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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)

2023 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 2023. This announcement, containing the full text of the 2023 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 2023 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 and of the Company at cm.tongrentang.com on or before 30 September 2023.

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

Hong Kong, 10 August 2023

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

Executive Directors:

Ms. Ding Yong Ling (*Chairman*)
Mr. Chen Fei
Ms. Lin Man

Independent Non-executive Directors:

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

Non-executive Director:

Ms. Feng Li

DIRECTORS

Executive Directors

Ding Yong Ling (*Chairman*)

Chen Fei

Lin Man

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

Ding Yong Ling

Lin Man

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

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COMPANY'S WEBSITE

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REGISTERED ADDRESS

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LEGAL ADVISER

as to *Hong Kong laws*:

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Hong Kong

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and

Registered Public Interest Entity Auditor

22nd Floor, Prince's Building

Central, Hong Kong

STOCK CODE

3613

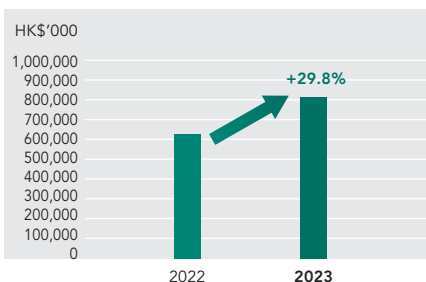
FINANCIAL HIGHLIGHTS

(HK\$'000)	Six months ended 30 June		
	2023	2022	Change
Revenue	812,807	626,358	+ 29.8%
Gross profit	507,049	432,511	+ 17.2%
Profit before income tax	353,968	288,354	+ 22.8%
Profit for the period	297,871	238,123	+ 25.1%
Profit attributable to owners of the Company	266,040	214,638	+ 23.9%
Earnings per share	HK\$0.32	HK\$0.26	+ HK\$0.06

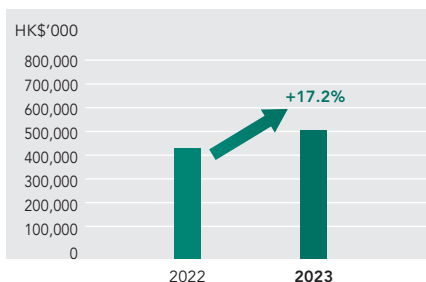
(HK\$'000)	As at		
	30 June 2023	31 December 2022	Change
Cash and bank balances	2,448,142	2,243,963	+ 9.1%
Total assets	4,106,319	4,225,279	- 2.8%
Total equity	3,739,366	3,738,793	+ 0.02%

For the six months ended 30 June 2022 and 2023

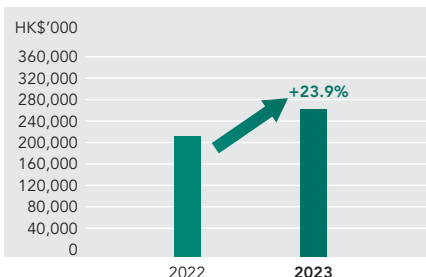
Revenue



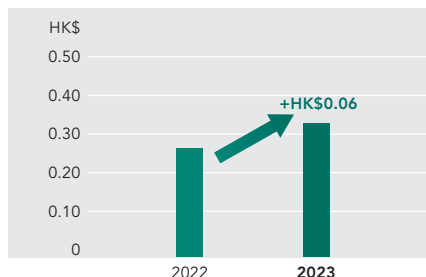
Gross profit



Profit attributable to owners of the Company



Earnings per share





BUSINESS REVIEW

In the first half of 2023, Hong Kong's pandemic prevention and control policies were gradually relaxed, and the overall economy of Hong Kong recovered steadily. The number of inbound and outbound travelers continued to rise, with the number of visitor arrivals exceeding 10 million, which effectively boosted the confidence in the local consumer market and brought vitality to Hong Kong's economic development. Meanwhile, the HKSAR Government has launched a series of policies to stimulate consumption, including the new round of the Consumption Voucher Scheme and the "Happy Hong Kong" mega event, which was stimulating the local consumer's buying intention.

