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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 2017

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

	Year ended 31 December		
	2017	2016	Change
	HK$'000	*HK$'000*	
Revenue	**1,265,994**	1,084,280	+ 16.8%
Gross profit	**916,433**	795,087	+ 15.3%
Profit for the year	**505,512**	439,880	+ 14.9%
Profit attributable to owners of the Company	**489,967**	420,315	+ 16.6%
Basic and diluted earnings per share	**HK$0.59**	HK$0.50	+ 18.0%

	As at 31 December		
	2017	2016	Change
	HK$'000	*HK$'000*	
Cash and bank balances	**1,897,781**	1,583,601	+ 19.8%
Total assets	**2,760,655**	2,354,822	+ 17.2%
Total equity	**2,608,177**	2,227,237	+ 17.1%

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 2017 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December **2017** *HK$'000*	2016 *HK$'000*
Revenue	3	**1,265,994**	1,084,280
Cost of sales	4	**(349,561)**	(289,193)
Gross profit		**916,433**	795,087
Distribution and selling expenses	4	**(193,517)**	(161,901)
General and administrative expenses	4	**(127,293)**	(109,611)
Other net gains		**2,061**	3,924
Operating profit		**597,684**	527,499
Finance income		**13,356**	7,913
Finance costs		**(32)**	(43)
Finance income, net		**13,324**	7,870
Share of losses of investments accounted for using the equity method		**(42)**	(1,809)
Impairment loss on an investment accounted for using the equity method		**-**	(1,290)
Profit before income tax		**610,966**	532,270
Income tax expense	5	**(105,454)**	(92,390)
Profit for the year		**505,512**	439,880
Profit attributable to:			
Owners of the Company		**489,967**	420,315
Non-controlling interests		**15,545**	19,565
		505,512	439,880
Earnings per share attributable to owners of the Company for the year (expressed in HK$ per share)			
Basic and diluted earnings per share	6	**0.59**	0.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**505,512**	439,880
Other comprehensive income/(losses):		
Item that may be reclassified to profit or loss		
Change in fair value of available-for-sale financial asset	**2,005**	(475)
Currency translation differences	**16,519**	(4,721)
Other comprehensive income/(losses) for the year	**18,524**	(5,196)
Total comprehensive income for the year	**524,036**	434,684
Attributable to:		
Owners of the Company	**504,287**	415,656
Non-controlling interests	**19,749**	19,028
Total comprehensive income for the year	**524,036**	434,684

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
Assets			
Non-current assets			
Leasehold land		**16,008**	16,551
Property, plant and equipment		**263,555**	256,012
Intangible assets		**79,001**	81,279
Investments accounted for using the equity method		**20,766**	19,810
Available-for-sale financial asset		**15,318**	13,313
Deposits paid for purchase of property, plant and equipment		**1,988**	1,221
Deferred income tax assets		**9,132**	9,990
		405,768	398,176
Current assets			
Inventories		**235,536**	178,539
Trade receivables and other current assets	8	**221,570**	194,506
Short-term bank deposits		**1,147,338**	786,044
Cash and cash equivalents		**750,443**	797,557
		2,354,887	1,956,646
Total assets		**2,760,655**	2,354,822
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**938,789**	938,789
Reserves			
- Other reserves		**(11,047)**	(26,301)
- Retained earnings		**1,565,150**	1,210,053
		2,492,892	2,122,541
Non-controlling interests		**115,285**	104,696
Total equity		**2,608,177**	2,227,237

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 31 December **2017** ***HK$'000***	 2016 *HK$'000*
Liabilities			
Non-current liabilities			
Borrowing		**605**	556
Deferred income tax liabilities		**4,419**	4,138
		5,024	4,694
Current liabilities			
Trade and other payables	9	**114,486**	88,372
Current income tax liabilities		**32,968**	34,519
		147,454	122,891
Total liabilities		**152,478**	127,585
Total equity and liabilities		**2,760,655**	2,354,822

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 for the purpose of this announcement, excluding Hong Kong, Macao and Taiwan) 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 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.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset, which is carried at fair value.

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

The financial results relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results 2017 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 Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2017 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 Companies Ordinance.

(i) Adoption of amendments to standards

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 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

2 Basis of preparation (Continued)

(i) Adoption of amendments to standards (continued)

The adoption of the above amendments to standards did not have any significant financial impact on these consolidated financial statements.

