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BEIJING TONG REN TANG CHINESE MEDICINE COMPANY LIMITED

北京同仁堂國藥有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3613)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
	2024	2023	
	HK\$'000	HK\$'000	
Revenue	1,611,644	1,524,945	+5.7%
Gross profit	1,065,329	1,047,243	+1.7%
Profit for the year	529,167	590,587	-10.4%
Profit attributable to owners of the Company	500,278	540,393	-7.4%
Basic and diluted earnings per share	HK\$0.60	HK\$0.65	-HK\$0.05
Proposed final dividend per ordinary share	HK\$0.35	HK\$0.33	+HK\$0.02

	As at 31 December		Change
	2024	2023	
	HK\$'000	HK\$'000	
Cash and bank balances	1,819,753	2,378,693	-23.5%
Inventories	1,589,016	1,011,649	+57.1%
Total assets	4,559,525	4,434,445	+2.8%
Total equity	4,246,434	4,020,690	+5.6%

RESULTS

The board of directors (the “**Board**”) of Beijing Tong Ren Tang Chinese Medicine Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2024 (the “**Year**”) together with the audited comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2024	2023
	Notes	HK\$'000	HK\$'000
Revenue	3	1,611,644	1,524,945
Cost of sales	5	(546,315)	(477,702)
Gross profit		1,065,329	1,047,243
Distribution and selling expenses	5	(300,205)	(231,261)
General and administrative expenses	5	(191,791)	(179,029)
Net impairment losses on financial assets	5	(1,949)	(21,185)
Other gains, net	4	5,540	8,381
Operating profit		576,924	624,149
Finance income		57,274	72,878
Finance costs		(6,481)	(5,978)
Finance income, net		50,793	66,900
Share of profits/(losses) of investments accounted for using the equity method		2,056	(3,259)
Profit before income tax		629,773	687,790
Income tax expense	6	(100,606)	(97,203)
Profit for the year		529,167	590,587
Profit attributable to:			
Owners of the Company		500,278	540,393
Non-controlling interests		28,889	50,194
		529,167	590,587
Earnings per share attributable to owners of the Company for the year (expressed in HK\$ per share)			
Basic and diluted earnings per share	7	0.60	0.65

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Profit for the year	529,167	590,587
Other comprehensive income/(losses):		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences attributable to owners of the Company	(15,520)	310
Share of other comprehensive income/(losses) of joint ventures	110	(191)
Share of other comprehensive loss of associates	(588)	(457)
<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	810	(1,785)
Currency translation differences attributable to non-controlling interest, net	(3,382)	904
Other comprehensive losses for the year	<u>(18,570)</u>	<u>(1,219)</u>
Total comprehensive income for the year	<u><u>510,597</u></u>	<u><u>589,368</u></u>
Attributable to:		
Owners of the Company	485,090	538,270
Non-controlling interests	<u>25,507</u>	<u>51,098</u>
Total comprehensive income for the year	<u><u>510,597</u></u>	<u><u>589,368</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

		2024	2023
	Notes	HK\$'000	HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		211,111	213,816
Right-of-use assets		201,234	211,810
Intangible assets		67,313	56,387
Investments accounted for using equity method		53,546	51,968
Financial asset at fair value through other comprehensive income		8,643	7,833
Prepayments and deposits		16,445	11,187
Deferred income tax assets, net		35,486	37,122
		593,778	590,123
Current assets			
Inventories	9	1,589,016	1,011,649
Trade receivables and other current assets	10	556,978	453,980
Short-term bank deposits with original maturities exceeding three months		46,679	1,378,879
Cash and cash equivalents		1,773,074	999,814
		3,965,747	3,844,322
Total assets		4,559,525	4,434,445
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		938,789	938,789
Reserves			
- Other reserves		(58,377)	(43,189)
- Retained earnings		3,194,948	2,970,913
		4,075,360	3,866,513
Non-controlling interests		171,074	154,177
Total equity		4,246,434	4,020,690

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December	
	Note	2024 HK\$'000	2023 HK\$'000
Liabilities			
Non-current liabilities			
Borrowings		142	166
Lease liabilities		65,799	75,227
Deferred income tax liabilities, net		8,708	8,444
Retirement benefit obligations		3,088	-
		<hr/> 77,737	<hr/> 83,837
Current liabilities			
Borrowings		71	166
Trade and other payables	11	157,308	245,408
Lease liabilities		57,408	56,254
Current income tax liabilities		20,567	28,090
		<hr/> 235,354	<hr/> 329,918
Total liabilities		<hr/> 313,091	<hr/> 413,755
Total equity and liabilities		<hr/> 4,559,525	<hr/> 4,434,445

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

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which comprise all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance (“**Companies Ordinance**”). They have been prepared under the historical cost convention, except for financial asset at fair value through other comprehensive income, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRS Accounting Standards 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 2024 and 2023 included in this preliminary announcement of annual results 2024 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 is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 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 2024 in due course.

The Company’s auditors have 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)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2 Basis of preparation (continued)

(a) Changes in accounting policies and disclosures

The Group has adopted the following amended standards for the first time for the current year's financial statements.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (2020 Amendments)
Amendments to HKAS 1	Non-current Liabilities with Covenants (2022 Amendments)
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The adoption of the above amended standards did not have any significant financial impact on these consolidated financial statements.

(b) Issued but not yet effective HKFRS Accounting Standards

The Group has not applied the following new and amended standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and amended standards, if applicable, when they become effective.

