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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)**

**(1) ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023; AND  
(2) INSIDE INFORMATION – REVISED DIVIDEND POLICY**

**(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

**FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 December</b>		<b>Change</b>
	<b>2023</b>	<b>2022</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
Revenue	<b>1,524,945</b>	1,731,095	-11.9%
Gross profit	<b>1,047,243</b>	1,150,140	-8.9%
Profit for the year	<b>590,587</b>	691,293	-14.6%
Profit attributable to owners of the Company	<b>540,393</b>	645,875	-16.3%
Basic and diluted earnings per share	<b>HK\$0.65</b>	HK\$0.77	-HK\$0.12
	<b>As at 31 December</b>		<b>Change</b>
	<b>2023</b>	<b>2022</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
Cash and bank balances	<b>2,378,693</b>	2,243,963	6.0%
Total assets	<b>4,434,445</b>	4,225,279	5.0%
Total equity	<b>4,020,690</b>	3,738,793	7.5%

## 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 2023 (the “**Year**”) together with the comparative figures for the previous year as follows:

### CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	2023	2022
		HK\$'000	HK\$'000
Revenue	3	1,524,945	1,731,095
Cost of sales	5	(477,702)	(580,955)
<b>Gross profit</b>		<b>1,047,243</b>	<b>1,150,140</b>
Distribution and selling expenses	5	(231,261)	(187,224)
General and administrative expenses	5	(179,029)	(154,457)
Net impairment losses on financial assets	5	(21,185)	(6,479)
Other gains, net	4	8,381	9,595
<b>Operating profit</b>		<b>624,149</b>	<b>811,575</b>
Finance income		72,878	20,588
Finance costs		(5,978)	(4,661)
Finance income, net		66,900	15,927
Share of losses of investments accounted for using the equity method		(3,259)	(1,540)
<b>Profit before income tax</b>		<b>687,790</b>	<b>825,962</b>
Income tax expense	6	(97,203)	(134,669)
<b>Profit for the year</b>		<b>590,587</b>	<b>691,293</b>
<b>Profit attributable to:</b>			
Owners of the Company		540,393	645,875
Non-controlling interests		50,194	45,418
		<b>590,587</b>	<b>691,293</b>
<b>Earnings per share attributable to owners of the Company for the year</b> (expressed in HK\$ per share)			
<b>Basic and diluted earnings per share</b>	7	<b>0.65</b>	<b>0.77</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
<b>Profit for the year</b>	<b>590,587</b>	691,293
<b>Other comprehensive (losses)/income:</b>		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(338)	(22,070)
<i>Item that will not be reclassified to profit or loss</i>		
Change in fair value of financial asset at fair value through other comprehensive income	(1,785)	4,155
Currency translation differences	904	-
	<hr/>	<hr/>
<b>Other comprehensive losses for the year</b>	<b>(1,219)</b>	(17,915)
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>589,368</b>	673,378
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<b>Attributable to:</b>		
Owners of the Company	538,270	629,976
Non-controlling interests	51,098	43,402
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>589,368</b>	673,378
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## CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2023 HK\$'000	2022 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		213,816	206,681
Right-of-use assets		211,810	186,669
Intangible assets		56,387	59,706
Investments accounted for using equity method		51,968	52,996
Financial asset at fair value through other comprehensive income		7,833	9,618
Prepayments for purchase of property, plant and equipment and intangible assets		11,187	11,724
Deferred income tax assets, net		37,122	14,814
		<u>590,123</u>	<u>542,208</u>
<b>Current assets</b>			
Inventories	9	1,011,649	469,784
Trade receivables and other current assets	10	453,980	969,324
Short-term bank deposits		1,378,879	252,997
Cash and cash equivalents		999,814	1,990,966
		<u>3,844,322</u>	<u>3,683,071</u>
<b>Total assets</b>		<u><u>4,434,445</u></u>	<u><u>4,225,279</u></u>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		938,789	938,789
Reserves			
- Other reserves		(43,189)	(41,066)
- Retained earnings		2,970,913	2,706,763
		<u>3,866,513</u>	<u>3,604,486</u>
<b>Non-controlling interests</b>		<u>154,177</u>	<u>134,307</u>
<b>Total equity</b>		<u><u>4,020,690</u></u>	<u><u>3,738,793</u></u>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2023	2022
		HK\$'000	HK\$'000
	Note		
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		166	333
Lease liabilities		75,227	60,401
Deferred income tax liabilities, net		8,444	7,178
		<u>83,837</u>	<u>67,912</u>
<b>Current liabilities</b>			
Borrowings		166	219
Trade and other payables	11	245,408	235,415
Lease liabilities		56,254	42,129
Current income tax liabilities		28,090	140,811
		<u>329,918</u>	<u>418,574</u>
<b>Total liabilities</b>		<u>413,755</u>	<u>486,486</u>
<b>Total equity and liabilities</b>		<u><u>4,434,445</u></u>	<u><u>4,225,279</u></u>

## Notes:

### 1 General information

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

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

### 2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and requirements of the Hong Kong Companies Ordinance Cap. 622 (the “**Companies Ordinance**”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through other comprehensive income, which is carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

The financial results relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results 2023 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 2022 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 2023 in due course.

