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 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2019	2018	Change
	HK$'000	HK$'000	
Revenue	**1,432,632**	1,513,873	- 5.4%
Gross profit	**1,012,796**	1,078,421	- 6.1%
Profit for the year	**576,852**	601,323	- 4.1%
Profit attributable to owners of the Company	**556,118**	580,720	- 4.2%
Basic and diluted earnings per share	**HK$0.66**	HK$0.69	- HK$0.03

	As at 31 December		
	2019	2018	Change
	HK$'000	HK$'000	
Cash and bank balances	**1,968,366**	2,265,440	- 13.1%
Total assets	**3,138,321**	3,171,085	- 1.0%
Total equity	**2,765,636**	3,024,227	- 8.6%

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 2019 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2019	2018
	Note	**HK$'000**	HK$'000
Revenue	3	**1,432,632**	1,513,873
Cost of sales	4	**(419,836)**	(435,452)
Gross profit		**1,012,796**	1,078,421
Distribution and selling expenses	4	**(199,097)**	(233,154)
General and administrative expenses	4	**(164,824)**	(148,326)
Other net gains		**3,111**	1,073
Operating profit		**651,986**	698,014
Finance income		**43,415**	23,392
Finance costs		**(4,207)**	(19)
Finance income, net		**39,208**	23,373
Share of losses of investments accounted for using the equity method		**(1,972)**	(489)
Profit before income tax		**689,222**	720,898
Income tax expense	5	**(112,370)**	(119,575)
Profit for the year		**576,852**	601,323
Profit attributable to:			
Owners of the Company		**556,118**	580,720
Non-controlling interests		**20,734**	20,603
		576,852	601,323
Earnings per share attributable to owners of the Company for the year (expressed in HK$ per share)			
Basic and diluted earnings per share	6	**0.66**	0.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Profit for the year	**576,852**	601,323
Other comprehensive losses:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(1,469)**	(14,386)
Release of exchange reserve upon liquidation of a joint venture	**(961)**	1,703
Item that will not be reclassified to profit or loss		
Change in fair value of financial asset at fair value through other comprehensive income	**(4,485)**	150
Other comprehensive losses for the year	**(6,915)**	(12,533)
Total comprehensive income for the year	**569,937**	588,790
Attributable to:		
Owners of the Company	**549,119**	571,784
Non-controlling interests	**20,818**	17,006
Total comprehensive income for the year	**569,937**	588,790

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Leasehold land		**-**	15,465
Property, plant and equipment		**194,869**	286,303
Right-of-use assets		**195,057**	-
Intangible assets		**60,669**	72,487
Investments accounted for using the equity method		**18,544**	20,181
Financial asset at fair value through other comprehensive income		**10,983**	15,468
Deposits paid for purchase of property, plant and equipment		**5,447**	2,866
Deferred income tax assets, net		**8,937**	11,851
		494,506	424,621
Current assets			
Inventories		**318,187**	244,535
Trade receivables and other current assets	8	**357,262**	236,489
Short-term bank deposits		**911,655**	1,715,609
Cash and cash equivalents		**1,056,711**	549,831
		2,643,815	2,746,464
Total assets		**3,138,321**	3,171,085
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**938,789**	938,789
Reserves			
- Other reserves		**(26,982)**	(19,983)
- Retained earnings		**1,747,694**	1,986,821
		2,659,501	2,905,627
Non-controlling interests		**106,135**	118,600
Total equity		**2,765,636**	3,024,227

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	2019 HK$'000	2018 HK$'000
		As at 31 December	
Liabilities			
Non-current liabilities			
Borrowings		**833**	1,053
Lease liabilities		**59,395**	-
Deferred income tax liabilities, net		**5,376**	4,874
		65,604	5,927
Current liabilities			
Borrowings		**220**	166
Trade and other payables	9	**142,832**	119,011
Lease liabilities		**39,427**	-
Current income tax liabilities		**124,602**	21,754
		307,081	140,931
Total liabilities		**372,685**	146,858
Total equity and liabilities		**3,138,321**	3,171,085

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 for the purpose of this announcement, excluding Hong Kong, Macao and Taiwan) 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 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 2019 and 2018 included in this preliminary announcement of annual results 2019 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 2018 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 2019 in due course.

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

2 Basis of preparation (Continued)

(a) Adoption of new standards, interpretation and amendments to standards

The Group has adopted the following new standards, interpretation and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2019:

HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16 "Lease". The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2(c). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly effect the current or future periods.

Except for the impact for HKFRS 16 which have been disclosed in note 2(c), the adoption of the above new standard, interpretation and amendments to standards did not have any significant financial impact on these consolidated financial statements.

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

The following are new standards, revised framework and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2020 or later periods, but have not been early adopted by the Group.

