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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)

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE  
STOCK EXCHANGE OF HONG KONG LIMITED**

**Growth Enterprise Market (“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 of Hong Kong Limited (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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “Directors”) of Beijing Tong Ren Tang Chinese Medicine Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) 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 announcement 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 announcement misleading.*

## FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Change
	2015	2014	
	HK\$'000	HK\$'000	
Revenue	<b>970,477</b>	761,051	+ 27.5%
Gross profit	<b>680,877</b>	543,031	+ 25.4%
Profit for the year	<b>374,578</b>	294,698	+ 27.1%
Profit attributable to owners of the Company	<b>354,249</b>	287,124	+ 23.4%
Basic and diluted earnings per share	<b>HK\$0.42</b>	HK\$0.35	+ 20.0%
	<b>At 31 December</b>		
	<b>2015</b>	2014	Change
	HK\$'000	HK\$'000	
Cash and bank balances	<b>1,280,266</b>	1,033,912	+ 23.8%
Total assets	<b>2,026,985</b>	1,632,541	+ 24.2%
Total equity	<b>1,908,915</b>	1,536,861	+ 24.2%

## RESULTS

The board of directors of the Company (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2015 together with the comparative figures for the previous year as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2015*

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	3	970,477	761,051
Cost of sales	4	(289,600)	(218,020)
<b>Gross profit</b>		<b>680,877</b>	543,031
Distribution and selling expenses	4	(141,930)	(122,639)
General and administrative expenses	4	(90,080)	(78,369)
Other gains		3,608	1,496
<b>Operating profit</b>		<b>452,475</b>	343,519
Finance income		8,749	11,451
Finance costs		(215)	-
Finance income, net		8,534	11,451
Share of (loss)/profit of investments accounted for using the equity method		(4,395)	249
<b>Profit before income tax</b>		<b>456,614</b>	355,219
Income tax expense	5	(82,036)	(60,521)
<b>Profit for the year</b>		<b>374,578</b>	294,698
<b>Profit attributable to:</b>			
Owners of the Company		354,249	287,124
Non-controlling interests		20,329	7,574
		<b>374,578</b>	294,698
<b>Earnings per share attributable to owners of the Company for the year</b> (expressed in HK\$ per share)			
<b>Basic and diluted earnings per share</b>	6	<b>0.42</b>	0.35

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
<b>Profit for the year</b>	<b>374,578</b>	294,698
<b>Other comprehensive income:</b>		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<b>(16,119)</b>	(11,446)
<b>Other comprehensive loss for the year</b>	<b>(16,119)</b>	(11,446)
<b>Total comprehensive income for the year</b>	<b>358,459</b>	283,252
<b>Attributable to:</b>		
Owners of the Company	<b>342,155</b>	278,434
Non-controlling interests	<b>16,304</b>	4,818
<b>Total comprehensive income for the year</b>	<b>358,459</b>	283,252

## CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Leasehold land		17,094	17,637
Property, plant and equipment		262,430	260,363
Intangible assets		61,336	-
Investments accounted for using the equity method		23,081	25,858
Deposits paid for purchase of property, plant and equipment		334	2,175
Deferred income tax assets		8,520	6,857
		<u>372,795</u>	<u>312,890</u>
<b>Current assets</b>			
Inventories		160,259	121,025
Trade receivables and other current assets	8	213,665	164,714
Short-term bank deposits		520,406	470,529
Cash and cash equivalents		759,860	563,383
		<u>1,654,190</u>	<u>1,319,651</u>
<b>Total assets</b>		<u><b>2,026,985</b></u>	<u><b>1,632,541</b></u>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		938,789	867,363
Reserves			
- Other reserves		(22,807)	(12,004)
- Retained earnings		899,726	630,390
		<u>1,815,708</u>	<u>1,485,749</u>
<b>Non-controlling interests</b>		<u>93,207</u>	<u>51,112</u>
<b>Total equity</b>		<u><b>1,908,915</b></u>	<u><b>1,536,861</b></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowing		561	-
Deferred income tax liabilities		4,791	4,675
		<u>5,352</u>	<u>4,675</u>
<b>Current liabilities</b>			
Trade and other payables	9	76,984	70,873
Current income tax liabilities		35,734	20,132
		<u>112,718</u>	<u>91,005</u>
<b>Total liabilities</b>		<u><b>118,070</b></u>	<u><b>95,680</b></u>
<b>Total equity and liabilities</b>		<u><b>2,026,985</b></u>	<u><b>1,632,541</b></u>

## Notes:

### 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 of Hong Kong Limited. 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.

