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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
	2021	2020	
	HK\$'000	HK\$'000	
Revenue	1,556,158	1,315,346	+18.3%
Gross profit	1,119,623	952,903	+17.5%
Profit for the year	651,543	567,881	+14.7%
Profit attributable to owners of the Company	607,838	542,456	+12.1%
Basic and diluted earnings per share	HK\$0.73	HK\$0.65	+HK\$0.08

	As at 31 December		Change
	2021	2020	
	HK\$'000	HK\$'000	
Cash and bank balances	2,275,568	1,847,137	+23.2%
Total assets	3,834,982	3,416,969	+12.2%
Total equity	3,539,504	3,129,510	+13.1%

RESULTS

The board of directors (the “**Board**”) of Beijing Tong Ren Tang Chinese Medicine Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 (the “**Year**”) together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	2021 HK\$'000	2020 HK\$'000
Revenue	3	1,556,158	1,315,346
Cost of sales	5	(436,535)	(362,443)
Gross profit		1,119,623	952,903
Distribution and selling expenses	5	(186,368)	(168,917)
General and administrative expenses and others	5		
- General and administrative expenses		(155,312)	(135,534)
- Net impairment losses on financial assets		(7,522)	(3,327)
Other gains, net	4	8,039	24,278
Operating profit		778,460	669,403
Finance income		4,377	21,652
Finance costs		(4,707)	(4,300)
Finance (costs)/income, net		(330)	17,352
Share of profits/(losses) of investments accounted for using the equity method		261	(860)
Profit before income tax		778,391	685,895
Income tax expense	6	(126,848)	(118,014)
Profit for the year		651,543	567,881
Profit attributable to:			
Owners of the Company		607,838	542,456
Non-controlling interests		43,705	25,425
		651,543	567,881
Earnings per share attributable to owners of the Company for the year (expressed in HK\$ per share)			
Basic and diluted earnings per share	7	0.73	0.65

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Profit for the year	651,543	567,881
Other comprehensive (losses)/income:		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(635)	15,474
<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	(645)	(4,875)
Other comprehensive (losses)/income for the year	(1,280)	10,599
Total comprehensive income for the year	650,263	578,480
Attributable to:		
Owners of the Company	607,857	550,521
Non-controlling interests	42,406	27,959
Total comprehensive income for the year	650,263	578,480

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Note	HK\$'000	HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		183,309	187,379
Right-of-use assets		214,255	194,442
Intangible assets		60,953	54,836
Investments accounted for using the equity method		57,896	17,763
Financial asset at fair value through other comprehensive income		5,463	6,108
Deposits paid for purchase of property, plant and equipment and intangible assets		14,245	10,430
Deferred income tax assets, net		22,050	13,064
		558,171	484,022
Current assets			
Inventories		431,865	495,378
Trade receivables and other current assets	9	569,378	590,432
Short-term bank deposits		615,264	421,097
Cash and cash equivalents		1,660,304	1,426,040
		3,276,811	2,932,947
Total assets		3,834,982	3,416,969
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		938,789	938,789
Reserves			
- Other reserves		(25,167)	(18,917)
- Retained earnings		2,504,551	2,097,617
		3,418,173	3,017,489
Non-controlling interests		121,331	112,021
Total equity		3,539,504	3,129,510

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
	Note	2021 HK\$'000	2020 HK\$'000
Liabilities			
Non-current liabilities			
Borrowings		799	2,052
Lease liabilities		74,475	63,095
Deferred income tax liabilities, net		7,147	5,696
		<hr/> 82,421	<hr/> 70,843
Current liabilities			
Borrowings		480	260
Trade and other payables	10	127,550	140,138
Lease liabilities		52,722	40,603
Current income tax liabilities		32,305	35,615
		<hr/> 213,057	<hr/> 216,616
Total liabilities		<hr/> 295,478	<hr/> 287,459
Total equity and liabilities		<hr/> 3,834,982	<hr/> 3,416,969

Notes:

1 General information

The Group is engaged in manufacturing, retail and wholesale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments. The immediate holding company of the Company is Tong Ren Tang Technologies Co. Ltd. (“**Tong Ren Tang Technologies**”) which is a joint stock limited company established in the People’s Republic of China (the “**PRC**”) and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**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.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and requirements of the Hong Kong Companies Ordinance Cap. 622 (the “**Companies Ordinance**”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through other comprehensive income, which is carried at fair value.

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

The financial results relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results 2021 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance Cap. 622 is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2021 in due course.

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

2 Basis of preparation (Continued)

(a) Adoption of revised framework and amendments to standards

The Group has adopted the following revised framework and 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, Hong Kong Accounting Standard ("HKAS") 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

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

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

The following are new standards, amendments to standards and interpretations 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 2018–2021 ⁽¹⁾
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments ⁽¹⁾
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ⁽¹⁾
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽²⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKFRS 17 (New Standard)	Insurance Contracts ⁽²⁾
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies ⁽²⁾
HKAS 8 (Amendments)	Definition of Accounting Estimates ⁽²⁾
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽²⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for the accounting period beginning on or after 1 January 2022

⁽²⁾ Effective for the accounting period beginning on or after 1 January 2023

⁽³⁾ Effective date to be determined

2 Basis of preparation (Continued)

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

The Group will apply the above new standard, amendments to standards and interpretations when they become effective.

