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Tong Ren Tang Technologies Co. Ltd.

北京同仁堂科技發展股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1666)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of Tong Ren Tang Technologies Co. Ltd. (the **"Company"**) and its subsidiaries (hereinafter collectively referred to as the **"Group"**) for the year ended 31 December 2024 (the **"Reporting Period"**) for shareholders' review.

Results of the Year

For the year ended 31 December 2024, the Group's revenue amounted to RMB7,259,644,000, representing an increase of 7.18% from RMB6,773,463,000 for the corresponding period of last year; net profit amounted to RMB886,933,000, representing a decrease of 10.62% from RMB992,313,000 for the corresponding period of last year; profit attributable to owners of the Company amounted to RMB521,795,000, representing a decrease of 11.59% from RMB590,188,000 for the corresponding period of last year; earnings per share was RMB0.41 (2023: RMB0.46); and dividend per share was RMB0.18 (2023: RMB0.18).

REVIEW OF THE YEAR

2024 marked the 355th anniversary of the establishment of “Tong Ren Tang”, which was also a milestone signifying the official commencement of a brand-new journey for the “Tong Ren Tang Service Year”. During the year, the Group continued to strengthen the leadership of party building and adhered to the work directions of “strengthening the communist party construction, pooling strengths, making bold innovations, improving quality and efficiency, expanding markets, pursuing development, optimizing services and creating a new horizon”. The Group steadily pressed ahead with key missions such as the implementation of its strategy for major varieties, the transformation and upgrade of sales models, the optimization of industrial production and supply and the enhancement of management services.

Looking back to 2024, the Chinese medicine industry was particularly affected by the significant changes in the overall market environment, with all sub-sectors facing severe challenges of declining sales performance. Meanwhile, the surging prices of raw materials, high costs and the consequential decrease in shop traffic posed numerous challenges and difficulties to the Group to achieve its initial business objectives.

In view of this, the Group promptly adjusted its marketing strategies and increased the integration of internal and external resources. Through the implementation of diversified and all-rounded three-dimensional marketing strategies, the Group endeavored to enhance consumers’ experience, further broaden its sales channels and reach out to its target customer groups. At the same time, the Group has gained in-depth insights into market demand, focused on market pain points, and provided targeted products that meet market needs to enhance its competitiveness in the market and ensure that it tried its best to improve the overall operation quality under the complex and ever-changing new circumstances.

OUTLOOK AND PROSPECTS

In the future, the Chinese medicine industry may enter a normalized growth cycle. At operational level, enterprises in the industry have shown a more pronounced trend of differentiation and accelerated deployment of technological innovation and industrial upgrading. Regarding the processes from the cultivation of medicinal materials and concoction and processing to the research and development of new medicines and quality control, the whole industrial chain has achieved leapfrog development through the empowerment of science and technology, which will greatly promote the modernisation and transformation of Chinese medicine. At the same time, the continuous improvement and optimisation of the talent cultivation system of Chinese medicine has injected strong impetus and vitality into the flourishing development of the whole industry. Coupled with the comprehensive enhancement of public health awareness and the continuing trend of aging population, people have gained a deeper understanding and recognition of the unique advantages of Chinese medicine in wellness and healthcare, disease prevention and rehabilitation. The Chinese medicine industry has demonstrated a more significant long-term positive trend, indicating that its future development remains vast and boundless, with a promising market outlook.

2025 is the concluding year of the Group's comprehensive implementation of the "14th Five-Year Plan". The Group will continue to closely focus on the direction of the "14th Five-Year Plan" and its development strategy for "major varieties", and scientifically plan and steadily promote a series of key initiatives. The Group will continue to optimise and build its strategic management system and further reform its marketing system, with a view to building a diversified and precise sales model that integrates online and offline marketing, and enhancing the market influence and share of its products. Through the implementation of a series of initiatives, the Group will continue to generate and progress towards new quality productive forces, thereby laying a solid foundation for development in the upcoming "15th Five-Year Plan" period.

I hereby would like to express my sincere gratitude and respect to the members of the board (the "**Board**") of directors (the "**Directors**") of the Company and all the staff of the Group for their excellent performance and unremitting efforts, and to all the shareholders of the Company (the "**Shareholders**") for their continuous support to and understanding of the Company. As always, we will try our best to reward the Shareholders.

FINANCIAL INFORMATION

The Board is pleased to announce the audited consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet of the Group for the year ended 31 December 2024, together with the audited comparative figures of 2023, as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<u>2024</u> <u>RMB'000</u>	<u>2023</u> <u>RMB'000</u>
Revenue	<i>d</i>	7,259,644	6,773,463
Cost of sales	<i>g</i>	<u>(4,382,156)</u>	<u>(3,925,906)</u>
Gross profit		2,877,488	2,847,557
Distribution expenses	<i>g</i>	<u>(1,307,669)</u>	<u>(1,080,544)</u>
Administrative expenses	<i>g</i>	<u>(579,623)</u>	<u>(633,875)</u>
Provision for impairment losses on financial assets		<u>(5,465)</u>	<u>(17,087)</u>
Other income and gains, net		<u>432</u>	<u>162</u>
Operating profit		985,163	1,116,213
Finance income	<i>e</i>	76,874	95,351
Finance costs	<i>e</i>	<u>(68,297)</u>	<u>(49,302)</u>
Finance income, net	<i>e</i>	8,577	46,049
Gains on disposal of subsidiaries	<i>f</i>	46,287	-
Share of results of investments accounted for using the equity method		<u>21,184</u>	<u>193</u>
Profit before income tax		1,061,211	1,162,455
Income tax expense	<i>h</i>	<u>(174,278)</u>	<u>(170,142)</u>
Profit for the year		<u>886,933</u>	<u>992,313</u>
Profit attributable to:			
Owners of the Company		521,795	590,188
Non-controlling interests		<u>365,138</u>	<u>402,125</u>
		<u>886,933</u>	<u>992,313</u>
Earnings per share for profit attributable to owners of the Company during the year			
- Basic and diluted	<i>j</i>	<u>RMB 0.41</u>	<u>RMB 0.46</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>2024</i> <i>RMB'000</i>	<i>2023</i> <i>RMB'000</i>
Profit for the year	886,933	992,313
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Foreign currency translation differences		
- Group	64,423	50,945
- Joint ventures and associates	1,540	37
<i>Items that will not be reclassified to profit or loss</i>		
Change in fair value of financial assets at fair value through other comprehensive income	739	(1,608)
Other comprehensive income for the year, net of tax	66,702	49,374
Total comprehensive income for the year	953,635	1,041,687
Attributable to:		
Owners of the Company	547,321	608,149
Non-controlling interests	406,314	433,538
Total comprehensive income for the year	953,635	1,041,687