### 2 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 2 Basis of preparation (Continued)

### (i) Amendments to standards adopted by the Group

The Group has adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on or after 1 January 2015:

Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle

The adoption of above amendments to standards does not have any significant financial effect on these consolidated financial statements.

### (ii) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) became effective during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

### (iii) New standards and amendments to standards which are not yet effective

The following are new standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods, but have not been early adopted by the Group.

HKAS 1 (Amendment)	Disclosure initiative <sup>(1)</sup>
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>(1)</sup>
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants <sup>(1)</sup>
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements <sup>(1)</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(1)</sup>
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception <sup>(1)</sup>
HKFRS 9	Financial Instruments <sup>(2)</sup>
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations <sup>(1)</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>(1)</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>(2)</sup>
HKFRS 16	Leases <sup>(3)</sup>
Annual Improvements Project	Annual Improvements 2012-2014 Cycle <sup>(1)</sup>

<sup>(1)</sup> Effective for the accounting period beginning on 1 January 2016

<sup>(2)</sup> Effective for the accounting period beginning on 1 January 2018

<sup>(3)</sup> Effective for the accounting period beginning on 1 January 2019

## **2 Basis of preparation (Continued)**

### **(iii) New standards and amendments to standards which are not yet effective (Continued)**

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards and does not expect that the adoption of these revised standards and amendments to standards will result in any material impact on the Group's results and financial position.

## **3 Segment information**

The chief operating decision maker has been identified as the executive directors and non-executive director of the Company (the "Executive Directors" and the "Non-executive Director"). The Executive Directors and Non-executive Director review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports.

The Executive Directors and Non-executive Director consider the Group's business from a geographic perspective and have determined that the Group has three reportable operating segments including (i) Hong Kong, (ii) Mainland China, and (iii) Overseas.

The Executive Directors and Non-executive Director assess the performance of the operating segments based on revenue and segment results of each segment. Management has determined the operating segments based on the location of the entities and the information reviewed by the Group's chief operating decision maker for the purposes of allocating resources and assessing performance.

Segment assets include leasehold land, property, plant and equipment, intangible assets, investments accounted for using equity method, deferred tax assets, deposits paid for purchase of leasehold land and property, plant and equipment, inventories, trade receivables and other current assets, short-term bank deposits and cash and cash equivalents. Segment liabilities include borrowing, trade and other payables, current and deferred income tax liabilities.



### 3 Segment information (Continued)

#### (a) Analysis of consolidated income statements

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
<b>Year ended 31 December 2015</b>				
Segment revenue	740,130	242,701	232,452	1,215,283
Inter-segment revenue	(181,643)	(63,163)	-	(244,806)
Revenue from external customers	<u>558,487</u>	<u>179,538</u>	<u>232,452</u>	<u>970,477</u>
Contribution to segment results	449,381	18,308	30,068	497,757
Depreciation and amortisation	(15,796)	(557)	(5,779)	(22,132)
Amortisation of intangible assets	(1,083)	-	-	(1,083)
Write-off of inventories	(1,136)	(7)	(85)	(1,228)
Segment results	<u>431,366</u>	<u>17,744</u>	<u>24,204</u>	<u>473,314</u>
Inter-segment elimination				<u>(20,839)</u>
Operating profit				452,475
Finance income	8,074	138	537	8,749
Finance cost	(9)	-	(206)	(215)
Share of loss of investments accounted for using the equity method				<u>(4,395)</u>
Profit before income tax				456,614
Income tax expense	(72,541)	(5,228)	(4,267)	(82,036)
Profit for the year				<u>374,578</u>
<b>Year ended 31 December 2014</b>				
Segment revenue	529,059	230,691	195,522	955,272
Inter-segment revenue	(150,322)	(43,899)	-	(194,221)
Revenue from external customers	<u>378,737</u>	<u>186,792</u>	<u>195,522</u>	<u>761,051</u>
Contribution to segment results	317,358	18,807	21,240	357,405
Depreciation and amortisation	(14,122)	(259)	(3,758)	(18,139)
Write-off of inventories	(573)	-	-	(573)
Segment results	<u>302,663</u>	<u>18,548</u>	<u>17,482</u>	<u>338,693</u>
Inter-segment elimination				4,826
Operating profit				343,519
Finance income	10,568	117	766	11,451
Share of profit of investments accounted for using the equity method				<u>249</u>
Profit before income tax				355,219
Income tax expense	(51,181)	(5,699)	(3,641)	(60,521)
Profit for the year				<u>294,698</u>

