Annual Report 2009

創建於一六六九年
北京同仁堂
Beijing Tong Ren Tang

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: 8069)

同修仁德
濟世養生

趙樸初書

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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Contents

Corporate Information

Board of Directors

Executive Directors

Mei Qun *(Chairman)*
Ding Yong Ling *(Vice-chairman)*
Yin Shun Hai
Wang Yu Wei
Fang Jia Zhi
Zhang Huan Ping

Independent Non-executive Directors

Tam Wai Chu, Maria
Ting Leung Huel, Stephen
Jin Shi Yuan

Supervisors

Zhang Xi Jie *(Chief Supervisor)*
Wu Yi Gang
Wang Yan Rong

Senior Management

Bai Jian
Li Da Ming
Xie Su Hua
Liu Cun Ying
Guo Gui Qin
Zhang Jing Yan

Company Secretary

Zhang Jing Yan

Audit Committee

Ting Leung Huel, Stephen
Tam Wai Chu, Maria
Jin Shi Yuan

Remuneration Committee

Mei Qun
Ting Leung Huel, Stephen
Jin Shi Yuan

Nomination Committee

Mei Qun
Tam Wai Chu, Maria
Jin Shi Yuan

Compliance Officer

Mei Qun

Authorized Representatives

Mei Qun
Zhang Jing Yan

Authorized Person to Accept Service of Process and Notice

Zhang Jing Yan

Independent Auditor

PricewaterhouseCoopers
22nd Floor, Prince's Building,
Central, Hong Kong

Principal Bankers

Industrial and Commercial Bank of China, Beijing Branch
Bank of China, Beijing Branch and Hong Kong Branch
Shanghai Pudong Development Bank, Beijing Branch
Bank of Communications, Beijing Branch

H-share Registrar and Transfer Office

Hong Kong Registrars Limited
Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

Registered Address

No. 16 Tongji Beilu,
Beijing Economic and Technology Development Zone, Yizhuang,
Beijing, the PRC

Office and Mailing Address

No 20. Nansanhuan Zhonglu,
Fengtai District, Beijing, the PRC

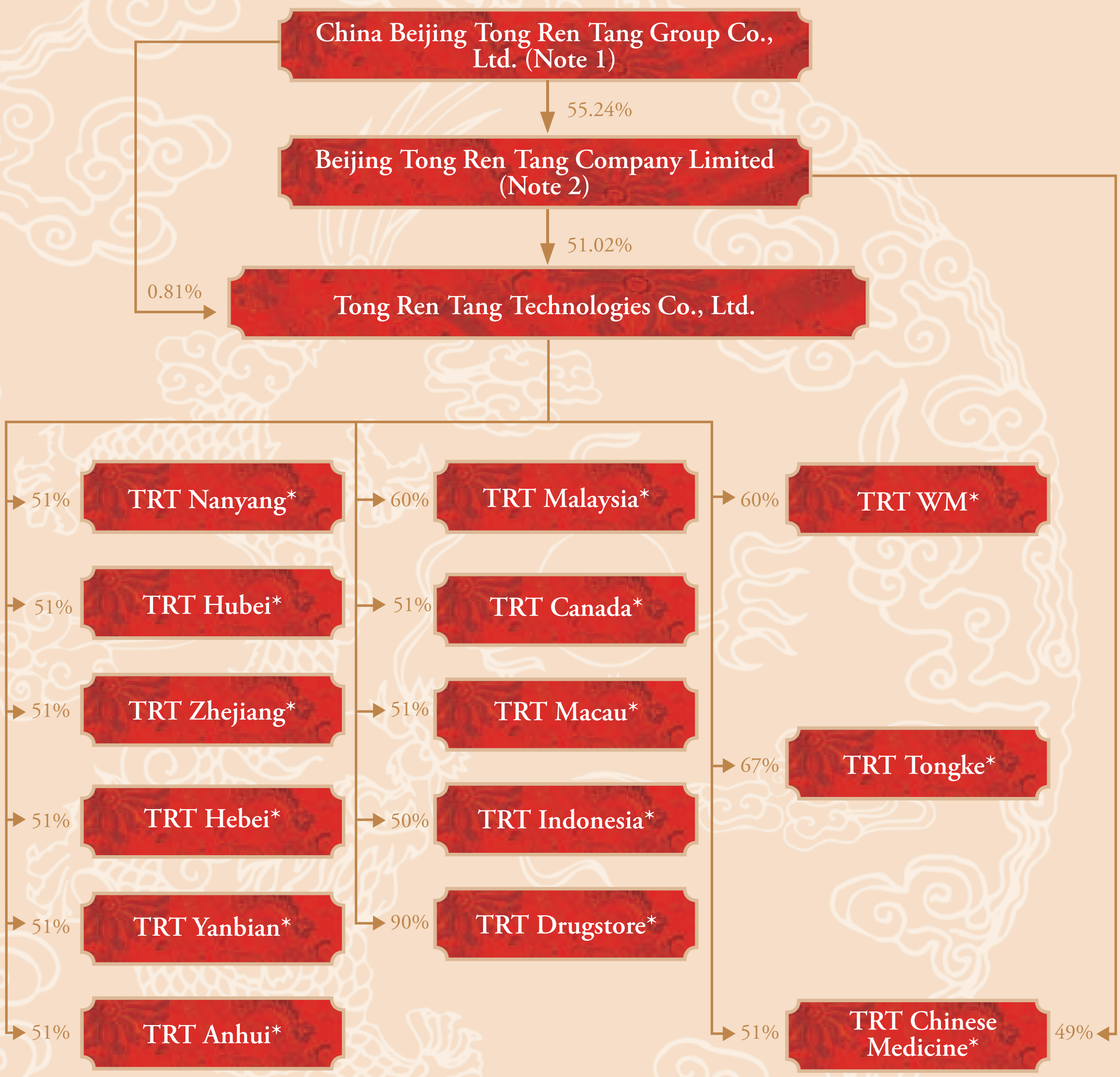
Office in Hong Kong

20th Floor, Park Avenue,
No. 5 Moreton Terrace,
Causeway Bay, Hong Kong

Stock Code

8069

Corporate Structure



Note 1: *China Beijing Tong Ren Tang Group Co., Ltd. ("Tong Ren Tang Holdings") is the ultimate holding company of Tong Ren Tang Technologies Co., Ltd. ("Tong Ren Tang Technologies").*

Note 2: *Beijing Tong Ren Tang Company Limited ("Tong Ren Tang Ltd.") was incorporated in 1997 and listed on the Shanghai Stock Exchange in June of the same year. Tong Ren Tang Ltd. is the holding company of Tong Ren Tang Technologies.*

* *For the full names of the subsidiaries and joint ventures, please refer to Note 1 to the consolidated financial statements for details.*

Financial Highlights

Results

A summary of the consolidated results of Tong Ren Tang Technologies Co., Ltd. (the "Company") and its subsidiaries and joint ventures (hereafter collectively referred to as the "Group") for each of the last five years, as extracted from the audited financial statements of the Group, are set out below:

	Year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,307,897**	1,211,455	1,157,030	1,034,768	1,135,678
Profit before income tax	**220,191**	197,248	179,528	171,236	251,964
Income tax expense	**(36,268)**	(30,509)	(25,474)	(27,780)	(19,469)
Profit for the year	**183,923**	166,739	154,054	143,456	232,495
Profit attributable to:					
Minority interest	**10,896**	6,211	139	(4,871)	1,309
Equity holders of the Company	**173,027**	160,528	153,915	148,327	231,186
	RMB	RMB	RMB	RMB	RMB
Earnings per share	**0.88**	0.82	0.81	0.81	1.26
Dividends per share	**0.45**	0.40	0.40	0.40	0.46

Assets and Liabilities

A summary of the consolidated balance sheet of the Group as at each of the last five years ended 31 December 2009, as extracted from the audited financial statements of the Group, is set out below:

	As of 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**461,597**	500,160	542,517	595,424	577,676
Current assets	**1,427,385**	1,295,022	1,190,541	904,717	872,422
TOTAL ASSETS	**1,888,982**	1,795,182	1,733,058	1,500,141	1,450,098
Non-current liabilities	**16,093**	13,250	12,250	12,808	14,583
Current liabilities	**282,849**	297,027	313,003	436,111	440,179
TOTAL LIABILITIES	**298,942**	310,277	325,253	448,919	454,762
Equity attributable to owners of the parent	**1,455,573**	1,360,392	1,284,931	998,254	935,691
Minority interest	**134,467**	124,513	122,874	52,968	59,645
TOTAL EQUITY	**1,590,040**	1,484,905	1,407,805	1,051,222	995,336
	RMB	RMB	RMB	RMB	RMB
Net assets per share	**7.43**	6.94	6.56	5.46	5.12

Chairman's Statement

I am pleased to present the annual report 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 2009 for shareholders' review.

Results of the Year

For the year ended 31 December 2009, the Group's revenue amounted to RMB1,307,897,000, representing an increase of 7.96% over last year; profit attributable to the equity shareholders of the Company amounted to RMB173,027,000, representing an increase of 7.79% over last year.

Review of the Year

In 2009, both China's and global economies endeavored to maintain stability in turbulent conditions. Having been struck hard by the global financial turmoil, China was the first in the world to successfully suppress its economic deterioration and achieve a rebound at a steady pace. The global economy also showed signs of recovery in the second half of the year. During the year, the state government strengthened its efforts in promoting medical protection and public health by implementing the relevant policies with regard to strengthening the healthcare reform and supporting the development of the Chinese pharmaceutical industry, which in turn stimulated the demand of the pharmaceutical market, accelerated its standardization progress and drove the Chinese pharmaceutical industry forward to enter into a new stage of sustainable and healthy development. Despite the promulgation of the list of basic medicines and the announcement of their prices, which exposed the profitability of our products to challenges, the development prospects of the Chinese pharmaceutical industry create a larger room for the growth of the Company.

The Company strived to maintain stability in turbulent conditions in 2009. During the year, Tong Ren Tang celebrated its 340th anniversary. From the very beginning to date, the Company has always adhered to the strategy of healthy, stable and sustainable development. In response to the "Year of Fundamental Management", the Company was dedicated to fulfill the relevant requirements to ensure the processes are standardized, streamlined and compatible with information technology. By strengthening its supervisory efforts, the Company adopted a standardized and scientific approach in respect of its day-to-day management. Embracing the motifs of "Brand, Talents and Development", the Company was engaged in scientific planning for effective implementation. Looking back over the year, there was a substantial increase in the product categories while the build-up of its product portfolios attained remarkable result. Physical assets management proved to be solid and sound and the "Top Five" cost-saving scheme was re-launched. With enhanced cohesion and performance of its working teams, the Company has made great strides in every aspect of its operation. In addition to development, the Company is also concerned about the performance of its social responsibility. In the process of decision making and execution, the Company's impacts on the society and the environment will be given full consideration with a view to maintain the development of the Company, the human welfare and the protection of resources and ecological environment in harmony. Looking back over the year, with the quality of the fundamental management significantly upgraded and the market image continuously improved, the overall development of the Company continued at a steady pace.

Outlook and Prospects

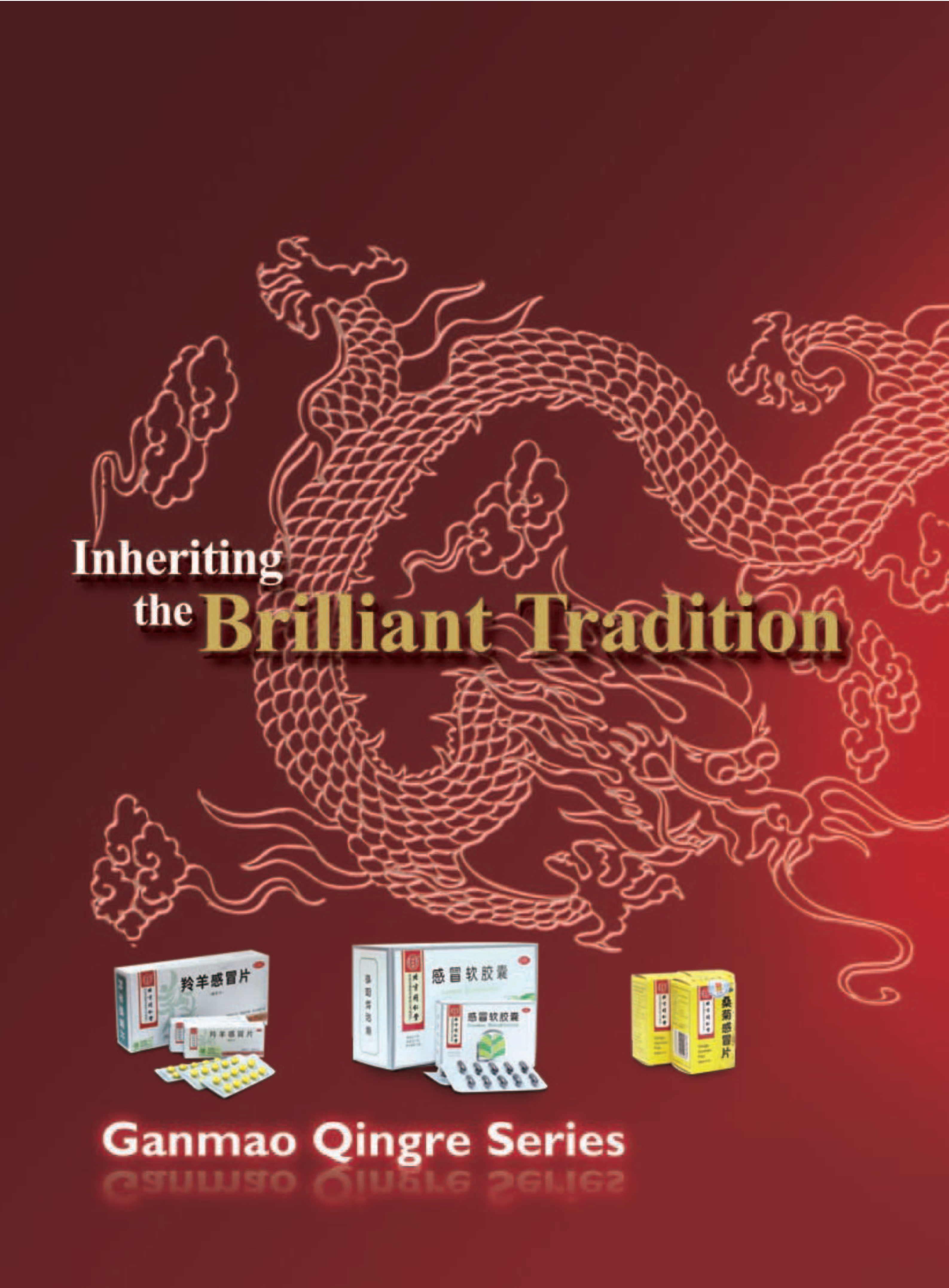
One year following the outburst of the financial turmoil, the global economy has begun to recover gradually. In 2010, China's economy will maintain its momentum of stable growth while facing the challenges of the widening gap in domestic income, weakened domestic consumption and demand and rising inflation. The PRC government will continue to expedite the implementation of the national basic medicine system and the pilot reform of public hospitals, and gradually improve the basic medicine and health system. The influence of the healthcare reform on the pharmaceutical industry is deep and far. The expansion of the public hospitals' capacity is undoubtedly necessary. Though optimistic on the development of China's economy and pharmaceutical industry in 2010, the Company also remains concerned about the adverse effects subsequent to the global financial crisis and the lingering economic doldrums. Under the influence of the policy on the new health reform, the consolidation and fragmentation of the pharmaceutical industry will intensify. In the future, the conglomeration of the industry will be aggregated with more fierce competition among pharmaceutical enterprises.

Looking ahead to 2010, the Company will strive to make progress at a steady pace. I, together with all the staff of the Company, will closely monitor the changes of the domestic and international economic policies, and turn pressure into motivation and challenges into opportunities. We will secure the healthy, sustainable and stable development of the Company and endeavor to apply positive adjustments to our product mix and strategy to drive economic growth with a view to enhance the Company's strength for a greater leap forward in the future.

