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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)**

**2024 INTERIM RESULTS ANNOUNCEMENT**

The board of directors (the “**Board**”) of Beijing Tong Ren Tang Chinese Medicine Company Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2024. This announcement, containing the full text of the 2024 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of interim results. Printed version of the Company’s 2024 interim report will be delivered to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and of the Company at [cm.tongrentang.com](http://cm.tongrentang.com) on or before 30 September 2024.

By order of the Board  
**Beijing Tong Ren Tang**  
**Chinese Medicine Company Limited**  
**Gu Hai Ou**  
*Chairman*

Hong Kong, 30 August 2024

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

***Executive Directors:***

Mr. Gu Hai Ou (*Chairman*)  
Mr. Wang Chi  
Mr. Chen Fei

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

Mr. Tsang Yok Sing, Jasper  
Mr. Xu Hong Xi  
Mr. Chan Ngai Chi

***Non-executive Director:***

Ms. Feng Li

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Gu Hai Ou (*Chairman*)  
Wang Chi  
Chen Fei

### Non-executive Director

Feng Li

### Independent Non-executive Directors

Tsang Yok Sing, Jasper  
Xu Hong Xi  
Chan Ngai Chi

## AUDIT COMMITTEE

Chan Ngai Chi (*Chairman*)  
Tsang Yok Sing, Jasper  
Xu Hong Xi

## NOMINATION COMMITTEE

Tsang Yok Sing, Jasper (*Chairman*)  
Xu Hong Xi  
Chan Ngai Chi

## REMUNERATION COMMITTEE

Xu Hong Xi (*Chairman*)  
Tsang Yok Sing, Jasper  
Chan Ngai Chi

## COMPANY SECRETARY

Tsang Fung Yi

## AUTHORISED REPRESENTATIVES

Gu Hai Ou  
Chen Fei

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited  
Shops 1712–1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## COMPANY'S WEBSITE

cm.tongrentang.com

## REGISTERED ADDRESS

Room 1405–1409, Office Tower  
Convention Plaza, 1 Harbour Road  
Wanchai, Hong Kong

## LEGAL ADVISER

as to *Hong Kong laws*:  
Jingtian & Gongcheng LLP  
Suite 3203–3207  
32/F  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

## AUDITOR

Ernst & Young  
Certified Public Accountants and  
Registered Public Interest Entity Auditor  
27th Floor, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

## STOCK CODE

3613

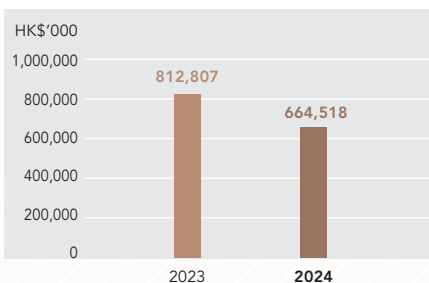
# FINANCIAL HIGHLIGHTS

(HK\$'000)	Six months ended 30 June		
	2024	2023	Change
Revenue	664,518	812,807	-18.2%
Gross profit	451,770	507,049	-10.9%
Profit before income tax	283,642	353,968	-19.9%
Profit for the period	240,344	297,871	-19.3%
Profit attributable to owners of the Company	219,782	266,040	-17.4%
Earnings per share	HK\$0.26	HK\$0.32	-HK\$0.06

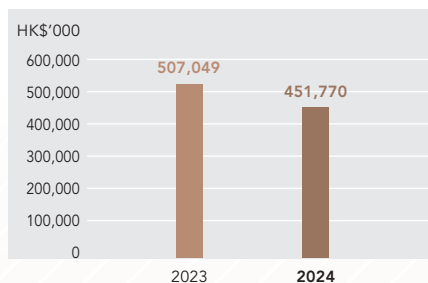
(HK\$'000)	As at		
	30 June 2024	31 December 2023	Change
Cash and bank balances	1,769,747	2,378,693	-25.6%
Total assets	4,277,811	4,434,445	-3.5%
Total equity	3,969,552	4,020,690	-1.3%

