



Tong Ren Tang Technologies Co. Ltd.

北京同仁堂科技发展股份有限公司

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

(Stock Code: 1666)



2024  
INTERIM REPORT







## HIGHLIGHTS

- **For the six months ended 30 June 2024, the Group's revenue represents an increase of approximately 2.63% compared to the six months ended 30 June 2023.**
- **For the six months ended 30 June 2024, profit attributable to owners of the Company represents an increase of approximately 16.46% compared to the six months ended 30 June 2023.**
- **For the six months ended 30 June 2024, earnings per share for profit attributable to owners of the Company amounted to RMB0.33.**
- **The Board does not declare the distribution of an interim dividend for the six months ended 30 June 2024.**

## INTERIM RESULTS (UNAUDITED)

The board of directors (the “**Board**”) of Tong Ren Tang Technologies Co. Ltd. (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”) as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Revenue	6	<b>4,050,094</b>	3,946,415
Cost of sales		<b>(2,512,973)</b>	(2,379,452)
<b>Gross Profit</b>		<b>1,537,121</b>	1,566,963
Distribution expenses		<b>(664,296)</b>	(618,362)
Administrative expenses		<b>(239,062)</b>	(313,311)
(Provision for)/reversal of impairment losses on financial assets		<b>(1,730)</b>	5,160
Other income and gains, net		<b>12</b>	180
<b>Operating profit</b>		<b>632,045</b>	640,630
Finance income	7	<b>44,273</b>	42,495
Finance costs	7	<b>(32,668)</b>	(24,906)
Finance income, net	7	<b>11,605</b>	17,589
Gains on disposal of subsidiaries	8	<b>46,544</b>	–
Share of the profit/loss of associates or joint ventures accounted for using the equity method		<b>337</b>	1,794
<b>Profit before income tax</b>		<b>690,531</b>	660,013
Income tax expense	10	<b>(107,747)</b>	(100,016)
<b>Profit for the period</b>		<b>582,784</b>	559,997
<b>Profit attributable to:</b>			
Owners of the Company		<b>428,752</b>	368,151
Non-controlling interests		<b>154,032</b>	191,846
		<b>582,784</b>	559,997
<b>Earnings per share for profit attributable to owners of the Company during the period</b>			
— Basic and diluted	11	<b>RMB0.33</b>	RMB0.29

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>Profit for the period</b>	<b>582,784</b>	559,997
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Foreign currency translation differences		
— Group	<b>20,621</b>	104,059
— Joint ventures and associates	<b>(229)</b>	124
<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	<b>879</b>	667
<b>Other comprehensive income for the period, net of tax</b>	<b>21,271</b>	104,850
<b>Total comprehensive income for the period</b>	<b>604,055</b>	664,847
<b>Attributable to:</b>		
Owners of the Company	<b>436,766</b>	407,380
Non-controlling interests	<b>167,289</b>	257,467
<b>Total comprehensive income for the period</b>	<b>604,055</b>	664,847

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

		30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>2,563,089</b>	2,569,439
Right-of-use assets	13	<b>640,417</b>	650,739
Intangible assets		<b>57,289</b>	60,235
Investments accounted for using the equity method		<b>91,394</b>	34,941
Biological assets		<b>96</b>	–
Financial assets at fair value through other comprehensive income		<b>8,052</b>	7,098
Prepayments for purchases of non-current assets		<b>49,203</b>	44,707
Deferred income tax assets		<b>67,085</b>	81,685
		<b>3,476,625</b>	3,448,844
<b>Current assets</b>			
Inventories		<b>5,076,001</b>	4,744,433
Trade and bills receivables	14	<b>1,230,010</b>	888,333
Other financial assets at amortised cost		<b>45,799</b>	53,056
Prepayments and other current assets		<b>142,990</b>	188,196
Financial assets at fair value through profit or loss		<b>383</b>	370
Financial assets at fair value through other comprehensive income		<b>127,188</b>	64,444
Term deposits placed with banks		<b>247,856</b>	1,373,608
Cash and cash equivalents		<b>3,942,070</b>	2,746,458
		<b>10,812,297</b>	10,058,898
<b>Total assets</b>		<b>14,288,922</b>	13,507,742

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONT'D)

		30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	Notes		
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	1,280,784	1,280,784
Reserves		5,814,858	5,608,633
		7,095,642	6,889,417
<b>Non-controlling interests</b>			
		2,750,563	2,762,468
<b>Total equity</b>			
		9,846,205	9,651,885
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		1,739,076	1,379,451
Lease liabilities		99,425	96,443
Deferred income tax liabilities		10,461	8,494
Deferred income — government grants		100,710	132,584
		1,949,672	1,616,972
<b>Current liabilities</b>			
Trade payables	16	973,406	1,376,743
Salary and welfare payables		32,013	58,497
Contract liabilities		171,605	206,651
Current income tax liabilities		45,176	41,202
Other payables		696,437	404,472
Borrowings		497,294	76,651
Lease liabilities		77,114	74,669
		2,493,045	2,238,885
<b>Total liabilities</b>			
		4,442,717	3,855,857
<b>Total equity and liabilities</b>			
		14,288,922	13,507,742

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>Cash flows from operating activities:</b>		
Cash (used in)/generated from operations	(333,097)	1,070,672
Interest paid	(32,668)	(24,906)
Income tax paid	(87,117)	(197,293)
Net cash (used in)/generated from operating activities	(452,882)	848,473
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(82,433)	(58,266)
Purchase of land use rights	–	(2,227)
Purchase of other long-term assets	(2,015)	(5,953)
Disposal of a subsidiary	(34,632)	–
Proceeds from disposals of property, plant and equipment and other long-term assets	261	2,326
Increase in term deposits placed with banks with original maturities exceeding three months	(143,788)	(672,870)
Decrease in term deposits placed with banks with original maturities exceeding three months	1,269,540	326,003
Dividends received	–	213
Interest received	48,739	34,752
Net cash generated from/(used in) investing activities	1,055,672	(376,022)
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	813,942	200,000
Repayments of borrowings	(33,676)	(208,621)
Capital injection from non-controlling interests	–	44,165
Principal elements of lease payments	(32,110)	(30,555)
Dividends paid to non-controlling interests	(166,994)	(213,684)
Net cash generated from/(used in) financing activities	581,162	(208,695)
Net increase in cash and cash equivalents	1,183,952	263,756
Cash and cash equivalents at beginning of the period	2,746,458	3,721,668
Effects of exchange rate changes on cash and cash equivalents	11,660	79,183
<b>Cash and cash equivalents at end of the period</b>	<b>3,942,070</b>	<b>4,064,607</b>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Unaudited)	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve fund	Statutory public welfare fund	Tax reserve	Foreign currency translation differences	Financial assets at FVOCI reserve	Other reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2024	1,280,784	412,245	730,275	45,455	102,043	86,878	(2,056)	162,743	4,071,050	6,889,417	2,762,468	9,651,885
<b>Comprehensive income</b>												
Profit for the period	-	-	-	-	-	-	-	-	428,752	428,752	154,032	582,784
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI")	-	-	-	-	-	-	335	-	-	335	544	879
Foreign currency translation differences												
— Group	-	-	-	-	-	7,766	-	-	-	7,766	12,855	20,621
— Joint ventures and associates	-	-	-	-	-	(87)	-	-	-	(87)	(142)	(229)
<b>Transactions with owners in their capacity as owners</b>												
2023 dividends to shareholders of the Company	-	-	-	-	-	-	-	-	(230,541)	(230,541)	-	(230,541)
2023 dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(165,139)	(165,139)
Disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	(14,055)	(14,055)
Balance as at 30 June 2024	1,280,784	412,245	730,275	45,455	102,043	94,557	(1,721)	162,743	4,269,261	7,095,642	2,750,563	9,846,205

