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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)

2017 INTERIM 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 six months ended 30 June 2017. This announcement, containing the full text of the 2017 interim report of the Company, complies with the relevant requirements of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of interim results. Printed version of the Company’s 2017 interim 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 August 2017.

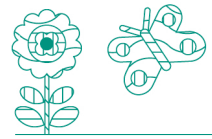
By order of the Board
Beijing Tong Ren Tang
Chinese Medicine Company Limited
Mei Qun
Chairman

Hong Kong, 8 August 2017

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

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, 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.

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



CORPORATE INFORMATION

DIRECTORS

Non-executive Director

Mei Qun (*Chairman*)

Executive Directors

Ding Yong Ling
Zhang Huan Ping
Lin Man

Independent Non-executive Directors

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
Wanchai
Hong Kong

LEGAL ADVISER

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

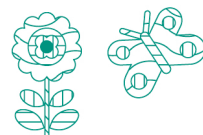
AUDITOR

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

STOCK CODE

8138

FINANCIAL HIGHLIGHTS

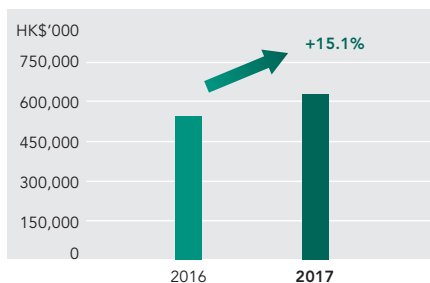


(HK\$'000)	Six months ended 30 June		
	2017	2016	Change
Revenue	623,775	541,950	+ 15.1%
Gross profit	460,092	400,281	+ 14.9%
Profit attributable to owners of the Company	257,349	228,552	+ 12.6%
Earnings per share	HK\$0.31	HK\$0.27	+ 14.8%

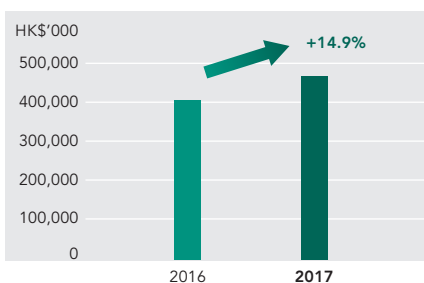
(HK\$'000)	30 June		
	2017	31 December 2016	Change
Cash and bank balances	1,686,496	1,583,601	+ 6.5%
Total assets	2,572,521	2,354,822	+ 9.2%
Total equity	2,368,239	2,227,237	+ 6.3%

For the six months ended 30 June 2017

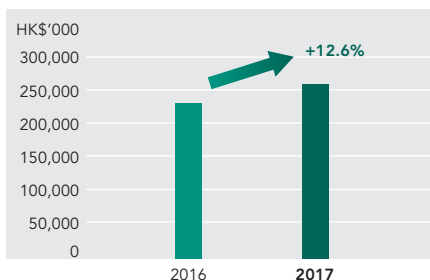
Revenue



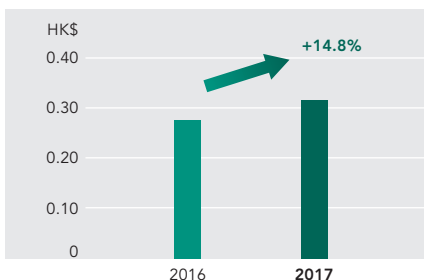
Gross Profit



Profit Attributable to Owners of the Company



Earnings Per Share





MANAGEMENT DISCUSSION AND ANALYSIS

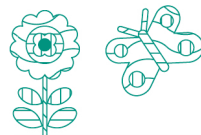
BUSINESS REVIEW

Although the global economy has recovered moderately and gradually stabilized, it is still facing material uncertainty and risks of downturn. For the six months ended 30 June 2017 (“the Period”), the Group continued to pursue a strategic approach of seeking progress amidst stability. It recorded a revenue of HK\$623.8 million (2016: HK\$542.0 million), representing an increase of 15.1% over the same period of last year, and profit attributable to owners of the Company of HK\$257.3 million (2016: HK\$228.6 million), representing an increase of 12.6% over the same period of last year. The Group’s retail revenue and same store sales increased by 20.1% and 12.0% respectively as compared with the same period of last year.

The solid cultural philosophy adhered to China’s traditional Chinese medicine (“TCM”) is not only valued by the Chinese nation as precious treasure, but is also widely recognised by the international society. Our Group, which acts as an overseas development platform of Tong Ren Tang dedicated at implementing the state’s strategy of “Going Global”, has built a solid foundation in Hong Kong and aim for the global market, with a mission of the global promotion of TCM culture. Following our expansion into the United States last year, the Group has achieved a breakthrough in our expansion into the mainstream market. During the Period, we continued to strengthen our existing market foundation and opened three retail outlets in the United States, Singapore and Australia. As a result, the Group’s business coverage outside Mainland China has extended to 19 countries and regions with 70 retail outlets, achieving the global development strategy layout of “Anchor in Asia and march to overseas”.