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2024	2023
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		2,622,833	2,569,439
Right-of-use assets		640,201	650,739
Intangible assets		77,354	60,235
Investments accounted for using the equity method		108,155	34,941
Financial assets at fair value through other comprehensive income		8,003	7,098
Prepayments for purchase of non-current assets		43,997	44,707
Deferred income tax assets		74,484	81,685
Other non-current assets		88	-
		3,575,115	3,448,844
Current assets			
Inventories		5,165,995	4,744,433
Trade and bills receivables	l	1,103,565	888,333
Other financial assets at amortised cost		34,126	53,056
Prepayments and other current assets		182,645	188,196
Financial assets at fair value through profit or loss		444	370
Financial assets at fair value through other comprehensive income		53,008	64,444
Term deposits placed with banks		164,205	1,373,608
Cash and cash equivalents		4,129,488	2,746,458
		10,833,476	10,058,898
Total assets		14,408,591	13,507,742

CONSOLIDATED BALANCE SHEET (CONT'D)

		As at 31 December	
	Note	2024	2023
		RMB'000	RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		1,280,784	1,280,784
Reserves	n	5,925,413	5,608,633
		7,206,197	6,889,417
Non-controlling interests		2,958,882	2,762,468
Total equity		10,165,079	9,651,885
Liabilities			
Non-current liabilities			
Borrowings		1,202,332	1,379,451
Lease liabilities		80,643	96,443
Deferred income tax liabilities		9,329	8,494
Retirement benefit obligations		2,859	-
Deferred income – government grants		106,878	132,584
		1,402,041	1,616,972
Current liabilities			
Trade and bills payables	m	1,015,258	1,376,743
Salary and welfare payables		76,181	58,497
Contract liabilities	d	176,606	206,651
Current income tax liabilities		34,450	41,202
Other payables and others		396,740	404,472
Borrowings		1,051,966	76,651
Lease liabilities		90,270	74,669
		2,841,471	2,238,885
Total liabilities		4,243,512	3,855,857
Total equity and liabilities		14,408,591	13,507,742

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

a. GENERAL INFORMATION

The Company was incorporated as a joint stock limited company in Beijing, the People's Republic of China (the “**PRC**” or “**China**”) on 22 March 2000 and, upon the placing of its H shares, was listed on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on 31 October 2000. On 9 July 2010, the Company transferred the listing from GEM to the Main Board of the Hong Kong Stock Exchange. The ultimate holding company of the Company is China Beijing Tong Ren Tang Group Co., Ltd. (“**Tong Ren Tang Holdings**”), which was incorporated in Beijing, the PRC.

b. BASIS OF PREPARATION

The financial statements have been prepared in accordance with IFRS Accounting Standards (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations) as issued by the International Accounting Standards Board (the “**IASB**”), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value through profit or loss. The financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (“**RMB’000**”) except when otherwise indicated.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note c.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

b. BASIS OF PREPARATION (CONT'D)

(i) Changes in accounting policies and disclosures

(a) Adoption of revised IFRS Accounting Standards

The Group has applied the following revised IFRS Accounting Standards which are mandatory for the financial year beginning on 1 January 2024:

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

The adoption of the above revised IFRS Accounting Standards did not have any significant financial impact on consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) :

b. BASIS OF PREPARATION (CONT'D)

(i) Changes in accounting policies and disclosures (Continued)

(b) Issued but not yet effective IFRS Accounting Standards

The following are the new and revised IFRS Accounting Standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 January 2025, but have not been early adopted by the Group.

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

(1) Effective for annual periods beginning on or after 1 January 2025

(2) Effective for annual periods beginning on or after 1 January 2026

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

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

The Group is in the process of making an assessment of the impact of these new and revised IFRS Accounting Standards upon initial application. So far, the Group considers that, these new and revised IFRS Accounting Standards are unlikely to have significant impact on the Group's results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

c. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and those necessary to make the sale. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in consumer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimations by each balance sheet date.

(ii) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

(iii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

d. REVENUE

	<i>2024</i>	<i>2023</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of Chinese medicine products		
- Mainland China	5,897,495	5,495,458
- Outside Mainland China	1,297,703	1,213,177
	7,195,198	6,708,635
Advertising services income		
- Mainland China	10,834	11,150
Services income		
- Mainland China	5,045	6,494
- Outside Mainland China	48,430	46,788
	53,475	53,282
Royalty fee income		
- Outside Mainland China	137	396
	7,259,644	6,773,463

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December	
	<i>2024</i>	<i>2023</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities - Sale of goods	174,011	204,147
Contract liabilities - Services income	2,595	2,504
	176,606	206,651

The Group did not recognise any contract assets related to contracts with customers as at 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

d. REVENUE (CONT'D)

Contract liabilities primarily arise from the advance payments made by customers while the goods have not been delivered. Management expects that most of the contract liabilities as of 31 December 2024 will be recognised as revenue during the next reporting period.

Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised in relation to contract liabilities in the years ended 31 December 2024 and 2023 related to carried forward contract liabilities at the beginning of the year.

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year	195,767	210,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

e. FINANCE INCOME AND COSTS

	<i>2024</i>	<i>2023</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income	76,231	91,128
Others	643	4,223
	<u>76,874</u>	<u>95,351</u>
Finance costs		
Interest on bank borrowings	(56,326)	(41,018)
Interest on lease liabilities	(8,135)	(8,258)
Exchange losses, net	(3,836)	(26)
	<u>(68,297)</u>	<u>(49,302)</u>
Finance income, net	<u><u>8,577</u></u>	<u><u>46,049</u></u>

f. GAINS ON DISPOSAL OF SUBSIDIARIES

	<i>2024</i>	<i>2023</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Beijing Tong Ren Tang Second Traditional Chinese Medicine Hospital Co., Ltd.*	43,330	-
Others	2,957	-
	<u>46,287</u>	<u>-</u>

