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Tong Ren Tang Technologies Co. Ltd.

北京同仁堂科技發展股份有限公司

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 1666)

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

### **CHAIRMAN'S STATEMENT**

I am pleased to present the annual results of Tong Ren Tang Technologies Co. Ltd. (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) for shareholders' review.

#### **Results of the Year**

For the year ended 31 December 2021, the Group's revenue amounted to RMB5,400,487,000, representing an increase of 17.21% from RMB4,607,369,000 for the corresponding period of last year; net profit amounted to RMB866,844,000, representing an increase of 10.21% from RMB786,507,000 for the corresponding period of last year; net profit attributable to owners of the Company amounted to RMB507,249,000, representing an increase of 8.49% from RMB467,553,000 for the corresponding period of last year; earnings per share was RMB0.40 (2020: RMB0.37); and dividend per share was RMB0.16 (2020: RMB0.16).

## REVIEW OF THE YEAR

The year 2021 is a year in which China's traditional Chinese medicine industry is inherited, innovated, developed and revitalized. It is also the first year of the Group's "14th Five Year Plan" and the year of innovation and reform for the Group. At the beginning of the year, the General Office of the State Council issued the Notice on Certain Policies and Measures on Accelerating the Characterized Development of Traditional Chinese Medicines, which has facilitated the quality and characterized development of traditional Chinese medicine and brought new development opportunities to all industry players. However, at the same time, changes in the domestic and foreign pandemic situation are still pessimistic, and pandemic prevention and control situation is still severe and complicated, directly led to the intensified downward pressure on the global economy, which has become the greatest uncertainty affecting the economic trend in the short term, put the Group's operation and management under significant challenge and test.

To this end, the Group, on the basis of comprehensive review of its previous work, conducted in-depth analysis of the internal and external environment, proactively adapted to new situation and new changes, embraced new challenges, seized new opportunities, and persisted in a model driven by both organic growth and external expansion, expanded overseas by cooperation while building up its internal strengths, continued to seek innovative methods to carry out and implement various tasks under the normalization of pandemic prevention and control.

During the Reporting Period, the Group gave full play to the political and leading core roles of the Party Committee, continued to tap the potential of the "Party Building+" model, and strengthened the building of party organizations at all levels to energize various tasks such as operation and management. By consolidating management infrastructure, building a firm foundation for production and optimizing marketing strategies, the Group has overcome the difficulties brought by the pandemic, made every effort to optimize the quality of the Group's operation and assets, steadily promoted the improvement of efficiency, and built up its strength, so as to lay a solid foundation for the Group's sound development during the "14th Five Year Plan" period.

## **OUTLOOK AND PROSPECTS**

In recent years, China has continued to strengthen the development momentum of traditional Chinese medicine, and has issued a series of important documents and measures covering various aspects of traditional Chinese medicine, such as basic research, diagnosis and treatment of dominant diseases, cultivation of high-level talents, transformation of scientific and technological achievements, laying a solid policy foundation and creating a favorable environment for the quality and progressive development of traditional Chinese medicine.

During the fight against pandemic, the National Health Commission has clearly recognized the important role of traditional Chinese medicine in the prevention, treatment and recovery process of COVID-19, and traditional Chinese medicine is becoming more and more recognized by all sectors of society. With the aging of China's population and the rise of the "silver hair economy", there is ample market space for the long-term development of traditional Chinese medicine. With cultural inheritance, innovation and development, the future of the traditional Chinese medicine industry is promising!

Against this backdrop and in view of the industry development trend of "proactive health", the Group will continue to adhere to market orientation and satisfy people's new desire for a better and healthy life, continue to focus on its major product series, supplemented by daily cosmetics, food supplements and disinfection and pandemic prevention products. The Group will take large-variety-strategy as the major focus of the business, operate in an omni-channel, multi-level and lean management, create an "umbrella" structure for diversified development, strive to emit new vitality, and facilitate the achievement of the "14th Five Year Plan" goals with high-quality comprehensive development.

I hereby would like to express my sincere gratitude and respect to the members of the Board and all the staff of the Group for their excellent performance and unremitting efforts; and to all the shareholders for their continuous support to and understanding of the Company. As always, we will try our best to reward the shareholders.

## FINANCIAL INFORMATION

The Board is pleased to announce the audited consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet of the Group for the year ended 31 December 2021, together with the comparative figures of 2020, as follows:

### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	<b>2020</b> <b>RMB'000</b>
Revenue	<i>d</i>	<b>5,400,487</b>	4,607,369
Cost of sales	<i>f</i>	<b>(3,109,192)</b>	(2,539,659)
<b>Gross profit</b>		<b>2,291,295</b>	2,067,710
Distribution expenses	<i>f</i>	<b>(738,765)</b>	(699,931)
Administrative expenses	<i>f</i>	<b>(477,788)</b>	(402,521)
Net impairment gains/(losses) on financial assets		<b>4,620</b>	(22,296)
Other income and gains, net		<b>149</b>	587
<b>Operating profit</b>		<b>1,079,511</b>	943,549
Finance income	<i>e</i>	<b>29,273</b>	48,085
Finance costs	<i>e</i>	<b>(61,796)</b>	(51,564)
Finance costs, net	<i>e</i>	<b>(32,523)</b>	(3,479)
Share of losses of investments accounted for using the equity method		<b>(1,931)</b>	(451)
<b>Profit before income tax</b>		<b>1,045,057</b>	939,619
Income tax expense	<i>g</i>	<b>(178,213)</b>	(153,112)
<b>Profit for the year</b>		<b>866,844</b>	786,507
<b>Profit attributable to:</b>			
Owners of the Company		<b>507,249</b>	467,553
Non-controlling interests		<b>359,595</b>	318,954
		<b>866,844</b>	786,507
<b>Earnings per share for profit attributable to owners of the Company during the year</b>			
- Basic and diluted	<i>i</i>	<b>RMB0.40</b>	RMB0.37

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>2021</i>	<i>2020</i>
	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>
<b>Profit for the year</b>	<b>866,844</b>	786,507
<b>Other comprehensive losses</b>		
<i>Items that may be reclassified to profit or loss</i>		
Foreign currency translation differences		
- Group	(80,767)	(153,484)
- Joint ventures and associates	(910)	(898)
 <i>Items that will not be reclassified to profit or loss</i>		
Change in fair value of financial assets at fair value through other comprehensive income	<u>(535)</u>	<u>(4,332)</u>
<b>Other comprehensive losses for the year, net of tax</b>	<u><b>(82,212)</b></u>	<u>(158,714)</u>
<b>Total comprehensive income for the year</b>	<u><b>784,632</b></u>	<u>627,793</u>
<b>Attributable to:</b>		
Owners of the Company	477,519	409,219
Non-controlling interests	<u>307,113</u>	<u>218,574</u>
<b>Total comprehensive income for the year</b>	<u><b>784,632</b></u>	<u>627,793</u>

## CONSOLIDATED BALANCE SHEET

	As at 31 December	
Note	2021	2020
	RMB'000	RMB'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,614,731	2,649,350
Right-of-use assets	643,054	657,316
Intangible assets	62,943	59,448
Investments accounted for using the equity method	33,901	24,242
Financial assets at fair value through other comprehensive income	4,466	5,140
Prepayments for purchase of non-current assets	37,987	39,935
Deferred income tax assets	66,494	51,883
	<u>3,463,576</u>	<u>3,487,314</u>
<b>Current assets</b>		
Inventories	2,847,116	2,733,332
Trade and bills receivables	1,193,165	1,044,856
Other financial assets at amortised cost	27,031	31,918
Prepayments and other current assets	202,226	190,201
Financial assets at fair value through other comprehensive income	111,553	50,824
Short-term bank deposits	503,040	454,395
Cash and cash equivalents	3,246,159	2,947,958
	<u>8,130,290</u>	<u>7,453,484</u>
<b>Total assets</b>	<u><b>11,593,866</b></u>	<u><b>10,940,798</b></u>

