



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)

(於香港註冊成立之有限公司)

Stock code 股份代號: 3613

2022 中期報告
Interim Report

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Ding Yong Ling (*Chairman*)

Chen Fei

Lin Man

Feng Li (*appointed on 12 August 2022*)

Independent Non-executive Directors

Tsang Yok Sing, Jasper

Zhao Zhong Zhen

Chan Ngai Chi

AUDIT COMMITTEE

Chan Ngai Chi (*Chairman*)

Tsang Yok Sing, Jasper

Zhao Zhong Zhen

NOMINATION COMMITTEE

Tsang Yok Sing, Jasper (*Chairman*)

Zhao Zhong Zhen

Chan Ngai Chi

REMUNERATION COMMITTEE

Zhao Zhong Zhen (*Chairman*)

Tsang Yok Sing, Jasper

Chan Ngai Chi

COMPANY SECRETARY

Tsang Fung Yi

AUTHORISED REPRESENTATIVES

Ding Yong Ling

Lin Man

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

Shops 1712–1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

COMPANY'S WEBSITE

cm.tongrentang.com

REGISTERED ADDRESS

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Convention Plaza, 1 Harbour Road

Wanchai

Hong Kong

LEGAL ADVISER

as to Hong Kong laws:

Jingtian & Gongcheng LLP

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15 Queen's Road Central

Hong Kong

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and

Registered Public Interest Entity Auditor

22nd Floor, Prince's Building

Central, Hong Kong

STOCK CODE

3613

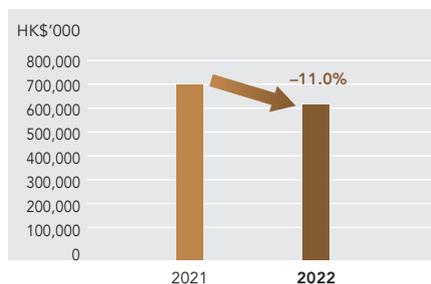
FINANCIAL HIGHLIGHTS

(HK\$'000)	Six months ended 30 June		
	2022	2021	Change
Revenue	626,358	704,031	- 11.0%
Gross profit	432,511	500,158	- 13.5%
Profit before income tax	288,354	348,130	- 17.2%
Profit for the period	238,123	290,717	- 18.1%
Profit attributable to owners of the Company	214,638	267,218	- 19.7%
Earnings per share	HK\$0.26	HK\$0.32	- HK\$0.06

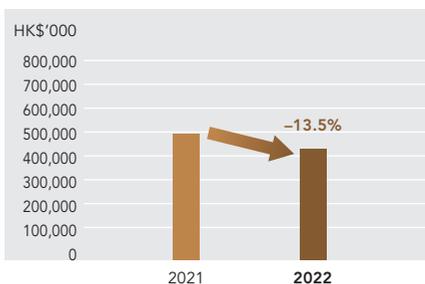
(HK\$'000)	As at		
	30 June 2022	31 December 2021	Change
Cash and bank balances	2,340,363	2,275,568	+ 2.8%
Total assets	3,833,650	3,834,982	- 0.03%
Total equity	3,519,888	3,539,504	- 0.6%

For the six months ended 30 June 2022

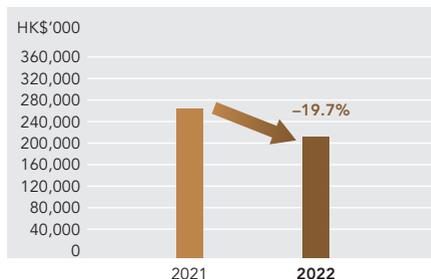
Revenue



Gross profit



Profit attributable to owners of the Company



Earnings per share



BUSINESS REVIEW

In the first half of 2022, the impact of the COVID-19 on Mainland China and Hong Kong entered a new stage. Given the outbreak of the fifth wave pandemic in Hong Kong from February to April, during the peak period, tens of thousands of diagnoses were added per day and medical resources were totally inadequate, resulting in the cumulative number of deaths exceeding 9,000. While paying a heavy price in terms of human lives, economic activities were also hit severely. Meanwhile, in the first half of the year, as the pandemic in Mainland China continued, many major cities have implemented different levels of control measures successively, and economic activities, in particular, commercial flows, have been hit.