### 3 Segment information (Continued)

#### (b) Analysis of consolidated balance sheets

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
<b>At 31 December 2015</b>				
<b>Segment assets and liabilities</b>				
Total assets	<u>1,670,019</u>	<u>152,002</u>	<u>204,964</u>	<u>2,026,985</u>
Investments accounted for using the equity method	<u>13,282</u>	<u>-</u>	<u>9,799</u>	<u>23,081</u>
Additions to non-current assets <sup>(1)</sup>	<u>65,465</u>	<u>1,553</u>	<u>22,319</u>	<u>89,337</u>
Total liabilities	<u>(69,362)</u>	<u>(27,922)</u>	<u>(20,786)</u>	<u>(118,070)</u>
<b>At 31 December 2014</b>				
<b>Segment assets and liabilities</b>				
Total assets	<u>1,295,220</u>	<u>134,047</u>	<u>203,274</u>	<u>1,632,541</u>
Investments accounted for using the equity method	<u>12,795</u>	<u>-</u>	<u>13,063</u>	<u>25,858</u>
Additions to non-current assets <sup>(1)</sup>	<u>21,686</u>	<u>1,391</u>	<u>48,128</u>	<u>71,205</u>
Total liabilities	<u>(40,933)</u>	<u>(35,649)</u>	<u>(19,098)</u>	<u>(95,680)</u>

<sup>(1)</sup> In this analysis, additions to non-current assets exclude investments accounted for using the equity method and deferred tax assets.

### 3 Segment information (Continued)

#### (c) Revenue

The analysis of revenue by category is as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Sales of products	<b>935,218</b>	732,419
Service income	<b>34,475</b>	27,933
Royalty fee income	<b>784</b>	699
	<b>970,477</b>	761,051

#### (d) Information about major customers

For the year ended 31 December 2015, revenue from three (2014: three) customers each accounted for more than ten percent of the Group's total revenue. These revenues are attributable to the Hong Kong segment and the Mainland China segment. The revenues from these customers are summarised below:

	<b>2015</b>
	<b>HK\$'000</b>
Revenue from:	
- Customer A	<b>150,035</b>
- Customer B	<b>148,991</b>
- Entities under the control of the ultimate holding company <sup>(1)</sup>	<b>124,946</b>
	<b>423,972</b>

  

	2014
	HK\$'000
Revenue from:	
- Customer A	136,345
- Entities under the control of the ultimate holding company <sup>(1)</sup>	126,100
- Customer B	120,089
	382,534

<sup>(1)</sup> It represents a group of entities under common control considered as a single customer.

There are no customers of other segments individually accounted for ten percent or more of the Group's total revenue for the year ended 31 December 2015 (2014: nil).

### 3 Segment information (Continued)

#### (e) Information about geographical areas

The Company is domiciled in Hong Kong. An analysis of revenue from external customers and non-current assets of the Group by geographical area is set out below:

(i) Revenue <sup>(1)</sup>	2015 HK\$'000	2014 HK\$'000
Hong Kong	558,487	378,737
Mainland China	179,538	186,792
Macao	98,260	75,341
Australia	40,983	36,988
Canada	32,611	31,025
Singapore	23,540	30,612
New Zealand	14,967	4,407
Other countries <sup>(2)</sup>	22,091	17,149
	<u>970,477</u>	<u>761,051</u>

  

(ii) Non-current assets <sup>(3)</sup>	2015 HK\$'000	2014 HK\$'000
Hong Kong	275,937	226,966
Mainland China	2,485	1,623
Macao	9,724	10,356
Australia	37,179	29,200
Canada	3,431	5,712
Singapore	864	318
New Zealand	4,718	2,368
Other countries <sup>(2)</sup>	6,856	3,632
	<u>341,194</u>	<u>280,175</u>

(1) The geographical location of revenue is analysed based on the location where goods are sold and services are provided.

(2) Other countries include entities located in Brunei, United Arab Emirates (the "UAE"), South Korea and European countries.

(3) The geographical location of non-current assets is analysed based on where the assets are located or held. In this analysis, the total of non-current assets excludes investments accounted for using the equity method and deferred tax assets.