On 10 January 2024, the Company entered into an equity transfer agreement with Beijing Tong Ren Tang Healthcare Investment Co., Ltd., pursuant to which the Company agreed to dispose of 2% equity interests in Beijing Tong Ren Tang Second Traditional Chinese Medicine Hospital Co., Ltd. (“**Second Traditional Chinese Medicine Hospital**”) at a consideration of RMB2,260,000. Upon the completion of the equity transfer, the Company’s shareholding decreased to 49% and no longer has control over Second Traditional Chinese Medicine Hospital. Second Traditional Chinese Medicine Hospital became an associated company of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

g. EXPENSES BY NATURE

Operating profit was arrived at after charging/(crediting) the following:

	2024	2023
	<u>RMB'000</u>	<u>RMB'000</u>
Raw materials, merchandise and consumables used	2,963,249	3,169,287
Changes in inventories of finished goods and work-in-progress	70,860	(633,278)
Employee benefit expenses	1,130,428	1,103,686
Depreciation of property, plant and equipment	182,249	177,875
Depreciation of right-of-use assets	98,910	91,032
Amortisation of intangible assets	7,187	7,188
Amortisation of other long-term assets	1,304	1,051
Provision for net realisable value of inventories	27,477	18,296
Provision for impairment of receivables	5,465	17,087
Expenses relating to short-term leases	30,209	39,226
Variable lease payments not included in the measurement of lease liabilities (Note (i))	957	2,067
Auditors' remuneration		
- Audit services		
- Ernst & Young and Ernst & Young Hua Ming LLP	5,391	-
- PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP	-	6,160
- Other auditors	2,341	1,696
- Non-audit services		
- Ernst & Young	144	-
- PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP	-	563
- Other auditors	418	1,586
Advertising and promotion expenses	714,979	447,419
Processing costs	298,476	307,804
Utilities	139,103	158,381
Research and development costs (Note (ii))	84,823	117,556
Repair and maintenance	76,202	76,524
Amortisation of deferred income - government grants	(65,963)	(23,613)
Transportation costs	42,697	50,281
Other taxes	4,613	5,597
Losses on disposal of non-current assets	902	2,871

- (i) Variable lease payments represented the amounts which are determined based on the percentages of revenue generated by certain retail outlets that exceeded the corresponding fixed rentals.
- (ii) Research and development costs do not include employee benefit expenses, depreciation and amortisation expenses. The research and development costs including employee benefit expenses, depreciation and amortisation expenses were RMB157,660,000 (2023: RMB185,469,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

h. INCOME TAX EXPENSE

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, enterprises with a High and New Technology Enterprise (“**HNTE**”) status are able to enjoy a preferential tax rate of 15%. For the entities without the HNTE status, the PRC income tax rate is 25% (2023: 25%). As of 31 December 2024 and 2023, the Company and certain of its subsidiaries have obtained the HNTE certificate. Consequently, their applicable income tax rate in 2024 is 15% (2023: 15%).

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

Income tax on profits from other countries and regions (excluding Mainland China and Hong Kong) has been calculated on the estimated assessable profit for the year at the income tax rates prevailing in the tax jurisdictions in which the Group operates.

	<i>2024</i> <i>RMB'000</i>	<i>2023</i> <i>RMB'000</i>
Current income tax expense		
- Mainland China	77,891	83,442
- Hong Kong	82,104	95,256
- Other countries and regions (excluding Mainland China and Hong Kong)	8,485	10,755
	168,480	189,453
Deferred income tax charge/(credit)	5,798	(19,311)
	174,278	170,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

h. INCOME TAX EXPENSE (CONT'D)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average income tax rate of 21.2% (2023: 20.0%) to profits of the consolidated entities as follows:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	1,061,211	1,162,455
Tax calculated at domestic tax rates applicable to profits in the respective countries or regions	225,270	232,196
Tax effects of:		
- Effect of preferential income tax treatments	(33,221)	(55,972)
- Income not subject to tax	(24,457)	(10,542)
- Expenses not deductible for tax purposes	12,089	4,766
- Tax losses and temporary differences for which no deferred income tax assets were recognised	9,168	661
- Previously unrecognised tax losses used to reduce deferred tax expense	(9,780)	(197)
- Over provision for taxation for the prior years	(762)	(884)
- Others	(4,029)	114
Income tax expense	174,278	170,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

h. INCOME TAX EXPENSE (CONT'D)

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. Pillar Two has not yet been formally legislated in Mainland China, the Group will continue to progress the assessment specifically through the subsidiary Beijing Tong Ren Tang Chinese Medicine Co., Ltd. (“**Tong Ren Tang Chinese Medicine**”).

i. DIVIDENDS

The dividends in respect of the previous years approved for the years ended 31 December 2024 and 2023 were RMB230,541,000 (RMB0.18 (including tax) per share) and RMB204,925,000 (RMB0.16 (including tax) per share), respectively.

On 28 March 2025, the Board of Directors proposed a dividend in respect of the year ended 31 December 2024 of RMB0.18 (including tax) per share, amounting to a total of RMB230,541,000, which is subject to the Shareholders’ approval at the 2024 annual general meeting (the “**2024 AGM**”). The financial statements do not reflect this dividend payable.

	<i>2024</i>	<i>2023</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB0.18 (including tax) (2023:		
RMB0.18 (including tax)) per ordinary share	230,541	230,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

j. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately RMB521,795,000 by the weighted average number of 1,280,784,000 shares outstanding during the year.

The Company had no dilutive potential shares in 2024 and 2023.

	<i>2024</i> <i>RMB'000</i>	<i>2023</i> <i>RMB'000</i>
Profit attributable to owners of the Company	521,795	590,188
Weighted average number of ordinary shares in issue (thousands)	1,280,784	1,280,784
Earnings per share	RMB0.41	RMB0.46

k. SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision-maker. The Board of Directors has determined the operating segments for the purposes of allocating resources and assessing performance.

The reportable operating segments derive their revenue primarily from (i) the manufacture and sale of Chinese medicine by the Company in Mainland China ("**The Company**" Segment), and (ii) Tong Ren Tang Chinese Medicine and its subsidiaries engaged in the manufacturing, retail and wholesale of Chinese medicine products and healthcare products, and the provision of Chinese medical consultations and treatments outside Mainland China and the wholesale of healthcare products in Mainland China ("**Tong Ren Tang Chinese Medicine**" Segment).

Other companies are engaged in processing and purchasing of Chinese medicinal raw materials, sale of medicinal products, medical services and advertising, etc. They do not form separate reportable segments as they do not meet the quantitative thresholds required by IFRS 8.