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

## 2 Basis of preparation (Continued)

### (a) New and amended standards adopted by the Group

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

HKFRS 17	Insurance Contracts
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
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules

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

### (b) New standards, amendments to standards and interpretations which are not yet effective

The following are new standard, amendments to standards and interpretations that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 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 <sup>(1)</sup>
HKAS 1 (Amendments)	Non-current Liabilities with Covenants <sup>(1)</sup>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current <sup>(1)</sup>
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback <sup>(1)</sup>
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements <sup>(1)</sup>
HKAS 21 (Amendments)	Lack of Exchangeability <sup>(2)</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(3)</sup>

<sup>(1)</sup> Effective for the accounting period beginning on or after 1 January 2024

<sup>(2)</sup> Effective for the accounting period beginning on or after 1 January 2025

<sup>(3)</sup> Effective date to be determined

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

### 3 Segment information

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

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

The geographical location of revenue is analysed based on location where goods are sold and services are provided. The details are set out as follows:

- (i) Hong Kong (the Hong Kong Special Administrative Region of the PRC) - sale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments through retail outlets as well as wholesale of Chinese medicine products and healthcare products in Hong Kong. In addition, it includes the royalty fee income received from overseas entities for using “Tong Ren Tang” brand name.
- (ii) Mainland China (for the purpose of this announcement, regions of China other than Hong Kong, Macao (the Macao Special Administrative Region of the PRC) and Taiwan China) - wholesale of healthcare products in the Mainland China and the sole distribution of “Tong Ren Tang” branded products of Tong Ren Tang Technologies and Tong Ren Tang Ltd. to customers outside the Mainland China.
- (iii) Overseas (countries/regions other than (i) and (ii) as mentioned, for the purpose of this announcement, including Macao) - Overseas retail and wholesale of Chinese medicine products and healthcare products and provision of Chinese medical consultation and treatments.

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

Unallocated items comprise mainly corporate expenses.

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



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

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
<b>Year ended 31 December 2023</b>				
Segment revenue	1,171,231	228,634	482,436	1,882,301
Inter-segment revenue	<u>(255,908)</u>	<u>(99,299)</u>	<u>(2,149)</u>	<u>(357,356)</u>
Revenue from external customers	<u>915,323</u>	<u>129,335</u>	<u>480,287</u>	<u>1,524,945</u>
Timing of revenue recognition				
At a point in time	914,884	127,903	476,553	1,519,340
Overtime	<u>439</u>	<u>1,432</u>	<u>3,734</u>	<u>5,605</u>
	<u>915,323</u>	<u>129,335</u>	<u>480,287</u>	<u>1,524,945</u>
Contribution to segment results	681,619	(4,196)	115,302	792,725
Depreciation of property, plant and equipment	(9,871)	(1,165)	(4,328)	(15,364)
Depreciation of right-of-use assets	(38,964)	(2,883)	(21,940)	(63,787)
Amortisation of intangible assets	(3,363)	-	-	(3,363)
Losses on disposals of property, plant and equipment	(7)	(50)	(321)	(378)
Net reversal of impairment losses/(net impairment losses) on financial assets	3,031	(24,239)	23	(21,185)
Impairment loss on inventories	-	-	(363)	(363)
Write-off of inventories	-	-	(725)	(725)
Segment results	<u>632,445</u>	<u>(32,533)</u>	<u>87,648</u>	<u>687,560</u>
Inter-segment elimination				<u>(63,411)</u>
Operating profit				624,149
Finance income	68,278	244	4,356	72,878
Finance costs	(2,908)	(175)	(2,895)	(5,978)
Share of losses of investments accounted for using the equity method				<u>(3,259)</u>
Profit before income tax				687,790
Income tax expense				<u>(97,203)</u>
<b>Profit for the year</b>				<u><u>590,587</u></u>
<b>Year ended 31 December 2022</b>				
Segment revenue	1,200,116	528,453	472,255	2,200,824
Inter-segment revenue	<u>(374,084)</u>	<u>(94,990)</u>	<u>(655)</u>	<u>(469,729)</u>
Revenue from external customers	<u>826,032</u>	<u>433,463</u>	<u>471,600</u>	<u>1,731,095</u>
Timing of revenue recognition				
At a point in time	825,214	431,163	468,318	1,724,695
Overtime	<u>818</u>	<u>2,300</u>	<u>3,282</u>	<u>6,400</u>
	<u>826,032</u>	<u>433,463</u>	<u>471,600</u>	<u>1,731,095</u>
Contribution to segment results	748,579	(7,680)	118,461	859,360
Depreciation of property, plant and equipment	(8,360)	(654)	(4,035)	(13,049)
Depreciation of right-of-use assets	(35,334)	(2,272)	(21,647)	(59,253)
Amortisation of intangible assets	(3,168)	-	-	(3,168)
Gains/(losses) on disposals of property, plant and equipment	56	-	(28)	28
(Net impairment losses)/net reversal of impairment losses on financial assets	(2,020)	(4,463)	4	(6,479)
Impairment loss on inventories	-	-	(422)	(422)
Write-off of inventories	(21)	-	(190)	(211)
Write-off of property, plant and equipment	-	-	(47)	(47)
Segment results	<u>699,732</u>	<u>(15,069)</u>	<u>92,096</u>	<u>776,759</u>
Inter-segment elimination				<u>34,816</u>
Operating profit				811,575
Finance income	19,478	365	745	20,588
Finance costs	(1,538)	(78)	(3,045)	(4,661)
Share of losses of investments accounted for using the equity method				<u>(1,540)</u>
Profit before income tax				825,962
Income tax expense				<u>(134,669)</u>
<b>Profit for the year</b>				<u><u>691,293</u></u>

### 3 Segment information (Continued)

#### (b) Analysis of consolidated balance sheets

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
<b>At 31 December 2023</b>				
<b>Segment assets and liabilities</b>				
<b>Total assets</b>	<u>3,472,865</u>	<u>469,463</u>	<u>492,117</u>	<u>4,434,445</u>
<b>Investments accounted for using the equity method</b>	<u>8,482</u>	<u>36,839</u>	<u>6,647</u>	<u>51,968</u>
<b>Financial asset at fair value through other comprehensive income</b>	<u>7,833</u>	<u>-</u>	<u>-</u>	<u>7,833</u>
<b>Additions to non-current assets <sup>(1)</sup></b>	<u>73,951</u>	<u>10,895</u>	<u>22,548</u>	<u>107,394</u>
<b>Total liabilities</b>	<u>(241,363)</u>	<u>(68,399)</u>	<u>(103,993)</u>	<u>(413,755)</u>
<b>At 31 December 2022</b>				
<b>Segment assets and liabilities</b>				
<b>Total assets</b>	<u>3,010,879</u>	<u>739,091</u>	<u>475,309</u>	<u>4,225,279</u>
<b>Investments accounted for using the equity method</b>	<u>9,528</u>	<u>36,238</u>	<u>7,230</u>	<u>52,996</u>
<b>Financial asset at fair value through other comprehensive income</b>	<u>9,618</u>	<u>-</u>	<u>-</u>	<u>9,618</u>
<b>Additions to non-current assets <sup>(1)</sup></b>	<u>28,793</u>	<u>140</u>	<u>37,742</u>	<u>66,675</u>
<b>Total liabilities</b>	<u>(234,863)</u>	<u>(141,531)</u>	<u>(110,092)</u>	<u>(486,486)</u>

(1) In this analysis, additions to non-current assets exclude investments accounted for using the equity method, financial asset at fair value through other comprehensive income and deferred tax assets.