I hereby would like to express my sincere gratitude to the Board and all the staff of the Company for their tireless efforts and excellent performance, with my sincere respect to all the shareholders for their constant guidance as well as their support and understanding. Just as in the past, we will continue to aim for good performance and create value for our shareholders.

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

Beijing, the PRC
18 March 2010


Inheriting
the Brilliant Tradition
羚羊感冒片
感冒软胶囊
桑菊感冒片
Ganmao Qingre Series


OTC
板蓝根颗粒
Banlangen Keli
北京同仁堂
科技发展股份有限公司制药厂
每袋装5克
每盒装10袋
感冒清热颗粒
Ganmao Qingre Keli
(无蔗糖)
每袋装12克
每盒装10袋
每袋装6克
每盒装6袋

Management Discussion and Analysis

Business Review

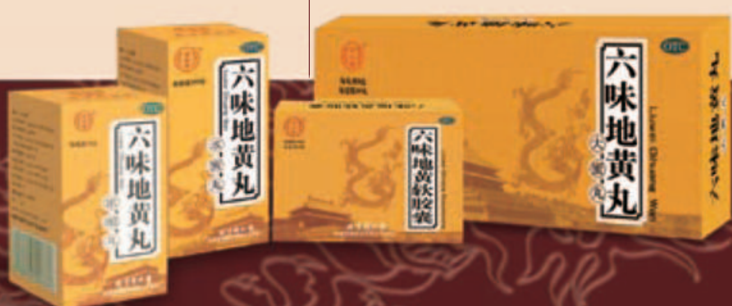
In 2009, against tremendous changes in the economic environment and policies, the Company persisted in executing the strategies for sustainable development proposed by the Board of Directors. By balancing and coordinating every aspects of its operation, the Company has constantly improved its marketing capability and justified its operating structure. During the year, both our management and employees put their shoulders to the wheel for the best of the Company. We also made corresponding arrangements in response to the "Year of Fundamental Management" to solidify our foundation and standardize our management. By adhering to the principle of "Striving to Develop in Adversity and Striving for Breakthrough in Development", we ensured the continued improvement of the quality of operation and quality of assets. For the year ended 31 December 2009, revenue of the Group amounted to RMB1,307,897,000, representing an increase of 7.96% over last year; profit attributable to the shareholders of the Company amounted to RMB173,027,000, representing an increase of 7.79% over last year.

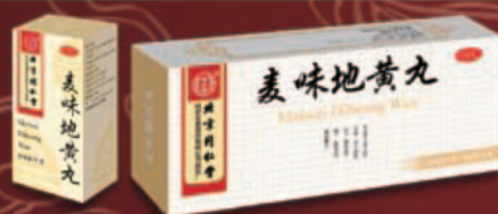
Sales

In 2009, the Company endeavored to enhance the efficiency of the internal operation, aggressively seeking new growth points, solving the problems of the Company timely in the development process in order to continuously improve the capability to seize market opportunities.

In 2009, the Company aggregated channels building, end-user building and product development for integrated development. The Company commenced the "New Land Enclosure Campaign" to explore new cities, develop new products and seek new consumer groups, aggressively opening up unexplored regional markets. The Company laid emphasis on the development and establishment of major chain stores with solid capital base and broad network coverage to form new growth points. The Company focused on end-user building and the accommodation of seasonal demands to promote major products such as Jingzhi Niuhuang Jiedu tablets (京制牛黃解毒片) and to commence promotion campaigns with vivid themes, materializing the organic combination of product development and end-user building.

During the year, the Company strengthened its administration on distributors. Following the application of dynamic administration, distributors were subject





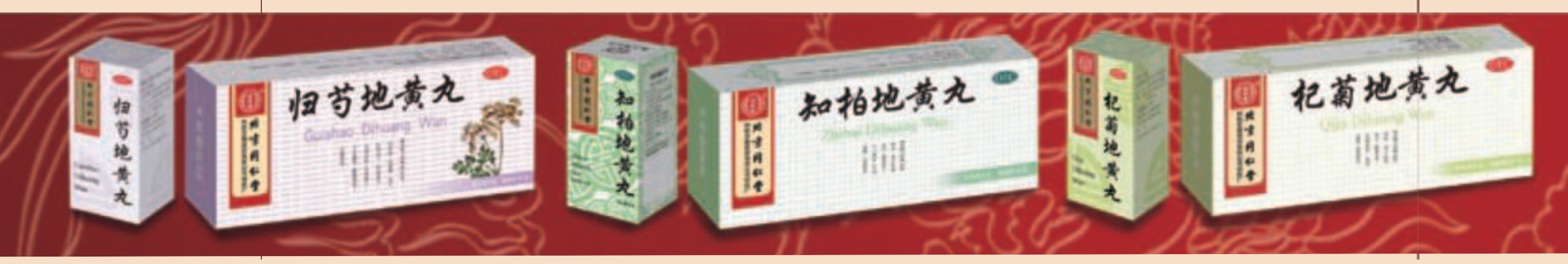
to strict assessments, eliminations and continuous optimizations of distributor structure with the aim of achieving sound development as to continuously strengthen the control over the market. Meanwhile, the Company emphasized on the improvement of the quality of salespersons, gradually transforming a business-oriented sales team into a talent management-oriented sales team.

For overseas markets, under the unfavorable impacts of prolonged influence of the financial turmoil and the pressure of RMB appreciation, domestic enterprises were facing bitter challenges in terms of exports. Leveraging on the golden chance of the 340th anniversary of Tong Ren Tang, the Company aggressively promoted the "Tong Ren Tang" brand as well as products under the brand, focused on key markets, key products and key clients, and selectively developed new markets in addition to the strengthening of existing markets. In 2009, twelve products of the Company passed the annual review and successfully renewed the HALAL certification from the China Islamic Association and six new products obtained the above certification for the first time, while four products of the Company were approved by the health department of Vietnam for registration, positioning the Company to enter the Vietnamese market and the Islamic markets. In 2009, the export sales of the Company's products amounted to US$4,450,700, representing an increase of 10.32% over last year.

In 2009, the Company set its product position, formulated different marketing strategies for different products and continued to reinforce the build-up of product portfolios. During the year, the Company produced and sold more than one hundred kinds of products, of which 16 products achieved total sales of more than RMB10 million; and 19 products achieved total sales of between RMB5 million and RMB10 million. The product concentration was further increased. Among the major products of the Company, the Liuwei Dihuang Pills (六味地黃丸) series maintained stable sales, while the sales of the Niuhuang Jiedu tablets (牛黃解毒片) series grew by 4.98% over the year. The Ganmao Qingre (感冒清熱) series grew by 14.68% compared to last year and there was a remarkable increase in some other product series including the Shengmaiyin (生脈飲) series and the Buzhongyiqi Pills (補中益氣丸) series, which grew by more than 20% over the corresponding period last year.

Production

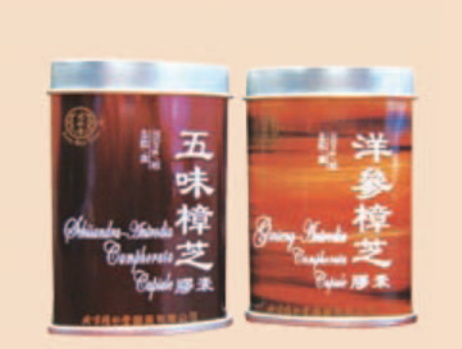
In 2009, the Company delivered medical products to the market in more than ten physical forms such as pills, tablets, granules, capsules and syrup. With respect to production, the Company analyzed the production capacity of each production base for each product form to control the production cycle based on the characteristics of the product form. The Company considers the future development of its products and product forms to be a priority, and, after taking into account factors including the development trend of equipments and the optimization of industrial arrangements, continuously improved the overall production capacity. The product manufacturing department further improved its command and dispatch system. The linkage of a workflow was facilitated through the control of the production cycle of every procedure, which further utilized potential productivity effectively.

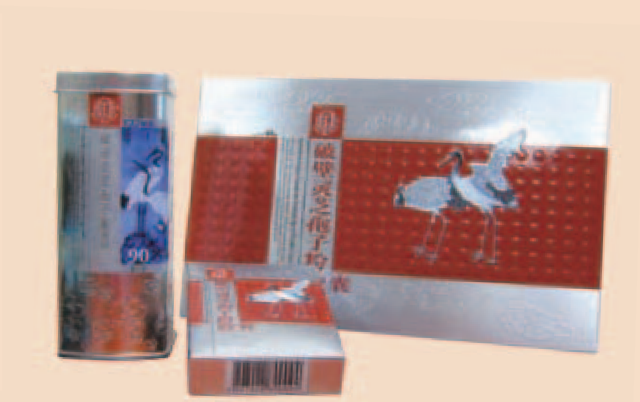


Each production base started to seek breakthroughs in terms of technology and quality, such as the development of inter-connected plastic cutting machine (聯動切膠機), for which we filed a national patent, to replace previous manual production. As a result, the efficiency of the procedure was enhanced substantially. Each production base also improved the linkage between specific projects, including the establishment of a secondary accounting system, improvements of product first-pass yields and input-output ratio, and attained marvelous results.

As the principal 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"), which is located at Tongzhou District, Beijing, produces semi-finished goods for different forms of the Company's medicine. Tongke has a total investment of RMB75 million, of which RMB50.25 million was cumulatively contributed by the Company, representing 67% of the total investment; and RMB24.75 million was cumulatively contributed by Beijing NiuBaoTun Medicine Processing Factory ("NiuBaoTun Medicine Processing Factory"), representing 33% of the total investment. In 2009, the semi-finished goods produced by Tongke effectively satisfied the production needs of the Company.

Beijing Tong Ren Tang Chinese Medicine Company Limited (北京同仁堂國藥有限公司) ("TRT Chinese Medicine"), which is located in Hong Kong, was jointly invested and established by the Company and Beijing Tong Ren Tang Company Limited (北京同仁堂股份有限公司) ("Tong Ren Tang Ltd."). It has a cumulative total investment of HK$178,000,000, of which HK$90,780,000 was contributed by the Company, representing 51%; and HK$87,220,000 was contributed by Tong Ren Tang Ltd., representing 49%. Currently, TRT Chinese Medicine owns the production facilities for traditional Chinese medical products in Tai Po Industrial Estate, which occupies a GFA of over 10,000 square metres and produces products in various forms including capsules, pill, tablet and granule. TRT Chinese Medicine successfully passed the GMP re-test in 2009, showing the recognition of the Hong Kong Department of Health. In addition, it was once again granted the manufacturer certificate of "Hong Kong Good Manufacturing Practice Guidelines for Proprietary Chinese Medicine". Beijing Tong Ren Tang Sporoderm-broken Ganoderma Lucidum Spores Powder Capsules (北京同仁堂破壁靈芝孢子粉膠囊), the major product of TRT Chinese Medicine, was successfully launched in overseas markets and, through CEPA, in Mainland China and became popular amongst consumers. Through stepping up its efforts in technological research and development, TRT Chinese Medicine will continue to launch new products in addition to increasing the sales of existing products so as to cater for market needs. During the year, TRT Chinese Medicine launched its new proprietary health products, namely Ginseng-Antrodia Campharata Capsule (洋參樟芝膠囊) and Schisandra-Antrodia CamharataCapsule (五味樟芝膠囊). In 2012, TRT Chinese medicine will continue to launch new products.





Management and Research and Development

The Company further reinforced its fundamental management in all aspects in 2009. In respect of purchasing raw materials, we insisted upon choosing qualified suppliers with good reputations so as to ensure the punctuality and stability of purchasing quality raw materials.

In 2009, the Company formulated and commenced a trial on assessment policies including the "Policy of Bonus Distribution Assessment for the Management" to further improve the assessment policy. The duty execution effectiveness, job performance and cooperation awareness of the departments being assessed have been enhanced accordingly. The Company also reinforced the quality control system by amending and improving the consumption standard of 550 medicinal materials. We also participated in the standard amendments to and reexamination of 35 strains in the 2010 pharmacopoeia, laying a sound foundation for the development of the Company in terms of quality control. During the year, the Company met the requirements of the GMP and GSP certification again.

In regard to research and development, our scientific research department communicated interactively with the sales department to get hold of market demands. On one hand, the institute offered support to the Company in search of new growth points by commencing the research and development of new products. On the other hand, the institute has enhanced the production technology for Fufang Luobuma Granule(複方羅布麻顆粒) and the extraction technology for Yufeng Ningxin Tablet(愈風寧心片), while launching the second phase of scientific research for the interim test of Baihe Gengnianan Granule(百合更年安顆粒), with the aim of ensuring the stable quality of our products. We emphasized on the connection between R&D and production in order to speed up the process of transforming our research results into products by leveraging on the advantage of our test platform.

Sales Network

As a prudent-minded enterprise seeking stable growth, the Company is expanding its sales network step by step.

Currently, the Company has made overseas investments through the establishment of four joint ventures, which are located in Malaysia, Canada, Macau Special Administrative Region and Indonesia respectively, namely Peking Tong Ren Tang (M) Sdn. Bhd., Beijing Tong Ren Tang Canada Co., Ltd., Beijing Tong Ren Tang (Macau) Company Limited and Beijing Tong Ren Tang (Indonesia) Company Limited. Each company has commenced its medicine distribution operations. All joint ventures have opened local retail drugstores with good operating conditions.

In 2009, joint ventures in different locations promulgated the Tong Ren Tang culture, the Chinese herbal medicine culture as well as the traditional Chinese culture in ways that complied with local customs in order to boost local business. Our Malaysia branch maintained the reputation of our Company by stepping up the promotion of new doctors and providing the core members of the staff with regular training to enhance their professional knowledge and management skills. Our Indonesia branch offered free medical treatment to local people and organized clinic-visiting tours for students to promote the Chinese herbal medicine culture, thus extending the influence of the Company throughout the country. Our Canada branch won the accreditation of many patients through the consummation of medical skills and excellent services provided by our doctors. Our Macau branch achieved satisfactory sales performance while emphasizing the services, paying attention to service details and philosophy, and enhancing the value of our brand on an ongoing basis. In 2009, the four joint ventures, namely Peking Tong Ren Tang (M) Sdn. Bhd., Beijing Tong Ren Tang Canada Co., Ltd., Beijing Tong Ren Tang (Macau) Company Limited and Beijing Tong Ren Tang (Indonesia) Company Limited achieved a revenue of RMB11,389,300, RMB8,132,300, RMB12,748,700 and RMB5,127,500 respectively. The total revenue amounted to RMB37,397,800, representing an increase of 13.06% over last year.

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") is a retail drugstore located at Nansanhuan Zhonglu, Fentai District, Beijing. In 2009, the pharmacy leveraged on its predominant position in the industry, upholding the principle combination of medical treatment and medical remedies, as well as the adoption of top doctors, quality medicine and illustrious brand. By strengthening the supervision over the quality of medicine and services, and pharmacy services, it accomplished a strong growth in turnover. A revenue of RMB32,080,900 was recorded for the reporting period, representing a 31.14% increase over last year.

Chinese Medicinal Raw Materials Production Bases

Currently, the Company's six subsidiaries in Hebei province, Henan province, Hubei province, Zhejiang province, Anhui province, Jilin province respectively are capable of providing the Company with major traditional Chinese medicinal raw materials such as cornel (山茱萸), Tuckahoe (茯苓) and catnip (荊芥).

In 2009, all production bases of the Company actively participated in the planting, collecting and processing of Chinese medicinal raw materials. The tuckahoe spawn production technology of the Hubei production base has been registered under the "Hubei Province Regional Standard", which was enacted and implemented by Hubei Administration of Quality Supervision on 1 January 2010. The Anhui production base worked closely with the Institute of Botany of the Chinese Academy of Sciences to launch a technical cooperation project of the GAP standardized plantation and industrialized development of the root bark of tree peony. In 2009, all of these Company's production bases for traditional Chinese medicinal raw materials achieved a sale revenue of RMB39,528,600. Theses production bases played a key role in securing the supply and quality of Chinese medicinal raw materials required for the Company's products.