According to statistics from the Census and Statistics Department of Hong Kong, during the first half of 2023, the value of retail sales in Hong Kong is approximately HK\$205.078 billion, which has recovered to approximately 85% of the level during the corresponding period in 2019. For the six months ended 30 June 2023 (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\$812.8 million (2022: HK\$626.4 million), representing an increase of 29.8% as compared to the corresponding period last year; profit attributable to the owners of the Company amounted to HK\$266.0 million (2022: HK\$214.6 million), representing an increase of 23.9% as compared to the corresponding period last year.

Market Expansion

During the Period, the Group seized the market opportunities, adapted to the trend of policy changes, innovated its marketing and promotion model, and expanded on the integrated online and offline diversified channels in order to further enhance the sales of its flagship products, i.e. Angong Niu Huang Wan and Sporoderm-broken Ganoderma Lucidum Spores Powder Capsule, so as to increase the market share of its brands. In view of the market dynamics during the Period, the Group has strengthened its customer development, and infiltrated its sub-divided target markets, while continued to intensify its marketing efforts for its best-selling products, continuously enhanced its sales management capabilities at the retail stores. The Group has maintained the quality and professionalism of the services provided, and proactively safeguarded the brand image of the Group.

The Group steadily promoted the retail market layout in Hong Kong, actively conducted market researches, and added a new retail store in Tseung Kwan O Plaza according to consumer demand. The new offline retail stores provide the public with medical treatment solutions and medication guidelines through quality and modern hardware facilities and styles, professional Chinese medicine consultation services, and a wide selection of Chinese medicine products. Meanwhile, the Group continued to maintain its own e-commerce platform and cross-border e-commerce platform to improve its online and offline product sales network, in order to meet the business model in the post-epidemic era. The Group actively innovated its marketing model, taking the 30th anniversary of the internationalization of Beijing Tong Ren Tang as an opportunity in line with the phased marketing plan, and coordinated brand promotion and publicity through the omnimedia channels such as television, outdoor mobile and electronic banner advertisements, social media platforms, short videos and corporate culture promotions, etc., to emphasize its corporate culture and spirit and build up its brand and corporate image.

During the Period, the Group continued to innovate and flexibly adjust its marketing model, and actively participated in the 133rd China Import and Export Fair (i.e. the Canton Fair), which was resumed the offline exhibition for the first time after the COVID-19 pandemic. During the fair, the Group focused on consolidating its existing customer base in the regions where it has already established its global presence, developing new target customer basis and promoting the Group's network layout in overseas markets; at the same time, the Group vigorously promoted and publicized its flagship varieties, in order to consolidate its influence and stabilize the market share of its flagship varieties.

Production and Research and Development

The Group made continuous efforts in production and quality management as well as technological innovation, and continued to promote cost reduction and efficiency enhancement, improve production capacity, strengthen product development and enrich variety resources. Meanwhile, based on the strategic planning of variety development as a guideline, the Group continued to co-operate with internationally renowned universities and research institutes to conduct in-depth research on the safety, pharmacodynamic theory and mechanism of medicines, focusing on its flagship varieties, in order to provide scientific and rigorous theoretical basis for the Group's flagship varieties.



The Group has jointly applied for a research project with the Innovation and Technology Commission in collaboration with the School of Chinese Medicine of the Li Ka Shing Faculty of Medicine of the University of Hong Kong (“**HKU School of Chinese Medicine**”) in relation to Angong Niu Huang Wan. The Group provided the necessary pharmaceutical products for the research project as requested by the HKU School of Chinese Medicine. In January of this year, the HKU School of Chinese Medicine published the pharmacological summary of the collaborated research project publicly, which has been extensively reported by media, showing that Angong Niu Huang Wan can be used as an adjunct to thrombolytic therapy to improve the efficacy and survival rate of ischemic stroke and greatly reduce the side effects of cerebral hemorrhage caused by delayed treatment. The research results have greatly uplifted the international influence of the Beijing Tong Ren Tang brand, and the overall goal to promote the sustainable development of the industry with the scientific research results to promote the development of Beijing Tong Ren Tang’s overseas business. In addition, we signed a memorandum of understanding with the Centre for Chinese Herbal Medicine Drug Development established by the Hong Kong Baptist University (“**HKBU**”) to conduct collaborative research based on Chinese medicine formulas. We will join hands with HKBU to provide a talent grooming programme that will support the research platform and nurture local Chinese medicine research talent.