Market expansion

During the Period, Tong Ren Tang expands its footprints to Kazakhstan. Our master of TCM and the representative heir of the national intangible heritage of “TCM Culture”, together with Tong Ren Tang’s TCM healthcare experts, provided a three-day free medical consultation service for the locals, which helped us to explore the possibility of providing Chinese medicine products and services that cater to the need of the local markets, and to further enhance the visibility and influence of the “Tong Ren Tang” brand overseas. Meanwhile, we jointly organized the 3rd Maritime Silk Road International Forum on Traditional Chinese Medicine and the 1st “One Belt and One Road” (Dubai) Chinese Women’s Elite Forum in Dubai, which aimed to provide an academic platform for people who are passionate or engaged in the TCM industry in countries along the Belt and Road to exchange and share the results of scientific research studies and development of TCM. In addition, the forums also facilitated the discussion on the internationalization, modernization and industrialization of TCM. Furthermore, through the on-site joint free medical consultation and the free consultation at Tong Ren Tang outlet, the forums have promoted the exquisite skills of TCM and enhanced the local influence of Tong Ren Tang.



We also cooperated with the “Time Together Across the Strait” program team of Beijing TV for an interview of Tong Ren Tang in Cambodia. The program reported the 11 years of hardship endured in the development of Tong Ren Tang brand in Cambodia and its eventual success in promoting the TCM culture.

As the core market of the Group, we strive to focus on Hong Kong to comprehensively promote the internationalization of TCM. During the Period, we jointly organized the 1st International Chinese Medicine Cultural Festival. Through different levels of activities, the harmony achieved by TCM with culture and arts, and the relationship between TCM and modern life were illustrated in a contemporary approach with a view to promote TCM to overseas. In active response to the “Capital State-owned Enterprises Open Day” and the celebration of the 20th Anniversary of the Return of Sovereignty of Hong Kong, we held an open-day at our production base in Tai Po Industrial Estate and at the flagship store in Hong Kong. Not only could the public further understand the historical development of TCM, they could also get in touch with the relics and tools for making medicines in the past and learn about the preparation process of Chinese medicine and basic knowledge of healthcare. During the event, we also invited a professor from the Hong Kong University to host a lecture on the prevention and treatment of stroke, and arranged several Chinese medicine practitioners to provide free on-site medical consultation and conducted special sessions on Chinese medicine and healthcare-related topics, such as Ba Duan Jin exercise, which allowed participants to understand the efficacy of TCM treatments. On the other hand, we participated in the “Health Expo” held in the Hong Kong Convention and Exhibition Centre for the first time. With the theme of “Cerebrovascular Healthcare — Steps to Prevention, Emergency and Nursing”, we raised the awareness of the public on cerebrovascular by briefing sessions on our products, lectures, workshops and free medical consultation. Moreover, a game called “Ren Ren Rewards — Ladies Series” was launched on Facebook with an aim to increase the understanding on Tong Ren Tang’s products through online games. We also launched a Chinese medicine channel named “Tong Ren Medicine Diet” on “Day Day Cook”, a well-known online platform in Hong Kong, to explain and introduce knowledge on TCM and healthy diets to the public by videos.

During the Period, the outstanding performance of Tong Ren Tang was well recognized by the public again. The Company stands out from hundreds of well-known enterprises, and was awarded the 17th “Capital Outstanding Enterprise Awards — Outstanding Chinese Medicine Group” by Capital magazine in Hong Kong.



MANAGEMENT DISCUSSION AND ANALYSIS

Production, Research and Development

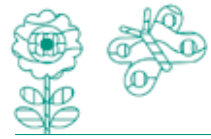
We continue to adhere to the development aim of the Company, and have started working on the development of new Chinese patent medicines, research and production of high-end nutrition products, overseas registration of premium traditional Chinese medicine as well as extensive scientific research of products. During the Period, we have proactively promoted products registration in overseas markets and have submitted or filed a total of 18 product registration applications in Macao, Australia and Poland. In terms of scientific research studies of products, we have continued our cooperation with overseas scientific research institutions. Our dedicated research efforts on the safety and action mechanism of our key products, Angong Niu Huang Wan and Ganoderma Lucidum Spores Powder Capsule, have achieved a clearer theoretical support, which will have a significant and positive impact on the development of our key products.