The Board of Directors assesses the performance of the operating segments based on the revenue and profit after income tax of each segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

k. SEGMENT INFORMATION (CONT'D)

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2024 is as follows:

	The Company RMB'000	Tong Ren Tang Chinese Medicine RMB'000	Others RMB'000	Total RMB'000
Segment revenue	4,458,275	1,473,399	2,243,605	8,175,279
Inter-segment revenue	(68,167)	4,836	(852,304)	(915,635)
Revenue from external customers	<u>4,390,108</u>	<u>1,478,235</u>	<u>1,391,301</u>	<u>7,259,644</u>
Timing of revenue recognition				
At a point in time	4,388,348	1,470,502	1,378,849	7,237,699
Over time	1,760	7,733	12,452	21,945
	<u>4,390,108</u>	<u>1,478,235</u>	<u>1,391,301</u>	<u>7,259,644</u>
Profit for the year	<u>211,175</u>	<u>493,057</u>	<u>182,701</u>	<u>886,933</u>
Interest income	14,637	55,055	6,539	76,231
Interest expense	(57,638)	(5,831)	(992)	(64,461)
Depreciation of property, plant and equipment	(104,593)	(15,972)	(61,684)	(182,249)
Depreciation of right-of-use assets	(28,665)	(61,267)	(8,978)	(98,910)
Amortisation of other long-term assets	(4,019)	(3,136)	(1,336)	(8,491)
Provision for / (reversal of) impairment of inventories	(33,578)	(361)	6,462	(27,477)
Reversal of/ (provision for) impairment of receivables	2,496	(3,557)	(4,404)	(5,465)
Share of results of investments accounted for using the equity method	9,056	12,128	-	21,184
Income tax expense	<u>(36,131)</u>	<u>(91,769)</u>	<u>(46,378)</u>	<u>(174,278)</u>
Segment assets and liabilities				
Total assets	<u>7,591,913</u>	<u>4,183,127</u>	<u>2,633,551</u>	<u>14,408,591</u>
Investments accounted for using the equity method	<u>81,732</u>	<u>26,423</u>	<u>-</u>	<u>108,155</u>
Additions to non-current assets ⁽¹⁾	<u>118,649</u>	<u>94,978</u>	<u>140,224</u>	<u>353,851</u>
Total liabilities	<u>3,286,738</u>	<u>282,401</u>	<u>674,373</u>	<u>4,243,512</u>

(1) Excluding investments accounted for using the equity method, financial instruments and deferred income tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

k. SEGMENT INFORMATION (CONT'D)

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2023 is as follows:

	The Company RMB'000	Tong Ren Tang Chinese Medicine RMB'000	Others RMB'000	Total RMB'000
Segment revenue	4,074,111	1,376,532	2,390,155	7,840,798
Inter-segment revenue	(94,322)	3,072	(976,085)	(1,067,335)
Revenue from external customers	<u>3,979,789</u>	<u>1,379,604</u>	<u>1,414,070</u>	<u>6,773,463</u>
Timing of revenue recognition				
At a point in time	3,979,789	1,373,306	1,402,783	6,755,878
Over time	-	6,298	11,287	17,585
	<u>3,979,789</u>	<u>1,379,604</u>	<u>1,414,070</u>	<u>6,773,463</u>
Profit for the year	<u>361,367</u>	<u>534,618</u>	<u>96,328</u>	<u>992,313</u>
Interest income	19,080	65,461	6,587	91,128
Interest expense	(43,304)	(5,272)	(700)	(49,276)
Depreciation of property, plant and equipment	(98,607)	(13,844)	(65,424)	(177,875)
Depreciation of right-of-use assets	(25,371)	(56,640)	(9,021)	(91,032)
Amortisation of other long-term assets	(4,189)	(3,030)	(1,020)	(8,239)
Provision for impairment of inventories	(17,351)	(327)	(618)	(18,296)
Reversal of/(provision for) impairment of receivables	1,213	(16,688)	(1,612)	(17,087)
Share of results of investments accounted for using the equity method	1,489	(1,296)	-	193
Income tax expense	<u>(65,627)</u>	<u>(87,589)</u>	<u>(16,926)</u>	<u>(170,142)</u>
Segment assets and liabilities				
Total assets	<u>6,850,003</u>	<u>3,973,543</u>	<u>2,684,196</u>	<u>13,507,742</u>
Investments accounted for using the equity method	<u>21,231</u>	<u>13,710</u>	<u>-</u>	<u>34,941</u>
Additions to non-current assets ⁽¹⁾	<u>150,710</u>	<u>100,430</u>	<u>45,965</u>	<u>297,105</u>
Total liabilities	<u>2,712,456</u>	<u>357,593</u>	<u>785,808</u>	<u>3,855,857</u>

(1) Excluding investments accounted for using the equity method, financial instruments and deferred income tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

k. SEGMENT INFORMATION (CONT'D)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement.

The amounts provided to the Board of Directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Revenues from external customers are derived from the sale of medicine and provision of services. The breakdown of the sale of medicine by region is provided in Note d.

The total of the non-current assets other than financial instruments and deferred income tax assets located in Mainland China is RMB2,996,024,000 (2023: RMB2,849,699,000), and the total of these non-current assets located outside Mainland China is RMB490,945,000 (2023: RMB510,362,000).

During 2024, revenue from one (2023: one) customer accounted for ten percent or more of the Group's total external revenue. The revenue is primarily attributable to the Company Segment and Tong Ren Tang Chinese Medicine Segment. The revenue from this customer is summarised below:

	<i>2024</i> <i>RMB'000</i>	<i>2023</i> <i>RMB'000</i>
Entities under control of the ultimate holding company (excluding the Group)	<u>2,257,367</u>	<u>1,600,741</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

I. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables		
- third parties	612,158	453,049
- related parties	275,810	268,181
	887,968	721,230
Bills receivables	285,349	231,226
	1,173,317	952,456
Less: provision for impairment		
- third parties	(49,653)	(51,835)
- related parties	(20,099)	(12,288)
	(69,752)	(64,123)
Trade and bills receivables, net	1,103,565	888,333

The carrying amounts of trade and bills receivables approximate their fair values.