## CONSOLIDATED BALANCE SHEET (CONT'D)

		As at 31 December	
	Note	2021	2020
		RMB'000	RMB'000
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		1,280,784	1,280,784
Reserves	<i>m</i>	4,698,695	4,450,765
		<u>5,979,479</u>	<u>5,731,549</u>
<b>Non-controlling interests</b>		<u>2,178,923</u>	<u>2,019,956</u>
<b>Total equity</b>		<u>8,158,402</u>	<u>7,751,505</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		732,153	483,227
Lease liabilities		87,068	94,895
Deferred income tax liabilities		6,767	5,842
Deferred income – government grants		151,346	150,405
		<u>977,334</u>	<u>734,369</u>
<b>Current liabilities</b>			
Trade and bills payables	<i>l</i>	893,714	717,825
Salary and welfare payables		55,433	52,619
Contract liabilities	<i>d</i>	223,128	3,142
Current income tax liabilities		43,889	36,225
Other payables		417,465	536,121
Borrowings		760,692	1,056,299
Lease liabilities		63,809	52,693
		<u>2,458,130</u>	<u>2,454,924</u>
<b>Total liabilities</b>		<u>3,435,464</u>	<u>3,189,293</u>
<b>Total equity and liabilities</b>		<u>11,593,866</u>	<u>10,940,798</u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**

### **a. GENERAL INFORMATION**

The Company was incorporated as a joint stock limited company in Beijing, the People's Republic of China (the “**PRC**” or “**China**”) on 22 March 2000 and, upon the placing of its H shares, was listed on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on 31 October 2000. On 9 July 2010, the Company transferred the listing from GEM to the Main Board of the Hong Kong Stock Exchange. The ultimate holding company of the Company is China Beijing Tong Ren Tang Group Co., Ltd. (“**Tong Ren Tang Holdings**”), which was incorporated in Beijing, the PRC.

### **b. BASIS OF PREPARATION**

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (“**FVOCI**”).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note c.

#### *(i) Changes in accounting policies and disclosures*

##### **(a) Adoption of new standards and amendments to standards**

The Group has adopted the following new standards and amendments to standards which are mandatory for the financial year beginning on 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendments to IFRS 16	COVID-19-related Rent Concessions

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) :**

### **b. BASIS OF PREPARATION (CONT'D)**

(i) *Changes in accounting policies and disclosures (Cont'd)*

(b) Standards and amendments to standards which are not yet effective

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

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>(1)</sup>
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>(1)</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>(1)</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 <sup>(1)</sup>
Amendments to IAS 1	Classification of Liabilities as Current/Non-current <sup>(2)</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>(2)</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>(2)</sup>
IFRS 17	Insurance Contracts <sup>(2)</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>(2)</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(3)</sup>

(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

These new standards or amendments to existing standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## ***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):***

### **c. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in consumer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimations by each balance sheet date.

(ii) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(iii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**d. REVENUE**

	<i>2021</i>	<i>2020</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of Chinese medicine products		
- Mainland China	<b>4,427,309</b>	3,788,289
- Outside Mainland China	<b>906,296</b>	758,659
	<b>5,333,605</b>	4,546,948
Advertising services income		
- Mainland China	<b>28,233</b>	23,616
Services income		
- Mainland China	<b>5,756</b>	6,525
- Outside Mainland China	<b>32,629</b>	30,100
	<b>38,385</b>	36,625
Royalty fee income		
- Outside Mainland China	<b>264</b>	180
	<b>5,400,487</b>	4,607,369

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

	As at 31 December	
	<i>2021</i>	<i>2020</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities - Services income	<b>6,446</b>	3,142
Contract liabilities - Sales of goods	<b>216,682</b>	-
	<b>223,128</b>	3,142

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**d. REVENUE (CONT'D)**

Contract liabilities mainly arise from the advance payments made by customers while the goods have not been delivered. Management expects that most of the contract liabilities as of 31 December 2021 will be recognised as revenue during the next reporting period.

*Revenue recognised in relation to contract liabilities*

The following table shows revenue recognised in relation to contract liabilities in the year ended 31 December 2021 and 2020 related to carried forward contract liabilities at the beginning of the year.

	As at 31 December	
	<i>2021</i>	<i>2020</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year	<b>2,078</b>	1,180

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**e. FINANCE INCOME AND COSTS**

	<i>2021</i>	<i>2020</i>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance income</b>		
Interest income	(28,051)	(49,118)
Exchange losses, net	2,420	1,033
Others	(3,642)	-
	<u>(29,273)</u>	<u>(48,085)</u>
<b>Finance costs</b>		
Interest on bank borrowings	40,753	20,994
Interest on bonds	14,220	24,554
Interest on lease liabilities	6,823	6,016
	<u>61,796</u>	<u>51,564</u>
<b>Finance costs, net</b>	<u><u>32,523</u></u>	<u><u>3,479</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**f. EXPENSES BY NATURE**

Operating profit was arrived at after charging/(crediting) the following:

	<i>2021</i>	<i>2020</i>
	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>
Raw materials, merchandise and consumables used	<b>2,079,658</b>	1,558,536
Changes in inventories of finished goods and work-in-progress	<b>(171,553)</b>	(45,748)
Employee benefit expenses	<b>903,793</b>	753,335
Depreciation of property, plant and equipment	<b>165,869</b>	183,652
Amortisation of right-of-use assets	<b>73,838</b>	73,071
Amortisation of intangible assets	<b>6,453</b>	9,191
Amortisation of other long-term assets	<b>3,555</b>	4,339
Provision for impairment of inventories	<b>94,137</b>	22,808
Provision for impairment of goodwill	<b>900</b>	1,235
(Reversal of)/provision for impairment of receivables	<b>(4,620)</b>	22,296
Expenses relating to short-term leases	<b>26,434</b>	21,988
Variable lease payments not included in the measurement of lease liabilities <sup>(1)</sup>	<b>265</b>	2,142
COVID-19-related rent concessions	<b>(401)</b>	(2,986)
Auditors' remuneration		
- Audit services		
- PricewaterhouseCoopers	<b>6,584</b>	6,096
- Other auditors	<b>1,682</b>	1,328
- Non-audit services		
- PricewaterhouseCoopers	<b>356</b>	271
Research and development costs <sup>(2)</sup>	<b>48,904</b>	65,548
Losses/(gains) on disposal of non-current assets	<b>1,132</b>	(10,051)
Amortisation of deferred income - government grants	<b>(12,767)</b>	(16,777)
Processing costs	<b>298,552</b>	244,384
Advertising and promotion expenses	<b>236,340</b>	229,952
Transportation costs	<b>48,325</b>	48,399
Repair and maintenance	<b>63,805</b>	52,697
Utilities	<b>130,629</b>	120,586
Other taxes	<b>4,685</b>	40,508

(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.

(2) It represents the research and development costs excluding employee benefit expenses, depreciation and amortisation expenses. The costs including employee benefit expenses, depreciation and amortisation expenses were RMB100,155,000 (2020: RMB103,641,000).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**g. INCOME TAX EXPENSE**

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, enterprises with a High/New Technology Enterprise (“HNTTE”) status are able to enjoy a preferential tax rate of 15%. For the entities without the HNTTE status, the PRC income tax rate is 25% (2020: 25%). As of 31 December 2021 and 2020, the Company and certain of its subsidiaries have obtained the HNTTE certificate. Consequently, their applicable income tax rate in 2021 is 15% (2020: 15%).

China Hong Kong Special Administrative Region (“Hong Kong”) profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year.

Income tax on countries and regions (excluding Mainland China and Hong Kong) profits has been calculated on the estimated assessable profit for the year at the income tax rates prevailing in the tax jurisdictions in which the Group operates.