Prospect

The Group will continue to optimize and integrate its existing resources and actively explore new channels of resource, focusing on the mission on improving “Brand, Variety and Quality”, with the Hong Kong market as the starting and landing point, and the Guangdong-Hong Kong-Macao Greater Bay Area for the market expansion area, leveraging on the Hong Kong region and the Guangdong-Hong Kong-Macao Greater Bay Area policies as breakthroughs, in order to further improve the Group’s overseas market layout and maintain a steady growth in the Group’s operating indicators.

The Group will continue to implement the “medicines instructions by doctors” model, while increasing its investment in marketing and publicity, strengthening the organization of exchange activities for doctors, and steadily construct its overall overseas doctor teams. Meanwhile, the Group will further optimize its overseas markets layout, expand the coverage of its retail stores and products, continue to explore new offshore locations and identify innovative and quality cooperation partners and opportunities.

The Group will steadily enrich its product variety and improve product supply chain, further expand its sales terminals, actively implement the enterprise's work plan, continue to promote the research and development and touch-down of classic Chinese medicines and comprehensive health products, and proactively enhance the brand's influence in the international arena. Meanwhile, the Group will actively respond to challenges, and strive to build a comprehensive enterprise with integrated development of pharmaceutical research and development, production and sales. The Group shall contribute to the globalization of the supply chain of raw materials of Chinese medicines and proprietary Chinese medicines, so as to set a new benchmark for the industry and open up new horizons.

Human Resources

As at 30 June 2023, we had a total of 789 employees (2022: 754 employees). During the Period, the staff cost of the Group was HK\$107.1 million (2022: HK\$92.8 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 2023, the Group continued to be in a strong financial position with cash and bank balances amounting to HK\$2,448.1 million (31 December 2022: HK\$2,244.0 million). During the Period, 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.

As at 30 June 2023, 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.

As at 30 June 2023, the Group had total non-current assets, net current assets and net assets of HK\$562.9 million, HK\$3,260.5 million and HK\$3,739.4 million, respectively (31 December 2022: HK\$542.2 million, HK\$3,264.5 million and HK\$3,738.8 million respectively). The current ratio of the Group, defined as the ratio of current assets to current liabilities, was 12.5 as at 30 June 2023 (31 December 2022: 8.8), 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 2023 (31 December 2022: 2.8%).



Capital Expenditure

During the Period, the Group's capital expenditure was HK\$7.0 million (2022: HK\$4.0 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 2023, none of the Group's property was charged. As at 31 December 2022, the Group's property with net book value of HK\$9.5 million was pledged as securities for bank borrowings. Such bank borrowing in Australian dollars beared interest at 1.5% plus the bank bill rate in Australia per annum and was wholly settled in this Period.

Contingent Liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities.

Dividends

The board of directors of the Company (the "Board") does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: 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 2023 together with the comparative unaudited figures for the corresponding period in 2022 as follows:

	Note	Unaudited Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Revenue	6	812,807	626,358
Cost of sales	7	(305,758)	(193,847)
Gross profit		507,049	432,511
Distribution and selling expenses	7	(103,483)	(84,532)
General and administrative expenses	7	(83,521)	(60,390)
Net reversal of impairment losses on financial assets	7	7,050	809
Other gains, net		2,940	3,532
Operating profit		330,035	291,930
Finance income		28,981	3,555
Finance costs		(2,669)	(2,453)
Finance income, net	8	26,312	1,102
Share of losses of investments accounted for using the equity method		(2,379)	(4,678)
Profit before income tax		353,968	288,354
Income tax expense	9	(56,097)	(50,231)
Profit for the period		297,871	238,123
Profit attributable to:			
Owners of the Company		266,040	214,638
Non-controlling interests		31,831	23,485
		297,871	238,123
Earnings per share attributable to owners of the Company for the period (expressed in HK\$ per share)			
Basic and diluted earnings per share	10	0.32	0.26