Retail sales at the Group's stores are usually made in cash or by debit or credit cards. For wholesale to distributors, the Group normally grants a credit period ranging from 30 days to 180 days and is therefore all classified as current. As at 31 December 2024 and 2023, the ageing analysis of trade and bills receivables based on invoice date was as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

I. TRADE AND BILLS RECEIVABLES (CONT'D)

	As at 31 December	
	<i>2024</i>	<i>2023</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Within 4 months	864,645	658,952
Over 4 months but within 1 year	132,541	74,853
Over 1 year but within 2 years	16,342	150,854
Over 2 years but within 3 years	109,576	55,475
Over 3 years	50,213	12,322
	1,173,317	952,456

Movements in the provision for impairment of receivables were as follows:

	<i>2024</i>	<i>2023</i>
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January	64,123	47,625
Provision for impairment	5,329	16,410
Exchange differences	300	88
As at 31 December	69,752	64,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

I. TRADE AND BILLS RECEIVABLES (CONT'D)

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivables mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	As at 31 December	
	<i>2024</i>	<i>2023</i>
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	866,599	799,503
Hong Kong Dollar	302,883	148,107
United States Dollar	2,997	3,048
Others	838	1,798
	<u>1,173,317</u>	<u>952,456</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

m. TRADE AND BILLS PAYABLES

	As at 31 December	
	<i>2024</i>	<i>2023</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
- third parties	780,258	1,299,444
- related parties	35,000	77,299
	815,258	1,376,743
Bills payable	200,000	-
Trade and bills payables	1,015,258	1,376,743

As at 31 December 2024 and 2023, the ageing analysis of trade and bills payables based on invoice date was as follows:

	As at 31 December	
	<i>2024</i>	<i>2023</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Within 4 months	877,920	1,215,948
Over 4 months but within 1 year	127,332	148,201
Over 1 year but within 2 years	6,813	8,640
Over 2 years but within 3 years	2,947	383
Over 3 years	246	3,571
	1,015,258	1,376,743

Trade payables are unsecured and are usually paid within 120 days of recognition.

The carrying amounts of trade and bills payables are considered to be the same as their fair values, due to their short-term nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

n. RESERVES

(i) Capital reserve

Capital reserve represents the difference between the amount of share capital issued by the Company and the historical net value of the assets, liabilities and interests transferred to the Company upon its establishment and net premium on issue of shares upon listing of the Company and issuance of additional shares.

(ii) Statutory reserves

The Company sets aside 10% of its net profit after income tax as stated in the financial statements prepared under China Accounting Standards to the statutory surplus reserve fund every year. Approximately RMB31,006,000 (2023: RMB51,796,000), being 10% of the net profit after income tax as stated in the financial statements prepared under China Accounting Standards, was transferred to the statutory surplus reserve fund as at 31 December 2024.

In accordance with the Company Law of the PRC, it is not required to accrue for statutory public welfare fund since the year 2006. The balance together with statutory surplus reserve fund can be used to offset accumulated losses or convert as share capital of the Company.

(iii) Tax reserve

According to the preferential enterprise income tax policy for new technology enterprises (“NTE”) under the old PRC Enterprise Income Tax (“EIT”) regulation (effective before 1 January 2008), an NTE located in a designated area of Beijing Economic and Technological Development Zone was subject to EIT at a preferential income tax rate of 15%. Moreover, upon approval by the relevant local tax bureau, the Company was entitled to full exemption from EIT from 2000 to 2002 and 50% reduction from 2003 to 2005. An amount for exemption and reduction has to be appropriated to a non-distributable tax reserve. However, the utilisation of the exempted tax is restricted to production development and not distributable to Shareholders.

(iv) Foreign currency translation differences reserve

Foreign currency translation differences reserve arises from the translations of group entities that have a functional currency different from RMB into the Group’s presentation currency of RMB.

(v) Other reserves

Other reserves primarily include reserves arising from the issuance of additional shares by subsidiaries and transactions with non-controlling interests without a change in control.

FINAL DIVIDEND AND TAX

The Board proposed a final dividend for the year ended 31 December 2024 (the “**Final Dividend**”) of RMB0.18 (including tax) per share based on the total number of the Company’s issued and fully paid-up shares of 1,280,784,000 as at the end of 2024 totaling RMB230,541,000 (2023: a final dividend for the year ended 31 December 2023 of RMB0.18 (including tax) per share based on the total number of the Company’s issued and fully paid-up shares of 1,280,784,000, totaling RMB230,541,000). The profit distribution proposal is subject to the approval by the Shareholders at the 2024 AGM of the Company. The Company is expected to complete the dividend distribution on 11 August 2025.

As for non-resident enterprise Shareholders (other than Shareholders who have invested in the shares of the Company through Shenzhen-Hong Kong Stock Connect) as appeared on the H share register of members of the Company, the Company will withhold corporate income tax at the rate of 10% when distributing the Final Dividend in accordance with the Notice on Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han (2008) No.897) published by the State Administration of Taxation. Any shares registered in the name of the non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organisations, will be treated as being held by non-resident enterprise Shareholders, thus their dividends receivables will be subject to the withholding of the corporate income tax.

As for individual Shareholders (other than Shareholders who have invested in the shares of the Company through Shenzhen-Hong Kong Stock Connect) whose names appear on the H share register of members of the Company, the Company will withhold 10% of the Final Dividend as individual income tax when distributing the Final Dividend in accordance with the Notice on the Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa (1993) No.045 (Guo Shui Han (2011) No.348), unless otherwise specified by the relevant tax regulations, tax agreements or the aforesaid notice.

As for individual Shareholders or securities investment funds who have invested in the H shares of the Company through Shenzhen-Hong Kong Stock Connect, when distributing the Final Dividend, the Company shall withhold individual income tax at the rate of 20% in accordance with the register provided by China Securities Depository and Clearing Corporation Limited, according to the Circular on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui (2016) No.127) issued by the Ministry of Finance, State Administration of Taxation and China’s Securities Regulatory Commission on 5 November 2016.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the H share Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the H share Shareholders or any disputes relating to the tax withholding and payment mechanism or arrangements.

As at the date of this announcement, no arrangement was reached pursuant to which the Shareholders waived or agreed to waive any dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2024, the Group continued to thoroughly implement the “14th Five Year Plan”, continuously focused on the main mission of “Tong Ren Tang Service Year” and determined to implement the core strategy for “major varieties”. For the year ended 31 December 2024, the Group’s revenue amounted to RMB7,259,644,000, representing an increase of 7.18% compared to RMB6,773,463,000 for the corresponding period of last year; net profit amounted to RMB886,933,000, representing a decrease of 10.62% from RMB992,313,000 for the corresponding period of last year; net profit attributable to owners of the Company amounted to RMB521,795,000, representing a decrease of 11.59% from RMB590,188,000 for the corresponding period of last year.