3 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 assess the performance of the operating segments based on revenue and segment results of each segment. The Executive Directors have 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 and have determined that the Group has three reportable operating segments.

The geographical location of revenue is analysed based on location where goods are sold and services are provided. The details are set out as follows:

- (i) Hong Kong - sale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments through retail outlets as well as wholesale of Chinese medicine products and healthcare products in Hong Kong. In addition, it includes the royalty fee income received from overseas entities for using “Tong Ren Tang” brand name.
- (ii) Mainland China (PRC, but excluding Hong Kong, Macao and Taiwan for the purpose of this announcement) - 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.

Segment assets include property, plant and equipment, right-of-use assets, intangible assets, investments accounted for using the equity method, financial asset at fair value through other comprehensive income, deposits paid for purchase of property, plant and equipment and intangible assets, deferred income 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.

Unallocated items comprise mainly corporate expenses.

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

3 Segment information (Continued)
(a) Analysis of consolidated income statements

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
Year ended 31 December 2021				
Segment revenue	1,212,075	578,803	443,604	2,234,482
Inter-segment revenue	(523,680)	(152,385)	(2,259)	(678,324)
Revenue from external customers	<u>688,395</u>	<u>426,418</u>	<u>441,345</u>	<u>1,556,158</u>
Timing of revenue recognition				
At a point in time	686,576	421,775	404,994	1,513,345
Overtime	<u>1,819</u>	<u>4,643</u>	<u>36,351</u>	<u>42,813</u>
	<u>688,395</u>	<u>426,418</u>	<u>441,345</u>	<u>1,556,158</u>
Contribution to segment results	718,039	36,228	111,279	865,546
Depreciation of property, plant and equipment	(7,456)	(491)	(5,122)	(13,069)
Depreciation of right-of-use assets	(31,126)	(2,416)	(21,106)	(54,648)
Amortisation of intangible assets	(2,255)	-	-	(2,255)
Losses on disposals of property, plant and equipment	(12)	(2)	(423)	(437)
(Loss allowance) / reversal of loss allowance on trade receivables	(4,568)	(2,968)	14	(7,522)
Impairment loss on inventories	-	-	(58)	(58)
Write-off of inventories	(201)	-	(122)	(323)
Segment results	<u>672,421</u>	<u>30,351</u>	<u>84,462</u>	<u>787,234</u>
Inter-segment elimination				<u>(8,774)</u>
Operating profit				<u>778,460</u>
Finance income	3,456	327	594	4,377
Finance costs	(1,671)	(180)	(2,856)	(4,707)
Share of profits of investments accounted for using the equity method				<u>261</u>
Profit before income tax				<u>778,391</u>
Income tax expense				<u>(126,848)</u>
Profit for the year				<u><u>651,543</u></u>
Year ended 31 December 2020				
Segment revenue	971,433	623,345	337,995	1,932,773
Inter-segment revenue	(424,994)	(192,315)	(118)	(617,427)
Revenue from external customers	<u>546,439</u>	<u>431,030</u>	<u>337,877</u>	<u>1,315,346</u>
Timing of revenue recognition				
At a point in time	545,445	425,819	306,392	1,277,656
Overtime	<u>994</u>	<u>5,211</u>	<u>31,485</u>	<u>37,690</u>
	<u>546,439</u>	<u>431,030</u>	<u>337,877</u>	<u>1,315,346</u>
Contribution to segment results	617,721	69,638	85,872	773,231
Depreciation of property, plant and equipment	(7,974)	(494)	(8,250)	(16,718)
Depreciation of right-of-use assets	(32,425)	(2,053)	(21,076)	(55,554)
Amortisation of intangible assets	(1,300)	-	(4,514)	(5,814)
Losses on disposals of property, plant and equipment	(13)	-	(2,111)	(2,124)
Loss allowance on trade receivables	(43)	(3,044)	(240)	(3,327)
Write-off of inventories	(51)	-	(159)	(210)
Segment results	<u>575,915</u>	<u>64,047</u>	<u>49,522</u>	<u>689,484</u>
Inter-segment elimination				<u>(20,081)</u>
Operating profit				<u>669,403</u>
Finance income	20,959	127	566	21,652
Finance costs	(1,337)	(132)	(2,831)	(4,300)
Share of losses of investments accounted for using the equity method				<u>(860)</u>
Profit before income tax				<u>685,895</u>
Income tax expense				<u>(118,014)</u>
Profit for the year				<u><u>567,881</u></u>