HKFRS 18	Presentation and Disclosure in Financial Statements ⁽³⁾
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ⁽³⁾
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ⁽²⁾
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ⁽²⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾
Amendments to HKAS 21	Lack of Exchangeability ⁽¹⁾
Annual Improvements to HKFRS Accounting Standards - Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ⁽²⁾

⁽¹⁾ Effective for the accounting period beginning on or after 1 January 2025

⁽²⁾ Effective for the accounting period beginning on or after 1 January 2026

⁽³⁾ Effective for the annual/reporting periods beginning on or after 1 January 2027

⁽⁴⁾ No mandatory effective date yet determined but available for adoption

2 Basis of preparation (continued)

Further information about those new and amended standards that have significant impacts to the Group is described below:

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other standards. HKFRS 18 and the consequential amendments to other standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

Except for the above situation, the above new and amended standards do not expect to have a material impact on the consolidated financial statements of the Group. The Group will adopt the new and amended standards when they become effective.

3 Segment information

The chief operating decision makers have 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 makers for the purposes of allocating resources and assessing performance and have determined that the Group has three reportable operating segments.

3 Segment information (continued)

The geographical location of revenue is analysed based on location of the Group's entities. 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, the Macao Special Administrative Region of the PRC ("**Macao**") and Taiwan China) - wholesale of healthcare products in the Mainland China and the sole distribution of "Tong Ren Tang" branded products of Tong Ren Tang Technologies and Tong Ren Tang Ltd. to customers outside the Mainland China.
- (iii) Overseas (countries/regions other than (i) and (ii) as mentioned, for the purpose of this 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 and deposits, 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, retirement benefit obligations, 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 statement of profit or loss

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
Year ended 31 December 2024				
Segment revenue	1,269,131	248,755	402,622	1,920,508
Inter-segment revenue	(199,480)	(109,384)	-	(308,864)
Revenue from external customers	<u>1,069,651</u>	<u>139,371</u>	<u>402,622</u>	<u>1,611,644</u>
Timing of revenue recognition				
At a point in time	1,069,500	138,094	397,687	1,605,281
Overtime	<u>151</u>	<u>1,277</u>	<u>4,935</u>	<u>6,363</u>
	<u>1,069,651</u>	<u>139,371</u>	<u>402,622</u>	<u>1,611,644</u>
Contribution to segment results	579,376	15,769	77,104	672,249
Depreciation of property, plant and equipment	(12,141)	(1,048)	(4,328)	(17,517)
Depreciation of right-of-use assets	(44,098)	(2,872)	(20,197)	(67,167)
Amortisation of intangible assets	(3,438)	-	-	(3,438)
Losses on disposals of property, plant and equipment	(41)	-	(23)	(64)
Net reversal of impairment losses/(net impairment losses) on financial assets	426	(2,980)	605	(1,949)
Impairment loss on inventories	-	-	(395)	(395)
Write-off of inventories	(396)	(35)	(496)	(927)
Segment results	<u>519,688</u>	<u>8,834</u>	<u>52,270</u>	<u>580,792</u>
Inter-segment elimination				<u>(3,868)</u>
Operating profit				<u>576,924</u>
Finance income	52,510	113	4,651	57,274
Finance costs	(3,394)	(172)	(2,915)	(6,481)
Share of losses of joint ventures				(3,346)
Share of profits of associates				<u>5,402</u>
Profit before income tax				<u>629,773</u>
Income tax expense				<u>(100,606)</u>
Profit for the year				<u>529,167</u>
Year ended 31 December 2023				
Segment revenue	1,171,231	228,634	482,436	1,882,301
Inter-segment revenue	(255,908)	(99,299)	(2,149)	(357,356)
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				<u>624,149</u>
Finance income	68,278	244	4,356	72,878
Finance costs	(2,908)	(175)	(2,895)	(5,978)
Share of losses of joint ventures				(1,438)
Share of losses of associates				<u>(1,821)</u>
Profit before income tax				<u>687,790</u>
Income tax expense				<u>(97,203)</u>
Profit for the year				<u>590,587</u>

3 Segment information (continued)

(b) Analysis of consolidated statement of financial position

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
At 31 December 2024				
Segment assets and liabilities				
Total assets	<u>3,621,070</u>	<u>404,233</u>	<u>534,222</u>	<u>4,559,525</u>
Investments accounted for using the equity method	<u>23,219</u>	<u>25,012</u>	<u>5,315</u>	<u>53,546</u>
Financial asset at fair value through other comprehensive income	<u>8,643</u>	<u>-</u>	<u>-</u>	<u>8,643</u>
Additions to non-current assets ⁽¹⁾	<u>63,009</u>	<u>4,838</u>	<u>30,312</u>	<u>98,159</u>
Total liabilities	<u>(180,944)</u>	<u>(34,649)</u>	<u>(97,498)</u>	<u>(313,091)</u>
At 31 December 2023				
Segment assets and liabilities				
Total assets	<u>3,472,865</u>	<u>469,463</u>	<u>492,117</u>	<u>4,434,445</u>
Investments accounted for using the equity method	<u>8,482</u>	<u>36,839</u>	<u>6,647</u>	<u>51,968</u>
Financial asset at fair value through other comprehensive income	<u>7,833</u>	<u>-</u>	<u>-</u>	<u>7,833</u>
Additions to non-current assets ⁽¹⁾	<u>73,951</u>	<u>10,895</u>	<u>22,548</u>	<u>107,394</u>
Total liabilities	<u>(241,363)</u>	<u>(68,399)</u>	<u>(103,993)</u>	<u>(413,755)</u>

⁽¹⁾ In this analysis, additions to non-current assets exclude interests in joint ventures and associates, 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:

	2024 HK\$'000	2023 HK\$'000
Sales of products	1,560,767	1,473,819
Service income	50,726	50,687
Royalty fee income	151	439
	<u>1,611,644</u>	<u>1,524,945</u>

(d) Information about major customers

For the year ended 31 December 2024, majority of the revenue were generated from wholesales customers, revenue from one (2023: one) customer accounted for more than ten percent of the Group's total revenue. These revenues are attributable to the Hong Kong segment and Mainland China segment (2023: Hong Kong segment and Mainland China segment). The revenues from the customer are HK\$482,458,000 (2023: HK\$273,456,000).