### 3 Segment information (Continued)

#### (c) Revenue

The analysis of revenue by category is as follows:

	2023 HK\$'000	2022 HK\$'000
Sales of products	1,473,819	1,681,764
Service income	50,687	48,513
Royalty fee income	439	818
	<u>1,524,945</u>	<u>1,731,095</u>

#### (d) Information about major customers

For the year ended 31 December 2023, majority of the revenue were generated from wholesales customers, revenue from one (2022: two) customer(s) each accounted for more than ten percent of the Group's total revenue. These revenues are attributable to the Hong Kong segment and the Mainland China segment. The revenues from these customers are summarised below:

	2023 HK\$'000	2022 HK\$'000
Revenue from:		
- Entities under the control of the ultimate holding company <sup>(1)</sup>	N/A <sup>(2)</sup>	285,594
- Customer A	<u>273,456</u>	<u>411,160</u>
	<u>273,456</u>	<u>696,754</u>

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

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

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 2023 (2022: 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:

	2023 HK\$'000	2022 HK\$'000
(i) Revenue <sup>(1)</sup>		
Hong Kong	915,323	826,032
Mainland China	129,335	433,463
Macao	282,684	264,593
Australia	62,625	62,016
Canada	46,944	52,620
New Zealand	28,218	33,235
Singapore	24,046	25,915
United States	15,751	15,229
Other countries/regions	20,019	17,992
	<u>1,524,945</u>	<u>1,731,095</u>
(ii) Non-current assets <sup>(2)</sup>		
Hong Kong	294,924	275,171
Mainland China	9,124	2,428
Macao	60,115	60,604
Australia	44,683	49,493
Canada	22,968	13,644
New Zealand	42,888	39,650
Europe	11,519	11,658
United States	1,948	2,416
Other countries/regions	5,031	9,716
	<u>493,200</u>	<u>464,780</u>

(1) The geographical location of revenue is analysed based on the location where goods are sold and services are provided.

(2) The geographical location of non-current assets is analysed based on where the assets are located or held. In this analysis, the total of non-current assets excludes investments accounted for using the equity method, financial asset at fair value through other comprehensive income and deferred tax assets.

### 3 Segment information (Continued)

#### (f) Assets and liabilities related to contracts with customers

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

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Contract liabilities	<u>3,211</u>	<u>4,678</u>

The Group has not recognised any contract assets related to contract with customers as at 31 December 2023 and 31 December 2022.

There are no significant changes in contract assets and liabilities during the year ended 31 December 2023.

#### (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	
	2023	2022
	HK\$'000	HK\$'000
Revenue recognised in relation to contract liabilities at 1 January	<u>4,678</u>	<u>3,397</u>

### 4 Other gains, net

	2023	2022
	HK\$'000	HK\$'000
Government grants <sup>(1)</sup>	1,851	6,830
Unsecured government loans waived	-	257
Gain on deemed disposal of an investment accounted for using the equity method	2,879	-
Others	<u>3,651</u>	<u>2,508</u>
	<u><u>8,381</u></u>	<u><u>9,595</u></u>

<sup>(1)</sup> There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

## 5 Expenses by nature

	2023 HK\$'000	2022 HK\$'000
Changes in inventories of finished goods and work in progress	(86,426)	(11,056)
Raw materials and consumables used	478,519	516,415
Employee benefit expenses	245,670	219,099
COVID-19-related rent concessions	-	(137)
Expenses relating to short-term leases	11,518	11,255
Variable lease payments not included in the measurement of lease liabilities <sup>(1)</sup>	2,293	154
Amortisation of intangible assets	3,363	3,168
Depreciation of right-of-use assets	63,787	59,253
Depreciation of property, plant and equipment	15,364	13,049
Losses/(gains) on disposals of property, plant and equipment	378	(28)
Impairment loss on inventories	363	422
Write-off of inventories	725	211
Write-off of property, plant and equipment	-	47
Net impairment losses on financial assets	21,185	6,479
Auditors' remuneration		
- Audit services	4,074	4,150
- Non-audit services	384	275
Research and development expenses	12,208	7,699
Promotion and advertising expenses	47,394	19,179
Legal and professional expenses	7,727	6,885
Others	80,651	72,596
	<u>909,177</u>	<u>929,115</u>

<sup>(1)</sup> Variable lease payments represent the amounts which are calculated based on percentages of revenue generated by certain retail outlets that exceed their fixed rentals.

## 6 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year. PRC corporate income tax has been provided at the rate of 25% (2022: 25%) on the estimated assessable profits for the year of the subsidiaries operating in the Mainland China. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries/regions in which the Group operates.

	2023 HK\$'000	2022 HK\$'000
Current income tax		
- Current year	119,355	128,447
- Over -provision in prior years	(993)	(543)
	<u>118,362</u>	<u>127,904</u>
Deferred income tax	<u>(21,159)</u>	<u>6,765</u>
Income tax expense	<u><u>97,203</u></u>	<u><u>134,669</u></u>

## 7 Earnings per share

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

	2023	2022
Profit attributable to owners of the Company (HK\$'000)	<u>540,393</u>	<u>645,875</u>
Weighted average number of ordinary shares in issue (thousands)	<u>837,100</u>	<u>837,100</u>
Earnings per share (HK\$)	<u><u>0.65</u></u>	<u><u>0.77</u></u>

For the years ended 31 December 2023 and 2022, diluted earnings per share is the same as basic earnings per share as there were no potential dilutive shares.