The notes on pages 14 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	
	2023 HK\$'000	2022 HK\$'000
Profit for the period	297,871	238,123
Other comprehensive income/(losses):		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(6,896)	(14,557)
<i>Item that will not be reclassified to profit or loss</i>		
Currency translation differences	146	–
Change in fair value of financial asset at fair value through other comprehensive income	750	2,670
Other comprehensive losses for the period	(6,000)	(11,887)
Total comprehensive income for the period	291,871	226,236
Attributable to:		
Owners of the Company	259,894	203,944
Non-controlling interests	31,977	22,292
Total comprehensive income for the period	291,871	226,236

The notes on pages 14 to 31 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	204,278	206,681
Right-of-use assets		210,400	186,669
Intangible assets	13	58,028	59,706
Investments accounted for using the equity method		49,339	52,996
Financial asset at fair value through other comprehensive income		10,368	9,618
Prepayments for purchase of property, plant and equipment and intangible assets		12,437	11,724
Deferred income tax assets, net		18,075	14,814
		562,925	542,208
Current assets			
Inventories		562,994	469,784
Trade receivables and other current assets	14	532,258	969,324
Short-term bank deposits		621,334	252,997
Cash and cash equivalents		1,826,808	1,990,966
		3,543,394	3,683,071
Total assets		4,106,319	4,225,279
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	938,789	938,789
Reserves			
— Other reserves		(47,212)	(41,066)
— Retained earnings		2,696,560	2,706,763
		3,588,137	3,604,486
Non-controlling interests		151,229	134,307
Total equity		3,739,366	3,738,793

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings		250	333
Lease liabilities		76,254	60,401
Deferred income tax liabilities, net		7,565	7,178
		84,069	67,912
Current liabilities			
Borrowings		166	219
Trade and other payables	16	169,142	235,415
Lease liabilities		51,787	42,129
Current income tax liabilities		61,789	140,811
		282,884	418,574
Total liabilities		366,953	486,486
Total equity and liabilities		4,106,319	4,225,279

The notes on pages 14 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
At 1 January 2022	938,789	(13,124)	(13,764)	6,229	(4,508)	2,504,551	3,418,173	121,331	3,539,504
Comprehensive income									
Profit for the period	-	-	-	-	-	214,638	214,638	23,485	238,123
Other comprehensive income/(losses)									
Change in fair value of financial asset at fair value through other comprehensive income	-	-	2,670	-	-	-	2,670	-	2,670
Currency translation differences									
— Group	-	-	-	-	(11,495)	-	(11,495)	(1,193)	(12,688)
— Joint ventures and associates	-	-	-	-	(1,869)	-	(1,869)	-	(1,869)
Total comprehensive income	-	-	2,670	-	(13,364)	214,638	203,944	22,292	226,236
Transactions with owners in their capacity as owners									
Dividends relating to 2021 (Note 11)	-	-	-	-	-	(234,388)	(234,388)	(11,662)	(246,050)
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	-	198	198
Total transactions with owners in their capacity as owners	-	-	-	-	-	(234,388)	(234,388)	(11,464)	(245,852)
At 30 June 2022	938,789	(13,124)	(11,094)	6,229	(17,872)	2,484,801	3,387,729	132,159	3,519,888
At 1 January 2023	938,789	(13,124)	(9,609)	6,229	(24,562)	2,706,763	3,604,486	134,307	3,738,793
Comprehensive income									
Profit for the period	-	-	-	-	-	266,040	266,040	31,831	297,871
Other comprehensive income/(losses)									
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 and associates	-	-	-	-	(1,277)	-	(1,277)	-	(1,277)
Total comprehensive income	-	-	750	-	(6,896)	266,040	259,894	31,977	291,871
Transactions with owners in their capacity as owners									
Dividends relating to 2022 (Note 11)	-	-	-	-	-	(276,243)	(276,243)	(15,055)	(291,298)
Total transactions with owners in their capacity as owners	-	-	-	-	-	(276,243)	(276,243)	(15,055)	(291,298)
At 30 June 2023	938,789	(13,124)	(8,859)	6,229	(31,458)	2,696,560	3,588,137	151,229	3,739,366