	<i>2021</i>	<i>2020</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax expense		
- Mainland China	<b>87,687</b>	71,724
- Hong Kong	<b>94,825</b>	83,478
- Other Countries and regions (excluding Mainland China and Hong Kong)	<b>9,674</b>	9,452
	<b>192,186</b>	164,654
Deferred income tax credit	<b>(13,973)</b>	(11,542)
	<b>178,213</b>	153,112

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**g. INCOME TAX EXPENSE (CONT'D)**

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average income tax rate of 21.0% (2020: 20.9%) to profits of the consolidated entities as follows:

	<i>2021</i>	<i>2020</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	<u>1,045,057</u>	<u>939,619</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries or regions	219,531	196,093
Tax effects of:		
- Income not subject to tax	(940)	(5,855)
- Expenses not deductible for tax purposes	4,924	6,100
- Tax losses and temporary differences for which no deferred income tax assets were recognised	774	1,681
- Previously unrecognised tax losses used to reduce deferred tax expense	(1,281)	(398)
- Effect of preferential income tax treatments	(47,148)	(41,687)
- Final settlements and payments	2,313	(2,269)
- Others	<u>40</u>	<u>(553)</u>
Income tax expense	<u><b>178,213</b></u>	<u><b>153,112</b></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**h. DIVIDENDS**

The cash dividends paid in 2021 and 2020 were RMB204,925,000 (RMB0.16 (including tax) per share) and RMB204,925,000 (RMB0.16 (including tax) per share) respectively.

On 18 March 2022, the Board of Directors proposed a cash dividend in respect of the year ended 31 December 2021 of RMB0.16 (including tax) per share, amounting to a total of RMB204,925,440, which is subject to the shareholders' approval at the 2021 annual general meeting (the "2021 AGM") to be held on Thursday, 16 June 2022. These financial statements do not reflect this dividend payable.

	<i>2021</i> <i>RMB'000</i>	<i>2020</i> <i>RMB'000</i>
Interim dividend paid of RMB nil (2020: RMB nil) per ordinary share	-	-
Final dividend proposed of RMB0.16 (including tax) (2020: RMB0.16 (including tax)) per ordinary share	<u>204,925</u>	<u>204,925</u>
	<u><b>204,925</b></u>	<u><b>204,925</b></u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

### **i. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately RMB507,249,000 by the weighted average number of 1,280,784,000 shares in issue during the year.

The Company had no dilutive potential shares in 2021 and 2020.

	<u>2021</u> <u>RMB'000</u>	<u>2020</u> <u>RMB'000</u>
Profit attributable to owners of the Company	507,249	467,553
Weighted average number of ordinary shares in issue (thousands)	<u>1,280,784</u>	<u>1,280,784</u>
Earnings per share	<u>RMB0.40</u>	<u>RMB0.37</u>

### **j. SEGMENT INFORMATION**

The Board of Directors is the Group's chief operating decision-maker. The Board of Directors has determined the operating segments for the purposes of allocating resources and assessing performance.

The Board of Directors considers the business from an operational entity perspective. Generally, the Board of Directors considers the performance of business of each entity within the Group separately. Thus, each entity within the Group is an operating segment.

The reportable operating segments derive their revenue primarily from (i) the manufacture and sale of Chinese medicine of the Company in Mainland China ("**The Company**" Segment), and (ii) Beijing Tong Ren Tang Chinese Medicine Company Limited ("**Tong Ren Tang Chinese Medicine**") and its subsidiaries engaged in manufacturing, retail and wholesale of Chinese medicine products and healthcare products, and provision of Chinese medical consultation and treatments outside Mainland China and wholesale of healthcare products in Mainland China ("**Tong Ren Tang Chinese Medicine**" Segment).

Other companies are engaged in processing and purchasing of Chinese medicinal raw materials, sales of medicinal products, medical services and advertising, etc. They do not form separate reportable segments as they do not meet the quantitative thresholds required by IFRS 8.

The Board of Directors assesses the performance of the operating segments based on revenue and profit after income tax of each segment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**j. SEGMENT INFORMATION (CONT'D)**

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2021 is as follows:

	<b>The Company RMB'000</b>	<b>Tong Ren Tang Chinese Medicine RMB'000</b>	<b>All others RMB'000</b>	<b>Total RMB'000</b>
Segment revenue	3,285,732	1,291,760	1,385,198	5,962,690
Inter-segment revenue	<u>(28,062)</u>	<u>(583)</u>	<u>(533,558)</u>	<u>(562,203)</u>
Revenue from external customers	<u>3,257,670</u>	<u>1,291,177</u>	<u>851,640</u>	<u>5,400,487</u>
<b>Timing of revenue recognition</b>				
At a point in time	3,257,670	1,254,644	823,376	5,335,690
Over time	<u>-</u>	<u>36,533</u>	<u>28,264</u>	<u>64,797</u>
	<u>3,257,670</u>	<u>1,291,177</u>	<u>851,640</u>	<u>5,400,487</u>
Profit for the year	<u>322,069</u>	<u>540,316</u>	<u>4,459</u>	<u>866,844</u>
Interest income	19,361	3,914	4,776	28,051
Interest expense	(55,886)	(3,904)	(2,006)	(61,796)
Depreciation of property, plant and equipment	(93,109)	(10,838)	(61,922)	(165,869)
Amortisation of right-of-use assets	(24,241)	(45,320)	(4,277)	(73,838)
Amortisation of other long-term assets	(4,960)	(1,870)	(3,178)	(10,008)
Provision for impairment of inventories	(94,089)	(48)	-	(94,137)
Reversal of/(provision for) impairment of receivables	11,379	(6,247)	(512)	4,620
Provision for impairment of goodwill	(900)	-	-	(900)
Share of (losses)/profit of investments accounted for using the equity method	(2,034)	103	-	(1,931)
Income tax expense	<u>(63,408)</u>	<u>(105,195)</u>	<u>(9,610)</u>	<u>(178,213)</u>
Segment assets and liabilities				
Total assets	<u>6,006,755</u>	<u>3,102,052</u>	<u>2,485,059</u>	<u>11,593,866</u>
Investments accounted for using the equity method	<u>19,759</u>	<u>14,142</u>	<u>-</u>	<u>33,901</u>
Additions to non-current assets <sup>(1)</sup>	<u>64,524</u>	<u>67,698</u>	<u>69,857</u>	<u>202,079</u>
Total liabilities	<u>2,493,218</u>	<u>231,078</u>	<u>711,168</u>	<u>3,435,464</u>

(1) Excluding investments accounted for using the equity method, financial instruments and deferred income tax assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**j. SEGMENT INFORMATION (CONT'D)**

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2020 is as follows:

	The Company <i>RMB'000</i>	Tong Ren Tang Chinese Medicine <i>RMB'000</i>	All others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	3,058,737	1,170,364	1,001,970	5,231,071
Inter-segment revenue	(140,549)	(7,704)	(475,449)	(623,702)
Revenue from external customers	<u>2,918,188</u>	<u>1,162,660</u>	<u>526,521</u>	<u>4,607,369</u>
Timing of revenue recognition				
At a point in time	2,918,161	1,128,213	502,832	4,549,206
Over time	27	34,447	23,689	58,163
	<u>2,918,188</u>	<u>1,162,660</u>	<u>526,521</u>	<u>4,607,369</u>
Profit for the year	<u>276,512</u>	<u>504,685</u>	<u>5,310</u>	<u>786,507</u>
Interest income	24,356	18,509	6,253	49,118
Interest expense	(46,302)	(3,821)	(1,441)	(51,564)
Depreciation of property, plant and equipment	(91,773)	(14,857)	(77,022)	(183,652)
Amortisation of right-of-use assets	(18,055)	(49,371)	(5,645)	(73,071)
Amortisation of other long-term assets	(3,946)	(5,167)	(4,417)	(13,530)
Provision for impairment of inventories	(14,506)	-	(8,302)	(22,808)
Provision for impairment of receivables	(14,122)	(2,948)	(5,226)	(22,296)
Provision for impairment of goodwill	(1,235)	-	-	(1,235)
Share of profit/(losses) of investments accounted for using the equity method	314	(765)	-	(451)
Income tax expense	<u>(52,613)</u>	<u>(104,879)</u>	<u>4,380</u>	<u>(153,112)</u>
Segment assets and liabilities				
Total assets	<u>5,780,240</u>	<u>2,872,702</u>	<u>2,287,856</u>	<u>10,940,798</u>
Investments accounted for using the equity method	<u>9,293</u>	<u>14,949</u>	<u>-</u>	<u>24,242</u>
Additions to non-current assets <sup>(1)</sup>	<u>687,732</u>	<u>58,170</u>	<u>149,238</u>	<u>895,140</u>
Total liabilities	<u>2,423,474</u>	<u>228,452</u>	<u>537,367</u>	<u>3,189,293</u>

(1) Excluding investments accounted for using the equity method, financial instruments and deferred income tax assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**j. SEGMENT INFORMATION (CONT'D)**

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement.

