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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)

(Stock Code: 8138)

2015 THIRD QUARTERLY RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of Beijing Tong Ren Tang Chinese Medicine Company Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the nine months ended 30 September 2015. This announcement, containing the full text of the 2015 third quarterly report of the Company, complies with the relevant requirements of The Rules (“**GEM Listing Rules**”) Governing the Listing of Securities on The Growth Enterprises Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of quarterly results. Printed version of the Company’s 2015 third quarterly report will be delivered to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.tongrentangcm.com on or before 15 November 2015.

By Order of the Board
Beijing Tong Ren Tang
Chinese Medicine Company Limited
Mei Qun
Chairman

Hong Kong, 28 October 2015

As at the date of this announcement, the Board comprises non-executive director, namely Mei Qun; the executive directors, namely Ding Yong Ling, Zhang Huan Ping and Lin Man; and the independent non-executive directors, namely Leung, Oi Sie Elsie, Chan Ngai Chi and Zhao Zhong Zhen.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcement” page of the GEM website (www.hkgem.com) for at least seven days from the date of its posting and on the Company’s website (www.tongrentangcm.com).



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”, 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
Zhao Zhong Zhen
Chan Ngai Chi

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

REGISTERED ADDRESS

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

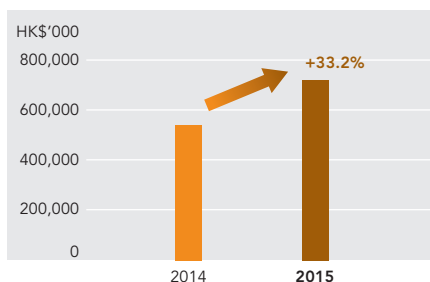


(HK\$'000)	Three months ended 30 September			Nine months ended 30 September		
	2015	2014	Change	2015	2014	Change
Revenue	231,253	173,221	+ 33.5%	715,370	537,265	+ 33.2%
Gross profit	163,923	124,316	+ 31.9%	493,029	379,690	+ 29.9%
Profit attributable to owners of the Company	84,098	66,992	+ 25.5%	257,224	207,327	+ 24.1%
Earnings per share	HK\$0.10	HK\$0.08	+ 25.0%	HK\$0.31	HK\$0.25	+ 24.0%

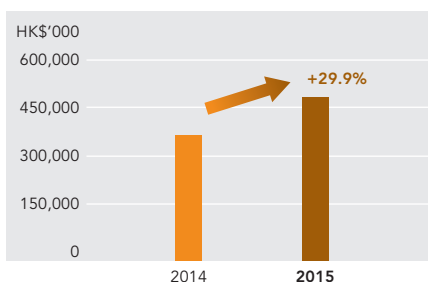
Financial Analysis

For the nine months ended 30 September 2015

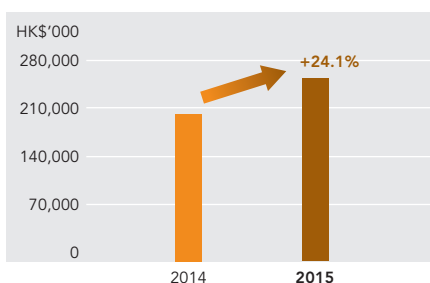
Revenue



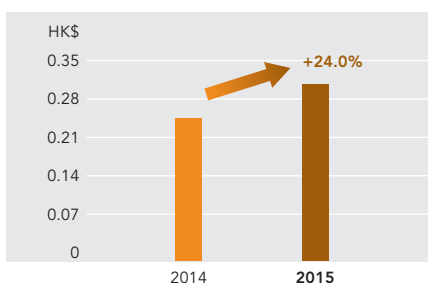
Gross Profit



Profit Attributable to Owners of the Company



Earnings Per Share





MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the nine months ended 30 September 2015 (the “Period”), the revenue of the Group was HK\$715.4 million (2014: HK\$537.3 million), representing an increase of 33.2% as compared to the same period last year, and the profit attributable to owners of the Company was HK\$257.2 million (2014: HK\$207.3 million), representing an increase of 24.1% as compared to the same period last year.