As a result of the above, our production and research and development base in Tai Po (“Tai Po Production and R&D Base”), Hong Kong had to suspend production from February and resumed production until late April. The core products in Mainland China, Hong Kong and Macao were in short supply, and production and operation suffered a serious setback. For the six months ended 30 June 2022 (the “Period”), the Group’s sales revenue was HK\$626.4 million (2021: HK\$704.0 million), representing a decrease of 11.0% as compared to the corresponding period last year; and profit attributable to the owners of the Company was HK\$214.6 million (2021: HK\$267.2 million), representing a decrease of 19.7% as compared to the corresponding period last year.

Market Expansion

Despite the complicated and difficult situation in the first half of the year, thanks to the experience gained in coping with the pandemic as well as difficulties and challenges in the past two years, with the concerted efforts of staff, the downward trend of the core market has been reversed, and some overseas markets that have been cultivated for years, such as Singapore, New Zealand, Canada, Dubai, etc. also showed growth against the trend. Furthermore, Beijing Tong Ren Tang (Hainan) Holding Co., Ltd.* (北京同仁堂(海南)控股有限公司), a newly established subsidiary of the Group, has been actively deploying global duty-free trade channels with China Duty Free Group as a breakthrough since its official operation this year. In April, it won the tender of the World’s Largest Duty-Free City — Haikou New Seaport Project of the China Duty Free Group and planned to set up Tong Ren Tang brand stores, expanding the layout of duty-free channels.

* *for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group opened a new store in the central area of Tsim Sha Tsui, Hong Kong. After the pandemic eased in April, the research and site selection work resumed rapidly, actively optimizing the retail channel layout in the Hong Kong market while actively improving online channels by accelerating cross-border exploration of e-commerce platform. In respect of development of product offerings, the “Lingzhi Vitality Capsules” with the two-in-one Lingzhi essence formula will be launched soon, enriching the Ganoderma Lucateum product offerings. In terms of brand promotion and marketing, in the first half of the year, the Group grasped favourable opportunities such as increasing demand for traditional Chinese medicine (“TCM”) by the general public under the pandemic and distribution of a new round of electronic consumer vouchers by the Hong Kong Special Administrative Region Government (“Hong Kong Government”). The Group coordinated online and offline resources, through the means of attracting traffic, for instance, traditional advertisements combined with live broadcasts of Internet celebrities, short videos with themes of pandemic prevention and anti-pandemic series with the use of TCM in combination with festivals and weather, to innovate marketing mix and enhance the precision of marketing activities while increasing the market share of flagship, the cultivation of varieties and profile of the products of the Group such as Korean red ginseng drink series and women’s health series.

At the same time, when the pandemic in Hong Kong was the most severe, the Group actively participated in the local fight against the pandemic. In early March, we donated 100,000 boxes of Huoxiang Zhengqi tablets worth nearly HK\$6 million to the Hong Kong Government and maintained services such as all stores open for business, sales of anti-pandemic medicines at low prices, arranging free consultations and delivery of Chinese medicines to COVID-19 patients for free, demonstrating our assumption of corporate social responsibility.

Production and Research and Development

The Group’s Tai Po Production and R&D Base adhered to its usual stringent style to strictly control the production process, and has attained the GMP of Hong Kong and ISO22000 certification. At the same time, the Group enhanced the improvement and upgrade of the production layout to raise the level of mechanization and automation, so as to lower cost and improve our production capacity, ensuring supply of products to the market. For the first half of the year, for the production of Sporoderm Broken Ganoderma Lucateum Spores Powder Capsules, a fully automated production line and equipment were added in Tai Po Production and R&D Base, optimizing the existing processes, such that working hours required for production were significantly reduced, resulting in lower cost and higher efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

Meanwhile, the Group continued to grasp the development trend in the area of general health and invested high-quality resources to strengthen scientific research on key varieties, driving the upgrade of varieties as well as product future development. For the first half of the year, one Chinese medicine was successfully registered. To further expand scientific research achievements, we will continue to cooperate with internationally renowned universities and research institutions such as the University of Hong Kong, Hong Kong Baptist University and the University of California in the United States. We will commence studies on safety and effect mechanism of key products, including Angong Niu Huang Wan, Ganoderma Lucidum products and Niu Huang Qingxin Wan, and we expect such research results will provide a reliable scientific basis for our future products entering the mainstream overseas market.