#### 4 Expenses by nature

	2015 HK\$'000	2014 HK\$'000
Cost of inventories sold	230,025	168,204
Employee benefit expenses	137,597	117,265
Operating leases payments	55,739	49,980
Amortisation of prepaid operating lease payments	543	543
Amortisation of intangible assets	1,083	-
Depreciation of property, plant and equipment	21,589	17,596
Loss on disposal of property, plant and equipment	444	39
Write-off of inventories	1,228	573
Auditors' remuneration		
- Audit services	3,084	2,704
- Non-audit services	402	20
Utilities	5,261	4,419
Repair and maintenance	3,356	2,970
Research and development	5,155	4,844
Net exchange loss/(gain)	86	(165)
Promotion and advertising expenses	8,141	8,423
Legal and professional expenses	6,423	4,566
Transportation expenses	5,298	4,866
Bank charges	3,615	2,413
Store supplies	8,334	5,485
Other taxes and levies	4,664	4,357
Other expenses	19,543	19,926
<b>Total cost of sales, distribution and selling expenses and general and administrative expenses</b>	<b>521,610</b>	<b>419,028</b>

#### 5 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5 % (2014: 16.5%) on the estimated assessable profit for the year. PRC corporate income tax has been provided at the rate of 25% (2014: 25%) on the estimated assessable profits for the year of the subsidiaries operating in the PRC. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2015 HK\$'000	2014 HK\$'000
Current income tax		
- Current year	85,058	60,796
- Under/(over) provision in prior years	507	(161)
	<b>85,565</b>	<b>60,635</b>
Deferred income tax	<b>(3,529)</b>	<b>(114)</b>
Income tax expense	<b>82,036</b>	<b>60,521</b>

## 6 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 share in issue during the year.

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Profit attributable to owners of the Company	<u><b>354,249</b></u>	<u>287,124</u>
Weighted average number of ordinary shares in issue (thousands)	<u><b>835,991</b></u>	<u>830,000</u>
Earnings per share (HK\$)	<u><b>0.42</b></u>	<u>0.35</u>

For the years ended 31 December 2015 and 2014, diluted earnings per share is the same as basic earnings per share as there were no potential dilutive shares.

## 7 Dividends

The dividends paid in 2015 and 2014 were HK\$83,710,000 (HK\$0.10 per share) and HK\$66,400,000 (HK\$0.08 per share) respectively. A dividend in respect of the year ended 31 December 2015 of HK\$0.13 per share, amounting to a total dividend of HK\$108,823,000 is to be proposed at the annual general meeting on 6 May 2016. These financial statements do not reflect this dividend payable.

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Interim dividend paid of HK\$nil (2014: HK\$nil) per ordinary share	-	-
Proposed final dividend of HK\$0.13 (2014:HK\$0.10) per ordinary share	<u><b>108,823</b></u>	<u>83,710</u>
	<u><b>108,823</b></u>	<u>83,710</u>

**8 Trade receivables and other current assets**

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>171,115</b>	127,380
Prepayments and other receivables	<b>25,168</b>	21,337
Deposits	<b>16,268</b>	14,883
Amount due from a joint venture	<b>1,114</b>	1,114
	<u><b>213,665</b></u>	<u>164,714</u>

At 31 December 2015 and 2014, the aging analysis of trade receivables based on invoice date (including amounts due from related parties of trading in nature) is as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Up to 3 months	<b>153,842</b>	113,804
3 to 6 months	<b>11,009</b>	9,629
6 months to 1 year	<b>3,806</b>	3,922
Over 1 year	<b>2,458</b>	25
	<u><b>171,115</b></u>	<u>127,380</u>

**9 Trade and other payables**

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>35,349</b>	38,157
Accruals and other payables	<b>41,635</b>	32,716
	<u><b>76,984</b></u>	<u>70,873</u>

At 31 December 2015 and 2014, the aging analysis of the trade payables (including amounts due to the related parties of trading in nature) based on invoice date is as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Up to 3 months	<b>34,094</b>	29,392
3 to 6 months	<b>232</b>	4,456
6 months to 1 year	<b>449</b>	3,749
1 to 2 years	<b>574</b>	560
	<u><b>35,349</b></u>	<u>38,157</u>

## 10 Commitments

### (a) Capital commitments

	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for:		
- property, plant and equipment	490	12,985
- investment in an associate	-	3,993
	<u>490</u>	<u>16,978</u>

### (b) Operating lease commitments

The Group leases various retail outlets, warehouses and staff quarters under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years and certain lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015 HK\$'000	2014 HK\$'000
No later than 1 year	42,157	45,478
Later than 1 year and no later than 5 years	67,389	72,108
Later than 5 years	3,274	10,706
	<u>112,820</u>	<u>128,292</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Overview*

Over 346 years, since the establishment of Beijing Tong Ren Tang, the long brand has inherited the reputation for delivering high quality and authentic Chinese medicines. The core values of the brand we uphold, integration of internal product resources and the innovative development strategies are reasons for our successful continuous development.

