Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Tong Ren Tang Technologies Co. Ltd.

北京同仁堂科技發展股份有限公司

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

(Stock Code: 1666)

ANNUAL RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of Tong Ren Tang Technologies Co. Ltd. (the "**Company**") and its subsidiaries and joint ventures (hereafter collectively referred to as the "**Group**") for the year ended 31 December 2012 for shareholders' review.

Results of the Year

For the year ended 31 December 2012, the Group's revenue amounted to RMB2,447,132,000, representing an increase of 26.37% from RMB1,936,418,000 for the corresponding period of last year; profit attributable to the owners of the Company amounted to RMB330,171,000, representing an increase of 29.64% from RMB254,687,000 for the corresponding period of last year.

Review of the Year

During 2012, the government issued a number of policies targeting the pharmaceutical and related industries, and reforms of the pharmaceutical and healthcare systems continued to be deepened. In addition, by raising the industry access threshold and strengthening supervision of medicine and food safety, the soft power of the pharmaceutical industry was further enhanced, and the industrial pattern and market environment were moving toward benign development gradually. However, pressures posed by the volatility in the price of traditional Chinese medical raw materials and emergencies caused by adverse reaction also lead to the increase of the uncertainty of the overall development of the industry from time to time.

The Company has always been striving for a sustainable operating model and taking the interests of the shareholders as a whole into consideration, as well as continuously improving the level of corporate governance and enhancing its core competence, so as to strengthen investors' confidence in the Company. During 2012, the Company remained vigilant about changes in market conditions and was always keeping highly introspective. Through the formulation and implementation of various reasonable and effective measures and the specialization of each subsidiary in its own field, the Group realized the overall healthy and stable development.

Outlook and Prospects

Given the current status of Chinese pharmaceutical industry, the ever-changing market conditions require the Company to continuously deepen reforms and foster innovations. In the future, Chinese pharmaceutical industry is set to be growing continuously under the influence of a number of factors including expected economic growth, ageing of the population and increasing in per capita disposable income. Meanwhile, the pharmaceutical sector will continue to raise industry access threshold and standards so as to ensure drug safety. With the implementation of the new edition of Good Manufacturing Practice ("**GMP**") entering into the countdown stage, and the promulgation and implementation of the new edition of Good Supplying Practice ("**GSP**"), reshuffling in the pharmaceutical retail sector will definitely affect the development trend of the entire sector.

Looking into 2013, I will work with all the staff of the Group to conduct in-depth analysis of the situations at home and abroad, catch up with advanced market players, seek opportunities from challenges and maintain stable operations, so as to ensure the long-term steady development of the Group.

I hereby would like to express my sincere gratitude to the colleagues in the board of directors of the Company (the "**Board**") and all the staff of the Group for their tireless efforts and excellent performance; and to all the shareholders for their continuous support to and understanding of the Company. Just as in the past, we will continue to satisfy the shareholders by good performance.

FINANCIAL INFORMATION

The Board is pleased to announce the audited consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet of the Group for the year ended 31 December 2012, together with the comparative figures of 2011, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	***2012***	*2011*
		RMB'000	*RMB'000*
Revenue	*d*	**2,447,132**	1,936,418
Cost of sales		**(1,202,510)**	(998,926)
Gross profit		**1,244,622**	937,492
Distribution costs		**(557,476)**	(402,221)
Administrative expenses		**(197,134)**	(184,859)
Other losses - net	*e*	**(9,096)**	(17,958)
Operating profit		**480,916**	332,454
Finance income		**9,142**	9,431
Finance costs		**(8,179)**	(4,650)
Finance income - net	*f*	**963**	4,781
Share of loss of an associate		**(801)**	(1,338)
Profit before income tax	*g*	**481,078**	335,897
Income tax expense	*h*	**(81,547)**	(54,444)
Profit for the year		**399,531**	281,453
Profit attributable to:			
Owners of the Company		**330,171**	254,687
Non-controlling interests		**69,360**	26,766
		399,531	281,453
Earnings per share for profit attributable to owners	*j*		
- Basic		**RMB 0.56**	RMB 0.43
- Diluted		**RMB 0.56**	RMB 0.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2012	*2011*
	RMB'000	*RMB'000*
Profit for the year	**399,531**	281,453
Other comprehensive income/(expense):		
Foreign currency translation differences	**2,062**	(13,355)
Other comprehensive income/(expense) for the year, net of tax	**2,062**	(13,355)
Total comprehensive income for the year	**401,593**	268,098
Attributable to:		
Owners of the Company	**331,106**	248,176
Non-controlling interests	**70,487**	19,922
Total comprehensive income for the year	**401,593**	268,098

CONSOLIDATED BALANCE SHEET

	Note	*As at 31 December*	
		2012	*2011*
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**140,961**	143,879
Property, plant and equipment		**518,247**	434,341
Investment in an associate		**753**	1,554
Deposits paid for purchase of property, plant and equipment		**8,297**	-
Deferred income tax assets		**13,445**	18,901
Other long-term assets		**2,112**	293
		683,815	598,968
Current assets			
Inventories		**1,402,588**	1,328,034
Trade and bills receivables, net	*l*	**150,399**	142,857
Amounts due from related parties		**12,833**	16,701
Prepayments and other current assets		**66,515**	50,217
Short-term bank deposits		**8,762**	9,407
Cash and cash equivalents		**844,034**	671,695
		2,485,131	2,218,911
Total assets		**3,168,946**	2,817,879

CONSOLIDATED BALANCE SHEET (CONT'D)

	Note	*As at 31 December* **2012**	*2011*
		RMB'000	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**588,000**	588,000
Reserves			
- Proposed final dividend	*i*	**147,000**	111,720
- Other reserves		**1,201,038**	1,019,168
		1,936,038	1,718,888
Non-controlling interests		**288,211**	220,182
Total equity		**2,224,249**	1,939,070
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**3,241**	5,139
Deferred income – government grants		**54,238**	52,185
		57,479	57,324
Current liabilities			
Trade payables	*m*	**384,154**	466,483
Salary and welfare payables		**6,616**	3,574
Advances from customers		**116,084**	86,194
Amounts due to related parties		**23,751**	37,092
Current income tax liabilities		**14,261**	19,804
Other payables		**213,674**	83,338
Short-term borrowings		**128,678**	125,000
		887,218	821,485
Total liabilities		**944,697**	878,809
Total equity and liabilities		**3,168,946**	2,817,879
Net current assets		**1,597,913**	1,397,426
Total assets less current liabilities		**2,281,728**	1,996,394

Notes:

a. GENERAL INFORMATION

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

b. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Reporting Standards ("**IFRS**"). The consolidated financial statements have been prepared under the historical cost convention.