Financial Review

Liquidity and Financial Resources

The Group has maintained a sound financial position. During the period, the Group's primary source of funds was cash provided by operating activities and bank loans.

As at 31 December 2009, the Group had cash and cash equivalents amounting to RMB360,669,000 (31 December 2008: RMB258,094,000) and short-term borrowings of RMB15,000,000 (31 December 2008: RMB15,000,000). The borrowings carried an interest rate of 4.779% (31 December 2008: 6.723%) per annum.

As at 31 December 2009, the Group had total assets amounting to RMB1,888,982,000 (31 December 2008: RMB1,795,182,000). The funds comprised of non-current liabilities of RMB16,093,000 (31 December 2008: RMB13,250,000), current liabilities of RMB282,849,000 (31 December 2008: RMB297,027,000), shareholders' equity of RMB1,455,573,000 (31 December 2008: RMB1,360,392,000) and minority interests of RMB134,467,000 (31 December 2008: RMB124,513,000).

Capital Structure

There has been no material change in the capital structure of the Group as at 31 December 2009 as compared with that as at 31 December 2008.

Gearing and liquidity ratios

As at 31 December 2009, the Group's gearing ratio, the ratio between total borrowings and shareholders' equity (excluding minority interests), was 0.01 (31 December 2008: 0.01). The Group's liquidity ratio, the ratio between current assets over current liabilities, was 5.05 (31 December 2008: 4.36), reflecting that the Group had abundant financial resources.

Charges over Group's assets

As at 31 December 2009, none of the Group's assets was pledged as security for liabilities (31 December 2008: Nil).

Contingent liabilities

Other than those disclosed in the Note 20 to the consolidated financial statements, the Group had no contingent liabilities as at 31 December 2009 (31 December 2008: Nil).

Foreign currency risk

The Group is subject to foreign currency risk as its certain cash and cash equivalents are denominated in foreign currencies, principally in Hong Kong Dollars ("HKD"), and dividends payable to the shareholders of H shares will be denominated in RMB but paid in HKD. Fluctuations of the exchange rates of the RMB against foreign currencies could affect the Group's results. However, the impact is not material to the Group. Please refer to Note 30(a)(i) to the consolidated financial statements for details.

Capital commitments

At as 31 December 2009, the Group had capital commitments related to the construction of production facilities which have been contracted for but not been reflected in the consolidated financial statements of the Group, worth approximately RMB237,000 (31 December 2008: RMB480,000).

Prospects

The Company is celebrating its 10th anniversary in 2010. We have accomplished improvement by leaps and bounds over the past ten years. Not only should we inherit the age-old history of Tong Ren Tang hereafter, but we should also inherit the traditional Chinese herbal medicine culture through enhancement and glorification, which we shall regard as our responsibility. With determination, the Company will keep on carrying out the strategy of sustainable development by focusing on technology, continuously driving economic growth through different means, enhancing competitive awareness and adopting new business style so as to get a good foothold and to make scientific plans as a leading, strong and large player in the field. In 2010, the Company will focus on the following important tasks:

- ***Observation on the Changes of the Political Environment and Minimizing the Risk of Development***

  The Company will pay close attention to political changes, forecast the impact of new medical reform policies on the Company, timely follow up the regional tendering of medical services under the medication list and complete in advance the collection and compilation of information on relevant medicines. All sales team of different branches will take the initiative to strengthen mutual communication and cooperation to re-organize and amend the procedures and improve the database of tendering. The Company will also take heed of the trends of pharmaceutical and agricultural policies, and formulate our forecast and development plan in advance in response to the ever-changing national and global economic situations, therefore maintaining the stability of our purchasing cost.

- ***Foreseeing Market Trend in the Industry and Building up our Development Potential***

  When developing new products, the Company will consider the market demands, the application of new technologies, the emergence of new diseases and the forms of medicine in the future. We will develop innovative medicines with new usages and new curative effects, especially those under our independent intellectual property rights, in order to enhance our competitive edge and to pioneer in technological advancements. The Company regards environmental protection as a self-disciplinary issue. We will take actions such as initiating clean production campaigns, making use of technological innovations, tackling key problems and improving production technologies to fulfill the goals of saving energy, reducing emissions and lowering consumption.

- ***Guaranteeing the Quality and Safety of Our Medicine to Preserve Our Foundation for Development***

  With great concern for the examination requirements of agricultural, residuary and heavy metal in different countries, the Company will improve the quality management mechanism, guarantee the quality of our medicine and maintain Tong Ren Tang's 340-year-old reputation and image through administrative measures such as strengthening the quality accountability mechanism, quality veto system, quality outputting mechanism, quality supervision, one-hold-hand accountability mechanism and quality training, as well as the amendment to the regulation of species technology, and the standards of raw materials, semi-finished goods and finished goods.

Report of the Directors

The directors of Tong Ren Tang Technologies Co., Ltd. (the "Directors") are pleased to present the annual report together with the audited financial statements of the Group for the year ended 31 December 2009.

Principal Activities

The Group is principally engaged in the manufacturing and sale of Chinese Medicines.

The breakdown of the Group's revenue is as follows:

	2009	2008
	RMB'000	RMB'000
Sales of medicine:		
– PRC Mainland	**1,238,312**	1,147,282
– Outside PRC Mainland	**60,503**	56,022
	1,298,815	1,203,304
Agency Fee Income for Distribution Services		
– Outside PRC Mainland	**9,082**	8,151
	1,307,897	1,211,455

Major Customers and Suppliers

During the reporting period, the Group's sales attributable to the five largest customers accounted for less than 30% (2008: less than 30%) of the Group's sales.

During the reporting period, the Group's purchases from the five largest suppliers accounted for less than 30% (2008: less than 30%) of the Group's purchases.

Other than disclosed above, no Directors, their associates, or to the knowledge of the Board, any shareholders owning more than 5% of the Company's equity capital, had any substantial interest in the five largest customers or the five largest suppliers of the Group.

Results

The results and the financial position of the Group for the year ended 31 December 2009 are set out on page 46 to 102 of the annual report.

Dividends

The Board of Directors proposed a final dividend of RMB0.45 (including tax) per share in respect of the year ended 31 December 2009 (2008: RMB0.40 (including tax) per share), totalling approximately RMB88,200,000 (2008: RMB78,400,000). The proposed dividend distribution is subject to the approval at the annual general meeting in 2010, then it will be presented in the financial statements of the Group for the year ending 31 December 2010. Dividend payable to the shareholders of H shares will be paid in Hong Kong Dollars. The exchange rate between RMB and HKD shall be ascertained on the basis of the average of the intermediate exchange rates for RMB to HKD as published by the People's Bank of China for the five trading days prior to the date of the coming annual general meeting.

Report of the Directors

The record date for the proposed final dividend for the year ended 31 December 2009, the period for closure of register of members of H shares and the date of the coming annual general meeting are to be determined. Once they are confirmed, the Company will further announce in the notice of annual general meeting.

Share Capital

The Company's share capital had no movement during this year.

	2009		2008	
	Number of shares	**Nominal value RMB'000**	Number of shares	Nominal value RMB'000
Registered	**196,000,000**	**196,000**	196,000,000	196,000
Issued and fully paid				
– Domestic shares with a par value of RMB1 per share	**108,680,000**	**108,680**	108,680,000	108,680
– H shares with a par value of RMB1 per share	**87,320,000**	**87,320**	87,320,000	87,320
	196,000,000	**196,000**	196,000,000	196,000

Based on the public information that will be known by the final feasible date the annual report is released, and known to the Directors, the public share holdings of the Company has fulfilled the requirements of the GEM Listing Rule.

Reserves

Details of movement in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity. As at 31 December 2009, the retained earnings of the Group was RMB620,081,000 (31 December 2008: RMB541,657,000).

Property, Plant and Equipment

Details of the movement in property, plant and equipment of the Group for the year are set out in Note 4(a) to the consolidated financial statements.

Staff Retirement Scheme

Details of staff retirement scheme of the Group are set out in Notes 2(r), 19, and 24 to the consolidated financial statements.

Report of the Directors

Employees and Remuneration Policies

As at 31 December 2009, the Company had 1,751 employees (31 December 2008: 1,740 employees). Remunerations are determined by reference to market terms and the performance, qualifications and experience of the individual employee. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include Company's contributions to the pension scheme, medical insurance scheme, unemployment insurance scheme, industrial accident insurance scheme, maternity insurance scheme and housing fund.

Staff Quarters

During the reporting period,

1. the Group did not provide any staff quarters to its staff (2008: Nil);

2. the details of housing fund benefits provided by the Group to its staff are set out in Note 25 to the consolidated financial statements;

3. the Group also provided housing subsidies to its staff at an average of RMB80 per person per month (2008: RMB80).

Directors and Supervisors

The Directors and Supervisors of the Company who held office during the year and up to the date of this report were:

Executive Directors

Mei Qun *(Chairman)*
Ding Yong Ling *(Vice-chairman)*
Kuang Gui Shen *(Vice-chairman, retired on 25 June 2009)*
Yin Shun Hai
Wang Quan *(retired on 25 June 2009)*
Wang Yu Wei *(appointed on 25 June 2009)*
Fang Jia Zhi *(appointed on 25 June 2009)*
Zhang Huan Ping *(appointed on 25 June 2009)*

Independent Non-Executive Directors

Tam Wai Chu, Maria
Ting Leung Huel, Stephen
Jin Shi Yuan

Supervisors

Zhang Xi Jie *(Chief Supervisor)*
Wu Yi Gang
Liu Gui Rong *(retired on 25 June 2009)*
Wang Yan Rong *(appointed on 25 June 2009)*

Report of the Directors

Directors' and Supervisors' Service Contracts

Each of the executive Directors or Supervisors have entered into a service contract with the Company for a term commencing on their respective appointment dates to the end of the annual general meeting in 2012.

Save as disclosed above, none of the Directors or Supervisors have any service contracts that cannot be terminated by the Company within one year without payment of compensation other than statutory compensation.

Directors' Interests in Contracts

At the end of the year or at any time during the year, the Company did not enter into any material contracts with its Directors which may have a material interest involved, whether directly or indirectly.

Directors, Supervisors and Senior Management

Profiles of Directors, Supervisors and Senior Management are set out on pages 40 to 43.

Emoluments of Directors, Supervisors and the Five Highest Paid Individuals' Emoluments

All Directors and Supervisors of the Company are elected at the general meetings. Upon the appointment of Directors and Supervisors at the general meetings, the Board is authorized by shareholders to fix the remuneration of every Director or Supervisor. The remuneration of the Company's Directors and Supervisors includes fees, basic salaries and allowances, employer's contribution to pension scheme and bonuses. If any management duties of the company are undertaken, the Executive Directors or Supervisors shall be paid remuneration by the company in accordance with such management position assumed and no remuneration shall be paid by the company if otherwise. For Independent Non-executive Directors, the Listing Rules state that the Independent Non-executive Directors shall not be financially dependent on any listed companies. Accordingly, the Independent Non-executive Directors are paid fees in line with market practice at the place where they lived. In addition, the external Supervisors are also paid fees in line with market practice at the place where they lived.

In 2009, Mr. Mei Qun, Ms. Ding Yong Ling, Mr. Yin Shun Hai, Mr. Wang Quan and Mr. Zhang Huan Ping (executive directors), in their capacity as directors, did not receive Directors' remuneration from the company. Mr. Zhang Xi Jie (supervisor) in his capacity as supervisor did not receive Supervisor's remuneration from the company. Mr. Kuang Gui Shen (executive director), Mr. Wang Yu Wei (executive director), Ms. Fang Jia Zhi (executive director), Ms. Liu Gui Rong (staff representative) and Ms Wang Yan Rong (staff representative), in their capacity as Director or Supervisor respectively, received remuneration from the company. In 2009, Mr. Kuang received basic salary and allowance of RMB608,000 and employer's contribution to the pension scheme of RMB27,000 respectively; Mr. Wang received basic salary and allowance of RMB693,000 and employer's contribution to the pension scheme of RMB27,000 respectively; Ms. Fang received basic salary and allowance of RMB276,000 and employer's contribution to the pension scheme of RMB27,000 respectively; Ms. Liu received basic salary and allowance of RMB128,000 and employer's contribution to the pension scheme of RMB16,000 respectively; whereas Ms. Wang received basic salary and allowance of RMB276,000 and employer's contribution to the pension scheme of RMB27,000 respectively.

Report of the Directors

In 2009, Mr. Ting Leung Huel, Stephen, Miss. Tam Wai Chu, Maria and Mr. Jin Shi Yuan (independent non-executive directors), in their capacity as Directors, received Directors' fee of RMB158,000, RMB158,000 and RMB48,000 respectively. In addition, Mr. Wu Yi Gang (supervisor), in his capacity as Supervisor, received Supervisor's fee of RMB48,000.

Details of the Directors' and Supervisors' emoluments for the year of 2009 are set out as below：

	Fees	**Basic salaries and allowance**	**Employer's contribution to pension scheme**	**Bonus**	**Total**
	RMB	RMB	RMB	RMB	RMB
Directors					
Mr. Mei Qun	–	–	–	–	–
Ms. Ding Yong Ling	–	–	–	–	–
Mr. Kuang Gui Shen	–	608,000	27,000	–	635,000
Mr. Yin Shun Hai	–	–	–	–	–
Mr. Wang Quan	–	–	–	–	–
Mr. Wang Yu Wei	–	693,000	27,000	–	720,000
Ms. Fang Jia Zhi	–	276,000	27,000	–	303,000
Mr. Zhang Huan Ping	–	–	–	–	–
Miss Tam Wai Chu	158,000	–	–	–	158,000
Mr. Ting Leung Huel	158,000	–	–	–	158,000
Mr. Jin Shi Yuan	48,000	–	–	–	48,000
Supervisors					
Mr. Zhang Xi Jie	–	–	–	–	–
Mr. Wu Yi Gang	48,000	–	–	–	48,000
Ms. Liu Gui Rong	–	128,000	16,000	–	144,000
Ms. Wang Yan Rong	–	276,000	27,000	–	303,000

In 2009, the five individuals whose emoluments were the highest in the Company included two (2008: one) directors; one (2008: two) senior management; and two (2008: two) management staff. The total emoluments payable to such five highest paid individuals are as follows:

	2009 RMB	2008 RMB
Basic salaries, allowances and bonuses	**2,672,000**	2,441,000
Contribution to pension scheme	**134,000**	104,000
	2,806,000	2,545,000

Number of the five highest paid individuals' emoluments falling within the following band：

	2009	2008
Nil to RMB880,500 (equivalent to Hong Kong Dollar 1,000,000)	**5**	5

Directors' and Chief Executives' Interests in Shares

As at 31 December 2009, the interests and short positions of the Directors and chief executives of the Company 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 (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM, were as follows:

Long positions in shares

The Company

Name	Type of interest	Capacity	Number of shares (Note)	Percentage of domestic shares	Percentage of total registered share capital
Mr. Yin Shun Hai	Personal	Beneficial owner	500,000	0.460%	0.255%
Mr. Mei Qun	Personal	Beneficial owner	500,000	0.460%	0.255%

Note: All represented domestic shares.

Tong Ren Tang Ltd.

Name	Type of interest	Capacity	Number of shares (Note)	total registered share capital
Mr. Yin Shun Hai	Personal	Beneficial owner	46,620	0.009%
Mr. Mei Qun	Personal	Beneficial owner	37,297	0.007%

Note: All represented A shares.