3 Segment information (Continued)

(b) Analysis of consolidated balance sheets

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
At 31 December 2021				
Segment assets and liabilities				
Total assets	2,815,098	581,373	438,511	3,834,982
Investments accounted for using the equity method	9,260	40,599	8,037	57,896
Additions to non-current assets ⁽¹⁾	52,206	1,196	28,231	81,633
Total liabilities	(127,969)	(47,554)	(119,955)	(295,478)
At 31 December 2020				
Segment assets and liabilities				
Total assets	2,383,239	653,722	380,008	3,416,969
Investments accounted for using the equity method	9,074	-	8,689	17,763
Additions to non-current assets ⁽¹⁾	53,464	7,376	4,614	65,454
Total liabilities	(117,320)	(62,892)	(107,247)	(287,459)

- ⁽¹⁾ In this analysis, additions to non-current assets exclude investments accounted for using the equity method, financial asset at fair value through other comprehensive income and deferred tax assets.

3 Segment information (Continued)

(c) Revenue

The analysis of revenue by category is as follows:

	2021 HK\$'000	2020 HK\$'000
Sales of products	1,513,345	1,277,656
Service income	42,495	37,487
Royalty fee income	318	203
	<u>1,556,158</u>	<u>1,315,346</u>

(d) Information about major customers

For the year ended 31 December 2021, revenue from two (2020: two) customers each accounted for more than ten percent of the Group's total revenue. These revenues are attributable to the Hong Kong segment and the Mainland China segment. The revenues from these customers are summarised below:

	2021 HK\$'000	2020 HK\$'000
Revenue from:		
- Entities under the control of the ultimate holding company ⁽¹⁾	Not Applicable	346,692
- Customer A	305,388	265,670
- Customer B	<u>167,988</u>	<u>Not Applicable</u>
	<u>473,376</u>	<u>612,362</u>

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

There are no customers of other segments individually accounted for ten percent or more of the Group's total revenue for the year ended 31 December 2021 (2020: Nil).

3 Segment information (Continued)

(e) Information about geographical areas

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

	2021 HK\$'000	2020 HK\$'000
(i) Revenue ⁽¹⁾		
Hong Kong	688,395	546,439
Mainland China	426,418	431,030
Macao	266,037	169,552
Australia	48,542	52,243
Canada	45,114	41,081
New Zealand	28,267	24,293
Singapore	24,448	23,053
United States	12,175	10,957
Other countries	16,762	16,698
	<u>1,556,158</u>	<u>1,315,346</u>
(ii) Non-current assets ⁽²⁾		
Hong Kong	292,593	278,916
Mainland China	5,692	7,217
Macao	65,908	61,427
Australia	51,785	50,285
Canada	16,258	11,746
New Zealand	13,741	15,076
Europe	11,797	12,177
United States	2,008	2,953
Other countries	12,980	7,290
	<u>472,762</u>	<u>447,087</u>

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

(2) The geographical location of non-current assets is analysed based on where the assets are located or held. In this analysis, the total of non-current assets excludes investments accounted for using the equity method, financial asset at fair value through other comprehensive income and deferred tax assets.

3 Segment information (Continued)

(f) Assets and liabilities related to contracts with customers

The Group has recognised the following liabilities related to contract with customers:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Contract liabilities - Service income	<u>4,508</u>	<u>3,734</u>

The Group has not recognised any contract assets related to contract with customers as at 31 December 2021 and 31 December 2020.

There is no significant changes in contract assets and liabilities during the year ended 31 December 2021.

(g) Revenue recognised in relation to contract liabilities

The following table shows revenue recognised in relation to contract liabilities in the year related to carried forward contract liabilities.

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Revenue recognised in relation to contract liabilities at 1 January	<u>2,506</u>	<u>1,327</u>

4 Other gains, net

	2021 HK\$'000	2020 HK\$'000
Government grants ⁽¹⁾	5,103	22,373
Unsecured government loans waived	1,227	-
Others	<u>1,709</u>	<u>1,905</u>
	<u>8,039</u>	<u>24,278</u>

⁽¹⁾ There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

5 Expenses by nature

	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold	351,189	284,198
Employee benefit expenses	216,711	183,587
COVID-19-related rent concessions	(483)	(3,360)
Expenses relating to short-term leases	14,291	13,042
Variable lease payments not included in the measurement of lease liabilities ⁽¹⁾	205	193
Amortisation of intangible assets	2,255	5,814
Depreciation of right-of-use assets	54,648	55,554
Depreciation of property, plant and equipment	13,069	16,718
Losses on disposals of property, plant and equipment	437	2,124
Impairment loss on inventories	58	-
Write-off of inventories	323	210
Loss allowance on trade receivables	7,522	3,327
Auditors' remuneration		
- Audit services	5,267	4,058
- Non-audit services	430	304
Research and development expenses	11,273	9,462
Net exchange loss/(gain)	152	(53)
Promotion and advertising expenses	23,579	16,821
Legal and professional expenses	7,127	3,999

⁽¹⁾ Variable lease payments represent the amounts which are calculated based on percentages of revenue generated by certain retail outlets that exceed their fixed rentals.