Future Prospects

The recurrent COVID-19 pandemic remains to be one of the most unstable factors in the course of world economic recovery, yet TCM and the medical, health and hygiene forces of various countries still carry the mission of safeguarding the common destiny of human health. Humans' yearning for health and the common health destiny of mankind has neither borders nor barriers. The Group has always adhered to the initial mission of providing quality Chinese-style health solutions to the world, effectively satisfying health needs with high-quality products in the continuous development. "Responsibility, Shouldering and Creation" is the core power engine in the course of serving the health needs by the Group. With the presence of innovation along its corporate value chain and supply chain and in its management system to achieve an overall transformation and upgrade of higher quality and speed on a larger scale, the Group gradually upgrades the globalized industrial layout of Tong Ren Tang to a new industrial ecological layout integrating ecology, diversity and win-win to turn a new page in the globalization of Tong Ren Tang.

Human Resources

As at 30 June 2022, we had a total of 754 employees (2021: 759 employees). During the Period, the staff cost of the Group was HK\$92.8 million (2021: HK\$104.2 million). In order to attract and retain talents, the Group reviewed its remuneration policy on a regular basis and offered discretionary bonus to qualified employees according to the results and personal performance.

FINANCIAL REVIEW

Financial Resources and Liquidity

As at 30 June 2022, the Group continued to be in a strong financial position with cash and bank balances amounting to HK\$2,340.4 million (31 December 2021: HK\$2,275.6 million). During the Period, the Group funded its liquidity by resources generated internally. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances, the Group has adequate liquidity and financial resources to meet the daily operations and working capital requirements as well as to fund its expansion plans.

As at 30 June 2022, the Group's cash and bank balances were mainly denominated in Hong Kong dollars and Renminbi and were deposited in reputable financial institutions with maturity dates falling within one year.

As at 30 June 2022, the Group had total non-current assets, net current assets and net assets of HK\$527.2 million, HK\$3,061.9 million and HK\$3,519.9 million, respectively (31 December 2021: HK\$558.2 million, HK\$3,063.8 million and HK\$3,539.5 million respectively). The current ratio of the Group, defined as the ratio of current assets to current liabilities, was 13.5 as at 30 June 2022 (31 December 2021: 15.4), which reflects the abundance of financial resources of the Group. The gearing ratio of the Group, defined as the borrowings and lease liabilities to total equity, was 3.1% as at 30 June 2022 (31 December 2021: 3.6%).

Capital Expenditure

During the Period, the Group's capital expenditure was HK\$4.0 million (2021: HK\$8.6 million), which was mainly used in renovation of retail outlets and purchase of machinery and equipment for production and operation purposes.

Foreign Currency Risk

The Group's main business operations are conducted in Hong Kong and other overseas countries/regions. The transactions, monetary assets and liabilities of the Group are mainly denominated in Hong Kong dollar, Renminbi, and United States dollar. During the Period, there was no material impact to the Group arising from the fluctuation in the exchange rates of these currencies.

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

Major Investment, Acquisitions and Disposals

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

MANAGEMENT DISCUSSION AND ANALYSIS

Charges over Assets of the Group

As at 30 June 2022, the Group's property with net book value of HK\$9.8 million (31 December 2021: HK\$10.4 million) has been pledged as securities for bank borrowings. Such bank borrowing in Australian dollars bears interest at 1.5% plus the bank bill rate in Australia per annum and is wholly repayable in 2023.

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities.

Dividends

The board of Directors (the "Board") did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021:Nil).

CONDENSED CONSOLIDATED INCOME STATEMENT

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2022 together with the comparative unaudited figures for the corresponding period in 2021 as follows:

	Note	Unaudited Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
Revenue	6	626,358	704,031
Cost of sales	7	(193,847)	(203,873)
Gross profit		432,511	500,158
Distribution and selling expenses	7	(84,532)	(89,423)
General and administrative expenses and others			
— General and administrative expenses	7	(60,390)	(67,986)
— Net reversal of impairment losses on financial assets	7	809	1,320
Other gains, net		3,532	3,342
Operating profit		291,930	347,411
Finance income		3,555	2,724
Finance costs		(2,453)	(2,210)
Finance income, net	8	1,102	514
Share of (losses)/profits of investments accounted for using the equity method		(4,678)	205
Profit before income tax		288,354	348,130
Income tax expense	9	(50,231)	(57,413)
Profit for the period		238,123	290,717
Profit attributable to:			
Owners of the Company		214,638	267,218
Non-controlling interests		23,485	23,499
		238,123	290,717
Earnings per share attributable to owners of the Company for the period (expressed in HK\$ per share)			
Basic and diluted earnings per share	10	0.26	0.32

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	238,123	290,717
Other comprehensive (losses)/income:		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(14,557)	(423)
<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	2,670	1,290
Other comprehensive (losses)/income for the period	(11,887)	867
Total comprehensive income for the period	226,236	291,584
Attributable to:		
Owners of the Company	203,944	268,454
Non-controlling interests	22,292	23,130
Total comprehensive income for the period	226,236	291,584