Beijing Tong Ren Tang International Co., Limited

Name	Type of interest	Capacity	Number of shares	Percentage of total registered share capital
Mr. Yin Shun Hai	Personal	Beneficial owner	39,000	0.125%
Mr. Mei Qun	Personal	Beneficial owner	78,000	0.250%
Ms. Ding Yong Ling	Personal	Beneficial owner	39,000	0.125%

Save as disclosed above, as at 31 December 2009, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Substantial Shareholders

As at 31 December 2009, the following persons (other than the Directors and chief executives of the Company) had interests, short positions or shares in a lending pool 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 of total registered shares
Tong Ren Tang Ltd.	Beneficial owner	100,000,000	92.013%	—	51.020%
Tong Ren Tang Holdings (Note 2)	Interest in a controlled corporation	100,000,000	92.013%	—	51.020%
	Beneficial owner	1,580,000	1.454%	—	0.806%
The Hamon Investment Group Pte Limited (Note 3)	Interest in a controlled corporation	5,049,000 (L)	–	5.782%	2.576%
Atlantis Investment Management Ltd	Investment Manager	7,000,000 (L)	–	8.016%	3.571%
Templeton Asset Management Ltd	Investment Manager	5,159,000 (L)	–	5.908%	2.632%
JPMorgan Chase & Co. (Note 4)	Interest in a controlled corporation	7,000,000 (L)	–	8.016%	3.571%
		7,000,000 (P)	–	8.016%	3.571%

Notes:

(1) (L) – Long position, (S) – Short position, (P) – Lending pool

(2) Such shares were held through Tong Ren Tang Ltd.. As at 31 December 2009, Tong Ren Tang Holdings owned a 55.24% interest in Tong Ren Tang Ltd. According to Part XV of the SFO, Tong Ren Tang Holdings is deemed to be interested in the 100,000,000 shares held by Tong Ren Tang Ltd.

(3) 1,197,000 shares were held by Hamon Asset Management Limited, 2,852,000 shares were held by Hamon U.S. Investment Advisors Limited and 1,000,000 shares were held by Hamon Investment Management Limited. All of them held the respective shares as investment manager and were directly or indirectly wholly-owned subsidiaries of The Hamon Investment Group Pte Limited. Accordingly, The Hamon Investment Group Pte Limited is deemed under Part XV of the SFO to be interested in the aggregate of 5,049,000 shares held by these wholly-owned subsidiaries.

(4) Such shares were directly held by JPMorgan Chase Bank, N.A. as custodian corporation/approved lending agent, which is 100% owned by JP Morgan Chase & Co.. Accordingly, JP Morgan Chase & Co. is deemed under Part XV of the SFO to be interested in such shares held by JPMorgan Chase Bank, N.A.

Save as disclosed above, as at 31 December 2009, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had any interests, short positions or shares in a lending pool in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Competing Interests

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

Traditional Chinese medicines produce a broad range of curative effects as they can be used to treat the external symptoms of a disease and regulate other functions of the body that directly or indirectly give rise to such disease. To find the specific ways to treat a disease, it is necessary to consider a number of variables such as the state of illness, gender, age and constitution of a patient, the weather and the curative effects on the implicit problems of the patient. As such, a single type of traditional Chinese medicine usually has several curative effects, some of which may be similar to those of other products with different names or types. Given this nature of traditional Chinese medicines, there may be a competition between the products of the Company and those of Tong Ren Tang Holdings and Tong Ren Tang Ltd.

The Company, Tong Ren Tang Ltd. and Tong Ren Tang Holdings are all engaged in the manufacturing of Chinese Patent Medicines. Their businesses are classified by the forms of medicine they produce. Tong Ren Tang Ltd. mainly produces Chinese Patent Medicines in traditional forms such as pills, powder, ointment and medicinal wines. It also has some minor production lines for the production of granules and pills. On the other hand, the Company focuses on manufacturing products in forms of granules, pills, tablets and soft capsules. Tong Ren Tang Ltd.'s main products include Angong Niuhuang Pills (安宮牛黃丸), Tongren Wuji Baifeng Pills (同仁烏雞白鳳丸), Tongren Dahuoluo Pills (同仁大活絡丸) and Guogong Wine (國公酒).

To ensure that the business classification between the Company and Tong Ren Tang Holdings and Tong Ren Tang Ltd. are 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 forms as those pharmaceutical products produced by the Company, and that may compete directly with those pharmaceutical products of the Company. Only one of the products – Angong Niuhuang Pills (安宮牛黃丸) – are manufactured by both the Company and Tong Ren Tang Ltd..

The Directors consider that other than Angong Niuhuang Pills (安宮牛黃丸) produced by the Company and Tong Ren Tang Ltd., there is no other directly competing businesses amongst the Company, Tong Ren Tang Ltd. and Tong Ren Tang Holdings. The directors consider that as Angong Niuhuang Pills (安宮牛黃丸) only represents a small percentage of 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 (安宮牛黃丸). 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

Although the Company, Tong Ren Tang Ltd. and Tong Ren Tang Holdings are all engaged in the production, manufacturing and sale of traditional Chinese medicines, the principal products of each of these companies are different. The Company focuses on new forms of products which are more competitive against western pharmaceutical products, while Tong Ren Tang Ltd. and Tong Ren Tang Holdings continue to focus on the development of existing forms of traditional Chinese medicines.

To procure that the Company focuses on the development of the four major forms of products (namely granules, 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 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 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 Company conducts an independent review of the research and development of new products and the development capability, the Company confirms that amongst 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. to develop any proposed new products which is one of the major forms (namely granules, pills, tablets and soft capsules) of the Company. 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 falls below 30%.

Connected Transactions

The connected transactions entered by the Group are set out below:

(a) Transactions with the ultimate holding company

	2009 RMB	2008 RMB
Trademark licence fee (Note (i))	**850**	850
Rental expense (Note (ii))	**2,364**	2,364
Storage fee (Note (iii))	**6,804**	6,804

Notes:

(i) A licence agreement dated 1 January 2005 was entered into between the Company and the ultimate holding company whereby the Company is allowed to use certain trademarks and trademark logos (collectively, "Trademarks") of the ultimate holding company.

The term of the licence shall commence from the date of completion of filing the agreement by the ultimate holding company with the relevant authorities up to 28 February 2013. Upon the expiration of the licence, if the ultimate holding company successfully renews the right to use the Trademarks and if the Company fully complies with the terms and conditions of the agreement and requests to continue to use the Trademarks, the ultimate holding company shall renew the agreement with the Company. The renewed term of the licence shall not be shorter than 5 years.

The annual licence fee for the year ended 2009 is RMB850,000. The parties are entitled to adjust the annual licence fee thereafter. Such annual increase or decrease shall not exceed 10% of that of the previous year.

(ii) A land use right leasing agreement (the "Old Agreement") dated 6 October 2000 was entered into between the Company and the ultimate holding company. Pursuant to the agreement, the total area leased to the Company is approximately 49,776.35 sq.m. The land is located in Beijing, the PRC, with leasing period of 20 years commencing from 6 October 2000. The annual rental is calculated at a rate of RMB53.95 per sq.m. Any adjustments to the annual rental shall be made at the market rent, provided that such adjustment shall not exceed 10% of that of the previous year. On 1 January 2006, an amendment was made to reduce the total area of the land leased to 43,815.15 sq.m., the remaining clauses on the Old Agreement remained effective.

(iii) A contract for storage and custody dated 15 April 2008 was entered into between the Company and the ultimate holding company whereby the ultimate holding company agreed to provide storage and custody services to the Company, with effective period from 2008 to 2010. From the effective date of the contract, the storage fee is calculated at RMB252 per sq.m. per year. Adjustment to the storage fee is permitted after one-year period provided that the annual increase or decrease shall not exceed 10% of that of the previous year.

(b) Transactions with the subsidiaries and joint ventures of the ultimate holding company

	2009 RMB	2008 RMB
Sales of Chinese medicines (Note (i))	**152,001**	116,426
Agency fee income for distribution services (Note (ii))	**9,082**	8,151
Purchase of raw materials (Note (iii))	**3,666**	542

Notes:

(i) The Company signed a sales agreement with the ultimate holding company in 2008. In accordance with this agreement, the Company can sell its products to the subsidiaries and joint ventures of the ultimate holding company. The selling price to the ultimate holding company's subsidiaries and joint ventures shall not be lower than the prices to independent third parties. The agreement has been approved at the Company's Annual General Meeting and is effective from 2008 to 2010.

(ii) TRT Chinese Medicine signed an agency agreement with the Parent Company on 25 October 2007. In accordance with this agreement, the Company is appointed as an agent in distributing the Parent Company's products, with effective period from 2007 to 2009.

(iii) The Company signed a raw material supply agreement with the ultimate holding company in 2009. In accordance with the agreement, the ultimate holding company agrees to supply the Company with part of the Chinese medicinal raw materials. The price of the raw materials is to be determined by negotiation between both parties and is required to fall within the range of market price. The ultimate holding company shall not supply the materials to the Company at a price higher than that of the same products sold to independent third parties or the average market price, whichever is lower. The agreement is effective from 2009 to 2011.

(c) Transactions with minority shareholders of subsidiaries and joint venture partners

	2009 RMB	2008 RMB
Sales of Chinese medicine (Note (i))	**9,264**	9,903
Processing services fee (Note (ii))	**15,186**	13,170

Notes:

(i) The Company entered into a distribution agreement on 15 April 2008 with Chuan Chiong Co., Ltd., the venturer of the Company's joint venture. Pursuant to this agreement, the Company agrees to appoint Chuan Chiong Co., Ltd. as its agent to sell the products of the Company. The agreement is effective from 2008 to 2010.

(ii) The Company entered into a processing services agreement on 25 October 2007 with Beijing NiuBaoTun Medicine Processing Factory, a minority shareholder of the Company's subsidiary, pursuant to which Beijing NiuBaoTun Medicine Processing Factory agreed to provide processing services to the Company for the period from 25 October 2007 to 31 December 2009.

The Independent non-executive directors of the Company have reviewed these transactions and confirmed that:

(i) these transactions were entered into in the ordinary and usual course of business of the Company;

(ii) these transactions were entered into on normal commercial terms or, in the absence of comparable transactions to provide a sufficient basis to determine whether those transactions were entered into on normal commercial terms, on terms that were no less favorable than those available to or from (as applicable) independent third parties so far as the Company was concerned;

(iii) these transactions were entered into on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole;

(iv) the aggregate amount of each of these transactions has not exceeded the annual total cap amount as approved by the Stock Exchange; and

(v) the Company shall carry out these transactions on an ongoing basis.

Purchase, Sale or Redemption of Securities

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

Independent Auditor

The accompanying financial statements were audited by PricewaterhouseCoopers. A resolution for the reappointment of PricewaterhouseCoopers as the independent auditor of the Company for the year 2010 is to be proposed at the forthcoming annual general meeting.

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

Beijing, the PRC
18 March 2010

Report of the Supervisory Committee

To the Shareholders:

The Supervisory Committee of Tong Ren Tang Technologies Co., Ltd. (the "Supervisory Committee") has executed its duties and powers earnestly, safeguarded the rights and interests of the shareholders as well as the interests of the Company, complied with the principle of good faith, fulfilled the Company's trust and took the initiative in carrying out their work in a reasonable, cautiously and diligent manner pursuant to the provisions of the Company Law of the People's Republic of China (the "PRC Company Law"), relevant laws and regulations of Hong Kong and the Articles of Association of the Company,

During the year, the Supervisory Committee reviewed cautiously the operation and development plans of the Company and put forward reasonable suggestions and opinions to the Board of Directors. It also strictly and effectively monitored and supervised the Company's management in making significant policies and specific decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of the Company's shareholders.

We have reviewed earnestly and approved the report of the Directors, audited financial statements and the dividend payment proposal to be presented by the Board of Directors at the forthcoming annual general meeting. We are of the opinion that the directors, the general manager and other senior management of the Company have strictly complied with the principle of good faith, and have worked diligently, exercised their authority faithfully in the best interests of the Company, and executed various tasks pursuant to the Articles of Association of the Company so that the Company is operating within the regulatory framework, and the internal control regime is improving. The transactions between the Company and associated companies were executed in the interests of the shareholders as a whole and at fair and reasonable prices. Up till now, none of the Directors, general manager or senior management staff has been found to have abused their authority, damaged the interests of the Company or infringed upon the interests of its shareholders and employees, or to have been in breach of any laws or regulations or the Articles of Association.

The Supervisory Committee is satisfied with the various tasks carried out by the Company in 2009 and the economic benefits generated therefrom. It has full confidence in the future development outlook of the Company.

By Order of the Supervisory Committee
Tong Ren Tang Technologies Co., Ltd.
Zhang Xi Jie
Chairman

Beijing, the PRC
18 March 2010

Corporate Governance Report

The Board of Directors believed that the good and steady frame of corporate governance was extremely important for development of the Company. For the year ended 31 December 2009, the Company complied with all the code provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the GEM Listing Rules.

Directors' Dealing in Securities

The Company has formulated and implemented its Code on Dealing in Securities pursuant to the required standard of dealings set out in Rule 5.48 to Rule 5.67 of the GEM Listing Rules to regulate the directors' dealing in securities. The Code on Dealing in Securities of the Company are no less exacting terms than the required standard of dealings and these requirements are also applicable to specific persons such as the senior management. After enquiry by the Company to all the Directors, all the Directors have confirmed that they have been complying with the required standard of dealings set out the GEM Listing Rules and the Code on Dealing in Securities of the Company.

Board of Directors

The Company's business and operation are leaded and authorized to handle by the board of directors. Several powers should be entrusted by the Board to the management team, in order to draw and implement the Company's scheme and running planning, as well as the Company's daily operation. The Board monitored the performance of management team, while daily operating responsibilities are consigned to the management.

The Board has formed three specific committees, which are the Audit Committee, the Remuneration Committee and the Nomination Committee respectively, to supervise the specific affairs of the company. According to the requirements of the GEM Listing Rules and other related regulations, the Board and the Committees should work under the written terms of reference.

Corporate Governance Report

The Board convenes its plenary meeting at least once a quarter or when significant decision-making has to be carried out. The Board convened six meetings in 2009 to discuss and decide development strategies, major operational matters, financial matters and other matters as stipulated under the Articles of Association of the Company. The following table sets out the attendance of Directors at Board meetings in 2009:

	Attendance/Number of meetings			
Directors	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive directors				
Mei Qun	6/6		1/1	1/1
Ding Yong Ling	6/6			
Kuang Gui Shen (retired on 25 June 2009)	3/3			
Yin Shun Hai	6/6			
Wang Quan (retired on 25 June 2009)	0/3			
Wang Yu Wei (appointed on 25 June 2009)	3/3			
Fang Jia Zhi (appointed on 25 June 2009)	3/3			
Zhang Huan Ping (appointed on 25 June 2009)	3/3			
Independent non-executive directors				
Tam Wai Chu, Maria	6/6	2/2		1/1
Ting Leung Huel, Stephen	6/6	2/2	1/1	
Jin Shi Yuan	6/6	2/2	1/1	1/1

Composition of the Board of Directors

The Directors of the Company are elected at the general meetings for a term of office of three years, and can be re-elected when the term expires. The fourth session of the board of directors of the Company was comprised of nine directors who were all elected at the general meetings in 2009. Their term of office will end upon the closing of the general meeting in 2012. Other than those re-elected, Mr. Wang Yu Wei, Ms. Fang Jia Zhi and Mr. Zhang Huan Ping were newly elected as executive directors of the Company and Mr. Kuang Gui Shen and Mr. Wang Quan retired from the directorship of the Company on 25 June 2009. The board of directors comprises six executive directors, Mr. Mei Qun, Ms. Ding Yong Ling, Mr. Yin Shun Hai, Mr. Wang Yu Wei, Ms. Fang Jia Zhi and Mr. Zhang Huan Ping, and three independent non-executive directors, Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan. Independent non-executive directors are independent of the management and in possession of solid experience in business and finance. They provide significant contribution to the development of the Company, and provide balancing mechanism to protect the wealth of shareholders and the Company.

Corporate Governance Report

As at 31 December 2009, and at all-times the board of directors fulfilled the minimum requirement of appointing at least three independent non-executive directors as required by the GEM Listing Rules and the number of independent non-executive directors being at least one-third of the members of the board of directors, and it also met the requirement of having one independent non-executive director qualified as a professional or having the necessary professional accounting and financial management expertise.