In terms of production and supply, the Group is facing the challenge of significant increases in the cost of raw materials. Due to a combination of factors such as constrained supply chain, aggravated scarcity of resources and surge in market demand, the price of key raw materials has continued to rise. This not only directly pushed up the production costs but also imposed higher requirements for the Group’s supply chain management and production planning. The Group closely monitored market information, actively responded to the increase in raw materials, and endeavored to control the procurement costs under the assurance of supplying raw materials on demand. Meanwhile, the Group focused on the core mission of “ensuring output value and variety”, deeply integrated and jointly allocated production resources in Beijing and Hebei; Beijing Tong Ren Tang Technologies (Tangshan) Co., Ltd continued to take capacity advantages of extraction, rationally adjusted production rates, stably guarantee the supply of semi-finished products from each production unit. Each of the production units leveraged on the annual marketing highlights to arrange phased production capacity in an orderly manner, prioritized the production of major varieties, products with high output value and seasonal products by continuously tapping the existing capacity potential, and enhanced industrial and commercial connections to ensure stable supply of products by raising delicate management standards.

In terms of marketing, the Group proactively promote theme-based initiatives such as the “Glow Campaign (煥彩行動)” and empowering the terminal based on the core principle of “regulating channels, stabilizing prices, empowering the terminal”, carried out diversified multi-dimensional marketing promotion activities, and achieved the coordination of multi-dimensional channels. On the one hand, the Group continued to further promote “major varieties strategies” with major varieties manager responsibility system being the management cornerstone, broke down the assessment indicators and refined the division of responsibilities province by province, so as to carry out all-round coordination and operation and management of products. On the other hand, the Group devoted its efforts to promoting the marketing activities for the “Glow Campaign (煥彩行動)” products and “Imperial Medicine 300 (禦藥300)” products, implemented targeted strategies on empowering the terminal, closely cooperated with partners such as Tong Ren Tang pharmacy chains, the top 100 pharmacy chains, and provincial terminal coalition to accomplish online and offline joint cooperative engagement against consumption hot spots and e-commerce sales promotions. In addition, the Group continued to deepen “Flag-planting Campaign (插旗行動)” by relying on close cooperation with its marketing strategic partners to formulate channel marketing strategies against its products based on product features and market positioning, so as to expand the untapped markets in depth and reach the target consumer groups directly, and to further enhance the market penetration and terminal effectiveness of its products.

In 2024, there were 56 product lines of the Group achieving a single-product sales amount of more than RMB5 million, and 9 of which achieved a single-product sales amount of more than RMB100 million. Among major products of the Group, the sales amount of Liuwei Dihuang Pills (六味地黃丸), Shengmai Liquor (生脈飲口服液), Ganmao Qingre Granules (感冒清熱顆粒), Jinkui Shenqi Pills (金匱腎氣丸) and Jiawei Xiaoyao Series (加味逍遙系列) increased by 10.71%, 14.85%, 17.14%, 3.45% and 5.02% respectively.

In terms of research and development of products, the Group closely focused on the manufacturing and distribution needs, continuously enhanced the scientific research management capability, and improved its research service level. During the Reporting Period, the innovative drug Qishen Granules (芪參顆粒) cooperated with the Beijing University of Chinese Medicine had successfully obtained the Notice of Approval for Clinical Trial (《臨床試驗批准通知書》). At the same time, the Group continuously put effort into the development of classic prescriptions and continued to take forward the research and development of various varieties such as Ling Gui Zhu Gan Tang (苓桂術甘湯) and Shaoyao Gancao Decoction (芍藥甘草湯). In terms of the secondary research of products, with the study of pharmacological mechanisms on various products such as Jingzhi Niu Huang Jiedu Tablets (京製牛黃解毒片) and Fuzi Lizhong Pills (附子理中丸), the Group specified the active ingredients of pharmaceuticals and tapped the value features of relevant products in depth. In addition, the Group conducted clinical research of products such as Shengmai Liquor (生脈飲口服液) and Qiju Dihuang Pills (杞菊地黃丸) to accumulate evidence-based medical data, so as to provide solid scientific rationale for the clinical application of products and further enhance the competitiveness and clinical recognition of products.

Tong Ren Tang Chinese Medicine, a principal subsidiary of the Company, upheld the dissemination model of “Culture-first approach in introducing medicine through treatments” to proactively build a global layout with its base in Hong Kong, China, and continuously promoted the internationalization and development of traditional Chinese medicine. During the Report Period, Tong Ren Tang Chinese Medicine focused on building a vibrant economy and strived for development in the Hong Kong market, proactively strived to seize business opportunities within the market, thoroughly implemented Major Varieties Strategy, created products possessing unique advantages, and continuously enhanced marketing and brand publicity. Other than Hong Kong, the business network of Tong Ren Tang Chinese Medicine has covered major countries and regions in Asia, Oceania, North America and Europe. During the year, Tong Ren Tang Chinese Medicine actively expanded its overseas market of Chinese medicine, continued to provide high-quality Chinese medicine services for consumers, and continuously promoted Chinese medicine culture of China through the establishment of the Tong Ren Tang brand, therefore the development of overseas market experienced a steady improvement. In 2024, Tong Ren Tang Chinese Medicine and its subsidiaries achieved sales revenue of RMB1,473,399,000, representing a year-on-year increase of 7.04%, and net profit attributable to owners of Tong Ren Tang Chinese Medicine was RMB456,334,000, representing a year-on-year decrease of 6.29%. (The differences between the figures of sales revenue of Tong Ren Tang Chinese Medicine and its subsidiaries and the net profit attributable to the owners of Tong Ren Tang Chinese Medicine disclosed herein, and the figures disclosed in the annual results announcement of Tong Ren Tang Chinese Medicine dated 28 March 2025 are due to foreign currency translation discrepancies between Renminbi and Hong Kong Dollar).

The six subsidiaries engaged in the production of Chinese medical raw materials, located in areas with Chinese medical raw material with high quality, fully utilized the unique advantages of local medicinal raw material resources to continuously provide stable supply of raw materials for the Group’s production. During the year, the six subsidiaries engaged in the production of Chinese medical raw materials continued to uphold the principle of “genuine planting, genuine management and genuine breeding”, focused on the precision planting of medicinal materials and adopted outward cooperative operation mode to effectively strengthen the self-sufficiency and sustainable development capabilities of the planting bases, thereby ensuring stable supply of Chinese medical raw materials. In 2024, the six subsidiaries achieved a total sales revenue of RMB482,911,000, representing a year-on-year increase of 13.76%.