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

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	180,511	183,309
Right-of-use assets		193,316	214,255
Intangible assets	13	59,466	60,953
Investments accounted for using the equity method		51,350	57,896
Financial asset at fair value through other comprehensive income		8,133	5,463
Deposits paid for purchase of property, plant and equipment and intangible assets		12,799	14,245
Deferred income tax assets, net		21,667	22,050
		527,242	558,171
Current assets			
Inventories		445,888	431,865
Trade receivables and other current assets	14	520,157	569,378
Term deposits placed with banks		1,643,949	615,264
Cash and cash equivalents		696,414	1,660,304
		3,306,408	3,276,811
Total assets		3,833,650	3,834,982
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	938,789	938,789
Reserves			
— Other reserves		(35,861)	(25,167)
— Retained earnings		2,484,801	2,504,551
		3,387,729	3,418,173
Non-controlling interests		132,159	121,331
Total equity		3,519,888	3,539,504

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
	Note		
LIABILITIES			
Non-current liabilities			
Borrowings		416	799
Lease liabilities		61,772	74,475
Deferred income tax liabilities, net		7,039	7,147
		69,227	82,421
Current liabilities			
Borrowings		503	480
Trade and other payables	16	120,343	127,550
Lease liabilities		46,475	52,722
Current income tax liabilities		77,214	32,305
		244,535	213,057
Total liabilities		313,762	295,478
Total equity and liabilities		3,833,650	3,834,982

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited								
	Attributable to owners of the Company								
	Share capital HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021	938,789	(13,124)	(6,850)	6,229	(5,172)	2,097,617	3,017,489	112,021	3,129,510
Comprehensive income									
Profit for the period	-	-	-	-	-	267,218	267,218	23,499	290,717
Other comprehensive income									
Change in fair value of financial asset at fair value through other comprehensive income	-	-	1,290	-	-	-	1,290	-	1,290
Currency translation differences									
— Group	-	-	-	-	403	-	403	(369)	34
— Joint ventures	-	-	-	-	(457)	-	(457)	-	(457)
Total comprehensive income	-	-	1,290	-	(54)	267,218	268,454	23,130	291,584
Transactions with owners in their capacity as owners									
Dividends relating to 2020 (Note 11)	-	-	-	-	-	(200,904)	(200,904)	(7,350)	(208,254)
Capital injection into a subsidiary	-	-	-	-	-	-	-	738	738
Total transactions with owners in their capacity as owners	-	-	-	-	-	(200,904)	(200,904)	(6,612)	(207,516)
At 30 June 2021	938,789	(13,124)	(5,560)	6,229	(5,226)	2,163,931	3,085,039	128,539	3,213,578
At 1 January 2022	938,789	(13,124)	(13,764)	6,229	(4,508)	2,504,551	3,418,173	121,331	3,539,504
Comprehensive income									
Profit for the period	-	-	-	-	-	214,638	214,638	23,485	238,123
Other comprehensive losses									
Change in fair value of financial asset at fair value through other comprehensive income	-	-	2,670	-	-	-	2,670	-	2,670
Currency translation differences									
— Group	-	-	-	-	(11,495)	-	(11,495)	(1,193)	(12,688)
— Joint ventures and an associate	-	-	-	-	(1,869)	-	(1,869)	-	(1,869)
Total comprehensive income	-	-	2,670	-	(13,364)	214,638	203,944	22,292	226,236
Transactions with owners in their capacity as owners									
Dividends relating to 2021 (Note 11)	-	-	-	-	-	(234,388)	(234,388)	(11,662)	(246,050)
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	-	198	198
Total transactions with owners in their capacity as owners	-	-	-	-	-	(234,388)	(234,388)	(11,464)	(245,852)
At 30 June 2022	938,789	(13,124)	(11,094)	6,229	(17,872)	2,484,801	3,387,729	132,159	3,519,888