6 Income tax expense

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

	2021 HK\$'000	2020 HK\$'000
Current income tax		
- Current year	135,399	120,643
- (Over)/under-provision in prior years	(993)	1,041
	134,406	121,684
Deferred income tax	(7,558)	(3,670)
Income tax expense	126,848	118,014

7 Earnings per share

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

	2021	2020
Profit attributable to owners of the Company (HK\$'000)	<u><u>607,838</u></u>	<u><u>542,456</u></u>
Weighted average number of ordinary shares in issue (thousands)	<u><u>837,100</u></u>	<u><u>837,100</u></u>
Earnings per share (HK\$)	<u><u>0.73</u></u>	<u><u>0.65</u></u>

For the years ended 31 December 2021 and 2020, diluted earnings per share is the same as basic earnings per share as there were no potential dilutive shares.

8 Dividends

The dividends paid in 2021 and 2020 were HK\$200,904,000 (HK\$0.24 per share) and HK\$192,533,000 (HK\$0.23 per share) respectively. There was no interim dividend declared or paid in 2021 and 2020. Dividend in respect of the year ended 31 December 2021 of HK\$0.28 per share, amounting to a total dividend of HK\$234,388,000, is to be proposed at the annual general meeting on 10 June 2022. These financial statements do not reflect this dividend payable.

	2021 HK\$'000	2020 HK\$'000
Proposed final dividend of HK\$0.28 (2020: HK\$0.24) per ordinary share	<u><u>234,388</u></u>	<u><u>200,904</u></u>

9 Trade receivables and other current assets

	2021 HK\$'000	2020 HK\$'000
Trade receivables		
- immediate holding company	288	3,596
- fellow subsidiaries	23,974	364,721
- joint ventures	2,693	1,931
- associate	27,148	8,477
- third parties	487,111	174,720
Trade receivables, gross	541,214	553,445
Less: loss allowance	(14,737)	(6,993)
Trade receivables, net	526,477	546,452
Prepayments and other receivables	24,175	23,738
Deposits	17,756	19,272
Amount due from a joint venture (Note b)	970	970
	569,378	590,432

Notes:

- (a) The fair values of trade receivables and other current assets approximate their carrying amounts.
- (b) The amount is repayable on demand, unsecured in nature and bears no interest.

Retail sales at the Group's stores are usually made in cash or by debit or credit cards. For wholesales to customers (including the related parties), the Group grants credit periods ranging from 30 to 180 days (2020: 30 to 90 days).

At 31 December 2021 and 2020, the aging analysis of trade receivables based on invoice date (including amounts due from related parties of trading in nature) is as follows:

	2021 HK\$'000	2020 HK\$'000
Up to 90 days	457,121	344,216
91 – 180 days	45,779	67,156
181 – 365 days	29,803	59,542
Over 365 days	8,511	82,531
	541,214	553,445

10 Trade and other payables

	2021 HK\$'000	2020 HK\$'000
Trade payables		
- intermediate holding company	9,343	10,893
- immediate holding company	12,801	16,005
- fellow subsidiaries	-	144
- third parties	12,452	47,089
Trade payables	34,596	74,131
Accruals and other payables	88,446	62,273
Contract liabilities	4,508	3,734
	127,550	140,138

At 31 December 2021 and 2020, the aging analysis of the trade payables (including amounts due to the related parties of trading in nature) based on invoice date is as follows:

	2021 HK\$'000	2020 HK\$'000
Up to 90 days	30,273	61,015
91 – 180 days	33	7,503
181 – 365 days	-	969
Over 365 days	4,290	4,644
	34,596	74,131

11 Commitments

(a) Capital commitments

	2021 HK\$'000	2020 HK\$'000
Contracted but not provided for		
- property, plant and equipment	3,342	5,155

11 Commitments (Continued)

(b) Lease commitments

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

	2021 HK\$'000	2020 HK\$'000
No later than 1 year	<u>1,509</u>	<u>5,074</u>

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 in 2021. As at 31 December 2021, the Group has no relevant lease commitments not commenced.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

Since its foundation in 1669, Tong Ren Tang has been passed down for 353 years, yet is committed to uphold its corporate spirit of “Nurturing kindness and virtue, Preserving tranquility and wellness”. We adhere to maintaining general health worldwide as our development vision and promoting Traditional Chinese Medicine (“TCM”) for the sake of public health as our original mission. With decades of international development and by maintaining integrity and encouraging innovation, Tong Ren Tang has become renowned globally and acts as a bridge for the world to learn more about traditional Chinese medicine.

In 2021, the Group managed to seize favorable development opportunities. Seeking new progress and making new advances, we relied on innovation as the core driving force to promote our development and transformation, and achieved business growth with strategic innovation, platform innovation, carrier innovation and service innovation.