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

(a) Standards, amendments and interpretations effective in 2012

- Amendment to IFRS 1, 'First time adoption', on hyperinflation and fixed dates
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on transfer of financial assets
- Amendment to IAS 12, 'Income taxes', on deferred tax

The adoption of the above standards, amendments and interpretations does not have any significant financial impact to the Group.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

- Amendment to IFRS 1,'First time adoption', on government loans (effective for annual periods beginning on or after 1 January 2013)
- Amendment to IFRS 7 'Financial instruments: Disclosures' on asset and liability offsetting (effective for annual periods beginning on or after 1 January 2013)
- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2015)

b. BASIS OF PREPARATION (CONT'D)

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Cont'd)*

- Amendment to IFRSs 10, 11 and 12 on transition guidance (effective for annual periods beginning on or after 1 January 2013)
- IFRS 10 'Consolidated financial statements' (effective for annual periods beginning on or after 1 January 2013)
- IFRS 11'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013)
- IFRS 12'Disclosure of interests in other entities' (effective for annual periods beginning on or after 1 January 2013)
- IFRS 13'Fair value measurements' (effective for annual periods beginning on or after 1 January 2013)
- Amendment to IAS 1,'Financial statements presentation' regarding other comprehensive income (effective for annual periods beginning on or after 1 July 2012)
- Amendment to IAS 19,'Employee benefits' (effective for annual periods beginning on or after 1 January 2013)
- IAS 27 (revised 2011), 'Separate financial statements' (effective for annual periods beginning on or after 1 January 2013)
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective for annual periods beginning on or after 1 January 2013)
- Amendment to IAS 32 'Financial instruments: Presentation' on asset and liability offsetting (effective for annual periods beginning on or after 1 January 2014)
- IFRIC - Int 20'Stripping costs in the production phase of a surface mine' (effective for annual periods beginning on or after 1 January 2013)
- Annual improvements 2011
  - IFRS 1, 'First time adoption' (effective for annual periods beginning on or after 1 January 2013)
  - IAS 1, 'Financial statement presentation' (effective for annual periods beginning on or after 1 January 2013)
  - IAS 16, 'Property plant and equipment' (effective for annual periods beginning on or after 1 January 2013)
  - IAS 32, 'Financial instruments; Presentation' (effective for annual periods beginning on or after 1 January 2013)

b. BASIS OF PREPARATION (CONT'D)

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Cont'd)*

- Annual improvements 2011 (Cont'd)
  - IAS 34, 'Interim financial reporting' (effective for annual periods beginning on or after 1 January 2013)

The Group has started to assess the impact of the above new standards, amendment and interpretations and believes that it will be impacted by IFRS 11 and IAS 28 (revised 2011). Upon the adoption of the amendments in IAS 28 (revised 2011), the accounting of the Group's investment in joint ventures will change from proportionate consolidation to equity method of accounting. If the equity method of accounting was used to account for the Group's investment in joint ventures, net assets as of 31 December 2012 and 2011 and net profit for the years then ended will remain unchanged. Its income would be reduced by RMB21,867,000 and RMB53,312,000 respectively, its expenses would be reduced by RMB18,517,000 and RMB47,260,000 respectively, while its share of profit from joint ventures would be increased by RMB3,350,000 and RMB6,052,000 respectively.

Except for above analysis, none of the other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

c. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Net realisable value of inventories

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

(ii) Estimated provision for impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of trade and other receivables. Provisions for impairment are applied to trade and other receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate is changed.

(iii) Income taxes

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

d. REVENUE

	2012	*2011*
	RMB'000	*RMB'000*
Sales of medicine		
- the PRC Mainland	**2,110,053**	1,744,805
- Outside the PRC Mainland	**324,284**	174,062
	2,434,337	1,918,867
Agency fee income for distribution services		
- Outside the PRC Mainland	**12,795**	17,551
	2,447,132	1,936,418

e. OTHER LOSSES – NET

	2012	*2011*
	RMB'000	*RMB'000*
Cost incurred for an intended listing of a subsidiary transfer out from reserve	**-**	3,512
Cost incurred for an intended listing of a subsidiary during current year	**9,096**	16,427
Remeasurement gain on previously held interest	**-**	(1,981)
	9,096	17,958

f. FINANCE INCOME AND COSTS

	2012	*2011*
	RMB'000	*RMB'000*
Finance income		
Interest income on cash at bank and short-term bank deposits	**9,142**	9,431
Finance costs		
Interest expense on bank borrowings repayable within one year	**(7,953)**	(4,281)
Exchange losses	**(226)**	(369)
	(8,179)	(4,650)
Finance income – net	**963**	4,781

g. PROFIT BEFORE INCOME TAX

Profit before income tax was arrived at after charging/(crediting) the following:

	2012	*2011*
	RMB'000	*RMB'000*
Raw materials and consumables used	**849,039**	796,346
Change in inventories of finished goods and work-in-progress	**(163,512)**	(242,143)
Employee benefit expense		
- Salary and wages	**245,951**	190,672
- Staff welfare	**26,731**	25,989
- Housing fund	**13,712**	11,671
- Contribution to pension scheme	**44,430**	36,403
Depreciation of property, plant and equipment	**39,768**	39,022
Amortisation of prepaid operating lease payments	**3,170**	1,887
Amortisation of other long-term assets	**463**	238
(Reversal of provision)/provision for impairment of inventories	**(6,291)**	14,764
Provision/(reversal of provision) for impairment of receivables	**581**	(4,487)
Provision for impairment of property, plant and equipment	**-**	4,501
Provision for impairment of deposits paid for purchase of property, plant and equipment	**-**	5,440
Operating lease rental	**55,262**	47,036
Auditor's remuneration		
- Audit services	**1,822**	1,825
- Non-audit services	**2,615**	6,002
Research and development costs	**12,016**	10,490
Advertising expenses	**94,226**	58,082
Loss on disposal of property, plant and equipment	**377**	473
Recognition of government grants	**(4,175)**	(846)
Cost incurred for an intended listing of a subsidiary transfer out from reserve	**-**	3,512
Cost incurred for an intended listing of a subsidiary during current year	**9,096**	16,427
Processing costs	**159,837**	127,428
Promotion expenses	**62,036**	38,518
Transportation	**48,813**	32,764
Repair and maintenance	**36,156**	20,428
Utilities	**38,360**	40,305
Other taxes	**28,611**	18,246

h. 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% (2011: 25%). As of 31 December 2012 and 2011, the Company has obtained the HNTE certificate. Consequently, the applicable income tax rate of the Company in 2012 is 15% (2011: 15%). Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the income tax rates prevailing in the tax jurisdictions in which the Group operates.