For the six months ended 30 June 2023 and 2024

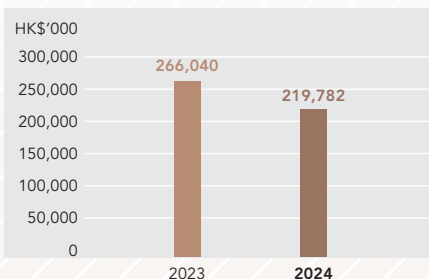
## Revenue



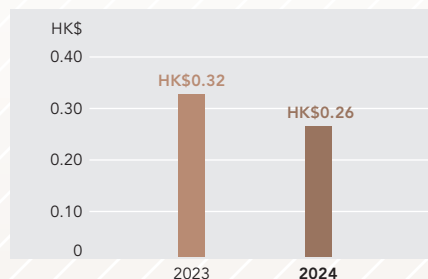
## Gross profit



## Profit attributable to owners of the Company



## Earnings per share



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In the first half of 2024, the global economy continues to wrestle with numerous uncertainties, characterized by sluggish growth momentum and high borrowing costs. Despite a stable growth trend in the economy of the Hong Kong Special Administrative Region (“**Hong Kong**”) of the People’s Republic of China (the “**PRC**” or “**China**”), the local retail sector faces significant challenges. The retail markets in Hong Kong and the Macao Special Administrative Region (“**Macao**”) of the PRC remain sluggish, with a noticeable shift in the consumption patterns of both tourists and local residents. Both the length of stay and the per capita spending of visitors are on a downward trend. Furthermore, the continued high exchange rate of the Hong Kong dollar complicates the business environment, affecting the retail industry of Hong Kong and Macao at various levels. According to the Census and Statistics Department of Hong Kong, the value of total retail sales in the first half of 2024 fell by 6.6% year-on-year, with the category of Chinese drugs and herbs retail dropped by 15.9% year-on-year; the Statistics and Census Service of Macao recorded a 22.1% year-on-year decline in the retail sales average sales volume index in the first half of 2024.

For the six months ended 30 June 2024 (the “**Period**”), the sales revenue of the Group (Beijing Tong Ren Tang Chinese Medicine Company Limited defined as the “**Company**” below, together with its subsidiaries as the “**Group**” or “**we**”) amounted to HK\$664.5 million (2023: HK\$812.8 million), representing a decrease of 18.2% as compared to the corresponding period last year; profit attributable to the owners of the Company amounted to HK\$219.8 million (2023: HK\$266.0 million), representing a decrease of 17.4% as compared to the corresponding period last year. This decrease was primarily due to a drop in sales revenue in both Hong Kong and Macao.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Market Expansion

The Group actively expanded its product matrix, introducing new products during the Period, including Tong Ren Tang's Chinese anti-aging NMN series — the Youth Prime Collection (仙齡系列) and the Age-Defying Collection (保齡系列), the Guizhi Fuling Wan (桂枝茯苓丸), and Wood Lok Medicated Oil (活絡油). The Group further expanded its retail presence in Hong Kong by establishing three new outlets in North Point, Mong Kok, and West Kowloon, with the North Point and West Kowloon stores also offering Chinese medical consultations and treatments. In addition to enriching the product matrix and optimizing the retail layout in Hong Kong, the Group actively intensified its marketing efforts to enhance product recognition. Specifically targeting the “major variety” products, such as Tong Ren Tang's Angong Niu Huang Wan (安宮牛黃丸), Sporoderm-broken Ganoderma Lucidum Spores Powder Capsules (破壁靈芝孢子粉膠囊), and Tong Ren Niu Huang Qing Xin Wan (同仁牛黃清心丸), the Group promoted and advertised its brands and products through an omni-channel approach, integrating special festivals and themes to create consumer hotspots. The Group also actively pursued the development of both online and offline channels, continually expanding its sales channels to adapt to the business models of the post-pandemic era.

The Group capitalized on its participation in major events, significantly enhancing its promotional efforts and accelerating the brand market expansion. Serving as a critical portal for Beijing Tong Ren Tang's international development, the Group participated in the 2024 Wuzhen Health Conference (2024年烏鎮健康大會), showcasing its flagship products and a range of new offerings. While actively implementing the “Belt and Road” initiative, the Group leads time-honored brands venture into the world and integrate into the international arena. By promoting the rich and profound culture of traditional Chinese medicine through the “bring in” and “go global” strategy, the Group further disseminates Chinese health wisdom to the world, thereby benefiting a broader population.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group actively encouraged its overseas retail outlets, which provide Chinese medical consultations and treatments, to participate in “Tong Ren Tang Day (同仁堂日)” by offering charity Chinese medicine clinic services. This initiative, which embodies the Group’s philosophy of “introducing medicine through treatments (以醫帶藥)”, provided free health consultations to local residents, underprivileged groups, and the elderly. Additionally, the Group is fully committed to supporting and participating in public welfare activities in Hong Kong. At the second “Hometown Market Carnival (同鄉社團家鄉市集嘉年華)”, the Group showcased its corporate spirit of “nurturing kindness and virtue, preserving tranquillity and wellness (同修仁德·濟世養生)” to both the community and the public. Through services and products, the Group is dedicated to deeply embedding the Tong Ren Tang brand, products, and Chinese medical consultations and treatments into the community, actively spreading Tong Ren Tang culture and promoting healthy lifestyles among residents in the community.