During the Year, the Group continued to focus on Hong Kong as its core market and strengthened its online and offline platforms to enhance its exposure and meet more consumer demands. In addition to opening new retail outlets, the Group promoted the construction of online platforms and carriers, improved the functions of its online flagship store, its own e-commerce marketplaces and cross-border e-commerce platforms, and actively adapted to the changes in business models brought about by the normalization of the pandemic. The Group has fully implemented the reform of its marketing system and tapped into omnimedia channels such as television, printed media, social media and live-streaming, so as to promote its brand names, products and culture, effectively increase the reach rate and provide high-quality products and services as its first initiative. By promoting management reform, streamline of workforce, cost reduction and enhancement of efficiency, we are devoted to promote high quality development with high quality management.

During the Year, the Group recorded a revenue of HK\$1,556.2 million (2020: HK\$1,315.3 million) with a year-on-year increase of 18.3%. Net profit reached HK\$651.5 million (2020: HK\$567.9 million) with a year-on-year increase of 14.7%. Profit attributable to owners amounted to HK\$607.8 million (2020: HK\$542.5 million) with a year-on-year increase of 12.1%. Earnings per share amounted to HK\$0.73 (2020: HK\$0.65), with a year-on-year increase of HK\$0.08. The Board recommended the payment of a final dividend of HK\$0.28 per share (2020: HK\$0.24).

Hong Kong Market

In 2021, the Hong Kong market has been affected by the COVID-19 epidemic. There are still stringent inbound control measures in Mainland China, Hong Kong and Macao, thereby severely reducing the number of visitors to Hong Kong. As a result, Hong Kong's retail market remained difficult. With the gradual lifting of Hong Kong's local anti-epidemic measures in the second quarter of the Year and the issuance of consumer vouchers to Hong Kong citizens by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government") in the middle of the Year to stimulate local consumption, the local consumer sentiment has been improved. During the Year, our revenue from Hong Kong market amounted to HK\$688.4 million (2020: HK\$546.4 million) with a year-on-year increase of 26.0%. Our same-store revenue increased by 13.6%. During the Year, there were 23 retail outlets in Hong Kong, representing a net increase of 1 retail outlet as compared to last year.

Non-Hong Kong Markets

During the Year, the Group's business network covered major countries and regions in Asia, Oceania, North America and Europe with 46 retail outlets, representing a net decrease of 1 retail outlet as compared to last year. The Delta variant of COVID-19 rapidly swept the world since its emergence in the second quarter of the Year. Its strong infectious power makes various countries and regions once again got into an adverse situation of the outbreak. In the second half of the Year, the epidemics in Australia, New Zealand, Europe, North America and Southeast Asia have reappeared or have been worsened. Almost all overseas markets in which the Group operated have been hit hard by those tightened anti-epidemic measures such as lockdowns. Due to limited operations or suspension of business, the operating performance of most overseas retail outlets has been severely affected. In adversity, the Group turned the crisis into an opportunity. In order to resolve the epidemic crisis, we actively explored new ways of TCM services to control the worldwide epidemic. When the fundamentals were showing signs of depression, the performance of the non-Hong Kong market was strong against the trend. During the Year, the Group's revenue from overseas market amounted to HK\$441.3 million (2020: HK\$337.9 million) with a year-on-year increase of 30.6%. Our same-store revenue increased by 24.6%.

As for the market in Mainland China, the economy has been recovering steadily. TCM, which played a key role in the prevention and control of the epidemic, was highly recognised for its remarkable effects on boosting immunity and preventing and controlling the epidemic. During the Year, our revenue from Mainland China market amounted to HK\$426.4 million (2020: HK\$431.0 million) with a year-on-year decrease of 1.1%.

Production, Research and Development

The Group kept focusing on its core business, while stepping up efforts in production quality management and technological innovation, enhancing its development on product portfolios, and coordinating its planning and strategical layout. Apart from that, the Group also strengthened its talent training and boost up its production efficiency, with the aim to consolidate its foundation for further improvement and upgrade of the Group's industrial production capacity.

The Group's Production and R&D Base in Tai Po, Hong Kong obtained the GMP (Good Manufacturing Practice) for Proprietary Chinese medicine certification, International Standard ISO22000 certification and the HACCP (Hazard Analysis and Critical Control Points) certification. The Group endeavored to establish and improve its quality control system which covered the whole cycle from project initiation, research and development, procurement of raw materials to production and supply, so that full guarantee for the production of quality products could be provided.

We will continue to develop new products in line with the development trend in general health in order to meet the extensive market demand for regulating body functions and preventing diseases. Highlighting the Group's innovation in technology, 5 new products were examined and granted registration certificates for proprietary Chinese medicines, which further enriched the product offering of the Company. With a focus on core varieties, greater efforts were put into the development of

independent intellectual property rights which involved invention patents, utility models, appearance, copyrights, authorship, and etc. While expanding to the overseas market, Tong Ren Tang continuously accumulated independent intellectual property rights, explored global patents layout and applied rules of international intellectual property rights in order to protect and enrich the core values of Tong Ren Tang's products. As at 31 December 2021, a total of 56 patents were granted (including patents in the Mainland China and Hong Kong) and 2 applications for international PCT (Patent Cooperation Treaty) patents were commenced. In addition, the Group proceeded to file copyrights applications and received 33 registration certificates of works in respect of all applications, which provided sufficient protection for the dominant products of Tong Ren Tang.

