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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 2022**

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
	2022	2021	
	HK\$'000	HK\$'000	
Revenue	1,731,095	1,556,158	+11.2%
Gross profit	1,150,140	1,119,623	+2.7%
Profit for the year	691,293	651,543	+6.1%
Profit attributable to owners of the Company	645,875	607,838	+6.3%
Basic and diluted earnings per share	HK\$0.77	HK\$0.73	+HK\$0.04
	As at 31 December		Change
	2022	2021	
	HK\$'000	HK\$'000	
Cash and bank balances	2,243,963	2,275,568	-1.4%
Total assets	4,225,279	3,834,982	+10.2%
Total equity	3,738,793	3,539,504	+5.6%

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 2022 (the “**Year**”) together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	2022	2021
		HK\$'000	HK\$'000
Revenue	3	1,731,095	1,556,158
Cost of sales	5	(580,955)	(436,535)
Gross profit		1,150,140	1,119,623
Distribution and selling expenses	5	(187,224)	(186,368)
General and administrative expenses	5	(154,457)	(155,312)
Net impairment losses on financial assets	5	(6,479)	(7,522)
Other gains, net	4	9,595	8,039
Operating profit		811,575	778,460
Finance income		20,588	4,377
Finance costs		(4,661)	(4,707)
Finance income/(costs), net		15,927	(330)
Share of (losses)/profits of investments accounted for using the equity method		(1,540)	261
Profit before income tax		825,962	778,391
Income tax expense	6	(134,669)	(126,848)
Profit for the year		691,293	651,543
Profit attributable to:			
Owners of the Company		645,875	607,838
Non-controlling interests		45,418	43,705
		691,293	651,543
Earnings per share attributable to owners of the Company for the year (expressed in HK\$ per share)			
Basic and diluted earnings per share	7	0.77	0.73

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Profit for the year	691,293	651,543
Other comprehensive (losses)/income:		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(22,070)	(635)
<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	<u>4,155</u>	<u>(645)</u>
Other comprehensive losses for the year	<u>(17,915)</u>	<u>(1,280)</u>
Total comprehensive income for the year	<u><u>673,378</u></u>	<u><u>650,263</u></u>
Attributable to:		
Owners of the Company	629,976	607,857
Non-controlling interests	<u>43,402</u>	<u>42,406</u>
Total comprehensive income for the year	<u><u>673,378</u></u>	<u><u>650,263</u></u>

CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2022 HK\$'000	2021 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		206,681	183,309
Right-of-use assets		186,669	214,255
Intangible assets		59,706	60,953
Investments accounted for using equity method		52,996	57,896
Financial asset at fair value through other comprehensive income		9,618	5,463
Prepayments for purchase of property, plant and equipment and intangible assets		11,724	14,245
Deferred income tax assets, net		14,814	22,050
		<u>542,208</u>	<u>558,171</u>
Current assets			
Inventories		469,784	431,865
Trade receivables and other current assets	9	969,324	569,378
Short-term bank deposits		252,997	615,264
Cash and cash equivalents		1,990,966	1,660,304
		<u>3,683,071</u>	<u>3,276,811</u>
Total assets		<u><u>4,225,279</u></u>	<u><u>3,834,982</u></u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		938,789	938,789
Reserves			
- Other reserves		(41,066)	(25,167)
- Retained earnings		2,706,763	2,504,551
		<u>3,604,486</u>	<u>3,418,173</u>
Non-controlling interests		<u>134,307</u>	<u>121,331</u>
Total equity		<u><u>3,738,793</u></u>	<u><u>3,539,504</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
	Note	2022 HK\$'000	2021 HK\$'000
Liabilities			
Non-current liabilities			
Borrowings		333	799
Lease liabilities		60,401	74,475
Deferred income tax liabilities, net		7,178	7,147
		<u>67,912</u>	<u>82,421</u>
Current liabilities			
Borrowings		219	480
Trade and other payables	10	235,415	127,550
Lease liabilities		42,129	52,722
Current income tax liabilities		140,811	32,305
		<u>418,574</u>	<u>213,057</u>
Total liabilities		<u>486,486</u>	<u>295,478</u>
Total equity and liabilities		<u><u>4,225,279</u></u>	<u><u>3,834,982</u></u>

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 2022 and 2021 included in this preliminary announcement of annual results 2022 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 2021 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 2022 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) New and amended standards adopted by the Group

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 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual improvement project (Amendments)	Annual Improvements to HKFRS Standards 2018-2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Amendments to AG 5	Merger Accounting for Common Control Combinations

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 standard, amendments to standards and interpretations that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2023 or later periods, but have not been early adopted by the Group.