Details of income tax during the year are as follows:

	2012	*2011*
	RMB'000	*RMB'000*
Current PRC income tax expense	**51,388**	43,984
Current Overseas income tax expense	**26,601**	21,013
Deferred income tax expense	**3,558**	(10,553)
	81,547	54,444

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the PRC statutory income tax rate to profits of the consolidated entities as follows:

	2012	*2011*
	RMB'000	*RMB'000*
Profit before income tax	**481,078**	335,897
Tax calculated at the PRC statutory income tax rate of 25% (2011: 25%)	**120,270**	83,974
Income not subject to tax	**(1,794)**	(4,464)
Expenses not deductible for tax purposes	**4,978**	8,584
Tax losses for which no deferred income tax asset was recognised	**2,151**	1,389
Effect of preferential income tax treatments	**(29,610)**	(25,917)
Effect of different applicable tax rates for certain subsidiaries and joint ventures	**(14,448)**	(9,122)
Income tax expense	**81,547**	54,444

i. DIVIDENDS

	2012	*2011*
	RMB'000	*RMB'000*
Cash dividends proposed by the Board	**147,000**	111,720

The cash dividends paid in 2012 and 2011 were RMB111,720,000 (RMB0.19 (inclusive of tax) per share based on the total share capital of 588,000,000 shares) and RMB94,080,000 (RMB0.48 (inclusive of tax) per share based on the total share capital of 196,000,000 shares) respectively.

On 19 March 2013, the Board proposed a cash dividend for the year ended 31 December 2012 of RMB0.25 (inclusive of tax) per share based on the total share capital of 588,000,000 shares, totalling approximately RMB147,000,000 (2011: RMB111,720,000).

The proposed dividend distribution is subject to the shareholders' approval at the 2012 annual general meeting to be held in 2013. The dividend will be recorded in the Group's financial statements for the year ending 31 December 2013.

j. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately RMB330,171,000 (2011: RMB254,687,000) by the weighted average number of 588,000,000 shares (2011: 588,000,000 shares) in issue during the year.

The Company had no dilutive potential shares for the years ended 31 December 2012 and 2011.

	2012	*2011*
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**330,171**	254,687
Weighted average number of ordinary shares in issue (thousands)	**588,000**	588,000
Earnings per share	**RMB0.56**	RMB0.43

k. SEGMENT INFORMATION

The Executive Directors in the Board is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Executive Directors in the Board for the purposes of allocating resources and assessing performance.

The Executive Directors in the Board considers the business from an operational entity perspective. Generally, the Executive Directors in the Board considers the performance of business of each entity within the Group separately. Thus, each entity within the Group is an operating segment.

The reportable operating segments derive their revenue primarily from (i) the manufacture and sale of Chinese medicine of the Company in China, and (ii) the operation of the distribution network of Beijing Tong Ren Tang Chinese Medicine Company Limited ("**Tong Ren Tang Chinese Medicine**") and the manufacture of Chinese medicine outside the PRC mainland.

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

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

k. SEGMENT INFORMATION (CONT'D)

The segment information provided to the Executive Directors in the Board for the reportable segments for the year ended 31 December 2012 is as follows:

	The Company	Tong Ren Tang Chinese Medicine	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,939,598	386,677	281,562	2,607,837
Inter-segment revenue	(5,903)	(4,017)	(150,785)	(160,705)
Revenue from external customers	1,933,695	382,660	130,777	2,447,132
Profit after income tax	254,510	130,823	14,198	399,531
Interest income	7,580	853	709	9,142
Interest expense	(7,933)	(20)	-	(7,953)
Depreciation of property, plant and equipment	(25,990)	(8,741)	(5,037)	(39,768)
Amortisation of prepaid operating lease payments	(2,091)	(937)	(142)	(3,170)
Reversal of provision/Provision for impairment of inventories	10,958	(4,667)	-	6,291
Provision for impairment of receivables	(581)	-	-	(581)
Share of loss of an associate	-	(801)	-	(801)
Income tax expense	(44,234)	(31,035)	(6,278)	(81,547)
Segment assets and liabilities				
Total assets	2,433,613	551,896	183,437	3,168,946
Investment in an associate	-	753	-	753
Additions to non-current assets (other than deferred tax assets)	69,258	60,650	4,170	134,078
Total liabilities	808,957	91,595	44,145	944,697

k. SEGMENT INFORMATION (CONT'D)

The segment information for the year ended 31 December 2011 is as follows:

	The Company	Tong Ren Tang Chinese Medicine	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,608,835	234,303	238,019	2,081,157
Inter-segment revenue	(6,681)	(2,772)	(135,286)	(144,739)
Revenue from external customers	1,602,154	231,531	102,733	1,936,418
Profit after income tax	224,357	48,266	8,830	281,453
Interest income	7,954	1,040	437	9,431
Interest expense	(4,281)	-	-	(4,281)
Depreciation of property, plant and equipment	(26,029)	(8,404)	(4,589)	(39,022)
Amortisation of prepaid operating lease payments	(841)	(906)	(140)	(1,887)
Provision for impairment of inventories	(12,837)	(1,927)	-	(14,764)
Reversal of provision for impairment of receivables	4,487	-	-	4,487
Provision for impairment of property, plant and equipment	-	(4,501)	-	(4,501)
Provision for impairment of deposits paid for purchase of property, plant and equipment	-	(5,440)	-	(5,440)
Share of loss of an associate	-	(1,338)	-	(1,338)
Income tax expense	(37,191)	(15,933)	(1,320)	(54,444)
Segment assets and liabilities				
Total assets	2,249,567	394,269	174,043	2,817,879
Investment in an associate	-	1,554	-	1,554
Additions to non-current assets (other than deferred tax assets)	109,092	81,366	5,405	195,863
Total liabilities	766,996	63,429	48,384	878,809

k. SEGMENT INFORMATION (CONT'D)

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

The amounts provided to the Executive Directors in 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 agency fee for distribution services. The breakdown of sales of medicine by region is provided in Note d.