According to the requirement of the GEM Listing Rules, the Company has received the written confirmation of independence from all independent non-executive Directors. The Company considers that all independent non-executive Directors are independent of the Company.

Chairman of the Board and General Manager

Mr. Mei Qun is the chairman of the board of directors and Mr. Wang Yu Wei is the general manager of the Company. They are two clearly defined positions. The chairman is responsible for the operation of the Board while the general manager is in charge of day-to-day operational management. The Articles of Association of the Company sets out the respective functions of the chairman and the general manager in detail.

Financial Reporting

The Directors acknowledged their responsibility for the preparation of the financial statements which gives a true and fair view of the Company's state of affairs, the results and cash flows for the year. In preparing the financial statements for the year, the Directors have:

1. approved the adoption of the International Financial Reporting Standards;

2. selected and applied appropriate accounting policies;

3. made judgments and estimates that is reasonable; and

4. prepared the financial statements on a going concern basis.

The Board recognizes the importance of good corporate governance and transparency and its accountability to shareholders, it shall present a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures of the Company as required under the Listing Rules, and report to regulators information required to be disclosed pursuant to statutory requirements.

Internal Control

The Board is committed to managing risk and maintaining a proper and effective system of internal control to safeguard the shareholders' investment and the Company's assets. Procedures have been designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; for the reliability of financial information used within the business or for publication; and for ensuring compliance with the relevant legislation and regulators.

The internal control system is designed for the Company to avoid material misstatement or omission for the purpose of minimizing the risks in the absence of operational systems.

Corporate Governance Report

The Board, through its designated internal audit department and the Audit Committee, reviews the effectiveness of the Company's internal control system covering financial, operational and risk management processes. The Board is satisfied that the Company's internal control system is working effectively and on an ongoing basis.

Audit Committee

Pursuant to the Rules 5.28 of the GEM Listing Rules, the Company has set up an audit committee according to "A Guide For The Formation of An Audit Committee" compiled by the Hong Kong Institute of Certified Public Accountants. In compliance with the Rules of 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the audit committee are to review and monitor the Company's financial reporting process and internal control system, and review the Company's annual and interim results and relevant filings.

The audit committee of the Company comprises Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan, in which Mr. Ting Leung Huel, Stephen, the Chairman of the Committee, possesses appropriate professional qualification and financial experience.

During the year of 2009, the audit committee has conducted two meetings in the year. The first meeting was held on 27 February 2009 to review and discuss the operating results, financial position, major accounting policies with respect to the audited financial statements of the Company for the year ended 31 December 2008 and internal audit matters and to listen to the advice provided by auditors. The Committee concluded the meeting with agreement to the contents of the annual report. The second meeting was held on 28 July 2009 to review and discuss the operating results, financial position and major accounting policies with respect to the unaudited interim report of the Company for the six months ended 30 June 2009 and internal audit matters. The Committee concluded the meeting with agreement to the contents of the interim report.

The audit committee held a meeting on 15 March 2010 to review and discuss the operating results, financial position, major accounting policies and internal audit matters of the Company for the year ended 31 December 2009 and to listen to the advice provided by auditors. The Committee concurred in the contents of the annual report.

Remuneration Committee

The Company has established the Remuneration Committee according to the relevant provisions of the GEM Listing Rules with written terms of reference. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for Directors, Supervisors and senior management of the Company and the establishment of formal and transparent procedure for formulating the remuneration policy.

The Remuneration Committee is chaired by Mr. Mei Qun, the Chairman of the Board, and the Committee also comprises of two independent non-executive Directors, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan, which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the remuneration committee.

During the year of 2009, one meeting has been conducted by the Remuneration Committee. On 13 March 2009, the Committee reviewed and discussed the Directors', Supervisors' and senior management' emoluments for the year ended 31 December 2008.

Nomination Committee

The Company has established the Nomination Committee according to the relevant provisions of the GEM Listing Rules with written terms of reference. Its primary responsibilities include:

- reviewing the framework, size and composition of the Board including skill, knowledge and professional knowledge and making proposals to the Board in respect of any changes regular; and

- identifying suitable persons for appointment of Director and making proposals to the Board in respect of any selecting of Director.

The Nomination Committee is chaired by Mr. Mei Qun, the chairman of the Board and the Committee also comprises of two independent non-executive Directors, Ms. Tam Wai Chu, Maria and Mr. Jin Shi Yuan, which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the nomination committee.

During 2009, one meeting has been conducted by the Nomination Committee. On 13 March 2009, the Committee reviewed and discussed the framework, number of members and composition of the Board.

Independent Auditor's Remuneration

PricewaterhouseCoopers ("PwC") was the independent auditor of the Company for the year ended 31 December 2009. Other than annual auditing services, PwC did not provide non-auditing services to the Company or any of the Group's companies during the year.

The independent auditor's remuneration for year ended 31 December 2009 is set out in section "auditor's remuneration" of Note 19 to the consolidated financial statements. Besides, the Company paid for auditor's expenses of lodging, meals and traveling during the period the auditing services were provided.

Shareholders and General Meetings

The Board and Senior Management recognize that they represent the interests of all shareholders and do their best to maximize shareholder value. In the Article of Association of the Company, the major rights enjoyed by shareholders are highlighted in the section under "Shareholders' Rights and Obligation".

Corporate Governance Report

During the reporting period, the annual general meetings was held at No. 52 Dong Xing Long Street, Chong Wen District, Beijing, the PRC on 25 June 2009. The percentage of the votes for approving the related resolutions proposed are as follows:

Ordinary Resolutions

1. To approve the audited consolidated financial statements of the Company and the Report of the Directors and the Auditors for the year ended 31 December 2008 (100% voted for the resolution);

2. To approve the Report of the Supervisory Committee for the year ended 31 December 2008 (100% voted for the resolution);

3. To approve the profit distribution proposal of the Company for the year ended 31 December 2008 (100% voted for the resolution);

4. To approve the re-election of Mr. Mei Qun as an executive director for a term to the end of the fourth session of the Board (97.51% voted for the resolution);

5. To approve the re-election of Ms. Ding Yong Ling as an executive director for a term to the end of the fourth session of the Board (100% voted for the resolution);

6. To approve the re-election of Mr. Yin Shun Hai as an executive director for a term to the end of the fourth session of the Board (100% voted for the resolution);

7. To approve the election of Mr. Wang Yu Wei as an executive director for a term to the end of the fourth session of the Board (100% voted for the resolution);

8. To approve the election of Ms. Fang Jia Zhi as an executive director for a term to the end of the fourth session of the Board (100% voted for the resolution);

9. To approve the election of Mr. Zhang Huan Ping as an executive director for a term to the end of the fourth session of the Board (99.89% voted for the resolution);

10. To approve the re-election of Miss. Tam Wai Chu, Maria as an independent non-executive director for a term to the end of the fourth session of the Board (99.96% voted for the resolution);

11. To approve the re-election of Mr. Ting Leung Huel, Stephen as an independent non-executive director for a term to the end of the fourth session of the Board (99.96% voted for the resolution);

12. To approve the re-election of Mr. Jin Shi Yuan as an independent non-executive director for a term to the end of the fourth session of the Board (100% voted for the resolution);

13. To approve the re-election of Mr. Zhang Xi Jie as a supervisor for a term to the end of the fourth session of Supervisory committee (100% voted for the resolution);

14. To approve the re-election of Mr. Wu Yi Gang as a supervisor for a term to the end of the fourth session of Supervisory committee (100% voted for the resolution);

15. To authorize the board of directors of the Company to fix the remuneration of Directors and Supervisors (100% voted for the resolution);

16. To re-appoint PricewaterhouseCoopers as the auditors of the Company for the year 2009 and to authorize the board of directors of the Company to fix their remuneration (100% voted for the resolution);

Special Resolution

17. To approve the amendments of Articles of Association (100% voted for the resolution).

All resolutions proposed at the 2008 AGM were passed and their poll results were published on the website of the Company and the website of the Hong Kong Stock Exchange.

Communications with Shareholders

The Company uses a number of formal channels to account to shareholders for the performance and operations of the Company, particularly our annual, interim and quarterly reports. In addition to delivering circulars, announcements and financial reports to our shareholders, the Company also publishes its corporate information by electronic means on its website (http://www.tongrentangkj.com). The AGM provides an opportunity for communication between the Board and the Company's shareholders. The Company regards the AGM as an important event in the corporate year and all Directors, Senior Management and the Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee should make an effort to attend and answer questions raised by the shareholders. The Company encourages the shareholders to involve in the Company's affair and to communicate with them face-to-face at the AGM or SGM about our activities and prospects.

Enquiries may be put to the Board by contacting either the Company Secretary through telephone, e-mail or directly by questions at an AGM or a SGM.

Directors, Supervisors and Senior Management

Executive Directors

Mr. Mei Qun, aged 53, chairman of the Company, is a deputy chief pharmacist with a postgraduate qualification. He was formerly the deputy chief of the education section of Beijing TRT Pharma Factory, the assistant to the manager of Beijing Medicinal Materials Company, the assistant to the general manager and deputy general manager of Tong Ren Tang Holdings, general manager of Tong Ren Tang Ltd., and the vice-chairman of the Company. He is currently the deputy secretary to the Party Committee, the vice-chairman and general manager of Tong Ren Tang Holdings, the chairman of Beijing Tong Ren Tang Health Pharmaceutical Co., Ltd., the chairman of Beijing Tong Ren Tang Medicinal Materials Co., Ltd., the chairman of Beijing Tong Ren Tang Pharmaceutical Co., Ltd., the chairman of Beijing Tong Ren Tang Biological Product Development Co., Ltd., the chairman of Beijing Tong Ren Tang Minan Pharmaceutical Co., Ltd., the vice-chairman of Tong Ren Tang Ltd., the vice-chairman of Beijing Tong Ren Tang Chinese Medicine Company Limited and a director of Beijing Tong Ren Tang International Co., Ltd.. He is the vice president of Chinese Society of Traditional Chinese Medicine, a standing committee member of Beijing Pharmaceutical Association, an executive committee member of Beijing Trade and Industry Association, the vice president of Beijing Enterprise Confederation, the vice president of Chongwen General Chamber of Commerce, a member of China Council for the Promotion of International Trade and a standing committee member of China Association of Trade in Services. He was also a delegate to the Beijing's 13th National People's Congress ("NPC"), a delegate to the Chongwen's 13th and 14th NPC. He is responsible for the overall decision-making of the Company. He is the compliance officer of the Company and responsible for overseeing all matters relating to the listing of the Company. He is one of the sponsors of the Company. Mr. Mei has been a director of the Company since 9 March 2000. Mr. Mei was re-elected as an executive Director at the annual general meeting in 2003 and 2006 and 2009.

Ms. Ding Yong Ling, aged 46, vice-chairman of the Company, is a deputy chief pharmacist with a bachelor's degree. She served as the deputy head of the foreign trade department, the deputy manager and manager of the import and export branch, under Tong Ren Tang Holdings, the manager of the import and export branch of Tong Ren Tang Ltd., the deputy general manager of the Company and the manager of the import and export branch of the Company as well as an assistant to the general manager of Tong Ren Tang Holdings. She currently serves as the deputy general manager of Tong Ren Tang Holdings, the managing director of Beijing Tong Ren Tang International Co., Limited and Beijing Tong Ren Tang Chinese Medicine Co., Ltd. and the vice-chairman of Beijing Tong Ren Tang Health Pharmaceutical Co., Ltd. Ms. Ding was appointed as an executive director on 16 May 2005 and re-elected at the annual general meeting in 2006 and 2009.

Mr. Yin Shun Hai, aged 56, is a senior economist with a postgraduate qualification. He was formerly the factory manager of Factory 2 of TRT Pharma, the deputy general manager and general manager of Tong Ren Tang Holdings, and the chairman of the Company. He is currently the chairman and the secretary to the Party Committee of Tong Ren Tang Holdings, the vice-chairman of Tong Ren Tang Ltd., the vice president of Patent Protection Association of China, an executive member of the 9th All-China Federation of Industry & Commerce and a delegate to the 11th Beijing's CPPCC. He is one of the sponsors of the Company. Mr. Yin has been a director of the Company since 9 March 2000. Mr. Yin was re-elected as an executive Director of the Company at the annual general meeting in 2003 and 2006 and 2009.

Directors, Supervisors and Senior Management

Mr. Wang Yu Wei, aged 42, is a senior engineer with a postgraduate qualification. He formerly served as the deputy officer of the new technology development centre and the deputy factory manager of Factory 2 of Beijing TRT Pharma, the assistant to the general manager and the deputy general manager of the Company. He is currently the general manager of the Company, the director of Beijing Tong Ren Tang Chinese Medicine Company Limited and the chairman of Beijing Tong Ren Tang Nansanhuan Zhonglu Drugstore Co., Limited. He is also a delegate to the Fengtai District's 14th NPC of Beijing. Mr. Wang was appointed as an executive director on 25 June 2009.

Ms. Fang Jia Zhi, aged 43, is a senior auditor with a university qualification. She formerly served as the deputy head and head of audit department of Tong Ren Tang Holdings, the deputy chief accountant of the Company. She is currently the chief accountant of the Company, the director of Beijing Tong Ren Tang Yanbian Chinese Medicinal Raw Materials Co., Limited, Beijing Tong Ren Tang Anhui Chinese Medicinal Raw Materials Co., Limited, Beijing Tong Ren Tang Zhejiang Chinese Medicinal Raw Materials Co., Limited, Beijing Tong Ren Tang Hebei Chinese Medicinal Raw Materials Technologies Co., Limited, Beijing Tong Ren Tang Hubei Chinese Medicinal Raw Materials Co., Limited, Beijing Tong Ren Tang Nanyang Shanzhuyu Co., Limited, Beijing Tong Ren Tang Tongke Pharmaceutical Company Limited and Beijing Tong Ren Tang WM Dianorm Biotech Co., Limited. Ms. Fang was appointed as an executive director on 25 June 2009.

Mr. Zhang Huan Ping, aged 49, is a Pharmacist-incharge with a bachelor's degree. He served as the cadre of human resources department of Tong Ren Tang Holdings, deputy secretary to the Party Committee and the union president of Tong Ren Tang Holdings' Supplier Station, the deputy factory manager of Tong Ren Tang Holdings's Pieces Factory and Beijing Chinese Pharmaceuticals Factory 2, the deputy factory manager of Tong Ren Tang Ltd's Medicinal Liquor Factory. He is currently the deputy general manager of Beijing Tong Ren Tang Chinese Medicine Company Limited. Mr. Zhang was appointed as an executive director on 25 June 2009.

Independent Non-executive Directors

Miss. Tam Wai Chu, aged 64, Maria, GBS, JP, LL.D (Honoris Causa), LL.B (Honours), barrister. She is currently an independent non-executive Director of Guangnan (Holdings) Limited, Minmetals Land Limited, Nine Dragons Paper (Holdings) Limited, Sa Sa International Holdings Limited, Sinopec Kantons Holdings Limited, Titan Petrochemicals Group Limited and Wing On Company International Limited, all are listed on The Stock Exchange. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region (PRC) and Hong Kong Affairs Advisor (PRC). She is currently a member of the Operations Review Committee of the ICAC and a member of the Witness Protection Review Board of the ICAC (effective from 1st January 2010). She is a Deputy to the National People's Congress of The People's Republic of China and a member of the Hong Kong Basic Law Committee. She was appointed as an independent non-executive director on 11 October 2000 and was re-elected at the annual general meeting in 2003 and 2006 and 2009.