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 2024 (2023: 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:

	2024 HK\$'000	2023 HK\$'000
(i) Revenue ⁽¹⁾		
Hong Kong	1,069,651	915,323
Mainland China	139,371	129,335
Macao	214,488	282,684
Australia	62,110	62,625
Canada	44,820	46,944
New Zealand	26,107	28,218
Singapore	21,477	24,046
United States	16,521	15,751
Other countries/regions	17,099	20,019
	<u>1,611,644</u>	<u>1,524,945</u>
(ii) Non-current assets ⁽²⁾		
Hong Kong	307,654	294,924
Mainland China	10,212	9,124
Macao	64,197	60,115
Australia	40,299	44,683
Canada	19,108	22,968
New Zealand	37,723	42,888
Europe	6,801	11,519
United States	727	1,948
Other countries/regions	9,382	5,031
	<u>496,103</u>	<u>493,200</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 investment in joint ventures and associates, 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	
	2024	2023
	HK\$'000	HK\$'000
Contract liabilities	<u>5,138</u>	<u>3,211</u>

The Group has not recognised any contract assets related to contract with customers as at 31 December 2024 and 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 contract liabilities at the beginning of the year.

	As at 31 December	
	2024	2023
	HK\$'000	HK\$'000
Revenue recognised in relation to contract liabilities at 1 January	<u>1,406</u>	<u>4,678</u>

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	As at 31 December	
	2024	2023
	HK\$'000	HK\$'000
Amounts expected to be recognized as revenue		
Within one year	4,662	1,406
After one year	<u>476</u>	<u>1,805</u>
	<u>5,138</u>	<u>3,211</u>

4 Other gains, net

	2024 HK\$'000	2023 HK\$'000
Government grants ⁽¹⁾	558	1,851
Gain on deemed disposal of an investment accounted for using the equity method	-	2,879
Gain on deregistration of subsidiaries	2,473	-
Dividend income from equity investments at fair value through other comprehensive income	391	240
Others	2,118	3,411
	5,540	8,381

⁽¹⁾ There are no unfulfilled conditions or other contingencies attaching to these grants.

Deferral and presentation of government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

5 Expenses by nature

	2024 HK\$'000	2023 HK\$'000
Changes in inventories of finished goods and work in progress	8,047	(86,426)
Raw materials and consumables used	460,569	478,519
Employee benefit expenses	251,438	245,670
Expenses relating to short-term leases	11,486	11,518
Variable lease payments not included in the measurement of lease liabilities ⁽¹⁾	1,049	2,293
Amortisation of intangible assets	3,438	3,363
Depreciation of right-of-use assets	67,167	63,787
Depreciation of property, plant and equipment	17,517	15,364
Losses on disposals of property, plant and equipment	64	378
Impairment loss on inventories	395	363
Write-off of inventories	927	725
Net impairment losses on financial assets	1,949	21,185
Auditors' remuneration		
- Audit services	3,722	4,074
- Non-audit services	280	384
Research and development expenses	9,128	12,208
Promotion and advertising expenses	112,145	47,394
Legal and professional expenses	15,937	7,727
Foreign exchange difference, net ⁽²⁾	3,409	(375)

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

(2) The foreign exchange difference, net for the year is included in "Cost of sales", "Distribution and selling expenses", "General and administrative expenses" and "Finance income, net" in the consolidated statement of profit or loss.

6 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2023: 16.5%) on the estimated assessable profit for the year. PRC corporate income tax has been provided at the rate of 25% (2023: 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.

	2024 HK\$'000	2023 HK\$'000
Current income tax		
- Current year	99,350	119,355
- Over-provision in prior years	(99)	(993)
	<u>99,251</u>	<u>118,362</u>
Deferred income tax	<u>1,355</u>	<u>(21,159)</u>
Income tax expense	<u><u>100,606</u></u>	<u><u>97,203</u></u>

Pillar Two assessment

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted but not yet in effect as at 31 December 2024 in certain jurisdictions in which the Group operates.

The Group is in scope of the enacted or substantively enacted legislation and is in the process of assessing the potential exposure arising from Pillar Two legislation based on the information available for the financial year ended 31 December 2024. Based on the assessment carried out so far, only few jurisdictions where the transitional safe harbour relief may not apply. For jurisdictions where the transitional safe harbour may not apply, the potential impact is not expected to be material. Quantitative information to indicate potential exposure to Pillar Two income taxes is currently not known or reasonably estimable. The Group continues to progress the assessment and expects to be in a position to report potential exposure in 2025.

7 Earnings per share attributable to owners of the Company

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 year.

	2024	2023
Profit attributable to owners of the Company (HK\$'000)	<u>500,278</u>	<u>540,393</u>
Weighted average number of ordinary shares in issue (thousands)	<u>837,100</u>	<u>837,100</u>
Earnings per share (HK\$)	<u>0.60</u>	<u>0.65</u>

For the years ended 31 December 2024 and 2023, 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 2024 and 2023 were HK\$276,243,000 (HK\$0.33 per share) and HK\$276,243,000 (HK\$0.33 per share) respectively. Dividend in respect of the year ended 31 December 2024 of HK\$0.35 per share, amounting to a total dividend of HK\$292,985,000 is to be proposed at the annual general meeting on 28 May 2025. These financial statements do not reflect this dividend payable.