Future Prospect

As a long-established and reputable Chinese brand, Tong Ren Tang has adhered to its philosophy of “Innovation through Succession, Development by Innovation”. The Group has committed to develop an internationalized and professional TCM group that integrates the elements of cultivation, procurement, research and development, production, sales, service, culture and education. As a missionary for TCM in the “Belt and Road” initiative, Beijing Tong Ren Tang shoulders the responsibility of promoting the cultural heritage and innovation of the TCM. With our continuous efforts on exploring the cultural connotations of TCM together with the “Going Abroad” development strategy, we have commenced the “Expedition of TCM Culture of Tong Reng Tang along the Belt and Road” campaign with a view to enhance the overseas inheritance and development of TCM culture. Meanwhile, targeting on endemic and frequent diseases occurred in foreign regions, Tong Reng Tong will focus on the research, development and promotion of its products and the provision of high quality Chinese medical service with an aim to make contributions to the prevention and treatment of diseases and the healthcare and wellness of the general public, in order to transform TCM into a golden key to a healthy life for the people.

Human Resources

As at 30 June 2017, we had a total of 753 employees (2016: 670 employees). During the Period, the staff cost of the Group was HK\$78.7 million (2016: HK\$67.1 million). In order to attract and retain talents, the Group reviewed its remuneration policy on a regular basis and offered discretionary bonus to qualified employees according to the results and personal performance.



FINANCIAL REVIEW

Financial Resources and Liquidity

As at 30 June 2017, the Group continued to be in a strong financial position with cash and bank balances amounting to HK\$1,686.5 million (31 December 2016: HK\$1,583.6 million). During the Period, the Group funded its liquidity by resources generated internally. Based on the Group's steady cash inflow from operations, coupled with the net proceeds from the listing and sufficient cash and bank balances, the Group has adequate liquidity and financial resources to meet the current working capital requirements as well as to fund its expansion plans.

As at 30 June 2017, the Group's cash and bank balances were mainly denominated in Hong Kong dollars, Renminbi, Macao pataca, Singapore dollar, Australian dollar, Canadian dollar and United States dollar and were deposited in reputable financial institutions with maturity dates falling within one year.

As at 30 June 2017, the Group had total non-current assets, net current assets and net assets of HK\$412.3 million, HK\$1,960.3 million and HK\$2,368.2 million, respectively (31 December 2016: HK\$398.2 million, HK\$1,833.8 million and HK\$2,227.2 million respectively). The current ratio of the Group, defined as the ratio of current assets to current liabilities, was 10.8 as at 30 June 2017 (31 December 2016: 15.9), which reflects the abundance of financial resources of the Group. The gearing ratio of the Group, defined as the borrowings to total equity, was 0.025% as at 30 June 2017 (31 December 2016: 0.025%).

Capital Expenditure

During the Period, the Group's capital expenditure was HK\$19.2 million (2016: HK\$7.7 million), which was mainly used in the establishment of new overseas retail outlets and purchase of property for retail purpose.



MANAGEMENT DISCUSSION AND ANALYSIS

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 Period, 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 Period.

Major Investment, Acquisitions and Disposals

During the Period, the Group did not have any major investment, acquisitions and disposals.

Charges over Assets of the Group

At 30 June 2017, the Group's property with net book value of HK\$12.3 million (31 December 2016: HK\$11.6 million) has been pledged as securities for long-term bank borrowings. Such bank borrowings in Australian dollars bear interest at 1.5% plus the bank bill rate of the day in Australia per annum and is wholly repayable in 2020.

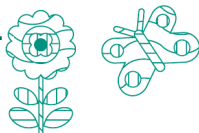
Contingent Liabilities

At 30 June 2017, the Group did not have any significant contingent liabilities.

Dividends

The board of Directors ("Board") does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

CONDENSED CONSOLIDATED INCOME STATEMENT



The Board is pleased to announce the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	6	308,746	276,628	623,775	541,950
Cost of sales	7	(86,425)	(72,109)	(163,683)	(141,669)
Gross profit		222,321	204,519	460,092	400,281
Distribution and selling expenses	7	(48,099)	(35,970)	(95,715)	(71,915)
General and administrative expenses	7	(26,743)	(21,821)	(50,018)	(44,573)
Other gains		221	1,954	869	2,362
Operating profit		147,700	148,682	315,228	286,155
Finance income		3,457	1,841	6,229	4,050
Finance costs		(10)	(9)	(17)	(18)
Finance income, net		3,447	1,832	6,212	4,032
Share of losses of investments accounted for using the equity method		(346)	(546)	(398)	(1,491)
Profit before income tax		150,801	149,968	321,042	288,696
Income tax expense	8	(22,278)	(24,705)	(55,018)	(49,645)
Profit for the period		128,523	125,263	266,024	239,051
Profit attributable to:					
Owners of the Company		124,795	120,136	257,349	228,552
Non-controlling interests		3,728	5,127	8,675	10,499
		128,523	125,263	266,024	239,051
Earnings per share attributable to owners of the Company (expressed in HK\$ per share)					
Basic and diluted	9	0.15	0.14	0.31	0.27

The notes on pages 15 to 31 are an integral part of this condensed consolidated interim financial information.