## **Production and Research and Development**

The Group’s production and R&D base in Tai Po consistently upholds stringent standards and rigorous procedural controls, having successfully secured Hong Kong GMP and ISO 22000 certifications. To further enhance the cost competitiveness of its products, the Group has intensified efforts to revamp and upgrade its production layout. By increasing mechanization and automation, the Group has effectively reduced production costs and boosted productivity, thereby ensuring consistent product availability in the market.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group continues to enrich its offerings in proprietary Chinese medicines. During the Period, the Group completed the production of several new registered proprietary Chinese medicines and health food products, including Guizhi Fuling Wan, Lingzhi Turmeric Compound Blood-supplementing and Nerve-calming Capsules (靈芝薑黃複方活血安神膠囊), Wolfberry Coffee Mix (枸杞咖啡), Red Ginseng Coffee Mix (紅參咖啡) and Sporoderm-broken Ganoderma Lucidum Spores Chocolate (破壁靈芝孢子巧克力). The Group also plans to commence production of Qiyao Pills (芪藥丸) and Jinshui Liujun Jian Granules (金水六君煎顆粒). In April this year, the Group's self-developed product, Danggui Buxue Kali (當歸補血顆粒), received the Certificate of Registration of Proprietary Chinese Medicines (HKC-18604) issued by the Chinese Medicine Council of Hong Kong, further diversifying its product portfolio. In May this year, the Group's invention patent for "A freckle-removing and whitening product along with its preparation method and uses" (Patent Number: ZL 2023 1 1206874.8) was successful authorized by the China National Intellectual Property Administration and has been applied in the Ageing-Defying Collection of the Tong Ren Tang's Chinese anti-aging NMN series. Upholding the highest standards of superior, pure, and genuine traditional medicinal materials, the Group melds intangible cultural heritage with exquisite craftsmanship and meticulous production processes. This commitment reflects Tong Ren Tang's motto: "Never cut corners on labour and quality, no matter how complex the process or how costly the materials (炮製雖繁必不敢省人工·品味雖貴必不敢減物力)". This philosophy not only enhances the health value delivered to consumers but also provides strong momentum for the Group's growth.

While preserving and advancing traditional Chinese medicine services, the Group is also expanding into new health concept areas. During this Period, the Group entered into a Memorandum of Understanding with Deer Industry New Zealand to promote innovative health-functional deer food products, assisting both parties in collaborative development, registration and marketing efforts. The Group will fully leverage its proprietary brands and the benefits of Chinese medicine, combined with the resource advantages provided by New Zealand, the origin of deer velvet. This initiative is set to accelerate the research and development, and industrial chain configuration for New Zealand deer products, propelling the Group further into new health domains.

To further expand its research achievements, the Group will continue to strengthen collaborations with internationally renowned institutions and research organizations, such as the University of Hong Kong, Hong Kong Baptist University, and the University of California. The Group conducted research into the safety and mechanism for key products such as Angong Niu Huang Wan, Ganoderma Lucidum-related products, and Niu Huang Qing Xin Wan. The anticipated research outcomes are expected to provide a reliable scientific basis for future products to enter mainstream overseas markets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Prospect

With ongoing economic and social development, an intensifying aging population trend, and increasing health awareness among residents, the pharmaceutical consumption market is expected to expand continuously. Traditional Chinese medicine, as a crucial sector of the pharmaceutical industry, continues to hold significant potential for growth in the global market.

The Group is committed to continuously strengthening its research and development efforts, enriching product variety, and broadening its proprietary product matrix, which includes the Ganoderma Lucidum series and anti-aging products, among others. The Group is dedicated to increasing its investments in the development and production of key products, which serve as a potential growth engine for the Group and drive the realization of high-quality developmental transformation within the Group. Simultaneously, the Group remains dedicated to business development. By enhancing the new retail layout, accelerating the introduction of new products, continuously advancing the registration of Tong Ren Tang's key products in Vietnam, and innovating business models, the Group aims to reinforce its core competitive advantages. By leveraging the development of new quality productive forces as its engine, the Group strives to achieve sustained growth in its business scale.

## Human Resources

As at 30 June 2024, we had a total of 779 employees (2023: 789 employees). During the Period, the staff cost of the Group was HK\$104.5 million (2023: HK\$107.1 million). In order to attract and retain talents, the Group reviewed its remuneration policy on a regular basis and offered discretionary bonus to qualified employees according to the results and personal performance.

## FINANCIAL REVIEW

### Financial Resources and Liquidity

As at 30 June 2024, the Group continued to be in a strong financial position with cash and bank balances amounting to HK\$1,769.7 million (31 December 2023: HK\$2,378.7 million). The decrease in cash and bank balances is mainly attributable to the increase in purchase of raw materials during the Period. During the Period, the Group funded its liquidity by resources generated internally. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances, the Group has adequate liquidity and financial resources to meet the daily operations and working capital requirements as well as to fund its expansion plans.

As at 30 June 2024, the Group's cash and bank balances were mainly denominated in Hong Kong dollars and Renminbi and were deposited in reputable financial institutions with maturity dates falling within one year.



# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2024, the Group had total non-current assets, net current assets and net assets of HK\$565.3 million, HK\$3,491.5 million and HK\$3,969.6 million, respectively (31 December 2023: HK\$590.1 million, HK\$3,514.4 million and HK\$4,020.7 million respectively). The current ratio of the Group, defined as the ratio of current assets to current liabilities, was 16.8 as at 30 June 2024 (31 December 2023: 11.7), which reflects the abundance of financial resources of the Group. The gearing ratio of the Group, defined as the borrowings and lease liabilities to total equity, was 3.4% as at 30 June 2024 (31 December 2023: 3.3%).