Directors, Supervisors and Senior Management

Mr. Ting Leung Huel, Stephen, aged 56, He is the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Ting is also a non-executive director of Chow Sang Sang Holdings International Limited, a listed company, and an independent non-executive director of seven other listed companies namely Minmetals Resources Limited, Tongda Group Holdings Limited, JLF Investment Company Limited, Computer and Technologies Holdings Limited, Texhong Textile Group Limited, Dongyue Group Limited and China SCE Property Holdings Limited. In the past three years, he held directorship at eForce Holdings Limited but subsequently resigned. Save as disclosed above, Mr. Ting has not held any directorship in other listed public companies in the past three years. Mr. Ting is a member of the 9th and 10th Chinese People's Political & Consultative Conference, Fujian. Mr. Ting is an accountant in public practice. He is the managing partner of Messrs. Ting Ho Kwan & Chan, Certified Public Accountants (Practising). He was appointed as an independent non-executive Director on 11 October 2000 and was re-elected at the annual general meeting in 2003 and 2006 and 2009.

Mr. Jin Shi Yuan, aged 83, a chief pharmacist, is the Chinese medicine investigation expert in state secret technology for the State Ministry of Science and Technology, evaluation expert in Chinese medicine project for the National Natural Science Foundation of China, appraisal expert in science and technology achievements for the State Administration of Traditional Chinese Medicine, appraisal expert in basic medicines for the State Food and Drug Administration, appraisal expert in Chinese medicine prices for the State Development and Reform Commission, and successor to Chinese medicine preparations in State nonmaterial cultural heritages. Mr. Jin is also a lifelong councilor of the China Association of Traditional Chinese Medicine, Chairman of the Chinese Patent Medicine Affiliate, member of the Committee on Clinical Medicine Evaluation Experts, consultant to the Council of Beijing Institute of Chinese Medicine and guest professor of the School of Chinese Medicine, Capital University of Medical Sciences, and Capital Renowned Expert of Chinese Medicine. He was appointed as an independent non-executive Director on 16 October 2000 and re-elected at the annual general meeting in 2003 and 2006 and 2009.

Supervisors

Mr. Zhang Xi Jie, aged 55, chief supervisor of the Company, is a senior accountant and Chinese certified public accountant with a postgraduate qualification. He served as the deputy head of finance department of Beijing Medicine Company, head of finance, accounting and pricing department, deputy manager of capital operation department of Beijing Medicine Group Limited, executive deputy head, head and deputy chief accountant of the development office of Tong Ren Tang Holdings. He is currently a director and the chief accountant of Tong Ren Tang Holdings, the chairman of the supervisory committee of Tong Ren Tang Ltd., the chairman of Beijing Tong Ren Tang Commercial Investment Management Co., Ltd., director of Beijing Tong Ren Tang Health Pharmaceutical Co., Ltd. and Beijing Tong Ren Tang Medicinal Materials Co., Ltd. and Beijing Tong Ren Tang Pharmaceutical Co., Ltd., Beijing Tong Ren Tang Biological Product Development Co., Ltd. and the chairman of Beijing Tong Ren Tang Shen Rong Co., Ltd.. Mr. Zhang was appointed as a supervisor on 18 May 2006 and re-elected at the annual general meeting in 2006 and 2009.

Mr. Wu Yi Gang, aged 51, holding a bachelor degree of law, he was admitted as a solicitor in 1984 and started practice in the same year. Mr. Wu founded Wu Luan Zhao Yan Law Firm in Beijing in 1994 and has been the managing partner of the firm since then. He served as one of the arbitrators of the first session of the Beijing Arbitration Commission in 1995. He currently serves as the deputy director of Foreign Affairs Committee of Beijing Lawyers Association, and member of the First Council of Beijing Club of Non-Party Senior Intellectuals. He was appointed as a supervisor of the Company on 22 October 2003 and re-elected at the annual general meeting in 2006 and 2009.

Ms. Wang Yan Rong, aged 48, is an economist with a bachelor's degree. She served as the section officer of human resources department and Administrative Office, deputy department head and department head of Manager Office of Tong Ren Tang Holdings. She is currently the deputy secretary to the Party Committee, the secretary to the Disciplinary Committee and the Chairman of the labour committee of the Company. She was appointed as a supervisor of the Company on 25 June 2009.

Senior Management

Mr. Bai Jian, aged 50, is a deputy chief pharmacist with MBA. He formerly served as the head of the foreign economic relations and trade section of Factory 2 of TRT Pharma, the assistant to the factory manager, the deputy factory manager, the deputy factory manager of pharmaceuticals factory of Tong Ren Tang Ltd. and the factory manager of southern pharmaceuticals branch factory of Tong Ren Tang Ltd.. He is currently the deputy general manager of the Company.

Mr. Li Da Ming, aged 51, is a senior engineer with a postgraduate qualification. Mr. Li formerly served as the factory manager of the Northern Plant of Beijing TRT Pharma, the assistant to the general manager and head of technical assembly department, and deputy general manager of Tong Ren Tang Ltd. Mr. Li is currently the deputy general manager of the Company.

Ms. Xie Su Hua, aged 45, is a senior engineer and a licensed pharmacist with a postgraduate qualification. She formerly served as the deputy head of the Technology Section, assistant to the factory manager and the deputy factory manager of Factory 2 of Beijing TRT Pharma, the assistant to the general manager and the deputy general manager of the Company. She is currently the chief engineer of the Company.

Ms. Liu Cun Ying, aged 45, is a senior accountant with a university qualification. She formerly served as the chief of the finance section of supply station of Tong Ren Tang Holdings, the deputy manager of the sale branch of the Company, and the assistant to the general manager of the Company. She is currently the deputy general manager of the Company.

Ms. Guo Gui Qin, aged 45, is a senior engineer with a postgraduate qualification. She formerly served as the deputy manager of the import and export branch of the Company, and the assistant to the general manager of the Company. She is currently the deputy general manager of the Company.

Ms. Zhang Jing Yan, aged 36, is a licensed pharmacist with a master degree in Economics. She formerly served as a securities representative of Tong Ren Tang Ltd.. She is currently the secretary to the Company's Board of Directors.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF TONG REN TANG TECHNOLOGIES CO. LTD.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Tong Ren Tang Technologies Co. Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 102, which comprise the consolidated and company balance sheets as of 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2009, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong,
18 March 2010

Balance Sheets

As of 31 December 2009

		The Group		The Company	
	Note	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	4(a)	**409,470**	447,217	**245,686**	274,828
Leasehold land and land use rights	4(b)	**47,537**	48,755	**23,227**	23,799
Investments in subsidiaries	5	**–**	–	**156,442**	156,442
Investments in joint ventures	6	**–**	–	**22,683**	22,683
Deferred income tax assets	10	**3,751**	2,640	**2,932**	2,064
Other long-term assets		**839**	1,548	**–**	175
		461,597	500,160	**450,970**	479,991
Current assets					
Inventories	9	**827,643**	798,226	**793,280**	771,024
Trade and bills receivables, net	8	**145,510**	181,555	**136,859**	167,804
Amounts due from related parties	27(d)	**29,446**	31,885	**28,175**	30,887
Prepayments and other current assets		**15,766**	7,695	**11,494**	4,832
Current income tax assets		**–**	12,371	**–**	12,371
Short-term bank deposits	26(b)	**48,351**	5,196	**40,000**	–
Cash and cash equivalents	26(b)	**360,669**	258,094	**263,989**	187,784
		1,427,385	1,295,022	**1,273,797**	1,174,702
Total assets		**1,888,982**	1,795,182	**1,724,767**	1,654,693
EQUITY					
Equity attributable to owners of the parent					
Share capital	11	**196,000**	196,000	**196,000**	196,000
Reserves	12	**1,259,573**	1,164,392	**1,245,386**	1,166,214
		1,455,573	1,360,392	**1,441,386**	1,362,214
Minority interest		**134,467**	124,513	**–**	–
Total equity		**1,590,040**	1,484,905	**1,441,386**	1,362,214

The accompanying notes on pages 52 to 102 are an integral part of these financial statements.

Balance Sheets (Cont'd)

As of 31 December 2009

	Note	The Group 2009 RMB'000	The Group 2008 RMB'000	The Company 2009 RMB'000	The Company 2008 RMB'000
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	10	**5,483**	1,984	**–**	–
Deferred income – government grants	13	**10,610**	11,266	**10,155**	10,765
		16,093	13,250	**10,155**	10,765
Current liabilities					
Trade payables	15	**173,530**	226,201	**166,751**	217,022
Salary and welfare payables	16	**5,237**	10,689	**4,212**	10,270
Advances from customers		**15,383**	8,506	**8,897**	6,174
Amounts due to related parties	27(d)	**13,919**	2,217	**10,148**	1,380
Amounts due to subsidiaries		**–**	–	**10,172**	3,230
Current income tax liabilities		**8,105**	315	**5,471**	–
Accrued expenses and other current liabilities		**51,675**	34,099	**52,575**	28,638
Short-term borrowings	14	**15,000**	15,000	**15,000**	15,000
		282,849	297,027	**273,226**	281,714
Total liabilities		**298,942**	310,277	**283,381**	292,479
Total equity and liabilities		**1,888,982**	1,795,182	**1,724,767**	1,654,693
Net current assets		**1,144,536**	997,995	**1,000,571**	892,988
Total assets less current liabilities		**1,606,133**	1,498,155	**1,451,541**	1,372,979

Mei Qun
Director

Fang Jia Zhi
Director

The accompanying notes on pages 52 to 102 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Revenue	17	**1,307,897**	1,211,455
Cost of sales		**(696,121)**	(670,225)
Gross profit		**611,776**	541,230
Distribution costs		**(269,076)**	(225,672)
Administrative expenses		**(125,999)**	(116,668)
Operating profit		**216,701**	198,890
Finance income/(costs) – net	18	**3,490**	(1,642)
Profit before income tax	19	**220,191**	197,248
Income tax expense	20	**(36,268)**	(30,509)
Profit for the year		**183,923**	166,739
Profit attributable to:			
Equity holders of the Company		**173,027**	160,528
Minority interest		**10,896**	6,211
		183,923	166,739
Earnings per share for profit attributable to equity holders of the Company during the year	22		
– Basic		**RMB 0.88**	RMB 0.82
– Diluted		**RMB 0.88**	RMB 0.82

The accompanying notes on pages 52 to 102 are an integral part of these financial statements.

	Note	2009 RMB'000	2008 RMB'000
Dividends	21	**88,200**	78,400

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Profit for the year		**183,923**	166,739
Other comprehensive income/(expense):			
Foreign currency translation differences		**379**	(10,577)
Other comprehensive income/(expense) for the year, net of tax		**379**	(10,577)
Total comprehensive income for the year		**184,302**	156,162
Attributable to:			
Equity holders of the Company		**173,581**	154,329
Minority interest		**10,721**	1,833
Total comprehensive income for the year		**184,302**	156,162

The accompanying notes on pages 52 to 102 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company									Minority interest	Total equity
	Share capital	Capital reserve	Statutory surplus reserve fund	Statutory public welfare fund	Tax reserve	Foreign currency translation difference	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
Balance as of 1 January 2008	196,000	355,309	121,275	45,455	102,043	(10,229)	–	475,078	1,284,931	122,874	1,407,805
Profit for the year	–	–	–	–	–	–	–	160,528	160,528	6,211	166,739
Foreign currency translation differences	–	–	–	–	–	(6,199)	–	–	(6,199)	(4,378)	(10,577)
Dividends paid	–	–	–	–	–	–	–	(78,400)	(78,400)	(912)	(79,312)
Contribution from a minority shareholder	–	–	–	–	–	–	–	–	–	250	250
Increase of percentage of equity interest in a non-wholly owned subsidiary	–	–	–	–	–	–	(468)	–	(468)	468	–
Appropriation from retained earnings	–	–	15,549	–	–	–	–	(15,549)	–	–	–
Balance as of 31 December 2008	196,000	355,309	136,824	45,455	102,043	(16,428)	(468)	541,657	1,360,392	124,513	1,484,905
Balance as of 1 January 2009	196,000	355,309	136,824	45,455	102,043	(16,428)	(468)	541,657	1,360,392	124,513	1,484,905
Profit for the year	–	–	–	–	–	–	–	173,027	173,027	10,896	183,923
Foreign currency translation differences	–	–	–	–	–	554	–	–	554	(175)	379
Dividends paid	–	–	–	–	–	–	–	(78,400)	(78,400)	(767)	(79,167)
Appropriation from retained earnings	–	–	16,203	–	–	–	–	(16,203)	–	–	–
Balance as of 31 December 2009	196,000	355,309	153,027	45,455	102,043	(15,874)	(468)	620,081	1,455,573	134,467	1,590,040

The accompanying notes on pages 52 to 102 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Cash flows from operating activities:			
Cash generated from operations	26(a)	**245,786**	158,845
Interest paid		**(774)**	(1,032)
Income tax paid		**(13,719)**	(40,925)
Net cash generated from operating activities		**231,923**	116,888
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(10,812)**	(20,398)
Proceeds from disposal of property, plant and equipment		**437**	376
Proceeds from short-term bank deposits		**5,196**	79,100
Increase in short-term bank deposits		**(48,351)**	–
Interest received		**4,301**	4,143
Net cash (used in)/generated from investing activities		**(49,229)**	63,221
Cash flows from financing activities:			
Proceeds from short-term borrowings		**15,000**	15,000
Repayments of short-term borrowings		**(15,000)**	(15,000)
Contribution from a minority shareholder		**–**	250
Dividends paid		**(79,167)**	(79,312)
Net cash used in financing activities		**(79,167)**	(79,062)
Net increase in cash and cash equivalents		**102,897**	101,047
Cash and cash equivalents at beginning of the year		**258,094**	161,800
Exchange losses on cash and cash equivalents		**(322)**	(4,753)
Cash and cash equivalents at end of the year	26(b)	**360,669**	258,094

The accompanying notes on pages 52 to 102 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

31 December 2009

1. General Information

Tong Ren Tang Technologies Co. Ltd. (the "Company") was incorporated as a joint stock limited company in Beijing, the People's Republic of China (the "PRC") on 22 March 2000. The address of its registered office is No. 16 Tongji Beilu, Beijing Economic and Technological Development Zone, Yi Zhuang, Beijing, the PRC.

The Company was listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 31 October 2000. As of 31 December 2009, the registered share capital of the Company was RMB196,000,000, representing 108,680,000 Domestic shares and 87,320,000 H shares with a par value of RMB1 per share.

The directors of the Company (the "Directors") consider China Beijing Tong Ren Tang Group Co. Ltd., a limited liability company incorporated in Beijing, the PRC, as the ultimate holding company.

The Company and its subsidiaries and joint ventures are hereafter collectively referred to as the "Group". The Group is principally engaged in the production and distribution of Chinese medicine and primarily operates in the PRC Mainland and Hong Kong.

These consolidated financial statements have been approved for issue by the Board of Directors on 18 March 2010.