The total of the non-current assets other than deferred income tax assets located in PRC Mainland is RMB556,904,000 (2011: RMB476,235,000), and the total of these non-current assets located in other countries is RMB113,466,000 (2011: RMB103,832,000).

l. TRADE AND BILLS RECEIVABLES, NET

	2012	*2011*
	RMB'000	*RMB'000*
Trade and bills receivables	**166,580**	158,457
Less: provision for impairment of receivables	**(16,181)**	(15,600)
Trade and bills receivables, net	**150,399**	142,857

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 120 days. As of 31 December 2012 and 2011, the ageing analysis of trade and bills receivables based on invoice date was as follows:

l. TRADE AND BILLS RECEIVABLES, NET (CONT'D)

	2012	*2011*
	RMB'000	*RMB'000*
Within 4 months	**139,435**	114,786
Over 4 months but within 1 year	**19,176**	36,038
Over 1 year but within 2 years	**1,317**	81
Over 2 years but within 3 years	**78**	1,313
Over 3 years	**6,574**	6,239
	166,580	158,457

As of 31 December 2012, there were no overdue trade and bills receivables which not impaired.

As of 31 December 2012, trade receivables of RMB16,181,000 (2011: RMB RMB15,600,000) were fully provided for impairment. The individually impaired receivables mainly relate to medium and smaller customers, which are in unexpectedly difficult economic situations. The ageing analysis of these receivables is as follows:

	2012	*2011*
	RMB'000	*RMB'000*
Within 4 months	**2,670**	-
Over 4 months	**13,511**	15,600
	16,181	15,600

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

	2012	*2011*
	RMB'000	*RMB'000*
At 1 January	**15,600**	20,087
Provision/(reversal of provision) for impairment of receivables	**581**	(4,487)
At 31 December	**16,181**	15,600

l. TRADE AND BILLS RECEIVABLES, NET (CONT'D)

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

The Group's trade and bills receivables are mainly denominated in RMB.

m. TRADE PAYABLES

As of 31 December 2012, the ageing analysis of trade payables based on invoice date was as follows:

	2012	*2011*
	RMB'000	*RMB'000*
Within 4 months	**313,305**	425,078
Over 4 months but within 1 year	**70,471**	40,542
Over 1 year but within 2 years	**378**	863
	384,154	466,483

MOVEMENT IN RESERVES

	The Company					
	Capital reserve (Note(b))	Statutory surplus reserve fund (Note(c))	Statutory public welfare fund (Note(c))	Tax reserve (Note(d))	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of 1 January 2011	371,144	170,633	45,455	102,043	651,677	1,340,952
Profit for the year	-	-	-	-	229,189	229,189
Dividends and bonus shares paid to shareholders of the Company relating to 2010	(196,000)	-	-	-	(290,080)	(486,080)
Appropriation from retained earnings	-	22,648	-	-	(22,648)	-
Balance as of 31 December 2011	175,144	193,281	45,455	102,043	568,138	1,084,061
Balance as of 1 January 2012	175,144	193,281	45,455	102,043	568,138	1,084,061
Profit for the year	-	-	-	-	255,281	255,281
Dividends paid to shareholders of the Company relating to 2011	-	-	-	-	(111,720)	(111,720)
Appropriation from retained earnings	-	25,529	-	-	(25,529)	-
Balance as of 31 December 2012	175,144	218,810	45,455	102,043	686,170	1,227,622

Notes:

(a) Profit attributable to owners of the Company

The profit attributable to owners of the Company in the financial statements of the Company is RMB255,281,000 (2011: RMB229,189,000).

(b) Capital reserve

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

MOVEMENT IN RESERVES (CONT'D)

(c) Statutory reserves

The Company sets aside 10% of its net profit after income tax, before distribution of dividend to shareholders, as stated in the financial statements prepared under PRC accounting standards to the statutory surplus reserve fund. Approximately RMB25,529,000 (2011: RMB22,648,000), being 10% of the net profit after income tax as stated in the financial statements prepared under PRC accounting standards, was transferred to the statutory surplus reserve fund for the year ended 31 December 2012.

In accordance with the amendment of the Company Law of the PRC on 27 October 2005 effective from 1 January 2006, the Company decided not to accrue for statutory public welfare fund since the year 2006. The balance together with statutory surplus reserve fund can be used to offset accumulated losses or convert as share capital of the Company.

(d) Tax reserve

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

FINAL DIVIDEND AND TAX

The Board proposed a final dividend (the "**Final Dividend**") of RMB0.25 (including tax) per share for the year ended 31 December 2012 (2011: RMB0.19 (including tax) per share) based on the Company's issued and fully paid share capital of 588,000,000 shares (2011: 588,000,000 shares), totaling RMB147,000,000 (2011: RMB111,720,000). The profit distribution proposal is subject to the approval by the shareholders at the 2012 annual general meeting.

As stipulated by the Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to Their H-Share Holders Who are Overseas Non-resident Enterprises by Chinese Resident Enterprises published by the State Administration of Taxation (Guoshuihan [2008] No.897), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to the shareholders of H shares who are overseas non-resident enterprises, enterprise income tax shall be withheld at a uniform rate of 10%. According to this, the Company is required to withhold corporate income tax at the rate of 10% before distributing the Final Dividend to non-resident enterprise shareholders as appeared on the H share register of members of the Company. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders and therefore their dividends receivables will be subject to the withholding of the corporate income tax.

Pursuant to Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders is subject to individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries where they are residing and Mainland China. Pursuant to the aforesaid Notice, when the Final Dividend is distributed to the individual shareholders of H shares whose names appear on the H share register of members of the Company, the Company will withhold 10% of the Final Dividend as individual income tax unless otherwise specified by the relevant tax regulations, tax agreements or the Notice.

An announcement containing information in relation to the last registration date and the period of closure of register of members for attending the 2012 annual general meeting of the Company to be held in 2013 and for receiving the proposed Final Dividend for the year ended 31 December 2012, will be published separately when the date of the 2012 annual general meeting of the Company is fixed.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year of 2012, faced with all aspects of pressures, including the fierce completion in the market and the adjustment to the State policies, the Company maintained sustainable and stable development, with various activities carried out in an orderly manner. For the year ended 31 December 2012, revenue of the Group amounted to RMB2,447,132,000, representing an increase of 26.37% as compared with RMB1,936,418,000 for the corresponding period of last year; profit attributable to owners of the Company amounted to RMB330,171,000, representing an increase of 29.64% as compared with RMB254,687,000 for the corresponding period of last year.

Sales

During the year of 2012, with the focus on brand popularization, the Company further boost the scale and quality of the Company's overall operations by expanding its product portfolio, continuously strengthening its regional independence and actively expanding its distribution network, as well as pushing forward the progress of its strategic cooperation.