Reviewing the overall situation of the global economy in 2015, the slow economic recovery was fragile with much instability and uncertainty. Our business faced many challenges, but the trend of aging population, growing public demand for healthcare, gradually increasing awareness of the use and effect of Chinese medicine and health products, made the demand for Chinese medicine increase with steady growth in medical consumption. In accordance with the characteristics of each of the overseas markets, we deployed strategies and carried out targeted investment. In 2015, we launched retail outlets in Hong Kong, the Netherlands, New Zealand, Sweden, the UAE and Czech respectively, where our coverage has increased from 56 retail outlets in 2014 to 63 retail outlets in 2015 across 19 countries and regions.

For the year ended 31 December 2015 (the “Year”), revenue increased by 27.5% to HK\$970.5 million (2014: HK\$761.1 million), net profit increased by 27.1% to HK\$374.6 million (2014: HK\$294.7 million), profit attributable to owners of the Company increased by 23.4% to HK\$354.2 million (2014: HK\$287.1 million) and earnings per share increased by 20.0% to 42 HK cents (2014: 35 HK cents). The Directors recommend the payment of a final dividend of 13 HK cents per share for the Year (2014: 10 HK cents).

#### *Hong Kong*

This Year, the Group’s revenue and profit are still mainly attributable to Hong Kong market. Despite a decreasing growth in visitor consumption and arrivals in Hong Kong, and slowdown of the overall retail growth of Hong Kong, the Group’s revenue from Hong Kong market amounted to HK\$558.5 million (2014: HK\$378.7 million), representing an increase of 47.5% with the same-store sales growth of 12.2% which was driven by strengthening brand and product promotion this Year. In order to promote Tong Ren Tang’s “benevolence-oriented” philosophy as well as commitment of bringing health to more people, some of our retail outlets provided periodical free Chinese medical consultation service. In addition, a number of promotional activities for key products were carried out so that the brand of Tong Ren Tang can further penetrate the local market in Hong Kong. In February 2015, the Group successfully acquired Honour Essence Trading Limited. By utilizing its powerful distribution network, the market competitiveness and market share of the Group’s products have been further strengthened, and the leading position of Tong Ren Tang products in Chinese medicine market in Hong Kong has been consolidated. This Year, since we focused on optimizing and improving operating efficiency of existing retail outlets, only one retail outlet was added in Hong Kong resulting in an increase of number of retail outlets in Hong Kong to 23.

### ***Non-Hong Kong***

Apart from Hong Kong market, the Group is making efforts on opening up new overseas markets on the basis of consolidating the existing overseas markets, so as to achieve the global strategic layout of “Base in Asia and open up Europe and America”. During this Year, we opened one retail outlet in the Netherlands, Sweden and Czech respectively, which are new markets, expanding the business to 18 countries and regions out of Hong Kong, and increasing the total number of outlets to 40. In the Year, the revenue from overseas market amounted to HK\$232.5 million (2014: HK\$195.5 million), representing an increase of 18.9% with same-store sales growth of 17.4%.

The sales of self-manufactured products in the Mainland China were in line with the sales last year despite the continued pressure on the domestic economic slowdown in the Mainland China.

The Netherlands is one of the European countries that favors Chinese medicine the most. Chinese medicine by reputation and efficacy has been gradually well-accepted by the mainstream Dutch society, since many Dutch people recovered by turning to Chinese medicine for help after having no solution in western medicine. The Group set up a Pudu health centre in Hague, the Netherlands in August this year. The centre now has four major service sectors: traditional Chinese medicine therapy, integrative medicine physical therapy of Chinese medicine and western medicine, sales of traditional Chinese medicine healthcare products and Chinese medicine healthcare and regimen. We are committed to bringing new experience for the Dutch people’s health by integrating medical treatment, rehabilitation and healthcare. In December this year, the Group opened a new retail outlet in Stockholm, the capital of Sweden and Prague, the capital of Czech respectively, to provide Chinese medical and healthcare services. The Group has achieved the business layout across Eastern Europe, Western Europe and Scandinavia, making Chinese medicine long-life and internationalized.