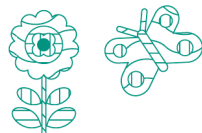


CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Profit for the period	128,523	125,263	266,024	239,051
Other comprehensive income:				
<i>Item that may be reclassified to profit or loss</i>				
Change in value of available-for-sale financial asset	1,005	–	1,500	–
Currency translation differences	4,331	(2,513)	10,360	4,133
Other comprehensive income/(loss) for the period	5,336	(2,513)	11,860	4,133
Total comprehensive income for the period	133,859	122,750	277,884	243,184
Attributable to:				
Owners of the Company	129,050	117,833	266,516	230,984
Non-controlling interests	4,809	4,917	11,368	12,200
Total comprehensive income for the period	133,859	122,750	277,884	243,184

The notes on pages 15 to 31 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET



	Note	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
ASSETS			
Non-current assets			
Leasehold land	11	16,281	16,551
Property, plant and equipment	12	267,730	256,012
Intangible assets	13	80,250	81,279
Investments accounted for using the equity method		19,913	19,810
Available-for-sale financial asset		14,813	13,313
Deposits paid for purchase of property, plant and equipment		1,625	1,221
Deferred income tax assets		11,646	9,990
		412,258	398,176
Current assets			
Inventories		240,017	178,539
Trade receivables and other current assets	14	233,750	194,506
Short-term bank deposits		1,141,358	786,044
Cash and cash equivalents		545,138	797,557
		2,160,263	1,956,646
Total assets		2,572,521	2,354,822
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	938,789	938,789
Reserves			
— Other reserves		(15,476)	(26,301)
— Retained earnings		1,331,808	1,210,053
		2,255,121	2,122,541
Non-controlling interests		113,118	104,696
Total equity		2,368,239	2,227,237

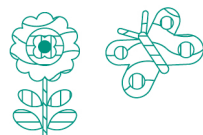


CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings		596	556
Deferred income tax liabilities		3,703	4,138
		4,299	4,694
Current liabilities			
Trade and other payables	16	133,159	88,372
Current income tax liabilities		66,824	34,519
		199,983	122,891
Total liabilities		204,282	127,585
Total equity and liabilities		2,572,521	2,354,822

The notes on pages 15 to 31 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



	Unaudited								
	Attributable to owners of the Company								
	Share capital HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2016	938,789	(13,124)	830	4,130	(14,643)	899,726	1,815,708	93,207	1,908,915
Comprehensive income									
Profit for the period	-	-	-	-	-	228,552	228,552	10,499	239,051
Other comprehensive loss									
Currency translation differences									
— the Group	-	-	-	-	1,813	-	1,813	1,701	3,514
— Joint ventures and an associate	-	-	-	-	619	-	619	-	619
Total comprehensive income	-	-	-	-	2,432	228,552	230,984	12,200	243,184
Transactions with owners in their capacity as owners									
Transfer of retained earnings to statutory reserve	-	-	-	1,030	-	(1,030)	-	-	-
Dividends relating to 2015 paid in May 2016 (Note 10)	-	-	-	-	-	(108,823)	(108,823)	(9,800)	(118,623)
Capital injection into subsidiaries	-	-	-	-	-	-	-	4,047	4,047
Total transactions with owners in their capacity as owners	-	-	-	1,030	-	(109,853)	(108,823)	(5,753)	(114,576)
At 30 June 2016	938,789	(13,124)	830	5,160	(12,211)	1,018,425	1,937,869	99,654	2,037,523
At 1 January 2017	938,789	(13,124)	355	5,295	(18,827)	1,210,053	2,122,541	104,696	2,227,237
Comprehensive income									
Profit for the period	-	-	-	-	-	257,349	257,349	8,675	266,024
Other comprehensive income									
Change in value of available-for-sale financial asset	-	-	1,500	-	-	-	1,500	-	1,500
Currency translation differences									
— the Group	-	-	-	-	7,167	-	7,167	2,693	9,860
— Joint ventures and an associate	-	-	-	-	500	-	500	-	500
Total comprehensive income	-	-	1,500	-	7,667	257,349	266,516	11,368	277,884
Transactions with owners in their capacity as owners									
Transfer of retained earnings to statutory reserve	-	-	-	1,658	-	(1,658)	-	-	-
Dividends relating to 2016 paid in May 2017 (Note 10)	-	-	-	-	-	(133,936)	(133,936)	(14,678)	(148,614)
Capital injection into subsidiaries	-	-	-	-	-	-	-	11,732	11,732
Total transactions with owners in their capacity as owners	-	-	-	1,658	-	(135,594)	(133,936)	(2,946)	(136,882)
At 30 June 2017	938,789	(13,124)	1,855	6,953	(11,160)	1,331,808	2,255,121	113,118	2,368,239

