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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: 3613)**

**2021 INTERIM RESULTS ANNOUNCEMENT**

The board of directors (the “**Board**”) of Beijing Tong Ren Tang Chinese Medicine Company Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2021. This announcement, containing the full text of the 2021 interim report of the Company, complies with the relevant requirements of the Rules (the “**Listing Rules**”) Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of interim results. Printed version of the Company’s 2021 interim report will be delivered to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and of the Company at [cm.tongrentang.com](http://cm.tongrentang.com) on or before 30 September 2021.

By order of the Board  
**Beijing Tong Ren Tang**  
**Chinese Medicine Company Limited**  
**Ding Yong Ling**  
*Chairman*

Hong Kong, 6 August 2021

As at the date of this announcement, the composition of the Board is as follows:

***Executive Directors:***

Ms. Ding Yong Ling (*Chairman*)  
Mr. Chen Fei  
Ms. Lin Man

***Independent Non-executive Directors:***

Mr. Tsang Yok Sing, Jasper  
Mr. Zhao Zhong Zhen  
Mr. Chan Ngai Chi

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Ding Yong Ling (*Chairman*)

Chen Fei

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

Tsang Fung Yi

## 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

cm.tongrentang.com

## REGISTERED ADDRESS

Room 1405–1409, Office Tower

Convention Plaza, 1 Harbour Road

Wanchai, Hong Kong

## LEGAL ADVISER

Jingtian & Gongcheng LLP

Suite 3203–3207

32nd Floor

Edinburgh Tower, The Landmark

15 Queen's Road Central

Hong Kong

## AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and

Registered Public Interest Entity Auditor

22nd Floor, Prince's Building

Central, Hong Kong

## STOCK CODE

3613



# FINANCIAL HIGHLIGHTS

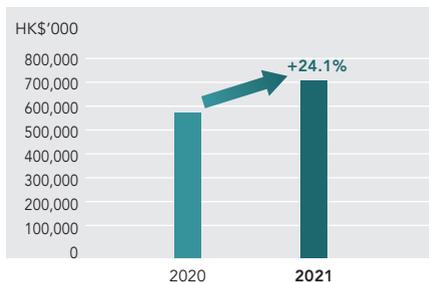
## Six months ended 30 June

| (HK\$'000)                                   | 2021     | 2020     | Change     |
|--|----------|----------|------------|
| Revenue                                      | 704,031  | 567,423  | + 24.1%    |
| Gross profit                                 | 500,158  | 389,379  | + 28.5%    |
| Profit before income tax                     | 348,130  | 278,486  | + 25.0%    |
| Profit for the period                        | 290,717  | 236,081  | + 23.1%    |
| Profit attributable to owners of the Company | 267,218  | 226,580  | + 17.9%    |
| Earnings per share                           | HK\$0.32 | HK\$0.27 | + HK\$0.05 |

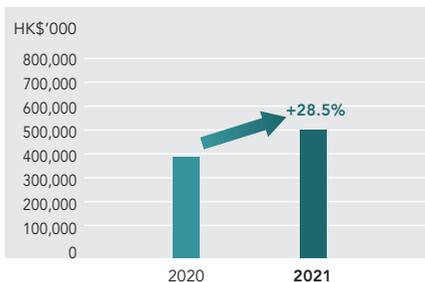
| (HK\$'000)             | 30 June<br>2021 | 31 December<br>2020 | Change |
|------------------------|-----------------|---------------------|--------|
| Cash and bank balances | 1,948,564       | 1,847,137           | + 5.5% |
| Total assets           | 3,512,998       | 3,416,969           | + 2.8% |
| Total equity           | 3,213,578       | 3,129,510           | + 2.7% |

For the six months ended 30 June 2021

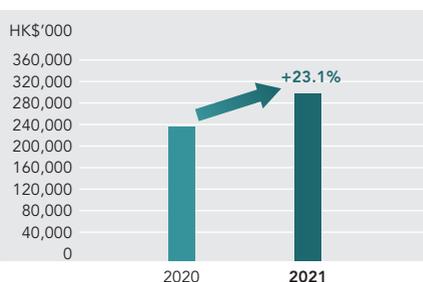
### Revenue



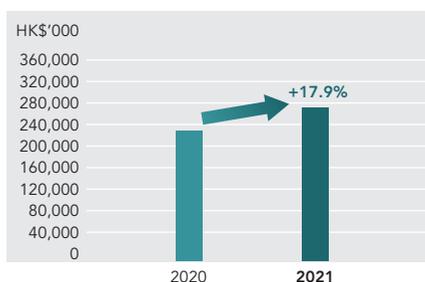
### Gross profit



### Profit for the Period



### Profit attributable to owners of the Company



## BUSINESS REVIEW

During the first half of 2021, the coronavirus disease 2019 (the “COVID-19”) epidemic continued its worldwide effect, with cases of virus variants emerging in multiple areas, while all over the world, especially Mainland China, Hong Kong and Macao maintained their stringent border control, which severely impacted the visitor arrivals to Hong Kong, and Hong Kong’s retail industry remain difficult. Following the gradual relaxation of epidemic prevention measures in Hong Kong, the local consumer sentiment has improved in the second quarter of this year. The Census and Statistics Department of the HKSAR Government recorded an 8.4% increase in the provisional estimated value of the total retail sales of Hong Kong for the first half year of 2021 over the corresponding period last year. During the six months ended 30 June 2021 (the “Period”), the Group’s sales revenue amounted to HK\$704.0 million (2020: HK\$567.4 million), representing an increase of 24.1% over the corresponding period last year; and profit attributable to the owners of the Company amounted to HK\$267.2 million (2020: HK\$226.6 million), representing an increase of 17.9% over the corresponding period last year.

## Market Expansion

In 2021, while facing the onerous test of the COVID-19 epidemic and the complex and ever-changing domestic and international environment, the Group will continue to uphold the corporate spirit of “Nurturing kindness and virtue, Preserving tranquility and wellness”, and enhance our supply capacity, adaptability and recovery ability pertaining to the market, rapidly change our market expansion model, consolidate the advantageous market position of our flagship products, and continuously innovate our retail models to explore the latest revolutionary development opportunities during the crisis.