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONT'D)

(Unaudited)	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve fund	Statutory public welfare fund	Tax reserve	Foreign currency translation differences	Financial assets at FVOCI reserve	Other reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2023	1,280,784	412,245	678,479	45,455	102,043	68,305	(1,444)	159,301	3,737,583	6,482,751	2,534,187	9,016,938
<b>Comprehensive income</b>												
Profit for the period	-	-	-	-	-	-	-	-	368,151	368,151	191,846	559,997
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI")	-	-	-	-	-	-	254	-	-	254	413	667
Foreign currency translation differences												
— Group	-	-	-	-	-	38,928	-	-	-	38,928	65,131	104,059
— Joint ventures and associates	-	-	-	-	-	47	-	-	-	47	77	124
<b>Transactions with owners in their capacity as owners</b>												
2022 dividends to shareholders of the Company	-	-	-	-	-	-	-	-	(204,925)	(204,925)	-	(204,925)
2022 dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(213,684)	(213,684)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	6,985	-	6,985	37,180	44,165
Balance as at 30 June 2023	1,280,784	412,245	678,479	45,455	102,043	107,280	(1,190)	166,286	3,900,809	6,692,191	2,615,150	9,307,341



Notes:

## 1. GENERAL INFORMATION

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the **"PRC"**) on 22 March 2000, and was listed on the Growth Enterprise Market (the **"GEM"**) of The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) on 31 October 2000 and transferred from the GEM to the Main Board of the Stock Exchange on 9 July 2010. Its ultimate holding company is China Beijing Tong Ren Tang Group Co., Ltd. (中國北京同仁堂(集團)有限責任公司) (**"Tong Ren Tang Holdings"**), a company incorporated in Beijing, the PRC.

The address of the Company's registered office is No. 16 Tongji Beilu, Beijing Economic and Technological Development Zone, Beijing, the PRC. The Group is principally engaged in the production and distribution of Chinese medicine and primarily operates in Mainland China and Hong Kong.

The interim condensed consolidated financial information was approved by the Board to be issued on 30 August 2024.

The interim condensed consolidated financial information has not been audited.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (IAS) 34, "Interim financial reporting". The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

## 3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended 31 December 2023, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the income tax rates that are expected to be applicable to total annual earnings.



### 3. ACCOUNTING POLICIES (CONT'D)

#### 3.1 ADOPTION OF NEW STANDARDS AND AMENDMENTS TO STANDARDS

The Group has adopted the following new/revised standards and amendments to standards which are mandatory for the financial year beginning on or after 1 January 2024:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current liabilities with covenants
Amendments to IFRS 16	Lease liability in sale and leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The adoption of above new/revised standards and amendment to standards did not have a material impact on these interim condensed consolidated 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 interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were mostly same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

### 5. FINANCIAL RISK MANAGEMENT

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

The interim condensed consolidated 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 2023.

There have been no significant changes in any risk management policies since the year end of 2023.

## 6. REVENUE

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Sales of Chinese medicine products		
— Mainland China	<b>3,552,169</b>	3,311,352
— Outside Mainland China	<b>467,391</b>	606,932
	<b>4,019,560</b>	3,918,284
Advertising service income		
— Mainland China	<b>5,954</b>	5,836
Service income		
— Mainland China	<b>3,017</b>	1,410
— Outside Mainland China	<b>21,371</b>	20,844
	<b>24,388</b>	22,254
Royalty fee income		
— Outside Mainland China	<b>192</b>	41
	<b>4,050,094</b>	3,946,415

## 7. FINANCE INCOME AND COSTS

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>Finance income</b>		
Interest income	<b>43,253</b>	39,482
Exchange gains, net	<b>2</b>	690
Others	<b>1,018</b>	2,323
	<b>44,273</b>	42,495
<b>Finance costs</b>		
Interest on bank borrowings	<b>(28,607)</b>	(21,037)
Interest on lease liabilities	<b>(4,061)</b>	(3,869)
	<b>(32,668)</b>	(24,906)
<b>Finance income, net</b>	<b>11,605</b>	17,589



## 8. GAINS ON DISPOSAL OF SUBSIDIARIES

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Beijing Tong Ren Tang Second TCM Hospital Co., Ltd.*	<b>43,330</b>	–
Others	<b>3,214</b>	–
	<b>46,544</b>	–

- \* 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 TCM Hospital Co., Ltd. ("**Beijing TRT Second TCM 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 Beijing TRT Second TCM Hospital. Beijing TRT Second TCM Hospital became an associated company of the Company.

## 9. EXPENSES BY NATURE

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Depreciation of property, plant and equipment	<b>90,758</b>	88,505
Depreciation of right-of-use assets	<b>48,400</b>	43,923
Amortisation of other long-term assets	<b>4,174</b>	4,109
Provision for impairment of inventories	<b>14,077</b>	11,139
Provision for/(Reversal of) impairment of receivables	<b>1,730</b>	(5,160)
Losses on disposals of non-current assets	<b>125</b>	2,509

## 10. INCOME TAX EXPENSE

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, enterprises with a High/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%. As of 30 June 2024 and 30 June 2023, the Company and certain of its subsidiaries have obtained the HNTE certificate. Consequently, their applicable income tax rate used for the six months ended 30 June 2024 is 15% (for the six months ended 30 June 2023: 15%).

Hong Kong Special Administrative Region of the PRC (“**Hong Kong, China**”) profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2023: 16.5%) on the estimated assessable profit for the six months ended 30 June 2024.

Income tax on profits from countries and regions other than Mainland China and Hong Kong, China profits has been calculated on the estimated assessable profit for the Reporting Period at the income tax rates prevailing in the tax jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Current income tax expense		
— Mainland China	<b>70,048</b>	52,507
— Hong Kong, China	<b>18,775</b>	44,642
— Other countries and regions (excluding Mainland China and Hong Kong, China)	<b>4,624</b>	6,293
	<b>93,447</b>	103,442
Deferred income tax charge/(credit)	<b>14,300</b>	(3,426)
	<b>107,747</b>	100,016

## 11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately RMB428,752,000 by the weighted average number of 1,280,784,000 shares in issue during the period.

The Company had no dilutive potential shares for the six months ended 30 June 2024 and 2023.

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Profit attributable to owners of the Company	<b>428,752</b>	368,151
Weighted average number of ordinary shares in issue (thousands)	<b>1,280,784</b>	1,280,784
Earnings per share	<b>RMB0.33</b>	RMB0.29

## 12. DIVIDENDS

The Board does not declare the distribution of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

On 22 March 2024, the Board proposed a cash dividend in respect of the year ended 31 December 2023 of RMB0.18 (including tax) per share based on the total share capital of 1,280,784,000 shares, amounting to a total of RMB230,541,000 which has been approved by the shareholders at the 2023 annual general meeting (the "AGM") of the Company held on 12 June 2024. These dividends have been paid on 9 August 2024.

## 13. ADDITIONS TO RIGHT-OF-USE ASSETS AND ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2024, the additions to right-of-use assets of the Group was RMB37,484,000 (for the six months ended 30 June 2023: RMB98,127,000).

For the six months ended 30 June 2024, the additions to property, plant and equipment of the Group was approximately RMB87,723,000 (for the six months ended 30 June 2023: RMB62,342,000).