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Net cash generated from operating activities	355,713	351,246
Cash flows from investing activities		
Interest received	2,099	3,558
Dividends received	–	180
(Increase)/decrease in term deposits placed with banks with original maturities exceeding three months	(1,028,685)	394,844
Purchase of property, plant and equipment and intangible assets	(3,614)	(2,501)
Proceeds from disposal of property, plant and equipment	1	1
Deposit paid for purchase of property, plant and equipment and intangible assets	(418)	(6,123)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	91	–
Acquisition of further interest in a subsidiary	(3,063)	–
Prepayment for acquisition of an associate	–	(11,950)
Net cash (used in)/generated from investing activities	(1,033,589)	378,009
Cash flows from financing activities		
Principal elements of lease payments	(27,589)	(24,487)
Proceeds from borrowings	–	395
Repayment of borrowings	(328)	(83)
Interest paid	(2,453)	(2,210)
Capital injection by non-controlling interests	–	738
Dividends paid to the Company's shareholders	(234,358)	(200,878)
Dividends paid to non-controlling interests	(11,662)	(7,350)
Net cash used in financing activities	(276,390)	(233,875)
Net (decrease)/increase in cash and cash equivalents	(954,266)	495,380
Cash and cash equivalents at beginning of period	1,660,304	1,426,040
Exchange (losses)/gains on cash and cash equivalents	(9,624)	891
Cash and cash equivalents at end of period	696,414	1,922,311
Analysis of balances of cash and cash equivalents		
Cash at bank and on hand and deposits with banks with original maturity within three months	696,414	1,922,311

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

The condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This consolidated interim financial information has been approved for issue by the Board on 12 August 2022.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Listing Rules of the Stock Exchange.

The financial information relating to the year ended 31 December 2021 that is included in this condensed consolidated interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for the year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Companies Registry as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

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

(a) Adoption of revised framework and amendments to standards

The Group has adopted the following revised framework and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2022.

Annual improvement project (Amendments)	Annual Improvements to HKFRSs 2018–2020
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The adoption of the above revised framework and amendments to standards did not have any significant financial impact on this condensed consolidated interim financial information.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) **New Standard and amendments to standards which are not yet effective**

The following are new standard and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2023 or later periods, but have not been early adopted by the Group.

Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽¹⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽¹⁾
HKFRS 17 (New Standard)	Insurance Contracts ⁽¹⁾
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies ⁽¹⁾
HKAS 8 (Amendments)	Definition of Accounting Estimates ⁽¹⁾
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽¹⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽²⁾

⁽¹⁾ Effective for the accounting period beginning on 1 January 2023

⁽²⁾ Effective date to be determined

The Group will apply the above new standard and amendments to standards when they become effective.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2021.

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

(b) Liquidity risk

Compared to 31 December 2021, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Sales of products	604,824	681,028
Service income	21,466	22,921
Royalty fee income	68	82
	626,358	704,031

(b) Segment information

The chief operating decision maker has been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors 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 assess the performance of the operating segments based on revenue and segment results of each segment. The Executive Directors have determined the operating segments based on the location of the entities and the information reviewed by the Group's chief operating decision maker for the purposes of allocating resources and assessing performance and have determined that the Group has three reportable operating segments.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

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

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

Unallocated items comprise mainly corporate expenses.

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

Segment assets include property, plant and equipment, right-of-use assets, intangible assets, investments accounted for using equity method, financial asset at fair value through other comprehensive income, deposits paid for purchase of property, plant and equipment and intangible assets, deferred income tax assets, inventories, trade receivables and other current assets, term deposits placed with banks and cash and cash equivalents. Segment liabilities include borrowings, lease liabilities, trade and other payables, current and deferred income tax liabilities.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(i) Analysis of condensed consolidated income statement

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
Six months ended				
30 June 2021 (Unaudited)				
Segment revenue	565,521	240,276	243,828	1,049,625
Inter-segment revenue	(267,298)	(78,224)	(72)	(345,594)
Revenue from external customers	298,223	162,052	243,756	704,031
Timing of revenue recognition				
At a point in time	297,559	159,570	223,899	681,028
Overtime	664	2,482	19,857	23,003
	298,223	162,052	243,756	704,031
Segment results	312,804	27,814	48,703	389,321
Inter-segment elimination				(41,910)
Operating profit				347,411
Finance income	2,402	133	189	2,724
Finance costs	(799)	(100)	(1,311)	(2,210)
Share of profits of investments accounted for using equity method				205
Profit before income tax				348,130
Income tax expense				(57,413)
Profit for the period				290,717