Brand Promotion

The Group upholds the corporate spirit of “Nurturing kindness and virtue, Preserving tranquility and wellness”, and thoroughly puts the idea of general health services into practice. Although we were still affected by the COVID-19 epidemic during the Year, the Group actively launched a series of brand promotion activities and strived to enhance brand influence of Tong Ren Tang in Hong Kong and overseas, with a high sense of mission and responsibility, devoting itself to the general health business of TCM service and facilitating the dissemination of TCM culture and the brand culture of Tong Ren Tang.

In order to cater to an increase in public demand for health and wellness with the epidemic, the Group focused on developing a large variety of marketing plans, opening up a brand new experience in innovative marketing through diversified platforms and marketing approaches this Year. To align with the Consumer Voucher Scheme implemented by the Hong Kong Government, the Group devised multiple rounds of promotional activities as well as filmed and produced its consumer vouchers videos, and also released information on mainstream media and social platforms, as a result increasing both target audience of its products and the frequency of exposure, thereby effectively realizing the promotional effects of its products and brand. At the same time, the Group stimulated and drove consumption, which in turn contributing to local economic recovery.

The Group actively modified the retail marketing model and devoting additional resources to online marketing. The Group established its presence on the official Tmall (天貓) Hong Kong platform by setting up a flagship online store of Tong Ren Tang in Hong Kong. The Group actively collaborated with the official marketing schedule and designed its own marketing activities on Tmall with an increase in its marketing efforts both on and outside the platform, thus achieving continuous sales growth and significant increase in product browsing volume and quantity of orders from customers, etc. at Opening Day, the 618 Mid-Year Celebration, 99 Big Promotion Day, Double 11 Shopping Festival, etc., ranking top among healthcare products on the platforms. Also, during the Year, we launched live-streaming marketing events on online platforms several times, cultivated internal KOLs network celebrities and invited Chinese medicine practitioners to introduce Tong Ren Tang products, interacted with netizens, answered related health and wellness questions, thereby accumulating many Tong Ren Tang products, interacted with netizens, answered related health and wellness questions, thereby accumulating many Tong Ren Tang die-hard fans; in cooperation with Sino United Publishing (Holding) Limited, the Group produced an online TCM course currently available on the Internet. The Group invited famous doctors to share the causes of stroke and ways of prevention; the Group joined the Big Big Shop platform and its live-streaming marketing programme on a television show, yielding desirable marketing effects, and ultimately enhancing brand influence of Tong Ren Tang in the local market. Besides, we made bigger efforts to promote our best-known products in Hong Kong continuously. With the respective themes of “Protecting the Most Precious Heart with the Most Precious Ingredients” for Angong Niuhuang Wan and “Better Immunity Better Health” for Sporoderm Broken Ganoderma Lucateum Spores Powder Capsules, TV as well as bus and tram body advertisements were placed. Buses and trams travel around various busy areas, gaining much wider product recognition.

During the Year, in active response to a call for actions, we fulfilled our social responsibility of a century-old pharmaceutical company during the epidemic period by taking part in a series of “Medical Services to the Community” (醫療服務進社區) events held by the Beijing-Tianjin-Shanghai Branch of the Hong Kong Chinese Enterprises Association to provide free medical consultation services and medicines, sponsor events in various Kowloon districts and donated more than 1,000 sets of health supplements and protective masks. We offered free medical consultation services from Chinese medicine practitioners for over 400 citizens in the two communities of Lei Yue Mun and Sham Shui Po, passing care to the grassroots of the community. The Group has launched campaigns focusing on a theme of “Show Love and Care to Stroke Prevention”. We cooperated with a century-old charity Sik Sik Yuen in Hong Kong on the “World Stroke Prevention Day” to visit the elderly in the community, give them care packages for stroke prevention and hold health seminars, taking up social responsibility during the epidemic period and bringing the Tong Ren Tang’s concept of Benefiting Mankind and Preserving Health and the TCM diagnosis and treatment solutions to the general public of Hong Kong.

In addition, the Group set up retail outlets on Matheson Street, Causeway Bay and at Mong Kok East MTR station in Hong Kong this Year, which penetrated into communities, commercial areas and densely populated areas. Different from traditional retail outlets, the new retail outlets adopt modern decoration style, product display and store decoration, etc., for attracting customers with a brand-new image, accelerating the pace of local expansion and providing citizens with more convenient TCM services and more product selection.