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)	Non-current Liabilities with Covenants ⁽²⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽²⁾
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback ⁽²⁾
HKFRS 17 (New Standard)	Insurance Contracts ⁽¹⁾
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies ⁽¹⁾
HKAS 8 (Amendments)	Definition of Accounting Estimates ⁽¹⁾
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽¹⁾
HKFRS 10 and HKAS 28 (Amendments)	Sales 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 2023

⁽²⁾ Effective for the accounting period beginning on or after 1 January 2024

⁽³⁾ Effective date to be determined

The Group is in the process of assessing potential impact of the above new standards and amendments that are relevant to the Group upon initial application. It is not yet in a position to state whether these standards, interpretations, and amendments will have a significant impact on the Group's results of operations and financial position.

3 Segment information

The chief operating decision maker has been identified as the executive directors and the non-executive director of the Company (the “**Executive Directors**” and the “**Non-executive Director**”). The Executive Directors and the Non-executive Director review the Group’s internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports.

The Executive Directors and the Non-executive Director assess the performance of the operating segments based on revenue and segment results of each segment. The Executive Directors and the Non-executive Director 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 2022				
Segment revenue	1,200,116	528,453	472,255	2,200,824
Inter-segment revenue	(374,084)	(94,990)	(655)	(469,729)
Revenue from external customers	826,032	433,463	471,600	1,731,095
Timing of revenue recognition				
At a point in time	825,214	431,163	468,318	1,724,695
Overtime	818	2,300	3,282	6,400
	826,032	433,463	471,600	1,731,095
Contribution to segment results	748,579	(7,680)	118,461	859,360
Depreciation of property, plant and equipment	(8,360)	(654)	(4,035)	(13,049)
Depreciation of right-of-use assets	(35,334)	(2,272)	(21,647)	(59,253)
Amortisation of intangible assets	(3,168)	-	-	(3,168)
Gains/(losses) on disposals of property, plant and equipment	56	-	(28)	28
(Loss allowance) / reversal of loss allowance on trade receivables	(2,020)	(4,463)	4	(6,479)
Impairment loss on inventories	-	-	(422)	(422)
Write-off of inventories	(21)	-	(190)	(211)
Write-off of property, plant and equipment	-	-	(47)	(47)
Segment results	699,732	(15,069)	92,096	776,759
Inter-segment elimination				34,816
Operating profit				811,575
Finance income	19,478	365	745	20,588
Finance costs	(1,538)	(78)	(3,045)	(4,661)
Share of losses of investments accounted for using the equity method				(1,540)
Profit before income tax				825,962
Income tax expense				(134,669)
Profit for the year				691,293
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	688,395	426,418	441,345	1,556,158
Timing of revenue recognition				
At a point in time	688,077	421,775	439,701	1,549,553
Overtime	318	4,643	1,644	6,605
	688,395	426,418	441,345	1,556,158
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	672,421	30,351	84,462	787,234
Inter-segment elimination				(8,774)
Operating profit				778,460
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				261
Profit before income tax				778,391
Income tax expense				(126,848)
Profit for the year				651,543

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 2022				
Segment assets and liabilities				
Total assets	<u>3,010,879</u>	<u>739,091</u>	<u>475,309</u>	<u>4,225,279</u>
Investments accounted for using the equity method	<u>9,528</u>	<u>36,238</u>	<u>7,230</u>	<u>52,996</u>
Financial asset at fair value through other comprehensive income	<u>9,618</u>	<u>-</u>	<u>-</u>	<u>9,618</u>
Additions to non-current assets ⁽¹⁾	<u>28,793</u>	<u>140</u>	<u>37,742</u>	<u>66,675</u>
Total liabilities	<u>(234,863)</u>	<u>(141,531)</u>	<u>(110,092)</u>	<u>(486,486)</u>
At 31 December 2021				
Segment assets and liabilities				
Total assets	<u>2,815,098</u>	<u>581,373</u>	<u>438,511</u>	<u>3,834,982</u>
Investments accounted for using the equity method	<u>9,260</u>	<u>40,599</u>	<u>8,037</u>	<u>57,896</u>
Financial asset at fair value through other comprehensive income	<u>5,463</u>	<u>-</u>	<u>-</u>	<u>5,463</u>
Additions to non-current assets ⁽¹⁾	<u>52,206</u>	<u>1,196</u>	<u>28,231</u>	<u>81,633</u>
Total liabilities	<u>(127,969)</u>	<u>(47,554)</u>	<u>(119,955)</u>	<u>(295,478)</u>