During the Period, the Group formulated a large variety of strategic plan, so as to facilitate the transformation to new marketing strategies and promote branding strategic upgrade, thus driving up the potential market demand with our new marketing strategies. The Group focused on our key products of Angong Niuhuang Wan and Sporoderm-broken Ganoderma Lucidum Spores Powder Capsule (“GLSPC”), and strengthened the promotion efforts through online and offline media by placing advertisements of Tong Ren Tang’s cardiovascular and cerebrovascular product series through television, printed media and online media platforms, as well as consolidating the characteristics of our large variety of products, where we delivered health information to our consumers so that more



people are aware of Tong Ren Tang's brand, and increased the market share of our products. In addition, a commercial with the theme of "Better Immunity, Better Health" was produced to target the consumer group of GLSPC, which repositioned the product's features, and was placed in Hong Kong, Singapore and Australia, in order to boost the sales volume both online and offline. Furthermore, the Group has increased its online retail investment, and planned a number of live-streaming activities to tie in with the major festivals to attract the attention of Tong Ren Tang's fanbase. On the Women's Day and Mother's Day, live-streaming event with the theme of "Pamper Yourself and Beauty Blossom" was organized, where renowned Chinese medicine practitioners, KOLs (Key Opinion Leaders) and product experts were invited to promote seasonal products and share health information, creating an interactive online platform to effectively enhance the brand's exposure and influence in the Hong Kong market.

In May this year, the flagship online store of Tong Ren Tang was officially launched on the Tmall (天貓) Hong Kong platform. In order to collaborate with the official event planning and marketing schedule of Tmall, the Group has organized a series of activities, such as the Opening Day, the Brand's Day, the Free-shipping Day and the 618 Mid-Year Celebration, which gained exposure for our online store through resources from within and outside our website, attracting the attention of fans and steadily increased the sales volume, which placed us at the top of the list of similar stores.

The Group will continue to strengthen our market expansion efforts, expand the coverage of our promotions, and optimize our marketing strategies base on the actual situation in the local and overseas markets at this critical time, and formulate marketing strategies base on the characteristic of Tong Ren Tang and to stay in line with the consumer culture and shopping habits of different regions.

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

The Group's production and research and development base in Tai Po adhered to its usual stringent style to strictly control the production process, and has attained the ISO22000 certification. At the same time, the Group enhanced and upgraded the production layout to raise the level of mechanization and automation, so as to improve our production capacity and ensure supply of products to the market.



We continue to develop new products in line with the development trend in general healthcare, in order to meet the extensive market demand for regulating body functions and preventing diseases. In addition to research and development of new products, the Group emphasises on technological innovations and continues to conduct scientific research on key products, focusing on promoting variety upgrade to encourage future product development. In order to further our research achievements, we continue to cooperate with renowned overseas institutions and research institutes to conduct research on the safety and effect mechanism of our key products. We cooperate with The University of Hong Kong strategically to commence studies on safety and effect mechanism of products, including Angong Niu Huang Wan and Niu Huang Qingxin Wan, and we expect such research results will provide a reliable scientific basis for our future products entering the mainstream overseas market.

### Future Prospects

Chinese medicine remains an essential part of China's experience in fighting the epidemic, and will continue to play an important role against the pandemic globally. As Hong Kong's economic condition improves, Tong Ren Tang will remain a driving force in serving the world's healthcare needs.

The Group regards innovation as an important driving force for development, and will continue to step ahead based on our innovation efforts to go far and beyond in steadily pace. Meanwhile, facing the increasingly unpredictable future of the global epidemic, the world is still longing for health, and Chinese medicine will continue to aid in diagnosis and treatment, thus assuming its responsibility in the common efforts against the pandemic, and continue to leverage on its characteristic features of profound connotation and unique values to promote the construction of shared health in humankind.

With the deepening of trade globalization, the Group will continue to realize the global deployment of production factors and functional modules through each business region and create a new connotation of Tong Ren Tang's globalization led by value, supported by capital, accompanied by industrial chain improvement with a high-quality industrial ecology at its core.



## Human Resources

As at 30 June 2021, we had a total of 759 employees (2020: 766 employees). During the Period, the staff cost of the Group was HK\$104.2 million (2020: HK\$81.4 million). In order to attract and retain talents, the Group reviewed its remuneration policy on a regular basis and offered discretionary bonus to qualified employees according to the results and personal performance.

## FINANCIAL REVIEW

### Financial Resources and Liquidity

As at 30 June 2021, the Group continued to be in a strong financial position with cash and bank balances amounting to HK\$1,948.6 million (31 December 2020: HK\$1,847.1 million). During the Period, the Group funded its liquidity by resources generated internally. Based on the Group's steady cash inflow from operations, coupled with 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.

As at 30 June 2021, the Group's cash and bank balances were mainly denominated in Hong Kong dollars and Renminbi and were deposited in reputable financial institutions with maturity dates falling within one year.

As at 30 June 2021, the Group had total non-current assets, net current assets and net assets of HK\$522.0 million, HK\$2,773.6 million and HK\$3,213.6 million, respectively (31 December 2020: HK\$484.0 million, HK\$2,716.3 million and HK\$3,129.5 million respectively). The current ratio of the Group, defined as the ratio of current assets to current liabilities, was 13.8 as at 30 June 2021 (31 December 2020: 13.5), which reflects the abundance of financial resources of the Group. The gearing ratio of the Group, defined as the borrowings and lease liabilities to total equity, was 3.84% as at 30 June 2021 (31 December 2020: 3.39%).



# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital Expenditure

During the Period, the Group's capital expenditure was HK\$8.6 million (2020: HK\$3.9 million), which was mainly used in purchase of machinery and equipment for production and operation purposes.

## 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, and United States dollar. During the Period, there was no material impact to the Group arising from the fluctuation in the exchange rates of these currencies.

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

## Major Investment, Acquisitions and Disposals

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

## Charges over Assets of the Group

As at 30 June 2021, the Group's property with net book value of HK\$10.9 million (31 December 2020: HK\$11.3 million) has been pledged as securities for long-term bank borrowings. 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 2023.

## Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities.

## Dividends

The board of Directors (the "Board") does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: Nil).