### ***Production, Research and Development***

The Group has been adhering to refined quality standard and striving for excellence. Inheriting the Tong Ren Tang’s corporate motto of “Complexity and quality are not to be forfeited by costs”, under the guidelines of Tong Ren Tang’s quality and integrity system, we are to improve employees’ professionalism and quality control standards continuously.

This Year, our production base located at Tai Po Industrial Estate, Hong Kong has completed the fifth GMP (Good Manufacturing Practice) certification, with the production environment, quality assurance system, management procedures unanimously approved by monitoring officials. Our production base has also been accredited with the globally recognized ISO22000:2005 (Food safety management system) and Hazard Analysis Critical Control Point (HACCP). The strengthening of food safety control has led to enhanced product quality management level and competitiveness, which lays a good foundation for healthy and sustainable development of the Group.

During the Year, the Group successfully developed 10 new products of Tong Ren Tang brand, which further enriched the product diversity of “Tong Ren Tang” and enhanced the core market competitiveness of the Group. The Group inherits the traditions and actively carries out prospective research work to accumulate relevant raw data, in order to provide powerful support for the overseas market expansion. The Group cooperated with local universities in Hong Kong and research institutions in the United States and Taiwan in research and development projects. Currently, the Group has commenced a joint research project with the University of Hong Kong on the safety and mechanism of Angong Niu Huang Wan, a key product of Tong Ren Tang brand, while we also worked with a famous research institution in the United States on enhancing immunity and specific direction of inhibition of tumor and etc. on ganoderma lucidum spores powder series products.

### ***Brand Promotion***

As a 346-year-old brand, Tong Ren Tang is not only an economic entity, but a carrier of culture. The Group takes the promotion of traditional Chinese medicine culture as its mission, and further strengthens the publicity of Tong Ren Tang’s culture in the overseas by using multimedia channels.

This Year, we cooperated with China Central Television on the production of “Dream Weavers China • Beijing Tong Ren Tang Overseas Legends”. The program covered areas such as Hong Kong, Macao, New Zealand, Malaysia and Australia, interpreted the process of the overseas development of Tong Ren Tang in great depth, and at the same time promoted the brand.

We also actively participated in many Chinese medicine special events, including the first Chinese medicine sub-forum “Traditional Chinese Medicine Going Global” of the Boao Forum held in Sanya, Hainan, Tong Ren Tang Chinese medicine health lecture “World Trip, Health will Accompany You” held in Jakarta of Indonesia, BRICS Business Forum in Dubai on behalf of Chinese national brands and the “China day in Seoul” activities held in Seoul. Through these activities, we have further promoted the culture of Chinese medicine and enhanced the international influence of Tong Ren Tang. The Group was also awarded “Brand of the Year” in UK’s “2015 World Branding Awards”, as well as the most influential Asian brand award in Chinese medicine in Singapore.

In Hong Kong, we launched the free Chinese medical consultation service in designated retail outlets this Year and held many product promotion activities, so that more people understood the profound Chinese medicine treatment and the efficacy and benefits of Tong Ren Tang products. In October this year, we sponsored the “Innovation and Technology Carnival” exhibition in School of Chinese Medicine of Hong Kong Baptist University and jointly published the “Guide to Chinese Medicine Healthcare” to the public to promote the culture of Chinese medicine. In addition, we continued to strengthen publicity of Tong Ren Tang key products on 129 buses of different routes in Hong Kong Island and Kowloon to promote Angong Niu Huang Wan and Ganoderma Lucidum Spores Powder Capsule, making Tong Ren Tang brand products more popular among Hong Kong people.

### ***Human Resources Management***

At 31 December 2015, we have a total of 657 employees (2014: 602 employees).

The Group's staff costs for the Year were HK\$137.6 million (2014: HK\$117.3 million), representing an increase of 17.3% from last year, which was primarily due to the increase in number of salesmen, doctors of Chinese medicine, therapists and administrative staff to cater for our expansion needs in business. To ensure that the Group is able to attract and retain talents, remuneration policies were reviewed on a regular basis. In addition, discretionary bonus was offered to qualified employees with reference to the Group's results and individual performance.