1. General Information (CONT'D)

As of 31 December 2009, the Company had equity interests in these subsidiaries:

Name	Place/date of incorporation/kind of legal entity	Percentage of equity interest held*	Issued/ registered and paid-up capital	Principal activities/ place of operation
Subsidiaries:				
Beijing Tong Ren Tang Nanyang Shanzhuyu Co., Limited ("TRT Nanyang")	Henan, PRC 24 October 2001 Limited liability company	51%	RMB4,000,000	Purchasing, processing and selling of Chinese medicinal raw materials Henan, PRC
Beijing Tong Ren Tang Hubei Chinese Medicinal Raw Materials Co., Limited ("TRT Hubei")	Hubei, PRC 26 October 2001 Limited liability company	51%	RMB3,000,000	Purchasing and selling of agricultural by-products Hubei, PRC
Beijing Tong Ren Tang Zhejiang Chinese Medicinal Raw Materials Co., Limited ("TRT Zhejiang")	Zhejiang, PRC 31 October 2001 Limited liability company	51%	RMB10,000,000	Purchasing of Chinese medicinal raw materials and selling of agricultural by-products Zhejiang, PRC
Beijing Tong Ren Tang Hebei Chinese Medicinal Raw Materials Technologies Co., Limited ("TRT Hebei")	Hebei, PRC 19 November 2001 Limited liability company	51%	RMB8,000,000	Purchasing, processing and selling of Chinese medicinal raw materials Hebei, PRC
Beijing Tong Ren Tang Tongke Pharmaceutical Company Limited ("TRT Tongke")	Beijing, PRC 4 November 2003 Limited liability company	67%	RMB75,000,000	Production of ointment, and medical research and development Beijing, PRC

1. General Information (CONT'D)

Name	Place/date of incorporation/kind of legal entity	Percentage of equity interest held*	Issued/ registered and paid-up capital	Principal activities/ place of operation
Subsidiaries (Cont'd)				
Beijing Tong Ren Tang Chinese Medicine Company Limited ("TRT Chinese Medicine")	Hong Kong, PRC 18 March 2004 Limited liability company	51%	HK$60,000,000	Production and sales of Chinese traditional medicine Hong Kong, PRC
Beijing Tong Ren Tang Nansanhuan Zhonglu Drugstore Co., Limited ("TRT Drugstore")	Beijing, PRC 28 April 2004 Limited liability company	90%	RMB500,000	Sales of medicinal products Beijing, PRC
Beijing Tong Ren Tang Yanbian Chinese Medicinal Raw Materials Co., Limited ("TRT Yanbian")	Jilin, PRC 24 September 2004 Limited liability company	51%	RMB4,000,000	Purchasing and selling of agricultural by-products Jilin, PRC
Beijing Tong Ren Tang Anhui Chinese Medicinal Raw Materials Co., Limited ("TRT Anhui")	Anhui, PRC 18 October 2004 Limited liability company	51%	RMB4,000,000	Purchasing and selling of agricultural by-products Anhui, PRC

* All directly held by the Company

The Company has the power to control the strategic operating, investing and financing policies of its subsidiaries since these policies are decided by the board of directors of these nine companies by simple majority votes and the Company can appoint more than half of the board members in each of these companies. Accordingly, they are considered as the Company's subsidiaries under International Financial Reporting Standards ("IFRS").

1. General Information (CONT'D)

As of 31 December 2009, the Company had equity interests in these joint ventures:

Name	Place/date of incorporation/kind of legal entity	Percentage of equity interest held*	Issued/ registered and paid-up capital	Principal activities
Joint ventures:				
Beijing Tong Ren Tang WM Dianorm Biotech Co., Limited ("TRT WM")	Beijing, PRC 20 February 2001 Sino-foreign equity joint venture	60%	US$3,000,000	Technological development and sales of biological products, Chinese and western medicines, cosmetics and health food
Peking Tongrentang (M) SDN. BHD. ("TRT Malaysia")	Kuala Lumpur, Malaysia 19 January 2001 Limited liability company	60%	US$500,000	Sales of medicinal products
Beijing Tong Ren Tang Canada Co. Ltd. ("TRT Canada")	Vancouver, Canada 11 January 2002 Limited liability company	51%	US$1,000,000	Sales of medicinal products
Beijing Tong Ren Tang (Macau) Company Limited ("TRT Macau")	Macau, PRC 14 May 2003 Limited liability company	51%	US$500,000	Sales of medicinal products
Beijing Tong Ren Tang (Indonesia) Company Limited ("TRT Indonesia")	Jakarta, Indonesia 22 September 2003 Limited liability company	50%	US$1,000,000	Sales of medicinal products

* All directly held by the Company

TRT WM, TRT Malaysia, TRT Canada, TRT Macau and TRT Indonesia are considered as the Company's joint ventures under IFRS because their strategic operating, investing and financing activities are jointly controlled by the Company and the joint venture partners.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of Tong Ren Tang Technologies Co. Ltd. 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

i) Standards, amendments and interpretations effective in 2009

- IFRS 1 and IAS 27 (Amendment), 'Cost of an investment in a subsidiary, jointly controlled entity or associate'
- IFRS 2 (Amendment), 'Share-based payment – Vesting conditions and cancellations'
- IAS 23 (Revised), 'Borrowing costs'
- IAS 32 and IAS 1 (Amendment), 'Puttable financial instruments and obligations arising on liquidation'
- Amendment to IFRIC-Int 9 and IAS 39, 'Reassessment of embedded derivatives'
- IFRIC-Int 13, 'Customer loyalty programmes'
- IFRIC-Int 15, 'Agreements for the construction of real estate'
- IFRIC-Int 16, 'Hedges of a net investment in a foreign operation'
- IASB's annual improvements project published in May 2008
  - IAS 1 (Amendment), 'Presentation of financial statements'
  - IAS 16 (Amendment), 'Property, plant and equipment' and consequential amendment IAS 7, 'Statement of cash flows'
  - IAS 19 (Amendment), 'Employee benefits'
  - IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'
  - IAS 23 (Amendment), 'Borrowing costs'
  - IAS 27 (Amendment), 'Consolidated and separate financial statements'
  - IAS 28 (Amendment), 'Investments in associates' and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'
  - IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'

2. Summary of Significant Accounting Policies (CONT'D)

(a) Basis of preparation (Cont'd)

i) Standards, amendments and interpretations effective in 2009 (Cont'd)

- IASB's annual improvements project published in May 2008 (Cont'd)
  - IAS 31 (Amendment), 'Interests in joint ventures' and consequential amendments to IAS 32 and IFRS 7
  - IAS 36 (Amendment), 'Impairment of assets'
  - IAS 38 (Amendment), 'Intangible assets'
  - IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'
  - IAS 40 (Amendment), 'Investment property' and consequential amendments to IAS 16
  - IAS 41 (Amendment), 'Agriculture'

Required by IAS 1 (Revised), 'Presentation of financial statements', the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. It is only a change in accounting policy which impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 (Amendment), 'Improving disclosures about financial instruments – Fair value measurements and liquidity risk of financial instruments', requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of IFRS 8 has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. Comparatives for 2008 in note 29 have been restated. However, such restatement in note disclosure does not have any impact on the balance sheets.

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

2. Summary of Significant Accounting Policies (CONT'D)

(a) Basis of preparation (Cont'd)

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

- IFRS 1 (Revised), 'First-time adoption of IFRSs' (effective for annual periods beginning on or after 1 July 2009)
- IFRS 1 (Amendment), 'Additional exemptions for first-time adopters' (effective for annual periods beginning on or after 1 January 2010)
- IFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' (effective for annual periods beginning on or after 1 January 2010)
- IFRS 3 (Revised), 'Business combinations' (effective for annual periods beginning on or after 1 July 2009)
- IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2013)
- IAS 24 (Revised), 'Related party disclosures' (effective for annual periods beginning on or after 1 January 2011)
- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 July 2009)
- IAS 32 (Amendment), 'Classification of rights issue' (effective for annual periods beginning on or after 1 February 2010)
- IAS 39 (Amendment), 'Eligible hedge items' (effective for annual periods beginning on or after 1 July 2009)
- Amendment to IFRIC-Int 14, 'Prepayments of a minimum funding requirement' (effective for annual periods beginning on or after 1 January 2011)
- IFRIC-Int 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009)
- IFRIC-Int 18, 'Transfer of assets from customers' (effective for annual periods beginning on or after 1 July 2009)
- IFRIC-Int 19, 'Extinguishing financial liabilities with equity instruments' (effective for annual periods beginning on or after 1 July 2010)
- IASB's annual improvements project published in May 2008
  – IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' and consequential amendment to IFRS 1, 'First-time adoption' (effective for annual periods beginning on or after 1 July 2009)

2. Summary of Significant Accounting Policies (CONT'D)

(a) Basis of preparation (Cont'd)

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

- IASB's annual improvements project published in April 2009
  - IFRS 2 (Amendment), 'Scope of IFRS 2 and IFRS 3 (revised)' (effective for annual periods beginning on or after 1 July 2009)
  - IFRS 5 (Amendment), 'Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations' (effective for annual periods beginning on or after 1 January 2010)
  - IFRS 8 (Amendment), 'Disclosure of information about segment assets' (effective for annual periods beginning on or after 1 January 2010)
  - IAS 1 (Amendment), 'Current/non-current classification of convertible instruments' (effective for annual periods beginning on or after 1 January 2010)
  - IAS 7 (Amendment), 'Classification of expenditures on unrecognised assets' (effective for annual periods beginning on or after 1 January 2010)
  - IAS 17 (Amendment), 'Classification of leases of land and buildings' (effective for annual periods beginning on or after 1 January 2010)
  - IAS 18 (Amendment), 'Determining whether an entity is acting as a principal or as an agent' (no transition provisions are specified)
  - IAS 36 (Amendment), 'Unit of accounting for goodwill impairment test' (effective for annual periods beginning on or after 1 January 2010)
  - IAS 38 (Amendment), 'Additional consequential amendments arising from IFRS 3 (revised) and measuring the fair value of an intangible asset acquired in business combination' (effective for annual periods beginning on or after 1 January 2010)
  - IAS 39 (Amendment), 'Treating loan prepayment penalties as closely related derivatives' (effective for annual periods beginning on or after 1 January 2010)
  - IAS 39 (Amendment), 'Cash flow hedge accounting' (effective for annual periods beginning on or after 1 July 2009)
  - IAS 39 (Amendment), 'Scope exemption for business combination contracts' (effective for annual periods beginning on or after 1 July 2009)
  - IFRIC-Int 9 and IFRS 3 (revised), (effective for annual periods beginning on or after 1 July 2009)
  - IFRIC-Int 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after 1 July 2009)

2. Summary of Significant Accounting Policies (CONT'D)

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2(e)). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) Transactions with minority interests

The Group treats transactions with minority interest as transactions with equity holders of the Company. For purchases from minority interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interest are also recorded in equity – "other reserve".

(iii) Joint ventures

Joint ventures are ventures undertaken by two or more parties whose rights and obligations with respect to the venture are specified in the joint venture agreement. No single venture party is in a position to control unilaterally the activity of the venture.

The Group's interests in joint ventures are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

In the Company's balance sheet the investments in joint ventures are stated at cost less provision for impairment losses (Note 2(e)). The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

2. Summary of Significant Accounting Policies (CONT'D)

(c) *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

(d) *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	8-40 years
Equipment and machinery	8-15 years
Motor vehicles	6 years
Office equipment	4-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(e)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Construction in progress ("CIP") represents property, plant and equipment in the course of construction or pending installation and is stated at cost less any recognised impairment losses. Cost includes the costs of construction of property, plant and equipment, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

2. Summary of Significant Accounting Policies (CONT'D)

(e) *Impairment of investments in subsidiaries, joint ventures and non-financial assets*

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(f) *Research and development costs*

Research expenditure is recognised as an expense as incurred. Costs incurred in development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be successful considering its commercial and technical feasibility and its costs can be measured reliably. Other development expenditures that do not meet these criteria are expensed as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years; and tested for impairment according to Note 2(e).

(g) *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(h) *Trade and other receivables*

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2. Summary of Significant Accounting Policies (CONT'D)

(i) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. Summary of Significant Accounting Policies (CONT'D)

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(k) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Agency fee income

Agency fee income is recognised when the services for distribution of products are provided.

(iii) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2. Summary of Significant Accounting Policies (CONT'D)

(m) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'Finance income/costs – net'.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. Summary of Significant Accounting Policies (CONT'D)

(n) *Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(p) *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Summary of Significant Accounting Policies (CONT'D)

(p) *Current and deferred income tax (Cont'd)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged to the income statement on a straight-line basis over the period of the lease.

(r) *Retirement scheme*

The Group participates in a number of defined contribution plans in the PRC and Hong Kong. The pension plans are generally funded by payments from employees and relevant Group companies. The Group pays contributions to the pension plans which are calculated as a certain percentage of the employees' salaries.

The Group has no legal or constructive obligations to make further payments once the required contributions have been paid, even if the plans do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(s) *Government grants*

Government grants are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to research and development costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income – government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(t) *Dividend distribution*

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. 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.

4. Property, Plant and Equipment and Leasehold Land and Land Use Rights

(a) *Property, plant and equipment*

The Group:

	Buildings	Equipment and machinery	Motor vehicles	Office equipment	CIP	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008						
Cost	343,621	327,799	13,307	14,738	5,795	705,260
Accumulated depreciation	(53,278)	(145,255)	(11,165)	(9,362)	–	(219,060)
Net book amount	290,343	182,544	2,142	5,376	5,795	486,200
Year ended 31 December 2008						
Opening net book amount	290,343	182,544	2,142	5,376	5,795	486,200
Exchange differences	(4,460)	(1,947)	(19)	(251)	–	(6,677)
Additions	46	68	370	388	11,943	12,815
Transferred from CIP	2,840	10,876	1,199	2,222	(17,137)	–
Disposals	–	(264)	(191)	(8)	–	(463)
Depreciation	(13,071)	(29,301)	(893)	(1,393)	–	(44,658)
Closing net book amount	275,698	161,976	2,608	6,334	601	447,217
At 31 December 2008						
Cost	341,650	332,792	11,729	16,843	601	703,615
Accumulated depreciation	(65,952)	(170,816)	(9,121)	(10,509)	–	(256,398)
Net book amount	275,698	161,976	2,608	6,334	601	447,217
Year ended 31 December 2009						
Opening net book amount	275,698	161,976	2,608	6,334	601	447,217
Exchange differences	553	64	30	17	–	664
Additions	–	293	2,145	344	4,210	6,992
Transferred from CIP	369	2,763	836	448	(4,416)	–
Disposals	–	(162)	(16)	(79)	–	(257)
Depreciation	(10,176)	(32,433)	(977)	(1,560)	–	(45,146)
Closing net book amount	266,444	132,501	4,626	5,504	395	409,470
At 31 December 2009						
Cost	342,454	333,972	14,102	17,191	395	708,114
Accumulated depreciation	(76,010)	(201,471)	(9,476)	(11,687)	–	(298,644)
Net book amount	266,444	132,501	4,626	5,504	395	409,470

4. Property, Plant and Equipment and Leasehold Land and Land Use Rights (CONT'D)

(a) *Property, plant and equipment (Cont'd)*

The Company:

	Buildings RMB'000	Equipment and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	CIP RMB'000	Total RMB'000
At 1 January 2008						
Cost	219,510	265,037	11,591	9,216	2,324	507,678
Accumulated depreciation	(47,232)	(138,370)	(9,917)	(6,649)	–	(202,168)
Net book amount	172,278	126,667	1,674	2,567	2,324	305,510
Year ended 31 December 2008						
Opening net book amount	172,278	126,667	1,674	2,567	2,324	305,510
Additions	–	–	–	4	4,960	4,964
Transferred from CIP	–	5,766	1,048	470	(7,284)	–
Disposals	–	(265)	(188)	(6)	–	(459)
Depreciation	(9,839)	(23,513)	(635)	(1,200)	–	(35,187)
Closing net book amount	162,439	108,655	1,899	1,835	–	274,828
At 31 December 2008						
Cost	219,510	267,180	9,888	9,543	–	506,121
Accumulated depreciation	(57,071)	(158,525)	(7,989)	(7,708)	–	(231,293)
Net book amount	162,439	108,655	1,899	1,835	–	274,828
Year ended 31 December 2009						
Opening net book amount	162,439	108,655	1,899	1,835	–	274,828
Additions	–	90	2,055	158	3,241	5,544
Transferred from CIP	42	2,011	836	352	(3,241)	–
Disposals	–	(161)	(16)	(39)	–	(216)
Depreciation	(6,277)	(26,844)	(728)	(621)	–	(34,470)
Closing net book amount	156,204	83,751	4,046	1,685	–	245,686
At 31 December 2009						
Cost	219,343	267,317	12,129	9,612	–	508,401
Accumulated depreciation	(63,139)	(183,566)	(8,083)	(7,927)	–	(262,715)
Net book amount	156,204	83,751	4,046	1,685	–	245,686

4. Property, Plant and Equipment and Leasehold Land and Land Use Rights (CONT'D)

(b) Leasehold land and land use rights

The interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
In the PRC Mainland, held on:				
Leases of between 10 to 50 years	**29,617**	30,329	**23,227**	23,799
In Hong Kong, held on:				
Leases of between 10 to 50 years	**17,920**	18,426	**–**	–
	47,537	48,755	**23,227**	23,799

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Opening	**48,755**	51,114	**23,799**	24,370
Amortisation of prepaid operating lease payments	**(1,218)**	(2,359)	**(572)**	(571)
	47,537	48,755	**23,227**	23,799

5. Investments in Subsidiaries

	The Company	
	2009 RMB'000	2008 RMB'000
Investments, at cost (i)	**100,090**	100,090
Other investments (ii)	**56,352**	56,352
	156,442	156,442

(i) Details of the subsidiaries are set out in Note 1 to the consolidated financial statements.

