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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)

2018 FIRST QUARTERLY RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Beijing Tong Ren Tang Chinese Medicine Company Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the three months ended 31 March 2018. This announcement, containing the full text of the 2018 first quarterly report of the Company, complies with the relevant requirements of The Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of first quarterly results. Printed version of the Company’s 2018 first quarterly report will be delivered to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.tongrentangcm.com on or before 15 May 2018.

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

Hong Kong, 26 April 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, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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 at (www.tongrentangcm.com).



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Beijing Tong Ren Tang Chinese Medicine Company Limited (the “Company”, and its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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

Tsang Yok Sing, Jasper
Zhao Zhong Zhen
Chan Ngai Chi

AUDIT COMMITTEE

Chan Ngai Chi (*Chairman*)
Tsang Yok Sing, Jasper
Zhao Zhong Zhen

NOMINATION COMMITTEE

Tsang Yok Sing, Jasper (*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

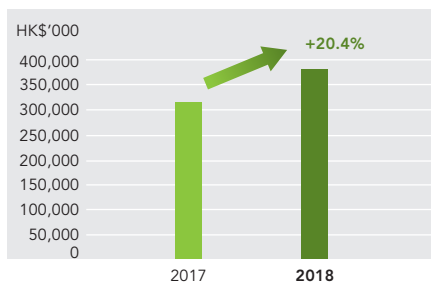
8138



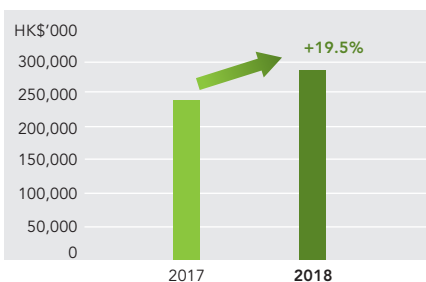
(HK\$'000)	Three months ended 31 March		
	2018	2017	Change
Revenue	379,361	315,029	+ 20.4%
Gross profit	284,029	237,771	+ 19.5%
Profit attributable to owners of the Company	158,785	132,554	+ 19.8%
Earnings per share	HK\$0.19	HK\$0.16	+ 18.8%

For the three months ended 31 March 2018

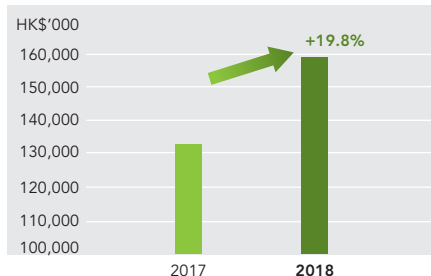
Revenue



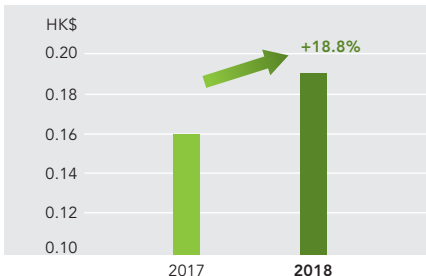
Gross Profit



Profit Attributable to Owners of the Company



Earnings Per Share





MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the three months ended 31 March 2018 (the “Period”), the Group’s business coverage outside the PRC has extended to 21 countries and regions with 82 retail outlets. It recorded a revenue of HK\$379.4 million (2017: HK\$315.0 million), representing an increase of 20.4% over the same period of last year, and profit attributable to owners of the Company of HK\$158.8 million (2017: HK\$132.6 million), representing an increase of 19.8% over the same period of last year.

With the increasing popularity of tradition Chinese medicine (the “TCM”) across the globe, TCM is no longer the “inherited” wealth solely devoured by China and it is a benevolent treasure that benefits the world instead. As the oversea development platform of Tong Ren Tong, it is certainly pivotal to the Group. Following our expansion in the United States in 2016, we attained an unprecedented achievement in the expansion of market. Further to this major accomplishment, we opened a retail outlet in San Gabriel, a Chinese community in Los Angeles, the United States, to satisfy the local community’s demand for healthcare products, and to lay a solid ground for the globalization of TCM and the further expansion to the mainstream market.

During the Period, we continued on strengthening Hong Kong’s market sales and promotion. We set up a new retail outlet in Causeway Bay during the Period. We have also published a featured article on the February issue of “Wide Angle magazine” themed “Chinese Medicine Dietotherapy: Herbal Tea “Medicine and Food are from the same origin”” (中藥食療：涼茶【藥食同源】), in order to acknowledge readers the advantages of Chinese Medicine Dietotherapy and immerse people with the concept of “preventive treatment of disease” (不治已病治未病) to their daily life and diet. We have also launched a Chinese medicine channel named “Tong Ren Medical Diet” and published a video on “Day Day Cook” titled “Anti-aging dried Chinese Yam and Lotus Seed Soup”, in which we invited a Beijing Tong Ren Tong Chinese medicine practitioner to provide Chinese medicine knowledge and the ways to alleviate the symptoms of menopause. Through the use of social media, we delivered practical information that immerses quickly and directly, and strengthened the promotion of the brand. In addition, we continued to strengthen the promotion on our star products by placing lightbox advertisements at the exits, entrances and bus stops of Cross Harbour Tunnel and Western Harbour Tunnel, and also billboards and lightboxes in some stores and more populated districts so as to highlight the edge of the Tong Ren Tong brand.