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

(ii) Analysis of condensed consolidated balance sheet

	Hong Kong HK\$'000	Mainland China HK\$'000	Overseas HK\$'000	Total HK\$'000
At 30 June 2022 (Unaudited)				
Segment assets and liabilities				
Total assets	2,872,948	471,133	489,569	3,833,650
Investments accounted for using equity method	8,776	35,266	7,308	51,350
Total liabilities	(147,282)	(48,516)	(117,964)	(313,762)
At 31 December 2021 (Audited)				
Segment assets and liabilities				
Total assets	2,815,098	581,373	438,511	3,834,982
Investments accounted for using equity method	9,260	40,599	8,037	57,896
Total liabilities	(127,969)	(47,554)	(119,955)	(295,478)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Cost of inventories sold	161,289	165,656
Employee benefit expenses (including directors' emoluments)	92,805	104,213
COVID-19-related rent concessions	(113)	(19)
Expenses relating to short-term leases	4,927	7,500
Variable lease payments not included in the measurement of lease liabilities (Note)	153	201
Depreciation of right-of-use assets	29,800	26,432
Amortisation of intangible assets (Note 13)	1,487	650
Depreciation of property, plant and equipment (Note 12)	6,552	6,446
Loss on disposal of property, plant and equipment	1	2
Write-off of inventories	63	45
Reversal of loss allowance on trade receivables	(809)	(1,320)
Promotion and advertising expenses	5,004	7,295
Net exchange gain	(143)	(78)

Note: Variable lease payments represent the amounts which are calculated based on percentages of turnover generated by certain retail outlets that exceed their fixed rentals.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 FINANCE INCOME, NET

	Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Finance income		
Bank deposits	3,555	2,724
Finance costs		
Bank borrowings	(1)	(1)
Lease liabilities	(2,452)	(2,209)
	(2,453)	(2,210)
Finance income, net	1,102	514

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the period. PRC corporate income tax has been provided at the rate of 25% (2021: 25%) on the estimated assessable profits for the period of the subsidiaries operating in Mainland China. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the entities operate.

	Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Current income tax		
Hong Kong	42,225	51,204
PRC	28	6,668
Overseas	8,007	7,056
	50,260	64,928
Deferred income tax	(29)	(7,515)
Income tax expense	50,231	57,413

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June	
	2022	2021
Profit attributable to owners of the Company (HK\$'000)	214,638	267,218
Weighted average number of ordinary shares in issue (thousand shares)	837,100	837,100
Earnings per share (HK\$)	0.26	0.32

There were no potential dilutive shares for the six months ended 30 June 2022 (2021: Nil).

11 DIVIDENDS

A dividend of HK\$234,388,000 in respect of the year ended 31 December 2021 was paid in June 2022 (2021: HK\$200,904,000).

During the six months ended 30 June 2022, the Board did not recommend the payment of any interim dividend (2021: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment is analysed as follows:

	HK\$'000
At 1 January 2022 (audited)	183,309
Additions	5,688
Acquisition of a subsidiary	33
Disposals	(47)
Depreciation charge	(6,552)
Currency translation differences	(1,920)
At 30 June 2022 (unaudited)	180,511

As at 30 June 2022, bank borrowing is secured by a freehold land and building amounted to HK\$9,793,000 (31 December 2021: HK\$10,406,000).

13 INTANGIBLE ASSETS

The net book value of intangible assets is analysed as follows:

	Goodwill	Computer software	Other intangible assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022 (audited)	49,419	7,417	4,117	60,953
Amortisation	–	(837)	(650)	(1,487)
At 30 June 2022 (unaudited)	49,419	6,580	3,467	59,466

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Trade receivables		
— immediate holding company	—	288
— fellow subsidiaries	39,076	23,974
— joint ventures	3,033	2,693
— an associate	16,039	27,148
— third parties	433,387	487,111
Trade receivables, gross	491,535	541,214
Less: loss allowance	(13,527)	(14,737)
Trade receivables, net	478,008	526,477
Prepayment and other receivables	24,626	24,175
Deposits	16,553	17,756
Amount due from a joint venture	970	970
	520,157	569,378

The aging analysis of trade receivables (including amounts due from related parties of trading in nature) based on invoice date is as follows:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Up to 90 days	249,006	457,121
91–180 days	9,286	45,779
181–365 days	209,469	29,803
Over 365 days	23,774	8,511
	491,535	541,214

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares issued and fully paid:		
At 1 January 2022 (audited) and 30 June 2022 (unaudited)	837,100,000	938,789

16 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Trade payables		
— intermediate holding company	13,885	9,343
— immediate holding company	12,836	12,801
— fellow subsidiaries	479	–
— third parties	32,140	12,452
Trade payables	59,340	34,596
Accruals and other payables	57,037	88,446
Contract liabilities	3,966	4,508
	120,343	127,550