#### 14. TRADE AND BILLS RECEIVABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade receivables		
— third parties	<b>647,201</b>	453,049
— related parties (Note 19(c))	<b>378,088</b>	268,181
	<b>1,025,289</b>	721,230
Bills receivables	<b>270,591</b>	231,226
	<b>1,295,880</b>	952,456
Less: provision for impairment		
— third parties	<b>(51,834)</b>	(51,835)
— related parties (Note 19(c))	<b>(14,036)</b>	(12,288)
	<b>(65,870)</b>	(64,123)
Trade and bills receivables, net	<b>1,230,010</b>	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. As at 30 June 2024 and 31 December 2023, the ageing analysis of trade and bills receivables based on invoice date was as follows:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 4 months	<b>1,027,889</b>	658,952
Over 4 months but within 1 year	<b>73,215</b>	74,853
Over 1 year but within 2 years	<b>135,438</b>	150,854
Over 2 years but within 3 years	<b>43,008</b>	55,475
Over 3 years	<b>16,330</b>	12,322
	<b>1,295,880</b>	952,456

## 15. SHARE CAPITAL

	30 June 2024 (Unaudited)		31 December 2023 (Audited)	
	Number of shares	Nominal Value RMB'000	Number of shares	Nominal Value RMB'000
Total share capital	<b>1,280,784,000</b>	<b>1,280,784</b>	1,280,784,000	1,280,784
Issued and fully paid				
— Domestic shares with a par value of RMB1 per share	<b>652,080,000</b>	<b>652,080</b>	652,080,000	652,080
— H shares with a par value of RMB1 per share	<b>628,704,000</b>	<b>628,704</b>	628,704,000	628,704
	<b>1,280,784,000</b>	<b>1,280,784</b>	1,280,784,000	1,280,784

## 16. TRADE PAYABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade payables		
— third parties	<b>902,937</b>	1,299,444
— related parties (Note 19(c))	<b>70,469</b>	77,299
	<b>973,406</b>	1,376,743



## 16. TRADE PAYABLES (CONT'D)

As at 30 June 2024 and 31 December 2023, the ageing analysis of trade payables based on invoice date was as follows:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 4 months	796,661	1,215,948
Over 4 months but within 1 year	164,297	148,201
Over 1 year but within 2 years	11,557	8,640
Over 2 years but within 3 years	565	383
Over 3 years	326	3,571
	973,406	1,376,743

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

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

## 17. SEGMENT INFORMATION

The Board is the Group's chief operating decision-maker. The Board 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 of the Company in Mainland China ("**The Company Segment**"), and (ii) Beijing Tong Ren Tang Chinese Medicine Company Limited ("**Tong Ren Tang Chinese Medicine**") and its subsidiaries engaged in manufacturing, retail and wholesale of Chinese medicine products and healthcare products, and provision of Chinese medical consultation and treatments outside Mainland China and 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, sales 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 assesses the performance of the operating segments based on revenue and profit after income tax of each segment.

## 17. SEGMENT INFORMATION (CONT'D)

The segment information provided to the Board for the reportable segments for the six months ended 30 June 2024 is as follows:

(Unaudited)	The Company RMB'000	Tong Ren Tang Chinese Medicine RMB'000	Others RMB'000	Total RMB'000
Segment revenue	2,766,628	605,295	1,189,314	4,561,237
Inter-segment revenue	(45,470)	4,836	(470,509)	(511,143)
Revenue from external customers	2,721,158	610,131	718,805	4,050,094
Timing of revenue recognition				
At a point in time	2,720,304	608,593	711,529	4,040,426
Over time	854	1,538	7,276	9,668
	2,721,158	610,131	718,805	4,050,094
Profit for the period	302,703	224,106	55,975	582,784
Interest income	8,036	31,777	3,440	43,253
Interest expense	(29,445)	(2,879)	(344)	(32,668)
Depreciation of property, plant and equipment	(51,383)	(7,865)	(31,510)	(90,758)
Depreciation of right-of-use assets	(13,202)	(29,598)	(5,600)	(48,400)
Amortisation of other long-term assets	(2,020)	(1,823)	(331)	(4,174)
Provision for impairment of inventories	(13,839)	–	(238)	(14,077)
(Provision for)/reversal of impairment of receivables	(2,028)	5,059	(4,761)	(1,730)
Share of the profit/(loss) of associates or joint ventures accounted for using the equity method	1,226	(889)	–	337
Income tax expense	(57,792)	(39,349)	(10,606)	(107,747)
Additions to non-current assets <sup>(1)</sup>	21,554	45,030	68,032	134,616

Note:

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

## 17. SEGMENT INFORMATION (CONT'D)

The segment assets and liabilities as at 30 June 2024 are as follows:

(Unaudited)	The Company RMB'000	Tong Ren Tang Chinese Medicine RMB'000	Others RMB'000	Total RMB'000
Segment assets and liabilities				
Total assets	<b>7,807,780</b>	<b>3,850,204</b>	<b>2,630,938</b>	<b>14,288,922</b>
Investments accounted for using the equity method	<b>78,801</b>	<b>12,593</b>	<b>–</b>	<b>91,394</b>
Total liabilities	<b>3,444,765</b>	<b>261,850</b>	<b>736,102</b>	<b>4,442,717</b>

## 17. SEGMENT INFORMATION (CONT'D)

The segment information provided to the Board for the reportable segments for the six months ended 30 June 2023 is as follows:

(Unaudited)	The Company RMB'000	Tong Ren Tang Chinese Medicine RMB'000	Others RMB'000	Total RMB'000
Segment revenue	2,555,486	724,623	1,106,180	4,386,289
Inter-segment revenue	(32,367)	–	(407,507)	(439,874)
Revenue from external customers	2,523,119	724,623	698,673	3,946,415
Timing of revenue recognition				
At a point in time	2,523,009	722,628	692,837	3,938,474
Over time	110	1,995	5,836	7,941
	2,523,119	724,623	698,673	3,946,415
Profit for the period	270,961	266,988	22,048	559,997
Interest income	9,961	26,344	3,177	39,482
Interest expense	(22,246)	(2,316)	(344)	(24,906)
Depreciation of property, plant and equipment	(48,530)	(6,547)	(33,428)	(88,505)
Depreciation of right-of-use assets	(12,604)	(27,687)	(3,632)	(43,923)
Amortisation of other long-term assets	(2,067)	(1,491)	(551)	(4,109)
Provision for impairment of inventories	(10,581)	–	(558)	(11,139)
Reversal of/(provision for) impairment of receivables	725	6,261	(1,826)	5,160
Share of the profit/(loss) of associates or joint ventures accounted for using the equity method	2,232	(438)	–	1,794
Income tax expense	(41,757)	(49,854)	(8,405)	(100,016)
Additions to non-current assets <sup>(1)</sup>	72,790	55,967	38,975	167,732

Note:

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

## 17. SEGMENT INFORMATION (CONT'D)

The segment assets and liabilities as at 31 December 2023 are as follows:

(Audited)	The Company RMB'000	Tong Ren Tang Chinese Medicine RMB'000	Others RMB'000	Total RMB'000
Segment assets and liabilities				
Total assets	6,850,003	3,973,543	2,684,196	13,507,742
Investments accounted for using the equity method	21,231	13,710	–	34,941
Total liabilities	2,712,456	357,593	785,808	3,855,857

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

The amounts provided to the Board 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 sales of medicine and provision of services. The breakdown of sales of medicine by region is provided in Note 6.

The total of the non-current assets other than financial instruments and deferred income tax assets located in Mainland China is RMB2,918,773,000 (31 December 2023: RMB2,849,699,000), and the total of these non-current assets located in other countries and regions is RMB482,715,000 (31 December 2023: RMB510,362,000).