## Capital Expenditure

During the Period, the Group's capital expenditure was HK\$11.2 million (2023: HK\$7.0 million), which was mainly used in renovation of retail outlets and purchase of machinery and equipment for production and operation purposes.

## Foreign Currency Risk

The Group's main business operations are conducted in Hong Kong and other overseas countries/regions. The transactions, monetary assets and liabilities of the Group are mainly denominated in Hong Kong dollar, Renminbi, and United States dollar. During the Period, there was no material impact to the Group arising from the fluctuation in the exchange rates of these currencies.

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

## Major Investment, Acquisitions and Disposals

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

## Charges over Assets of the Group

As at 30 June 2024, the Group did not have any charges over assets of the Group (2023: Nil).

## Contingent Liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities.

## Dividends

The board of Directors (the "Board") does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: Nil).

# CONDENSED CONSOLIDATED INCOME STATEMENT

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2024 together with the comparative unaudited figures for the corresponding period in 2023 as follows:

	Note	Unaudited Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
Revenue	6	664,518	812,807
Cost of sales	7	(212,748)	(305,758)
<b>Gross profit</b>		<b>451,770</b>	<b>507,049</b>
Distribution and selling expenses	7	(129,014)	(103,483)
General and administrative expenses	7	(74,685)	(83,521)
Net reversal of impairment losses on financial assets	7	6,907	7,050
Other gains, net		3,900	2,940
<b>Operating profit</b>		<b>258,878</b>	<b>330,035</b>
Finance income		34,965	28,981
Finance costs		(3,219)	(2,669)
Finance income, net	8	31,746	26,312
Share of losses of investments accounted for using the equity method		(6,982)	(2,379)
<b>Profit before income tax</b>		<b>283,642</b>	<b>353,968</b>
Income tax expense	9	(43,298)	(56,097)
<b>Profit for the period</b>		<b>240,344</b>	<b>297,871</b>
<b>Profit attributable to:</b>			
Owners of the Company		219,782	266,040
Non-controlling interests		20,562	31,831
		<b>240,344</b>	<b>297,871</b>
<b>Earnings per share attributable to owners of the Company for the period (expressed in HK\$ per share)</b>			
Basic and diluted earnings per share	10	0.26	0.32

The notes on pages 15 to 31 are an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
<b>Profit for the period</b>	240,344	297,871
<b>Other comprehensive income/(losses):</b>		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(5,133)	(6,896)
<i>Item that will not be reclassified to profit or loss</i>		
Currency translation differences	(1,389)	146
Change in fair value of financial asset at fair value through other comprehensive income	990	750
<b>Other comprehensive losses for the period</b>	(5,532)	(6,000)
<b>Total comprehensive income for the period</b>	234,812	291,871
<b>Attributable to:</b>		
Owners of the Company	215,639	259,894
Non-controlling interests	19,173	31,977
<b>Total comprehensive income for the period</b>	234,812	291,871

The notes on pages 15 to 31 are an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	209,592	213,816
Right-of-use assets		212,017	211,810
Intangible assets	13	54,701	56,387
Investments accounted for using the equity method		44,260	51,968
Financial asset at fair value through other comprehensive income		8,823	7,833
Deposits paid for purchase of property, plant and equipment and intangible assets		15,773	11,187
Deferred income tax assets, net		20,119	37,122
		<b>565,285</b>	<b>590,123</b>
<b>Current assets</b>			
Inventories	14	1,601,895	1,011,649
Trade receivables and other current assets	15	340,884	453,980
Short-term bank deposits		48,256	1,378,879
Cash and cash equivalents		1,721,491	999,814
		<b>3,712,526</b>	<b>3,844,322</b>
<b>Total assets</b>		<b>4,277,811</b>	<b>4,434,445</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	938,789	938,789
Reserves			
— Other reserves		(47,332)	(43,189)
— Retained earnings		2,914,452	2,970,913
		<b>3,805,909</b>	<b>3,866,513</b>
Non-controlling interests		163,643	154,177
<b>Total equity</b>		<b>3,969,552</b>	<b>4,020,690</b>

# CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		83	166
Lease liabilities		77,892	75,227
Deferred income tax liabilities, net		9,216	8,444
		<b>87,191</b>	<b>83,837</b>
<b>Current liabilities</b>			
Borrowings		166	166
Trade and other payables	17	140,460	245,408
Lease liabilities		55,824	56,254
Current income tax liabilities		24,618	28,090
		<b>221,068</b>	<b>329,918</b>
<b>Total liabilities</b>		<b>308,259</b>	<b>413,755</b>
<b>Total equity and liabilities</b>		<b>4,277,811</b>	<b>4,434,445</b>