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting [1]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material [1]
HKFRS 3 (Amendments)	Definition of Business [1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
HKFRS 17	Insurance Contracts [2]

[1] Effective for the accounting period beginning on 1 January 2020
[2] Effective for the accounting period beginning on 1 January 2021
[3] Effective date to be determined

The Group will apply the above new standard, revised framework and amendments to standards when they become effective. No new standard, revised framework and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

2 Basis of preparation (Continued)

(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Lease on the Group's consolidated financial statements.

The Group elects to adopt HKFRS 16 without restating comparatives. The reclassification and the adjustments arising from the adoption of HKFRS 16 are therefore not reflected in the consolidated balance sheet as at 31 December 2018, but are recognised in the opening of the consolidated balance sheet on 1 January 2019.

The Group is a lessee of various properties. Upon the adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases except for short-term and low value leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged between 4% to 6%. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

The reconciliation of operating lease commitments to lease liabilities is set out below:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	113,543
Discounted using the lessee's incremental borrowing rate of at the date of initial application	105,825
(Less) : short-term leases recognised on a straight-line basis as expense	(18,078)
(Less) : contracts reassessed as service agreements	(663)
Add : adjustments as a result of a different treatment of extension and termination options	33,997
Lease liabilities recognised as at 1 January 2019	121,081
Of which are:	
Current lease liabilities	40,124
Non-current lease liabilities	80,957
	121,081

2 Basis of preparation (Continued)

(c) Changes in accounting policies (Continued)

The Group has applied HKFRS 16 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies.

The adoption of HKFRS 16 Lease from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. There is no impact on the Group's retained earnings as at 1 January 2019 and no restatement is made.

The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required a significant adjustment to the right-of-use assets at the date of initial application.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

The adoption of HKFRS 16 affected the following items in the consolidated balance sheet at 1 January 2019:

	Increase/(decrease) by HK$'000
Non-current assets	
Right-of-use assets	
- Leasehold land	100,807
- Buildings	122,017
Leasehold land	(15,465)
Property, plant and equipment	(85,342)
Current assets	
Trade receivables and other current assets	(1,646)
Non-current liabilities	
Lease liabilities	80,957
Current liabilities	
Lease liabilities	40,124
Trade and other payables	(710)
Deferred income tax assets (Note)	23,819
Deferred income tax liabilities (Note)	23,819

Note: Pursuant to set-off provision, deferred income tax assets of HK$23,819,000 was set-off against the deferred income tax liability as at 1 January 2019.

2 Basis of preparation (Continued)

(c) Changes in accounting policies (Continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contract as at 1 January 2019;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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 consider the Group's business and aggregate the operating segment from a geographic perspective and have determined that the Group has three reportable operating segments.

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) PRC - wholesale of healthcare products in the PRC and the sole distribution of Tong Ren Tang branded products of Tong Ren Tang Technologies and Tong Ren Tang Ltd. to customers outside the PRC.

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

3 Segment information (Continued)

Unallocated items comprise mainly corporate expenses.

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

The Executive Directors and the Non-executive Director assess the performance of the operating segments based on revenue and segment results of each segment. Management has determined the operating segments based on the location of the entities and the information reviewed by the Group's chief operating decision maker for the purposes of allocating resources and assessing performance.

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

	Hong Kong HK$'000	PRC HK$'000	Overseas HK$'000	Total HK$'000
Year ended 31 December 2019				
Segment revenue	**1,076,111**	**474,322**	**338,805**	**1,889,238**
Inter-segment revenue	**(285,946)**	**(170,660)**	**-**	**(456,606)**
Revenue from external customers	**790,165**	**303,662**	**338,805**	**1,432,632**
Timing of revenue recognition				
At a point in time	**787,772**	**295,947**	**292,702**	**1,376,421**
Overtime	**2,393**	**7,715**	**46,103**	**56,211**
	790,165	**303,662**	**338,805**	**1,432,632**
Contribution to segment results	**658,603**	**6,128**	**67,793**	**732,524**
Depreciation of property, plant and equipment	**(8,227)**	**(736)**	**(7,170)**	**(16,133)**
Depreciation of right-of-use assets	**(28,729)**	**(1,575)**	**(21,009)**	**(51,313)**
Amortisation of intangible assets	**(1,300)**	**-**	**(10,497)**	**(11,797)**
Losses on disposals of property, plant and equipment	**(2)**	**(2)**	**(2,063)**	**(2,067)**
Loss allowance on trade receivables	**-**	**(3,390)**	**(10)**	**(3,400)**
Impairment loss on inventories	**-**	**-**	**(7,180)**	**(7,180)**
Write-off of inventories	**(197)**	**-**	**(110)**	**(307)**
Segment results	**620,148**	**425**	**19,754**	**640,327**
Inter-segment elimination				**11,659**
Operating profit				**651,986**
Finance income	**42,498**	**165**	**752**	**43,415**
Finance cost	**(1,081)**	**(46)**	**(3,080)**	**(4,207)**
Share of losses of investments accounted for using the equity method				**(1,972)**
Profit before income tax				**689,222**
Income tax expense	**(101,531)**	**(4,483)**	**(6,356)**	**(112,370)**
Profit for the year				**576,852**
Year ended 31 December 2018				
Segment revenue	1,150,830	510,885	333,610	1,995,325
Inter-segment revenue	(343,485)	(137,283)	(684)	(481,452)
Revenue from external customers	807,345	373,602	332,926	1,513,873
Timing of revenue recognition				
At a point in time	802,680	365,045	285,619	1,453,344
Overtime	4,665	8,557	47,307	60,529
	807,345	373,602	332,926	1,513,873
Contribution to segment results	707,657	7,636	28,360	743,653
Depreciation of property, plant and equipment	(14,825)	(722)	(8,741)	(24,288)
Amortisation of intangible assets	(1,300)	-	(5,258)	(6,558)
Impairment loss on inventories	-	-	(1,423)	(1,423)
Write-off of inventories	(354)	-	(257)	(611)
Segment results	691,178	6,914	12,681	710,773
Inter-segment elimination				(12,759)
Operating profit				698,014
Finance income	22,668	153	571	23,392
Finance cost	-	-	(19)	(19)
Share of losses of investments accounted for using the equity method				(489)
Profit before income tax				720,898
Income tax expense	(114,706)	304	(5,173)	(119,575)
Profit for the year				601,323