(ii) New standards, interpretations and amendments to standards which are not yet effective

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

HKAS 28 (Amendment)	Investments in Associates and Joint Ventures (1)
HKAS 40 (Amendment)	Transfers of Investment Property (1)
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards (1)
HKFRS 2 (Amendment)	Classification and Measurement of Share based Payment Transactions (1)
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (1)
HKFRS 9	Financial Instruments (1)
HKFRS 9 (Amendment)	Prepayment Features with Negative compensation (2)
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (4)
HKFRS 15	Revenue from Contracts with Customers (1)
HKFRS 15 (Amendment)	Clarifications to HKFRS 15 (1)
HKFRS 16	Leases (2)
HKFRS 17	Insurance Contracts (3)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration (1)
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (2)

(1) Effective for the accounting period beginning on 1 January 2018
(2) Effective for the accounting period beginning on 1 January 2019
(3) Effective for the accounting period beginning on 1 January 2021
(4) Effective date to be determined

The Group will apply the above new standards, interpretations and amendments to standards when they become effective. The Group has commenced an assessment of the expected impact of the HKFRS 9, HKFRS 15 and HKFRS 16 as set out below. Except for HKFRS 16, none of the rest of the new standards, interpretations and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

HKFRS 9

HKFRS 9 ''Financial instrument'' addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments.

2 Basis of preparation (Continued)

(ii) New standards, interpretations and amendments to standards which are not yet effective (continued)

HKFRS 9 (continued)

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39.

It is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review. Other than the adoption of an expected credit losses impairment model and disclosure changes, adoption of HKFRS 9 is currently not expected to have a material impact on the consolidated financial statements of the Group.

HKFRS 15

HKFRS 15 ''Revenue from contracts with customers'' replaces the previous revenue standards HKAS 18 "Revenue'' and HKAS 11 ''Construction Contracts'' and the related interpretations on revenue recognition. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligations are identified. The Group's assessment of the potential impact of the application of HKFRS 15 is that it would not result in any significant impact on the Group's financial position and the timing of revenue recognition.

HKFRS 16

HKFRS 16 ''Leases'' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors.

The Group is a lessee of various properties which are currently classified as operating leases.

HKFRS 16 provides new provisions for the accounting treatment of leases and will no longer allow lessees to recognise certain leases outside the consolidated balance sheet in the future. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation). The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet to the Group upon initial adoption. As for the financial impact in the consolidated income statement, rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the consolidated income statement in the initial years of the lease, and a lower total charge during the latter part of the lease term.

This new standard is not expected to be applied until the financial year beginning on or after 1 January 2019.

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.

The geographical location of revenue is analysed based on location where goods are sold and services are provided. The details are set out 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) PRC **-** wholesale of healthcare products in the PRC and the sole distribution of Tong Ren Tang branded products of Tong Ren Tang Technologies and Tong Ren Tang Ltd. to customers outside the PRC.

(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 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 borrowing, trade and other payables, current and deferred income tax liabilities.

3 Segment information (Continued)

(a) Analysis of consolidated income statements

	Hong Kong *HK$'000*	PRC *HK$'000*	Overseas *HK$'000*	Total *HK$'000*
Year ended 31 December 2017				
Segment revenue	**936,461**	**425,532**	**307,607**	**1,669,600**
Inter-segment revenue	**(300,204)**	**(102,654)**	**(748)**	**(403,606)**
Revenue from external customers	**636,257**	**322,878**	**306,859**	**1,265,994**
Contribution to segment results	**577,880**	**27,866**	**24,935**	**630,681**
Depreciation and amortisation	**(15,082)**	**(644)**	**(8,969)**	**(24,695)**
Amortisation of intangible assets	**(1,300)**	**-**	**(1,146)**	**(2,446)**
Impairment loss on property, plant and equipment	**(5,509)**	**-**	**(1,177)**	**(6,686)**
Impairment loss on inventories	**-**	**-**	**(523)**	**(523)**
Write-off of inventories	**(950)**	**-**	**(534)**	**(1,484)**
Segment results	**555,039**	**27,222**	**12,586**	**594,847**
Inter-segment elimination				**2,837**
Operating profit				**597,684**
Finance income	**13,025**	**225**	**106**	**13,356**
Finance cost	**-**	**-**	**(32)**	**(32)**
Share of losses of investments accounted for using the equity method				**(42)**
Profit before income tax				**610,966**
Income tax expense	**(94,350)**	**(7,163)**	**(3,941)**	**(105,454)**
Profit for the year				**505,512**
Year ended 31 December 2016				
Segment revenue	826,109	316,892	252,842	1,395,843
Inter-segment revenue	(229,022)	(82,187)	(354)	(311,563)
Revenue from external customers	597,087	234,705	252,488	1,084,280
Contribution to segment results	530,060	15,918	24,646	570,624
Depreciation and amortisation	(15,183)	(605)	(6,670)	(22,458)
Amortisation of intangible assets	(1,300)	-	(417)	(1,717)
Write-off of inventories	(730)	(17)	(115)	(862)
Segment results	512,847	15,296	17,444	545,587
Inter-segment elimination				(18,088)
Operating profit				527,499
Finance income	7,494	180	239	7,913
Finance cost	(12)	-	(31)	(43)
Share of losses of investments accounted for using the equity method				(1,809)
Impairment loss on an investment accounted for using the equity method				(1,290)
Profit before income tax				532,270
Income tax expense	(85,648)	(2,502)	(4,240)	(92,390)
Profit for the year				439,880