During the Period, the Group established its first health and wellness centre in the Netherlands, known as the Gate to Europe, with medical care, rehabilitation and healthcare all in one, providing the European with a high quality Chinese medicine and healthcare platform. As at 30 September 2015, the Group has set up its business in 16 countries and regions with 58 retail outlets outside the PRC, including Hong Kong, Thailand, Malaysia, Canada, Macao, Korea, Indonesia, Singapore, Australia, Cambodia, Brunei, Dubai, Poland, the United Kingdom, New Zealand and the Netherlands.

Hong Kong is the foundation of the Group’s development. With an aim to promote the philosophy of “benevolence” of Beijing Tong Ren Tang, free diagnosis services and major product promotions are regularly offered in the Group’s retail outlets in Hong Kong to boost the activity in the Hong Kong market. To cope with the business development of the health and wellness centre, the Group has provided further refined training for its staff in the health and wellness centre to enhance the customer satisfaction and loyalty, thus strengthening the leading position of the Tong Ren Tang brand in the Hong Kong market.

Using Chinese medicine as the agent and stepping stone, the Group has carried forward the culture of Chinese medicine around the world. The Group was awarded the “Brand of the Year” on the “2015 World Branding Awards” in the United Kingdom, further acknowledging the international reputation and recognition of the Tong Ren Tang brand.

FUTURE PROSPECTS

In response to the demand of internationalization of Chinese medicine, the Group will continue to expand and promote the culture of Chinese medicine in the overseas markets. By utilizing local resources and the capital markets and leveraging on our brand and the concept of health and wellness to access to the overseas Chinese community, we will gradually expose to the westernized mainstream market to make westerners understand and recognise the culture of traditional Chinese medicine and to broaden the penetration and impact of the Tong Ren Tang brand in the overseas markets.

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 2015 together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	3	231,253	173,221	715,370	537,265
Cost of sales		(67,330)	(48,905)	(222,341)	(157,575)
Gross profit		163,923	124,316	493,029	379,690
Distribution and selling expenses		(36,266)	(29,904)	(103,979)	(82,601)
General and administrative expenses		(18,324)	(14,616)	(61,633)	(48,227)
Other gains		527	779	1,343	1,474
Operating profit		109,860	80,575	328,760	250,336
Finance income		2,121	3,093	7,381	8,680
Finance costs		(727)	–	(862)	–
Share of (loss)/profit of investments accounted for using the equity method		(1,035)	46	(1,253)	(466)
Profit before income tax		110,219	83,714	334,026	258,550
Income tax expense	4	(21,976)	(14,713)	(62,976)	(44,450)
Profit for the period		88,243	69,001	271,050	214,100
Profit attributable to:					
Owners of the Company		84,098	66,992	257,224	207,327
Non-controlling interests		4,145	2,009	13,826	6,773
		88,243	69,001	271,050	214,100
Earnings per share attributable to owners of the Company (expressed in HK\$ per share)					
Basic and diluted	5	0.10	0.08	0.31	0.25

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period	88,243	69,001	271,050	214,100
Other comprehensive income: <i>Item that may be subsequently reclassified to profit or loss</i>				
Currency translation differences	(10,881)	(5,338)	(18,133)	(3,367)
Total comprehensive income for the period	77,362	63,663	252,917	210,733
Attributable to:				
Owners of the Company	75,620	63,025	243,459	204,626
Non-controlling interests	1,742	638	9,458	6,107
	77,362	63,663	252,917	210,733