3 Segment information (Continued)

(b) Analysis of consolidated balance sheets

	Hong Kong HK$'000	PRC HK$'000	Overseas HK$'000	Total HK$'000
At 31 December 2019				
Segment assets and liabilities				
Total assets	**2,458,660**	**323,307**	**356,354**	**3,138,321**
Investments accounted for using the equity method	**10,376**	**-**	**8,168**	**18,544**
Additions to non-current assets (1)	**29,940**	**482**	**8,289**	**38,711**
Total liabilities	**(225,634)**	**(36,376)**	**(110,675)**	**(372,685)**
At 31 December 2018				
Segment assets and liabilities				
Total assets	2,662,367	225,606	283,112	3,171,085
Investments accounted for using the equity method	12,708	-	7,473	20,181
Additions to non-current assets (1)	11,086	857	41,285	53,228
Total liabilities	(82,769)	(27,289)	(36,800)	(146,858)

(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:

	2019	2018
	HK$'000	HK$'000
Sales of products	**1,376,421**	1,453,344
Service income	**55,963**	60,078
Royalty fee income	**248**	451
	1,432,632	1,513,873

(d) Information about major customers

For the year ended 31 December 2019, revenue from three (2018: three) 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 PRC segment. The revenues from these customers are summarised below:

	2019	2018
	HK$'000	HK$'000
Revenue from:		
- Customer A	**323,589**	258,672
- Entities under the control of the ultimate holding company [1]	**204,024**	214,187
- Customer B	**140,204**	160,531
	667,817	633,390

[1] It represents a group of entities under common control considered as a single customer.

There are no customers of other segments individually accounted for ten percent or more of the Group's total revenue for the year ended 31 December 2019 (2018: 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:

		2019	2018
		HK$'000	HK$'000
(i)	Revenue [1]		
	Hong Kong	**790,165**	807,345
	PRC	**303,662**	373,602
	Macao	**168,121**	157,415
	Australia	**52,311**	56,226
	Canada	**37,042**	39,172
	Singapore	**23,773**	24,488
	New Zealand	**20,029**	19,798
	United States	**20,599**	14,767
	Other countries	**16,930**	21,060
		1,432,632	1,513,873
(ii)	Non-current assets [2]		
	Hong Kong	**267,804**	245,136
	PRC	**1,991**	1,656
	Macao	**68,232**	46,437
	Australia	**51,217**	35,038
	Canada	**17,558**	6,676
	New Zealand	**14,455**	3,975
	United States	**10,074**	20,092
	Europe	**15,617**	16,703
	Other countries	**9,094**	1,408
		456,042	377,121

(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 liability related to contract with customers:

	As at 31 December	
	2019	**2018**
	HK$'000	HK$'000
Contract liabilities - Service income	**2,159**	4,935

The Group has not recognised any contract assets related to contract with customers as at 31 December 2019 and 31 December 2018.

There is no significant changes in contract assets and liabilities during the year ended 31 December 2019.

(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	
	2019	**2018**
	HK$'000	HK$'000
Revenue recognised in relation to contract liabilities at 1 January	**2,812**	4,430

4 Expenses by nature

	2019 **HK$'000**	2018 HK$'000
Cost of inventories sold	**341,585**	363,372
Employee benefit expenses	**215,323**	201,448
Operating leases payments	**-**	86,713
Expenses relating to short-term leases	**27,259**	-
Variable lease payments not included in the measurement of lease liabilities (1)	**986**	-
Amortisation of prepaid operating lease payments	**-**	543
Amortisation of intangible assets	**11,797**	6,558
Depreciation of right-of-use assets	**51,313**	-
Depreciation of property, plant and equipment	**16,133**	23,745
Losses on disposals of property, plant and equipment	**2,067**	774
Impairment loss on inventories	**7,180**	1,423
Write-off of inventories	**307**	611
Loss allowance on trade receivables	**3,400**	-
Auditors' remuneration		
- Audit services	**6,596**	4,413
- Non-audit services	**455**	295
Research and development	**13,512**	18,546
Net exchange gain	**(240)**	(1,727)
Promotion and advertising expenses	**12,351**	29,546
Legal and professional expenses	**5,454**	5,352

(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.