(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:

	2022	2021
	HK\$'000	HK\$'000
Sales of products	1,681,764	1,513,345
Service income	48,513	42,495
Royalty fee income	818	318
	<u>1,731,095</u>	<u>1,556,158</u>

(d) Information about major customers

For the year ended 31 December 2022, revenue from two (2021: 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:

	2022	2021
	HK\$'000	HK\$'000
Revenue from:		
- Entities under the control of the ultimate holding company ⁽¹⁾	285,594	Not Applicable ⁽²⁾
- Customer A	411,160	305,388
- Customer B	Not Applicable⁽²⁾	167,988
	<u>696,754</u>	<u>473,376</u>

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

(2) The customers generated less than ten percent of the Group's total revenue during the years.

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 2022 (2021: 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:

	2022 HK\$'000	2021 HK\$'000
(i) Revenue ⁽¹⁾		
Hong Kong	826,032	688,395
Mainland China	433,463	426,418
Macao	264,593	266,037
Australia	62,016	48,542
Canada	52,620	45,114
New Zealand	33,235	28,267
Singapore	25,915	24,448
United States	15,229	12,175
Other countries	17,992	16,762
	<u>1,731,095</u>	<u>1,556,158</u>
(ii) Non-current assets ⁽²⁾		
Hong Kong	275,171	292,593
Mainland China	2,428	5,692
Macao	60,604	65,908
Australia	49,493	51,785
Canada	13,644	16,258
New Zealand	39,650	13,741
Europe	11,658	11,797
United States	2,416	2,008
Other countries	9,716	12,980
	<u>464,780</u>	<u>472,762</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	
	2022	2021
	HK\$'000	HK\$'000
Contract liabilities	<u>4,678</u>	<u>4,508</u>

The Group has not recognised any contract assets related to contract with customers as at 31 December 2022 and 31 December 2021.

There is no significant changes in contract assets and liabilities during the year ended 31 December 2022.

(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	
	2022	2021
	HK\$'000	HK\$'000
Revenue recognised in relation to contract liabilities at 1 January	<u>3,397</u>	<u>2,506</u>

4 Other gains, net

	2022	2021
	HK\$'000	HK\$'000
Government grants ⁽¹⁾	6,830	5,103
Unsecured government loans waived	257	1,227
Others	<u>2,508</u>	<u>1,709</u>
	<u><u>9,595</u></u>	<u><u>8,039</u></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

	2022 HK\$'000	2021 HK\$'000
Changes in inventories of finished goods and work in progress	(11,056)	(13,456)
Raw materials and consumables used	516,415	364,645
Employee benefit expenses	219,099	216,711
COVID-19-related rent concessions	(137)	(483)
Expenses relating to short-term leases	11,255	14,291
Variable lease payments not included in the measurement of lease liabilities ⁽¹⁾	154	205
Amortisation of intangible assets	3,168	2,255
Depreciation of right-of-use assets	59,253	54,648
Depreciation of property, plant and equipment	13,049	13,069
(Gains)/losses on disposals of property, plant and equipment	(28)	437
Impairment loss on inventories	422	58
Write-off of inventories	211	323
Write-off of property, plant and equipment	47	-
Loss allowance on trade receivables	6,479	7,522
Auditors' remuneration		
- Audit services	4,150	5,267
- Non-audit services	275	430
Research and development expenses	7,699	11,273
Net exchange loss	85	152
Promotion and advertising expenses	19,179	23,579
Legal and professional expenses	6,885	7,127
Others	72,511	77,684
	<u>929,115</u>	<u>785,737</u>

⁽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% (2021: 16.5%) on the estimated assessable profit for the year. PRC corporate income tax has been provided at the rate of 25% (2021: 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.