During the year, the Company continued to steadily expand its sales channels, optimized its end market cooperation network, and further explored the untapped markets. On one hand, the Company continued to expand and improve its distribution networks in the new region, as well as explored the untapped markets in a targeted manner through strategic cooperation. On the other hand, the Company further explored end markets by focusing on brand popularization. The Company increased the frequency and diversified the format of the theme-based promotional activities by adopting the end market display cases and targeting different seasons and products, so as to raise the end sales rate of products.

During the year, the Company continued to enhance and maintain its brand value and constantly enlarged the scale of its product portfolio relying on its consumers' confidence in our brand. Meanwhile, the Company, by utilizing its advantage of complete variety of products and great diversification of drug forms, implemented differentiated sales models in each sub-market, segmented the market and developed market positioning on target consumer groups. The Company strengthened promotions of cardiovascular and cerebrovascular, nutritional as well as gynecological and pediatric medicines, thereby driving the hierarchical development as well as overall growth of the product portfolio.

During the year, the Company produced and sold more than one hundred kinds of products, of which 26 kinds of products achieved total sales of more than RMB10 million; and 16 kinds of products achieved total sales in the range between RMB5 million and RMB10 million. The scale of the product portfolio was further enlarged. Among the major products of the Company, the sales of Liuwei Dihuang Pills (六味地黄丸) series grew by 5.86% as compared with the corresponding period of last year, the sales of Niuhuang Jiedu Tablets (牛黄解毒片) series grew by 29.97% as compared with the corresponding period of last year. Except the sales of Ganmao Qingre Grannule (感冒清熱顆粒) series maintained stable as compared with the corresponding period of last year, there was a remarkable increase in the sales of some other product series including Xihuang Pills (西黄丸) series, JinKui Shenqi Pills (金匮肾气丸) series,Fufang Danshen Tablets series(复方丹参片), Shengmai Liquor (生脉饮) series which grew by more than 20% over the corresponding period of last year.

With regard to overseas markets, as the global economy remained sluggish during the year, domestic companies struggled with tough conditions in the export market. Faced with this complicated external environment, the Company achieved stable growth of sales revenue by focusing on promoting traditional Chinese medicine culture in overseas markets and taking full advantage of its strength in brand and product quality. In 2012, the export sales of the Company's products amounted to RMB60,004,300, representing an increase of 69.34% over last year. For the purpose of further expanding the sales of Tong Ren Tang brand of products in the overseas market, on 29 October 2012, the Company entered into an exclusive distributorship framework agreement with Tong Ren Tang Chinese Medicine, pursuant to which Beijing Tong Ren Tang International Natural-Pharm Company Limited ("**International Pharm**"), a wholly-owned subsidiary of Tong Ren Tang Chinese Medicine, is appointed as the sole overseas distributor of the Group for the distribution of the relevant products of the Group outside of the PRC mainland from 1 November 2012 to 31 December 2014, so as to take full advantage of the increasingly growing overseas distributorship network of Tong Ren Tang Chinese Medicine.

Production

In 2012, the Company produced more than ten forms of products including pills, tablets, granules, capsules and liquid. With the aim to raise the level of mechanization, the Company strengthened equipment renovation and upgrading, developed potential productivity, and finished the installation and testing of the syrup grouting machine, oral liquid grouting machine and the automated mini-pill grouting line which were also put into operation during the year, so as to further enhance the Company's production capacity. At the same time, each branch factory continued to deepen efforts in energy consumption reduction, waste reduction and production efficiency enhancement, and upgraded the skills of technical staff with job-specific training and job rotation, so as to seek higher profitability from innovation and better management. Moreover, each branch factory conscientiously explored the "branch system" and improved the information technology and network construction, realizing the efficient and real-time information flows and also improving the scope and capability of the extensive management of each branch factory.

As the workshop for extracting traditional Chinese medicine materials, Beijing Tong Ren Tang Tongke Pharmaceutical Company Limited (北京同仁堂通科藥業有限責任公司) ("**Tongke Company**"), which is located at Tongzhou District, Beijing, has produced semi-finished goods for different forms of medicines of the Company since 2007. As at 31 December 2012, Tongke Company had a total investment of RMB 75 million, of which RMB 71.25 million was cumulatively contributed by the Company, representing 95% of the total investment; and RMB3.75 million was cumulatively contributed by Beijing Tongzhou NiuBaoTun Medicine Processing Factory, representing 5% of the total investment. In 2012, the semi-finished goods produced by Tongke Company effectively satisfied the production needs of the Company.

Beijing Tong Ren Tang (Tangshan) Nurtition and Healthcare Co., Ltd. ("**Tangshan Company**"), which is located in Tangshan, Hebei Province, was jointly invested and established by the Company, Tong Ren Tang Chinese Medicine, Tangshan Jiayi Packaging Industries Co., Ltd (唐山佳艺包装工业有限公司) and Bozhou Jingqiao Medicine Co., Ltd. (亳州市京谯医药有限责任公司). The registered capital of Tangshan Company are RMB 120,000,000, among which as to 6%, 68%, 20% and 6% is owned by the Company, Tong Ren Tang Chinese Medicine, Tangshan Jiayi Packaging Industries Co., Ltd. and Bozhou Jingqiao Medicine Co. Ltd., respectively. Tangshan Company completed the construction of all its production plants by the end of 2012 and is conducting equipment installation and testing and pre-production preparations. When completed and put into operation, Tangshan Company will focus on producing gel products , so as to lay a solid foundation for further development of the Group's gel production.

Management and Research and Development

With regard to raw material procurement, during the year of 2012, the Company closely watched changes in the price of Chinese medical raw material, made reasonable judgments about future price trends, lowered procurement costs as much as possible and managed inventories in a scientific manner, so as to effectively avoid market price risks while ensuring the quality of raw materials procured. In addition, the Company further strengthened supplier management, selected and assessed suppliers in a dynamic fashion, thus ensuring the quality of the Company's raw material supplies.

During the year of 2012, the Company remained vigilant at the peace time. Seizing the opportunity of the implementation of the new edition of GMP, the Company strengthened the authority of quality management, improved the quality inspection system and reduced the risks in its quality management system, thereby ensuring the safety and stability of the Company's products. During the year, 15 production lines of the Company involving 11 forms of drugs passed the new edition of GMP certification.

Based on its orientation of specialization and the consideration of whether the product can bring in business value in the future, the Company strengthened its effects in research and development on product serialization and the transformation of research and development results into actual products. During the year, the Company successfully finished the quality studies on a number of ointments such as Qiuli Runfei Ointment and the research on several new medicine forms. In the meantime, the staff in research and development division continued to adhere to the notion of prioritizing production and operations, and resolved the technical issues in a timely manner by leveraging on the existing production portfolio resources and technological advantages to ensure the production being carried out in an orderly manner.