5 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. PRC corporate income tax has been provided at the rate of 25% (2018: 25%) on the estimated assessable profits for the year of the subsidiaries operating in the PRC. 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.

	2019 **HK$'000**	2018 HK$'000
Current income tax		
- Current year	**109,631**	122,326
- Over provision in prior years	**(668)**	(485)
	108,963	121,841
Deferred income tax	**3,407**	(2,266)
Income tax expense	**112,370**	119,575

6 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.

	2019	2018
	HK$'000	HK$'000
Profit attributable to owners of the Company	**556,118**	580,720
Weighted average number of ordinary shares in issue (thousands)	**837,100**	837,100
Earnings per share (HK$)	**0.66**	0.69

For the years ended 31 December 2019 and 2018, diluted earnings per share is the same as basic earnings per share as there were no potential dilutive shares.

7 Dividends

The dividends paid in 2019 and 2018 were HK$795,245,000 (HK$0.95 per share) and HK$159,049,000 (HK$0.19 per share) respectively. Dividend in respect of the year ended 31 December 2019 of HK$0.23 per share, amounting to a total dividend of HK$192,533,000, is to be proposed at the annual general meeting on 29 May 2020. These financial statements do not reflect this dividend payable.

	2019	2018
	HK$'000	HK$'000
Special interim dividend paid of HK$0.72 (2018: HK$Nil) per ordinary share	**602,712**	-
Proposed final dividend of HK$0.23 (2018: HK$0.23) per ordinary share	**192,533**	192,533
	795,245	192,533

8 Trade receivables and other current assets

	2019	2018
	HK$'000	HK$'000
Trade receivables		
- fellow subsidiaries	**155,912**	74,576
- joint ventures	**1,993**	9,465
- associate	**3,439**	911
- third parties	**155,050**	91,973
- loss allowance	**(3,351)**	-
Trade receivables, net	**313,043**	176,925
Prepayments and other receivables	**24,112**	36,227
Deposits	**18,993**	22,223
Amount due from a joint venture (Note b)	**1,114**	1,114
	357,262	236,489

Notes:

(a) The fair values of trade receivables and other currents assets approximate their carrying amounts.

(b) The amount is repayable on demand, unsecured in nature and bears no interest.

Retail sales at the Group's stores are usually made in cash or by debit or credit cards. For wholesales to distributors (including fellow subsidiaries, joint ventures and an associate), the Group normally grants credit periods ranging from 30 to 90 days.

At 31 December 2019 and 2018, the aging analysis of trade receivables based on invoice date (including amounts due from related parties of trading in nature) is as follows:

	2019	2018
	HK$'000	HK$'000
0 – 90 days	**220,595**	138,079
91 – 180 days	**31,397**	29,121
181 – 365 days	**50,616**	8
Over 365 days	**13,786**	9,717
	316,394	176,925

9 Trade and other payables

	2019	2018
	HK$'000	HK$'000
Trade payables		
- intermediate holding company	**26,287**	13,727
- immediate holding company	**7,554**	6,792
- third parties	**32,068**	31,196
Trade payables	**65,909**	51,715
Accruals and other payables	**74,764**	62,361
Contract liabilities	**2,159**	4,935
	142,832	119,011

At 31 December 2019 and 2018, 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:

	2019	2018
	HK$'000	HK$'000
0 – 90 days	**59,702**	43,439
91 – 180 days	**1,050**	237
181 – 365 days	**308**	7,485
Over 365 days	**4,849**	554
	65,909	51,715

10 Commitments

(a) Capital commitments

	2019	2018
	HK$'000	HK$'000
Contracted but not provided for		
- property, plant and equipment	**3,811**	2,627

10 Commitments (Continued)

(b) Lease commitments

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases as set out below:

	2019 **HK$'000**	2018 HK$'000
No later than 1 year	**3,403**	58,222
Later than 1 year and no later than 5 years	**-**	50,331
Later than 5 years	**-**	4,990
	3,403	113,543

As at 31 December 2019, undiscounted future lease payments amounted to HK$13,021,000 are committed by the Group but the relevant lease periods have not commenced. These lease commitments will be recognised as right-of-use assets upon the lease commencement date in 2020.