The notes on pages 15 to 31 are an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited								
	Attributable to owners of the Company								
	Share capital HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2023</b>	938,789	(13,124)	(9,609)	6,229	(24,562)	2,706,763	3,604,486	134,307	3,738,793
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	266,040	266,040	31,831	297,871
<b>Other comprehensive income</b>									
Change in fair value of financial asset at fair value through other comprehensive income	-	-	750	-	-	-	750	-	750
Currency translation differences									
— Group	-	-	-	-	(5,619)	-	(5,619)	146	(5,473)
— Joint ventures	-	-	-	-	(1,277)	-	(1,277)	-	(1,277)
<b>Total comprehensive income</b>	-	-	750	-	(6,896)	266,040	259,894	31,977	291,871
<b>Transactions with owners in their capacity as owners</b>									
Dividends relating to 2022 (Note 11)	-	-	-	-	-	(276,243)	(276,243)	(15,055)	(291,298)
<b>Total transactions with owners in their capacity as owners</b>	-	-	-	-	-	(276,243)	(276,243)	(15,055)	(291,298)
<b>At 30 June 2023</b>	938,789	(13,124)	(8,859)	6,229	(31,458)	2,696,560	3,588,137	151,229	3,739,366
<b>At 1 January 2024</b>	938,789	(13,124)	(11,394)	6,229	(24,900)	2,970,913	3,866,513	154,177	4,020,690
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	219,782	219,782	20,562	240,344
<b>Other comprehensive losses</b>									
Change in fair value of financial asset at fair value through other comprehensive income	-	-	990	-	-	-	990	-	990
Currency translation differences									
— Group	-	-	-	-	(4,407)	-	(4,407)	(1,389)	(5,796)
— Joint ventures and an associate	-	-	-	-	(726)	-	(726)	-	(726)
<b>Total comprehensive income</b>	-	-	990	-	(5,133)	219,782	215,639	19,173	234,812
<b>Transactions with owners in their capacity as owners</b>									
Dividends relating to 2023 (Note 11)	-	-	-	-	-	(276,243)	(276,243)	(9,800)	(286,043)
Liquidation of subsidiaries	-	-	-	-	-	-	-	93	93
<b>Total transactions with owners in their capacity as owners</b>	-	-	-	-	-	(276,243)	(276,243)	(9,707)	(285,950)
<b>At 30 June 2024</b>	938,789	(13,124)	(10,404)	6,229	(30,033)	2,914,452	3,805,909	163,643	3,969,552

The notes on pages 15 to 31 are an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
<b>Net cash generated from operating activities</b>	(303,857)	514,542
<b>Cash flows from investing activities</b>		
Interest received	31,017	24,289
Decrease/(increase) in short-term bank deposits with original maturities exceeding three months	1,330,623	(368,337)
Purchase of property, plant and equipment and intangible assets	(2,245)	(5,919)
Proceeds from disposal of property, plant and equipment	2	31
Deposit paid for purchase of property, plant and equipment and intangible assets	(8,972)	(1,107)
<b>Net cash generated/(used in) from investing activities</b>	<b>1,350,425</b>	<b>(351,043)</b>
<b>Cash flows from financing activities</b>		
Principal elements of lease payments	(30,881)	(28,894)
Repayment of borrowings	(83)	(136)
Interest paid	(3,219)	(2,669)
Dividends paid to the Company's shareholders	(276,243)	(276,243)
Dividends paid to non-controlling interests	(9,800)	(15,055)
<b>Net cash used in financing activities</b>	<b>(320,226)</b>	<b>(322,997)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>726,342</b>	<b>(159,498)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>999,814</b>	<b>1,990,966</b>
Exchange losses on cash and cash equivalents	(4,665)	(4,660)
<b>Cash and cash equivalents at end of period</b>	<b>1,721,491</b>	<b>1,826,808</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at bank and on hand and deposits with banks with original maturity within three months	1,721,491	1,826,808

The notes on pages 15 to 31 are an integral part of this condensed consolidated interim financial information.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

The Group is engaged in manufacturing, retail and wholesale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments. The immediate holding company of the Company is Tong Ren Tang Technologies Co. Ltd. ("**Tong Ren Tang Technologies**") which is a joint stock limited liability company established in the PRC and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The intermediate holding company of the Company is Beijing Tong Ren Tang Company Limited ("**Tong Ren Tang Ltd.**") which is a joint stock limited company incorporated in the PRC and is listed on the Shanghai Stock Exchange. The ultimate holding company of the Company is China Beijing Tong Ren Tang Group Co., Ltd. ("**Tong Ren Tang Holdings**") which is a company incorporated in the PRC.

The shares of the Company were listed on GEM of the Stock Exchange starting from 7 May 2013 and were transferred to be listed on the Main Board of the Stock Exchange starting from 29 May 2018.

The condensed consolidated interim financial information is presented in Hong Kong dollars ("**HK\$**"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board on 30 August 2024.

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

The financial information relating to the year ended 31 December 2023 that is included in this condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for the year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 to the Companies Registry as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2023.

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

### **Adoption of revised framework and amendments to standards**

The Group has adopted the following revised framework and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2024.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

## 5 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

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

This condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2023.