### ***Business Prospect***

As strategy of China's "One Belt and One Road" continues to develop, the internationalization of Chinese medicine industry is facing new opportunities. In response to the national urge of "Traditional Chinese Medicine Going Global", the Group will continue to expand the overseas market and establish Chinese medical and healthcare centres, and accelerate the registration of the Group's self-manufactured products and the parent group products in overseas in order to continue to expand the overseas market share of Tong Ren Tang brand products. In the future, the Group will seek diversified developments, with "Big Health" as the development concept, "Localization" as the development method, "Capital Operation" as the development tool and "Brand Culture" as the development cornerstone, and strive to establish local production bases overseas so as to build a longitudinally closed chain for the integration of cultivation, procurement, research and development, production, sales, service and culture. We also keep the long-term interests of our shareholders in mind and make overall plans and prudent investments according to the situations of different countries, regions, stores and products.

We will fulfil the growing needs for health and healthcare by strengthening the cooperation with mainstream foreign universities, adhering to the development and collaborative innovation of Chinese medicine, as well as constantly enriching the theory and practice of the Chinese medicine. We will widely spread the finest Chinese culture, form a sense of cultural identity and consensus and contribute to the Chinese Dream of the Chinese nation.

### **Financial Review**

#### ***Revenue***

During the Year, the Group revenue reached HK\$970.5 million (2014: HK\$761.1 million), representing an increase of 27.5% from last year. The increase was mainly driven by the strong demand for our owned products and expansion of our sales network globally.

#### ***Gross Profit***

The Group's gross profit increased by 25.4% to HK\$680.9 million (2014: HK\$543.0 million), while the gross profit margin was 70.2% (2014: 71.4%), which was in line with last year's level.

### ***Distribution and Selling Expenses***

The Group's distribution and selling expenses increased by 15.7% to HK\$141.9 million (2014: HK\$122.6 million). The increase was mainly attributable to the increase of rental expenses, staff costs, depreciation of fixed assets and other selling expenses as the number of retail outlets increased during the Year. Distribution and selling expenses as a percentage to revenue decreased slightly from 16.1% last year to 14.6% this Year.

### ***General and Administrative Expenses***

The Group's general and administrative expenses increased by 14.9% to HK\$90.1 million (2014: HK\$78.4 million). The increase was mainly attributable to (i) an increase in the number of administrative and management personnel driven by business expansion and increase in number of subsidiaries, which led to the increase in wages and welfare expenses, rental expenses, depreciation of fixed assets, as well as other related administrative expenses; and (ii) an increase in legal and professional fee due to an increase in number of feasibility studies as the Group keeps business expanding. General and administrative expenses as a percentage to revenue has a slight decrease from 10.3% last year to 9.3% this Year.

### ***Finance Income and Costs***

The Group's finance income decreased by HK\$2.7 million to HK\$8.7 million (2014: HK\$11.4 million). Such decrease was mainly attributable to the decrease in average short-term bank interest rates from last year.

The Group's finance costs was HK\$0.2 million (2014: Nil) which was generated from a long-term bank borrowings for purchase of a property by a subsidiary of the Company in Australia during the Year.

### ***Taxation***

The Group's income tax expense increased by 35.5% to HK\$82.0 million (2014: HK\$60.5 million). Such increase was mainly due to an increase in taxable income for the Year. The weighted average applicable tax rate for the Year has slightly increased from 16.5% last year to 17.1%, which was caused by the change in proportion of contribution of taxable profit.

### ***Net profit, profit attributable to shareholders of the Company, basic earnings per share and dividend***

The Group's net profit increased 27.1%, to HK\$374.6 million (2014: HK\$294.7 million), with a net profit margin of 38.6% for the Year (2014: 38.7%). Profit attributable to shareholders of the Company amounted to HK\$354.2 million (2014: HK\$287.1 million), representing an increase of 23.4% from last year. The basic earnings per share were 42 HK cents (2014: 35 HK cents). The Directors recommend the payment of a final dividend of 13 HK cents per share for the Year (2014: 10 HK cents).

### ***Financial Resources and Liquidity***

During the Year, the Group funded its liquidity by the net proceeds from the Company's listing on GEM of the Stock Exchange on 7 May 2013 and resources generated internally. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances, the Group has adequate liquidity and financial resources to meet the daily operations and working capital requirements as well as to fund its expansion plans.