# CONDENSED CONSOLIDATED INCOME STATEMENT

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2021 together with the comparative unaudited figures for the corresponding period in 2020 as follows:

|   | Note | Unaudited<br>Six months ended 30 June |                  |
|---|------|---------------------------------------|------------------|
|   |      | 2021<br>HK\$'000                      | 2020<br>HK\$'000 |
| Revenue   | 6    | 704,031                               | 567,423          |
| Cost of sales   | 7    | (203,873)                             | (178,044)        |
| <b>Gross profit</b>   |      | <b>500,158</b>                        | <b>389,379</b>   |
| Distribution and selling expenses   | 7    | (89,423)                              | (76,596)         |
| General and administrative expenses   | 7    | (66,666)                              | (53,762)         |
| Other gains, net  |      | 3,342                                 | 8,282            |
| <b>Operating profit</b>   |      | <b>347,411</b>                        | <b>267,303</b>   |
| Finance income  |      | 2,724                                 | 14,481           |
| Finance costs   |      | (2,210)                               | (1,964)          |
| Finance income, net   | 8    | 514                                   | 12,517           |
| Share of profits/(losses) of investments accounted for using the equity method                |      | 205                                   | (1,334)          |
| <b>Profit before income tax</b>   |      | <b>348,130</b>                        | <b>278,486</b>   |
| Income tax expense  | 9    | (57,413)                              | (42,405)         |
| <b>Profit for the period</b>  |      | <b>290,717</b>                        | <b>236,081</b>   |
| <b>Profit attributable to:</b>  |      |                                       |                  |
| Owners of the Company   |      | 267,218                               | 226,580          |
| Non-controlling interests   |      | 23,499                                | 9,501            |
|   |      | <b>290,717</b>                        | <b>236,081</b>   |
| <b>Earnings per share attributable to owners of the Company (expressed in HK\$ per share)</b> |      |                                       |                  |
| Basic and diluted   | 10   | 0.32                                  | 0.27             |

The notes on pages 14 to 30 are an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | Unaudited<br>Six months ended 30 June |                  |
|--|---------------------------------------|------------------|
|  | 2021<br>HK\$'000                      | 2020<br>HK\$'000 |
| <b>Profit for the period</b>   | 290,717                               | 236,081          |
| <b>Other comprehensive income/(losses):</b>  |                                       |                  |
| <i>Item that may be reclassified to profit or loss</i>                                   |                                       |                  |
| Currency translation differences   | (423)                                 | (5,067)          |
| <i>Item that will not be reclassified to profit or loss</i>                              |                                       |                  |
| Change in fair value of financial asset at fair value through other comprehensive income | 1,290                                 | (4,140)          |
| <b>Other comprehensive income/(losses) for the period</b>                                | 867                                   | (9,207)          |
| <b>Total comprehensive income for the period</b>   | 291,584                               | 226,874          |
| <b>Attributable to:</b>  |                                       |                  |
| Owners of the Company  | 268,454                               | 218,569          |
| Non-controlling interests  | 23,130                                | 8,305            |
| <b>Total comprehensive income for the period</b>   | 291,584                               | 226,874          |

The notes on pages 14 to 30 are an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED BALANCE SHEET

|   | Note | Unaudited<br>30 June<br>2021<br>HK\$'000 | Audited<br>31 December<br>2020<br>HK\$'000 |
|---|------|--|--|
| <b>ASSETS</b>   |      |  |  |
| <b>Non-current assets</b>   |      |  |  |
| Property, plant and equipment                                       | 12   | 185,693                                  | 187,379                                    |
| Right-of-use assets   |      | 210,422                                  | 194,442                                    |
| Intangible assets   | 13   | 54,186                                   | 54,836                                     |
| Investments accounted for using<br>the equity method                |      | 17,511                                   | 17,763                                     |
| Financial asset at fair value through<br>other comprehensive income |      | 7,398                                    | 6,108                                      |
| Deposits paid for purchase of property,<br>plant and equipment      |      | 13,565                                   | 10,430                                     |
| Prepayment for acquisition of an associate                          |      | 11,950                                   | –  |
| Deferred income tax assets, net                                     |      | 21,238                                   | 13,064                                     |
|   |      | <b>521,963</b>                           | <b>484,022</b>                             |
| <b>Current assets</b>   |      |  |  |
| Inventories   |      | 476,411                                  | 495,378                                    |
| Trade receivables and other current assets                          | 14   | 566,060                                  | 590,432                                    |
| Short-term bank deposits  |      | 26,253                                   | 421,097                                    |
| Cash and cash equivalents   |      | 1,922,311                                | 1,426,040                                  |
|   |      | <b>2,991,035</b>                         | <b>2,932,947</b>                           |
| <b>Total assets</b>   |      | <b>3,512,998</b>                         | <b>3,416,969</b>                           |
| <b>EQUITY AND LIABILITIES</b>                                       |      |  |  |
| <b>Equity attributable to owners<br/>of the Company</b>             |      |  |  |
| Share capital   | 15   | 938,789                                  | 938,789                                    |
| Reserves  |      |  |  |
| — Other reserves  |      | (17,681)                                 | (18,917)                                   |
| — Retained earnings   |      | 2,163,931                                | 2,097,617                                  |
|   |      | <b>3,085,039</b>                         | <b>3,017,489</b>                           |
| Non-controlling interests   |      | 128,539                                  | 112,021                                    |
| <b>Total equity</b>   |      | <b>3,213,578</b>                         | <b>3,129,510</b>                           |



# CONDENSED CONSOLIDATED BALANCE SHEET

|                                      |             | Unaudited<br>30 June<br>2021<br>HK\$'000 | Audited<br>31 December<br>2020<br>HK\$'000 |
|--------------------------------------|-------------|--|--|
|                                      | <i>Note</i> |  |  |
| <b>LIABILITIES</b>                   |             |  |  |
| <b>Non-current liabilities</b>       |             |  |  |
| Borrowings                           |             | 1,476                                    | 2,052                                      |
| Lease liabilities                    |             | 74,129                                   | 63,095                                     |
| Deferred income tax liabilities, net |             | 6,365                                    | 5,696                                      |
|                                      |             | <b>81,970</b>                            | <b>70,843</b>                              |
| <b>Current liabilities</b>           |             |  |  |
| Borrowings                           |             | 350                                      | 260  |
| Trade and other payables             | 16          | 111,878                                  | 140,138                                    |
| Lease liabilities                    |             | 47,455                                   | 40,603                                     |
| Current income tax liabilities       |             | 57,767                                   | 35,615                                     |
|                                      |             | <b>217,450</b>                           | <b>216,616</b>                             |
| <b>Total liabilities</b>             |             | <b>299,420</b>                           | <b>287,459</b>                             |
| <b>Total equity and liabilities</b>  |             | <b>3,512,998</b>                         | <b>3,416,969</b>                           |