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



	Unaudited									
	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2014	415,000	452,363	(13,124)	742	1,634	6,141	410,959	1,273,715	36,004	1,309,719
Comprehensive income										
Profit for the period	-	-	-	-	-	-	207,327	207,327	6,773	214,100
Other comprehensive income										
Currency translation differences										
— the Group	-	-	-	-	-	(2,796)	-	(2,796)	(666)	(3,462)
— Joint ventures and an associate	-	-	-	-	-	95	-	95	-	95
Total comprehensive income	-	-	-	-	-	(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 relating to 2013	-	-	-	-	-	-	(66,400)	(66,400)	-	(66,400)
Capital injection to subsidiaries	-	-	-	-	-	-	-	-	11,041	11,041
Total transactions with owners, recognised directly in equity	452,363	(452,363)	-	-	1,387	-	(67,787)	(66,400)	11,041	(55,359)
At 30 September 2014	867,363	-	(13,124)	742	3,021	3,440	550,499	1,411,941	53,152	1,465,093
At 1 January 2015	867,363	-	(13,124)	742	2,927	(2,549)	630,390	1,485,749	51,112	1,536,861
Comprehensive income										
Profit for the period	-	-	-	-	-	-	257,224	257,224	13,826	271,050
Other comprehensive income										
Currency translation differences										
— the Group	-	-	-	-	-	(11,265)	-	(11,265)	(4,368)	(15,633)
— Joint ventures and an associate	-	-	-	-	-	(2,500)	-	(2,500)	-	(2,500)
Total comprehensive income	-	-	-	-	-	(13,765)	257,224	243,459	9,458	252,917
Transfer of retained earnings to statutory reserve	-	-	-	-	1,691	-	(1,691)	-	-	-
Dividends relating to 2014	-	-	-	-	-	-	(83,710)	(83,710)	-	(83,710)
Issue of new shares	71,426	-	-	-	-	-	-	71,426	-	71,426
Capital injection to subsidiaries	-	-	-	-	-	-	-	-	3,817	3,817
Total contributions by and distributions to owners of the Company, recognised directly in equity	71,426	-	-	-	1,691	-	(85,401)	(12,284)	3,817	(8,467)
Non-controlling interests arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	21,144	21,144
Change in ownership interest in a subsidiary without change of control	-	-	-	88	-	-	-	88	921	1,009
Total changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	88	-	-	-	88	22,065	22,153
Total transactions with owners, recognised directly in equity	71,426	-	-	88	1,691	-	(85,401)	(12,196)	25,882	13,686
At 30 September 2015	938,789	-	(13,124)	830	4,618	(16,314)	802,213	1,717,012	86,452	1,803,464

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 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”) 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 28 October 2015.

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.

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 2014.

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 2015. 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 2015.

3 REVENUE

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of products	222,457	166,456	689,982	516,635
Service income	8,583	6,598	24,825	20,130
Royalty fee income	213	167	563	500
	231,253	173,221	715,370	537,265

4 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period. PRC corporate income tax has been provided at the rate of 25% (2014: 25%) on the estimated assessable profits for the period of the subsidiaries operating in the PRC. 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		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax				
Hong Kong	21,091	11,783	54,437	38,718
The PRC	1,474	930	7,144	3,779
Overseas	1,606	1,209	4,594	3,615
	24,171	13,922	66,175	46,112
Deferred income tax (credit)/expense	(2,195)	791	(3,199)	(1,662)
	21,976	14,713	62,976	44,450

NOTES TO THIRD QUARTERLY FINANCIAL INFORMATION

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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Profit attributable to owners of the Company	84,098	66,992	257,224	207,327
Weighted average number of ordinary shares in issue (thousand shares)	837,100	830,000	835,618	830,000
Earnings per share (HK\$)	0.10	0.08	0.31	0.25

For the three months and nine months ended 30 September 2015 and 2014, diluted earnings per share is the same as basic earnings per share as there were no potential dilutive shares.

6 DIVIDEND

The Board did not recommend the payment of any dividend for the nine months ended 30 September 2015 (2014: Nil).