The Group continued to be in a strong financial position and its cash and bank balances were mainly denominated in Hong Kong dollars, Renminbi, Macao pataca, Singapore dollar, Australian dollar and Canadian dollar and were deposited in reputable financial institutions with maturity dates falling within one year. The table below sets out the information regarding cash and bank balances, working capital, total equity, current ratio and net gearing ratio as at 31 December 2014 and 2015 and net cash generated from operating activities for the year ended 31 December 2014 and 2015:

	<b>As At 31 December</b>	
	<b>2015</b>	<b>2014</b>
	HK\$'000	HK\$'000
Cash and bank balances	1,280,266	1,033,912
Working Capital <sup>(1)</sup>	1,541,472	1,228,646
Total Equity	1,908,915	1,536,861
Current Ratio <sup>(2)</sup>	14.7	14.5
Net Gearing ratio <sup>(3)</sup>	0.03%	N/A
	<b>For the year ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
	HK\$'000	HK\$'000
Net cash generated from operating activities	353,576	244,734

<sup>(1)</sup> *Being net current assets*

<sup>(2)</sup> *Being current assets divided by current liabilities*

<sup>(3)</sup> *Being borrowings divided by total equity. The Group had no borrowings at 31 December 2014, and therefore gearing ratio was not applicable*

### **Capital Expenditure**

During the Year, the Group's capital expenditure incurred amounted to HK\$89.3 million (2014: HK\$71.2 million), which was primarily used for the establishment of new retail outlets and addition to intangible assets.

### **Major Investment, Acquisitions and Disposals**

On 27 February 2015, the Group has completed the acquisition of 51% of the issued shares of Honour Essence Trading Limited with total consideration of HK\$71.4 million, which was settled by the issue of 7,100,000 ordinary shares of the Company to the vendor.

### **Charges over Assets of the Group**

At 31 December 2015, the Group's net property value of HK\$12.3 million has been pledged as securities for long-term bank borrowing. Such bank borrowing in Australian dollars bears interest at 1.5% plus the bank bill rate of the day in Australia per annum and is wholly repayable in 2020.

### **Contingent Liabilities**

At 31 December 2015, the Group did not have any significant contingent liabilities.

### **Foreign Currency Risk**

The Group's main business operations are conducted in Hong Kong and other overseas countries/regions. The transactions, monetary assets and liabilities of the Group are mainly denominated in Hong Kong dollar, Renminbi, Macao pataca, Singapore dollar, Australian dollar, Canadian dollar and United States dollar. During the Year, there was no material impact to the Group arising from the fluctuation in the exchange rates of these currencies.

The Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign exchange exposure during the Year.

### **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 2013 (the "Prospectus"), mainly to the effect that at any time until their collective beneficial interest in the equity interest in the Company is less than 30%, each of them shall not, and shall procure their respective subsidiaries (except through its interests in the Group) not to, without prior written consent of the Company, directly or indirectly:

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

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.

## **DIVIDENDS**

The Board recommends a final dividend of 13 HK cents per share for the year ended 31 December 2015, such dividends will be proposed for approval at the annual general meeting (“AGM”) of the Company on Friday, 6 May 2016, and, if approved, are payable to shareholders whose names appear on the Register of Members of the Company on Monday, 16 May 2016.

Subject to approval by the Company’s shareholders at the AGM, the final dividend will be paid on or around Monday, 30 May 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

### ***AGM***

In order to determine the entitlements of the Shareholders to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, 3 May 2016 to Friday, 6 May 2016, both days inclusive, during which period no transfer of shares will be registered.

All transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 29 April 2016.



### ***Final Dividend***

In order to determine the list of shareholders of the Company who are entitled to receive the final dividend for the year ended 31 December 2015, the Register of Members of the Company will be closed from Thursday, 12 May 2016 to Monday, 16 May 2016, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the above-mentioned dividends (if approved), all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 11 May 2016.

### **REVIEW OF ANNUAL RESULTS**

The audit committee of the Company (the "Audit Committee") has three members comprising three independent non-executive Directors, Mr. Chan Ngai Chi (Chairman of the Audit Committee), Ms. Leung, Oi Sie Elsie and Mr. Zhao Zhong Zhen, with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are mainly to communicate with external auditor; to review the accounting policy, financial position and financial reporting procedures of the Group; and to assess the financial reporting system, internal control procedures and risk management function of the Group and making recommendations thereof. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2015.

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

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### **CORPORATE GOVERNANCE**

During the year ended 31 December 2015, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 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 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all the Directors, all the Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the year ended 31 December 2015.

## **INTERESTS OF THE COMPLIANCE ADVISER**

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 7 May 2013, the date of the listing, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 31 December 2015 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Hong Kong, 11 March 2016

*As at the date of this announcement, the Board comprises the 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 will remain on the "Latest Company Announcement" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its posting and on the Company's website at [www.tongrentangcm.com](http://www.tongrentangcm.com).*