	2022	2021
	HK\$'000	HK\$'000
Current income tax		
- Current year	128,447	135,399
- Over -provision in prior years	(543)	(993)
	<u>127,904</u>	<u>134,406</u>
Deferred income tax	<u>6,765</u>	<u>(7,558)</u>
Income tax expense	<u>134,669</u>	<u>126,848</u>

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.

	2022	2021
Profit attributable to owners of the Company (HK\$'000)	<u>645,875</u>	<u>607,838</u>
Weighted average number of ordinary shares in issue (thousands)	<u>837,100</u>	<u>837,100</u>
Earnings per share (HK\$)	<u>0.77</u>	<u>0.73</u>

For the years ended 31 December 2022 and 2021, 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 2022 and 2021 were HK\$443,663,000 (HK\$0.53 per share) and HK\$200,904,000 (HK\$0.24 per share) respectively. Dividend in respect of the year ended 31 December 2022 of HK\$0.33 per share, amounting to a total dividend of HK\$276,243,000, is to be proposed at the annual general meeting on 8 May 2023. These financial statements do not reflect this dividend payable.

	2022 HK\$'000	2021 HK\$'000
Special interim dividend paid of HK\$0.25 (2021: HK\$Nil) per ordinary share	209,275	-
Proposed final dividend of HK\$0.33 (2021: HK\$0.28) per ordinary share	<u>276,243</u>	<u>234,388</u>
	<u>485,518</u>	<u>234,388</u>

9 Trade receivables and other current assets

	2022 HK\$'000	2021 HK\$'000
Trade receivables		
- immediate holding company	67,813	288
- intermediate holding company	142	-
- fellow subsidiaries	200,886	23,974
- joint ventures	1,926	2,693
- associate	16,191	27,148
- third parties	656,556	487,111
Trade receivables, gross	<u>943,514</u>	<u>541,214</u>
Less: loss allowance	<u>(20,284)</u>	<u>(14,737)</u>
Trade receivables, net	923,230	526,477
Prepayments	8,994	9,085
Other receivables	17,797	15,090
Deposits	18,333	17,756
Amount due from a joint venture (Note b)	<u>970</u>	<u>970</u>
	<u>969,324</u>	<u>569,378</u>

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.

9 Trade receivables and other current assets (Continued)

Notes: (Continued)

- (c) Retail sales at the Group's stores are usually made in cash or by debit or credit cards. For wholesales to customers (including related parties), the Group grants credit periods ranging from 30 to 90 days (2021: 30 to 180 days).

At 31 December 2022 and 2021, the aging analysis of trade receivables based on invoice date (including amounts due from related parties of trading in nature) is as follows:

	2022 HK\$'000	2021 HK\$'000
Up to 90 days	743,688	457,121
91 – 180 days	29,928	45,779
181 – 365 days	30,172	29,803
Over 365 days	139,726	8,511
	<u>943,514</u>	<u>541,214</u>

10 Trade and other payables

	2022 HK\$'000	2021 HK\$'000
Trade payables		
- intermediate holding company	4,736	9,343
- immediate holding company	9,048	12,801
- fellow subsidiaries	310	-
- associate	4,478	-
- third parties	135,133	12,452
Trade payables	<u>153,705</u>	<u>34,596</u>
Accruals and other payables	77,032	88,446
Contract liabilities	4,678	4,508
	<u>235,415</u>	<u>127,550</u>

At 31 December 2022 and 2021, 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:

	2022 HK\$'000	2021 HK\$'000
Up to 90 days	140,238	30,273
91 – 180 days	6,701	33
181 – 365 days	1,190	-
Over 365 days	5,576	4,290
	<u>153,705</u>	<u>34,596</u>

11 Commitments

(a) Capital commitments

	2022 HK\$'000	2021 HK\$'000
Contracted but not provided for - property, plant and equipment	<u>3,802</u>	<u>3,342</u>

(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:

	2022 HK\$'000	2021 HK\$'000
No later than 1 year	<u>1,698</u>	<u>1,509</u>

As at 31 December 2022, undiscounted future lease payments amounted to HK\$806,000 (2021: Nil) 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 2023 (2021: 2022). As at 31 December 2022, the Group has no relevant lease commitments not commenced.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

Since its establishment in 1669, Tong Ren Tang has gone through 354 years of history, upholding the corporate spirit of “Nurturing kindness and virtue, Preserving tranquility and wellness” and the development vision of “Creating health and sharing with the world”, promoting Chinese medicine to the world by leveraging on the unique advantages of Chinese medicine, showcasing the achievements of Chinese medicine research and development. For decades, Tong Ren Tang insists on keeping the righteous traditions while seeking innovation, marking it an internationally renowned brand of Chinese medicine.