The notes on pages 14 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	
	2023 HK\$'000	2022 HK\$'000
Net cash generated from operating activities	514,542	355,713
Cash flows from investing activities		
Interest received	24,289	2,099
Increase in short-term bank deposits with original maturities exceeding three months	(368,337)	(1,028,685)
Purchase of property, plant and equipment and intangible assets	(5,919)	(3,614)
Proceeds from disposal of property, plant and equipment	31	1
Prepayments paid for purchase of property, plant and equipment and intangible assets	(1,107)	(418)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	–	91
Acquisition of further interest in a subsidiary	–	(3,063)
Net cash used in investing activities	(351,043)	(1,033,589)
Cash flows from financing activities		
Principal elements of lease payments	(28,894)	(27,589)
Repayment of borrowings	(136)	(328)
Interest paid	(2,669)	(2,453)
Dividends paid to the Company's shareholders	(276,243)	(234,358)
Dividends paid to non-controlling interests	(15,055)	(11,662)
Net cash used in financing activities	(322,997)	(276,390)
Net decrease in cash and cash equivalents	(159,498)	(954,266)
Cash and cash equivalents at beginning of period	1,990,966	1,660,304
Exchange losses on cash and cash equivalents	(4,660)	(9,624)
Cash and cash equivalents at end of period	1,826,808	696,414
Analysis of balances of cash and cash equivalents		
Cash at bank and on hand and deposits with banks with original maturity within three months	1,826,808	696,414

The notes on pages 14 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 People's Republic of China (the "**PRC**") and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The intermediate holding company of the Company is Beijing Tong Ren Tang Company Limited ("**Tong Ren Tang Ltd.**") which is a joint stock limited company incorporated in the PRC and is listed on the Shanghai Stock Exchange. The ultimate holding company of the Company is China Beijing Tong Ren Tang Group Co., Ltd. ("**Tong Ren Tang Holdings**") which is a company incorporated in the PRC.

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

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 10 August 2023.

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 2023 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 2022 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 2022 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).



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 2022.

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

(a) Adoption of new standard and amendments to standards

The Group has adopted the following new standard and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2023.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17 (New Standard)	Insurance Contracts

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Amendments to standards and interpretations which are not yet effective

The following are amendments to standards and interpretations that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2024 or later periods, but have not been early adopted by the Group.

Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽¹⁾
HKAS 1 (Amendments)	Non-current Liabilities with Covenants ⁽¹⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽¹⁾
HKFRS 7 and HKAS 7 (Amendments)	Supplier Finance Arrangements ⁽¹⁾
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback ⁽¹⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽²⁾

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

⁽²⁾ Effective date to be determined

The Group will apply the above amendments to standards and interpretations when they become effective. The Group is in the process of making an assessment of the impact of the above amendments to standards and interpretations and does not expect that the adoption of these amendments to standards and interpretations will result in any material impact on the Group's results and financial position.



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 2022.

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.

The 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 2022.

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

(b) Liquidity risk

Compared to 31 December 2022, 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	
	2023 HK\$'000	2022 HK\$'000
Sales of products	790,029	604,824
Service income	22,731	21,466
Royalty fee income	47	68
	812,807	626,358

(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.



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 (PRC but excluding Hong Kong, Macao and Taiwan region for the purpose of this interim report) — wholesale of healthcare products in the Mainland China and the sole distribution of Tong Ren Tang branded products of Tong Ren Tang Technologies and Tong Ren Tang Ltd. to customers outside the Mainland China.
- (iii) Overseas — retail and wholesale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments in other overseas countries/regions, including Macao.