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

### (b) Liquidity risk

Compared to 31 December 2023, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 REVENUE AND SEGMENT INFORMATION

### (a) Revenue

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Sales of products	642,311	790,029
Service income	21,996	22,731
Royalty fee income	211	47
	664,518	812,807

### (b) Segment information

The chief operating decision maker has been identified as the executive directors and non-executive director of the Company (the “**Executive Directors**” and “**Non-executive Director**”). The Executive Directors and 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 Non-executive Director assess the performance of the operating segments based on revenue and segment results of each segment. The Executive Directors and 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.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

### (b) Segment information *(Continued)*

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 (for the purpose of interim report, regions of China other than Hong Kong, Macao and Taiwan China) — 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 (countries/regions other than (i) and (ii) as mentioned, for the purpose of this interim report, including Macao) — Overseas retail and wholesale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments.

Unallocated items comprise mainly corporate expenses.

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

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (Continued)

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

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2024 (Unaudited)</b>				
Segment revenue	372,148	162,537	214,369	749,054
Inter-segment revenue	(38,341)	(46,195)	–	(84,536)
Revenue from external customers	333,807	116,342	214,369	664,518
Timing of revenue recognition				
At a point in time	333,596	115,695	214,308	663,599
Overtime	211	647	61	919
	333,807	116,342	214,369	664,518
Segment results	128,044	20,431	35,893	184,368
Inter-segment elimination	73,466	(323)	1,367	74,510
Operating profit	201,510	20,108	37,260	258,878
Finance income	33,192	64	1,709	34,965
Finance costs	(1,725)	(99)	(1,395)	(3,219)
Share of losses of investments accounted for using equity method				(6,982)
Profit before income tax				283,642
Income tax expense				(43,298)
Profit for the period				240,344

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (Continued)

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

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2023 (Unaudited)</b>				
Segment revenue	563,473	150,610	267,777	981,860
Inter-segment revenue	(124,145)	(42,743)	(2,165)	(169,053)
Revenue from external customers	439,328	107,867	265,612	812,807
Timing of revenue recognition				
At a point in time	439,282	107,085	265,064	811,431
Overtime	46	782	548	1,376
	439,328	107,867	265,612	812,807
Segment results	299,195	(6,001)	53,850	347,044
Inter-segment elimination	(15,844)	(303)	(862)	(17,009)
Operating profit	283,351	(6,304)	52,988	330,035
Finance income	27,605	144	1,232	28,981
Finance costs	(1,221)	(50)	(1,398)	(2,669)
Share of losses of investments accounted for using equity method				(2,379)
Profit before income tax				353,968
Income tax expense				(56,097)
Profit for the period				297,871

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (Continued)

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

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
<b>At 30 June 2024 (Unaudited)</b>				
<b>Segment assets and liabilities</b>				
Total assets	3,300,901	458,253	518,657	4,277,811
Investments accounted for using equity method	7,764	30,463	6,033	44,260
Total liabilities	(131,448)	(72,868)	(103,943)	(308,259)
<b>At 31 December 2023 (Audited)</b>				
<b>Segment assets and liabilities</b>				
Total assets	3,472,865	469,463	492,117	4,434,445
Investments accounted for using equity method	8,482	36,839	6,647	51,968
Total liabilities	(241,363)	(68,399)	(103,993)	(413,755)

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Cost of inventories sold	169,295	267,406
Employee benefit expenses (including directors' emoluments)	104,467	107,131
COVID-19-related rent concessions	–	(11)
Expenses relating to short-term leases	4,037	4,970
Variable lease payments not included in the measurement of lease liabilities (Note)	703	1,832
Depreciation of right-of-use assets	32,569	31,155
Amortisation of intangible assets (Note 13)	1,686	1,678
Depreciation of property, plant and equipment (Note 12)	8,655	7,367
Loss on disposal of property, plant and equipment	–	4
Write-off of inventories	–	97
Reversal of loss allowance on trade receivables	(6,907)	(7,050)
Promotion and advertising expenses	40,371	16,028

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



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 8 FINANCE INCOME, NET

	Unaudited Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Finance income		
Bank deposits	34,965	28,981
Finance costs		
Bank borrowings	(4)	(1)
Lease liabilities	(3,215)	(2,668)
	(3,219)	(2,669)
Finance income, net	31,746	26,312

## 9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits for the period. PRC corporate income tax has been provided at the rate of 25% (2023: 25%) on the estimated assessable profits for the period of the subsidiaries operating in Mainland China. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the entities operate.

	Unaudited Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Current income tax		
Hong Kong	20,660	50,233
Mainland China	(64)	1,885
Overseas	5,088	7,081
	25,684	59,199
Deferred income tax	17,614	(3,102)
Income tax expense	43,298	56,097

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 10 EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June	
	2024	2023
Profit attributable to owners of the Company (HK\$'000)	219,782	266,040
Weighted average number of ordinary shares in issue (thousand shares)	837,100	837,100
Earnings per share (HK\$)	0.26	0.32

There were no potential dilutive shares for the six months ended 30 June 2024 (2023: Nil).

## 11 DIVIDENDS

A dividend of HK\$276,243,000 in respect of the year ended 31 December 2023 was paid in June 2024 (2023: HK\$276,243,000).