Sales Network in PRC Mainland

Beijing Tong Ren Tang Nansanhuan Zhonglu Drugstore Co., Limited (北京同仁堂南三環中路藥店有限公司) ("**Nansanhuan Zhonglu Drugstore**"), located at Nansanhuan Zhonglu, Fentai District, Beijing, is the only retail drugstore invested and established by the Company in PRC Mainland. In 2012, Nansanhuan Zhonglu Drugstore gave full play to its featured operations. Adhering to the operating direction of "establishing itself as a top-notch drugstore selling quality medicines" and leveraging on the brand of Tong Ren Tang, Nansanhuan Zhonglu Drugstore achieved a powerful increase in its sales revenue by strongly controlling the medicine quality and improving the service level. In 2012, Nansanhuan Zhonglu Drugstore realized a revenue of RMB 68,762,300, representing an increase of 15.07% as compared with the corresponding period of last year.

Chinese Medicinal Raw Materials Production Bases

Currently, the Company has established six subsidiaries in Hebei Province, Henan Province, Hubei Province, Zhejiang Province, Anhui Province, Jilin Province respectively, which can provide the Company with major traditional Chinese medicinal raw materials such as cornel (山茱萸), Tuckahoe (茯苓) and catnip (荊芥).

During the year of 2012, while conducting raw material collection and processing, the Chinese medical raw material production bases under the Company further upgraded their internal control and lowered their operational risks. Each production base, while ensuring a steady increase in the supplies of major raw materials, rigorously implemented national quality standards to safeguard the quality of raw materials. In 2012, all of these Company's production bases for traditional Chinese medicinal raw materials achieved a sales revenue of RMB 115,593,200, representing an increase of 3.42% as compared with the corresponding period of last year. Theses production bases played a key role in securing the supply and quality of Chinese medicinal raw materials required for the Company's products.

Beijing Tong Ren Tang WM Dianorm Biotech Co., Limited ("Tong Ren Tang WM ")

Tong Ren Tang WM was jointly established by the Company and WM Dianorm Biotech Co., Limited with a total investment of US$3 million and is owned as to 60% by the Company. Since its establishment, Tong Ren Tang WM is committed to introducing liposome technology into modern Chinese medicine and promoting its application in pharmaceuticals and cosmetics. Its major products include lotion, cream, facial and eye masks and liposome skincare products. During the year of 2012, Tong Ren Tang WM continued to strengthen its production portfolio construction and diversifying its product mix with a range of newly developed facial masks under the Hancao Zhiyuan series. In addition, Tong Ren Tang WM continued to promote the construction of directly-operated end sales channels by establishing special sales counters in more drug stores or shopping malls. During the year, Tong Ren Tang WM was granted an invention patent of "Compound freckle removing and whitening Chinese herbal medicine for external use" by the State Intellectual Property Office of the PRC. In 2012, Tong Ren Tang WM generated a total revenue of RMB 53,001,400, representing an increase of 34.50% as compared with last year.

Sales Network outside PRC Mainland

Tong Ren Tang Chinese Medicine, which is located in the Hong Kong Special Administrative Region ("**Hong Kong**"), was jointly invested and established by the Company and Beijing Tong Ren Tang Company Limited ("**Tong Ren Tang Ltd.").** As at the end of 31 December 2012, its total investment amounted to HK$201,430,000, of which the Company representing 53.09% and Tong Ren Tang Ltd. representing 46.91%. Tong Ren Tang Chinese Medicine is principally engaged in construction of overseas distribution network and distribution of products of TRT brand and other Chinese medicine health products, and development, production and sales of its own products.

During the year of 2012, Tong Ren Tang Chinese Medicine continued its endeavors in promoting traditional Chinese medicine culture in overseas markets and raising market recognition of Chinese medical products and Chinese medicine consulting services. Tong Ren Tang Chinese Medicine expanded its overseas distribution network by moving into new overseas markets and increasing the retail drugstores in existing markets. During the year, Tong Ren Tang Chinese Medicine established Beijing Tong Ren Tang (Poland) Co., Ltd. in Poland and added a number of retail drugstores in Hong Kong, Singapore, Canada and Australia. As at the end of 2012, Tong Ren Tang Chinese Medicine had established thirteen joint ventures in twelve countries and regions outside the PRC mainland and Hong Kong (Macau, Malaysia, Canada, Indonesia, Korea, Thailand, Australia, Singapore, Brunei, Cambodia , United Arab Emirates and Poland). Upholding the splendid tradition of Beijing Tong Ren Tang and the combination of "illustrious brand", "quality medicine" and "top doctors", each joint venture and stores conducted the distribution operations of the Chinese medicine products in its respective locations with positive performance. In 2012, the said thirteen joint ventures achieved an aggregate sales revenue of RMB 126,139,400, representing a growth of 33.47% as compared with RMB 94,504,600 for the corresponding period of the previous year.

At the same time, Tong Ren Tang Chinese Medicine owns the production facilities for traditional Chinese medical products in Tai Po Industrial Estate in Hong Kong covering a gross floor area of over 10,000 square metres, and has obtained the Manufacturer Certificate (Good Manufacturing Practice in respect of Proprietary Chinese Medicines) issued by Chinese Medicines Traders Committee under Chinese Medicine Council of Hong Kong. Tong Ren Tang Chinese Medicine currently manufacture two products to distribute in the overseas market, namely Angong Niuhuang Pills and Sporoderm-broken Ganoderma Lucidum Spores Powder Capsules.

In 2012, Tong Ren Tang Chinese Medicine and its subsidiaries and joint ventures generated a total revenue of RMB 386,677,100, representing an increase of 65.03% as compared with RMB 234,302,500 for the corresponding period of last year.

Financial Review

Liquidity and Financial Resources

The Group has maintained a sound financial position. During the year of 2012, the Group's primary source of funds was cash generated from operating activities and bank loans. As at 31 December 2012, the Group had cash and cash equivalents amounted to RMB844,034,000(31 December 2011: RMB671,695,000), and short-term bank borrowings of RMB128,678,000(31 December 2011: RMB125,000,000), of which, the unsecured short-term bank borrowing amounted to RMB 125,000,000（31 December 2011: RMB 125,000,000）, carrying an interest rate of 6.321% (2011: 6.459%) per annum; and the short-term bank borrowing secured by properties amounted to RMB3,678,000（31 December 2011: Nil), carrying an interest rate of 4.400 %（2011: Nil）per annum.