## 17. SEGMENT INFORMATION (CONT'D)

During the six months ended 30 June 2024, revenue from one customer (for the six months ended 30 June 2023: 2 customers) accounted for ten percent or more of the Group's total external revenue. These revenues are mainly attributable to The Company Segment and Tong Ren Tang Chinese Medicine Segment. The revenues from these customers are summarised below:

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Entities under control of ultimate holding company (excluding the Group)	<b>1,522,775</b>	1,026,204
Customer A <sup>(1)</sup>	<b>N/A</b>	458,794
	<b>1,522,775</b>	1,484,998

Note:

<sup>(1)</sup> During this period, revenue from Customer A was lower than ten percent of the Group's total revenue.

## 18. COMMITMENTS

### (a) CAPITAL COMMITMENTS

As of 30 June 2024, the Group had capital commitments of RMB103,151,000 which were contracted but not provided for in the unaudited interim condensed consolidated financial information of the Group (31 December 2023: RMB42,618,000).

### (b) OPERATING LEASE COMMITMENTS

The Group leases various warehouses and factory premises under non-cancellable operating leases.

As of 30 June 2024, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases as set out below.

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Not later than one year	<b>10,200</b>	16,849

## 19. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Related parties include the ultimate holding company and its subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence in making financial and operating decisions and key management personnel of the Company as well as their close family members.

During the Reporting Period, the Group had the following material transactions with related parties, which were entered into at terms mutually agreed with these related parties in the ordinary course of business.

### (a) TRANSACTIONS WITH THE ULTIMATE HOLDING COMPANY

Transactions with the ultimate holding company during the Reporting Period are summarised as follows:

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Trademarks license fee (Note (i))	<b>2,350</b>	2,200
Sales of Chinese medicine related products (Note (ii))	<b>9</b>	—
Advertising services income (Note (iii))	<b>800</b>	—
Property leasing expense (Note (iv))	<b>91</b>	—
Additions to right-of-use assets		
— Property, plant and equipment (Note (iv))	<b>454</b>	35,023
Interest on lease liabilities		
— Property, plant and equipment (Note (iv))	<b>522</b>	753
— Land use right (Note (v))	<b>341</b>	501



## 19. RELATED PARTY TRANSACTIONS (CONT'D)

### (a) TRANSACTIONS WITH THE ULTIMATE HOLDING COMPANY (CONT'D)

Notes:

- (i) A licence agreement was entered on 28 February 2018 between the Company and the ultimate holding company whereby the Company was allowed to use certain trademarks and trademark logos (collectively, **"Trademarks"**) of the ultimate holding company. The licence agreement was effective from 1 March 2018 to 31 March 2021. The annual licence agreement fee was RMB3,000,000 in 2018 with an annual increase of RMB300,000 thereafter.

During 2021, the Company renewed the licence agreement with the ultimate holding company with similar terms, for a term from 1 April 2021 to 31 December 2024.

- (ii) On 28 November 2022, the Company renewed the distribution framework agreement with the ultimate holding company. Pursuant to the renewed agreement, the price of the products to be sold by the Group to the ultimate holding company and subsidiaries, associates and joint ventures shall not be lower than that charged by the Group to other independent third parties and shall be determined in accordance with a reasonable cost plus a fair and reasonable profit margin. The renewed agreement was approved at the extraordinary general meeting of the Company on 22 December 2022 and for a term of three years from 1 January 2023 to 31 December 2025.
- (iii) On 22 March 2023, Beijing Tong Ren Tang Century Advertising Co., Limited (**"Tong Ren Tang Century Advertising"**) renewed the advertising agency framework agreement with the ultimate holding company for a term of three years from 1 January 2023 to 31 December 2025. Accordingly, the fees for the provision of specific services by Tong Ren Tang Century Advertising to the ultimate holding company or its subsidiaries and joint ventures under individual implementation agreement shall be determined with reference to the actual quotation offered by third-party advertising providers on the basis of their published price lists, plus a reasonable fee for the advertising agency service provided by Tong Ren Tang Century Advertising (generally not higher than 10% of the quote offered by third-party advertising providers).
- (iv) On 30 December 2022, the Company renewed the property leasing framework agreement with the ultimate holding company, for a term of three years from 1 January 2023 to 31 December 2025. The continuing connected transactions under the Property Leasing Framework Agreement was entered into in accordance with the pricing policies below: (1) The relevant market price. (2) Where the market price is not available, then the contracted price, which shall be determined after arm's length negotiation between the parties of the agreement based on the principle of cost plus a fair and reasonable profit ratio and by reference to the historical rentals. The reasonable cost shall be determined by reference to the size of the premises provided by the ultimate holding company, and the cost of premises management.
- (v) A land use right leasing agreement dated 26 March 2021 was entered into between the Company and the ultimate holding company, with a lease period of 5 years commencing from 6 October 2020. The annual rental expenditure is about RMB8,373,000.

## 19. RELATED PARTY TRANSACTIONS (CONT'D)

### (b) TRANSACTIONS WITH THE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES OF THE ULTIMATE HOLDING COMPANY

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Sales of Chinese medicine related products (Note (a)(ii))	<b>1,516,013</b>	1,020,666
Purchases of Chinese medicine related products (Note (i))	<b>53,091</b>	74,646
Purchases of products for exclusive distributorship (Note (iii))	<b>47,188</b>	11,415
E-commerce service fees (Note (iii))	<b>1,387</b>	–
Advertising services income (Note (a)(iii))	<b>5,149</b>	5,538
Property leasing income (Note (a)(iv))	<b>804</b>	–
Property leasing expense (Note (a)(iv))	–	1,997
Additions to right-of-use assets (Note (a)(iv))	–	10,882
Interest on lease liabilities (Note (a)(iv))	<b>242</b>	288
Disposal of partial equity interests in subsidiaries (Note 8)	<b>2,260</b>	–

Notes:

- (i) On 28 November 2022, the Company renewed the master procurement agreement with the ultimate holding company. Pursuant to the agreement, the terms and conditions procured by the Group from the ultimate holding company's subsidiaries and joint ventures shall not be inferior to the price of the procurement from any independent third party or fair market conditions (whichever is better). The renewed agreement was approved at the extraordinary general meeting of the Company on 22 December 2022 and for a term of three years from 1 January 2023 to 31 December 2025.
- (ii) Tong Ren Tang Chinese Medicine renewed the exclusive distributorship frame-work agreement with Beijing Tong Ren Tang Company Limited ("**Tong Ren Tang Ltd.**") on 29 November 2023, with an effective period from 1 January 2024 to 31 December 2026, pursuant to which, Beijing Tong Ren Tang International Natural-Pharm Co., Ltd., a wholly-owned subsidiary of Tong Ren Tang Chinese Medicine, is appointed as the sole overseas distributor of Tong Ren Tang Ltd., for the purpose of the distribution of the relevant Tong Ren Tang branded products supplied by Tong Ren Tang Ltd. ("**Relevant Products**") outside the Mainland China. The price of the Relevant Products supplied shall not be higher than the wholesale price of the Relevant Products sold to the wholesale customers in the Mainland China and shall be determined with reference to the then prevailing market price. The renewed agreement has been approved by the extraordinary general meeting of Tong Ren Tang Chinese Medicine on 27 December 2023.
- (iii) On 11 March 2024, the Company entered into the E-commerce service cooperation framework agreement with Tong Ren Tang Shuzi Technology Co. Ltd. ("**Tong Ren Tang Shuzi Technology**") from 11 March 2024 to 31 December 2024.