During the six months ended 30 June 2024, the Board did not recommend the payment of any interim dividend (2023: Nil).

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12 PROPERTY, PLANT AND EQUIPMENT

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

	HK\$'000
At 1 January 2024 (audited)	213,816
Additions	6,748
Disposals	(2)
Depreciation charge	(8,655)
Currency translation differences	(2,315)
At 30 June 2024 (unaudited)	209,592

As at 30 June 2024, no bank borrowing is secured by a freehold land and building (31 December 2023: Nil).

## 13 INTANGIBLE ASSETS

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

	Goodwill HK\$'000	Computer software HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
At 1 January 2024 (audited)	49,419	5,451	1,517	56,387
Amortisation	–	(1,036)	(650)	(1,686)
At 30 June 2024 (unaudited)	49,419	4,415	867	54,701

## 14 INVENTORIES

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Raw materials	1,300,283	776,294
Work in progress	107,992	56,576
Finished goods and trading materials	193,620	178,779
	1,601,895	1,011,649

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Trade receivables		
— immediate holding company	28,839	50,460
— fellow subsidiaries	195,308	156,682
— joint ventures	2,649	2,029
— associate	6,552	6,552
— third parties	86,197	220,679
Trade receivables, gross	319,545	436,402
Less: loss allowance	(34,006)	(41,158)
Trade receivables, net	285,539	395,244
Bank acceptance notes	3,044	—
Prepayments	11,517	11,623
Other receivables	16,423	26,774
Deposits	23,391	19,369
Amount due from a joint venture	970	970
	<b>340,884</b>	<b>453,980</b>

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

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Up to 90 days	124,742	188,302
91–180 days	1,625	326
181–365 days	3,974	3,092
Over 365 days	189,204	244,682
	<b>319,545</b>	<b>436,402</b>

The age of the bank acceptance notes is within 180 days.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares issued and fully paid:		
At 1 January 2024 (audited) and 30 June 2024 (unaudited)	837,100,000	938,789

## 17 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Trade payables		
— intermediate holding company	19,731	20,286
— immediate holding company	18,825	15,426
— fellow subsidiaries	474	258
— associate	1,096	1,104
— third parties	37,995	139,903
Trade payables	78,121	176,977
Accruals and other payables	58,720	65,220
Contract liabilities	3,619	3,211
	140,460	245,408

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

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Up to 90 days	61,755	157,052
91–180 days	256	2,493
181–365 days	3,490	6,666
Over 365 days	12,620	10,766
	78,121	176,977

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 COMMITMENTS

### (a) Capital commitments

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Contracted but not provided for — property, plant and equipment and intangible assets	16,908	15,961

### (b) Lease commitments

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

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
No later than 1 year	1,648	4,944

As at 30 June 2024, undiscounted future lease payments amounted to HK\$11,987,000 (31 December 2023: HK\$7,400,000) were committed by the Group but the relevant lease periods had not commenced. These lease commitments were recognised as right-of-use assets upon the lease commencement date after 30 June 2024 (2023: 31 December 2023).

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 19 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

		Unaudited Six months ended 30 June	
		2024	2023
Note		HK\$'000	HK\$'000
<b>(a)</b>	Sales of products to:		
	— Immediate holding company	—	248
	— Intermediate holding company	—	662
	— Fellow subsidiaries	7,977	1,792
	— Joint ventures	685	1,114
		<b>8,662</b>	<b>3,816</b>
<b>(b)</b>	Purchase of products from:		
	— Immediate holding company	30,494	19,257
	— Intermediate holding company	51,924	30,832
	— Fellow subsidiaries	352	2,027
		<b>82,770</b>	<b>52,116</b>
<b>(c)</b>	Royalty fee income from joint ventures	214	47
<b>(d)</b>	Lease payments to:		
	— Immediate holding company	504	504
	— Fellow subsidiaries	2,294	2,252
		<b>2,798</b>	<b>2,756</b>
<b>(e)</b>	Advertising agency services expense to a fellow subsidiary	545	830

At 30 June 2024, the Group recognised lease liabilities payable to immediate holding company of HK\$1,317,000 (31 December 2023: HK\$2,776,000) and fellow subsidiaries of HK\$7,966,000 (31 December 2023: HK\$11,804,000) over the relevant property leases.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

### (f) Key management compensation

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

	Unaudited	
	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Salaries and other short-term employee benefits	3,835	3,007
Pension costs — defined contribution plans	325	340
	4,160	3,347

Notes:

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



## OTHER INFORMATION

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

As at 30 June 2024, the interest and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the laws of Hong Kong)) of the directors of the Company (the "Director(s)") and chief executives of the Company which would have to be notified to the Company pursuant to Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### Long position in shares of the Company

Name of Director	Types of interests	Capacity	Number of shares	Approximate percentage of issued share capital
Chen Fei	Personal	Beneficial owner	43,000	0.005%

Save as disclosed above, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix C3 to the Listing Rules.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, the interest of the persons, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