## 8 Dividends

The dividends paid in 2023 and 2022 were HK\$276,243,000 (HK\$0.33 per share) and HK\$443,663,000 (HK\$0.53 per share) respectively. Dividend in respect of the year ended 31 December 2023 of HK\$0.33 per share, amounting to a total dividend of HK\$276,243,000 is to be proposed at the annual general meeting on 31 May 2024. These financial statements do not reflect this dividend payable.

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Special interim dividend paid of HK\$Nil (2022: HK\$0.25) per ordinary share	-	209,275
Proposed final dividend of HK\$0.33 (2022: HK\$0.33) per ordinary share	<u>276,243</u>	<u>276,243</u>
	<u><b>276,243</b></u>	<u><b>485,518</b></u>

## 9 Inventories

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Raw materials	<b>776,294</b>	320,855
Work in progress	<b>56,576</b>	227
Finished goods and trading merchandise	<u>178,779</u>	<u>148,702</u>
	<u><b>1,011,649</b></u>	<u><b>469,784</b></u>

The cost of inventories recognised as expense and included in “cost of sales” amounted to HK\$392,093,000 (2022: HK\$505,359,000) and the impairment loss on inventories and write-off of inventories amounted to HK\$363,000 (2022: HK\$422,000) and HK\$725,000 (2022: HK\$211,000) for the year ended 31 December 2023, respectively.



## 10 Trade receivables and other current assets

	2023 HK\$'000	2022 HK\$'000
Trade receivables		
- immediate holding company	50,460	67,813
- intermediate holding company	-	142
- fellow subsidiaries	156,682	200,886
- joint ventures	2,029	1,926
- associate	6,552	16,191
- third parties	220,679	656,556
Trade receivables, gross	<u>436,402</u>	<u>943,514</u>
Less: loss allowance	<u>(41,158)</u>	<u>(20,284)</u>
Trade receivables, net	395,244	923,230
Prepayments	11,623	8,994
Other receivables	26,774	17,797
Deposits	19,369	18,333
Amount due from a joint venture (Note b)	<u>970</u>	<u>970</u>
	<u><u>453,980</u></u>	<u><u>969,324</u></u>

### Notes:

- (a) The fair values of trade receivables and other current assets approximate their carrying amounts.
- (b) The amount is repayable on demand, unsecured in nature and bears no interest.
- (c) Retail sales at the Group's stores are usually made in cash or by debit or credit cards. For wholesales to customers (including related parties), the Group grants credit periods ranging from 30 to 90 days (2022: 30 to 90 days).

At 31 December 2023 and 2022, the aging analysis of trade receivables based on invoice date (including amounts due from related parties of trading in nature) is as follows:

	2023 HK\$'000	2022 HK\$'000
Up to 90 days	188,302	743,688
91 – 180 days	326	29,928
181 – 365 days	3,092	30,172
Over 365 days	<u>244,682</u>	<u>139,726</u>
	<u><u>436,402</u></u>	<u><u>943,514</u></u>

## 11 Trade and other payables

	2023 HK\$'000	2022 HK\$'000
Trade payables		
- intermediate holding company	20,286	4,736
- immediate holding company	15,426	9,048
- fellow subsidiaries	258	310
- associate	1,104	4,478
- third parties	139,903	135,133
Trade payables	<u>176,977</u>	<u>153,705</u>
Accruals and other payables	65,220	77,032
Contract liabilities	<u>3,211</u>	<u>4,678</u>
	<u><u>245,408</u></u>	<u><u>235,415</u></u>

At 31 December 2023 and 2022, 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:

	2023 HK\$'000	2022 HK\$'000
Up to 90 days	157,052	140,238
91 – 180 days	2,493	6,701
181 – 365 days	6,666	1,190
Over 365 days	<u>10,766</u>	<u>5,576</u>
	<u><u>176,977</u></u>	<u><u>153,705</u></u>

## 12 Commitments

### (a) Capital commitments

	2023 HK\$'000	2022 HK\$'000
Contracted but not provided for		
- property, plant and equipment and intangible assets	<u>15,961</u>	<u>3,802</u>

### (b) Lease commitments

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

	2023 HK\$'000	2022 HK\$'000
No later than 1 year	<u>4,944</u>	<u>1,698</u>

As at 31 December 2023, undiscounted future lease payments amounted to HK\$7,400,000 (2022: HK\$806,000) were committed by the Group but the relevant lease periods had not commenced. These lease commitments were recognised as right-of-use assets upon the lease commencement date in 2024 (2022: 2023).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Overview*

Since its establishment in 1669, Tong Ren Tang has upheld the corporate spirit of “Nurturing kindness and virtue, Preserving tranquility and wellness”. With a history of 355 years, it embraces the vision of “Creating health and sharing with the world”. The Group has gained entry into the international market, aiming to promote and elevate the distinctive field of Chinese Medicine and the wellness principles in China. Throughout its long history, the Group has been dedicated to pursuit of global health sharing. With a focus on innovation, the Group embraces new opportunities and establishes novel platforms to actively contribute to the global health-sharing initiative by harnessing the strength of Chinese Medicine for the global health community and advancing the world's research in the life sciences for the internationalization of Chinese medicine, a promising prospect.

In 2023, the macroeconomic environment worldwide remains complex. Amidst the challenges posed by factors like high interest rates and geopolitical tensions, all economies have been subject to varying degrees of impact. China confronts challenges head-on and demonstrates resilience as it actively pursues high-quality development, leading to a noticeable improvement in the overall performance of the national economy. In the face of this complex international situation and economic environment, the Group has surmounted the adverse effects resulting from a range of unfavourable circumstances. The Group adheres to a steady and progressive business strategy and remains committed to prioritizing the interests of shareholders. The Group strictly controls product quality, optimizes business distribution, and reinforces risk management and brand protection, thereby fortify the development foundation with resolute strength.