	2024 HK\$'000	2023 HK\$'000
Proposed final dividend of HK\$0.35 (2023: HK\$0.33) per ordinary share	<u>292,985</u>	<u>276,243</u>
	<u>292,985</u>	<u>276,243</u>

9 Inventories

	2024 HK\$'000	2023 HK\$'000
Raw materials	1,361,708	776,294
Work in progress	15,281	56,576
Finished goods and trading merchandise	<u>212,027</u>	<u>178,779</u>
	<u>1,589,016</u>	<u>1,011,649</u>

The cost of inventories recognised as expense and included in “cost of sales” amounted to HK\$468,616,000 (2023: HK\$392,093,000) and the impairment loss on inventories and write-off of inventories amounted to HK\$395,000 (2023: HK\$363,000) and HK\$927,000 (2023: HK\$725,000) for the year ended 31 December 2024, respectively.

10 Trade receivables and other current assets

	2024 HK\$'000	2023 HK\$'000
Trade receivables		
- immediate holding company	15,574	50,460
- fellow subsidiaries	155,991	156,682
- joint ventures	2,061	2,029
- associate	4,552	6,552
- third parties	365,274	220,679
Trade receivables, gross	543,452	436,402
Less: loss allowance	(42,374)	(41,158)
Trade receivables, net	501,078	395,244
Prepayments	17,761	11,623
Other receivables	23,963	26,774
Deposits	13,206	19,369
Amount due from a joint venture (Note b)	970	970
	556,978	453,980

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 (2023: 30 to 90 days).

At 31 December 2024 and 2023, the aging analysis of trade receivables based on invoice date (including amounts due from related parties of trading in nature) is as follows:

	2024 HK\$'000	2023 HK\$'000
Up to 90 days	328,684	188,302
91 – 180 days	1,936	326
181 – 365 days	43,174	3,092
Over 365 days	169,658	244,682
	543,452	436,402

11 Trade and other payables

	2024 HK\$'000	2023 HK\$'000
Trade payables		
- intermediate holding company	7,759	20,286
- immediate holding company	6,057	15,426
- fellow subsidiaries	9	258
- associate	1,080	1,104
- third parties	23,440	139,903
Trade payables	<u>38,345</u>	<u>176,977</u>
Accruals and other payables	113,825	65,220
Contract liabilities	<u>5,138</u>	<u>3,211</u>
	<u><u>157,308</u></u>	<u><u>245,408</u></u>

At 31 December 2024 and 2023, 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:

	2024 HK\$'000	2023 HK\$'000
Up to 90 days	30,668	157,052
91 – 180 days	803	2,493
181 – 365 days	-	6,666
Over 365 days	<u>6,874</u>	<u>10,766</u>
	<u><u>38,345</u></u>	<u><u>176,977</u></u>

12 Commitments

(a) Capital commitments

	2024 HK\$'000	2023 HK\$'000
Contracted but not provided for - property, plant and equipment and intangible assets	<u>16,050</u>	<u>15,961</u>

(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:

	2024 HK\$'000	2023 HK\$'000
No later than 1 year	<u>1,013</u>	<u>4,944</u>

As at 31 December 2024, undiscounted future lease payments amounted to HK\$13,755,000 (2023: HK\$7,400,000) were committed by the Group but the relevant lease periods had not commenced. These lease commitments were recognised as right-of-use assets upon the lease commencement date in 2025 (2023: 2024).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

Founded in 1669 during the eighth year of Emperor Kangxi's reign in the Qing Dynasty, Tong Ren Tang has been a prestigious Chinese time-honoured brand in the Chinese medicine industry with 356 years of history. Embracing the vision of "Creating health and sharing with the world", it continues to deepen its Chinese medicine modernisation efforts and expand its service areas, accelerating the international development of Chinese medicine. During its overseas development in recent years, the Group has consistently adhered to the approach of "Culture-first approach in introducing medicine through treatments", through which it deeply embodied the modern Tong Ren Tang values of "Responsibility, Commitment and Innovation" and has integrated traditional wisdom with innovative practices across all production and operational aspects. It continuously fosters new productive forces, charting new paths for high-quality development and promoting Chinese medicine's philosophy and wellness concepts to contribute greater strength to achieving its ambitious goal of "wherever there is a need for health, wherever there is Tong Ren Tang".

In 2024, the global economy faced heightened instability and uncertainty, characterized by insufficient momentum, unbalanced growth and intensifying fragmentation during its slow recovery. Despite risks such as geopolitical tensions and shrinking external demand amid global economic turmoil, China's economy has shown resilience and steady progress. The implementation of various incremental policies has yielded positive results, effectively boosting public confidence and continuously optimizing economic structure. China maintained robust growth momentum and continued to be a critical driving force for global economic growth. In this new climate where both opportunities and challenges exist, the Group has actively adapted to external environmental changes by continuously enhancing internal management, expanding its business presence and strengthening its brand influence in a strive to improve operating performance and protect shareholder interests, which in turn achieved numerous remarkable results.

This Year, the Group achieved revenues of HK\$1,611.6 million (2023: HK\$1,524.9 million), a year-on-year increase of 5.7%; achieved net profit of HK\$529.2 million (2023: HK\$590.6 million), a year-on-year decrease of 10.4%; owner's profits reached HK\$500.3 million (2023: HK\$540.4 million), a year-on-year decrease of 7.4%; and earnings per share were HK\$0.60 (2023: HK\$0.65), a year-on-year decrease of HK\$0.05. The Board recommends a final dividend of HK\$0.35 per share (2023: HK\$0.33).