OTHER INFORMATION



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2015, 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 ("SFO")) of Directors and chief executive of the Company which would have to be notified to the Company pursuant to Divisions 7 and 8 of part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares

	Types of interests	Capacity	Number of shares	Approximate Percentage of issued share capital
The Company				
Ding Yong Ling	Personal	Beneficial owner	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 5.67 of the GEM Listing Rules.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2015, 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:

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	50,919,000	6.08%
Greenwoods Asset Management Limited ⁽³⁾	Interest of controlled corporation	50,919,000	6.08%
Jiang Jinzhi ⁽³⁾	Interest of controlled corporation	50,919,000	6.08%
Unique Element Corp. ⁽³⁾	Interest of controlled corporation	50,919,000	6.08%

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 15 July 2015, 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	% control	Direct interest (Y/N)		Number of shares
Unique Element Corp.	Jiang Jinzhi	100.00	N	Long position	50,919,000
Greenwoods Asset Management Holdings Limited	Unique Element Corp.	81.00	N	Long position	50,919,000
Greenwoods Asset Management Limited	Greenwoods Asset Management Holdings Limited	100.00	N	Long position	50,919,000
Golden China Master Fund	Jiang Jinzhi	100.00	Y	Long position	7,685,000
Greenwoods Asset Management Limited	Greenwoods Asset Management Holdings Limited	100.00	N	Long position	21,920,000
Greenwoods China Alpha Master Fund	Greenwoods Asset Management Limited	100.00	Y	Long position	15,771,000
Golden China Plus Master Fund	Jiang Jinzhi	100.00	Y	Long position	3,343,000
Greenwoods China Healthcare Master Fund	Greenwoods Asset Management Limited	100.00	Y	Long position	2,200,000

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



OTHER INFORMATION

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the section “Directors’ and chief executives’ interests in the shares” above, at no time during the Period 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 (“Deed of Non-competition”), details of which are set out in the prospectus of the Company dated 25 April 2015 (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 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”).

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

Tong Ren Tang Holdings has also granted the Company rights of first refusal to acquire its interest in Beijing Tong Ren Tang Hong Kong Medicine Management Limited, Beijing Tong Ren Tang (UK) Limited and Beijing Tong Ren Tang Tai Fong Co., Ltd. on terms which are not less favorable than the terms it wishes to sell to other parties.

In this connection, the Group adopted the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing business and to safeguard the interests of the shareholders of the Company:

- (i) the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by the Controlling Shareholders; and
- (ii) the Company will disclose the review by the independent non-executive Director with basis on the compliance with and enforcement of the terms of the Deed of Non-competition in its annual report.



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In monitoring the competing business of the Parent Group (refer to Tong Ren Tang Holdings, Tong Ren Tang Ltd., Tong Ren Tang Technologies and their respective subsidiaries, other than the Group and their respective predecessors) an executive committee (the “Competition Executive Committee”) comprising two disinterested Directors, namely Mr. Zhang Huan Ping and Ms. Lin Man, has been established with the following major responsibilities:

- (a) conduct quarterly inspection of the distribution channels of the Parent Group, including retail stores and wholesale customers, to check whether any healthcare product containing ganoderma lucidum or ganoderma lucidum spores as raw materials (other than 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.

To the best knowledge of the Competition Executive Committee, they are not aware of the distribution channels of the Parent Group selling any healthcare product containing ganoderma lucidum or ganoderma lucidum spores as raw materials (other than ganoderma lucidum spores powder capsule manufactured by the Group) in Non-PRC Markets for the year ended 31 December 2014 and for the Period.

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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 ADVISOR

As at 30 September 2015, as notified by the Company's compliance advisor, Kim Eng Securities (Hong Kong) Limited (the "Compliance Advisor"), except for the Compliance Advisor agreement entered into between the Company and the Compliance Advisor dated 6 May 2013 effective on the date of the Listing, neither the Compliance Advisor nor its directors, employees or close 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.



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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 for the Period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the 2015 third quarterly report.

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

Hong Kong, 28 October 2015