The amounts provided to the Board of Directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Revenues from external customers are derived from the sales of medicine and provision of services. The breakdown of sales of medicine by region is provided in Note d.

The total of the non-current assets other than financial instruments and deferred income tax assets located in Mainland China is RMB2,963,403,000 (2020: RMB3,045,147,000), and the total of these non-current assets located outside Mainland China is RMB429,213,000 (2020: RMB385,144,000).

During the 2021 and 2020 financial year, revenue from two customers each accounted for ten percent or more of the Group's total external revenue. These revenues are mainly attributable to the Company Segment and Tong Ren Tang Chinese Medicine Segment. The revenues from these customers are summarised below:

	<i>2021</i> <i>RMB'000</i>	<i>2020</i> <i>RMB'000</i>
Entities under control of ultimate holding company	<b>1,324,906</b>	1,284,781
Customer A Group	<b>599,044</b>	683,078
	<b><u>1,923,950</u></b>	<b><u>1,967,859</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**k. TRADE AND BILLS RECEIVABLES**

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
- third parties	<b>692,942</b>	561,719
- related parties	<b>92,915</b>	353,888
	<b>785,857</b>	915,607
Bills receivables	<b>470,794</b>	197,432
	<b>1,256,651</b>	1,113,039
Less: provision for impairment	<b>(63,486)</b>	(68,183)
Trade and bills receivables, net	<b>1,193,165</b>	1,044,856

The carrying amounts of trade and bills receivables approximate their fair values.

Retail sales at the Group's stores are usually made in cash or by debit or credit cards. For wholesale to distributors, the Group normally grants a credit period ranging from 30 days to 180 days. As at 31 December 2021 and 2020, the ageing analysis of trade and bills receivables based on invoice date was as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 4 months	<b>1,115,121</b>	831,424
Over 4 months but within 1 year	<b>84,461</b>	128,243
Over 1 year but within 2 years	<b>13,112</b>	81,665
Over 2 years but within 3 years	<b>6,073</b>	42,238
Over 3 years	<b>37,884</b>	29,469
	<b>1,256,651</b>	1,113,039

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**k. TRADE AND BILLS RECEIVABLES (CONT'D)**

As at 31 December 2021, trade receivables of RMB63,486,000 (31 December 2020: RMB68,183,000) were provided for impairment. Movements in the provision for impairment of receivables were as follows:

	<i>2021</i>	<i>2020</i>
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January	<b>68,183</b>	45,960
(Reversal of)/provision for impairment	<b>(4,622)</b>	22,296
Exchange differences	<b>(75)</b>	(73)
As at 31 December	<b><u>63,486</u></b>	<b><u>68,183</u></b>

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivables mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	As at 31 December	
	<i>2021</i>	<i>2020</i>
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	<b>1,047,910</b>	980,224
Hong Kong Dollar	<b>202,055</b>	125,046
United States Dollar	<b>6,190</b>	7,053
Others	<b>496</b>	716
	<b><u>1,256,651</u></b>	<b><u>1,113,039</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**I. TRADE AND BILLS PAYABLES**

	As at 31 December	
	<i>2021</i>	<i>2020</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
- third parties	<b>868,083</b>	588,177
- related parties	<b>25,631</b>	29,648
	<b>893,714</b>	617,825
Bills payables	-	100,000
Trade and bills payables	<b>893,714</b>	<b>717,825</b>

As at 31 December 2021 and 2020, the ageing analysis of trade and bills payables based on invoice date and financial position was as follows:

	As at 31 December	
	<i>2021</i>	<i>2020</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Within 4 months	<b>767,282</b>	627,718
Over 4 months but within 1 year	<b>119,724</b>	78,971
Over 1 year but within 2 years	<b>2,432</b>	4,956
Over 2 years but within 3 years	<b>429</b>	4,831
Over 3 years	<b>3,847</b>	1,349
	<b>893,714</b>	<b>717,825</b>

Trade payables are unsecured and are usually paid within 120 days of recognition.

The carrying amounts of trade and bills payables are considered to be the same as their fair values, due to their short-term nature.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

### **m. RESERVES**

#### **(i) Capital reserve**

Capital reserve represents the difference between the amount of share capital issued by the Company and the historical net value of the assets, liabilities and interests transferred to the Company upon its establishment and net premium on issue of shares upon listing of the Company and issuance of additional shares.

#### **(ii) Statutory reserves**

The Company sets aside 10% of its net profit after income tax, before distribution of dividend to shareholders, as stated in the financial statements prepared under PRC accounting standards to the statutory surplus reserve fund. Approximately RMB39,457,000 (2020: RMB38,172,000), being 10% of the net profit after income tax as stated in the financial statements prepared under PRC accounting standards, was transferred to the statutory surplus reserve fund as at 31 December 2021.

In accordance with the amendment of the Company Law of the PRC on 27 October 2005 effective from 1 January 2006, it is not required to accrue for statutory public welfare fund since the year 2006. The balance together with statutory surplus reserve fund can be used to offset accumulated losses or convert as share capital of the Company.

#### **(iii) Tax reserve**

According to the preferential enterprise income tax policy for new technology enterprises (“NTE”) under the old PRC Enterprise Income Tax (“EIT”) regulation (effective before 1 January 2008), an NTE located in a designated area of Beijing Economic and Technological Development Zone was subject to EIT at a preferential income tax rate of 15%. Moreover, upon approval by the relevant local tax bureau, the Company was entitled to full exemption from EIT from 2000 to 2002 and 50% reduction from 2003 to 2005. An amount for exemption and reduction has to be appropriated to a non-distributable tax reserve. However, the utilisation of the exempted tax is restricted to specified purposes and not distributable to shareholders.

#### **(iv) Foreign currency translation differences**

Foreign currency translation differences reserve arises from currency translations of all group entities that have a functional currency different from the RMB being translated into the Group’s presentation currency of RMB.

#### **(v) Other reserve**

Other reserve mainly includes reserves arising from the issuance of additional shares by subsidiaries and transactions with non-controlling interests without change in control.

## **FINAL DIVIDEND AND TAX**

The Board of Directors proposed a final dividend for the year ended 31 December 2021 (the “**Final Dividend**”) of RMB0.16 (including tax) per share based on the total number of the Company’s issued and fully paid-up shares of 1,280,784,000 as at the end of 2021 totaling RMB204,925,440 (2020: a final dividend for the year ended 31 December 2020 of RMB0.16 (including tax) per share based on the total number of the Company’s issued and fully paid-up shares of 1,280,784,000, totaling RMB204,925,440). The profit distribution proposal is subject to the approval by the shareholders at the 2021 AGM of the Company. The Company is expected to complete the dividend distribution on 15 August 2022.

As for non-resident enterprise shareholders (other than shareholders who have invested in the shares of the Company through Shenzhen-Hong Kong Stock Connect) as appeared on the H share register of members of the Company, the Company will withhold corporate income tax at the rate of 10% when distributing the Final Dividend in accordance with the Notice on Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han (2008) No.897) published by the State Administration of Taxation. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organisations, will be treated as being held by non-resident enterprise shareholders, thus their dividends receivables will be subject to the withholding of the corporate income tax.

As for individual shareholders (other than shareholders who have invested in the shares of the Company through Shenzhen- Hong Kong Stock Connect) whose names appear on the H share register of members of the Company, the Company will withhold 10% of the Final Dividend as individual income tax when distributing the Final Dividend in accordance with the Notice on the Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa (1993) No.045 (Guo Shui Han (2011) No.348), unless otherwise specified by the relevant tax regulations, tax agreements or the aforesaid notice.

As for individual shareholders or securities investment funds who have invested in the H shares of the Company through Shenzhen-Hong Kong Stock Connect, when distributing the Final Dividend, the Company shall withhold individual income tax at the rate of 20% in accordance with the register provided by China Securities Depository and Clearing Corporation Limited, according to the Circular on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui (2016) No.127) issued by the Ministry of Finance, State Administration of Taxation and China’s Securities Regulatory Commission on 5 November 2016.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the H share Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the H share Shareholders or any disputes relating to the tax withholding and payment mechanism or arrangements.