This Year, the Group achieved revenues of HK\$1,524.9 million (2022: HK\$1,731.1 million), a year-on-year decrease of 11.9%; achieved net profit of HK\$590.6 million (2022: HK\$691.3 million), a year-on-year decrease of 14.6%; owner's profits reached HK\$540.4 million (2022: HK\$645.9 million), a year-on-year decrease of 16.3%; and earnings per share were HK\$0.65 (2022: HK\$0.77), an decrease of HK\$0.12. The Board recommends a final dividend of HK\$0.33 per share (2022: HK\$0.33).

### ***Hong Kong Market***

In 2023, Hong Kong gradually overcame the impact of the pandemic, but high interest rates in the US suppressed market liquidity, combined with geopolitical issues as well as other factors, making it difficult for Hong Kong, as a small external economy, to thrive independently. As a result, the overall economic recovery in Hong Kong was slow. However, with the introduction of different policies by the Hong Kong government and the aspiration on gradual effects from various measures, the economic development has gained momentum, and leveraging the advantage of “Backed by the Motherland, Connecting the World”, coupled with the global high-interest environment beginning to stabilize, the business environment in Hong Kong is gradually improving. The advance estimates released by the Census and Statistics Department of the HKSAR reveal a year-on-year growth of 3.2% in Hong Kong's gross domestic product for 2023 as a whole, which demonstrates the magnificent resilience and substantial potential of Hong Kong's economy. While the overall economic recovery in Hong Kong was slow this Year, the Group has steadily promoted its major variety strategy, achieving a certain level of sales growth in sales in the Hong Kong market. This Year, the revenue in the Hong Kong market was HK\$915.3 million (2022: HK\$826.0 million), a year-on-year growth of 10.8%, with same-store revenue growth reaching 127.1%. This Year, there were 27 retail outlets in Hong Kong, with a net increase of 2 outlets from the previous year.

### ***Non-Hong Kong Markets***

The Group's business network covers major countries and regions in Asia, Oceania, North America, and Europe. This year, the global distribution is undergoing transformation and reorganization, with some emerging markets facing challenges of low growth and high-interest rates. The continued interest rate hikes in the past have had an impact on related economic activities, coupled with frequent geopolitical conflicts, resulting in some uncertainties in the business environment. Against this backdrop, the Group actively explores new ways to modernize Chinese medicine services. Through taking the "culture-first approach in introducing medicine through treatments" model of Tong Ren Tang, the Group expands its presence outward. In the ever-changing economic environment, with high-quality products, the Group has expanded its markets worldwide to achieve stable development in overseas markets. This Year, the Group maintains 48 retail outlets overseas. The revenue from overseas markets for the Group was HK\$480.3 million (2022: HK\$471.6 million), a year-on-year increase of 1.8%, with same-store revenue growth reaching 4.1%.

In terms of the Mainland China market, with the comprehensive adjustment on pandemic prevention and control measures in Mainland China in 2023, the market was full of aspirations for its economy. Yet, despite the general improvement in the economy, the external environment has become increasingly complex, severe, and uncertain. This has presented some difficulties and challenges for economic development, as consumer willingness to spend remained cautious. As a result, the economy has not experienced a significant rebound. As the actual market situation and demand after the pandemic was different from expectation to a certain extent, some distributors in Mainland China were still digesting their inventories of the Sporoderm-broken Ganoderma Lucidum Spores Powder of the Group during the Year, which had affected the Group's sales revenue in Mainland China. This Year's revenue in the Mainland China market reached HK\$129.3million (2022: HK\$433.5 million), a decrease of 70.2% compared to the previous year.

### ***Production, Research and Development***

This Year, the Group continued to focus on its core business, placing emphasis on production quality management and technological innovation, strengthening variety development and coordinated planning, enhancing talent cultivation, and improved production efficiency to reinforce a solid foundation for further optimization of the Group's reserves on variety resources and industrial capacity.

The Group's production and R&D base in Tai Po, Hong Kong, holds Hong Kong Chinese patent medicine GMP (Good Manufacturing Practice) certification, international standard ISO 22000 certification, and HACCP (Hazard Analysis and Critical Control Points) certification. It is committed to establishing a quality control system throughout the entire process from project initiation, R&D, raw material procurement to production and supply to provide comprehensive assurance for producing high-quality products.

This Year, the production capacity of varieties such as Angong Niu Huang Wan (安宮牛黃丸), Sporoderm-broken Ganoderma Lucidum Spores Powder Capsules (破壁靈芝孢子粉膠囊), Ultra Fine Pearl Powder (極細珍珠粉), and Lingzhi Vitality Capsules (靈芝樂活膠囊) has been significantly increased, fully meeting market demand. In terms of technological innovation, Jinshui Liujun Jian granules (金水六君煎顆粒) and Lingzhi turmeric compound blood-supplementing and nerve-calming capsules (靈芝姜黃複方活血安神膠囊) have been approved for registration as an independent Chinese medicine, further enriching the Company's variety resources.

Moving forward, the Group will continue to align with the evolving trends in the field of macro-health and actively pursue new product development to cater to the widespread market demand for regulating human body functions and preventing diseases. Additionally, the Group will continue to strengthen the development of independent intellectual property rights, including invention patents, new utility model designs, copyrights, and publications, with a particular emphasis on the core product lines. While expanding Tong Ren Tang's presence in overseas markets, the Group will concurrently build a robust portfolio of independent intellectual property rights and explore global patent registration, utilizing international intellectual property rules to protect and enrich the core value of Tong Ren Tang products. As of 31 December 2023, the cumulative number of authorized patents reached 61 (including Mainland China and Hong Kong patents), with 6 PCT international applications submitted, setting up a good protective barrier for Tong Ren Tang's advantageous varieties.