The aging analysis of trade payables (including amounts due to the related parties of trading in nature) based on invoice date is as follows:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Up to 90 days	51,286	30,273
91–180 days	2,499	33
181–365 days	1,036	–
Over 365 days	4,519	4,290
	59,340	34,596

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 COMMITMENTS

(a) Capital commitments

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Contracted but not provided for — property, plant and equipment	2,800	3,342

(b) Lease commitments

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
No later than 1 year	4,378	1,509

As at 30 June 2022 and 31 December 2021, there are no undiscounted future lease payments committed by the Group but the relevant lease periods have not commenced.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those disclosed in other sections of this condensed consolidated interim financial information, the following transactions were carried out with related parties:

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2022	2021
		HK\$'000	HK\$'000
(a)	Sales of products to:		
	— Immediate holding company	1,879	—
	— Fellow subsidiaries	40,165	69,736
	— Joint ventures	851	967
	— An associate	1,286	12,668
		44,181	83,371
(b)	Purchase of products from:		
	— Immediate holding company	16,660	11,403
	— Intermediate holding company	15,794	16,121
	— Fellow subsidiaries	38,666	229
		71,120	27,753
(c)	Royalty fee income from joint ventures	68	82
(d)	Lease payments to fellow subsidiaries	2,440	2,438
(e)	Advertising agency services expense to a fellow subsidiary	90	1,175

At 30 June 2022, the Group recognised lease liabilities payable to fellow subsidiaries of HK\$2,727,000 (31 December 2021: HK\$4,761,000) over the relevant property leases.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(f) Key management compensation

Key management includes executive directors and senior management. The emoluments paid or payable to key management for employee services is as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Salaries and other short-term benefits	2,761	2,340
Pension costs — defined contribution plans	152	116
	2,913	2,456

Notes:

- (i) These transactions were conducted in the normal course of business at prices and terms mutually agreed between the parties involved.
- (ii) In accordance with the royalty agreements, the royalty fee is charged annually by the Company at either 1% on revenue or 1.5% on profit before income tax of the joint ventures, whichever is higher. Pursuant to these agreements, these joint ventures are permitted to operate under "Tong Ren Tang" brand name.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2022, the interest and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the laws of Hong Kong)) of the Directors and chief executives of the Company which would have to be notified to the Company pursuant to Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares

	Types of interests	Capacity	Number of shares	Approximate percentage of issued share capital
The Company				
Ding Yong Ling	Personal	Beneficial owner	410,000	0.049%
Chen Fei	Personal	Beneficial owner	22,000	0.003%
Lin Man	Personal	Beneficial owner	290,000	0.035%

Save as disclosed above, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the interest of the persons, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Long position in shares

Name of shareholder	Capacity	Number of shares	Approximate percentage of issued share capital
Tong Ren Tang Technologies	Beneficial owner	318,540,000	38.05%
Tong Ren Tang Ltd. ⁽¹⁾	Beneficial owner	281,460,000	33.62%
	Interest of a controlled corporation	318,540,000	38.05%
Tong Ren Tang Holdings ⁽²⁾	Interest of a controlled corporation	600,000,000	71.67%

Notes:

- (1) Tong Ren Tang Ltd. directly holds 46.85% of the issued share capital of Tong Ren Tang Technologies. Accordingly, Tong Ren Tang Ltd. is deemed to be interested in 318,540,000 shares of the Company held by Tong Ren Tang Technologies.
- (2) Tong Ren Tang Holdings directly holds 52.45% of the issued share capital of Tong Ren Tang Ltd. which in turn directly holds 46.85% of the issued share capital of Tong Ren Tang Technologies. Tong Ren Tang Holdings also directly holds 1.40% domestic shares and H shares in total of Tong Ren Tang Technologies. Accordingly, Tong Ren Tang Holdings is deemed to be interested in 318,540,000 shares of the Company and 281,460,000 shares of the Company held by Tong Ren Tang Technologies and Tong Ren Tang Ltd., respectively.

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the section “Directors’ and chief executives’ interests in shares” above, at no time during the six months ended 30 June 2022 was the Company, any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS IN COMPETING BUSINESSES

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

- (i) engage in the research, development, manufacture and sales of any products containing ganoderma lucidum or ganoderma lucidum spores as raw materials in markets outside of the Mainland China (the “Non-PRC Markets”);
- (ii) engage in the research, development, manufacture and sale of any products with “Tong Ren Tang” brands in Non-PRC Markets, except for the manufacture of the Chinese medicine products for the two independent third parties in Japan; for the avoidance of doubt and without prejudice to the generality of the Deed of Non-competition, except for the current excluded business in Japan, engage in arrangement with any other parties in the Non-PRC Markets similar to the excluded business in Japan;
- (iii) carry out any sales or registration (new or renewal) for Angong Niu Huang Wan in the Non-PRC Markets;
- (iv) engage in the distribution of any Chinese medicine products in Non-PRC Markets, except for certain existing arrangements as disclosed in the Prospectus; and
- (v) carry out any new overseas registration of “Tong Ren Tang” branded products ((i) to (v) are collectively known as “Restricted Business”).