The Group’s outstanding brand image and excellent product quality were also widely recognized and appreciated by the market. During the Year, the Group had received a number of awards, which demonstrated the success in internationalization of the “Tong Ren Tang” brand, including the “Star Merchant Award 2021 (Retail Category)” from the Macao SAR Government Consumer Council and the Macao Government Tourism Office, the “2021 Best Certified Shop” and “2021 Excellent Certified Shop” by the Macao SAR Government Consumer Council, the “Chinese Medicine Industrial Award 2020-2021 — Outstanding Contributions in Chinese Medicine” by Chinese Medicine Industry Council of Australia Ltd., the “Most influential brand in Asia 2021: Traditional Chinese Medicine — Most Trustworthy Brand” by Influential Brands in Singapore, and “01 Gold Medal Award 2021 — Outstanding Chinese Medicine Brand” by HK01 Company Limited.

Business Prospects

Although the global economic recovery is still difficult and the recovery of Hong Kong economy still has a long way to go, the world is becoming more and more connected and the desire for healthiness from people around the world has become a realistic prerequisite for revitalizing global development. In the face of such major healthcare crisis, TCM has proven its ability to be the guardian and protector of global healthcare during the pandemic.

As a family, we share weal and woe. We are united in healthcare, in development, in business and also in the world. In such changing global economic environment, China will continue to deepen its all-round and deep-rooted reform and opening-up. Sharing common destiny for the whole world, traditional Chinese medicine will continue to be closely united with the global healthcare sector. The world needs health. Global development and prosperity in the future lie with public health. TCM, which has been proven efficacy for thousands of years, acts as a new contribution from China to global healthcare and a new option for people around the world. It is expected that internationalization of traditional Chinese medicine has bright and promising prospects.

Human Resources Management

As at 31 December 2021, we had a total of 745 employees (2020: 754 employees).

The staff costs of the Group for the Year were HK\$216.7 million (2020: HK\$183.6 million), representing an increase of 18.0% from last year. To ensure that the Group is able to attract and retain talents, remuneration policies are reviewed on a regular basis. In addition, the discretionary bonus is offered to employees with outstanding performance with reference to the Group's results and individual performance.

Financial Review

Revenue

The Group's revenue for the Year was HK\$1,556.2 million (2020: HK\$1,315.3 million), representing an increase of 18.3% from last year. During the Year, COVID-19 epidemic has been effectively contained in Hong Kong, coupled with the gradual relaxation of local epidemic prevention measures and the issuance of consumer coupons by the Hong Kong Government to Hong Kong residents to stimulate local consumption, the revenue from the Hong Kong market has increased by 26.0%. For overseas markets, the overseas countries and regions covered by the Group were still affected by the epidemic in the second half of the Year and various stringent epidemic prevention measures were re-emerged. In adversity, the Group turned the crisis into an opportunity. In order to resolve the epidemic crisis, we actively explored new ways of TCM services to control the worldwide epidemic. When the fundamentals were showing signs of depression, the performance of the non-Hong Kong market was strong against the trend. Revenue from overseas markets increased by 30.6%. Revenue from the Mainland China market remained stable with a slight decrease of 1.1% from last year.

Gross Profit

The Group's gross profit was HK\$1,119.6 million (2020: HK\$952.9 million) for the Year, representing an increase of 17.5% from last year. The gross profit margin slightly decreased from 72.4% last year to 71.9% this Year, which was mainly due to the increase in cost of raw materials.

Other Gains, net

The Group's other gains, net was HK\$8.0 million (2020: HK\$24.3 million) for the Year, which was decreased by HK\$16.3 million from last year. The decrease was due to decrease in the COVID-19 pandemic related government grants received from the local governments of certain entities this Year.

Distribution and Selling Expenses

The Group's distribution and selling expenses were HK\$186.4 million (2020: HK\$168.9 million) for the Year, representing an increase of 10.4% from last year. The increase was mainly due to less rent concessions received in respect of leased properties, as well as the increase in advertising and promotion expenses and staff costs during the Year. Distribution and selling expenses as a percentage to revenue slightly decreased from 12.8% last year to 12.0% during the Year.

General and Administrative Expenses

The Group's general and administrative expenses were HK\$162.8 million (2020: HK\$138.9 million), representing an increase of 17.2% from last year. The increase was mainly due to the increase in staff costs this Year. General and administrative expenses as a percentage to revenue slightly decreased from 10.6% from last year to 10.5% during the Year.

Finance Costs/Income, net

The Group's net finance costs were HK\$330,000 (2020: net finance income HK\$17.4 million), which included the finance income of HK\$4.4 million (2020: HK\$21.7 million). The decrease in finance income of HK\$17.3 million was mainly due decrease in the average short-term bank deposit interest rate and the average bank deposit balance from last year.

Income Tax Expense

The Group's income tax expense was HK\$126.8 million (2020: HK\$118.0 million), representing an increase of 7.5%. The increase was mainly due to the increase in taxable profit during the Year. The effective tax rate for the Year decreased from 17.2% last year to 16.3% during the Year, which was caused by the change in the proportion of the taxable profit contribution from entities in different jurisdictions.