In 2022, the Group faced a complex and challenging market environment with various risks, based on precise execution of strategies to anchor Tong Ren Tang’s high-quality development, and had entered a new chapter of innovation and proficiency. Based in Hong Kong, the Group has a global footprint, and has undertaken the mission of promoting Chinese medicine culture based on the inheritance of the pharmaceutical methods and craftsmanship of our predecessors, and aiming to further explore ways to the modernization of Chinese medicine and expanding its service coverage, so as to accelerate the internationalization of Chinese medicine.

During the Year, the Group achieved an revenue of HK\$1,731.1 million (2021: HK\$1,556.2 million), representing a year-on-year growth of 11.2%; net profit of HK\$691.3 million (2021: HK\$651.5 million), representing a year-on-year growth of 6.1%; profit attributable to owners of HK\$645.9 million (2021: HK\$607.8 million), representing a year-on-year growth of 6.3%; earnings per share was HK\$0.77 (2021: HK\$0.73), representing a year-on-year increase of HK\$0.04. The Board recommends the distribution of a final dividend of HK\$0.33 per share (2021: HK\$0.28).

Hong Kong Market

This Year, the Group continued to treat Hong Kong as an important strategic region, where it focused on the Hong Kong market and fully expanded the upstream and downstream industrial chains, launched innovative marketing reform and channel construction, and continuously promoted the Group's high-quality development to help Hong Kong's urban construction, economic development and livelihood needs and improvements.

The Group continued on the integration of online and offline sales channels, and has been steadily improving its layout in the core market of Hong Kong and identifying areas with high consumption potential for the establishment of offline retail outlets. During the Year, the Group has 25 local retail outlets in Hong Kong, covering all regions in Hong Kong (except the outlying islands). The Group has accelerated the integration of its own e-commerce platform, cross-border e-commerce platform and other online retail channels to effectively meet the consumption needs of consumers in multiple scenarios during the pandemic. The Group actively promoted the construction of diversified channels, focusing on strengthening the wholesale channels, and proactively identifies high potential and high quality wholesalers to ensure quality and quantity, so as to ensure the steady growth of sales of the Group's premium products to achieve mutual benefit and win-win situation. The Group further deepened the marketing reform, coordinate and strengthen the construction of all-media promotion channels, such as TV, newspapers, social media, short video, live broadcast, etc., to enhance the joint output of brand, product and culture, and promote the growth of the Group's overall sales volume; the Group has focused on promoting new industries, new business models and new retail models, and strive to create a diversified and multi-level marketing pattern, so as to achieve a stable situation where marketing and sales promote on each other and develop together. To optimize and improve the framework of integration of production, academia and research, the Group has maintained long-term interaction and cooperation with universities and colleges in Hong Kong to conduct in-depth exploration of the efficacy of the Group's major Chinese medicine products, and further verify the relationship between the traditional efficacy of Chinese medicine and modern pharmacological effects, and enhance the market transformation rate of academic research results.

During the Year, the Group's revenue from Hong Kong market reached HK\$826.0 million (2021: HK\$688.4 million), representing a year-on-year increase of 20.0%, while same store revenue declined by 9.9%.

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 48 retail outlets overseas in total. Due to the impact of the pandemic, the overall number of confirmed patients overseas remains high, and the number of students, travelers and visitors of relatives has not yet recovered to the pre-pandemic level, and the market for Chinese medicine services outside of China has yet to be activated. Under such difficult situation, the Group is seeking changes and actively exploring new ways to modernize Chinese medicine services, and based on its ability to cope with the pandemic and other risks, the Group was able to coordinate the overseas markets, and some of the overseas markets grew against the trend, such as Singapore, New Zealand, Canada, Dubai, etc., and eventually turned the overseas markets around. During the Year, the Group recorded a revenue from overseas markets amounted to HK\$471.6 million (2021: HK\$441.3 million), representing a year-on-year growth of 6.9%, while same-store revenue grew by 10.8%.