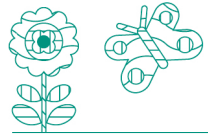
The notes on pages 15 to 31 are an integral part of this condensed consolidated interim financial information.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Net cash generated from operating activities	249,054	251,562
Cash flows from investing activities		
Interest received	6,249	4,050
Increase in short-term bank deposits with original maturities exceeding three months	(355,314)	(53,893)
Purchase of property, plant and equipment	(18,907)	(7,371)
Proceeds from disposal of property, plant and equipment	40	–
Deposit paid for purchase of property, plant and equipment	(697)	(1,498)
Net cash used in investing activities	(368,629)	(58,712)
Cash flows from financing activities		
Capital injection by non-controlling interests	11,732	4,047
Dividends paid to the Company's shareholders	(133,936)	(108,823)
Dividends paid to non-controlling shareholders	(14,678)	(9,800)
Net cash used in financing activities	(136,882)	(114,576)
Net (decrease)/increase in cash and cash equivalents	(256,457)	78,274
Cash and cash equivalents at beginning of period	797,557	759,860
Exchange gains on cash and cash equivalents	4,038	1,242
Cash and cash equivalents at end of period	545,138	839,376
Analysis of balances of cash and cash equivalents		
Cash at bank and on hand and deposits with banks with original maturity within three months	545,138	839,376

The notes on pages 15 to 31 are an integral part of this condensed consolidated interim financial information.



1 GENERAL INFORMATION

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

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

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated. This consolidated interim financial information has been approved for issue by the Board on 8 August 2017.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the three months and six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules of the Stock Exchange.

The financial information relating to the year ended 31 December 2016 that is included in this condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for the year 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 (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Companies Registry as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

Taxation on income in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Adoption of amendments to standards

The following are amendments to existing standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2017.

HKAS 7 (Amendment)	Disclosure initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interests in Other Entities

The adoption of above amendments to existing standards does not have any significant financial effect on this condensed consolidated interim financial information.

(b) Standards and amendments which are not yet effective

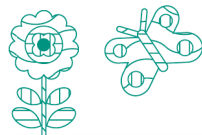
The following are new standard and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 January 2018, but have not been early adopted by the Group.

HKAS 28 (Amendment)	Investments in Associates and Joint Ventures ⁽¹⁾
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions ⁽¹⁾
HKFRS 9	Financial Instruments ⁽¹⁾
HKFRS 15	Revenue from Contracts with Customers ⁽¹⁾
HKFRS 15 (Amendment)	Clarifications to HKFRS 15 ⁽¹⁾
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ⁽¹⁾
HKFRS 16	Leases ⁽²⁾
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for the accounting period beginning on 1 January 2018

⁽²⁾ Effective for the accounting period beginning on 1 January 2019

⁽³⁾ Effective date to be determined



3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Standards and amendments which are not yet effective *(Continued)*

The Group will apply the above new standard 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 standard and amendments to standards and does not expect that the adoption of these new standard and amendments to standards will result in any material impact on the Group's results and financial position.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management policies since year end.

(b) Liquidity risk

Compared to 31 December 2016, there was no material change in the contractual undiscounted cash out flows for financial liabilities.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

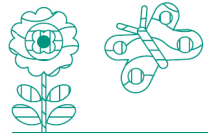
	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Sales of products	296,688	266,845	601,710	523,366
Service income	11,858	9,567	21,682	18,161
Royalty fee income	200	216	383	423
	308,746	276,628	623,775	541,950

(b) 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 "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 as follows:

- (i) Hong Kong — sale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments through retail outlets as well as wholesale of Chinese medicine products and healthcare products in Hong Kong. In addition, it includes the royalty fee income received from overseas entities for using "Tong Ren Tang" brand name.
- (ii) Mainland China — wholesale of healthcare products in Mainland China and the sole distribution of Tong Ren Tang branded products of Tong Ren Tang Technologies and Tong Ren Tang Ltd. to customers outside Mainland China.



6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

- (iii) Overseas — retail and wholesale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments in other overseas countries, including Macao.

Unallocated items comprise mainly corporate expenses.

Sales between segments are carried in accordance with terms agreed by the parties involved.

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, available-for-sale financial asset, deferred income tax assets, deposits paid for purchase of property, plant and equipment, inventories, trade receivables and other current assets, short-term bank deposits and cash and cash equivalents. Segment liabilities include borrowings, trade and other payables, current and deferred income tax liabilities.