3 Segment information (Continued)

(b) Analysis of consolidated balance sheets

	Hong Kong *HK$'000*	PRC *HK$'000*	Overseas *HK$'000*	Total *HK$'000*
At 31 December 2017				
Segment assets and liabilities				
Total assets	**2,260,150**	**203,558**	**296,947**	**2,760,655**
Investments accounted for using the equity method	**12,900**	**-**	**7,866**	**20,766**
Additions to non-current assets [(1)]	**8,083**	**122**	**26,068**	**34,273**
Total liabilities	**(86,864)**	**(33,576)**	**(32,038)**	**(152,478)**
At 31 December 2016				
Segment assets and liabilities				
Total assets	1,976,634	122,994	255,194	2,354,822
Investments accounted for using the equity method	11,467	-	8,343	19,810
Additions to non-current assets [(1)]	4,430	263	34,150	38,843
Total liabilities	(73,863)	(28,653)	(25,069)	(127,585)

(1) In this analysis, additions to non-current assets exclude investments accounted for using the equity method, available-for-sale financial asset and deferred tax assets.

3 Segment information (Continued)

(c) Revenue

The analysis of revenue by category is as follows:

	2017	2016
	HK$'000	*HK$'000*
Sales of products	**1,217,907**	1,044,886
Service income	**47,548**	38,519
Royalty fee income	**539**	875
	1,265,994	1,084,280

(d) Information about major customers

For the year ended 31 December 2017, revenue from three (2016: 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 PRC segment. The revenues from these customers are summarised below:

	2017	2016
	HK$'000	HK$'000
Revenue from:		
- Customer A	**239,930**	227,517
- Entities under the control of the ultimate holding company [1]	**197,304**	151,780
- Customer B	**138,479**	142,603
	575,713	521,900

[1] 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 2017 (2016: 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:

	2017	2016
	HK$'000	*HK$'000*
(i) Revenue [1]		
Hong Kong	**636,257**	597,087
PRC	**322,878**	234,705
Macao	**142,300**	110,190
Australia	**53,173**	45,353
Canada	**35,943**	33,320
Singapore	**23,969**	23,945
New Zealand	**19,627**	17,023
Other countries	**31,847**	22,657
	1,265,994	1,084,280
(ii) Non-current assets [2]		
Hong Kong	**250,048**	263,883
PRC	**1,600**	2,000
Macao	**8,802**	9,500
Australia	**40,803**	36,296
Canada	**8,722**	4,828
Singapore	**666**	759
New Zealand	**5,644**	5,555
United States	**24,201**	24,868
Switzerland	**12,351**	-
Other countries	**7,715**	7,374
	360,552	355,063

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

[2] 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, available-for-sale financial asset and deferred tax assets.

4 Expenses by nature

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**278,329**	226,757
Employee benefit expenses	**175,818**	155,636
Operating leases payments	**75,321**	61,890
Amortisation of prepaid operating lease payments	**543**	543
Amortisation of intangible assets	**2,446**	1,717
Depreciation of property, plant and equipment	**24,152**	21,915
Impairment loss on property, plant and equipment	**6,686**	-
Losses on disposals of property, plant and equipment	**110**	35
Impairment loss on inventories	**523**	-
Write-off of inventories	**1,484**	862
Auditors' remuneration		
- Audit services	**3,850**	2,924
- Non-audit services	**155**	790
Research and development	**9,581**	4,273
Net exchange (gain)/loss	**(286)**	76
Promotion and advertising expenses	**22,540**	15,943
Legal and professional expenses	**6,671**	6,758

5 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. PRC corporate income tax has been provided at the rate of 25% (2016: 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.

	2017	2016
	HK$'000	*HK$'000*
Current income tax		
- Current year	**105,249**	95,400
- Over provision in prior years	**(988)**	(745)
	104,261	94,655
Deferred income tax	**1,193**	(2,265)
Income tax expense	**105,454**	92,390

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.