As at 31 December 2012, the total assets of the Group amounted to RMB 3,168,946,000 (31 December 2011: RMB2,817,879,000). The funds comprised of non-current liabilities of RMB 57,479,000 (31 December 2011: RMB57,324,000), current liabilities of RMB887,218,000 (31 December 2011: RMB 821,485,000), equity attributable to owners of the Company of RMB1,936,038,000 (31 December 2011: RMB 1,718,888,000) and non-controlling interests of RMB288,211,000 (31 December 2011 : RMB220,182,000).

Capital Structure

The objectives of the Group's capital management policy are to safeguard the Group's ability to continue as a going concern so as to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

During the year of 2012, the Group's primary source of funds was cash generated from operating activities and bank loans, which were mainly used for production and operation activities, disposal of the non-current assets and repayment of bank loans and loan interest, etc.

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or repay borrowings. The Group monitors its capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity. Total borrowings include 'current and non-current borrowings' as set out in the consolidated balance sheet. Total equity was set out in the consolidated balance sheet.

Gearing and Liquidity Ratios

As at 31 December 2012, the Group's gearing ratio, the ratio between total borrowings and equity attributable to owners of the Company, was 0.07 (31 December 2011: 0.07). The Group's liquidity ratio, the ratio between current assets over current liabilities, was 2.80 (31 December 2011: 2.70), reflecting that the Group had flourishing financial resources.

Charges over Assets of the Group

As at 31 December 2012, the carrying amount of the properties pledged as security for the Group's bank borrowings was RMB 6,368,000 (31 December 2011: Nil).

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2012 (31 December 2011: Nil).

Capital Commitments

As at 31 December 2012, the capital commitments of the Group relating to the constructions of production facilities which had been contracted for but had not been reflected in the consolidated financial statements of the Group amounted to approximately RMB170,426,000 (31 December 2011: RMB 21,287,000).

Future Investment Plan

As at the end of 2012, the Company had bought a total industrial land of approximately 108,700 square meters in Da Xing Bio-Pharm Industrial Base at Zhongguancun Technology Park District, Beijing, for the construction of Da Xing Production Base ("**Da Xing Base**"). The total investment of Da Xing Base is expected to be approximately RMB1,088 million, which will be paid by internal funds, bank borrowings or others. Currently, preparation work at the early stage of construction such as designing and planning, documents submission and approval and invitation for bids is under way. The Company also had bought a total industrial land of approximately 55,000 square meters in Qiaocheng District, Bo Zhou City, for the construction of Bo Zhou Base for pre-processing and logistics of Chinese medicine materials ("**Bo Zhou Base**").The total investment of Bo Zhou Base is expected to be approximately RMB185 million, which will be paid by internal funds, bank borrowings or others. Civil engineering and construction has commenced during the year. Upon the completion of the construction, Da Xing Base will become an integrated industrial base with functions of both production and technology research for all forms of Chinese medicines such as solid dosage form and liquid formulation, and Bo Zhou Base will provide the Company with the traditional Chinese medicine raw materials after pure selection and pharmaceutical processing, which aims at enhancing the production capacity of the Company and improving its supply chain.

On 1 March 2012, the Company and Tong Ren Tang Ltd. established Beijing Tong Ren Tang Chinese Medicine (Hong Kong) Group Co., Ltd.（"**Chinese Medicine Group Co., Ltd.**"）in Hong Kong. The issued share capital of Chinese Medicine Group Co., Ltd. was HK$ 10,000, of which 53.09% and 46.91% were owned by the Company and Tong Ren Tang Ltd. respectively. On 25 January 2013, the Company and Tong Ren Tang Ltd. entered into a capital increase agreement, pursuant to which the Company and Tong Ren Tang Ltd. agreed to increase their investment in Chinese Medicine Group Co., Ltd. on a pro rata basis by cash respectively. Upon completion of the capital increase, the total investment in Chinese Medicine Group Co., Ltd. was increased to HK$ 75,000,000, which was remained to be owned by the Company and Tong Ren Tang Ltd. as to their previous shareholding percentage. Chinese Medicine Group Co., Ltd. co-operates with Asia-Pacific Satellite Television Co., Ltd. to open up a healthcare satellite TV channel to introduce the Chinese Medicine culture and the history of Beijing "Tong Ren Tang" Chinese Medicine; introduce the knowledge of Chinese Medicine; and promote the "Tong Ren Tang" brand and the healthcare concept, thereby promoting the spread of the culture of Chinese medicine and the long history of Beijing Tong Ren Tang. For details, please refer to the announcement of the Company dated 25 January 2013.

Employees and Remuneration Policies

As at 31 December 2012, the Group had a total of 2,931 employees (31 December 2011: 2,675 employees), of which the Company had 1,921 employees (31 December 2011: 1,827 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 employee. Discretionary bonuses based on individual performance will be paid to the employees as recognition of and a reward for their contributions to the Company. Other benefits include contributions by the Company to the endowment insurance, medical insurance, unemployment insurance, industrial accident insurance, maternity insurance and housing fund. The Company also set up the senior management incentive plan (the "**Incentive Plan**"). Based on the growth rate of the audited profit attributable to owners of the Company as compared with the same for last year, the Board may appropriate certain funds within the pre-set percentage range to distribute to the members of the senior management. For details of the Incentive Plan, please refer to the circular of the Company dated 21 April 2011. In 2012, as approved by the Board, the Company distributed RMB2,817,600 to the members of the senior management according to the Incentive Plan.

Future Prospects

In 2013, continuously sticking to the basis of sustained and healthy development, the Company will forge ahead and strive for a more sustainable, stronger and larger Tong Ren Tang.

1、Strengthening product development and emphasizing on channel construction to achieve new progress in marketing model reform

The Company will conduct in-depth market analysis and utilize its advantages to continuously develop innovative marketing models. Through prioritizing the improvement of operational quality, giving overall consideration and coordinating development, the Company ultimately aims to achieve steady growth in the sales of its principal products and those with potential. In the meantime, the Company will further promote strategic cooperation based on the consolidation of mature channels, take full advantage of its brand and culture, and strive to expand the scale of regional sales, so as to improve the overall competitive advantages of the Company.

2、Advancing construction projects and coordinating production and operations to create a new pattern of large-scale production

The Company will accelerate project construction on the premise of quality assurance to lay a solid foundation for the realization of large-scale production. In addition, branch factories continue to strive for higher production efficiency through coordinated control and scientific planning. Given their own characteristics, branch factories enhance their production scheduling with rational layout to ensure that the Company’s products are able to meet market demand in a timely manner.

