the Main Board of the Stock Exchange. The intermediate holding company of the Company is Beijing Tong Ren Tang Co., Ltd. (“Tong Ren Tang Ltd.”) which is a joint stock limited company incorporated in the PRC and is listed on the Shanghai Stock Exchange. The ultimate holding company of the Company is China Beijing Tong Ren Tang (Holdings) Corporation (“Tong Ren Tang Holdings”, and its subsidiaries, the “Tong Ren Tang Group”) which is a company incorporated in the PRC.

The Company is a limited liability company incorporated in Hong Kong and is listed on GEM of the Stock Exchange. 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 thousands of units of Hong Kong dollars (“HK\$’000”), unless otherwise stated. These condensed consolidated results have been approved for issue by the Board on 28 October 2014.

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 (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and applicable disclosure requirements of the GEM Listing Rules.

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 2013.

The HKICPA has issued a number of new and revised HKFRSs and amendments. 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 nine months ended 30 September 2014.



## 3 REVENUE

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of Chinese medicine products	166,456	132,726	516,635	399,288
Chinese medical consultation services	6,598	6,140	20,130	18,255
Royalty fee income	167	99	500	685
	<b>173,221</b>	<b>138,965</b>	<b>537,265</b>	<b>418,228</b>

## 4 OTHER GAINS

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gain on disposal of a subsidiary (Note (a))	-	-	-	8,767
Gain on remeasurement of existing interest in the then jointly venture which became a subsidiary (Note (b))	-	-	-	2,067
Dividend from a joint venture	276	-	276	-
Others	503	777	1,198	2,097
	<b>779</b>	<b>777</b>	<b>1,474</b>	<b>12,931</b>

Notes:

- (a) The amount for the nine months ended 30 September 2013 represents the gain on disposal of all equity interests in a 68% owned subsidiary, Beijing Tong Ren Tang (Tang Shan) Nutrition and Healthcare Co., Ltd. to a fellow subsidiary in April 2013.
- (b) The amount for the nine months ended 30 September 2013 represents the gain on remeasurement of existing interest in a 51% owned joint venture, Beijing Tong Ren Tang Canada Co., Ltd., in relation to the deemed acquisition pursuant to the revised shareholders agreement entered into on 1 June 2013.

## 5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the three months and nine months ended 30 September 2014. PRC corporate income tax has been provided at the rate of 25% (2013: 25%) on the estimated assessable profits for three months and nine months ended 30 September 2014 of the subsidiaries operating in the PRC. Income tax on overseas profits has been calculated on the estimated assessable profit for the three months and nine months ended 30 September 2014 at the income tax rates prevailing in the tax jurisdictions in which the entities operate.

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Current income tax				
Hong Kong	11,783	9,669	38,718	27,312
The PRC	930	297	3,779	(264)
Overseas	1,209	1,405	3,615	2,942
	13,922	11,371	46,112	29,990
Deferred income tax expense/(credit)	791	(1,160)	(1,662)	(609)
	14,713	10,211	44,450	29,381



## 6 EARNINGS PER SHARE

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

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to owners of the Company	66,992	47,616	207,327	141,073
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	830,000	830,000	830,000	722,088
Earnings per share ( <i>HK\$</i> )	0.08	0.06	0.25	0.20

The Company had no potential dilutive shares for the three months and nine months ended 30 September 2014 (2013: Nil).

## 7 DIVIDEND

The Board did not recommend the payment of any dividend for the nine months ended 30 September 2014 (2013: Nil).



## OTHER INFORMATION

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

As at 30 September 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 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	Number of convertible bonds
<b>The Company</b>					
Ding Yong Ling	Personal	Beneficial owner	200,000	0.024%	–
Lin Man	Personal	Beneficial owner	190,000	0.023%	–
<b>Tong Ren Tang Technologies</b>					
Mei Qun	Personal	Beneficial owner	1,500,000 <sup>(1)</sup>	0.234%	–
<b>Tong Ren Tang Ltd.</b>					
Mei Qun	Personal	Beneficial owner	93,242 <sup>(2)</sup>	0.007%	86,000 <sup>(3)</sup>

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.
- (3) All represent A share convertible corporate bonds of Tong Ren Tang Ltd.

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

## OTHER INFORMATION



### SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 of the Company 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 of the Company and 281,460,000 shares of the Company 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 shares" above, at no time during the nine months ended 30 September 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.



### 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 Chinese medicine products containing ganoderma lucidum or ganoderma lucidum spores as raw materials in Hong Kong, Macao and markets outside of the PRC (the “Non-PRC Markets”);
- (ii) engage in the research, development, manufacture and sale of any products with “Tong Ren Tang” brands in Non-PRC Markets, except for the manufacture of the Chinese medicine products for the two independent third parties in Japan; for the avoidance of doubt and without prejudice to the generality of the Deed of Non-competition, except for the current excluded business in Japan, engage in arrangement with any other parties in the Non-PRC Markets similar to the excluded business in Japan;
- (iii) carry out any sales or registration (new or renewal) for Angong Niu Huang Pills in the Non-PRC Markets;
- (iv) engage in the distribution of any Chinese medicine products in Non-PRC Markets, except for certain existing arrangements as disclosed in the Prospectus; and
- (v) carry out any new overseas registration of “Tong Ren Tang” branded products ((i) to (v) are collectively known as “Restricted Business”).

In addition, under the Deed of Non-competition, each of the Controlling Shareholders has also undertaken that if each of them and/or any of its associates is offered or becomes aware of any project or new business opportunity (“New Business Opportunity”) that relates to the Restricted Business, whether directly or indirectly, it shall (i) promptly and in any event not later than seven days notify the Company in writing of such opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such opportunity; and (ii) use its best endeavours to procure that such opportunity is offered to the Company on terms no less favourable than the terms on which such opportunity is offered to it and/or its associates. The Directors (including the independent non-executive Directors) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity within thirty (30) business days of receipt of notice from Controlling Shareholders.

## OTHER INFORMATION



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

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

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



## OTHER INFORMATION

### **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

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

### **INTEREST OF COMPLIANCE ADVISER**

As at 30 September 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.

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

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

### **CORPORATE GOVERNANCE CODE**

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

### **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the 2014 third quarterly report.

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

Hong Kong, 28 October 2014



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

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