	2017	2016
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**489,967**	420,315
Weighted average number of ordinary shares in issue (thousands)	**837,100**	837,100
Earnings per share (HK$)	**0.59**	0.50

For the years ended 31 December 2017 and 2016, 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 2017 and 2016 were HK$133,936,000 (HK$0.16 per share) and HK$108,823,000 (HK$0.13 per share) respectively. Dividend in respect of the year ended 31 December 2017 of HK$0.19 per share, amounting to a total dividend of HK$159,049,000, is to be proposed at the annual general meeting on 7 May 2018. These financial statements do not reflect this dividend payable.

	2017	2016
	HK$'000	*HK$'000*
Interim dividend paid of HK$Nil (2016: HK$Nil) per ordinary share	**-**	-
Proposed final dividend of HK$0.19 (2016: HK$0.16) per ordinary share	**159,049**	133,936
	159,049	133,936

8 Trade receivables and other current assets

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**170,767**	144,577
Prepayments and other receivables	**26,080**	29,863
Deposits	**23,609**	18,952
Amount due from a joint venture	**1,114**	1,114
	221,570	194,506

At 31 December 2017 and 2016, the aging analysis of trade receivables based on invoice date (including amounts due from related parties of trading in nature) is as follows:

	2017	2016
	HK$'000	*HK$'000*
Up to 3 months	**126,921**	129,603
3 to 6 months	**31,275**	12,193
6 months to 1 year	**6,905**	382
Over 1 year	**5,666**	2,399
	170,767	144,577

9 Trade and other payables

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**52,679**	36,244
Accruals and other payables	**61,807**	52,128
	114,486	88,372

At 31 December 2017 and 2016, 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:

	2017	2016
	HK$'000	*HK$'000*
Up to 3 months	**51,086**	34,260
3 to 6 months	**587**	1,604
6 months to 1 year	**981**	217
1 to 2 years	**25**	163
	52,679	36,244

10 Commitments

(a) Capital commitments

	2017	2016
	HK$'000	*HK$'000*
Contracted but not provided for		
- property, plant and equipment	**3,281**	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 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:

	2017	2016
	HK$'000	*HK$'000*
No later than 1 year	**65,193**	52,591
Later than 1 year and no later than 5 years	**78,212**	75,730
Later than 5 years	**9,623**	8,433
	153,028	136,754

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

Hidden in the prosperous business district of Beijing, the two meticulously designed and renovated classical courtyard houses are the home of Tong Ren Tang. In contrast with the hustle and bustle of the city, these houses are an oasis of tranquillity and calmness, filled with the smell of herbs that seems lasting forever. This echoes Tong Ren Tang's commitment to traditional Chinese medicine ("TCM"): no matter how the world changes, we hold on to our legacy and stand out through thick and thin.

Centuries have passed since our inception and we are met with the golden opportunity for internationalization at the moment. As one of the first few time-honoured Chinese brands that tapped into the overseas market, Tong Ren Tang adheres to the overseas growth strategy of "progressive advancement, solid foundation, introduction of medicine through treatment, integration of treatment and medicine, cultural marketing, brand establishment, stringent management and efficiency assurance", while speeding up the expansion of major markets in Europe and America. We embrace the development concept of "Big Health" and keep our development strategy in line with the current trend as we explore new business model. We strive to become a modern, international and professional Chinese medicine group that covers the entire industrial chain, pushing towards our goal of "wherever there is a need for health, wherever there is Tong Ren Tang." In pursuit of our dream, the Group, which has hundreds of years of history, lives by the motto of "benevolence" and composes the melody that brings comfort and healing.

Looking back to 2017, the global economy maintained moderate recovery as trade and investment picked up. Following the rebound in international crude oil price, the US economy gained strong momentum, the Eurozone saw improvement and the emerging economies recorded relatively rapid growth, which laid a solid foundation for economic recovery around the world. Nonetheless, developed economies in the West and emerging economies, as well as the rise in US interest rates and trade protectionism continued to impose pressure of restructuring and transformation on the global economy. Given the slow economic recovery and uncertain prospects, we followed the national strategy of the "Belt and Road Initiative". Through well-planned operation and management, overseas market exploration, strategic investment and business development, merger and acquisition, formed the medical treatment, healthcare, scientific research, education, culture and industry into a new collaborative development for Chinese medicine group. During the Year, we launched new retail outlets in Hong Kong, Singapore, Australia, Canada, the US, Switzerland and South Africa. As a result, the Group's business coverage outside the PRC has extended to 21 countries and regions with an increase in number of retail outlets from 67 in 2016 to 80 in 2017.