OTHER INFORMATION

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 favorable than the terms it wishes to sell to other parties.

In this connection, the Group adopted the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing business and to safeguard the interests of the shareholders of the Company:

- (i) the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by the Controlling Shareholders; and
- (ii) the Company will disclose the review by the independent non-executive Directors with basis on the compliance with and enforcement of the terms of the Deed of Non-competition in its annual report.

OTHER INFORMATION

In monitoring the competing business of the Parent Group (refer to Tong Ren Tang Holdings, Tong Ren Tang Ltd., Tong Ren Tang Technologies and their respective subsidiaries, other than the Group and their respective predecessors) an executive committee (the “Competition Executive Committee”) comprising two disinterested Directors, namely Mr. Chen Fei and Ms. Lin Man, has been established with the following major responsibilities:

- (a) conduct quarterly inspection of the distribution channels of the Parent Group, including retail stores and wholesale customers, to check whether any products containing ganoderma lucidum or ganoderma lucidum spores as raw materials (other than ganoderma lucidum spores powder capsule manufactured by the Group) is sold in Non-PRC Markets; and
- (b) conduct quarterly communications with representatives of the Parent Group to confirm whether their research and development portfolio has any products which contain ganoderma lucidum or ganoderma lucidum spores as raw materials.

A supervisory committee (the “Competition Supervisory Committee”), comprising three independent non-executive Directors, namely, Mr. Tsang Yok Sing, Jasper (Chairman), Mr. Zhao Zhong Zhen and Mr. Chan Ngai Chi, has been established with the following major responsibilities:

- (a) meet quarterly and review the quarterly inspection record and daily communication records by the Competition Executive Committee (if applicable); and
- (b) report findings during its review of the records provided by the Competition Executive Committee to the Board which will be published in the Company’s annual report.

OTHER INFORMATION

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquires to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Period.

CORPORATE GOVERNANCE CODE

The Company has complied with the provisions set out in Appendix 14 of the Corporate Governance Code to the Listing Rules during the Period.

CHANGES IN INFORMATION OF DIRECTORS

The changes in the information of the Directors of the Company since the publication of the 2021 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

1. On the recommendation of the Remuneration Committee, the Board had reviewed and resolved to adjust the Directors' fee of each of the independent non-executive Director to HK\$24,000 per month with effect from 1 July 2022.
2. Mr. Chan Ngai Chi, an independent non-executive Director, was appointed as the chief financial officer and company secretary of Vixtel Technologies Holdings Limited (Stock code: 1782) with effect from 1 April 2022 and 1 June 2022 respectively.

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

OTHER INFORMATION

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control are the essential parts of the operation and governance procedures of the Group. Effective risk management and internal control help the Group identify and evaluate risks, adopt measures to cope with threats, continue implement its development strategies and ensure the realization of targets set.

The Group's risk governance structure is based on the "3 lines of defense" model comprised of day-to-day operational control, risk control and compliance management, and independent supervision and assurance.

In view of the ever-changing internal and external environment, the Group takes an active and systematic approach for the ongoing risk identification and assessment in the course of business operations, defines risk control responsibilities, reviews the adequacy and effectiveness of risk control measures, and continuously incorporate risk control concepts into operation and governance process so as to strengthened the risk control capabilities of the Group on all fronts and helped to achieve operating targets and steady development.

During the Period, the relevant functional departments and operating units performed their respective duties. Apart from daily monitoring of risks, they reported the overall status of significant risks and risk management initiatives by submitting the risk control report. After further analysis and summarization of the relevant risk control reports, the Group's risk management report is formed and reported to the Audit Committee and the Board for continuous supervision and review of the effectiveness of the Group's risk management and internal control system.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited consolidated financial statements and the interim report of the Group for the six months ended 30 June 2022. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

On behalf of the Board
Beijing Tong Ren Tang
Chinese Medicine Company Limited
Ding Yong Ling
Chairman

Hong Kong, 12 August 2022



cm.tongrentang.com