Hong Kong Market

In 2024, the revenue in the Hong Kong market was HK\$1,069.7 million (2023: HK\$915.3 million), a year-on-year increase of 16.9%. This Year, Hong Kong achieved steady positive momentum with a focus on building a vibrant economy and striving for development. Various supportive measures from Mainland China and market stimulation initiatives from the Hong Kong government have injected new momentum into Hong Kong's economic development. The Census and Statistics Department of the HKSAR revealed a year-on-year growth of 2.5% in Hong Kong's real GDP for 2024 as a whole, which demonstrates the profound fundamental strength and strong market resilience in Hong Kong's economy. Although Hong Kong's overall economy showed positive development, the retail sector in Hong Kong still faced challenges. Notable changes in both tourist and local consumer behaviour, declining trends in tourist stays and per-capita spending, as well as a sustained high Hong Kong dollar exchange rate resulted in a more complex business environment, affecting the local retail industry to varying degrees. The value index of total retail sales from the Census and Statistics Department of the HKSAR showed a total year-on-year decline of 7.3% for 2024 as a whole, with the category of Chinese drugs and herbs retail declining by 14.8% year-on-year. Nevertheless, the Group has actively capitalized on market opportunities by thoroughly implementing a major variety strategy, developing products with unique advantages and strengthening marketing and brand promotion efforts. As of 31 December 2024, the Group had 29 retail outlets (including 6 retail outlets under Beijing Tong Ren Tang Fook Ming Tang Chinese Medicine Center, a joint venture of the Group) in Hong Kong, representing a net increase of 2 outlets from the previous year. The Group established new retail outlets in Central, North Point, Kowloon Station and Mong Kok of Hong Kong respectively, further expanding Tong Ren Tang's retail presence in Hong Kong with increased market coverage. This Year, retail revenue decreased by 8.6% year-on-year, primarily due to the continued weakness in the Hong Kong retail market. This led to a decrease in retail revenue in the first half of this Year. However, the Group rose to the challenge. With actively enhancing product marketing and promotional activities, and organizing a series of brand events, the retail revenue rebounded and achieved year-on-year and month-on-month growth in the second half of this 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 economy showed resilience yet was marked by risks and challenges. Regional economic disparities remained prominent, with developing economies substantially outpacing developed ones. The economic divergences persisted in segment development, with notable differences in economic growth among developed economies. Against this background, the Group adhered to the development strategy of "Culture-first approach in introducing medicine through treatments", actively expanding its presence in overseas Chinese medicine markets and continuously providing consumers with higher-quality Chinese medicine services. Through establishing the Tong Ren Tang brand in the Overseas market, the promotion of Chinese medicine culture is continuously expanding. This Year, the Group has 47 Overseas retail outlets, representing a net decrease of 1 outlet from the previous year. The revenue from Overseas markets was HK\$402.6 million (2023: HK\$480.3 million), a year-on-year decrease of 16.2%, with retail revenue decrease reaching 19.7%. The decline in revenue from Overseas markets is mainly attributed to the decrease in Macao's revenue. Due to a significant shift in the spending patterns of visitors to Macao, resulting in a reduction in per-capita expenditure and subsequently impacting Macao market's overall revenue.

In the Mainland China market, 2024 saw the Chinese government maintaining its proactive fiscal policy and prudent monetary policy. The China's economy maintained moderate to high growth, however, the pressure of a quarterly decline intensified, and the nominal GDP growth rate remained relatively low, indicating the need to improve short-term economic conditions and the need to tap into long-term economic growth potential. This Year, the Group's distribution business in the Mainland China market has gradually recovered. The revenue in the Mainland China market was HK\$139.4 million (2023: HK\$129.3 million), representing a year-on-year increase of 7.8%.

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, while enhancing talent cultivation and improving production efficiency to reinforce a solid foundation for further optimisation 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 ISO22000 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 and raw material procurement to production and supply to provide comprehensive assurance for the Group to produce high-quality products.

Meanwhile, the Group has been continuously strengthening its product manufacturing and R&D with a focus on lean management to accelerate the development of new quality productive forces and keep moving up the high end of the value chain, which in turn achieved fruitful results. This Year, the Group actively expanded its product matrix by introducing various new products, including Tong Ren Tang's Chinese anti-aging NMN series — the Youth Prime Collection (仙齡系列) and the Age-Defying Collection (保齡系列), Lingzhi Turmeric Compound Blood-supplementing and Nerve-calming Capsules (靈芝薑黃複方活血安神膠囊), the Guizhi Fuling Wan (桂枝茯苓丸) and Wood Lok Medicated Oil (活絡油). In terms of technological innovation, Danggui Buxue Kali (當歸補血顆粒) was approved and granted the Certificate of Registration of Proprietary Chinese Medicines, which further enriched the Group's variety of resources.

Moreover, the Group has collaborated with universities and research institutes on various scientific research projects over the years to improve product quality, establishing a framework for the integration of industry, academia, research and application to pave the way to Chinese medicine modernisation. Through in-depth studies into the safety, pharmacology and pharmacodynamics of key and pipeline varieties, the Group achieved positive and significant research outcomes that not only provided a theoretical basis for the future development of key varieties, but also helped accumulate reputation, recognition and technical assurance for the Overseas market expansion of these key varieties.

This Year, the Group signed a Letter of Intent for cooperation with Macau University of Science and Technology to jointly build a scientific research cooperation platform, establish a professional talent training program, carry out scientific research cooperation, promote the transformation of scientific research results, and carry out the registration of Tong Ren Tang's proprietary Chinese medicines in Macao. On this basis, the Group signed a cooperation agreement with the School of Pharmacy of Macau University of Science and Technology on "the Effect and Mechanism Study of Qiyao Pills in Improving Diabetic Nephropathy Induced by High-Fat Diet/STZ Model" (芪藥丸對改善高脂飲食加STZ 模型誘導的糖尿病腎病藥效驗證及機制研究). This cooperation aimed to conduct in-depth research on the efficacy and mechanism of Qiyao Pills in the treatment of diabetic nephropathy, verify its efficacy through scientific experiments, and provide a solid scientific basis for the modern application of Chinese medicine.