For the Mainland China market, despite the economy of Mainland China was still affected by the recurrence of the COVID-19 pandemic in 2022, the Group is still actively planning to set up the Tong Ren Tang brand store at the global largest duty free city of the China Duty Free Group — Haikou International Duty-Free City on 28 October to put in place a duty free strategic channel. During the Year, the Group's revenue in Mainland China market for the Year remaining stable at HK\$433.5 million (2021: HK\$426.4 million), representing a slight year-on-year increase of 1.7%.

Production, Research and Development

During the Year, the Group made strong efforts in the areas of production and quality management, as well as technology and product innovation. In terms of production and quality management, the Group's Production and R&D Base in Tai Po, Hong Kong obtained GMP (Good Manufacturing Practice) for Proprietary Chinese medicine certification, International Standard ISO22000 certification and HACCP (Hazard Analysis and Critical Control Points) certification. The Group has set up a quality management system that covers the entire life cycle from project creation, R&D, raw material procurement to product production and supply, providing comprehensive protection for our production. In terms of technology and product innovation, the Group continued to improve and innovate production technology and efficiency, as the production capacity of Angong Niu Huang Wan (安宮牛黃丸), Sporoderm-broken Ganoderma Lucidum Spores Powder Capsule (破壁靈芝孢子粉膠囊), Ultra Fine Pearl Powder and Lingzhi Vitality Capsules was enhanced to fully meet the market demand. Based on its reserve of product resources, the Group has further enriched its product varieties by initiating the research and development of its new product, Qing Yin Wan, which has been approved for registration as a proprietary Chinese medicine. Meanwhile, the Group based on its core products and strengthened the development of our own intellectual property rights, including invention patents, utility model appearance, copyrights and publications. The Group has expanded and developed its patent portfolio and applied international intellectual property rules to protect and enrich the core value of Tong Ren Tang's products.

Over the years, the Group has been collaborating with universities on various research projects to enhance the quality of its products, and to establish a framework for the integration of industry, academia, research and application, thus paving the way for modernization of Chinese medicine. In particular, the Group has jointly applied for a research project with the Innovation and Technology Commission in collaboration with the School of Chinese Medicine of the Li Ka Shing Faculty of Medicine of the University of Hong Kong ("**HKU School of Chinese Medicine**") in relation to Angong Niu Huang Wan. The Group provided the necessary pharmaceutical products for the research project as requested by the HKU School of Chinese Medicine. In November, the Group sponsored the "International Summit Forum on Developing Integrative Strategies for Stroke Treatment" organized by the HKU School of Chinese Medicine, which gathered professors and experts in Chinese and Western medicine from internationally renowned universities. The HKU School of Chinese Medicine published the pharmacological summary of the collaborated research project, showing that Angong Niu Huang Wan can be used as an adjunct to thrombolytic therapy to improve the efficacy and survival rate of ischemic stroke and greatly reduce the side effects of cerebral hemorrhage caused by delayed treatment. The research results have greatly uplifted the international influence of the Beijing Tong Ren Tang brand, and the overall goal to promote the sustainable development of the industry with the scientific research results to promote the commencement of Beijing Tong Ren Tang's overseas business.

Brand Promotion

The Group upholds the corporate spirit of "Nurturing kindness and virtue, Preserving tranquility and wellness" and the in-depth implementation of the concept of macro-health services. Despite the impact of the COVID-19 pandemic during the Year, the Group still actively launched a series of brand promotion and marketing activities to enhance the brand power and influence of Beijing Tong Ren Tang in Hong Kong and overseas markets, and to promote the spread of Chinese medicine culture and brand culture with a high sense of mission and responsibility in Chinese medicine services and macro-health services.