The notes on pages 14 to 30 are an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Unaudited                             |                            |                           |                               |                              |                               |                   |                                       |                          |
|--|---------------------------------------|----------------------------|---------------------------|-------------------------------|------------------------------|-------------------------------|-------------------|---------------------------------------|--------------------------|
|  | Attributable to owners of the Company |                            |                           |                               |                              |                               |                   |                                       |                          |
|  | Share capital<br>HK\$'000             | Merger reserve<br>HK\$'000 | Other reserve<br>HK\$'000 | Statutory reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Retained earnings<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
| <b>At 1 January 2020</b>   | 938,789                               | (13,124)                   | (1,975)                   | 6,229                         | (18,112)                     | 1,747,694                     | 2,659,501         | 106,135                               | 2,765,636                |
| <b>Comprehensive income</b>  |                                       |                            |                           |                               |                              |                               |                   |                                       |                          |
| Profit for the period  | -                                     | -                          | -                         | -                             | -                            | 226,580                       | 226,580           | 9,501                                 | 236,081                  |
| <b>Other comprehensive losses</b>  |                                       |                            |                           |                               |                              |                               |                   |                                       |                          |
| Change in fair value of financial asset at fair value through other comprehensive income | -                                     | -                          | (4,140)                   | -                             | -                            | -                             | (4,140)           | -                                     | (4,140)                  |
| Currency translation differences   |                                       |                            |                           |                               |                              |                               |                   |                                       |                          |
| — Group  | -                                     | -                          | -                         | -                             | (3,431)                      | -                             | (3,431)           | (1,196)                               | (4,627)                  |
| — Joint ventures   | -                                     | -                          | -                         | -                             | (440)                        | -                             | (440)             | -                                     | (440)                    |
| <b>Total comprehensive income</b>  | -                                     | -                          | (4,140)                   | -                             | (3,871)                      | 226,580                       | 218,569           | 8,305                                 | 226,874                  |
| <b>Transactions with owners in their capacity as owners</b>                              |                                       |                            |                           |                               |                              |                               |                   |                                       |                          |
| Dividends relating to 2019 (Note 11)   | -                                     | -                          | -                         | -                             | -                            | (192,533)                     | (192,533)         | (8,086)                               | (200,619)                |
| <b>Total transactions with owners in their capacity as owners</b>                        | -                                     | -                          | -                         | -                             | -                            | (192,533)                     | (192,533)         | (8,086)                               | (200,619)                |
| <b>At 30 June 2020</b>   | 938,789                               | (13,124)                   | (6,115)                   | 6,229                         | (21,983)                     | 1,781,741                     | 2,685,537         | 106,354                               | 2,791,891                |
| <b>At 1 January 2021</b>   | 938,789                               | (13,124)                   | (6,850)                   | 6,229                         | (5,172)                      | 2,097,617                     | 3,017,489         | 112,021                               | 3,129,510                |
| <b>Comprehensive income</b>  |                                       |                            |                           |                               |                              |                               |                   |                                       |                          |
| Profit for the period  | -                                     | -                          | -                         | -                             | -                            | 267,218                       | 267,218           | 23,499                                | 290,717                  |
| <b>Other comprehensive income</b>  |                                       |                            |                           |                               |                              |                               |                   |                                       |                          |
| Change in fair value of financial asset at fair value through other comprehensive income | -                                     | -                          | 1,290                     | -                             | -                            | -                             | 1,290             | -                                     | 1,290                    |
| Currency translation differences   |                                       |                            |                           |                               |                              |                               |                   |                                       |                          |
| — Group  | -                                     | -                          | -                         | -                             | 403                          | -                             | 403               | (369)                                 | 34                       |
| — Joint ventures   | -                                     | -                          | -                         | -                             | (457)                        | -                             | (457)             | -                                     | (457)                    |
| <b>Total comprehensive income</b>  | -                                     | -                          | 1,290                     | -                             | (54)                         | 267,218                       | 268,454           | 23,130                                | 291,584                  |
| <b>Transactions with owners in their capacity as owners</b>                              |                                       |                            |                           |                               |                              |                               |                   |                                       |                          |
| Dividends relating to 2020 (Note 11)   | -                                     | -                          | -                         | -                             | -                            | (200,904)                     | (200,904)         | (7,350)                               | (208,254)                |
| Capital injection into a subsidiary  | -                                     | -                          | -                         | -                             | -                            | -                             | -                 | 738                                   | 738                      |
| <b>Total transactions with owners in their capacity as owners</b>                        | -                                     | -                          | -                         | -                             | -                            | (200,904)                     | (200,904)         | (6,612)                               | (207,516)                |
| <b>At 30 June 2021</b>   | 938,789                               | (13,124)                   | (5,560)                   | 6,229                         | (5,226)                      | 2,163,931                     | 3,085,039         | 128,539                               | 3,213,578                |