## 19. RELATED PARTY TRANSACTIONS (CONT'D)

### (c) BALANCES WITH RELATED PARTIES

Balances with related parties consisted of:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
<b>Amounts due from related parties (Note (i)):</b>		
Ultimate holding company		
Other financial assets at amortised cost	1,101	698
Subsidiaries, associates and joint ventures of the ultimate holding company		
Trade receivables, net	364,052	255,893
Other financial assets at amortised cost	2,661	3,354
Prepayments	1,292	3,635
	368,005	262,882
<b>Amounts due to related parties (Note (i)):</b>		
Subsidiaries, associates and joint ventures of the ultimate holding company		
Trade payables	70,469	77,299
Other payables	28,195	33,121
Contract liabilities	23,479	1,631
	122,143	112,051
<b>Lease liabilities</b>		
Ultimate holding company and its subsidiaries (Note (a)(iv)), (Note (a)(v))	47,587	40,763
<b>Borrowings from a related party (Note (ii)):</b>		
Ultimate holding company	32,300	32,300

Notes:

- (i) The amounts due from/to related parties are unsecured, interest-free and recoverable or repayable within twelve months.
- (ii) Borrowings from a related party are in the form of entrusted loans which are unsecured, bear interest by reference to benchmark lending interest rate published by the People's Bank of China with moderate decrease and repayable within three years.





## INTERIM DIVIDEND

The Board does not declare the distribution of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

2024 marks the 355th anniversary of the establishment of the Tong Ren Tang brand. It is also a crucial year for the Group to begin a new chapter themed “Tong Ren Tang Service Year” and move towards high-quality development. In the first half of the year, the Group committed to improving its service quality and deepening our brand connotation. While the Group pressed on with its development strategy for “major varieties”, it paid attention to the transformation and upgrade of business models. The Group implemented an effort to ensure sufficient production and supply of industrial systems, as well as strived to enhance its comprehensive service level. The Group accomplished its half-year objectives and tasks with the effort of all employees and has been able to comprehensively promote its high-quality development. For the six months ended 30 June 2024, the Group’s revenue amounted to RMB4,050,094,000, representing an increase of 2.63% compared to RMB3,946,415,000 for the corresponding period last year; the Group’s net profit amounted to RMB582,784,000, representing an increase of 4.07% compared to RMB559,997,000 for the corresponding period last year; and net profit attributable to owners of the Company amounted to RMB428,752,000, representing an increase of 16.46% compared to RMB368,151,000 for the corresponding period last year.

During the Reporting Period, the Group closely focused on its core competitive strategy 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” and achieved significant improvement and breakthrough in many aspects, demonstrating a high degree of strategic determination and execution, in particular with the core focus on safeguarding output value and variety. The Group continuously tapped the existing capacity potential, improved unit productivity and enhanced industrial and commercial connections, coordinated and promoted production in Beijing and Hebei in an orderly manner, further satisfying market supply and demand. In the first half of the year, the Company’s Daxing Branch Factory closely focused on the production requirement of “serving the overall interest,” established a sound service standard system and refined the service process, focusing on safeguarding output value and variety. With measures such as balancing capacity, overcoming weak processes and analyzing production processes in detail, it ensured a stable supply of “major varieties”. Beijing Tong Ren Tang Technologies (Tangshan) Co., Ltd (**Tong Ren Tang Technologies Tangshan**) took full capacity advantages of extraction and liquid preparation, stabilized production and supply, proactively connected upstream and downstream production processes and reasonably advanced production plans, and effectively safeguarded the supply progress and sales demand of products such as Shengmai Liquor (生脈飲口服液).



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### BUSINESS REVIEW (CONT'D)

During the Reporting Period, the Group was continuously committed to thoroughly implementing the core requirements of “Tong Ren Tang Service Year” and “Specialized Work on Major Varieties Strategy”. While improving management efficiency, it continued to establish a practical and feasible marketing system, including strategic planning, policy guidance and price strategy. In the first half of the year, the Group made full use of the platform effects of annual theme activities, thoroughly tapping into and taking advantage of the unique driving force of each variety. With careful planning and execution, the Group further expanded the influence and coverage of thematic activities such as “Glow Campaign (煥彩行動)” and “Flag-planting Campaign (插旗行動)” and focused on product innovation and marketing, creating a distinctive brand image in the minds of consumers to enhance brand loyalty and market recognition. In terms of channels, the Group followed the major business trends and actively established cooperative partnerships with the Jointown Pharmaceutical Group, etc. With continuous and long-term strategic planning, the Group has been committed to achieving deep penetration and wide coverage of the national market. At the same time, the Group further enhanced promotion campaigns for brands and product categories. At the Wuzhen Health Conference, the Group emphasized the promotion of core products such as Shengmai Liquor (生脈飲口服液), Jiawei Xiaoyao Pills (加味逍遙丸) and Liuwei Dihuang Pills (六味地黃丸), as well as the unique “Glow Series” (煥彩系列) and the “300 Years of Imperial Medicine Series” (禦藥三百年系列) which have a deep cultural heritage, significantly enhancing the recognition and brand influence of the Group’s products in the market. Among them, Jingzhi Niu Huang Jiedu Tablets (京製牛黃解毒片) won the title of “The Most Popular Star Product in Pharmacies” by virtue of its excellent quality, further strengthening its position in the minds of consumers.

During the Reporting Period, there were 9 product lines of the Group achieving a single-product sales amount of more than RMB100 million; 27 product lines achieving a single-product sales amount between RMB10 million to RMB100 million; 7 product lines achieving a single-product sales amount between RMB5 million to RMB10 million. Among major products, the sales revenue of series of Liuwei Dihuang Pills (六味地黃丸), Ganmao Qingre Granules (感冒清熱顆粒), Xihuang Pills (西黃丸) and Shengmai Liquor (生脈飲口服液), increased by approximately 3%, 20%, 25%, and 20%, respectively, as compared with the corresponding period of the previous year. Meanwhile, benefiting from the “major varieties” development strategy, the sales revenue of Zhibai Dihuang Pills (知柏地黃丸) series and Fuzi Lizhong Pills (附子理中丸) series achieved double-digit growth as compared with the corresponding period of the previous year.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### BUSINESS REVIEW (CONT'D)

In terms of scientific research on products, the Group continuously carried out relevant in-depth work, enhanced the scientific research management capability and improved the technological innovation system so as to improve its research service level and promote a comprehensive transformation towards high-quality development. During the Reporting Period, the Group drove new product development centered on the research and development of innovative traditional Chinese medicine. The innovative drug Qishen Granules (芪參顆粒) cooperated with the Beijing University of Chinese Medicine and successfully obtained the Notice of Approval for Clinical Trial (《臨床試驗批准通知書》). At the same time, the Group closely focused on various development planning and marketing demands and continuously promoted the second phase of scientific research of the existing products such as Shengmai Liquor (生脈飲口服液) and Qiju Dihuang Pills (杞菊地黃丸). With the study of pharmacological mechanisms, the Group tapped product value features in-depth and continuously improved the competitive advantage of product differentiation, putting effort into laying a sound scientific research foundation for the development of the Group's products. During the Reporting Period, the Group's quality testing center successfully passed the National Laboratory Project Accreditation of the China National Accreditation Service for Conformity Assessment (CNAS).