In response to the public’s demand for health and wellness during the pandemic, the Group has consolidated the influence of its major product varieties through diversified platforms, the media and different promotional channels, so as to enhance the market penetration rate of our products, and open up a new marketing model. The Group focused on the strength and breadth of online marketing efforts, and launched multi-level and multi-channel brand promotions. Meanwhile, the Group focused on serial activities of the special project “Show Love and Care to Stroke Prevention”, with innovative ideas combining virtual idols and real life interaction with good marketing results. We have organized science research seminars in cooperation with academic institutions to popularize the knowledge and concepts of Chinese medicine to the public. During the Year, we held the first free tram ride day with the theme of stroke prevention, focusing on benefiting the local citizens, and enhancing the reputation of our products.

During the Year, the Group strived to fulfill the social responsibility of a century-old Chinese medicine enterprise, and made multiple donations to the society by providing pandemic prevention materials and medicines to organizations such as Sik Sik Yuen and stroke patients’ organizations in Hong Kong, and donated 100,000 boxes of Huoxiang Zhengqi Pian to the Hong Kong government to provide maximum protection and to tide over the crisis together with local citizens. The Group was mindful about women’s health and supported the Pink Ribbon Global Breast Cancer Awareness Campaign during the International Women’s Day on 8 March. At the same time, the Group focused on grasping the important timing and policy opportunities, and refreshed the marketing mix to stimulate consumer demand; the Group also launched science video and advertising “Synchronization” to effectively realize the product and brand publicity effect, boosting the local consumption and promoting local economic recovery.

During the Year, the Group has won a number of brand awards, including the “The Most Influential Brand in Asia: Most Trusted Brand in Chinese Medicine” in Singapore for the eighth consecutive year, the “GBA Top 100 Enterprises Inheritance Award” and the “GBA Most Valuable Brand Award” in the Greater Bay Area, the “Global Service Practice Case (全球服務實踐案例)” of China International Fair for Trade in Services 2022, the 7th (Zhongjing Cup) International Award for Contribution to Chinese Medicine (第七屆(仲景杯)中醫藥國際貢獻獎). The Group also received the “01 Enterprise Gold Medal Award — Outstanding Chinese Medicine Brand (01企業金勳大獎 — 傑出中醫藥品牌)” for the third consecutive year, highlighting Tong Ren Tang’s leading position in the development of Chinese medicine both inbound and outbound, and demonstrating the remarkable achievements in the internationalization of the “Tong Ren Tang” brand. This Year, the Group was awarded the “12th China Securities Golden Bauhinia Awards (第十二屆中國證券金紫荊獎)” organized by the Hong Kong Ta Kung Wen Wei Media Group, and won the “Best Listed Company” award. The Group’s outstanding brand image and quality products are continuously recognized by the capital market, and the honors and awards reflect the trust and support of consumers for the Group’s products.

Business Prospects

The future is not only a beautiful aspiration, but also a choice made at the moment. Tong Ren Tang stands firm to its main duties, while making continuous efforts in new aspects, with the new products layout such as Chinese medical beauty treatment and Chinese medicine anti-aging treatment, so as to actively prepare for developing new healthcare businesses. The aspirations of humankind for health are never-ending, and Tong Ren Tang’s determinations in the healthcare industry will be unswerving.

Human Resources Management

As at 31 December 2022, we had a total of 762 employees (2021: 745 employees).

The staff costs of the Group for the Year were HK\$219.1 million (2021: HK\$216.7 million), representing an increase of 1.1% 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\$1,731.1 million (2021: HK\$1,556.2 million), representing an increase of 11.2% from last year. This Year, although the Hong Kong market was still under the influence of the coronavirus outbreak, Hong Kong gradually relaxed its immigration control and the Hong Kong government continued to distribute consumption vouchers to Hong Kong citizen to stimulate local consumption, coupled with the gradual realization of reopening of the border with overseas at the end of the Year, the revenue from the Hong Kong market has increased by 20.0%. For overseas market, it has seen growth against the tide in certain overseas markets it has cultivated for years, such as Singapore, New Zealand, Canada and Dubai, which led to an increase of 6.9% in revenue from overseas market. Revenue from the Mainland China market remained stable with a slight increase of 1.7% from last year.

Gross Profit

The Group's gross profit was HK\$1,150.1 million (2021: HK\$1,119.6 million), representing an increase of 2.7% from last year. The gross profit margin decreased from 71.9% last year to 66.4% this Year, which was mainly due to the change in the product mix from last year, which was arose from the new business of sales of Chinese medicinal raw materials in the Mainland China this Year.