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

The Group's profit for the Year increased by 14.7% to HK\$651.5 million (2020: HK\$567.9 million) with a net profit margin of 41.9% (2020: 43.2%). Profit attributable to owners of the Company amounted to HK\$607.8 million (2020: HK\$542.5 million), representing an increase of 12.1% from last year. The basic earnings per share for the Year were HK\$0.73 (2020: HK\$0.65). The Directors recommend the payment of a final dividend of HK\$0.28 per share for the Year (2020: HK\$0.24).

Financial Resources and Liquidity

During the Year, the Group funded its liquidity by internal resources. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances, the Group has adequate liquidity and financial resources to meet the daily operations and working capital requirements as well as to fund its expansion plans.

The Group continued to maintain a strong financial position with cash and bank balances of HK\$2,275.6 million (2020: HK\$1,847.1 million) as at 31 December 2021. Most of the Group's cash and bank balances were denominated in Hong Kong dollar and Renminbi, and were deposited in reputable financial institutions with maturity dates falling within one year. The table below sets out the information regarding cash and bank balances, working capital, total equity, current ratio and gearing ratio as at 31 December 2020 and 2021 and net cash generated from/(used in) operating activities, investing activities and financing activities for the years ended 31 December 2020 and 2021:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Cash and bank balances	2,275,568	1,847,137
Working Capital ⁽¹⁾	3,063,754	2,716,331
Total Equity	3,539,504	3,129,510
Current Ratio ⁽²⁾	15.4	13.5
Gearing Ratio ⁽³⁾	3.6%	3.4%

	For the year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Net cash generated from operating activities	777,170	116,054
Net cash (used in)/generated from investing activities	(265,734)	506,728
Net cash used in financing activities	(278,649)	(264,298)

⁽¹⁾ Being net current assets

⁽²⁾ Being current assets divided by current liabilities

⁽³⁾ Being borrowings and lease liabilities divided by total equity

Capital Expenditure

During the Year, the Group's capital expenditure amounted to HK\$23.4 million (2020: HK\$12.9 million), which was mainly used in purchase of machinery and equipment for production and operation purposes.

Major Investment, Acquisitions and Disposals

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

Charges over Assets of the Group

As at 31 December 2021, the Group's net property value of HK\$10.4 million (2020: HK\$11.3 million) has been pledged as securities for bank borrowings. Such bank borrowings 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 31 December 2021, the Group did not have any significant contingent liabilities.

Foreign Currency Risk

The Group's main business operations are conducted in Hong Kong and other overseas countries/regions. The transactions, monetary assets and liabilities of the Group are mainly denominated in Hong Kong dollar, Renminbi and US dollar. During the Year, the fluctuation in the exchange rates of these currencies did not have material impact on the Group.

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

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that had taken place subsequent to 31 December 2021 and up to the date of this announcement.

INTERESTS IN COMPETING BUSINESSES

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

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

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 favourable than the terms it wishes to sell to other parties.

DIVIDENDS

The Directors recommend the payment of a final dividend of HK\$0.28 per ordinary share for the year ended 31 December 2021 (2020: HK\$0.24). Such final dividend will be proposed for approval by shareholders at the annual general meeting (“**AGM**”) to be held on Friday, 10 June 2022 and if approved, are payable to shareholders whose names appear on the Register of Members of the Company on Monday, 20 June 2022.

Subject to approval by the Company’s shareholders at the AGM, the final dividend will be paid on or before Thursday, 30 June 2022.

CLOSURE OF REGISTER OF MEMBERS

AGM

In order to determine the entitlements of the Shareholders to attend and vote at the AGM, the Register of Members of the Company will be closed from Monday, 6 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares will be registered.

All transfers documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 2 June 2022.

Final Dividend

In order to determine the list of shareholders of the Company who are entitled to receive the final dividend for the year ended 31 December 2021, the Register of Members of the Company will be closed from Thursday, 16 June 2022 to Monday, 20 June 2022, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the above-mentioned dividends (if approved), all transfers documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 15 June 2022.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the “**Audit Committee**”) has three members comprising three independent non-executive Directors, Mr. Chan Ngai Chi (Chairman of the Audit Committee), Mr. Tsang Yok Sing, Jasper and Mr. Zhao Zhong Zhen, with written terms of reference in compliance with the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”). The primary duties of the Audit Committee are mainly to communicate with external auditor; to review the remuneration, terms of engagement, independence and objectivity of the external auditor; to review the accounting policy, financial position and financial reporting procedures of the Company; and to assess the financial reporting system, internal control procedures and risk management function of the Company and making recommendations thereof. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2021, the Company had complied with the code provisions set out in Appendix 14 of the Corporate Governance Code of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR 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 of the Listing Rules. Having made specific enquiries 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 year ended 31 December 2021.

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

Hong Kong, 9 March 2022

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