11 Events after the reporting period

After the outbreak of the coronavirus disease (COVID-19) in early 2020, a series of precautionary and control measures have been and continued to be implemented in the PRC, Hong Kong and Macao. The Group expects the business in the PRC, Hong Kong and Macao to be greatly impacted and this may potentially affect the Group's financial performance in the first half of 2020. Management has taken relevant actions to minimise the unfavourable impact to the Group. The Group will pay close attention to the development of the epidemic and evaluate its impact on the financial position and operating results.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

Founded in 1669, Tong Ren Tang celebrates its 350th anniversary this Year. With such a long history, it has developed as a well-established and time-honored brand in China and among the global Chinese community. Leveraged on the reform and opening of the PRC as well as the "Belt and Road" initiative in the new era, Tong Ren Tang reached out to the world and spread the wisdom of traditional Chinese medicine ("TCM") overseas, and became an important vehicle and cultural symbol of TCM. As an overseas development platform of the Tong Ren Tang Group, the Group has established 71 retail outlets in 20 countries and regions in total. We anchored in Hong Kong while marching to the world, thus establishing an international network.

In 2019, due to the fast-changing situation at home and abroad, global economic development has slowed down and trade protectionism has emerged, and the China-US trade tension has also cast a shadow on the global economy. The Chinese economy displayed a downward trend as a whole amid the new norm and investment growth has slowed down. Consumption was under pressure and was exposed to the risk of stagflation. Since June 2019, a large-scale social event broke out in Hong Kong, which has seriously affected inbound tourism in Hong Kong and the public willingness of spending, and has brought a heavy blow to a number of sectors, such as retail, tourism and catering, with an extensive impact.

In face of the complicated situation and economic environment, the Group adhered to the interests of shareholders as well as a stable progressive business strategy, strengthened risk management and brand protection, stringently controlled product quality, optimized business layout, laid a solid foundation, and overcame adversities to on the Company brought by various factors. During the Year, the revenue of the Group was HK$1,432.6 million (2018: HK$1,513.9 million), representing a year-on-year decrease of 5.4%; net profit was HK$576.9 million (2018: HK$601.3 million), representing a year-on-year decrease of 4.1%. Our profit attributable to owners was HK$556.1 million (2018: HK$580.7 million), representing a year-on-year decrease of 4.2%. Earnings per share was HK$0.66 (2018: HK$0.69), representing a year-on year decrease of HK$0.03. The Board recommended the payment of a final dividend of HK$0.23 per share (2018: HK$0.23).

Hong Kong Market

Adhering to the development strategy of "Anchor in Hong Kong and Asia and march to overseas", the Group has served Hong Kong for more than 15 years and the Hong Kong market has also become our top priority. In the first half of 2019, the revenue generated from the Hong Kong market increased by 21.5% year-on-year. Since mid-June this Year, affected by the large-scale social event in Hong Kong, and under the environment in which sectors such as tourism, retail and catering were greatly impacted, the Group has also been affected. The retail business experienced a sharp decline and the wholesale business was also impacted, resulting in a significant decrease in operating income in the second half of the Year. In addition, due to the expiry of property lease, the number of retail outlets in Hong Kong decreased from 27 of last year to 23 to further optimize the retail market in Hong Kong. The revenue from the Hong Kong market for the Year was HK$790.2 million (2018: HK$807.3 million), representing a year-on-year decrease of 2.1% with a same-store revenue decreased of 14.6%.

Non-Hong Kong Markets

With the cornerstone of the Group in Hong Kong, the Group actively explored the overseas market and spread the brand of Tong Ren Tang and TCM culture. Amid the general downfall of the global economy as well as the fast-changing and complicated international relations, the Group continued its study on macroeconomics and the regional market. It constantly optimized and reformed its global business layout with ongoing development. During the Year, the business network of the Group covered major countries and regions of Southeast Asia, Oceania, North America and Europe, coupled with 48 retail outlets, representing a net decrease of 6 from the previous year. Adhering to the quality improvement requirement raised by China Beijing Tong Ren Tang Group Co., Ltd. ("Tong Ren Tang Holdings"), the Group conducted a comprehensive review of overseas companies. Two retail outlets in Poland were merged and the market in South Africa and retail outlets in US and Canada were also comprehensively rectified to underpin the basis and improve the quality of operations. In the same year, we also added a retail outlet in each of Macao and Sydney to further increase our market share in these markets. During the Year, the Group's revenue from overseas markets was HK$338.8 million (2018: HK$332.9 million), representing a year-on-year increase of 1.8% with a same store revenue decreased of 6.1%.

For market in Mainland China, in view of the negative impact of the "Honey Incident" on the brand image of Tong Ren Tang, the Parent Group (represents Tong Ren Tang Holdings, its subsidiaries, its jointly controlled entities and its associates (other than the Group)) focused on improving the internal management during the Year. It commenced an introspective examination and rectification of risks of quality management, thus slowing down the procurement of the Owned Products from the Group. Since the adjustment of the industrial layout of the Parent Group and the relocation of new production base which resulted in short-term transition issues between the old and new production base, the supply of Tong Ren Tang products for export has experienced a temporary shortage. Given the difficulties we experienced, revenue generated from the market in Mainland China for the Year was only HK$303.7 million (2018: HK$373.6 million), representing a year-on-year decline of 18.7%.