### ***Brand Promotion and Marketing***

This Year, the Group consistently upholds the corporate spirit of "Nurturing kindness and virtue, Preserving tranquility and wellness", to make a profound commitment to the concept of macro-health services, wholeheartedly immersing itself in the field of Chinese medicine and the macro-health industry. The Group actively engages in a series of brand promotion and marketing activities. It is dedicated to enhancing the brand strength and influence of Tong Ren Tang in both the Hong Kong and overseas markets and fostering global awareness of Chinese medicine and brand's culture.

To achieve three core competitive advantages in terms of "brand, variety, and quality", the Group initiated the "Three Advantages" activities, in conjunction with the "Tong Ren Tang 300th Anniversary of Royal Medicine Event" and the "Tong Ren Tang's King of Medicine Festival" celebrating events in 2023. Marketing activities were conducted under the concept of "heritage of royal medicines and the centuries-old formulas".

In January and May of this Year, in conjunction with World Hypertension Day, the Group has distributed the scientific research result from the Angong Niuhuang Wan research report published by the Faculty of Medicine of the University of Hong Kong via different media, which has attracted a total of approximately 1 million views. Additionally, during the Year, the Group adapted promotional strategies in different periods. In January, under the theme of “Tong Ren Health: Joining Hands Against the Pandemic”, the Group actively engaged in daily health posts and product introductions. As borders gradually reopened in February and the tourism industry began to recover, outdoor mobile advertisements were prioritized. For instance, advertisements were placed on buses traversing main streets, railway train carriages on routes to and from border crossing, high-definition outdoor large screens outside shopping malls in tourist areas and trams to promote the Angong Niuhuang Wan and the series of Lingzhi product of “Tong Ren Tang”.

Additionally, the Group participated in local media tours, showcasing milestones from the establishment to the current development of the brand for the 300th anniversary of royal medicine. Outdoor exhibitions were held in different communities, attracting special reports from various media. During the activities of the Tong Ren Tang’s King of Medicine Festival (同仁堂藥王節), an online video platform was used to introduce several forms of 13 formulas of the King of Medicine with scenarios in everyday life. A “Bronze Boy (銅人仔)” was added thereto to provide commentary and thus introduce related products of Tong Ren Tang. Meanwhile, the Group has participated in large-scaled events such as the hometown market in celebration of the 26th anniversary of the establishment of the HKSAR, the Shanghai Import Expo (上海進博會), the 2023 Redox Biology and Medicine Meeting (2023中國氧化還原醫學大會), and the 12th World Congress of Microcirculation (第十二屆世界微循環大會). The Group set up booths in the Beijing Daxing Yongding River Marathon (北京大興永定河馬拉松), where Tong Ren Tang Holdings was the title sponsor, to showcase the products and create a soft promotional effect. Various small community exhibitions were also organized. During the events, a series of activities such as free Chinese medicine consultations, free blood pressure measurement and Chinese medicine seminars were provided. Simultaneously, posts regarding “Tong Ren Tang 300th Anniversary of Royal Medicine” was also given through Tong Ren Little Encyclopedia (同仁小百科) on online platform. The Group actively conducted themed marketing campaigns to coincide with specific holidays and events. For example, posts were published and prize games were held to celebrate International Women's Day. There were also activities for Mother's Gift Day (母親好物節) and the Father's Day in June, aiming to promote vigorously and to raise public awareness of our products.

This Year, the Group continued to uphold “public welfare” as the underlying principle and cornerstone of the brand culture, and placed even greater emphasis on addressing the generally increasing demand for health in society after the pandemic. The successful hosing of “the 8th Show Love and Care to Stroke Prevention” series of events marked a departure towards health, advancing together with the needs of the community. The Group joined hands with society and showcased the brand culture at Ngong Ping 360. The series of events combined Chinese kung fu and traditional Chinese medicine, complementing each other and yielding mutual benefits. It not only successfully ignited market enthusiasm and captured consumer interest, but also possessed international, interactive, and grassroots marketing characteristics, and showcasing extraordinary significance.

This Year, the Group continued to cooperate closely with mainstream popular media, launching a series of Vlogs to explore new forms of brand marketing. Using hot topics such as “Belt and Road Initiative” and “Chinese Medicine Goes Global”, paths and routes of overseas expansion for brand culture were presented via short stories that are more appealing to young followers. These stories depict the journey of the famous Chinese medicine brand from Hong Kong to Asia and then to the world for development. In the current attraction economy, this approach helps the Group gradually establish a clear positioning and accurate understanding of the future consumer market.

With its diversified product portfolio and outstanding operational efficiency, the Group has earned a multitude of prestigious accolades. This Year, the Group once again won the “Most Influential Brand Award in Asia: Most Trusted Traditional Chinese Medicine Brand” in Singapore consecutively, maintaining the advantageous position of its brands in overseas markets and demonstrating recognition and trust from overseas markets and consumer groups in the Group’s brand, products, services, and exceptional quality.

### **Business Prospects**

In the medium to long term, the global demand for Chinese medicine continues to increase due to factors such as population aging, changes in lifestyle, and environmental pollution, which have contributed to the growing prevalence of issues such as chronic diseases and suboptimal health conditions. This trend is further fuelled by the rising awareness of health and improvement in living standards. Moreover, the Chinese government has shown strong support and implemented a series of policies and measures to promote the development of the Chinese medicine industry, creating a favourable foundation for sustained growth in the pharmaceutical sector. Under this background and as a leading enterprise in the industry, Tong Ren Tang is well-positioned to capitalize on these broad development opportunities.