Despite the challenges of macroeconomic uncertainty, the Group maintained steady growth in revenue and profit, and strived to deliver stable and sustainable return to shareholders. For the year ended 31 December 2017 (the "Year"), the Group's revenue increased by 16.8% to HK$1,266.0 million (2016: HK$1,084.3 million), net profit increased by 14.9% to HK$505.5 million (2016: HK$439.9 million), profit attributable to owners of the Company increased by 16.6% to HK$490.0 million (2016: HK$420.3 million) and earnings per share increased to 59 HK cents (2016: 50 HK cents). The Board recommends the payment of a final dividend of 19 HK cents per share (2016: 16 HK cents).

Hong Kong Market

During the Year, due to visitor arrivals and the change in consumption of visitors, the retail sector of Hong Kong continued to be weak in general. The Group's revenue from Hong Kong market managed to record a steady growth of 6.6%, achieving a revenue of HK$636.3 million (2016: HK$597.1 million) with the same-store sales growth of 22.1%, which was driven by the consistent market demand for the products of the Group and the strengthening brand promotion. In the Year, we opened two new retail outlets in Shatin and Tuen Mun, for the purpose of rationalising the retail network in Hong Kong. This brought the number of our retail outlets in Hong Kong to 26. We also further promoted products under Tong Ren Tang brand through diverse measures to increase our market share and consolidate the leading position of Tong Ren Tang brand in the Chinese medicine market in Hong Kong.

Non-Hong Kong Markets

Active exploration of the overseas market remains to be our first priority in business development. Under the global development of "Anchor in Hong Kong and Asia and march to overseas", the Group tapped into new markets abroad, while consolidating existing international market. During the Year, we launched a total of 11 new retail outlets in Singapore, Australia, Canada, the US, Switzerland and South Africa, hence the number of our overseas retail outlets increased to 54. In the meantime, the revenue from overseas markets amounted to HK$306.8 million (2016: HK$252.5 million), representing an increase of 21.5% with same-store sales growth of 10.1%.

Due to the rising awareness of the "Big Health" concept, the high-quality Owned Products of the Group gained increasing recognition and the overseas demand for Tong Ren Tang products remained strong, the revenue from the PRC market recorded a significant growth of 37.6% to HK$322.9 million (2016: HK$234.7 million) during the Year.

As a Chinese traditional intangible cultural heritage, Chinese medicine is a blessing to China and is now spreading over the world. Due to the efficacy in treating illnesses and health maintenance, TCM garnered wide recognition and attention in the global arena, with 183 countries and regions putting it into practice, TCM is now reaching more people in different countries. Capitalising on the popularity of TCM, during the Year, Tong Ren Tang established 5 retail outlets in South Africa and arranged free medical consultation, medical checks and healthcare seminars, so that local citizens could experience the wonder of TCM. These initiatives marked the milestone of TCM entering Africa. In the meantime, we set up one retail outlet in Switzerland, where we offered free medical consultation services with renowned medical practitioners, and introduced medicine through treatment. Based on our experience in cultivating overseas market, we preached the idea of "saving lives at a critical moment" in Europe, and made great contribution to advancing the health of the global community through identification, exploration and research on common local illnesses and diseases.

In spite of the fact that the "Belt and Road Initiative" has brought historic opportunities for the international cooperation and exchange in the Chinese medicine community, the industry still faces difficulties and challenges in "going global". The differences in culture and theoretical system, the lack of common international standards and regulations, coupled with the various legal obstacles and trade barriers, have slowed down the spreading of TCM. Since early 1993, Beijing Tong Ren Tang has been supporting the country's "Going Out" strategy. It has used Hong Kong as a gateway and comprehensively developed the market for over 20 years. During which, it set up retail outlets, built production base, enhanced brand recognition, promoted TCM culture, explored the whole value chain and undertook the glorious mission of sharing TCM with the world, enabling everyone to experience the wonder of TCM. As we promote TCM through treatment and put emphasis on the culture, it is expected that our overseas branches will flourish and garner global recognition.

Production, Research and Development

Our Tai Po Production Base adopts a stringent quality control system. It has obtained the GMP (Good Manufacturing Practice) for Proprietary Chinese Medicine certification, and also obtained certification on several international standards, such as the ISO22000:2005 food safety management systems and the HACCP (Hazard Analysis and Critical Control Points). We spare no efforts to provide trustworthy and high-quality products and services to consumers.