The notes on pages 14 to 30 are an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|   | Unaudited<br>Six months ended 30 June |                  |
|---|---------------------------------------|------------------|
|   | 2021<br>HK\$'000                      | 2020<br>HK\$'000 |
| <b>Net cash generated from operating activities</b>   | <b>351,246</b>                        | <b>53,186</b>    |
| <b>Cash flows from investing activities</b>   |                                       |                  |
| Interest received   | 3,558                                 | 19,339           |
| Dividends received  | 180                                   | –                |
| Decrease in short-term bank deposits with original maturities exceeding three months        | 394,844                               | 786,004          |
| Purchase of property, plant and equipment   | (2,501)                               | (2,790)          |
| Proceeds from disposal of property, plant and equipment                                     | 1                                     | –                |
| Deposit paid for purchase of property, plant and equipment                                  | (6,123)                               | (1,140)          |
| Prepayment for acquisition of an associate  | (11,950)                              | –                |
| <b>Net cash generated from investing activities</b>   | <b>378,009</b>                        | <b>801,413</b>   |
| <b>Cash flows from financing activities</b>   |                                       |                  |
| Principal elements of lease payments  | (24,487)                              | (24,790)         |
| Proceeds from borrowings  | 395                                   | 359              |
| Repayment of borrowings   | (83)                                  | (83)             |
| Interest paid   | (2,210)                               | (1,964)          |
| Capital injection by non-controlling interests  | 738                                   | –                |
| Dividends paid to the Company's shareholders  | (200,878)                             | (192,405)        |
| Dividends paid to non-controlling interests   | (7,350)                               | (8,086)          |
| <b>Net cash used in financing activities</b>  | <b>(233,875)</b>                      | <b>(226,969)</b> |
| <b>Net increase in cash and cash equivalents</b>  | <b>495,380</b>                        | <b>627,630</b>   |
| <b>Cash and cash equivalents at beginning of period</b>                                     | <b>1,426,040</b>                      | <b>1,056,711</b> |
| Exchange gains/(losses) on cash and cash equivalents  | 891                                   | (3,591)          |
| <b>Cash and cash equivalents at end of period</b>   | <b>1,922,311</b>                      | <b>1,680,750</b> |
| <b>Analysis of balances of cash and cash equivalents</b>                                    |                                       |                  |
| Cash at bank and on hand and deposits with banks with original maturity within three months | 1,922,311                             | 1,680,750        |

The notes on pages 14 to 30 are an integral part of this condensed consolidated interim financial information.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

The Group is engaged in manufacturing, retail and wholesale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments. The immediate holding company of the Company is Tong Ren Tang Technologies Co. Ltd. ("Tong Ren Tang Technologies") which is a joint stock limited liability company established in the People's Republic of China (the "PRC") and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 shares of the Company were listed on GEM of the Stock Exchange starting from 7 May 2013 and were transferred to be listed on the Main Board of the Stock Exchange starting from 29 May 2018.

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated. This consolidated interim financial information has been approved for issue by the Board on 6 August 2021.

This condensed consolidated interim financial information has not been audited.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Listing Rules of the Stock Exchange.

The financial information relating to the year ended 31 December 2020 that is included in this condensed consolidated interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for the year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Companies Registry as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

## 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

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

### (a) Adoption of amendments to standards

The 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 1 January 2021.

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16  
Amendments to HKFRS 16

Interest Rate Benchmark Reform  
— Phase 2  
Covid-19-Related Rent  
Concessions beyond  
30 June 2021

The adoption of the above amendments to standards did not have any significant financial impact on this condensed consolidated interim financial information.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) **New standard and amendments to standards which are not yet effective**

The following are new standard and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2022 or later periods, but have not been early adopted by the Group.

|   |  |
|---|--|
| Annual improvement project (Amendments)   | Annual Improvements to HKFRSs 2018–2020 <sup>(1)</sup>   |
| HKFRS 3, HKAS 16 and HKAS 37 (Amendments) | Narrow-scope amendments <sup>(1)</sup>   |
| Accounting Guideline 5 (Revised)          | Merger Accounting for Common Control Combinations <sup>(1)</sup>   |
| Hong Kong Interpretation 5 (2020)         | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>(2)</sup> |
| HKAS 1 (Amendments)                       | Classification of Liabilities as Current or Non-current <sup>(2)</sup>   |
| HKFRS 17 (New Standard)                   | Insurance Contracts <sup>(2)</sup>   |
| HKFRS 10 and HKAS 28 (Amendments)         | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(3)</sup>   |

<sup>(1)</sup> Effective for the accounting period beginning on 1 January 2022

<sup>(2)</sup> Effective for the accounting period beginning on 1 January 2023

<sup>(3)</sup> Effective date to be determined

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



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

## 5 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

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

### (b) Liquidity risk

Compared to 31 December 2020, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

## 6 REVENUE AND SEGMENT INFORMATION

### (a) Revenue

|                    | Unaudited<br>Six months ended 30 June |                  |
|--------------------|---------------------------------------|------------------|
|                    | 2021<br>HK\$'000                      | 2020<br>HK\$'000 |
| Sales of products  | 681,028                               | 551,306          |
| Service income     | 22,921                                | 16,037           |
| Royalty fee income | 82                                    | 80               |
|                    | <b>704,031</b>                        | <b>567,423</b>   |



## 6 REVENUE AND SEGMENT INFORMATION *(Continued)*

### (b) Segment information

The chief operating decision maker has been identified as the executive directors of the Company (the “Executive Directors”). The Executive Directors 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 consider the Group’s business and aggregate the operating segment from a geographic perspective and have determined that the Group has three reportable operating segments as follows:

- (i) Hong Kong — sale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments through retail outlets as well as wholesale of Chinese medicine products and healthcare products in Hong Kong. In addition, it includes the royalty fee income received from overseas entities for using “Tong Ren Tang” brand name.
- (ii) Mainland China (PRC but excluding Hong Kong, Macao and Taiwan region for the purpose of this interim report) — wholesale of healthcare products in the Mainland China and the sole distribution of Tong Ren Tang branded products of Tong Ren Tang Technologies and Tong Ren Tang Ltd. to customers outside the Mainland China.
- (iii) Overseas — retail and wholesale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments in other overseas countries/regions, 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 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.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (Continued)

Segment assets include property, plant and equipment, right-of-use assets, intangible assets, investments accounted for using equity method, financial asset at fair value through other comprehensive income, deposits paid for purchase of property, plant and equipment, prepayment for acquisition of an associate, deferred tax assets, inventories, trade receivables and other current assets, short-term bank deposits and cash and cash equivalents. Segment liabilities include borrowings, lease liabilities, trade and other payables, current and deferred income tax liabilities.