OUTLOOK

TCM is a dual carrier of culture and economy, as well as an exceptional cultural heritage developed on thousands of years of practice in China and to the world. Tong Ren Tong plays the dual role as a carrier of economic entity and culture. As a representative for the TCM sector in the “Belt and Road Initiative”, Tong Ren Tong is endowed with the missions of the inheritance and innovation of TCM culture. Accordingly, we will spare no effort to capitalize on our technological proficiency and industrial edges to perform joint exploitation of resources and to explore the feasibility of establishing plantations and local plants for TCM in countries alongside and covered by the “Belt and Road Initiative”. All these measures are for the sake of founding a brand name for Chinese culture. In respect of the internationalization of TCM, we have to admit that there is still a long way to go. However, a difficult path will come easy for those who have an unyielding will and a long way will come to an end for those who keep moving. Tong Ren Tong has taken up challenges by employing the strategy of prioritizing the cultural element in the introduction of the extraordinary culture of TCM to foreign countries, taking an active role to expand the relevant investment sector and leveraging on the opportunities emerged from the “Belt and Road Initiative”. Accordingly, we will be able to create an integrated development mode for the TCM sector in foreign countries, featuring factors like medical treatment, healthcare, scientific research, education, industry and culture, thus establishing a comprehensive business presence on five major continents.



CONDENSED CONSOLIDATED INCOME STATEMENT

The board of Directors (the "Board") is pleased to announce the unaudited results of the Group for the three months ended 31 March 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

		Unaudited Three months ended 31 March	
	Note	2018 HK\$'000	2017 HK\$'000
Revenue	3	379,361	315,029
Cost of sales		(95,332)	(77,258)
Gross profit		284,029	237,771
Distribution and selling expenses		(62,606)	(47,616)
General and administrative expenses		(29,301)	(23,275)
Other gains		390	648
Operating profit		192,512	167,528
Finance income		3,719	2,808
Finance costs		(8)	(43)
Finance income, net		3,711	2,765
Share of losses of investments accounted for using the equity method		(443)	(52)
Profit before income tax		195,780	170,241
Income tax expense	4	(31,069)	(32,740)
Profit for the period		164,711	137,501
Profit attributable to:			
Owners of the Company		158,785	132,554
Non-controlling interests		5,926	4,947
		164,711	137,501
Earnings per share attributable to owners of the Company (expressed in HK\$ per share)			
Basic and diluted	5	0.19	0.16

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



	Unaudited Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Profit for the period	164,711	137,501
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss</i>		
Change in value of available-for-sale financial asset	1,320	495
Currency translation differences	3,890	6,029
Other comprehensive income for the period	5,210	6,524
Total comprehensive income for the period	169,921	144,025
Attributable to:		
Owners of the Company	163,493	137,466
Non-controlling interests	6,428	6,559
Total comprehensive income for the period	169,921	144,025



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	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		
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	-	-	-	-	-	132,554	132,554	4,947	137,501
Other comprehensive income									
Change in value of available-for-sale financial asset	-	-	495	-	-	-	495	-	495
Currency translation differences									
— Group	-	-	-	-	4,178	-	4,178	1,612	5,790
— Joint ventures	-	-	-	-	239	-	239	-	239
Total comprehensive income	-	-	495	-	4,417	132,554	137,466	6,559	144,025
Transactions with owners in their capacity as owners									
Transfer of retained earnings to statutory reserve	-	-	-	1,032	-	(1,032)	-	-	-
Capital injection into subsidiaries	-	-	-	-	-	-	-	3,758	3,758
Total transactions with owners in their capacity as owners	-	-	-	1,032	-	(1,032)	-	3,758	3,758
At 31 March 2017	938,789	(13,124)	850	6,327	(14,410)	1,341,575	2,260,007	115,013	2,375,020
At 1 January 2018	938,789	(13,124)	2,360	6,229	(6,512)	1,565,150	2,492,892	115,285	2,608,177
Comprehensive income									
Profit for the period	-	-	-	-	-	158,785	158,785	5,926	164,711
Other comprehensive income									
Change in value of available-for-sale financial asset	-	-	1,320	-	-	-	1,320	-	1,320
Currency translation differences									
— Group	-	-	-	-	2,849	-	2,849	502	3,351
— Joint ventures	-	-	-	-	539	-	539	-	539
Total comprehensive income	-	-	1,320	-	3,388	158,785	163,493	6,428	169,921
Transactions with owners in their capacity as owners									
Dividends to non-controlling interests	-	-	-	-	-	-	-	(561)	(561)
Capital injection into subsidiaries	-	-	-	-	-	-	-	1,890	1,890
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	-	1,329	1,329
At 31 March 2018	938,789	(13,124)	3,680	6,229	(3,124)	1,723,935	2,656,385	123,042	2,779,427



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 report, excluding Hong Kong, Macao and Taiwan) 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.