During the Year, the Group conducted the trial production and marketing of the deer antler collagen capsules in Hong Kong. Positioned to expand overseas business, the Group continued to complete the product registration procedures in markets abroad. In 2017, it not only completed the registration of the ultra-fine pearl powder in Macao and Singapore, but also applied for relevant registration of the product series in Australia, Macao and Poland. Apart from the remarkable efforts in research and promotion of new products, we continued to enhance basic research and development. We also conducted research on the safety and mechanism of Angong Niuhuang Wan, Ganoderma Lucidum Spores Powder Capsules and other key products in collaboration with renowned education and research institutes in China and overseas. This provided technical assurance and theoretical support for boosting the brand awareness and recognition of our key products in the international markets and reducing potential market risks. Besides, we capitalised on the latest technology achievements and advanced industry experience resulting from our research and development works, and explored new channels for our products to enter the US and European markets.

Brand Promotion

During the Year, the Group introduced the first moving showroom named "Classics of Royal Medicine - Chinese Medicine Artefact Mobile Museum", so as to raise our profile in the Hong Kong market. Travelling to different parts of Hong Kong, the colourfully decorated moving museum showcased the history and heritage of Beijing Tong Ren Tang and provided free medical consultation services from time to time. It offered medical checks to the elderly and people in need, through which, it contributed to the community and introduced TCM to the folks. Furthermore, we commenced the quarterly exhibition project on various topics of TCM at the 3D tram stations outside our flagship store in Central, as well as on trams, publicity cars and airport buses to promote TCM and the culture of Tong Ren Tang. To actively support the "Belt and Road Initiative", the Group co-organised the "1st International Chinese Medicine Cultural Festival". During which, it interpreted TCM and culture through artworks in a wide range of activities, and held roadshows in America, Canada and Australia for the purpose of sharing TCM with the world. Using new elements and fresh concepts to appeal to the global community, we brought people into close contact with the mysterious TCM. We were also the title sponsor of the "Reviving Tradition-Chinese Herbs" program, which adopted a lively and interesting approach to educate the audience on TCM and showcase our profound legacy. To celebrate the "Capital State-owned Enterprises Open Day" and the HKSAR's 20th Anniversary, the Group opened its facilities in Beijing and Hong Kong to the public during the Year. We organised the Open Day at the production base in Tai Po Industrial Estate and the flagship store in Hong Kong, for the public to learn more about the history of TCM, the artifacts and ancient tools for drug preparation, the traditional technique in drug manufacture and healthcare knowledge. We invited professors of the University of Hong Kong as well to lecture on stork prevention and treatment, provided free medical consultation services and conducted sessions on Ba Duan Jin exercise for health preservation, which allowed participants to witness the efficacy of TCM. In the meantime, we participated in the "Health Expo" held at the Hong Kong Convention and Exhibition Centre in Wanchai for the first time. Under the theme of "Cerebrovascular Healthcare - Steps to Prevention, Emergency and Nursing", we raised public awareness of cerebrovascular health through briefing sessions on our products, healthcare lectures, free medical consultation and workshops. Moreover, we sponsored the fundraising activity named "Celebration of 20th Anniversary of the Return of Sovereignty of Hong Kong: The Crested Ibises performance by Shanghai Dance Theatre", of which the proceeds would be used to subsidise students of the Hong Kong Baptist University who pursued overseas study, internships and exposure in relation to the "Belt and Road Initiative". On the World Stroke Day, which is observed on October 29, we held the "Tong Ren's Stroke Awareness 2017" Carnival, taking a step forward from the Guinness World Records broken by us last year, when a thousand citizens practiced Ba Duan Jin exercise for stroke prevention. The carnival aimed at raising public awareness of stroke and encouraging a healthy lifestyle. We invited political figures, renowned experts of Western and Chinese medicine and famous international stars in Hong Kong to share knowledge of stroke prevention and appealed to the participants to care about themselves and their families, thereby promoting the well-being of all and achieving "Big Health".

We scaled up our overseas brand promotion this Year. In May 2017, we co-organized and actively participated in the 3rd Maritime Silk Road International Forum on Traditional Chinese Medicine in Dubai. We sent 26 experts in various fields of TCM to demonstrate traditional technique and provided free medical consultation to patients who sought our services due to our reputation. To support the convening of the Belt and Road Forum for International Cooperation in Beijing in May 2017, the "Time Together across the Strait" program team of Beijing TV visited Tong Ren Tang in Vietnam and Brunei, covering our operations in the local communities. Focusing on our efforts in promoting TCM and Chinese culture on foreign soil, the program told the story of how our practitioners treated patients, prescribed medicine and served the locals, so as to enhance their physical well-being. In view of the 2nd China-Central & Eastern European Countries Capital City Mayors Forum, we took advantage of the establishment of Chinese Medicine Development Centre by Beijing Tong Ren Tang and the Montenegro-China Chinese