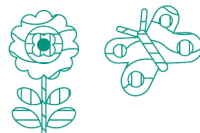
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(i) Analysis of condensed consolidated income statement

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
Six months ended 30 June 2017 (Unaudited)				
Segment revenue	474,417	222,279	149,634	846,330
Inter-segment revenue	(156,981)	(64,838)	(736)	(222,555)
Revenue from external customers	317,436	157,441	148,898	623,775
Segment results	292,138	22,014	9,696	323,848
Inter-segment elimination				(8,620)
Operating profit				315,228
Finance income	6,054	98	77	6,229
Finance cost	-	-	(17)	(17)
Share of losses of investments accounted for using equity method				(398)
Profit before income tax				321,042
Income tax expense	(47,315)	(5,976)	(1,727)	(55,018)
Profit for the period				266,024



6 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(i) Analysis of condensed consolidated income statement (Continued)

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
Six months ended				
30 June 2016 (Unaudited)				
Segment revenue	470,809	146,186	122,639	739,634
Inter-segment revenue	(161,295)	(35,913)	(476)	(197,684)
Revenue from external customers	309,514	110,273	122,163	541,950
Segment results	268,066	13,651	10,014	291,731
Inter-segment elimination				(5,576)
Operating profit				286,155
Finance income	3,957	71	22	4,050
Finance cost	(3)	–	(15)	(18)
Share of losses of investments accounted for using equity method				(1,491)
Profit before income tax				288,696
Income tax expense	(44,362)	(2,594)	(2,689)	(49,645)
Profit for the period				239,051



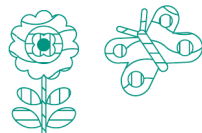
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(ii) Analysis of condensed consolidated balance sheet

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
At 30 June 2017 (Unaudited)				
Segment assets and liabilities				
Total assets	2,063,116	228,184	281,221	2,572,521
Investments accounted for using equity method	12,738	–	7,175	19,913
Total liabilities	(106,315)	(70,567)	(27,400)	(204,282)
At 31 December 2016 (Audited)				
Segment assets and liabilities				
Total assets	1,976,634	122,994	255,194	2,354,822
Investments accounted for using equity method	11,467	–	8,343	19,810
Total liabilities	(73,863)	(28,653)	(25,069)	(127,585)



7 EXPENSES BY NATURE

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	70,279	57,688	130,877	112,662
Employee benefit expenses (including directors' emoluments)	40,959	34,156	78,721	67,119
Operating leases payments	18,283	14,738	36,452	29,195
Amortisation of prepaid operating payments (Note 11)	134	135	270	271
Amortisation of intangible assets (Note 13)	427	325	1,169	650
Depreciation of property, plant and equipment (Note 12)	5,824	5,548	11,375	11,277
Loss on disposal of property, plant and equipment	50	24	50	24
Write-off of inventories	39	11	39	11
Advertising and promotion expenses	8,870	2,046	12,466	5,074
Net exchange loss/(gain)	88	68	(62)	(336)

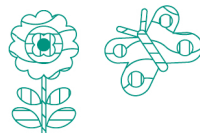


NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 INCOME TAX EXPENSE

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current income tax				
Hong Kong	20,119	23,378	48,699	44,831
Mainland China	2,086	913	5,527	3,432
Overseas	783	1,135	2,834	2,710
Deferred income tax credit	22,988	25,426	57,060	50,973
Income tax expense	(710)	(721)	(2,042)	(1,328)
	22,278	24,705	55,018	49,645



9 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 June		Unaudited Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Profit attributable to owners of the Company	124,795	120,136	257,349	228,552
Weighted average number of ordinary shares in issue (thousand shares)	837,100	837,100	837,100	837,100
Earnings per share (HK\$)	0.15	0.14	0.31	0.27

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

10 DIVIDENDS

A dividend of HK\$133,936,000 in respect of the year ended 31 December 2016 was paid in May 2017 (2016: HK\$108,823,000).

During the six months ended 30 June 2017, the Board did not recommend the payment of any interim dividend (2016: Nil).



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 LEASEHOLD LAND

The leasehold land represents prepaid operating lease payments and is held in Hong Kong on lease of between 10 and 50 years. Its net book value is analysed as follows:

	HK\$'000
Net book value at 1 January 2017 (audited)	16,551
Amortisation of prepaid operating payments	(270)
At 30 June 2017 (unaudited)	16,281

12 PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment is analysed as follows:

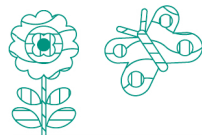
	HK\$'000
At 1 January 2017 (audited)	256,012
Additions	19,200
Disposals	(90)
Depreciation charge	(11,375)
Currency translation differences	3,983
At 30 June 2017 (unaudited)	267,730

As at 30 June 2017, bank borrowing is secured by a freehold land and building amounted to HK\$12,290,000 (31 December 2016: HK\$11,585,000).