As of the date of this announcement, no arrangement was reached pursuant to which the shareholders of the Company waived or agreed to waive any dividend.

## **ANNUAL GENERAL MEETING**

The 2021 AGM will be held on Thursday, 16 June 2022.

### **Closure of Register of Members of H Shares**

For the purpose of the 2021 AGM, the register of members of H shares will be closed from Tuesday, 17 May 2022 to Thursday, 16 June 2022 (both days inclusive). Holders of H shares whose names appear on the register of the Company maintained by Hong Kong Registrars Ltd., the H share registrar and transfer office of the Company in Hong Kong, and holders of domestic shares whose names appear on the register of the Company on Tuesday, 17 May 2022 shall be entitled to attend the 2021 AGM. In order to be qualified for attending and voting at the 2021 AGM, all transfer documents of the holders of H shares of the Company must be lodged with the Company's H share registrar and transfer office, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m., on Monday, 16 May 2022.

As for the payment of the Final Dividend, if the relevant proposal is approved by the shareholders at the 2021 AGM, the register of members of H shares will be closed from Wednesday, 22 June 2022 to Monday, 27 June 2022 (both days inclusive). Holders of H shares whose names appear on the register of the Company maintained by Hong Kong Registrars Ltd., the H share registrar and transfer office of the Company in Hong Kong, and holders of domestic shares whose names appear on the register of the Company on Monday, 27 June 2022 shall be qualified to the Final Dividend. In order to be qualified for the payment of the Final Dividend, all transfer documents of the holders of H shares of the Company must be lodged with the Company's H share registrar and transfer office, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 21 June 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year, in the face of recurring pandemic and significant downward pressure on the economy, the Group conducted careful analysis on the market environment, took proactive actions, accelerated the transformation of the sales model, strengthened the foundation of industrial production, enhanced internal control capabilities, adapted to the new normal of development, grasped development opportunities, and carried out various tasks in a solid manner. Overall economic performance continued to improve. For the year ended 31 December 2021, the Group's revenue amounted to RMB5,400,487,000, representing an increase of 17.21% from RMB4,607,369,000 for the corresponding period of last year; net profit amounted to RMB866,844,000, representing an increase of 10.21% from RMB786,507,000 for the corresponding period of last year; net profit attributable to owners of the Company amounted to RMB507,249,000, representing an increase of 8.49% from RMB467,553,000 for the corresponding period of last year.

During the year, the Company managed its production layout in Beijing and Hebei in a reasonable manner, optimized the effect of industrial and commercial connection, overcame the adverse effects of the pandemic and changes in pharmaceutical regulations, and made preparation of raw materials, supplementary materials and packaging materials in advance. At the same time, the Company improved the efficiency of industrial units and the integration of each process, maintained stringent control over production cycle of products, tracked production progress by variety, effectively implemented production plans, and established a solid foundation of production. In 2021, Daxing Branch Factory and Beijing Tong Ren Tang Technologies (Tangshan) Co., Ltd (“**Tong Ren Tang Technologies Tangshan**”), being the newly-established industrial units at the end of “13th Five Year Plan”, running at full production capacity, fully leveraged their advantages in production capacity, maintained production stability, continuously optimized production processes, ensured product quality, and fully secured the supply of semi-finished and finished products. During the year, Tong Ren Tang Technologies Tangshan basically stabilized the production of soft capsule series after the preliminary trial production and process exploration, and delivered finished products of Liuwei Dihuang Soft Capsule(六味地黃丸軟膠囊) as scheduled, and started the production of Yishen Wufa Oral Liquid(益腎烏髮口服液), Chuanbei Pipa Syrup(川貝枇杷糖漿) and other products. During the year, for the Daxing Branch Factory, the output of products including Xihuang Pills(西黃丸) and Jiawei Xiaoyao Pills(加味逍遙丸) increased compared to the corresponding period last year, and it added production of varieties of Yangxue Rongjin Pills(養血榮筋丸) and Guci Pills(骨刺丸), preparing for mass production in the next step. Despite the unbalanced structure of production capacity, the overall industrial capacity shortage has been significantly improved, and the overall output and value of proprietary Chinese medicines for the year increased compared with the same period last year.

In 2021, based on different types of diseases and consumers' need for health management, and according to the principle of "treatment of chronic disease, treatment of foreseeable disease, pediatric drugs, non-medicine, Tong Ren Tang special medicine (治慢病、治未病、兒藥類、非藥類、同仁堂特色藥)", the Company sorted out and classified varieties and continuously employed marketing strategies for major series products of "kidney disease, heart and brain disease, tonic, lung nourishing, anti-cancer, and pediatric drugs". At the same time, the Company tapped into the market potential of its products, strengthened product promotion and market development, and launched the "Glow Campaign (煥彩行動)" for leading products such as Liuwei Dihuang Pills(六味地黃丸), Jinkui Shenqi Pills(金匱腎氣丸), Xihuang Pills(西黃丸) and Ganmao Qingre Granules(感冒清熱顆粒), reshaped the image of product channels from the inside out through the transformation of sales model and upgrade of packaging and adopted the differentiated marketing strategies of "One Product, One Strategy" and "One Product, Three Specifications" (meaning that same variety of products are established with different channels, specifications and sales strategies for traditional distributor channels, e-commerce channels and medical channels) to present a "new look", which achieved the purpose of enhancing market position and expanding market share of the products. In addition to the traditional OTC channel, the Company focused on the e-commerce channel and medical channel to exert efforts in various aspects and achieve comprehensive coverage. Meanwhile, the Company continued to push sales down to the terminals, and worked closely and shared resources with top 100 chain drugstores to build a sound sales ecosystem. Besides, the Company continued to integrate and optimize resources from various aspects such as products, channels and marketing teams, and promoted the upgrade of value of brand industry and brand business cooperation in six dimensions: "promotional activities, training and enhancement, counter launch, advertising support, after-sales consultation and variety customization", empowering each other and promoting the transformation towards a more swift, more flexible and more efficient marketing model.

In 2021, there were 54 product lines of the Group achieving a single-product sales amount of more than RMB5 million, and 11 of which achieved a single-product sales amount of more than RMB100 million, representing a growth compared to the corresponding period last year. Among major products of the Group, the sales amount of series of Jinkui Shenqi Pills(金匱腎氣丸), Xihuang Pills(西黃丸), Shengmai Liquor(生脈飲口服液) and Ganmao Qingre Granules(感冒清熱顆粒) increased by 4.84%, 11.69%, 6.21% and 11.55%, respectively and that of Niuhuang Jiedu(牛黃解毒) series was basically the same, as compared with the corresponding period of last year. In 2021, due to changes in pharmaceutical regulatory policy, the instructions of Liuwei Dihuang Pills(六味地黃丸) series had to be revised, which delayed the launch of certain products, and the sales amount of Liuwei Dihuang Pills(六味地黃丸) series decreased by 13.13% compared with the corresponding period of the previous year. During the year, the market for Ejiao(阿膠) series gradually rebounded. In this regard, the Company actively expanded its distribution channels, intensified the construction of retail stores and Ejiao(阿膠) workshops, and devoted more efforts in developing the end market, which led to an increase in its sales volume. The sales amount of Ejiao(阿膠) series increased by 9.79% compared to the corresponding period last year.

In terms of scientific research on products, the Group is mainly committed to conducting secondary scientific research on existing products, taking into consideration of curative effects of existing products and concentrating efforts in technological improvement and therapeutic effect upgrade. During the Reporting Period, in line with the strategy for major varieties, the Company carried out research on the efficacy of products such as Jinkui Shenqi Pills(金匱腎氣丸), Shengmai Liquor(生脈飲口服液), Jingzhi Niu Huang Jiedu Tablets(京製牛黃解毒片), Zhuangyao Jianshen Pills(壯腰健腎丸), Taizi Baoxin Liquor(太子保心口服液) and Yangxue Rongjin Pills(養血榮筋丸) in the treatment of chronic diseases, with a view to continuously improving the scientific value, clinical value and market value of the products by means of technological innovation. Meanwhile, in conjunction with the 14th Five-Year Plan, the Company conducted safety evaluation and stability research of several classic prescriptions such as Tao Hong Si Wu Tang(桃紅四物湯) and Ling Gui Zhu Gan Tang(苓桂術甘湯), and the production transformation of the products was in progress.