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

|   | Hong Kong<br>HK\$'000 | Mainland<br>China<br>HK\$'000 | Overseas<br>HK\$'000 | Total<br>HK\$'000 |
|---|-----------------------|-------------------------------|----------------------|-------------------|
| <b>Six months ended<br/>30 June 2021 (Unaudited)</b>                    |                       |                               |                      |                   |
| Segment revenue   | 565,521               | 240,276                       | 243,828              | 1,049,625         |
| Inter-segment revenue   | (267,298)             | (78,224)                      | (72)                 | (345,594)         |
| Revenue from external<br>customers                                      | 298,223               | 162,052                       | 243,756              | 704,031           |
| Timing of revenue recognition   |                       |                               |                      |                   |
| At a point in time  | 297,559               | 159,570                       | 223,899              | 681,028           |
| Overtime  | 664                   | 2,482                         | 19,857               | 23,003            |
|   | 298,223               | 162,052                       | 243,756              | 704,031           |
| Segment results   | 312,804               | 27,814                        | 48,703               | 389,321           |
| Inter-segment elimination   |                       |                               |                      | (41,910)          |
| Operating profit  |                       |                               |                      | 347,411           |
| Finance income  | 2,402                 | 133                           | 189                  | 2,724             |
| Finance cost  | (799)                 | (100)                         | (1,311)              | (2,210)           |
| Share of profits of investments<br>accounted for using equity<br>method |                       |                               |                      | 205               |
| Profit before income tax  |                       |                               |                      | 348,130           |
| Income tax expense  | (52,910)              | 1,025                         | (5,528)              | (57,413)          |
| Profit for the period   |                       |                               |                      | 290,717           |



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (Continued)

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

|  | Hong Kong<br>HK\$'000 | Mainland<br>China<br>HK\$'000 | Overseas<br>HK\$'000 | Total<br>HK\$'000 |
|--|-----------------------|-------------------------------|----------------------|-------------------|
| <b>Six months ended</b>  |                       |                               |                      |                   |
| <b>30 June 2020 (Unaudited)</b>                                  |                       |                               |                      |                   |
| Segment revenue  | 456,944               | 191,334                       | 134,922              | 783,200           |
| Inter-segment revenue  | (176,856)             | (38,921)                      | –                    | (215,777)         |
| Revenue from external customers                                  | 280,088               | 152,413                       | 134,922              | 567,423           |
| Timing of revenue recognition                                    |                       |                               |                      |                   |
| At a point in time   | 279,664               | 149,051                       | 122,591              | 551,306           |
| Overtime   | 424                   | 3,362                         | 12,331               | 16,117            |
|  | 280,088               | 152,413                       | 134,922              | 567,423           |
| Segment results  | 279,147               | (105)                         | 20,473               | 299,515           |
| Inter-segment elimination  |                       |                               |                      | (32,212)          |
| Operating profit   |                       |                               |                      | 267,303           |
| Finance income   | 14,122                | 34                            | 325                  | 14,481            |
| Finance cost   | (579)                 | (21)                          | (1,364)              | (1,964)           |
| Share of losses of investments accounted for using equity method |                       |                               |                      | (1,334)           |
| Profit before income tax   |                       |                               |                      | 278,486           |
| Income tax expense   | (44,848)              | 4,385                         | (1,942)              | (42,405)          |
| Profit for the period  |                       |                               |                      | 236,081           |



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (Continued)

#### (ii) Analysis of condensed consolidated balance sheet

|  | Hong Kong<br>HK\$'000 | Mainland<br>China<br>HK\$'000 | Overseas<br>HK\$'000 | Total<br>HK\$'000 |
|--|-----------------------|-------------------------------|----------------------|-------------------|
| <b>At 30 June 2021 (Unaudited)</b>               |                       |                               |                      |                   |
| <b>Segment assets and liabilities</b>            |                       |                               |                      |                   |
| Total assets                                     | 2,487,716             | 569,265                       | 456,017              | 3,512,998         |
| Investments accounted for<br>using equity method | 9,219                 | –                             | 8,292                | 17,511            |
| Total liabilities                                | (141,111)             | (39,712)                      | (118,597)            | (299,420)         |
| <b>At 31 December 2020 (Audited)</b>             |                       |                               |                      |                   |
| <b>Segment assets and liabilities</b>            |                       |                               |                      |                   |
| Total assets                                     | 2,383,239             | 653,722                       | 380,008              | 3,416,969         |
| Investments accounted for<br>using equity method | 9,074                 | –                             | 8,689                | 17,763            |
| Total liabilities                                | (117,320)             | (62,892)                      | (107,247)            | (287,459)         |



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 EXPENSES BY NATURE

|  | Unaudited<br>Six months ended 30 June |                  |
|--|---------------------------------------|------------------|
|  | 2021<br>HK\$'000                      | 2020<br>HK\$'000 |
| Cost of inventories sold   | 165,656                               | 144,060          |
| Employee benefit expenses<br>(including directors' emoluments)                         | 104,213                               | 81,414           |
| COVID-19-related rent concessions  | (19)                                  | –                |
| Expenses relating to short-term leases   | 7,500                                 | 4,690            |
| Variable lease payments not included in the<br>measurement of lease liabilities (Note) | 201                                   | 100              |
| Depreciation of right-of-use assets  | 26,432                                | 28,383           |
| Amortisation of intangible assets (Note 13)  | 650                                   | 882              |
| Depreciation of property, plant and<br>equipment (Note 12)                             | 6,446                                 | 7,196            |
| Loss on disposal of property, plant and equipment                                      | 2                                     | 12               |
| Write-off of inventories   | 45                                    | 116              |
| (Reversal of)/provision for impairment loss<br>on trade receivables                    | (1,320)                               | 61               |
| Promotion and advertising expenses   | 7,295                                 | 3,002            |
| Net exchange gain  | (78)                                  | (76)             |

Note: Variable lease payments represent the amounts which are calculated based on percentages of turnover generated by certain retail outlets that exceed their fixed rentals.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 8 FINANCE INCOME, NET

|                     | Unaudited<br>Six months ended 30 June |                  |
|---------------------|---------------------------------------|------------------|
|                     | 2021<br>HK\$'000                      | 2020<br>HK\$'000 |
| Finance Income      |                                       |                  |
| Bank deposits       | 2,724                                 | 14,481           |
| Finance costs       |                                       |                  |
| Bank borrowings     | (1)                                   | (1)              |
| Lease liabilities   | (2,209)                               | (1,963)          |
|                     | (2,210)                               | (1,964)          |
| Finance income, net | 514                                   | 12,517           |