Production, Research and Development

The Group's Production and R&D base in Tai Po, Hong Kong obtained the GMP (Good Manufacturing Practice) for Proprietary Chinese medicine certification, International Standard ISO22000:2005 (Food Safety Management Systems) and the HACCP (Hazard Analysis and Critical Control Points) certification. With the stringent quality management system, standardized production process and high safety coefficient, the base has been able to provide full guarantee for the production of quality products.

The Group continued to focus on its core business, enriched its product offerings and resources, and successfully completed the registration of three proprietary Chinese medicines in Hong Kong during the Year. We will continue to develop new products in line with the development trend in general health in order to meet the extensive market demand for regulating body functions and preventing diseases.

With a focus on core varieties, greater efforts have been put into the development of independent intellectual property rights which involved invention patents, utility models, appearance, copyrights and authorship etc.. While expanding to the overseas market, Tong Ren Tang has continuously accumulated independent intellectual property rights, explored global patents layout and applied rules of international intellectual property rights in order to protect and enrich the core values of Tong Ren Tang's products. As of the end of 2019, we have successfully filed applications for a total of 53 patents (including Mainland China, Hong Kong and international PCT (Patent Cooperation Treaty) patents), which provided sufficient protection for the dominant products of Tong Ren Tang.

In order to further expand the results of scientific research, we will continue to cooperate with internationally renowned universities at home and abroad for the purpose of researching on safety and functioning mechanism of key products. The research project conducted in cooperation with universities in Hong Kong on the safety and functioning mechanism of application of Angong Niuhuang Wan in the treatment of acute ischemic stroke successfully passed the inspection of the Innovation and Technology Commission in Hong Kong and special funding support was granted. After confirming the anti-tumor effect of one of our Lingzhi products by universities in the United States, we continued to conduct in-depth research in order to expand product applications, further standardize and guide the rational use of products as well as provide new ideas for setting targets of developing the new market. We cooperated with raw material suppliers to establish biotechnology research and development centre for conducting a series of process technology studies on ganoderma lucidum spore powder and ganoderma extract, thereby guaranteeing the quality of key products from the source. We also cooperated with renowned domestic companies for the commencement of anti-counterfeiting technology upgrade projects, and applied near field communication (NFC) technology, which is currently widely used in mobile payment and intelligent transportation, in anti-counterfeiting of design. With its unique anti-counterfeiting function which can prevent impacts on market of counterfeit products, the radio frequency identification (RFID) chip supported by physical unclonable function (PUF) technology was viewed as a milestone in protecting consumer rights, further strengthening the trust of consumers in the Tong Ren Tang brand and enhancing the legitimacy and authority of the brand in the market.

Brand Promotion

As a reputable and time-honored enterprise in China with 350 years of wisdom in Chinese medicine, Tong Ren Tang is not only an economic entity but also a carrier of Chinese medicine culture which bears the major mission on promoting such culture to the world. The Group launched a series of brand promotion activities during the Year, dedicating to the dissemination of the brand and culture of “Tong Ren Tang” overseas.

For the Hong Kong market, the Group adheres to the philosophy of “Take root in the community to serve” and is concerned about public health. This year marks the 350th anniversary of the establishment of “Tong Ren Tang”. As a result, the Group has placed advertisements for the brand in major media and newspapers, cross-harbour tunnels, cross-border ports, and tram stations in core business districts to celebrate the “350th Anniversary of Ten Ren Tang” and promoted the long history and culture as well as quality products and superb technique of Tong Ren Tang. The Company also held the 4th “Capital State-owned Enterprise Open Day”, which attracted hundreds of people to visit the Tai Po Production and R&D Base and Cultural Museum to experience the advanced production technology and long history and culture of the Group, strengthening their trust in the Group's products and recognition of the brand. Meanwhile, the Group continued to hold the “4th Show Love and Care to Stroke Prevention” activity, including organizing health seminars on stroke prevention to educate the public with professional information; organizing free medical consultations from time to time which attracted thousands of people to participate; visiting elderly homes to care for the health of the elderly. The Company also regularly released health information on social media, interacted with supporters and offered promotional discounts during festive seasons to give back to the public.

For the overseas market, the Group also actively acts in concert with business development and strengthens the promotion of the brand of “Tong Ren Tang” in various markets. During the Year, Beijing Tong Ren Tang (Auckland) Company Limited, a subsidiary of the Group, participated in co-organizing the 2019 “China Tourism Culture Week — TCM Culture and New Zealand Healthy Journey Promotion”, which was held in Wellington, capital of New Zealand, and offered free medical consultations by medical practitioners at the event, and the “health tourism” route of Chinese medicine in Beijing was promoted overseas for the first time.