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, prepayments 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
Six months ended 30 June 2023 (Unaudited)				
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				(17,009)
Operating profit				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)

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

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
Six months ended 30 June 2022 (Unaudited)				
Segment revenue	470,501	148,866	246,543	865,910
Inter-segment revenue	(160,270)	(79,282)	–	(239,552)
Revenue from external customers	310,231	69,584	246,543	626,358
Timing of revenue recognition				
At a point in time	309,510	68,841	226,473	604,824
Overtime	721	743	20,070	21,534
	310,231	69,584	246,543	626,358
Segment results	269,157	(9,316)	50,763	310,604
Inter-segment elimination				(18,674)
Operating profit				291,930
Finance income	2,941	245	369	3,555
Finance costs	(802)	(54)	(1,597)	(2,453)
Share of losses of investments accounted for using equity method				(4,678)
Profit before income tax				288,354
Income tax expense				(50,231)
Profit for the period				238,123

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
At 30 June 2023 (Unaudited)				
Segment assets and liabilities				
Total assets	2,989,484	580,376	536,459	4,106,319
Investments accounted for using equity method	9,276	33,444	6,619	49,339
Total liabilities	(150,924)	(110,738)	(105,291)	(366,953)
At 31 December 2022 (Audited)				
Segment assets and liabilities				
Total assets	3,010,879	739,091	475,309	4,225,279
Investments accounted for using equity method	9,528	36,238	7,230	52,996
Total liabilities	(234,863)	(141,531)	(110,092)	(486,486)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Cost of inventories sold	267,406	161,289
Employee benefit expenses (including directors' emoluments)	107,131	92,805
COVID-19-related rent concessions	(11)	(113)
Expenses relating to short-term leases	4,970	4,927
Variable lease payments not included in the measurement of lease liabilities (Note)	1,832	153
Depreciation of right-of-use assets	31,155	29,800
Amortisation of intangible assets (Note 13)	1,678	1,487
Depreciation of property, plant and equipment (Note 12)	7,367	6,552
Loss on disposal of property, plant and equipment	4	1
Write-off of inventories	97	63
Reversal of loss allowance on trade receivables	(7,050)	(809)
Promotion and advertising expenses	16,028	5,004

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	
	2023 HK\$'000	2022 HK\$'000
Finance income		
Bank deposits	28,981	3,555
Finance costs		
Bank borrowings	(1)	(1)
Lease liabilities	(2,668)	(2,452)
	(2,669)	(2,453)
Finance income, net	26,312	1,102

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the period. PRC corporate income tax has been provided at the rate of 25% (2022: 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	
	2023 HK\$'000	2022 HK\$'000
Current income tax		
Hong Kong	50,233	42,225
PRC	1,885	28
Overseas	7,081	8,007
	59,199	50,260
Deferred income tax	(3,102)	(29)
Income tax expense	56,097	50,231



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	
	2023	2022
Profit attributable to owners of the Company (HK\$'000)	266,040	214,638
Weighted average number of ordinary shares in issue (thousand shares)	837,100	837,100
Earnings per share (HK\$)	0.32	0.26

There were no potential dilutive shares for the six months ended 30 June 2023 (2022: Nil).

11 DIVIDENDS

A dividend of HK\$276,243,000 in respect of the year ended 31 December 2022 was paid in May 2023 (2022: HK\$234,388,000).

For the six months ended 30 June 2023, the Board does not recommend the payment of any interim dividend (2022: 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 2023 (audited)	206,681
Additions	6,684
Disposals	(36)
Depreciation charge	(7,367)
Currency translation differences	(1,684)
At 30 June 2023 (unaudited)	204,278

As at 30 June 2023, no bank borrowing is secured by a freehold land and building (31 December 2022: HK\$9,457,000).

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 2023 (audited)	49,419	7,470	2,817	59,706
Amortisation	–	(1,028)	(650)	(1,678)
At 30 June 2023 (unaudited)	49,419	6,442	2,167	58,028

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Trade receivables		
— immediate holding company	65,040	67,813
— intermediate holding company	—	142
— fellow subsidiaries	146,402	200,886
— joint ventures	1,634	1,926
— an associate	13,026	16,191
— third parties	261,540	656,556
Trade receivables, gross	487,642	943,514
Less: loss allowance	(12,892)	(20,284)
Trade receivables, net	474,750	923,230
Prepayments	13,107	8,994
Other receivables	20,359	17,797
Deposits	23,072	18,333
Amount due from a joint venture	970	970
	532,258	969,324

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 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Up to 90 days	134,735	743,688
91–180 days	40,399	29,928
181–365 days	221,121	30,172
Over 365 days	91,387	139,726
	487,642	943,514