Moving forward, the Group will actively adjust its business model and implement a dual-driven strategy. It will enthusiastically establish new retail outlets in Hong Kong and other markets, while expanding its product registration and sales channels internationally. The Group will also focus on revitalizing the owned product sales in Mainland China and diversifying its sales channels to achieve sustainable and substantial transformative growth. The Group will pursue external growth through measures such as strategic investments, mergers, acquisitions, and partnerships with high-quality collaborators. Furthermore, the Group will continue to explore new opportunities beyond its current business scope, and pave the way for the creation of innovative engines for business growth by creating a diversified business model. With a strong emphasis on market feedback and the trust of investors, Tong Ren Tang is committed to introducing Chinese healthcare solutions to the world. The Group endeavours to constantly expand the horizons of human health, with the goal of establishing itself as a worldwide frontrunner in the realm of Chinese medicine and healthcare. By undertaking these initiatives, it aims to make valuable contributions to the overall welfare of individuals worldwide as well as to the global healthcare.

### **Human Resources Management**

As at 31 December 2023, the Group had a total of 798 employees (2022: 762 employees).

The staff costs of the Group for the Year were HK\$245.7 million (2022: HK\$219.1 million), representing an increase of 12.1% from last year. To ensure that the Group is able to attract and retain talents, remuneration policies are reviewed on a regular basis. In addition, the discretionary bonus is offered to employees with outstanding performance with reference to the Group’s results and individual performance.

## **Financial Review**

### **Revenue**

This Year, the Group's revenue amounted to HK\$1,524.9 million (2022: HK\$1,731.1 million), representing a decrease of 11.9% from last year. The decline in revenue is primarily attributed to the decrease in sales of Sporoderm-broken Ganoderma Lucidum Spores Powder in Mainland China. While there was a steady recovery in Hong Kong from the pandemic, reflected in an increase of 10.8% in revenue from last year, the Mainland China consumer market has yet to recover. Pairing with cautious consumer sentiment, resulting a discrepancy between actual market conditions and anticipated post-pandemic demand. Some distributors in Mainland China were still working through inventory of Sporoderm-broken Ganoderma Lucidum Spores Powder, which has affected the sales revenue in Mainland China with a decrease of 70.2% from last year.

### **Gross Profit**

The Group's gross profit for this Year amounted to HK\$1,047.2 million (2022: HK\$1,150.1 million), representing a decrease of 8.9% from last year. However, the gross profit margin increased from 66.4% in the previous year to 68.7% this Year. The growth is primarily driven by relaxation of pandemic prevention and control policies this Year, coupled with an increase in visitor arrival, leading to economic recovery in Hong Kong and Macau region and overall positive trend in the retail sector, thereby an increase in the proportion of retail revenue with higher gross profit margin in consolidated revenue year-on-year. Despite certain cost pressures related to raw materials and manufacturing, the Group has implemented measures to reduce costs and enhance efficiency, as well as ensuring a steady supply of high-quality raw materials. These strategies have helped maintain a similar gross profit margin for the proprietary products compared to the previous year.

### **Other Gains, net**

The Group's other gains, net was HK\$8.4 million (2022: HK\$9.6 million), which was decreased by HK\$1.2 million from last year. The decrease is primarily due to a reduction in government subsidies for the COVID-19 pandemic received by the Group during this Year.

### **Distribution and Selling Expenses**

The Group's distribution and selling expenses were HK\$231.3 million (2022: HK\$187.2 million), representing an increase of 23.6% from last year. The Group expanded its retail presence, leading to heightened costs associated with property leases, employee expenses, and retail-related expenditures. Moreover, the Group implemented intensified marketing and promotional campaigns for its major products and brands post-pandemic, resulting in a notable upswing in advertising and publicity costs. Distribution and selling expenses as a percentage to revenue increased from 10.8% last year to 15.2% this Year.

### **General and Administrative Expenses**

The Group's general and administrative expenses were HK\$179.0 million (2022: HK\$154.5 million), representing an increase of 15.9% from last year. These expenses primarily consist of employee costs and rental fees. The rise in general and administrative expenses can be primarily attributed to the employment of additional staff members to meet the group's business growth requirements and the implementation of suitable adjustments in annual employee compensation to retain talents. General and administrative expenses as a percentage to revenue increased from 8.9% from last year to 11.7% this Year.

### **Finance Income, net**

The Group's net finance income was HK\$66.9 million (2022: HK\$15.9 million), which included the finance income of HK\$72.9 million (2022: HK\$20.6 million). The increase in finance income of HK\$52.3 million was mainly due to the increase in both the average short-term bank deposit interest rate and the average bank deposit balance from last year.



## Income Tax Expense

The Group's income tax expense was HK\$97.2 million (2022: HK\$134.7million), representing a decrease of 27.8% from last year. The decrease in income tax expenses is mainly attributed to the reduction in revenue from the Mainland China market, resulting in a decrease in taxable profits subject to higher tax rates in Mainland China. The effective tax rate for the Year maintains at 14.1% (2022: 16.3%).

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

The Group's profit for the Year decreased by 14.6% to HK\$590.6 million (2022: HK\$691.3 million) with a net profit margin of 38.7% (2022: 39.9%). Profit attributable to owners of the Company amounted to HK\$540.4 million (2022: HK\$645.9 million), representing a decrease of 16.3% from last year. The basic earnings per share for the Year were HK\$0.65 (2022: HK\$0.77). The Directors recommend the payment of a final dividend of HK\$0.33 per share for the Year (2022: HK\$0.33).

## Financial Resources and Liquidity

During the Year, the Group funded its liquidity by internal resources. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances, the Group has adequate liquidity and financial resources to meet the daily operations and working capital requirements as well as to fund its expansion plans.