Tong Ren Tang Chinese Medicine, the principal subsidiary of the Company, continuously led the overseas expansion of the "Tong Ren Tang" model which is based on the principle of "driving medicine demand by providing medical services and promoting culture as first priority", exported high-quality Chinese medicine products to the world and promoted traditional Chinese medicine culture so as to be committed to enhancing the influence of "Tong Ren Tang" in the international market. In the first half of the year, despite a stable growth trend in the economy of Mainland China and Hong Kong, China, the local retail sector in Hong Kong, China faces significant challenges. During the Reporting Period, Tong Ren Tang Chinese Medicine actively expanded its product matrix, introducing new products including Tong Ren Tang's Chinese anti-aging NMN series — the Youth Prime Collection (仙齡系列) and the Age-Defying Collection (保齡系列), the Guizhi Fuling Wan (桂枝茯苓丸), and Wood Lok Medicated Oil (活絡油), and further expanded its retail presence in Hong Kong, China by establishing three new outlets in North Point, Mong Kok, and West Kowloon, actively intensifying its marketing efforts to enhance product recognition. In addition, by actively engaging in the "Belt and Road" initiative and implementing the "bring in" and "go global" strategies, Tong Ren Tang Chinese Medicine further disseminates Chinese health wisdom to the world, thereby benefiting a broader population. For the six months ended 30 June 2024, Tong Ren Tang Chinese Medicine and its subsidiaries achieved sales revenue of RMB605,295,000, representing a year-on-year decrease of 16.47%, and net profit attributable to owners of Tong Ren Tang Chinese Medicine was RMB199,738,000, representing a year-on-year decrease of 15.52%. (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 interim results announcement of Tong Ren Tang Chinese Medicine dated 30 August 2024 are due to foreign currency translation differences between Renminbi and Hong Kong Dollar ("HKD").



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### BUSINESS REVIEW (CONT'D)

Based on authentic medicinal material production areas, the six subsidiaries engaged in the production of Chinese medical raw materials adhered to the principle of “genuine planting, genuine management and genuine breeding”. They continuously optimized the standardized process of planting operations, steadily increased the diversity of plants and expanded their plantation business to meet the Group’s production requirements. At the same time, the six subsidiaries engaged in the production of Chinese medical raw materials continued to strengthen close cooperation with supply chain partners and proactively integrate into market competition. With product strategies of high quality and reasonable price, they realized a win-win situation in terms of economic benefits and sustainable development. During the six months ended 30 June 2024, the six subsidiaries engaged in production of Chinese medical raw materials achieved sales revenue of RMB264,186,000, representing a year-on-year increase of 50.20%, and net profit of RMB8,579,000, representing a year-on-year increase of 16.09%.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had a total of 4,005 employees (31 December 2023: 4,101 employees), of which 1,972 were employees of the Company (31 December 2023: 2,003 employees). The Company continually updates and improves its employee remuneration policy and system to ensure an equal access to value and sharing of result according to employees’ contribution. In the meantime, the Company attaches great importance to the development and growth of talents, and provides employees with skill training, career planning and development opportunities, seeking to create a platform for mutual growth between the Company and employees.

Remunerations of the employees of the Company are determined with reference to the prevailing market level as well as the performance, qualifications and experience of individual employees. Discretionary bonuses based on individual annual performance are paid to employees as rewards for their contributions to the Company. Other employee welfares include the Company’s contributions to pension, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing fund.

### FINANCIAL REVIEW

#### Liquidity and Financial Resources

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

The Group mainly uses Renminbi and HKD to make borrowings and loans and to hold cash and cash equivalents.

As at 30 June 2024, the Group’s cash and cash equivalents amounted to RMB3,942,070,000 (31 December 2023: RMB2,746,458,000) in total, and term deposits placed with banks amounted to RMB247,856,000 in total (31 December 2023: RMB1,373,608,000).



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### FINANCIAL REVIEW (CONT'D)

#### Liquidity and Financial Resources (Cont'd)

As at 30 June 2024, the Group's short-term borrowings amounted to RMB16,942,000 (31 December 2023: RMB3,000,000), bearing an interest rate of 3.735% per annum (2023: 3.205%), and current portion of non-current bank borrowing amounted to RMB480,352,000 (31 December 2023: RMB73,651,000), totally accounting for 11.19% of the total liabilities (31 December 2023: 1.99%). Long-term borrowings amounted to RMB1,739,076,000 (31 December 2023: RMB1,379,451,000), bearing annual interest rate of long-term borrowings at 2.686% (2023: 2.744%), long-term borrowings representing 39.14% of the total liabilities (31 December 2023: 35.78%). Of all the borrowings of the Group as at 30 June 2024, RMB497,294,000 will mature within one year and RMB1,739,076,000 will mature after one year.

#### Capital Structure

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

As at 30 June 2024, total assets of the Group amounted to RMB14,288,922,000 (31 December 2023: RMB13,507,742,000). Non-current liabilities amounted to RMB1,949,672,000 (31 December 2023: RMB1,616,972,000), current liabilities amounted to RMB2,493,045,000 (31 December 2023: RMB2,238,885,000), equity attributable to owners of the Company amounted to RMB7,095,642,000 (31 December 2023: RMB6,889,417,000) and non-controlling interests amounted to RMB2,750,563,000 (31 December 2023: RMB2,762,468,000).

During the Reporting Period, 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 30 June 2024, the Group's liquidity ratio (the ratio of current assets to current liabilities) was 4.34 (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 2.24 (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 10.02 (31 December 2023: 7.97), reflecting that the Group's trade receivables were relatively liquid. The Group's trade payables turnover ratio (the ratio of cost of sales to the average of trade payables balance) was 4.28 (31 December 2023: 3.57), reflecting that the Group had a relatively strong ability to use funding from suppliers at nil consideration. The Group's inventory turnover ratio (the ratio of revenue to the average of inventory balance) was 1.65 (31 December 2023: 1.70), reflecting that the inventory had a high turnover rate.

#### Gearing Ratio

The Group monitors its capital on the basis of the gearing ratio. As at 30 June 2024, the Group's gearing ratio (the ratio of total borrowings to equity attributable to owners of the Company) was 0.32 (31 December 2023: 0.15).



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### FINANCIAL REVIEW (CONT'D)

#### Expenses and Expense Ratio

As of 30 June 2024, the Group's distribution expenses amounted to RMB664,296,000 (30 June 2023: RMB618,362,000) and the distribution expense ratio, i.e. the ratio of distribution expenses to revenue, was 0.16 (30 June 2023: 0.16). The distribution expenses ratio has no significant changes compared to the corresponding period last year and is reasonable.

As of 30 June 2024, the Group's administrative expenses amounted to RMB239,062,000 (30 June 2023: RMB313,311,000) and the administrative expense ratio, i.e. the ratio of administrative expenses to revenue, was 0.06 (30 June 2023: 0.08). The administrative expenses ratio decreased by 25.00% compared to the corresponding period last year.

As of 30 June 2024, the Group's finance income amounted to RMB11,605,000 (30 June 2023: finance cost amounted to RMB17,589,000) and the financial costs ratio, i.e. the ratio of financial income to revenue, was 0.0029 (30 June 2023: the ratio of financial cost to revenue was 0.0045). The decrease in financial costs was mainly due to the increase in finance income.

#### Gross Margin and Net Profit Margin

As of 30 June 2024, the gross margin of the Group was 37.95% (30 June 2023: 39.71%), while the net profit margin was 14.39% (30 June 2023: 14.19%).