The subsidiaries of the Company are engaged in manufacturing and distribution of traditional Chinese medicine products, food and daily chemical products, production of Chinese medical raw material, medical services, distribution of medicine, etc. In particular, our principal subsidiary Tong Ren Tang Chinese Medicine which is located in Hong Kong, China, adopts a strategy of driving medicine demand by providing medical services and promoting culture at first to build a global layout with its base in Hong Kong, China, aiming to continuously accelerate the internationalization of traditional Chinese medicine. During the Reporting Period, Tong Ren Tang Chinese Medicine continued its efforts to develop the Hong Kong market, enhanced the parallel online and offline model, increased exposure, and met more consumer needs. In addition to setting up new offline retail terminals, Tong Ren Tang Chinese Medicine devoted its efforts to promoting the establishment of online platforms and carriers, improved the functions of self-operated online sales, flagship stores on e-commerce platforms and cross-border e-commerce platforms, and actively adapted to the changes in business models brought about by the normalization of pandemic; fully implemented the reform of the marketing system and mechanism, entered all-media channels, such as televisions, newspapers, social media and live broadcast, strengthened the joint output of brand, product and culture, effectively increased the reach rate, and completed the first half of product service; promoted management reform, streamlined administration, reduced costs and increased efficiency to promote high-quality development with high-quality management. As of the end of 2021, the business network of Tong Ren Tang Chinese Medicine has covered major countries and regions in Asia, Oceania, North America and Europe, with 69 retail terminals. In 2021, the sales revenue of Tong Ren Tang Chinese Medicine and its subsidiaries amounted to RMB1,291,760,000, representing a year-on-year increase of 10.37%. Profit attributable to the owners of Tong Ren Tang Chinese Medicine amounted to RMB504,080,000, representing a year-on-year increase of 4.56% (The differences between the figures of sales revenue of Tong Ren Tang Chinese Medicine and its subsidiaries and the net profit attributable to the owners of Tong Ren Tang Chinese Medicine, and the figures disclosed in the results announcement of Tong Ren Tang Chinese Medicine dated 9 March 2022 are due to foreign currency translation differences between RMB and Hong Kong Dollar).

Founded in 2001, the Company's subsidiary Beijing Tong Ren Tang WM Dianorm Biotech Co., Limited ("**Tong Ren Tang WM**") has been devoted to the natural plants applicable to the skin care for daily use, whose main products are masks, creams, skin care products and daily chemical products. During the Reporting Period, in line with the strategy for major varieties, Tong Ren Tang WM further promoted marketing reform, featured functional products, explored domestic and overseas markets, enhanced publicity and promotion, and improved market operation efficiency. During the year, Tong Ren Tang WM continued to integrate product resources and online channel resources to promote efficacious products such as freckle-removing series, moisturizing series, whitening series, anti-hair-loss series and special makeup products, and gradually built up the entire network ecosystem with the help of platforms like Tmall, JD, Douyin, and Kuaishou, achieving effective publicity and promotion. At the same time, it endeavored to develop overseas markets, and registered a number of varieties in Hong Kong Special Administrative Region of the PRC and Macao Special Administrative Region of the PRC, laying a solid foundation for the next stage of overseas development. During the Reporting Period, the sales revenue of Tong Ren Tang WM amounted to RMB66,623,000, representing a year-on-year increase of 13.32%, and the net profit amounted to RMB503,000. It turned losses into gains and the operation was gradually improved.

Beijing Tong Ren Tang Second Traditional Chinese Medicine Hospital Co., Ltd ("**Tong Ren Tang Second Traditional Chinese Medicine Hospital**") and Beijing Tong Ren Tang Nansanhuan Zhonglu Drugstore Co., Limited ("**Nansanhuan Zhonglu Drugstore**") are wholly owned medical institution and retail pharmacy of the Company, respectively. During the Reporting Period, with strict pandemic control measures in place, Tong Ren Tang Second Traditional Chinese Medicine Hospital continued to focus on the "patient-centered and service-oriented" concept, improved medical environment and service flow, and renovated the department of physiotherapy and the general outpatient clinic to provide a clean, comfortable and warm clinic environment for patients. During the year, the number of outpatient visits in Tong Ren Tang Second Traditional Chinese Medicine Hospital was around 300,000, representing an increase of around 18% compared to the corresponding period last year. In 2021, Nansanhuan Zhonglu Drugstore continued to keep an eye on the market demand and enriched the diversity of products by adding new products of traditional Chinese medicine decoction pieces and products of same sources of medicine and food, as well as introducing products such as sour plum drink teabags, mosquito repellent incense bags and xiaodiao pear soup according to seasonal changes to meet diversified consumer demand. In 2021, sales revenue of the two companies amounted to RMB214,952,000, representing a year-on-year increase of 8.89%, and net profit of the two companies amounted to RMB7,227,000, representing a year-on-year increase of 66.87%.

Based on authentic medicinal material production areas, the six planting subsidiaries take into consideration the regional and climate characteristics, and in according to the planting and harvesting principles of the planting place and planting time, adapt the cooperative planting method, take full advantages of local herbs, and provide around 20 authentic medicinal materials such as moutan bark, catnip, bunge corydalis herb, radix isatidis, etc. for the Company. In 2021, on top of securing quality and quantity, these six planting companies bred wild herbal seeds and strictly controlled the processes of seeding, fertilization and pest control to ensure the purity of the herbal seeds and the quality of the herbs while achieving sustainable use of resources. At the same time, the companies continued to explore new cultivation species and added new varieties of angelica dahurica, chrysanthemum, forsythia suspensa and pearl in Anhui, Henan and Zhejiang to meet the Group's demand for these raw materials for the production of proprietary Chinese medicines. In 2021, the six subsidiaries achieved sales revenue of RMB236,419,000, representing a year-on-year increase of 9.18%, providing the Group with sufficient and high-quality raw material, and proving the value of planting subsidiaries as upstream raw material suppliers in strategic deployment.

## **Financial Review**

### **Liquidity and Financial Resources**

The Group has maintained a sound financial position. During the year of 2021, the Group's primary source of funds was cash generated from daily operating activities and borrowings.

The Group mainly uses Renminbi and Hong Kong Dollar to make borrowings and loans and to hold cash and cash equivalents.

As at 31 December 2021, the Group's cash and cash equivalents amounted to RMB3,246,159,000 in total (31 December 2020: RMB2,947,958,000).

As at 31 December 2021, the Group's short-term borrowings amounted to RMB735,300,000 (31 December 2020: RMB235,000,000), carrying an interest rate of 3.450% per annum (2020: 1.354%), and current portion of non-current bank borrowing and corporate bonds amounted to RMB25,392,000 (31 December 2020: RMB821,299,000), totally accounting for 22.14% of the total liabilities (31 December 2020: 33.12%). Long-term borrowings amounted to RMB732,153,000 (31 December 2020: RMB483,227,000), bearing annual interest rate of long-term borrowings at 3.672% (2020: 3.412%), long-term borrowings representing 21.31% of the total liabilities (31 December 2020: 15.15%). Of all the borrowings of the Group as at 31 December 2021, RMB760,692,000 will mature within one year and RMB732,153,000 will mature beyond one year.

On 31 July 2016, the Company issued corporate bonds on Shanghai Stock Exchange with aggregate principal amount of RMB800 million, with a maturity of five years and a nominal interest rate of 2.95% per annum, also with the issuer's option to adjust the coupon rate and the investor's resale option at the end of the third year. The net proceeds from the issuance of bonds (net of all related costs and expenses) amounted to approximately RMB798,560,000, of which RMB100,000,000 were used for repayment of working capital loan from bank, RMB698,560,000 were used to replenish the general working capital. All the proceeds from bonds was fully utilised in 2017. On 14 June 2019 and 26 June 2019, the Company published announcements of the implementation of resale and resale results on the websites of the Shanghai Stock Exchange respectively, which showed that no investor had resold the Bonds to the Company. On 19 June 2019, the Company published an announcement on the website of the Shanghai Stock Exchange, in which the Company decided to raise the coupon rate of the fourth year and the fifth year (from 31 July 2019 to 30 July 2021) to 4.35% with the method of interest calculation and interest payment method remaining unchanged. The corporate bonds of the Company matured on 30 July 2021, and the principle and final instalment of annual interest of the bonds, which was approximately RMB834,800,000 was paid on 2 August 2021.