Medicine Hospital, and introduced TCM to Central and Eastern European countries and the Belt and Road region. The Group held a large-scale free Chinese medical consultation activity in Montenegro, Serbia, the Czech Republic and Poland, which allowed local citizens to experience authentic Chinese medical treatment. Being the first event with such scale and professional level held in the country, it was well accepted by the local community. The Group focused on business development in Central and Eastern Europe and actively tapped into the global market. Through a series of Chinese medicine campaigns held by the Montenegro-China Chinese Medicine Hospital, we aimed to share TCM culture, lifestyle and health preservation knowledge. As our Dubai store reached its 6th anniversary in October 2017, the Group extended its local impact by holding the "2017 World Expo-Introducing the Treasure of Chinese Medicine to Dubai cum Conference on the Development and Inheritance of Chinese Medicine Skills and Experience", where it invited renowned Chinese medicine practitioners to offer free medical consultation services in Dubai.

During the Year, our efforts in developing overseas markets gained wide recognition. Out of hundreds of well-known corporations, we were selected by a professional and credible panel, the editorial board of the Capital Magazine and the public to be the recipient of the "Capital Outstanding Enterprise Awards - Outstanding Chinese Medicine Group" awarded by Capital magazine in Hong Kong at the 17th "Capital Outstanding Enterprise Awards". This is an acknowledgement of our leading position in the TCM industry as well as our reputation among the general public and professional institutes. Besides, the Group was awarded the "China Quality Enterprise - Top Brand of Traditional Chinese Medicine" by the Chinese Medicine Industry Association, which was a significant accolade that recognised our role in the industry as a famous PRC brand and our achievement in promoting TCM around the world.

Business Prospect

Building on thousands of years of experience, TCM reflects the profound philosophy and wisdom of the Chinese in health preservation which has been passed through generations. The practice is closely related to the well-being for all amidst the common pursuit of health.

The launch of the "Belt and Road Initiative" across the world has created new opportunities for TCM. At the same time as the state encourages joint development for mutual interests, Chinese medicine enterprises strive to foster exchange and cooperation between Eastern and Western medical communities, and promote people's health along the "Belt and Road". As the overseas development platform for Tong Ren Tang, the Group maintains a solid foundation in Hong Kong and aims for the global market, undertaking the mission of introducing TCM culture to the world. We are endeavored to pass the knowledge and craftsmanship of medicine preparation to the next generation, drive the modernization of TCM and explore its application. By taking a culture-first approach in introducing medicine through treatments, we aim to expedite the internationalization of TCM.

The future is full of opportunities and challenges, and a long road lies ahead for us to introduce TCM to the world. As a time-honored Chinese medicine brand with centuries of history, Tong Ren Tang has earned global acclaim through generations. The "Belt and Road Initiative" marks the historic moment when TCM undergoes internationalization. Facing a constantly changing world, the Group remains dedicated and diligent, strikes a balance between tradition and innovation, carries on developing new product lines, accelerates product registration and expansion to the international market, actively establishes overseas retail outlets, and passes on the legacies of TCM in the global arena.

Human Resources Management

High mountains are formed with grains of soil, and deep oceans start from the smallest streams. People of Tong Ren Tang uphold their belief through generations and strives to develop into a trustworthy brand of "Chinese medicine" for the benefit of the global community.

At 31 December 2017, we have a total of 809 employees (2016: 705 employees).

The staff costs of the Group for the Year were HK$175.8 million (2016: HK$155.6 million), representing an increase of 13.0% from last year, which was primarily due to the increase in number of salespersons, Chinese medicine practitioners, therapists and administrative staffs to cater for the needs of our continuous business expansion. To ensure that the Group is able to attract and retain talents, remuneration policies are reviewed on a regular basis. In addition, discretionary bonus is offered to employees with outstanding performance with reference to the Group's results and individual performance.

Financial Review

Revenue

The Group's revenue for the Year reached HK$1,266.0 million (2016: HK$1,084.3 million), representing an increase of 16.8% from last year. The increase was mainly driven by the continuous demand for our Owned Products and the sales growth in the existing sales network and expansion of sales network.

Gross Profit

The Group's gross profit increased by 15.3% to HK$916.4 million (2016: HK$795.1 million). The gross profit margin decreased from 73.3% to 72.4%, which was due to slight change in product mix from last year.

Distribution and Selling Expenses

The Group's distribution and selling expenses increased by 19.5% to HK$193.5 million (2016: HK$161.9 million). The increase was mainly attributable to (i) the increase of rental expenses and sales staff costs as the number of retail outlets increased during the Year, and (ii) the increase of advertising and promotion expenses as advertising and promotion activities increased this Year. Distribution and selling expenses as a percentage to revenue increased slightly from 14.9% last year to 15.3% this Year.