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares issued and fully paid:		
At 1 January 2023 (audited) and 30 June 2023 (unaudited)	837,100,000	938,789

16 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Trade payables		
— intermediate holding company	20,270	4,736
— immediate holding company	13,360	9,048
— fellow subsidiaries	1,753	310
— an associate	2,200	4,478
— third parties	85,062	135,133
Trade payables	122,645	153,705
Accruals and other payables	40,948	77,032
Contract liabilities	5,549	4,678
	169,142	235,415

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 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Up to 90 days	87,276	140,238
91–180 days	5,698	6,701
181–365 days	24,806	1,190
Over 365 days	4,865	5,576
	122,645	153,705



17 COMMITMENTS

(a) Capital commitments

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Contracted but not provided for — property, plant and equipment	2,267	3,802

(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 2023 HK\$'000	Audited 31 December 2022 HK\$'000
No later than 1 year	3,825	1,698

As at 30 June 2023, undiscounted future lease payments amounted to HK\$6,220,000 (31 December 2022: HK\$806,000) were committed by the Group but the relevant lease periods have not commenced. The lease commitments will be recognized as right-of-use assets upon the lease commencement date after 30 June 2023 (2022: 31 December 2022).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 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	
		2023 HK\$'000	2022 HK\$'000
	Note		
(a)	Sales of products to:		
	— Immediate holding company	248	1,879
	— Intermediate holding company	662	–
	— Joint ventures	1,114	851
	— Fellow subsidiaries	1,792	40,165
	— An associate	–	1,286
		3,816	44,181
(b)	Purchase of products from:		
	— Immediate holding company	19,257	16,660
	— Intermediate holding company	30,832	15,794
	— Fellow subsidiaries	2,027	38,666
		52,116	71,120
(c)	Royalty fee income from joint ventures	47	68
(d)	Lease payments to:		
	— Immediate holding company	504	–
	— Fellow subsidiaries	2,252	2,440
		2,756	2,440
(e)	Advertising agency services expense to a fellow subsidiary	830	90

As at 30 June 2023, the Group recognised lease liabilities payable to immediate holding company of HK\$2,776,000 (31 December 2022: Nil) and fellow subsidiaries of HK\$11,804,000 (31 December 2022: HK\$2,557,000) over the relevant property leases.



18 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	
	2023	2022
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	3,007	2,761
Pension costs — defined contribution plans	340	152
	3,347	2,913

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2023, 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 10 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 Directors	Types of interests	Capacity	Number of shares	Approximate percentage of issued share capital
Ding Yong Ling	Personal	Beneficial owner	430,000	0.051%
Chen Fei	Personal	Beneficial owner	43,000	0.005%
Lin Man	Personal	Beneficial owner	310,000	0.037%

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 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, the interest of the persons, other than Directors or chief executives 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. ⁽¹⁾	Beneficial owner	281,460,000	33.62%
	Interest of a controlled corporation	318,540,000	38.05%
Tong Ren Tang Holdings ⁽²⁾	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.

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 2023 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-PRC Markets**”);
- (ii) engage in the research, development, manufacture and sale of any products with “Tong Ren Tang” brands in the Non-PRC Markets, except for the manufacture of the Chinese medicine products for the two independent third parties in Japan; for the avoidance of doubt and without prejudice to the generality of the Deed of Non-competition, except for the current excluded business in Japan, engage in arrangement with any other parties in the Non-PRC Markets similar to the excluded business in Japan;
- (iii) carry out any sales or registration (new or renewal) for Angong Niu Huang Wan in the Non-PRC Markets;
- (iv) engage in the distribution of any Chinese medicine products in the 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 the 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. Chen Fei and Ms. Lin Man, 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-PRC 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 (the “**Competition 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 for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 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 14 of the Corporate Governance Code to the Listing Rules during the Period.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the date of the 2022 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:

Name of Director	Detail of change
<i>Executive Director</i> Mr. Chen Fei	Re-designated from the chief executive officer of the Company to the executive deputy general manager of the Company with effect from 19 April 2023.

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

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 2023. 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
Ding Yong Ling
Chairman

Hong Kong, 10 August 2023