For the European market, leveraging on its geographical advantages, Beijing Tong Ren Tang Swiss SA organized TCM health seminars and free consultations for representative organisations in the United Nations and the World Trade Organization, so as to promote the brand of Tong Ren Tang to international organizations. For the Dubai market, Beijing Tong Ren Tang Gulf FZ-LLC sponsored the "2019 Dubai-Macao TCM Cultural Exchange Program", offering consultations and treatments in relation to Chinese medicine, which fully demonstrated the brand and products of Tong Ren Tang and further enhanced the influence of Chinese medicine and the brand of Tong Ren Tang in Dubai. This year coincides with the 20th anniversary of the return of Macao. Beijing Tong Ren Tang (Macau) Company Limited organized "State-owned Enterprise Open Day" activities for the first time to let the Macau public further understanding of the international development of Tong Ren Tang. In addition, the Group also conducted regular online and offline marketing activities at its local companies and retail outlets in markets such as Singapore, Australia, Europe and North America to serve the local people and maintain their attention towards the brand of Tong Ren Tang.

The outstanding brand image and excellent product quality of the Group have also been widely recognized and commended by the market. The Group was granted the "World Branding Award 2019-2020 (Global Tier)" by the World Branding Forum in the United Kingdom, the "Leader in Naturopathic Medicine" in the 9th Polish Businesswomen Congress, the "Most influential brand in Asia: Traditional Chinese Medicine — Most Trustworthy Brand" by Influential Brands in Singapore, and the "Outstanding Chinese Medicines Enterprise in China" by the Hong Kong Chinese Medicine Association during the Year, indicating the remarkable achievement of the internationalization of the "Tong Ren Tang" brand.

Business Prospects

Looking ahead to 2020, the global economy will still be exposed to various risks, such as the potential risks on the global economic growth arising from the uncertainties of the China-US trade dispute and the hard Brexit. Subject to the uncertain outcome of the China-US trade dispute and the impacts of the outbreak of coronavirus disease (COVID-19) at the beginning of 2020, the global economy is under a downward pressure. Meanwhile, TCM has demonstrated a remarkable clinical value in the epidemic of new coronavirus pneumonia. PRC has continued to update the TCM solutions with Angong Niuhuang Wan chosen as one of the treatments. TCM has played a tide-turning role throughout the control of the epidemic outbreak. The Group has established a "global coronavirus prevention and treatment expert team", through which high quality TCM resources are integrated, and our global presence covering more than 20 countries and regions is utilized. Great TCM Masters and TCM experts at home and abroad present their tailor-made "one country one strategy" TCM epidemic prevention solutions to overseas, jointly contributing their wisdom and strength to build a human community of shared future.

Human Resources Management

As at 31 December 2019, we had a total of 798 employees (2018: 817 employees).

The staff costs of the Group for the Year were HK$215.3 million (2018: HK$201.4 million), representing an increase of 6.9% from last year, which was primarily due to the annual salary increment. 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$1,432.6 million (2018: HK$1,513.9 million), representing a decrease of 5.4% from last year. As affected by the large-scale social event in Hong Kong, the Group's retail and wholesale business in Hong Kong experienced a sharp decline, resulting in a significant decrease in revenue from Hong Kong in the second half of the Year. In addition, in view of the negative impact of the "Honey Incident" on the brand image of Tong Ren Tang, the Parent Group focused on improving the internal management and an introspective examination and rectification of risks of quality management during the Year, thus slowing down the procurement of the Owned Products from the Group. Due to the adjustment of the industrial layout of the Parent Group and the relocation of new production base which resulted in short-term transition issues between the old and new production base, the supply of Tong Ren Tang products for export experienced a temporary shortage.

Gross Profit

The Group's gross profit decreased by 6.1% to HK$1,012.8 million (2018: HK$1,078.4 million). The gross profit margin decreased from 71.2% last year to 70.7% this Year, which was mainly due to the increase in the cost of raw materials.

Distribution and Selling Expenses

The Group's distribution and selling expenses decreased by 14.6% to HK$199.1 million (2018: HK$233.2 million). The decrease was mainly due to the decrease in rental expenses along with the decrease in the number of retail outlets as well as the decrease in advertising and promotion expenses brought about by the cancellation of large-scale advertising and promotion activities in the second half of the Year caused by the impact of the social event in Hong Kong. Distribution and selling expenses as a percentage to revenue decreased from 15.4% last year to 13.9% this Year.

General and Administrative Expenses

The Group's general and administrative expenses increased by 11.1% to HK$164.8 million (2018: HK$148.3 million). The increase was mainly due to the increase in staff costs arising from annual salary increment, and the provision for impairment loss on inventory in relation to the liquidation of a subsidiary. General and administrative expenses as a percentage to revenue increased from 9.8% from last year to 11.5% this Year.