#### Research and Development Expenses

As of 30 June 2024, the research and development expenses (excluding employee benefit expense, depreciation and amortisation expense) of the Group were RMB27,510,000 (30 June 2023: RMB47,794,000), accounting for 0.28% of net assets (30 June 2023: 0.51%) and 0.68% of revenue (30 June 2023: 1.21%), respectively. The research and development expenses including employee benefit expense and depreciation and amortisation expense were RMB52,652,000 (30 June 2023: RMB69,768,000), accounting for 0.53% of net assets (30 June 2023: 0.75%) and 1.30% of revenue (30 June 2023: 1.77%), respectively.

#### Capital Expenditure

As of 30 June 2024, the Group's capital expenditure incurred amounted to RMB84 million (30 June 2023: RMB66 million), primarily used for the purchase of equipment.

#### Pledges over Assets of the Group

As at 30 June 2024, none of the Group's assets was pledged as security for any liabilities (31 December 2023: Nil).

#### Contingent Liabilities

As at 30 June 2024, the Group had no contingent liabilities (31 December 2023: Nil).





## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### FINANCIAL REVIEW (CONT'D)

#### **Foreign Exchange Risk**

The Group primarily operates in the Mainland China which is settled in Renminbi. However, the Group also operates internationally and foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations (primarily with respect to HKD). 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.

#### **Significant Investment Held/Future Plans for Material Investments or Purchase of Capital Assets**

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

#### **Material Acquisition/Disposal of Subsidiaries, Joint Ventures and Associates**

During the Reporting Period, the Group did not have any material acquisition/disposal of subsidiaries, joint ventures or associates.

#### **No Material Change**

Since the publication of the latest annual report for the year ended 31 December 2023 on 24 April 2024, there have been no material changes to the Company's business.

### FUTURE PROSPECTS

Currently, the traditional Chinese medicine industry is entering a new stage of modernization and internationalization. A deep fusion of the wisdom of traditional Chinese medicine and modern cutting-edge technology has driven the standardized production of Chinese medicine products and accelerated the pace of internationalization.

In the second half of the year, the Group will continue to focus on strengthening its four core competencies of "serving the overall interest, serving the people, serving the community and serving the workers". The Group will maintain a good momentum of development at the operating level with core strategies such as deepening the reform of the marketing system, strengthening the industrial and commercial connections, seamlessly integrating the optimized process, pushing ahead the improvement of management effectiveness and encouraging continuous innovation and development.

In the second half of the year, the Group's production will focus on the following areas: safeguarding output value to drive growth as a core engine; safeguarding variety to lay the foundation for flexibility in response to the market demand; and safeguarding supply to ensure a robust and efficient supply chain. At the same time, the Group will further carry out in-depth industrial and commercial connections, comprehensively implement delicate management and continue to enhance management effectiveness and operation efficiency.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### FUTURE PROSPECTS (CONT'D)

In the second half of the year, the Group's marketing will continue to focus on the plan set at the beginning of the year and put effort into strengthening "major varieties" strategies, enhancing the competitiveness in the market, deepening marketing reform, paying more attention to core varieties and increasing market share. At the same time, the Group will continue to focus on the theme of "Tong Ren Tang Service Year". With the promotion of theme-based marketing activities such as "Empower the Terminal (賦能終端)", "Glow Campaign (煥彩行動)" and "Flag-planting Campaign (插旗行動)" in an all-rounded way, the Group will further increase the operating margin and share of products in the terminal market across the country.

### OTHER INFORMATION

#### Corporate Governance Code

During the Reporting Period, the Company had complied with the code provisions contained in Part 2 of the corporate governance code (the "**Corporate Governance Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). None of the Directors is aware of any information that would reasonably suggest that the Company was not in compliance with the provisions in the Corporate Governance Code for any time during the Reporting Period.

#### Directors' and Supervisors' Dealings in Securities

The Company has adopted a code of conduct regarding securities transactions by the Directors and the supervisors of the Company (the "**Supervisors**") on terms no less exacting than the required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. Having made specific enquiries of all the Directors and Supervisors, all of them confirmed that they had strictly complied with the required standard set out in the Model Code and the code of conduct of the Company during the Reporting Period.

#### Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks that the Group is capable to take in achieving its strategic goals, ensuring that the Group has established and maintained reasonable and effective risk management and internal control systems, and overseeing management in the design, implementation and monitoring of the risk management and internal control systems. The Group has established its risk management and internal control system and issued relevant reports with reference to regulations and requirements, including the Code of Practice for Corporate Governance, the frame for Corporate Risk Management, the Basic Standard for Corporate Internal Control, the Guidelines for Corporate Internal Control Assessment and the Guidelines for Related Corporate Internal Control.

The terms of reference of the audit committee of the Company (the "**Audit Committee**") covers risk management responsibilities, including supervision of relevant risk management system to make sure that the system conforms to the strategies and risk tolerance of the Company. Meanwhile, the responsibilities of the Company's risk management are set up in the Company's legal affairs department. They continuously regulate the operation of the risk management system to standardize and normalize risk management. Through regularly identifying risks, evaluation, addressing and monitoring the operation of the risk management process, to address with identified risks, and issue a risk management report every six months and submit it to the Audit Committee for review.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OTHER INFORMATION (CONT'D)

#### **Risk Management and Internal Control (Cont'd)**

The Group has established its internal audit function. The dedicated internal audit department conducts regular and independent reviews on the operation of the Group, thereby identifying any non-compliance activities and risks, and makes relevant recommendations to address the identified risks. In addition, it explains any material findings as well as the process and results of internal audit to the Audit Committee in separate reports. During the Reporting Period, the Company further deepened its work effort regarding risk management, internal control and self-inspection and timely proposed improvement suggestions and countermeasures to minimize operational risks.

#### **Change of Directors and Supervisors**

Following the approval by the Shareholders at the AGM, with effect from 12 June 2024, (i) each of Mr. Di Shu Bing, Mr. Chen Jia Fu and Ms. Feng Zhi Mei has been appointed as an executive Director of the Ninth Session of the Board; (ii) each of Mr. Zhang Yi, Ms. Wang Chun Rui and Ms. Feng Li has been appointed as a non-executive Director of the Ninth Session of the Board; and (iii) each of Ms. Chan Ching Har, Eliza, Mr. Zhan Yuan Jing and Mr. Li Siu Bun has been appointed as an independent non-executive Director of the Ninth Session of the Board.

Following the approval by the Shareholders at the AGM, with effect from 12 June 2024, each of Ms. Guo Wen and Mr. Wu Yi Gang has been appointed as a supervisor of the Ninth Session of the Supervisory Committee. In addition, following the approval of the employee representatives' general meeting of the Company held on 14 May 2024, Ms. Li Mei has been appointed as an employee representative supervisor of the Ninth Session of the Supervisory Committee at the employee representative's leaders' joint meeting, with effect from 12 June 2024.

For details of the aforesaid changes, please refer to the circulars of the Company dated 21 May 2024, the announcements of the Company dated 14 May 2024 and 12 June 2024.

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

#### **Change of Auditors**

Following the approval by the Shareholders at the AGM, Ernst & Young Hua Ming LLP and Ernst & Young have been appointed as the Company's domestic auditor and overseas auditor for the year ending 31 December 2024, respectively, to hold office until the conclusion of the next annual general meeting of the Company.

For details of the aforesaid changes, please refer to the circular of the Company dated 21 May 2024, the announcements of the Company dated 14 May 2024 and 12 June 2024.

#### **Audit Committee**

The Audit Committee has reviewed the operating results, financial position and major accounting policies in the unaudited financial statements of the Group for the six months ended 30 June 2024 and discussed relevant internal audit, risk management and internal control matters. The Audit Committee has no disagreement with the accounting treatment in the unaudited financial statements of the Group for the six months ended 30 June 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OTHER INFORMATION (CONT'D)

#### Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2024, none of the Directors, Supervisors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong, the "SFO")) which were required to be recorded in the register kept under Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the requirements in the Model Code as set out in Appendix C3 to the Listing Rules.