Financial Review

Liquidity and Financial Resources

The Group has maintained a sound financial position. During the year of 2024, the Group's primary source of funds was cash generated from daily operating activities and borrowings.

The Group mainly uses Renminbi and Hong Kong Dollar to hold cash and cash equivalents and term deposits placed with banks and to make borrowings and loans.

As at 31 December 2024, the Group's cash and cash equivalents amounted to RMB4,129,488,000 in total (31 December 2023: RMB2,746,458,000), and term deposits placed with banks amounted to RMB164,205,000 in total (31 December 2023: RMB1,373,608,000).

As at 31 December 2024, the Group's short-term borrowings amounted to RMB5,000,000 (31 December 2023: RMB3,000,000), bearing an interest rate of 3.588% per annum (2023: 3.205%), and current portion of non-current bank borrowing amounted to RMB1,046,966,000 (31 December 2023: RMB73,651,000), totally accounting for 24.79% of the total liabilities (31 December 2023: 1.99%). Long-term borrowings amounted to RMB1,202,332,000 (31 December 2023: RMB1,379,451,000), bearing annual interest rate of 2.577% (2023: 2.744%), long-term borrowings representing 28.33% of the total liabilities (31 December 2023: 35.78%). Of all the borrowings of the Group as at 31 December 2024, RMB1,051,966,000 will mature within one year and RMB1,202,332,000 will mature beyond one year.

Capital Structure

The Group's capital management policy is to ensure the continuous operation of the Group with an aim to provide returns for the Shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

As at 31 December 2024, the total assets of the Group amounted to RMB14,408,591,000 (31 December 2023: RMB13,507,742,000). Non-current liabilities of RMB1,402,041,000 (31 December 2023: RMB1,616,972,000), current liabilities of RMB2,841,471,000 (31 December 2023: RMB2,238,885,000), equity attributable to owners of the Company of RMB7,206,197,000 (31 December 2023: RMB6,889,417,000) and non-controlling interests of RMB2,958,882,000 (31 December 2023: RMB2,762,468,000).

In 2024, the Group's funds were mainly used for production and operation activities, purchase of property, plant and equipment, repayment of borrowings and payment of cash dividends, etc.

Liquidity

As at 31 December 2024, the Group's liquidity ratio (the ratio of current assets to current liabilities) was 3.81 (31 December 2023: 4.49), reflecting that the Group had sufficient financial resources. The Group's quick ratio (the ratio of liquid assets to current liabilities) was 1.93 (31 December 2023: 2.29), reflecting that the Group remained liquid. The Group's trade receivables turnover ratio (the ratio of revenue to the average of trade receivables balance) was 9.84 (31 December 2023: 7.97), reflecting that the Group's trade receivables were liquid. The Group's trade payables turnover ratio (the ratio of cost of sales to the average of trade payables balance) was 4.00 (31 December 2023: 3.57), reflecting that the Group had a relatively strong ability to use funding from suppliers for no consideration. The Group's inventory turnover ratio (the ratio of revenue to the average of inventory balance) was 1.47 (31 December 2023: 1.70), reflecting that the inventory had a high turnover rate.

Gearing Ratios

The Group monitors its capital on the basis of the gearing ratio. As at 31 December 2024, the Group's gearing ratio (the ratio of total borrowings to total equity) was 0.22 (31 December 2023: 0.15).

Expenses and Expense Ratio

For the year ended 31 December 2024, the Group's distribution expenses amounted to RMB1,307,669,000 (2023: RMB1,080,544,000) and the distribution expense ratio, i.e., the ratio of distribution expenses to revenue, was 0.18 (2023: 0.16). The increase in distribution expenses was mainly due to increase in the cost of more terminal promotions.

For the year ended 31 December 2024, the Group's administrative expenses amounted to RMB579,623,000 (2023: RMB633,875,000) and the administrative expense ratio, i.e., the ratio of administrative expenses to revenue, was 0.08 (2023: 0.09). The decrease in administrative expenses was mainly due to steady progress in research and development activities and expenditure for the reporting period decreased as scheduled.

For the year ended 31 December 2024, the Group's financial income, net amounted to RMB 8,577,000 (2023: financial costs, net RMB46,049,000) and the financial income ratio, i.e., the ratio of financial income to revenue, was 0.0012 (2023: the ratio of financial costs ratio was 0.0068). The decrease in net finance income was mainly due to the increase in interest on bank borrowing.

Gross Margin and Net Profit Margin

For the year ended 31 December 2024, the gross margin of the Group was 39.64% (2023: 42.04%), while the net profit margin was 12.22% (2023: 14.65%), the decrease in net profit margin was mainly due to the increase in the prices of raw material and expenses.

Research and Development Expenses

For the year ended 31 December 2024, the research and development expenses (excluding employee benefit expenses, depreciation and amortisation expense) of the Group were RMB 84,823,000 (2023: RMB117,556,000), accounting for 0.83% of net assets (2023: 1.22%) and 1.17% of revenue (2023: 1.74%), respectively. The research and development expenses including employee benefit expenses, depreciation and amortisation expense were RMB 157,660,000 (2023: RMB185,469,000), accounting for 1.55% of net assets (2023: 1.92%) and 2.17% of revenue (2023: 2.74%), respectively.

Capital Expenditure

For the year ended 31 December 2024, the Group's capital expenditure incurred amounted to RMB215 million (2023: RMB108 million), primarily used for the construction of production bases and purchase of production equipment.

Pledges over Assets of the Group

As at 31 December 2024, no assets of the Group are secured (31 December 2023: Nil).

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2024 (31 December 2023: Nil).

Foreign Exchange Risk

The Group operates on an international basis and foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations, primarily with respect to the Hong Kong Dollar. The Group currently does not have a foreign currency hedging policy. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates.

Capital Commitments

As at 31 December 2024, the capital commitments of the Group relating to the constructions of production facilities, which had been contracted for but had not been reflected in the consolidated financial statements of the Group, amounted to approximately RMB77,945,000 (31 December 2023: RMB42,618,000).

Significant Investment/Future Plans for Significant Investments or Purchase of Capital Assets

During the year of 2024, the Group did not have any significant investment. As at the date of this announcement, the Group does not have any plan for material investments or purchase of capital assets.