The Group continued to maintain a strong financial position with cash and bank balances of HK\$2,378.7 million (2022: HK\$2,244.0 million) as at 31 December 2023. 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 2022 and 2023 and net cash generated from/(used in) operating activities, investing activities and financing activities for the years ended 31 December 2022 and 2023:

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Cash and bank balances	2,378,693	2,243,963
Working Capital <sup>(1)</sup>	3,514,404	3,264,497
Total Equity	4,020,690	3,738,793
Current Ratio <sup>(2)</sup>	11.7	8.8
Gearing Ratio <sup>(3)</sup>	3.3%	2.8%

  

	For the year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Net cash generated from operating activities	460,831	547,444
Net cash (used in)/generated from investing activities	(1,078,521)	335,412
Net cash used in financing activities	(372,181)	(535,416)

<sup>(1)</sup> Being net current assets

<sup>(2)</sup> Being current assets divided by current liabilities

<sup>(3)</sup> Being borrowings and lease liabilities divided by total equity

### **Capital Expenditure**

During the Year, the Group's capital expenditure amounted to HK\$21.9 million (2022: HK\$38.5 million), which was mainly used in renovation of retail outlets and purchase of machinery and equipment for production and operation purposes.

### **Major Investment, Acquisitions and Disposals**

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

### **Charges over Assets of the Group**

As at 31 December 2023, the Group does not have any charges over assets of the Group. As at 31 December 2022, the Group's net property value of AUD1.8 million (equivalent to HK\$9.5 million) has been pledged as securities for bank borrowings. Such bank borrowings in Australian dollars bore interest at 1.5% plus the bank bill rate in Australia per annum as at 31 December 2022 and was wholly repaid in 2023.

### **Contingent Liabilities**

As at 31 December 2023, the Group did not have any significant contingent liabilities (2022: Nil).

### **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 is mainly denominated in Hong Kong dollar, Renminbi and US dollar. During the Year, the fluctuation in the exchange rates of these currencies did not have material impact on the Group.

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

### **EVENTS AFTER THE REPORTING PERIOD**

The Directors are not aware of any significant event requiring disclosure that had taken place subsequent to 31 December 2023 and up to the date of this announcement.

### **INTERESTS IN COMPETING BUSINESSES**

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

- (i) engage in the research, development, manufacture and sales of any products containing ganoderma lucidum or ganoderma lucidum spores as raw materials in markets outside of the Mainland China (the "**Non-Mainland China Markets**");
- (ii) engage in the research, development, manufacture and sale of any products with "Tong Ren Tang" brands in Non-Mainland China Markets, except for the manufacture of the Chinese medicine products for the two independent third parties in Japan; for the avoidance of doubt and without prejudice to the generality of the Deed of Non-competition, except for the current excluded business in Japan, engage in arrangement with any other parties in the Non-Mainland China Markets similar to the excluded business in Japan;

- (iii) carry out any sales or registration (new or renewal) for Angong Niu Huang Wan in the Non-Mainland China Markets;
- (iv) engage in the distribution of any Chinese medicine products in Non-Mainland China Markets, except for certain existing arrangements as disclosed in the Prospectus; and
- (v) carry out any new overseas registration of “Tong Ren Tang” branded products ((i) to (v) are collectively known as “**Restricted Business**”).

In addition, under the Deed of Non-competition, each of the Controlling Shareholders has also undertaken that if each of them and/or any of its associates is offered or becomes aware of any project or new business opportunity (the “**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, it shall (i) promptly and in any event not later than seven (7) days notify the Company in writing of such opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such opportunity; and (ii) use its best endeavours to procure that such opportunity is offered to the Company on terms no less favourable than the terms on which such opportunity is offered to it and/or its associates.

The Directors (including the independent non-executive Directors) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity within thirty (30) business days of receipt of notice from Controlling Shareholders.

Tong Ren Tang Holdings has also granted the Company rights of first refusal to acquire its interest in Beijing Tong Ren Tang Hong Kong Medicine Management Limited, Beijing Tong Ren Tang (UK) Limited and Beijing Tong Ren Tang Tai Fong Co., Ltd. on terms which are not less favourable than the terms it wishes to sell to other parties.

## **DIVIDENDS**

The Directors recommend the payment of a final dividend of HK\$0.33 per ordinary share for the year ended 31 December 2023 (2022: HK\$0.33). Such final dividend will be proposed for approval by shareholders at the annual general meeting (“**AGM**”) to be held on Friday, 31 May 2024 and if approved, are payable to shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2024.

Subject to approval by the Company’s shareholders at the AGM, the final dividend will be paid on or before Monday, 17 June 2024.

## **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 Tuesday, 28 May 2024 to Friday, 31 May 2024, 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 Monday, 27 May 2024.

## ***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 2023, the register of members of the Company will be closed from Thursday, 6 June 2024 to Tuesday, 11 June 2024, 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, 5 June 2024.

## **REVIEW OF ANNUAL RESULTS**

As at 31 December 2023, 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. Xu Hong Xi, 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 2023.

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

During the year ended 31 December 2023, 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 2023, the Company had complied with the code provisions set out in the Corporate Governance Code in Appendix C1 to the Listing Rules.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 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 from the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company during the year ended 31 December 2023.

## **(2) INSIDE INFORMATION – REVISED DIVIDEND POLICY**

The below is made pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the Board would like to announce that on 14 March 2024 it has resolved to revise the dividend policy of the Company (the “**Revised Dividend Policy**”) with immediate effect from 14 March 2024 and which will apply to the proposed final dividend of the Company for the year ended 31 December 2023.

According to the Revised Dividend Policy, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The dividend payout ratio would not be less than 40% of the profit attributable to owners of the Company for the corresponding period. In deciding whether to propose a dividend, determining the dividend amount as well as to provide relatively steady dividend payout ratio, the Board takes into account the Group’s earnings performance, financial results, cash flow position, investment requirements, business conditions and strategies, future operations and earnings, any limit to the payment of dividend and any other factors that the Board may consider as relevant.

The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of association of the Company, all applicable laws and regulations and the Revised Dividend Policy.

The dividend policy will be reviewed by the Board from time to time as appropriate.

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

Hong Kong, 14 March 2024

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

***Executive Directors:***

Mr. Gu Hai Ou (*Chairman*)

Mr. Yu Jin

Mr. Chen Fei

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

Mr. Tsang Yok Sing, Jasper

Mr. Xu Hong Xi

Mr. Chan Ngai Chi

***Non-executive Director:***

Ms. Feng Li