In addition, the Group's collaborative project with the School of Pharmacy of Macau University of Science and Technology, "Prescription pharmacology verification and preparation optimisation study of the classic prescriptions Huangqi Guizhi Wuwu Tang and Taohong Siwu Tang" (經典名方黃芪桂枝五物湯、桃紅四物湯處方藥理學考證及製劑優化研究), received funding from the Macao Special Administrative Region Government during the year, totalling more than Macao Pataca 12 million. The study focused on the pharmacological verification and formulation optimisation of the two classic prescriptions, improving their stability and bioavailability to make them more suitable for modern people's medication needs, providing a scientific basis for the modernisation of Chinese medicine, and providing strong scientific and technological support for the inheritance and development of classic prescriptions, and continuously promoting international support for Chinese medicine industry.

In November this Year, the "Investigation on the protective effect and toxicology of Angong Niu Huang Pills and its heavy metal components in ischemic stroke" (安宮牛黃丸及其重金屬成分在缺血性腦中風的保護作用及其毒理學研究) for which the Group provided necessary medicines for the research won the "International Award for Contribution to Chinese Medicine — Second Prize in Achievement Award in Medical Science" (中醫藥國際貢獻獎——科技進步獎二等獎) at the World Federation of Chinese Medicine Societies. The research results showed that Angong Niu Huang Wan could serve as an adjunct therapy for thrombolysis treatment, improving the efficacy and survival rate in the treatment of ischemic cerebrovascular and significantly reducing the side effects of brain hemorrhage caused by delayed treatment. This award not only highlights the significance of Angong Niu Huang Wan in the field of international neurological medicine, but also marks the Group's proactive contribution to promoting the modernisation and internationalisation of Chinese medicine.

While preserving and advancing Chinese medicine services, the Group is also expanding into a new health concept area through collaboration with the Deer Industry New Zealand, under which innovative health-functional deer food products were developed using New Zealand deer velvet and deer by-products as key ingredients. The Group entered into a Memorandum of Understanding with the Deer Industry New Zealand in respect of the promotional support for the innovative health-functional deer food product, assisting both parties in collaborative development, registration and marketing efforts. Furthermore, leveraging New Zealand's premium resource advantages, the Group established a deer product manufacturing facility that integrates Tong Ren Tang's Chinese medicine philosophy. The Group will fully leverage its proprietary brands and the benefits of Chinese medicine, combined with the resource advantages provided by New Zealand, the origin of deer velvet. This initiative is set to accelerate the R&D and industrial chain configuration for New Zealand deer products, propelling the Group further into new health domains.

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. Building upon its steady advancement in overseas expansion, 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 2024, the cumulative number of authorized patents reached 75 (including Mainland China and Hong Kong patents), with 8 PCT international applications submitted, setting up a good protective barrier for Tong Ren Tang's advantageous varieties.

Brand Promotion and Marketing

As a platform for the international development of Tong Ren Tang Group, a symbol of brand image and a gateway for cultural communication, the Group, based in Hong Kong, has a globally established presence, which is featured by a four-in-one integration of production, outlets, healthcare and culture, and blends the wisdom and experience of different regions and nationalities to accelerate the internationalisation process. As of 31 December 2024, the Group's sales network covers major countries and regions in Asia, Oceania, North America and Europe.

This Year, the Group continued to uphold “public welfare” as the underlying principle and cornerstone of the brand culture and successfully launched two major brand activities. During the first “Tong Ren Tang Day”, the Group called on retail outlets with Chinese medical consultation and treatment services overseas to carry out distinctive “Healthcare Charity” activities, such as health lectures, free consultation services by Chinese medicine practitioners, imparting acupuncture massage skills, Baduanjin exercises, etc., in order to achieve the combination of integrity and innovation, open-oriented and service-centered practices, domestic and foreign presence, cultural heritage and marketing promotion in every link, which enables the first “Tong Ren Tang Day” to be accessible, dynamic, grand and popular, thus injecting vitality into Tong Ren Tang's efforts to promote high-quality development through the “Belt and Road” initiative.

The Group's another key brand event, “the 9th Show Love and Care to Stroke Prevention” (「第九屆同仁關愛防中風」) series, launched with Hong Kong's first Chinese medicine culture-themed outdoor carnival, “The Beijing Tong Ren Tang Traditional Chinese Medicine Culture Carnival” (「『銅人同健康』中醫藥文化嘉年華」), as an initial warm-up event, followed by charity and marketing activities, including the “Tong Ren Health Advice and Disease Prevention” (「同仁健康治未病」) health seminars and “Beijing Tong Ren Tang Stroke Prevention Campaign 2024: Tong Ren A-Maze-ing Health Tips” (「同仁關愛防中風 2024《同仁心安》健康宮略」), to further explore the potential value of Tong Ren Tang's Chinese medicine culture. These active efforts to connect with Hong Kong primary and secondary schools and social welfare organisations have demonstrated its profound cultural background, telling compelling stories of Tong Ren Tang's contribution to the public health and well-being through Chinese medicine services.

The Group took active participations in exhibitions and events across different regions, including the Wuzhen Health Conference, the 26th China Beijing International High-Tech Expo, the 2024 China International Fair for Trade in Services, the 29th Macao International Trade & Investment Fair, the 21st World Congress of Chinese Medicine, the 2024 World Conference on Traditional Medicine in Beijing, the Inaugural Guangdong-Hong Kong-Macao Greater Bay Area Listed Companies Summit, etc., to showcase Tong Ren Tang's international development and Chinese medicine cultural heritage to the world, and narrate compelling brand and product stories to the world. The Group also participated in the Hong Kong 2nd "Hometown Market Carnival" and showcased various exhibitions and sale activities, including the display of traditional handicraft skills by non-heritage inheritors and various experiential activities to promote the culture of Tong Ren Tang with the utilization of culture as medium. In addition, the Group also assisted academic conferences in showcasing products and scientific research results, such as the Inaugural FoodMed Conference and Exhibition held at Hong Kong Baptist University in May this Year, the 20th Meeting of the Consortium Globalisation of Chinese Medicine and Innovative Research in Natural Medicines held in Hengqin, Zhuhai and the 11th Biennial Meeting of the Society for Free Radical Research-Asia and the Chinese National Conference of Redox Biology and Medicine 2024 held in Beijing.