## **Capital Structure**

The Group's capital management policy is to ensure the continuous operation of the Group with an aim to provide returns for the shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

As at 31 December 2021, the total assets of the Group amounted to RMB11,593,866,000 (31 December 2020: RMB10,940,798,000). The funds of the Group comprised non-current liabilities of RMB977,334,000 (31 December 2020: RMB734,369,000), current liabilities of RMB2,458,130,000 (31 December 2020: RMB2,454,924,000), equity attributable to owners of the Company of RMB5,979,479,000 (31 December 2020: RMB5,731,549,000) and non-controlling interests of RMB2,178,923,000 (31 December 2020: RMB2,019,956,000).

In 2021, the Group's funds were mainly used for production and operation activities, purchase of property, plant and equipment, repayment of borrowings and payment of cash dividends, etc.

## **Liquidity**

As at 31 December 2021, the Group's liquidity ratio (the ratio of current assets to current liabilities) was 3.31 (31 December 2020: 3.04), reflecting that the Group had sufficient financial resources. The Group's quick ratio (the ratio of liquid assets to current liabilities) was 2.07 (31 December 2020: 1.85), reflecting that the Group remained liquid. The Group's trade receivables turnover ratio (the ratio of revenue to the average of trade receivables balance) was 6.88 (31 December 2020: 5.59), reflecting that the Group's trade receivables were liquid. The Group's trade payables turnover ratio (the ratio of cost of sales to the average of trade payables balance) was 4.11 (31 December 2020: 4.06), reflecting that the Group had a relatively strong ability to use funding from suppliers for no consideration. The Group's inventory turnover ratio (the ratio of revenue to the average of inventory balance) was 1.94 (31 December 2020: 1.82), reflecting that the inventory had a high turnover rate.

## **Gearing Ratios**

The Group monitors its capital on the basis of the gearing ratio. As at 31 December 2021, the Group's gearing ratio (the ratio of total borrowings to equity attributable to owners of the Company) was 0.25 (31 December 2020: 0.27).

## **Expenses and Expense Ratio**

For the year ended 31 December 2021, the Group's distribution expenses amounted to RMB738,765,000 (2020: RMB699,931,000) and the distribution expense ratio, i.e. the ratio of distribution expenses to revenue, was 0.14 (2020: 0.15). The increase in distribution expenses was mainly due to increase in the cost of labour and exemption related to COVID-19 on paying certain statutory social benefits during 2020.

For the year ended 31 December 2021, the Group's administrative expenses amounted to RMB477,788,000 (2020: RMB402,521,000) and the administrative expense ratio, i.e. the ratio of administrative expenses to revenue, was 0.09 (2020: 0.09). The increase in administrative expenses was mainly due to increase in the cost of labour and the exemption related to COVID-19 on paying certain statutory social benefits during 2020.

For the year ended 31 December 2021, the Group's net financial costs amounted to RMB32,523,000 (2020: RMB3,479,000) and the financial costs ratio, i.e. the ratio of net financial costs to revenue, was 0.0060 (2020: 0.0008). The increase in net finance costs was mainly due to the decrease in interest income and increase in interest expense from bank borrowings.

### **Gross Margin and Net Profit Margin**

For the year ended 31 December 2021, the gross margin of the Group was 42.43% (2020: 44.88%), while the net profit margin was 16.05% (2020: 17.07%).

### **Research and Development Expenses**

For the year ended 31 December 2021, the research and development expenses (excluding employee benefit expenses, depreciation and amortisation expense) of the Group were RMB48,904,000 (2020: RMB65,548,000), accounting for 0.60% of net assets (2020: 0.85%) and 0.91% of revenue (2020: 1.42%), respectively. The research and development expenses including employee benefit expenses, depreciation and amortisation expense were RMB100,155,000 (2020: RMB103,641,000), accounting for 1.23% of net assets (2020: 1.34%) and 1.85% of revenue (2020: 2.25%), respectively.

### **Capital Expenditure**

For the year ended 31 December 2021, the Group's capital expenditure incurred amounted to RMB171 million (2020: RMB781 million), primarily used for the construction of production bases and purchase of production equipment.

### **Pledges over Assets of the Group**

As at 31 December 2021, RMB8,508,000 (31 December 2020: RMB9,472,000) of the Group's assets was pledged as security for long-term borrowing of RMB46,000 (31 December 2020: RMB49,000).

### **Contingent Liabilities**

The Group had no contingent liabilities as at 31 December 2021 (31 December 2020: Nil).

### **Foreign exchange Risk**

The Group operates on an international basis and foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations, primarily with respect to the Hong Kong Dollar. The Group currently does not have a foreign currency hedging policy. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates.

### **Capital Commitments**

As at 31 December 2021, the capital commitments of the Group relating to the constructions of production facilities, which had been contracted for but had not been reflected in the consolidated financial statements of the Group, amounted to approximately RMB69,210,000 (31 December 2020: RMB43,208,000).

### **Significant Investment**

During the year of 2021, the Group did not have any significant investment. As of the date of this announcement, the Group does not have any plan for material investments or purchase of capital assets.

### **Material Acquisition and Disposal of Subsidiaries, Joint Ventures and Associates**

During the year of 2021, the Group did not have any material acquisition and disposal in relation to subsidiaries, joint ventures and associates.

## PROSPECTS

In 2022, the Group will seize the opportunity of the development of traditional Chinese medicine, work under the guidance of Party building, focus on driving transformation, uphold the principle of seeking progress while maintaining stability, continuously strengthen the foundation of corporate development, make every effort to promote high-quality development, and build a new blueprint for the Group in the “14th Five Year Plan” period.

In 2022, the Company will conduct integrated analysis on the possible impact of changes in the pandemic on production and supply, make prediction in advance, carry out procurement and production plans, and appropriately increase the reserves of raw materials, semi-finished products and finished products to ensure smooth coordination and orderly operation of production and sales systems. Besides, the Company will continuously foster industrial and commercial connection, accurately capture the changes in market demand, coordinate the deployment of production, focus on securing supply and demand, reasonably allocate production capacity, intensify the synergy between processes and procedures, and continuously improve the responsiveness of the production and supply system to changes in market demand to achieve the goal of development of major varieties without a hitch.

In terms of marketing, the Company will adhere to the customer-centric approach, follow the guidance of "major-variety-strategy", focus on the “Glow Campaign (煥彩行動)”, further promote the management and control of marketing channels, reshape all layers of pricing system, constantly improve the supervision level of market and ability of maintaining end-point, create a fine sales environment, and fulfill the product demands from all sectors of market. Prior to the disclosure of this report, the National Health Commission of the PRC released the Diagnosis and Treatment Protocol for Novel Coronavirus Pneumonia (Trial Version 9), in the chapter of traditional Chinese medicine treatment, it specifies that Huoxiang Zhengqi Capsules (藿香正氣膠囊) (pill, water and oral liquid) and other Chinese patent medicines are recommended for treatment according to different degrees of illness. The continued recognition and promotion of the above-mentioned pharmaceuticals in the treatment of novel coronavirus pneumonia is proof of their clinical efficacy, which may help create a more favorable marketing environment and boost the Company's confidence in variety cultivation.

In 2022, the Company will continue to develop production and marketing promotion plans on a variety-by-variety basis in accordance with the marketing concept of "One Product, One Strategy". With the leading products and Yongshenghe Ejiao(永盛合阿膠) and other series of products as the main promotions, the Company will further promote the communication and connection with distributors and top 100 chain pharmacies, expand the room for cooperation, focus on empowering the terminal, concentrate on the leverage on medical and e-commerce channels, implement the differentiated sales strategy of "One Product and Three Specifications", give full play to the promotional advantages of new media, and improve marketing capability and core competitiveness of varieties, so as to steadily increase the sales volume of major varieties. At the same time, the Company will analyze its potential in terms of variety, distribution of dosage forms and production capacity, and bring in high-quality resources through marketing authorization holder and joint ventures, in order to constantly diversify the varieties of products of the Company.