## 9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the period. PRC corporate income tax has been provided at the rate of 25% (2020: 25%) on the estimated assessable profits for the period of the subsidiaries operating in Mainland China. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the entities operate.

|                     | Unaudited<br>Six months ended 30 June |                  |
|---------------------|---------------------------------------|------------------|
|                     | 2021<br>HK\$'000                      | 2020<br>HK\$'000 |
| Current income tax  |                                       |                  |
| Hong Kong           | 51,204                                | 45,807           |
| PRC                 | 6,668                                 | –                |
| Overseas            | 7,056                                 | 3,533            |
|                     | 64,928                                | 49,340           |
| Deferred income tax | (7,515)                               | (6,935)          |
| Income tax expense  | 57,413                                | 42,405           |



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 10 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<br>Six months ended 30 June |         |
|---|---------------------------------------|---------|
|   | 2021                                  | 2020    |
| Profit attributable to owners of the Company (HK\$'000)               | 267,218                               | 226,580 |
| Weighted average number of ordinary shares in issue (thousand shares) | 837,100                               | 837,100 |
| Earnings per share (HK\$)   | 0.32                                  | 0.27    |

There were no potential dilutive shares for the six months ended 30 June 2021 (2020: Nil).

## 11 DIVIDENDS

A dividend of HK\$200,904,000 in respect of the year ended 31 December 2020 was paid in June 2021 (2020: HK\$192,533,000).

During the six months ended 30 June 2021, the Board did not recommend the payment of any interim dividend (2020: Nil).



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12 PROPERTY, PLANT AND EQUIPMENT

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

|                                  | HK\$'000 |
|----------------------------------|----------|
| At 1 January 2021 (audited)      | 187,379  |
| Additions                        | 5,489    |
| Disposals                        | (3)      |
| Depreciation charge              | (6,446)  |
| Currency translation differences | (726)    |
| At 30 June 2021 (unaudited)      | 185,693  |

As at 30 June 2021, bank borrowing is secured by a freehold land and building amounted to HK\$10,879,000 (31 December 2020: HK\$11,255,000).

## 13 INTANGIBLE ASSETS

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

|                             | Goodwill<br>HK\$'000 | Other<br>Intangible<br>assets<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------|----------------------|---|-------------------|
| At 1 January 2021 (audited) | 49,419               | 5,417                                     | 54,836            |
| Amortisation                | –                    | (650)                                     | (650)             |
| At 30 June 2021 (unaudited) | 49,419               | 4,767                                     | 54,186            |



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 14 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

|                                  | Unaudited<br>30 June<br>2021<br>HK\$'000 | Audited<br>31 December<br>2020<br>HK\$'000 |
|----------------------------------|--|--|
| Trade receivables                |  |  |
| — immediate holding company      | —  | 3,596                                      |
| — fellow subsidiaries            | 321,032                                  | 364,721                                    |
| — joint ventures                 | 110                                      | 1,931                                      |
| — an associate                   | 11,940                                   | 8,477                                      |
| — third parties                  | 201,599                                  | 174,720                                    |
| Trade receivables, gross         | 534,681                                  | 553,445                                    |
| Less: loss allowance             | (5,734)                                  | (6,993)                                    |
| Trade receivables, net           | 528,947                                  | 546,452                                    |
| Prepayment and other receivables | 17,575                                   | 23,738                                     |
| Deposits                         | 18,568                                   | 19,272                                     |
| Amount due from a joint venture  | 970                                      | 970  |
|                                  | <b>566,060</b>                           | <b>590,432</b>                             |

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

|               | Unaudited<br>30 June<br>2021<br>HK\$'000 | Audited<br>31 December<br>2020<br>HK\$'000 |
|---------------|--|--|
| Up to 90 days | 198,220                                  | 344,216                                    |
| 91–180 days   | 68,790                                   | 67,156                                     |
| 181–365 days  | 174,085                                  | 59,542                                     |
| Over 365 days | 93,586                                   | 82,531                                     |
|               | <b>534,681</b>                           | <b>553,445</b>                             |



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15 SHARE CAPITAL

|   | Number of<br>shares | Share<br>capital<br>HK\$'000 |
|---|---------------------|------------------------------|
| Ordinary shares issued and fully paid:                      |                     |                              |
| At 1 January 2021 (audited) and<br>30 June 2021 (unaudited) | 837,100,000         | 938,789                      |

## 16 TRADE AND OTHER PAYABLES

|                                | Unaudited<br>30 June<br>2021<br>HK\$'000 | Audited<br>31 December<br>2020<br>HK\$'000 |
|--------------------------------|--|--|
| Trade payables                 |  |  |
| — intermediate holding company | 16,169                                   | 10,893                                     |
| — immediate holding company    | 8,172                                    | 16,005                                     |
| — fellow subsidiaries          | 41                                       | 144  |
| — third parties                | 25,730                                   | 47,089                                     |
| Trade payables                 | 50,112                                   | 74,131                                     |
| Accruals and other payables    | 58,933                                   | 62,273                                     |
| Contract liabilities           | 2,833                                    | 3,734                                      |
|                                | <b>111,878</b>                           | <b>140,138</b>                             |

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

|               | Unaudited<br>30 June<br>2021<br>HK\$'000 | Audited<br>31 December<br>2020<br>HK\$'000 |
|---------------|--|--|
| Up to 90 days | 33,183                                   | 61,015                                     |
| 91–180 days   | 12,184                                   | 7,503                                      |
| 181–365 days  | –  | 969  |
| Over 365 days | 4,745                                    | 4,644                                      |
|               | <b>50,112</b>                            | <b>74,131</b>                              |



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17 COMMITMENTS

### (a) Capital commitments

|                                 | Unaudited<br>30 June<br>2021<br>HK\$'000 | Audited<br>31 December<br>2020<br>HK\$'000 |
|---------------------------------|--|--|
| Contracted but not provided for |  |  |
| — property, plant and equipment | 9,706                                    | 5,155                                      |
| — investment in an associate    | 27,853                                   | —  |