This Year, the Group continued to strengthen its brand promotion efforts to enhance its brand image and strengthen market competitiveness. Through diverse media platforms, the Group demonstrated how modern scientific research techniques validate centuries-old Chinese medicine formulas, which effectively transformed the pharmacological research results into product sales impetus. This included actively promoting the effectiveness of Tong Ren Niu Huang Qing Xin Wan (同仁牛黃清心丸) in the prevention of cardiovascular and cerebrovascular health issues and the treatment of chronic fatigue syndrome, chronic stress and mood disorders to strengthen the market position of the product. In addition, the Group also conducted promotions for its products by fully leveraging different solar terms and major festivals. In conjunction with the 24 solar terms, the Group posted several articles about health care on social media every month to keep interacting with consumers. Around the Cultural and Natural Heritage Day, the traditional manufacturing technique of Tong Ren Tang Angong Niu Huang Wan (同仁堂安宮牛黃丸) was demonstrated to the public as means to improve brand awareness. Meanwhile, as tourism rebounded, the Group, with outdoor mobile advertisements playing a leading role, arranged buses on main streets, LED screens at major ports and high-definition outdoor TVs outside shopping malls in tourist areas in the Hong Kong and Macao markets to publicize the "major variety" products, such as Tong Ren Tang Angong Niu Huang Wan, Sporoderm-broken Ganoderma Lucidum Spores Powder Capsules (破壁靈芝孢子粉膠囊) and Tong Ren Niu Huang Qing Xin Wan, so as to enhance the exposure of the products and improve brand awareness, thus further stabilizing brand position in local markets and effectively increasing the influence of the Tong Ren Tang brand in Hong Kong and Macao. This Year, the Group updated the packing design of a series of products, such as Sporoderm-broken Ganoderma Lucidum Spores Powder Capsules and Sporoderm-broken Ganoderma Lucidum Spores Chocolate (破壁靈芝孢子巧克力), etc., to enhance the market attractiveness of the products. The Group also actively promoted e-commerce business in various initiatives to strengthen the layout and development of e-commerce channels. The Group cooperated with JD Health, Alibaba Health and Youzan to carry out e-commerce cross-border sales business, with a focus on the online promotion of Sporoderm-broken Ganoderma Lucidum Spores Powder Capsules and Lingzhi Turmeric Compound Blood-supplementing and Nerve-calming Capsules, to spread its brand to different sales areas and improve brand value.

With its diversified product portfolio and outstanding operational efficiency, the Group has earned a multitude of prestigious accolades. The Group won the “01 Gold Medal Awards — Excellence Award of the Chinese Medicine Brand” in Hong Kong for consecutive years, won the “No.1 Editor’s Choice — Traditional Chinese Medicine Innovation Award” for the first time and 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

Looking ahead to 2025, geopolitical tensions continue to rise, regional trade protectionism is on the upswing, and the global economy still faces significant downward pressure. Regarding the Chinese medicine industry, it is encountering new development opportunities driven by enduring national policy support and soaring market demand. With the growing global awareness of health and the international dissemination of Chinese medicine culture, the potential of Chinese medicine in the global market is increasingly prominent.

In line with its practical circumstances, the Group has defined the operational keywords for 2025 as “Adjustment and Recovery, Cost Reduction and Efficiency Improvement”. From management, products, investment and finance, we will implement four major strategies, optimizing key work mechanisms, expanding categories, refining investments, and reducing costs while improving efficiency to reinforce our foundation. Among which, we will implement several “One” strategies, including implementing a major business philosophy of “customer-centric and market development-oriented”, optimizing processes, and proactively empowering. We will accelerate the development of the product groups and supply chain systems of the Lingzhi series products with multiple specifications in one product, and construct different product matrices. We will cultivate a series of major product groups, advance safety evaluation and clinical research of key categories, and strengthen product research and demonstration. We will accelerate high-quality value investments by investing in a number of core projects, enhance supply chain efficiency, invest in a range of non-pharmaceutical and innovative marketing projects, enhance the ability to transform scientific research outcomes and marketing capabilities, explore a variety of new businesses, cultivate new growth areas, and support the smooth achievement of the overall goals for 2025.

Human Resources Management

As at 31 December 2024, the Group had a total of 782 employees (2023: 798 employees).

The staff costs of the Group for the Year were HK\$251.4 million (2023: HK\$245.7 million), representing an increase of 2.3% 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\$1,611.6 million (2023: HK\$1,524.9 million), representing an increase of 5.7% from last year. The increase in revenue is primarily attributed to the growth in the Hong Kong and Mainland China markets. Despite the continued weakness in the retail market in Hong Kong, revenue in Hong Kong increased by 16.9% from last year. The increase mainly attributed to the strengthening of product marketing and promotional activities in Hong Kong in the second half of this Year and the adjustment of the selling price of the Group's main product, Angong Niu Huang Wan, which increased sales revenue in the Hong Kong market. Revenue in the Mainland China market increased by 7.8% from last year, mainly due to an increase in sales of Sporoderm-broken Ganoderma Lucidum Spores Powder Capsules, although revenue from the sale of Chinese herbal medicines decreased from last year. Revenue in Overseas market declined by 16.2%, mainly due to a decrease in revenue in Macao. The consumption patterns of tourists in Macao have a noticeable change in Macao, with a decrease in per capita consumption, and the Statistic and Census Service of Macao recorded a year-on-year decline of 14.9% in retail industry sales in 2024.