These condensed consolidated results are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These condensed consolidated results have been approved for issue by the Board on 26 April 2018.

These condensed consolidated results have not been audited.

2 BASIS OF PREPARATION

These condensed consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the GEM Listing Rules.

These condensed consolidated results have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset, which is carried at fair value. The accounting policies used in the preparation of these condensed consolidated results are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2017.

The HKICPA has issued a number of new and revised standards and amendments to standards. The Group has adopted the new and revised standards and amendments to standards which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2018. The adoption of these new and revised standards and amendments to standards does not have any significant financial effect on Group’s results and financial position.

The Group has not early adopted the new and revised standards and amendments to standards that have been issued but are not yet effective for the three months ended 31 March 2018.



NOTES TO FIRST QUARTERLY FINANCIAL INFORMATION

3 REVENUE

	Unaudited Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Sales of products	366,184	305,022
Service income	12,908	9,824
Royalty fee income	269	183
	379,361	315,029

4 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the period. PRC corporate income tax has been provided at the rate of 25% (2017: 25%) on the estimated assessable profits for the period of the subsidiaries operating in the PRC. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the entities operate.

	Unaudited Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Current income tax		
Hong Kong	29,153	28,580
PRC	503	3,441
Overseas	1,591	2,051
	31,247	34,072
Deferred income tax	(178)	(1,332)
	31,069	32,740



5 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Profit attributable to owners of the Company	158,785	132,554
Weighted average number of ordinary shares in issue (thousand shares)	837,100	837,100
Earnings per share (HK\$)	0.19	0.16

For the three months ended 31 March 2018 and 2017, diluted earnings per share is the same as basic earnings per share as there were no potential dilutive shares.

6 DIVIDEND

The Board did not recommend the payment of any dividend for the three months ended 31 March 2018 (2017: Nil).



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2018, the interest and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Directors and chief executives of the Company which would have to be notified to the Company pursuant to Division 7 and Division 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 Rule 5.48 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares

	Types of interests	Capacity	Number of shares	Approximate percentage of issued share capital
The Company				
Ding Yong Ling	Personal	Beneficial owner	250,000	0.029%
Lin Man	Personal	Beneficial owner	220,000	0.026%
Tong Ren Tang Technologies				
Mei Qun	Personal	Beneficial owner	3,000,000 ⁽¹⁾	0.234%
Tong Ren Tang Ltd.				
Mei Qun	Personal	Beneficial owner	93,242 ⁽²⁾	0.007%

Notes:

- (1) These shares represent 0.46% of domestic shares of Tong Ren Tang Technologies.
- (2) All represent A shares of Tong Ren Tang Ltd..

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



SUBSTANTIAL SHAREHOLDERS

As at 31 March 2018, 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 Division 2 and Division 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.

OTHER INFORMATION



- (2) Tong Ren Tang Holdings directly holds 52.45% of the issued share capital of Tong Ren Tang Ltd. which in turn directly holds 46.85% of the issued share capital of Tong Ren Tang Technologies. Tong Ren Tang Holdings also directly holds 0.74% of the issued share capital of Tong Ren Tang Technologies. Accordingly, Tong Ren Tang Holdings is deemed to be interested in 318,540,000 shares of the Company and 281,460,000 shares of the Company held by Tong Ren Tang Technologies and Tong Ren Tang Ltd., respectively.
- (3) According to the disclosure forms filed by Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Limited, Jiang Jinzhi and Unique Element Corp. on 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.:

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 executives 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 Division 2 and Division 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the section “Directors’ and chief executives’ interests in shares” above, at no time during the 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 (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 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”).



OTHER INFORMATION

In addition, under the Deed of Non-competition, each of the Controlling Shareholders has also undertaken that if each of them and/or any of its associates is offered or becomes aware of any project or new business opportunity (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, Mr. Tsang Yok Sing, Jasper, 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 THE LISTED SECURITIES OF THE COMPANY

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

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 enquires to 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 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 on the Stock Exchange during the Period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the 2018 first quarterly report.

On behalf of the Board

Beijing Tong Ren Tang Chinese Medicine Company Limited

Mei Qun

Chairman

Hong Kong, 26 April 2018