#### Substantial Shareholders

As at 30 June 2024, as was known to the Directors, Supervisors and the chief executive of the Company, the following persons (other than the Directors, Supervisors and the chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Percentage of domestic shares	Percentage of H shares	Percentage in total issued voting shares
Tong Ren Tang Ltd.	Beneficial owner	600,000,000 (L) (Note 1)	92.01%	–	46.85%
Tong Ren Tang Holdings (Note 2)	Interest to corporation controlled by the substantial shareholder	600,000,000 (L) (Note 1)	92.01%	–	46.85%
	Beneficial owner	9,480,000 (L) (Note 1)	1.45%	–	0.74%
	Beneficial owner	7,649,000 (L) (Note 1)	–	1.22%	0.60%
Total		617,129,000 (L) (Note 1)	93.46%	1.22%	48.18%
Yuan Sai Nan (Note 3)	Beneficial owner	35,732,000 (L) (Note 1)	–	5.68%	2.79%
Hillhouse Capital Advisors, Ltd. (Note 4)	Investment manager	47,663,000 (L) (Note 1)	–	7.58%	3.72%



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OTHER INFORMATION (CONT'D)

#### Substantial Shareholders (Cont'd)

Notes:

- (1) (L) — Long position
- (2) 600,000,000 shares held by Tong Ren Tang Holdings were held through Tong Ren Tang Ltd. As at 30 June 2024, Tong Ren Tang Ltd. was owned as to 52.45% by Tong Ren Tang Holdings. Thus, Tong Ren Tang Holdings was deemed to be interested in the 600,000,000 shares held by Tong Ren Tang Ltd. Besides, Tong Ren Tang Holdings also directly held 9,480,000 domestic shares and 7,649,000 H shares of the Company.
- (3) Yuan Sai Nan held 35,732,000 H shares of the Company in long position.
- (4) Due to an internal reorganisation, the investment manager for both Gaoling Fund, L.P. and YHG Investment, L.P. changed from Hillhouse Capital Management, Ltd. to Hillhouse Capital Advisors, Ltd., effective from 1 January 2019. There was no transfer of shares of the Company involved in the changes above. As at 30 June 2024, Hillhouse Capital Advisors, Ltd. was indirectly interested in 46,106,000 H shares of the Company in long position indirectly held by Gaoling Fund, L.P. and 1,557,000 H shares of the Company in long position held by YHG Investment, L.P.

Save as disclosed above, the Directors were not aware of any other person (other than the Directors, Supervisors and the chief executive of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2024.

#### Purchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, 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 in the Listing Rules)). As at the end of the Reporting Period, no treasury shares were held by the Company.

#### Significant Events after the Reporting Period

There are no material events subsequent to 30 June 2024 which could have a material impact on the Group's operating and financial performance as of the date of this report.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### COMPETING INTERESTS

#### Competition with Tong Ren Tang Ltd. and Tong Ren Tang Holdings

Both the Company and Tong Ren Tang Ltd. engage in the production and sale of Chinese patent medicines, but the principal products of each of them are different. Tong Ren Tang Ltd. mainly produces Chinese patent medicines in traditional dosage forms such as honeyed pills, powder, ointment and medicinal wines. Tong Ren Tang Ltd.'s main products include Angong Niu Huang Pills (安宮牛黃丸), Tongren Niu Huang Qingxin Pills (同仁牛黃清心丸), Tongren Dahuolu Pills (同仁堂大活絡丸), Tongren Wuji Baifeng Pills (同仁烏雞白鳳丸), and Guogong Wine (國公酒). It also has some minor production lines for the production of granules and water-honeyed pills. These products do not compete with the Group's products in terms of their curative effects. The Company focuses on manufacturing products in new dosage forms which are more competitive compared to western medicine. The Company's main products include Liuwei Dihuang Pills (六味地黃丸), Niu Huang Jiedu Tablets (牛黃解毒片), Ganmao Qingre Granules (感冒清熱顆粒), Jinkui Shenqi Pills (金匱腎氣丸), etc. Tong Ren Tang Holdings is an investment holding company.

To ensure that the business delineation among the Company, Tong Ren Tang Holdings and Tong Ren Tang Ltd. is properly documented and established, Tong Ren Tang Holdings and Tong Ren Tang Ltd. undertake, pursuant to an undertaking dated 19 October 2000 from Tong Ren Tang Holdings and Tong Ren Tang Ltd. in favor of the Company ("**October Undertaking**"), that other than Angong Niu Huang Pills (安宮牛黃丸), Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries will not produce in future any products that bear the same names or bear the same names with different dosage forms as those pharmaceutical products produced by the Company, which may compete directly with those pharmaceutical products of the Company.

Save as mentioned above, the Directors confirm that none of the products of the Company is in direct competition with the products of Tong Ren Tang Ltd. or Tong Ren Tang Holdings.

#### Right of First Refusal

To procure that the Company focuses on the development of the four major forms of products (namely granules, honeyed pills, tablets and soft capsules), Tong Ren Tang Holdings and Tong Ren Tang Ltd. have granted the Company, pursuant to the October Undertaking, a right of first refusal to manufacture and sell any of the new products which is developed by Tong Ren Tang Holdings, Tong Ren Tang Ltd. or any of their respective subsidiaries and which belongs to one of the four main forms of existing products of the Company. Upon the exercise of the right of first refusal, both Tong Ren Tang Ltd. and Tong Ren Tang Holdings or their respective subsidiaries are not allowed to manufacture any of such new products. In the event that the Company develops any new product based on the existing products of Tong Ren Tang Holdings, Tong Ren Tang Ltd. or their respective subsidiaries, and such new product is one of the major forms of the Company, the Company will be entitled to manufacture such new product and Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries will not be allowed to manufacture such new product. The Directors believe that the above undertakings would clarify that both Tong Ren Tang Ltd. and Tong Ren Tang Holdings would support the Company in its development of the four major forms of products in the future.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### COMPETING INTERESTS (CONT'D)

#### **Right of First Refusal (Cont'd)**

In the event that the Company refuses the right of first refusal offered by Tong Ren Tang Ltd. or Tong Ren Tang Holdings, the terms of the option to be offered to an independent third party should not be more favorable than those originally offered to the Company, failing which the Company should be given an opportunity to re-consider the option under the new terms. The above undertakings would no longer be valid in the event that the direct or indirect aggregate shareholdings of Tong Ren Tang Holdings and Tong Ren Tang Ltd. in the Company fall below 30%.

Moreover, Tong Ren Tang Holdings and Tong Ren Tang Ltd. confirm that the Company and its independent non-executive Directors will implement the following undertakings:

- (i) the independent non-executive Directors will review, at least on an annual basis, the compliance with the options, pre-emptive rights or rights of first refusal provided by Tong Ren Tang Ltd. and Tong Ren Tang Holdings on their existing or future competing business;
- (ii) Tong Ren Tang Ltd. and Tong Ren Tang Holdings have undertaken to provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking;
- (iii) the Company will disclose decisions on matters reviewed by independent non-executive Directors in relation to the compliance and enforcement of the undertaking (e.g. the exercise of options or rights of first refusal) either through the annual report, or by way of announcements to the public; and
- (iv) an annual declaration by Tong Ren Tang Ltd. and Tong Ren Tang Holdings on compliance with the non-competition undertaking in the annual report of the Company.