#### Long position in shares of the Company

Name of shareholder	Capacity	Number of shares	Approximate percentage of issued share capital
Tong Ren Tang Technologies	Beneficial owner	318,540,000	38.05%
Tong Ren Tang Ltd. <sup>(1)</sup>	Beneficial owner	281,460,000	33.62%
	Interest of a controlled corporation	318,540,000	38.05%
Tong Ren Tang Holdings <sup>(2)</sup>	Interest of a controlled corporation	600,000,000	71.67%

Notes:

- (1) Tong Ren Tang Ltd. directly holds approximately 46.85% of the issued share capital of Tong Ren Tang Technologies. Accordingly, Tong Ren Tang Ltd. is deemed to be interested in 318,540,000 shares of the Company held by Tong Ren Tang Technologies.
- (2) Tong Ren Tang Holdings directly holds approximately 52.45% of the issued share capital of Tong Ren Tang Ltd. which in turn directly holds approximately 46.85% of the issued share capital of Tong Ren Tang Technologies. Tong Ren Tang Holdings also directly holds approximately 1.34% domestic shares and H shares in total of Tong Ren Tang Technologies. Accordingly, Tong Ren Tang Holdings is deemed to be interested in 318,540,000 shares of the Company and 281,460,000 shares of the Company held by Tong Ren Tang Technologies and Tong Ren Tang Ltd., respectively.

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## OTHER INFORMATION

### RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the section “Directors’ and chief executives’ interests in shares” above, at no time during the six months ended 30 June 2024 was the Company, any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### INTERESTS IN COMPETING BUSINESSES

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

- (i) engage in the research, development, manufacture and sales of any products containing ganoderma lucidum or ganoderma lucidum spores as raw materials in markets outside of the Mainland China (the “**Non-Mainland China Markets**”);
- (ii) engage in the research, development, manufacture and sale of any products with “Tong Ren Tang” brands in the Non-Mainland China 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-Mainland China Markets similar to the excluded business in Japan;

## OTHER INFORMATION

- (iii) carry out any sales or registration (new or renewal) for Angong Niu Huang Wan in the Non-Mainland China Markets;
- (iv) engage in the distribution of any Chinese medicine products in the Non-Mainland China 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 favorable than the terms it wishes to sell to other parties.

In this connection, the Group adopted the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing business and to safeguard the interests of the shareholders of the Company:

- (i) the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by the Controlling Shareholders; and
- (ii) the Company will disclose the review by the independent non-executive Directors with basis on the compliance with and enforcement of the terms of the Deed of Non-competition in its annual report.

## OTHER INFORMATION

In monitoring the competing business of the Parent Group (refer to Tong Ren Tang Holdings, Tong Ren Tang Ltd., Tong Ren Tang Technologies and their respective subsidiaries, other than the Group and their respective predecessors), an executive committee (the “**Competition Executive Committee**”) comprising two disinterested Directors, namely Mr. Wang Chi and Mr. Chen Fei, has been established with the following major responsibilities:

- (a) conduct quarterly inspection of the distribution channels of the Parent Group, including retail stores and wholesale customers, to check whether any products containing ganoderma lucidum or ganoderma lucidum spores as raw materials (other than ganoderma lucidum spores powder capsule manufactured by the Group) is sold in the Non-Mainland China Markets; and
- (b) conduct quarterly communications with representatives of the Parent Group to confirm whether their research and development portfolio has any products which contain ganoderma lucidum or ganoderma lucidum spores as raw materials.

A supervisory committee, comprising three independent non-executive Directors, namely, Mr. Tsang Yok Sing, Jasper (Chairman), Mr. Xu Hong Xi and Mr. Chan Ngai Chi, has been established with the following major responsibilities:

- (a) meet quarterly and review the quarterly inspection record and daily communication records by the Competition Executive Committee (if applicable); and
- (b) report findings during its review of the records provided by the Competition Executive Committee to the Board which will be published in the Company’s annual report.

## OTHER INFORMATION

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

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

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

The Company has adopted the Model Code contained in Appendix C3 to the Listing Rules. Having made specific enquires to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Period.

### CORPORATE GOVERNANCE CODE

The Company has complied with the provisions set out in Appendix C1 of the Corporate Governance Code to the Listing Rules during the Period.

### CHANGE IN INFORMATION OF DIRECTORS

Save as disclosed in the 2023 annual report of the Company, the change in the information of the Directors of the Company since the date of the 2023 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

<b>Name of Director</b>	<b>Detail of change</b>
<i>Executive Directors</i>	
Mr. Chen Fei	Served as the acting chief executive officer of the Company from 28 March 2024 to 10 May 2024.
Mr. Wang Chi	Appointed as an executive Director and the chief executive officer of the Company with effect from 10 May 2024.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## OTHER INFORMATION

### RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

### AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information and the interim report of the Group for the six months ended 30 June 2024. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

By order of the Board  
**Beijing Tong Ren Tang**  
**Chinese Medicine Company Limited**  
**Gu Hai Ou**  
Chairman

Hong Kong, 30 August 2024