General and Administrative Expenses

The Group's general and administrative expenses increased by 16.1% to HK$127.3 million (2016: HK$109.6 million). As the Group's business continuous expanded, the number of subsidiaries and administrative and management personnel increased, which resulted in raising staff costs, rental expenses, depreciation of fixed assets, as well as other related administrative expenses. General and administrative expenses as a percentage to revenue maintained at 10.1%.

Finance Income, net

The Group's net finance income increased by HK$5.4 million to HK$13.3 million (2016: HK$7.9 million), which was mainly attributable to the increase in finance income as the average short-term bank deposit increased from last year.

Income Tax Expense

The Group's income tax expense increased by 14.2% to HK$105.5 million (2016: HK$92.4 million). The 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 16.9% last year to 17.5%, which was caused by the change in proportion of contribution of taxable profit.

Profit for the Year, Profit Attributable to Owners of the Company, Basic Earnings Per Share and Dividend

The Group's profit for the Year increased by 14.9% to HK$505.5 million (2016: HK$439.9 million) with a net profit margin of 39.9% (2016: 40.6%). Profit attributable to owners of the Company amounted to HK$490.0 million (2016: HK$420.3 million), representing an increase of 16.6% from last year. For the Year, the basic earnings per share were 59 HK cents (2016: 50 HK cents). The Directors recommend the payment of a final dividend of 19 HK cents per share for the Year (2016: 16 HK cents).

Financial Resources and Liquidity

During the Year, the Group funded its liquidity by the 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 maintain a strong financial position with cash and bank balances of HK$1,897.8 million (2016: HK$1,583.6 million). Most of the Group's cash and bank balances were denominated in Hong Kong dollar, Renminbi, Macao pataca and Singapore 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 2016 and 2017 and net cash generated from operating activities for the year ended 31 December 2016 and 2017:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Cash and bank balances	**1,897,781**	1,583,601
Working Capital (1)	**2,207,433**	1,833,755
Total Equity	**2,608,177**	2,227,237
Current Ratio (2)	**16.0**	15.9
Gearing Ratio (3)	**0.02%**	0.02%

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Net cash generated from operating activities	**469,144**	467,721

(1) Being net current assets
(2) Being current assets divided by current liabilities
(3) Being borrowings divided by total equity

Capital Expenditure

During the Year, the Group's capital expenditure incurred amounted to HK$34.3 million (2016: HK$38.8 million), which was primarily used for purchase of production equipment, the establishment of new retail outlets and purchase of a property for retail purpose.

Major Investment, Acquisitions and Disposals

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

Charges over Assets of the Group

At 31 December 2017, the Group's net property value of HK$12.3 million (2016: HK$11.6 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 in Australia per annum and is wholly repayable in 2020.

Contingent Liabilities

At 31 December 2017, 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 and Singapore 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 a deed of non-competition (the "Deed of Non-competition") in favour of the Company on 18 April 2013, 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 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 Niuhuang 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.

DIVIDENDS

The Directors recommend the payment of a final dividend of 19 HK cents per ordinary share for the year ended 31 December 2017 (2016: 16 HK cents). Such final dividend will be proposed for approval by shareholders at the annual general meeting ("AGM") to be held on Monday, 7 May 2018 and if approved, are payable to shareholders whose names appear on the Register of Members of the Company on Tuesday, 15 May 2018.

Subject to approval by the Company's shareholders at the AGM, the final dividend will be paid on or around Thursday, 31 May 2018.

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 Monday, 30 April 2018 to Monday, 7 May 2018, both days inclusive, during which period no transfer of shares will be registered.

All transfers documents 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, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 27 April 2018.

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 2017, the Register of Members of the Company will be closed from Friday, 11 May 2018 to Tuesday, 15 May 2018, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the above-mentioned dividends (if approved), all transfers documents 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, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 10 May 2018.

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), Mr. Tsang Yok Sing, Jasper 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 remuneration, terms of engagement, independence and objectivity of the external auditor; to review the accounting policy, financial position and financial reporting procedures of the Company; and to assess the financial reporting system, internal control procedures and risk management function of the Company 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 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2017, 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 2017, 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 Rule 5.48 to Rule 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 2017.

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

Hong Kong, 12 March 2018

As at the date of this announcement, the Board comprises the 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 Mr. Tsang Yok Sing, Jasper, Mr. Zhao Zhong Zhen and Mr. Chan Ngai Chi.

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 at www.tongrentangcm.com.