Gross Profit

The Group's gross profit for this Year amounted to HK\$1,065.3 million (2023: HK\$1,047.2 million), representing an increase of 1.7% from last year. The gross profit margin slightly decreased from 68.7% in the previous year to 66.1% this Year. The decrease is primarily due to an increase in raw material and manufacturing costs, resulting in a lower gross profit margin for owned products compared to the previous year.

Other Gains, net

The Group's other gains, net was HK\$5.5 million (2023: HK\$8.4 million), which was decreased by HK\$2.9 million from last year. The decrease is primarily due to a reduction in local government subsidies received by subsidiaries during this Year.

Distribution and Selling Expenses

The Group's distribution and selling expenses were HK\$300.2 million (2023: HK\$231.3 million), representing an increase of 29.8 % 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, resulting in a notable upswing in advertising and publicity costs. Distribution and selling expenses as a percentage to revenue increased from 15.2% last year to 18.6% this Year.

General and Administrative Expenses

The Group's general and administrative expenses were HK\$191.8 million (2023: HK\$179.0 million), representing an increase of 7.2% from last year. These expenses primarily consist of employee costs and rental fees. The increase in general and administrative expenses is primarily attributed to the rise in service fee from intermediary agencies and employee costs. General and administrative expenses as a percentage to revenue stood at 11.9%, similar to last year (2023: 11.7%).

Finance Income, net

The Group's net finance income was HK\$50.8 million (2023: HK\$66.9 million), which included the finance income of HK\$57.3 million (2023: HK\$72.9 million). The decrease in finance income of HK\$15.6 million from last year was mainly due to the decrease in both the average short-term bank deposit interest rates and the average bank deposit amounts.

Income Tax Expense

The Group's income tax expense was HK\$100.6 million (2023: HK\$97.2 million), representing an increase of 3.5% from last year. The increase in income tax expenses is mainly attributed to the growth in revenue from the Mainland China market, leading to an increase in taxable profits subject to higher tax rates in Mainland China. Consequently, the effective tax rate for the Year rose to 16.0% (2023: 14.1%).

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 10.4% to HK\$529.2 million (2023: HK\$590.6 million) with a net profit margin of 32.8% (2023: 38.7%). Profit attributable to owners of the Company amounted to HK\$500.3 million (2023: HK\$540.4 million), representing a decrease of 7.4% from last year. The basic earnings per share attributable to owners of the Company for the Year were HK\$0.60 (2023: HK\$0.65). The Directors recommend the payment of a final dividend of HK\$0.35 per share for the Year (2023: HK\$0.33).

Financial Resources and Liquidity

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

The Group continued to maintain a strong financial position with cash and bank balances of HK\$1,819.8 million (2023: HK\$2,378.7 million) as at 31 December 2024. The decrease in cash and bank balances was mainly attributable to the increase in purchase of raw materials during this Year. As at 31 December 2024, most of the Group's cash and bank balances were denominated in Hong Kong dollar, Macao Pataca 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 2023 and 2024 and net cash generated from/(used in) operating activities, investing activities and financing activities for the years ended 31 December 2023 and 2024:

	As at 31 December	
	2024	2023
	HK\$'000	HK\$'000
Cash and bank balances	1,819,753	2,378,693
Working Capital ⁽¹⁾	3,730,393	3,514,404
Total Equity	4,246,434	4,020,690
Current Ratio ⁽²⁾	16.9	11.7
Gearing Ratio ⁽³⁾	2.9%	3.3%

	For the year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(217,251)	460,831
Net cash generated from/(used in) investing activities	1,354,846	(1,078,521)
Net cash used in financing activities	(355,300)	(372,181)

⁽¹⁾ Being net current assets

⁽²⁾ Being current assets divided by current liabilities

⁽³⁾ Being borrowings and lease liabilities divided by total equity

Capital Expenditure

During the Year, the Group's capital expenditure amounted to HK\$43.2 million (2023: HK\$21.9 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 2024, the Group did not have any charges over assets of the Group (2023: Nil).

Contingent Liabilities

As at 31 December 2024, the Group did not have any significant contingent liabilities (2023: 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, Macao Pataca and Renminbi. 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 2024 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 Niuhuang 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\$0.35 per ordinary share for the year ended 31 December 2024 (2023: HK\$0.33). Such final dividend will be proposed for approval by shareholders at the annual general meeting (“**AGM**”) to be held on Wednesday, 28 May 2025 and if approved, are payable to shareholders whose names appear on the register of members of the Company on Thursday, 5 June 2025.

Subject to approval by the Company’s shareholders at the AGM, the final dividend will be paid on or before Friday, 13 June 2025.

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 Friday, 23 May 2025 to Wednesday, 28 May 2025, 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 Thursday, 22 May 2025.

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 2024, the register of members of the Company will be closed from Tuesday, 3 June 2025 to Thursday, 5 June 2025, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the above-mentioned final dividend (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 Monday, 2 June 2025.

REVIEW OF ANNUAL RESULTS

As at 31 December 2024, 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 2024.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young (“**EY**”), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by EY on the preliminary announcement.

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

During the year ended 31 December 2024, 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 2024, 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 (“**Model Code**”) 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 2024.

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

Hong Kong, 28 March 2025

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

Executive Directors:

Mr. Gu Hai Ou (*Chairman*)

Mr. Wang Chi

Mr. Chen Fei

Independent Non-executive Directors:

Mr. Tsang Yok Sing, Jasper

Mr. Xu Hong Xi

Mr. Chan Ngai Chi

Non-executive Director:

Ms. Feng Li