3、Promoting functional adjustments and optimizing management system to achieve new breakthroughs in management transformation and upgrading

The Company continues to strengthen the functional positioning of its departments and divisions. By combining reasonable decentralization and internal control and supervision, the Company clarifies the requirements of standardized management and reorganizes the management process to further perfect the establishment of the management system. Meanwhile, the Company continues the construction of its branch factories and subsidiaries through functional adjustment and process reorganization. By combining cultivation and development and strengthened supervision, the Company, with scientific design and steady progress, continuously improves the management and control procedure of its subsidiaries, thus achieving a sustained and healthy development of the Group as a whole.

OTHER INFORMATION

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 Chinese medicine forms such as honeyed pills, powder, ointment and medicinal wines. Tong Ren Tang Ltd.'s main products include Kunbao Pills (坤宝丸), Tongren Wuji Baifeng Pills (同仁乌鸡白凤丸), Tongren Dahuoluo Pills (同仁堂大活络丸), Guogong Wine (国公酒) and Angong Niuhuang Pills (安宫牛黄丸). It also has some minor production lines for the production of granules and honeyed pills. These products do not compete with the Group in terms of their curative effects. The Company focuses on manufacturing products in new medicine forms which are more competitive as compared with western medicine. The Company's main products include Liuwei Dihuang Pills (六味地黄丸), Niuhuang Jiedu Tablet (牛黄解毒片),Ganmao Qingre Granule (感冒清热颗粒), Jinkui Shenqi Pills (金匮肾气丸) and Shengmai Liquor (生脉饮), etc.. Tong Ren Tang Holdings is an investment holding company and is not involved in the production of Chinese patent medicines.

To ensure that the business classification between 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 committed by Tong Ren Tang Holdings and Tong Ren Tang Ltd. in favor of the Company ("**October Undertaking**"), that other than Angong Niuhuang Pills (安宫牛黄丸), 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 forms as those pharmaceutical products produced by the Company, and that may compete directly with those pharmaceutical products of the Company.

The directors of the Company (the "**Directors**") consider that as Angong Niuhuang Pills (安宫牛黄丸) only represents a small percentage of the Company's turnover and is not one of the major forms of medicine for development by the Company, the Company will continue to manufacture and sell Angong Niuhuang Pills (安宫牛黄丸). Save as mentioned herein, the Directors confirm that none of the products of the Company is in competition with 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 is one of the four main forms of the Company. Upon 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 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 undertaking 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.

To procure that the Company conducts an independent review of the research and development of new products and the development capability, the Company confirms that among the independent non-executive Directors, a reputable person in the traditional Chinese medicinal sector will determine whether to exercise the right of first refusal granted by Tong Ren Tang Holdings or Tong Ren Tang Ltd.. In the event that the Company refuses the right of first refusal offered by Tong Ren Tang Ltd. and/or Tong Ren Tang Holdings, the terms of the option to be offered to an independent third party should not be more favourable 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 undertaking would no longer be valid in the event that the direct or indirect aggregate shareholdings of Tong Ren Tang Holdings or Tong Ren Tang Ltd. in the Company fall below 30%.

The Company and the independent non-executive Directors have confirmed upon the review: during the year 2012, Tong Ren Tang Ltd. and Tong Ren Tang Holdings have provided all information necessary for the annual review by the independent non-executive Directors and their compliance with the October Undertaking. Tong Ren Tang Ltd. and Tong Ren Tang Holdings have fulfilled their undertakings on the provision of relevant right of first refusal on their existing or future competing businesses. Tong Ren Tang Ltd. and Tong Ren Tang Holdings have made annual declarations on compliance with the October Undertaking. For details, please refer to the 2012 annual report to be published by the Company soon.

CORPORATE GOVERNANCE

The Board believes that a good and steady framework of corporate governance is extremely important for the development of the Company. The Company has adopted the principles and standards contained in the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") as the Company's standards, and combined with its own experience, aiming to establish a good corporate governance structure. For the year ended 31 December 2012, the Company had always strictly complied with all the code provisions in the Code which comes into effect from 1 April 2012 and the Code on Corporate Governance Practices which was effective before 1 April 2012.

AUDIT COMMITTEE

The Company has set up an Audit Committee with specific written terms of reference pursuant to the relevant requirements of the Listing Rules and "A Guide For The Formation of An Audit Committee" compiled by the Hong Kong Institute of Certified Public Accountants. The primary duties of the Audit Committee are to review and monitor the completeness and feasibility of the Company's financial reporting process and internal control system, and review the Company's annual and interim results and other related documents.

The Audit Committee comprises all the independent non-executive Directors, being Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan, of which Mr. Ting Leung Huel, Stephen, the Chairman of the committee, possesses appropriate professional qualification and financial experience.

During the year of 2012, the Audit Committee convened two meetings. The first meeting was held on 13 March 2012 to review and discuss the operating results, financial position and major accounting policies contained in the audited financial statements of the Group for the year ended 31 December 2011, as well as matters in relation to risk management, legal compliance and internal audit, and to listen to the result of audit reported by the auditors. The committee concluded the meeting with agreement to the contents of the 2011 annual report. The second meeting was held on 9 August 2012 to review and discuss the operating results, financial position and major accounting policies contained in the unaudited financial statements of the Group for the six months ended 30 June 2012, as well as matters in relation to risk management, legal compliance and internal audit. The committee concluded the meeting with agreement to the contents of the 2012 interim report.

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

The Audit Committee held a meeting on 12 March 2013 to review and discuss the operating results, financial position and major accounting policies contained in the audited financial statements of the Group for the year ended 31 December 2012, as well as matters in relation to risk management, legal compliance and internal audit, and to listen to the result of audit reported by the auditors. The committee concurred in the contents of the 2012 annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the Company's website (www.tongrentangkj.com) and the Hong Kong Stock Exchange website (www.hkex.com.hk). The Company will dispatch the 2012 Annual Report containing all information as required by the Listing Rules to the shareholders in due course, and will publish the same on the websites of the Company and the Hong Kong Stock Exchange.

By Order of the Board
Tong Ren Tang Technologies Co. Ltd.
Mei Qun
Chairman

Beijing, the PRC
19 March 2013

As at the date of this announcement, the Board of Directors comprises (i) Mr. Mei Qun, Mr. Xie Zhan Zhong, Mr. Yin Shun Hai, Mr. Wang Yu Wei and Ms. Fang Jia Zhi as executive Directors; (ii) Ms. Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan as independent non-executive Directors.