## OTHER INFORMATION

### Competing Interests

#### Competition with Tong Ren Tang Ltd. and Tong Ren Tang Holdings

Both the Company and Beijing Tong Ren Tang Company Limited (“**Tong Ren Tang Ltd.**”) engage in the production and sale of Chinese patent medicines, but the principal products of them are different. Tong Ren Tang Ltd. mainly produces Chinese patent medicines in traditional dosage forms such as honeyed pills, powder, ointment and medicinal wines. whose main products include Angong Niu Huang Pills (安宮牛黃丸), Tongren Niu Huang Qingxin Pills (同仁牛黃清心丸), Tongren Dahuo Luo Pills (同仁大活絡丸), Tongren Wuji Baifeng Pills (同仁烏雞白鳳丸) and Guogong Wine (國公酒). It also has some minor production lines for the production of granules and water honeyed pills. These products do not compete with the Group in terms of their curative effects. The Company focuses on manufacturing products in new dosage forms which are more competitive as compared with western medicine. The Company’s main products include Liuwei Dihuang Pills (六味地黃丸), Niu Huang Jiedu Tablet (牛黃解毒片), Ganmao Qingre Granule (感冒清熱顆粒), and Jinkui Shenqi Pills (金匱腎氣丸), etc.. Tong Ren Tang Holdings is an investment holding company.

To ensure that the business classification between the Company, Tong Ren Tang Holdings and Tong Ren Tang Ltd. is properly documented and established, Tong Ren Tang Holdings and Tong Ren Tang Ltd. undertook, pursuant to an undertaking dated 19 October 2000 committed by Tong Ren Tang Holdings and Tong Ren Tang Ltd. in favor of the Company (“**October Undertaking**”), that other than Angong Niu Huang Pills (安宮牛黃丸), Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries will not produce any products that bear the same names or bear the same names with different dosage forms as those pharmaceutical products produced by the Company in the future, which may compete directly with those pharmaceutical products of the Company.

Save as disclosed above, the Directors confirm that none of the other products of the Company is in direct competition with Tong Ren Tang Ltd. or Tong Ren Tang Holdings.

## **Right of First Refusal**

To procure that the Company focuses on the development of the four major forms of products (namely granules, water honeyed pills, tablets and soft capsules), Tong Ren Tang Holdings and Tong Ren Tang Ltd. have granted the Company, pursuant to the “October Undertaking”, a right of first refusal to manufacture and sell any of the new products which is developed by Tong Ren Tang Holdings, Tong Ren Tang Ltd. or any of their respective subsidiaries and which is one of the four main forms of the Company. Upon exercise of the right of first refusal, both Tong Ren Tang Ltd. and Tong Ren Tang Holdings or their respective subsidiaries are not allowed to manufacture any of such new products. In the event the Company develops any new product based on the existing products of Tong Ren Tang Holdings, Tong Ren Tang Ltd. or their respective subsidiaries, and such new product is one of the major forms of products forms of the Company, the Company will be entitled to manufacture such new product and none of Tong Ren Tang Holdings, Tong Ren Tang Ltd. or their respective subsidiaries will be allowed to manufacture such new product. The Directors believe that the above undertaking would clarify that both Tong Ren Tang Ltd. and Tong Ren Tang Holdings would support the Company in its development of the four major forms of products in the future.

In the event that the Company refuses the right of first refusal offered by Tong Ren Tang Ltd. or Tong Ren Tang Holdings, the terms of the option to be offered to an independent third party should not be more favourable than those originally offered to the Company, failing which the Company should be given an opportunity to re-consider the option under the new terms. The above undertaking would no longer be valid in the event that the direct or indirect aggregate shareholdings of Tong Ren Tang Holdings or Tong Ren Tang Ltd. in the Company fall below 30%.

The Company and the independent non-executive Directors have confirmed upon the review: during the year 2021, Tong Ren Tang Ltd. and Tong Ren Tang Holdings have provided all information necessary to the independent non-executive Directors for their annual review and report on their fulfillment on the October Undertaking. Tong Ren Tang Ltd. and Tong Ren Tang Holdings have fulfilled their undertakings on the relevant right of first refusal granted to the Company on their existing or future competing businesses. Tong Ren Tang Ltd. and Tong Ren Tang Holdings have made annual declarations on compliance with the October Undertaking. For details, please refer to the 2021 annual report to be published by the Company soon.

## CORPORATE GOVERNANCE

The Board of Directors believes that a good and steady framework of corporate governance is extremely important for the development of the Company. The Company has adopted the principles and standards contained in the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”) as the Company’s standards, and combined them with its own experience, aiming to establish a good corporate governance structure. For the year ended 31 December 2021, the Company had always strictly complied with the code provisions in the Code.

## AUDIT COMMITTEE

The Company has set up an Audit Committee with specific written terms of reference and duties pursuant to the relevant requirements of the Listing Rules and “a Guide for the Formation of an Audit Committee” compiled by the Hong Kong Institute of Certified Public Accountants. Its primary duties are to review and monitor the completeness and effectiveness of the Company’s financial information, risk management and internal control system, and to review the Company’s annual and interim results and other related documents.

The Audit Committee comprises the independent non-executive Directors Mr. Ting Leung Huel, Stephen, Ms. Chan Ching Har, Eliza and Mr. Zhan Yuan Jing, of which Mr. Ting Leung Huel, Stephen, the Chairman of the committee, possesses appropriate professional qualification and financial experience, which is fully complied with the requirements under Rule 3.21 of the Listing Rules.

During the year of 2021, the Audit Committee convened two meetings. The first meeting was held on 23 March 2021 to review and discuss the operating results, financial position and major accounting policies contained in the audited financial statements of the Group for the year ended 31 December 2020 as well as matters in relation to risk management, legal compliance and internal audit, and to listen to the audit results reported by the auditors. The Audit Committee concurred the meeting with agreement to the contents of the 2020 annual report. The second meeting was held on 16 August 2021 to review and discuss the operating results, financial position and major accounting policies contained in the unaudited financial statements of the Group for the six months ended 30 June 2021 as well as matters in relation to risk management, legal compliance and internal audit. The Audit Committee concurred the meeting with agreement to the contents of the 2021 interim report.

In addition, the Audit Committee reviewed the effectiveness of the Company’s financial control, internal control and risk management; made recommendation to the Board of Directors on matters relating to the reappointment of the auditors; and held separate meetings with the auditors to discuss matters relating to its audit fees and other issues arising from the audit.

At the meeting held on 15 March 2022, the Audit Committee reviewed and discussed the operating results, financial position and major accounting policies contained in the audited financial statements of the Group for the year ended 31 December 2021, as well as matters in relation to risk management, legal compliance and internal audit, reviewed the effectiveness of risk management and internal control systems as well as internal audit, and listened to the audit results reported by the auditors. The Audit Committee concurred in the contents of the 2021 annual results and annual report.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

For 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.

## **AUDITORS**

PricewaterhouseCoopers (“PwC”) was appointed as the overseas auditor of the Company for the year ended 31 December 2021. The figures in respect of the results announcement of the Group for the year ended 31 December 2021 have been agreed by PwC, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2021. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on the preliminary announcement.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement will be published on the Company's website ([www.tongrentangkj.com](http://www.tongrentangkj.com)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)). The Company will despatch the 2021 annual report containing all information as required by the Listing Rules to the shareholders in due course, and will publish the same on the websites of the Company and the Hong Kong Stock Exchange.

By Order of the Board  
**Tong Ren Tang Technologies Co. Ltd.**  
**Gu Hai Ou**  
*Chairman*

Beijing, the PRC

18 March 2022

*As at the date of this announcement, the Board comprises Mr. Gu Hai Ou, Mr. Wang Yu Wei and Ms. Feng Zhi Mei as executive Directors, Mr. Jin Tao, Mr. Ma Guan Yu and Ms. Guo Ya Qing as non-executive Directors, Mr. Ting Leung Huel, Stephen, Ms. Chan Ching Har, Eliza and Mr. Zhan Yuan Jing as independent non-executive Directors.*