Other Gains, net

The Group's other gains, net was HK\$9.6 million (2021: HK\$8.0 million), which was increased by HK\$1.6 million from last year. The increase was due to increase in government grants received under the COVID-19 pandemic this Year.

Distribution and Selling Expenses

The Group's distribution and selling expenses were HK\$187.2 million (2021: HK\$186.4million), representing a slight increase of 0.4% from last year. Due to increase in number of retail outlets, the rental expenses and staff costs increased this Year, but it was offset by the decrease in advertising and promotion expenses. Distribution and selling expenses as a percentage to revenue slightly decreased from 12.0% last year to 10.8% this Year.

General and Administrative Expenses

The Group's general and administrative expenses were HK\$154.5 million (2021: HK\$155.3 million), representing a slight decrease of 0.5% from last year. General and administrative expenses mainly comprised of staff costs and rental expenses which remained stable from last year. General and administrative expenses as a percentage to revenue slightly decreased from 10.0% from last year to 8.9% this Year.

Finance Income/Costs, net

The Group's net finance income was HK\$15.9 million (2021: net finance costs HK\$330,000), which included the finance income of HK\$20.6 million (2021: HK\$4.4 million). The increase in finance income of HK\$16.2 million was mainly due to increase in both 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\$134.7 million (2021: HK\$126.8million), representing an increase of 6.2% from last year. The increase was mainly due to the increase in taxable profit this Year. The effective tax rate for the Year maintains at 16.3% (2021: 16.3%).

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 6.1% to HK\$691.3 million (2021: HK\$651.5 million) with a net profit margin of 39.9% (2021: 41.9%). Profit attributable to owners of the Company amounted to HK\$645.9 million (2021: HK\$607.8 million), representing an increase of 6.3% from last year. The basic earnings per share for the Year were HK\$0.77 (2021: HK\$0.73). The Directors recommend the payment of a final dividend of HK\$0.33 per share for the Year (2021: HK\$0.28).

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\$2,244.0 million (2021: HK\$2,275.6 million) as at 31 December 2022. 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 2021 and 2022 and net cash generated from/(used in) operating activities, investing activities and financing activities for the years ended 31 December 2021 and 2022:

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
Cash and bank balances	2,243,963	2,275,568
Working Capital ⁽¹⁾	3,264,497	3,063,754
Total Equity	3,738,793	3,539,504
Current Ratio ⁽²⁾	8.8	15.4
Gearing Ratio ⁽³⁾	2.8%	3.6%

	For the year ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Net cash generated from operating activities	547,444	777,170
Net cash generated from/(used in) investing activities	335,412	(265,734)
Net cash used in financing activities	(535,416)	(278,649)

⁽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\$38.5 million (2021: HK\$23.4 million), which was mainly used in renovation of retail outlets, purchase of a property in New Zealand and 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 2022, the Group's net property value of HK\$9.5 million (2021: HK\$10.4 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 2022, 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 2022 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\$0.33 per ordinary share for the year ended 31 December 2022 (2021: HK\$0.28). Such final dividend will be proposed for approval by shareholders at the annual general meeting (“**AGM**”) to be held on Monday, 8 May 2023 and if approved, are payable to shareholders whose names appear on the Register of Members of the Company on Tuesday, 16 May 2023.

Subject to approval by the Company’s shareholders at the AGM, the final dividend will be paid on or before Wednesday, 31 May 2023.

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 Wednesday, 3 May 2023 to Monday, 8 May 2023, 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 Tuesday, 2 May 2023.

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 2022, the Register of Members of the Company will be closed from Friday, 12 May 2023 to Tuesday, 16 May 2023, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the above-mentioned dividends (if approved), all transfers documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 11 May 2023.

REVIEW OF ANNUAL RESULTS

As at 31 December 2022, 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 (ceased as a member of Audit Committee on 13 March 2023), 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 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2022, 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 2022, the Company had complied with the code provisions set out in the Corporate Governance Code in Appendix 14 to 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 2022.

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

Hong Kong, 13 March 2023

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 (*resigned on 13 March 2023*)
Mr. Xu Hong Xi (*appointed on 13 March 2023*)
Mr. Chan Ngai Chi

Non-executive Director:

Ms. Feng Li (*re-designated on 13 March 2023*)