### (b) Lease commitments

The Group has recognised right-of-use assets for leases, except for short-term and low-value leases as set out below:

|                      | Unaudited<br>30 June<br>2021<br>HK\$'000 | Audited<br>31 December<br>2020<br>HK\$'000 |
|----------------------|--|--|
| No later than 1 year | 4,709                                    | 5,074                                      |

As at 31 December 2020, undiscounted future lease payments amounted to HK\$14,059,000 were committed by the Group but the relevant lease periods had not commenced. These lease commitments were recognised as right-of-use assets upon the lease commencement date after 31 December 2020. As at 30 June 2021, the Group has no relevant lease commitments not commenced.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

|            |  | Unaudited<br>Six months ended 30 June |                  |
|------------|--|---------------------------------------|------------------|
|            |  | 2021<br>HK\$'000                      | 2020<br>HK\$'000 |
| <b>(a)</b> | Sales of products to:                  |                                       |                  |
|            | — Immediate holding company            | —                                     | 7,480            |
|            | — Joint ventures                       | 967                                   | 2,834            |
|            | — Fellow subsidiaries                  | 69,736                                | 106,241          |
|            | — An associate                         | 12,668                                | 1,556            |
|            |  | 83,371                                | 118,111          |
| <b>(b)</b> | Purchase of products from:             |                                       |                  |
|            | — Immediate holding company            | 11,403                                | 19,782           |
|            | — Intermediate holding company         | 16,121                                | 32,527           |
|            | — Fellow subsidiaries                  | 229                                   | 1,314            |
|            |  | 27,753                                | 53,623           |
| <b>(c)</b> | Royalty fee income from joint ventures | 82                                    | 80               |
| <b>(d)</b> | Rental expenses to fellow subsidiaries | 2,438                                 | 2,438            |
| <b>(e)</b> | Advertising agency services expense    | 1,175                                 | 58               |

At 30 June 2021, the Group recognised lease liabilities payable to fellow subsidiaries of HK\$7,394,000 (31 December 2020: HK\$9,336,000) over the relevant property leases.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

### (f) Key management compensation

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

|   | Unaudited<br>Six months ended 30 June |                  |
|---|---------------------------------------|------------------|
|   | 2021<br>HK\$'000                      | 2020<br>HK\$'000 |
| Salaries and other short-term employee benefits | 2,340                                 | 1,921            |
| Pension costs — defined contribution plans      | 116                                   | 18               |
|   | <b>2,456</b>                          | <b>1,939</b>     |

Notes:

- (i) These transactions were conducted in the normal course of business at prices and terms mutually agreed between the parties involved.
- (ii) In accordance with the royalty agreements, the royalty fee is charged annually by the Company at either 1% on revenue or 1.5% on profit before income tax of the joint ventures, whichever is higher. Pursuant to these agreements, these joint ventures are permitted to operate under “Tong Ren Tang” brand name.



### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2021, 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") (Chapter 571 of the laws of Hong Kong)) of the Directors and chief executives of the Company which would have to be notified to the Company pursuant to 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules of the Stock Exchange, 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 |
|--------------------|--------------------|------------------|------------------|--|
| <b>The Company</b> |                    |                  |                  |  |
| Ding Yong Ling     | Personal           | Beneficial owner | 410,000          | 0.049%   |
| Lin Man            | Personal           | Beneficial owner | 290,000          | 0.035%   |

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 Model Code contained in Appendix 10 to the Listing Rules of the Stock Exchange.



## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, 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 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. <sup>(1)</sup>     | Beneficial owner                     | 281,460,000      | 33.62%   |
|                                       | Interest of a controlled corporation | 318,540,000      | 38.05%   |
| Tong Ren Tang Holdings <sup>(2)</sup> | Interest of a controlled corporation | 600,000,000      | 71.67%   |

Notes:

- (1) Tong Ren Tang Ltd. directly holds 46.85% of the issued share capital of Tong Ren Tang Technologies. Accordingly, Tong Ren Tang Ltd. is deemed to be interested in 318,540,000 shares of the Company held by Tong Ren Tang Technologies.
- (2) Tong Ren Tang Holdings directly holds 52.45% of the issued share capital of Tong Ren Tang Ltd. which in turn directly holds 46.85% of the issued share capital of Tong Ren Tang Technologies. Tong Ren Tang Holdings also directly holds 1.65% domestic shares and H shares in total 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.

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 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 six months ended 30 June 2021 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 Listing Rules of the Stock Exchange) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### INTERESTS IN COMPETING BUSINESSES

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

- (i) engage in the research, development, manufacture and sales of any products containing ganoderma lucidum or ganoderma lucidum spores as raw materials in markets outside of the Mainland China (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.



## OTHER INFORMATION

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. Chen Fei 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 (Chairman), 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.

## 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 listed securities of the Company.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules of the Stock Exchange. 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.



## OTHER INFORMATION

### CORPORATE GOVERNANCE CODE

The Company has complied with the provisions set out in Appendix 14 of the Corporate Governance Code to the Listing Rules of the Stock Exchange during the Period.

### RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group's risk governance structure is based on the "3 lines of defense" model comprised of day-to-day operational control, risk control and compliance management, and independent supervision and assurance.

In view of the ever-changing internal and external environment, the Group takes an active and systematic approach for the ongoing risk identification and assessment in the course of business operations, defines risk control responsibilities, reviews the adequacy and effectiveness of risk control measures, and continuously incorporate risk control concepts into operation and governance process so as to strengthened the risk control capabilities of the Group on all fronts and helped to achieve operating targets and steady development.

During the Period, the relevant functional departments and operating units performed their respective duties. Apart from daily monitoring of risks, they reported the overall status of significant risks and risk management initiatives by submitting the risk control report. After further analysis and summarization of the relevant risk control reports, the Group's risk management report is formed and reported to the Audit Committee and the Board of Directors for continuous supervision and review of the effectiveness of the Group's risk management and internal control system.

### AUDIT COMMITTEE

The audit committee of the Company has reviewed the 2021 interim report.

On behalf of the Board  
**Beijing Tong Ren Tang**  
**Chinese Medicine Company Limited**  
**Ding Yong Ling**  
*Chairman*

Hong Kong, 6 August 2021