Finance Income, net

The Group's net finance income increased by HK$15.8 million to HK$39.2 million (2018: HK$23.4 million), which was mainly attributable to the increase in finance income brought about by an increase in the average bank deposit rate.

Income Tax Expense

The Group's income tax expense decreased by 6.0% to HK$112.4 million (2018: HK$119.6 million). The decrease was mainly due to the decrease in taxable income for the Year. The effective tax rate for the Year slightly decreased from 16.6% last year to 16.3% this Year, which was caused by the change in the proportion of the contribution to taxable profit.

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

The Group's profit for the Year decreased by 4.1% to HK$576.9 million (2018: HK$601.3 million) with a net profit margin of 40.3% (2018: 39.7%). Profit attributable to owners of the Company amounted to HK$556.1 million (2018: HK$580.7 million), representing a decrease of 4.2% from last year. For the Year, the basic earnings per share were HK$0.66 (2018: HK$0.69). The Directors recommend the payment of a final dividend of HK$0.23 per share for the Year (2018: HK$0.23).

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$1,968.4 million (2018: HK$2,265.4 million). 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 2018 and 2019 and net cash generated from/(used in) operating activities, investing activities and financing activities for the years ended 31 December 2018 and 2019:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Cash and bank balances	**1,968,366**	2,265,440
Working Capital (1)	**2,336,734**	2,605,533
Total Equity	**2,765,636**	3,024,227
Current Ratio (2)	**8.6**	19.5
Gearing Ratio (3)	**3.61%**	0.04%

	For the year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Net cash generated from operating activities	**551,010**	577,684
Net cash used in investing activities	**835,541**	(597,932)
Net cash used in financing activities	**(878,669)**	(173,007)

(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$17.0 million (2018: HK$53.2 million), which was primarily used for the purchase of production equipment and the establishment of new retail outlets.

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 2019, the Group's net property value of HK$10.5 million (2018: HK$10.9 million) has been pledged as securities for long-term 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 2020.

Contingent Liabilities
As at 31 December 2019, 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.

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 PRC (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 Niuhuang 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$0.23 per ordinary share for the year ended 31 December 2019 (2018: HK$0.23). Such final dividend will be proposed for approval by shareholders at the annual general meeting ("AGM") to be held on Friday, 29 May 2020 and if approved, are payable to shareholders whose names appear on the Register of Members of the Company on Monday, 8 June 2020.

Subject to approval by the Company's shareholders at the AGM, the final dividend will be paid on or before Friday, 19 June 2020.

CLOSURE OF REGISTER OF MEMBERS

AGM

In order to determine the entitlements of the Shareholders to attend and vote at the AGM, the Register of Members of the Company will be closed from Monday, 25 May 2020 to Friday, 29 May 2020, 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 Friday, 22 May 2020.

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 2019, the Register of Members of the Company will be closed from Thursday, 4 June 2020 to Monday, 8 June 2020, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the above-mentioned dividends (if approved), all transfers documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 3 June 2020.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the "Audit Committee") has three members comprising three independent non-executive Directors, Mr. Chan Ngai Chi (Chairman of the Audit Committee), Mr. Tsang Yok Sing, Jasper and Mr. Zhao Zhong Zhen, with written terms of reference in compliance with the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"). The primary duties of the Audit Committee are mainly to communicate with external auditor; to review the remuneration, terms of engagement, independence and objectivity of the external auditor; to review the accounting policy, financial position and financial reporting procedures of the Company; and to assess the financial reporting system, internal control procedures and risk management function of the Company and making recommendations thereof. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2019, 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 2019, the Company had complied with the code provisions set out in Appendix 14 of the Corporate Governance Code of the Listing Rules (the "Code") with an exception of a deviation from the code provision A.2.1 of the Code during the interval from 11 March 2019 to 17 April 2019 which provides that the roles of chairman and chief executive officer should be performed by separate individuals. The roles of the chairman and chief executive officer were performed by Ms. Ding Yong Ling from 11 March 2019 to 17 April 2019. On 18 April 2019, Mr. Zhang Huan Ping was appointed as the chief executive officer of the Company and the roles of the chairman of the Board and chief executive officer have been segregated since then.

Our Chairman, Ms. Ding Yong Ling leads the Board in terms of formulating policies. While our chief executive officer, Mr. Zhang Huan Ping, is responsible for business strategic planning and day-to-day management and operation of the Group. The Board believes this segregation of duties helps to supervise and balance the power and authority of the Board and enhances the independence and accountability of the Board.

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 2019.

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

Hong Kong, 24 March 2020

As at the date of this announcement, the Board comprises the executive directors, namely Ms. Ding Yong Ling (Chairman), Mr. Zhang Huan Ping and Ms. Lin Man; the non-executive director, namely Mr. Chen Fei; and the independent non-executive directors, namely Mr. Tsang Yok Sing, Jasper, Mr. Zhao Zhong Zhen and Mr. Chan Ngai Chi.