13 INTANGIBLE ASSETS

The net book value of intangible assets is analysed as follows:

	Goodwill	Other intangible assets	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017 (audited)	49,419	31,860	81,279
Amortisation	–	(1,169)	(1,169)
Currency translation differences	–	140	140
At 30 June 2017 (unaudited)	49,419	30,831	80,250



14 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Trade receivables		
— fellow subsidiaries	93,628	45,797
— joint ventures	694	162
— an associate	639	–
— third parties	85,584	98,618
Trade receivables	180,545	144,577
Prepayment and other receivables	30,458	29,863
Deposits	21,633	18,952
Amount due from a joint venture	1,114	1,114
	233,750	194,506

The aging analysis of trade receivables (including amounts due from related parties of trading in nature) based on invoice date is as follows:

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Up to 3 months	136,218	129,603
3 to 6 months	38,056	12,193
6 months to 1 year	5,861	382
Over 1 year	410	2,399
	180,545	144,577



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 SHARE CAPITAL

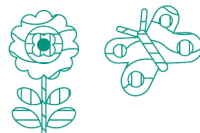
	Number of shares	Share capital HK\$'000
Ordinary shares issued and fully paid: At 1 January 2017 (audited) and 30 June 2017 (unaudited)	837,100,000	938,789

16 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Trade payables		
— fellow subsidiaries	82	—
— intermediate holding company	27,068	15,793
— immediate holding company	31,924	2,962
— third parties	18,475	17,489
Trade payables	77,549	36,244
Accruals and other payables	55,610	52,128
	133,159	88,372

The aging analysis of trade payables (including amounts due to the related parties of trading in nature) based on invoice date is as follows:

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Up to 3 months	69,640	34,260
3 to 6 months	6,050	1,604
6 months to 1 year	1,722	217
1 to 2 years	137	163
	77,549	36,244



17 COMMITMENTS

(a) Capital commitments

	Unaudited	Audited
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
Contracted but not provided for		
— property, plant and equipment	2,781	2,761

(b) Operating lease commitments

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

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

	Unaudited	Audited
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
No later than 1 year	59,666	52,591
Later than 1 year and no later than 5 years	87,102	75,730
Later than 5 years	9,297	8,433
	156,065	136,754

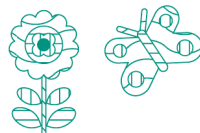


NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those disclosed in other sections of this condensed consolidated interim financial information, the following transactions were carried out with related parties.

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Sales of products to:					
Joint ventures	(i)	351	574	2,294	1,606
Fellow subsidiaries	(i)	56,383	35,104	96,487	69,160
		56,734	35,678	98,781	70,766
(b) Purchases of products from:					
Immediate holding company	(i)	26,424	8,616	37,191	13,924
Intermediate holding company	(i)	18,109	12,209	49,182	27,747
Fellow subsidiaries	(i)	70	398	529	909
		44,603	21,223	86,902	42,580
(c) Royalty fee income from joint ventures	(ii)	200	194	383	379
(d) Rental expense to a fellow subsidiary	(i)	960	450	1,990	900



18 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(e) Key management compensation

Key management includes directors (executive and non-executive) and senior management. The emoluments paid or payable to key management for employee services is as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Salaries and other short-term employee benefits	1,979	2,124	3,034	3,152
Pension costs — defined contribution plans	38	37	77	71
	2,017	2,161	3,111	3,223

Notes:

- (i) These transactions were conducted in the normal course of business at prices and terms mutually agreed between the parties involved.
- (ii) The royalty fee is charged annually by the Company at predetermined rates ranging from 1% to 3% on turnover of its joint ventures in accordance with the royalty agreements. Pursuant to these agreements, these joint ventures are allowed to trade under “Tong Ren Tang” brand name.



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2017, the interest and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) of Directors and chief executives of the Company which would have to be notified to the Company pursuant to 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:

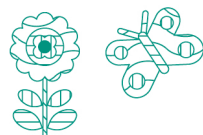
Long position in shares

	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 Rules 5.48 to 5.67 of the GEM Listing Rules.



SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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	45,936,000	5.49%
Greenwoods Asset Management Limited ⁽³⁾	Interest of controlled corporation	45,936,000	5.49%
Jiang Jinzhi ⁽³⁾	Interest of controlled corporation	45,936,000	5.49%
Unique Element Corp. ⁽³⁾	Interest of controlled corporation	45,936,000	5.49%

Notes:

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

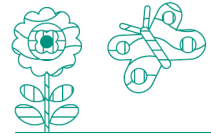


OTHER INFORMATION

- (3) According to the disclosure forms filed by Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Limited, Jiang Jinzhi and Unique Element Corp. on 8 December 2016, the following interests in shares of the Company were held by Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Limited, Jiang Jinzhi and Unique Element Corp. as follows:

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

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



RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS IN COMPETING BUSINESSES

To ensure that the business classification between the Company, Tong Ren Tang Ltd., Tong Ren Tang Technologies and Tong Ren Tang Holdings (collectively the “Controlling Shareholders”) are properly documented and established, each of the Controlling Shareholders entered into a deed of non-competition in favour of the Company on 18 April 2013 (the “Deed of Non-competition”), details of which are set out in the prospectus of the Company dated 25 April 2013 (the “Prospectus”), mainly to the effect that at any time until their collective beneficial interest in the equity interest in the Company is less than 30%, each of them shall not, and shall procure their respective subsidiaries (except through its interests in the Group) not to, without prior written consent of the Company, directly or indirectly:

- (i) engage in the research, development, manufacture and sales of any products containing ganoderma lucidum or ganoderma lucidum spores as raw materials in Hong Kong, Macao and markets outside of the PRC (the “Non-PRC Markets”);
- (ii) engage in the research, development, manufacture and sale of any products with “Tong Ren Tang” brands in Non-PRC Markets, except for the manufacture of the Chinese medicine products for the two independent third parties in Japan; for the avoidance of doubt and without prejudice to the generality of the Deed of Non-competition, except for the current excluded business in Japan, engage in arrangement with any other parties in the Non-PRC Markets similar to the excluded business in Japan;



OTHER INFORMATION

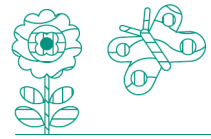
- (iii) carry out any sales or registration (new or renewal) for Angong Niu Huang Wan in the Non-PRC Markets;
- (iv) engage in the distribution of any Chinese medicine products in Non-PRC Markets, except for certain existing arrangements as disclosed in the Prospectus; and
- (v) carry out any new overseas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

In addition, under the Deed of Non-competition, each of the Controlling Shareholders has also undertaken that if each of them and/or any of its associates is offered or becomes aware of any project or new business opportunity (the “New Business Opportunity”) that relates to the Restricted Business, whether directly or indirectly, it shall (i) promptly and in any event not later than seven (7) days notify the Company in writing of such opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such opportunity; and (ii) use its best endeavours to procure that such opportunity is offered to the Company on terms no less favourable than the terms on which such opportunity is offered to it and/or its associates. The Directors (including the independent non-executive Directors) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity within thirty (30) business days of receipt of notice from Controlling Shareholders.

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

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

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



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

- (a) conduct quarterly inspection of the distribution channels of the Parent Group, including retail stores and wholesale customers, to check whether any products containing ganoderma lucidum or ganoderma lucidum spores as raw materials (other than ganoderma lucidum spores powder capsule manufactured by the Group) is sold in Non-PRC Markets; and
- (b) conduct quarterly communications with representatives of the Parent Group to confirm whether their research and development portfolio has any products which contain ganoderma lucidum or ganoderma lucidum spores as raw materials.

A supervisory committee (the “Competition Supervisory Committee”), comprising three independent non-executive Directors, namely, 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.

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

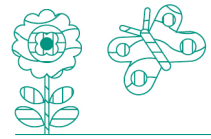
The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquires to all the Directors, all the Directors have confirmed that they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

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control are the essential parts of the operation and governance procedures of the Group. Effective risk management and internal control systems help the Group identify and evaluate risks, adopt monitoring measures to cope with threats, effectively continue its development strategies and ensure the realization of targets set.



The composition of and the division of duty on the Group's risk management and internal control were based on the theory of "Three Lines of Defence". The first line of defence refers to the relevant functional departments and operation units responsible for the systematic analysis, recognition, management and daily monitoring of the Group's major risks. The second line of defence means the risk management team responsible for assisting and leading the tasks related to risk management within the functional departments and operation units. The third line of defence means the internal audit department and the audit committee responsible for independently and objectively reviewing, evaluating and improving risk management and control, as well as the governance procedures. The Board has the overall responsibility of establishing, maintaining and reviewing the effectiveness of the risk management and internal control system to safeguard the Group's assets and shareholders' interests, minimize the operational risks, and provide reasonable assurance in the aspect of avoiding the material misstatement on financial and non-financial information.

During the Period, there was no significant change on the ten major risks identified by the Group. The relevant functional departments and operation units performed daily monitoring on the identified risks pursuant to the established risk management procedures, and submitted a "Risk Control Report", which summarised the overall status of the risks and risk management activities during the Period, to the risk management team. The risk management team prepared "Risk Management Report" in accordance with the monitoring status of the ten major risks and the internal audit department reported the risk management status to the audit committee.

During the Period, the management and staffs of the relevant functional departments and operation units of the Group, taking into account of the opinions from experienced external advisor in the field of designing and implementing internal control system, analyze the control environment at the company level and the procedure/trading level, and also evaluate the risks related to our operations and procedures. With reference to the analysis and evaluation result, the relevant functional departments and operation units are reviewing the sufficiency and effectiveness of various monitoring measures under high risk, and have proceeded with their rectification, renewal and refining.



OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company has reviewed the 2017 interim report.

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

Hong Kong, 8 August 2017