Material Acquisition and Disposal of Subsidiaries, Joint Ventures and Associates

During the year of 2024, the Group did not have any material acquisition and disposal in relation to subsidiaries, joint ventures and associates.

No Material Change

During the Reporting Period and up to the date of this announcement, no material events have occurred that would have a material impact on business operation of the Group.

PROSPECTS

In recent years, with a high degree of strategic vision, China has set the inheritance and development of traditional Chinese medicine as its core national health strategy. In view of this, a series of policies and measures aimed at driving the modernization and internationalization of Chinese medicine have been implemented, providing solid policy support and extensive room for prosperous development of Chinese medicine industry. We believe that a more prosperous, open and internationally influential Chinese medicine industry will emerge, which will glow even more on the global health stage and make more positive contributions to human health industry.

2025 is the last year of the 14th Five-Year Plan and the critical year for laying a solid foundation for a good start of the 15th Five-Year Plan. The Group will closely revolve around the work motto of “improving quality and efficiency”, proactively address risks and challenges, insist on introducing reforms, breakthroughs and innovations, and continue to enhance its core competitiveness, so as to ensure successful wrap-up of the 14th Five-Year Plan.

In terms of production, the Group will maintain its objectives of “safeguarding output value, controlling costs, adjusting structure, reducing inventory”, while continuously optimizing production process, fully utilizing production efficiency, promoting effective connections between production units, and further optimizing and improving the production and supply security system. Meanwhile, we will continue to rely on market demand, firmly establish a mindset of focusing on the bigger picture, plan production based on sales, and engage in continuous, in-depth industrial and business connection, so as to lay a solid foundation for prosperous development during the 15th Five-Year Plan.

In terms of marketing, the Group will further strengthen its assessment of the macro-economic landscape and industry trends, while combining with the dynamics and changes in consumer demand and drug usage characteristics to timely optimize its operational strategies, in order to firmly grasp every opportunity for market development. At the same time, the Group will continue to deepen the reform of its marketing system and accelerate the reform of its marketing model, organizational structure and sales team in a direction that is more in line with market regulations. The Group will continue to strengthen variety control, channel control and market control to further improve its ability in market expansion, regional development, distribution and inventory turnover, in order to further promote its marketing workstream to a new level of high quality.

CORPORATE GOVERNANCE

The Board believes that a good and steady framework of corporate governance is extremely important for the development of the Company. The Company has adopted the principles and standards contained in the Corporate Governance Code (the “**Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”) as the Company’s standards, and combined them with its own experience, aiming to establish a good corporate governance structure. For the year ended 31 December 2024, the Company had strictly complied with all code provisions as set out in part 2 of the Code.

AUDIT COMMITTEE

The Company has set up an audit committee of the Board (the “**Audit Committee**”) with specific written terms of reference and duties pursuant to the relevant requirements of the Listing Rules and “a Guide for the Formation of an Audit Committee” compiled by the Hong Kong Institute of Certified Public Accountants. Its primary duties are to review and monitor the completeness and effectiveness of the Company’s financial information, risk management and internal control system, and to review the Company’s annual and interim results and other related documents.

As at the end of the Reporting Period, the Audit Committee comprises the independent non-executive Directors, Ms. Chan Ching Har, Eliza, Mr. Zhan Yuan Jing and Mr. Li Siu Bun, of which Mr. Li Siu Bun, the Chairman of the Audit Committee, possesses appropriate professional qualification and financial experience, which is fully complied with the requirements under Rule 3.21 of the Listing Rules.

Since 12 June 2024, Mr. Li Siu Bun, an independent non-executive Director, was appointed as the Chairman of the Audit Committee, Mr. Ting Leung Huel, Stephen, former independent non-executive Director, resigned as the Chairman of the Audit Committee.

During the year of 2024, the Audit Committee convened four meetings. The first meeting was held on 11 March 2024, to review and discuss change of overseas and domestic auditors through public bidding. The second meeting was held on 14 March 2024 to review and discuss the operating results, financial position and major accounting policies contained in the audited financial statements of the Group for the year ended 31 December 2023 as well as matters in relation to risk management, legal compliance, connected transactions and internal audit, and to listen to the result of audit reported by the predecessor auditor, PricewaterhouseCoopers. The Audit Committee concluded the meeting with agreement to the contents of the 2023 annual report. The third meeting was held on 14 May 2024 to review and discuss change of overseas and domestic auditors. The fourth meeting was held on 27 August 2024, to review and discuss the operating results, financial position and major accounting policies contained in the unaudited financial statements of the Group for the six months ended 30 June 2024 as well as matters in relation to risk management, legal compliance and internal audit. The Audit Committee concluded the meeting with agreement to the contents of the 2024 interim report.

In addition, the Audit Committee reviewed the effectiveness of the Company’s financial control, internal control and risk management; made recommendation to the Board on matters relating to the reappointment of the auditor; and held separate meetings with the auditor to discuss matters relating to its audit fees and other issues arising from the audit.

At the meeting held on 20 March 2025, the Audit Committee reviewed and discussed the operating results, financial position and major accounting policies contained in the draft financial statements of the Group for the year ended 31 December 2024, as well as matters in relation to risk management, legal compliance and internal audit, and reviewed the effectiveness of risk management, connected transactions and internal control systems as well as internal audit, and to listened to the preliminary audit results reported by the auditor. The Audit Committee reviewed and concurred in the contents of the 2024 preliminary annual result and annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For 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 (including sale of treasury shares as defined under the Listing Rules). As at the end of the Reporting Period, no treasury shares were held by the Company.

AUDITOR

Ernst & Young was appointed as the auditor of the Company for the year ended 31 December 2024. The figures in respect of the results announcement of the Group for the year ended 31 December 2024 have been agreed by Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2024. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the Company's website (www.tongrentangkj.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk). The 2024 annual report containing all information as required by the Listing Rules will be provided to the Shareholders in due course, and will publish the same on the websites of the Company and the Hong Kong Stock Exchange.

By Order of the Board

Tong Ren Tang Technologies Co. Ltd.

Di Shu Bing

Chairman

Beijing, the PRC

28 March 2025

As at the date of this announcement, the Board comprises Mr. Di Shu Bing, Mr. Chen Jia Fu and Ms. Feng Zhi Mei as executive Directors, Mr. Zhang Yi, Ms. Wang Chun Rui and Ms. Feng Li as non-executive Directors, Ms. Chan Ching Har, Eliza, Mr. Zhan Yuan Jing and Mr. Li Siu Bun as independent non-executive Directors.