(ii) As of 31 December 2009, the amount due from a subsidiary of RMB56,352,000 (2008: RMB56,352,000) were regarded as part of the investments in the subsidiary since the Company would not seek repayment from the subsidiary.

6. Investments in Joint Ventures

	The Company	
	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	**27,881**	27,881
Less: provision for impairment losses	**(5,198)**	(5,198)
	22,683	22,683

The following amounts represent the Group's share of the assets and liabilities, and sales and results of the joint ventures. They are included in the consolidated balance sheet and consolidated income statement:

	As of 31 December	
	2009	2008
	RMB'000	RMB'000
Assets		
Non-current assets	**3,560**	3,956
Current assets	**36,681**	27,060
	40,241	31,016
Liabilities		
Current liabilities	**8,764**	5,109
Net assets	**31,477**	25,907

	For the year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Revenue	**33,639**	26,773
Expenses	**(28,805)**	(24,891)
Profit after income tax	**4,834**	1,882

There are no contingent liabilities relating to the Group's interests in the joint ventures, and no contingent liabilities of the ventures themselves. Details of the joint ventures are set out in Note 1 to the consolidated financial statements.

7. Financial Instruments by Category

The Group:

	Loans and receivables	
	2009	2008
	RMB'000	RMB'000
Assets as per consolidated balance sheet		
Trade and bills receivables, net	**145,510**	181,555
Amounts due from related parties	**29,446**	31,885
Short-term bank deposits	**48,351**	5,196
Cash and cash equivalents	**360,669**	258,094
Total	**583,976**	476,730

	Other financial liabilities at amortised cost	
	2009	2008
	RMB'000	RMB'000
Liabilities as per consolidated balance sheet		
Trade payables	**173,530**	226,201
Amounts due to related parties	**13,919**	2,217
Accrued expenses and other current liabilities	**51,675**	34,099
Short-term borrowings	**15,000**	15,000
Total	**254,124**	277,517

7. Financial Instruments by Category (CONT'D)

The Company:

	Loans and receivables	
	2009	2008
	RMB'000	RMB'000
Assets as per balance sheet		
Trade and bills receivables, net	**136,859**	167,804
Amounts due from related parties	**28,175**	30,887
Short-term bank deposits	**40,000**	–
Cash and cash equivalents	**263,989**	187,784
Total	**469,023**	386,475

	Other financial liabilities at amortised cost	
	2009	2008
	RMB'000	RMB'000
Liabilities as per balance sheet		
Trade payables	**166,751**	217,022
Amounts due to related parties	**10,148**	1,380
Accrued expenses and other current liabilities	**52,575**	28,638
Short-term borrowings	**15,000**	15,000
Total	**244,474**	262,040

8. Trade and Bills Receivables, Net

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills receivables	**175,657**	202,970	**167,006**	189,219
Less: provision for impairment of receivables	**(30,147)**	(21,415)	**(30,147)**	(21,415)
Trade and bills receivables, net	**145,510**	181,555	**136,859**	167,804

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

8. Trade and Bills Receivables, Net (CONT'D)

The Group normally grants a credit period ranging from 30 days to 120 days to its trade customers. As of 31 December 2009 and 2008, the ageing analysis of trade and bills receivables based on invoice date was as follows:

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Within 4 months	**133,611**	166,769	**127,289**	153,960
Over 4 months but within 1 year	**32,628**	31,819	**30,575**	31,437
Over 1 year but within 2 years	**6,354**	2,365	**6,078**	1,805
Over 2 years but within 3 years	**1,180**	1,318	**1,180**	1,318
Over 3 years	**1,884**	699	**1,884**	699
	175,657	202,970	**167,006**	189,219

As of 31 December 2009, trade and bills receivables of RMB30,147,000 (2008: RMB21,415,000) were past due and fully provided for impairment. The individually impaired receivables mainly relate to medium and smaller customers, which are expected to have no business with the Group in future or in unexpectedly difficult economic situations. The ageing analysis of these receivables is as follows:

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2007 RMB'000
Within 4 months	**2,475**	1,232	**2,475**	1,232
Over 4 months	**27,672**	20,183	**27,672**	20,183
	30,147	21,415	**30,147**	21,415

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

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
At 1 January	**21,415**	22,315	**21,415**	22,315
Provision/(reversal of provision) for impairment of receivables	**8,732**	(900)	**8,732**	(900)
At 31 December	**30,147**	21,415	**30,147**	21,415

8. 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.

9. Inventories

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**385,963**	457,381	**373,880**	448,816
Work-in-progress	**155,526**	122,745	**153,957**	119,498
Finished goods	**286,154**	218,100	**265,443**	202,710
	827,643	798,226	**793,280**	771,024

The cost of inventories recognised as expense and included in 'Cost of sales' amounted to RMB427,961,000 (2008: RMB423,739,000).

10. Deferred Income Tax

Deferred income tax is calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	**(1,286)**	(1,467)	**(1,286)**	(1,467)
– Deferred tax asset to be recovered within 12 months	**(2,465)**	(1,173)	**(1,646)**	(597)
	(3,751)	(2,640)	**(2,932)**	(2,064)
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered after more than 12 months	**5,483**	1,984	**–**	–
	5,483	1,984	**–**	–
Deferred tax liabilities/(assets), net	**1,732**	(656)	**(2,932)**	(2,064)

10. Deferred Income Tax (CONT'D)

The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred income tax assets

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Beginning of the year	**2,640**	2,936	**2,064**	2,104
Charged to income statement as a result of decrease in applicable tax rate	**–**	(1,162)	**–**	(779)
Credited to income statement	**1,111**	866	**868**	739
End of the year	**3,751**	2,640	**2,932**	2,064
Provided for in respect of:				
Provision for termination benefits	**418**	547	**418**	547
Amortisation of leasehold land and land use rights	**295**	296	**295**	296
Unrealised profit resulting from intragroup transactions	**660**	576	**–**	–
Decelerated tax depreciation allowance	**754**	828	**754**	828
Provision for inventories	**1,624**	393	**1,465**	393
	3,751	2,640	**2,932**	2,064

Deferred income tax liabilities

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Beginning of the year	**1,984**	–	**–**	–
Charged to income statement	**3,499**	1,984	**–**	–
End of the year	**5,483**	1,984	**–**	–
Provided for in respect of:				
Accelerated tax depreciation allowance	**5,483**	1,984	**–**	–

10. Deferred Income Tax (CONT'D)

The balance in deferred tax assets and liabilities as of 31 December, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Provided for in respect of:				
Tax losses	**–**	3,718	**–**	–
Provision for termination benefits	**418**	547	**418**	547
Amortisation of leasehold land and land use rights	**295**	296	**295**	296
Unrealised profit resulting from intragroup transactions	**660**	576	**–**	–
Decelerated tax depreciation allowance	**754**	828	**754**	828
Provision for inventories	**1,624**	393	**1,465**	393
	3,751	6,358	**2,932**	2,064

Deferred income tax liabilities

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Provided for in respect of:				
Accelerated tax depreciation allowance	**5,483**	5,702	**–**	–

As of 31 December 2009, there is no offsetting of the balances in deferred tax assets and liabilities which were within the same tax jurisdiction.

11. Share Capital

	2009 Number of shares	2009 Nominal value RMB'000	2008 Number of shares	2008 Nominal value RMB'000
Registered	**196,000,000**	**196,000**	196,000,000	196,000
Issued and fully paid				
– Domestic shares with a par value of RMB1 per share	**108,680,000**	**108,680**	108,680,000	108,680
– H shares with a par value of RMB1 per share	**87,320,000**	**87,320**	87,320,000	87,320
	196,000,000	**196,000**	196,000,000	196,000

Apart from the minor differences under the different regulatory jurisdictions, the economic and voting rights are the same for both the domestic and H shareholders.

12. Reserves

	The Company					
	Capital reserve (Note(b)) RMB'000	Statutory surplus reserve fund (Note(c)) RMB'000	Statutory public welfare fund (Note(c)) RMB'000	Tax reserve (Note(d)) RMB'000	Retained earnings RMB'000	Total RMB'000
Balance as of 1 January 2008	355,309	121,275	45,455	102,043	466,066	1,090,148
Profit for the year	–	–	–	–	154,466	154,466
Dividends paid	–	–	–	–	(78,400)	(78,400)
Appropriation from retained earnings	–	15,549	–	–	(15,549)	–
Balance as of 31 December 2008	355,309	136,824	45,455	102,043	526,583	1,166,214
Balance as of 1 January 2009	355,309	136,824	45,455	102,043	526,583	1,166,214
Profit for the year	–	–	–	–	157,572	157,572
Dividends paid	–	–	–	–	(78,400)	(78,400)
Appropriation from retained earnings	–	16,203	–	–	(16,203)	–
Balance as of 31 December 2009	355,309	153,027	45,455	102,043	589,552	1,245,386

12. Reserves (CONT'D)

(a) *Profit attributable to equity holders of the company*

The profit attributable to equity holders of the company is dealt with in the financial statements of the company to the extent of RMB157,572,000 (2008: RMB154,466,000).

(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, set off by net premium on issue of shares upon listing of the Company and issuance of additional shares.

(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 RMB16,203,000 (2008: RMB15,549,000), 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 2009.

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

(d) *Tax reserve*

According to the preferential enterprise income tax policy for new technology enterprises under the old Enterprise Income Tax ("EIT") regulation (effective before 1 January 2008), the Company was fully exempted from EIT for the first three years from its commencement of operations and enjoyed 50% reduction for the three years thereafter. The Company commenced its operations in 2000 and enjoyed full exemption from EIT from 2000 to 2002 and 50% reduction from 2003 to 2005. However, the use of the exempted tax is restricted to specified purposes and not distributable to shareholders (Note 20).

13. Deferred Income – Government Grants

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of the year	**11,266**	12,250	**10,765**	12,130
Government grants received	**1,369**	1,037	**1,360**	492
Amount recognised in the income statement (Note 19)	**(2,025)**	(2,021)	**(1,970)**	(1,857)
End of the year	**10,610**	11,266	**10,155**	10,765

Government grants were deferred and recognised in the income statement over the period necessary to match with the research and development costs they are intended to compensate.

14. Short-term Borrowings

As of 31 December 2009, the Company and the Group had unsecured short-term bank borrowings of RMB15,000,000 (2008: RMB15,000,000) repayable in March 2010. These borrowings bear interest rate of 4.779% (2008: 6.723%) per annum.

These borrowings are denominated in RMB and the carrying amounts of these short-term borrowings approximate their fair values as the impact of discounting is not significant.

15. Trade Payables

As of 31 December 2009, the ageing analysis of trade payables based on invoice date was as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 4 months	**145,413**	173,929	**138,898**	164,859
Over 4 months but within 1 year	**23,352**	47,977	**23,115**	47,878
Over 1 year but within 2 years	**4,765**	4,295	**4,738**	4,285
	173,530	226,201	**166,751**	217,022

16. Salary and Welfare Payables

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Salary payable	**1,111**	7,240	**443**	7,004
Welfare payable	**4,126**	3,449	**3,769**	3,266
	5,237	10,689	**4,212**	10,270

17. Revenue

	2009	2008
	RMB'000	RMB'000
Sales of medicine		
– PRC Mainland	**1,238,312**	1,147,282
– Outside PRC Mainland	**60,503**	56,022
	1,298,815	1,203,304
Agency fee income for distribution services		
– Outside PRC Mainland	**9,082**	8,151
	1,307,897	1,211,455

18. Finance Income/(Costs) – Net

	2009	2008
	RMB'000	RMB'000
Interest income on cash at bank and short-term bank deposits	**4,301**	4,143
Interest expenses on bank borrowings repayable within one year	**(774)**	(1,032)
Exchange losses	**(37)**	(4,753)
Finance income/(costs) – net	**3,490**	(1,642)

19. Profit Before Income Tax

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

	2009 RMB'000	2008 RMB'000
Raw materials and consumables used	**530,166**	469,461
Change in inventories of finished goods and work-in-progress	**(102,205)**	(45,722)
Employee benefit expense		
– Salary and wages	**108,698**	107,827
– Staff welfare	**11,752**	11,469
– Housing fund	**10,167**	8,559
– Contributions to retirement schemes	**26,660**	30,796
Depreciation of property, plant and equipment (Note 4(a))	**45,146**	44,658
Amortisation of prepaid operating lease payments (Note 4(b))	**1,218**	2,359
Amortisation of other long-term assets	**709**	719
Provision for impairment of inventories	**7,786**	2,620
Provision/(reversal of provision) for impairment of receivables (Note 8)	**8,732**	(900)
Operating lease rental	**18,315**	17,719
Auditor's remuneration	**1,616**	1,510
Research and development costs	**3,901**	6,838
Advertising expenses	**56,790**	46,629
(Gain)/loss on disposal of property, plant and equipment	**(180)**	87
Recognition of government grants (Note 13)	**(2,025)**	(2,021)

20. 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% (2008: 25%). As of 31 December 2009 and 2008, the Company has obtained the HNTE certificate. Consequently, the applicable income tax rate of the Company in 2009 is 15% (2008: 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:

	2009 **RMB'000**	2008 RMB'000
Current PRC income tax expense	**31,107**	27,847
Current Overseas income tax expense	**2,773**	382
Deferred income tax expense	**2,388**	2,280
	36,268	30,509

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:

	2009 **RMB'000**	2008 RMB'000
Profit before income tax	**220,191**	197,248
Tax calculated at the PRC statutory income tax rate of 25% (2008: 25%)	**55,048**	49,312
Income not subject to tax	**(1,597)**	(2,238)
Expenses not deductible for tax purposes	**4,834**	833
Effect of decrease in applicable tax rate	**–**	1,162
Effect of preferential income tax treatments	**(19,079)**	(17,437)
Effect of different applicable tax rates for certain subsidiaries and joint ventures	**(2,938)**	(1,123)
Income tax expense	**36,268**	30,509

20. Income Tax Expense (CONT'D)

Pursuant to the relevant PRC regulations under the old EIT regulation, a new technology enterprise ("NTE") located in a designated area of Beijing Economic and Technological Development Zone ("BETDZ") was subject to EIT at a preferential income tax rate of 15%. Moreover, upon approval by the relevant local tax bureau, a certified NTE was entitled to full exemption from EIT for the first three years from its commencement of operations and 50% reduction in EIT for the following three years. The NTE certification is subject to annual review by the relevant government bodies. In addition, an amount equivalent to the exempted EIT has to be appropriated to a non-distributable tax reserve as mentioned in Note 12 (d) to the consolidated financial statements.

The Company is registered in the BETDZ and obtained an approval from the BETDZ Local Tax Bureau ("BETDZ LTB") (Document Jingdishuikaijianmianfa [2000] No.23) to enjoy full exemption from EIT for years 2000 to 2002 and 50% reduction for years 2003 to 2005. The Company renewed its NTE certificate with Beijing Science-Technology Committee periodically. Moreover, the above EIT preferential income tax rate of 15% could be applied to the Company before 1 January 2008 as the Company was registered in BETDZ and kept its NTE status before 1 January 2008.

However, such preferential tax treatments could be subject to review by higher ranking tax authorities as Beijing Municipal State Tax Authority issued a circular in October 2002, namely Jingguoshuihan [2002] No.632, stating that only the NTEs whose registration and operation are both located in the designated area can enjoy the preferential income tax treatments for NTEs. If the above EIT preferential income tax treatments for the Company are withdrawn, additional EIT liability before 1 January 2008 would be approximately 2007: RMB4,388,000; 2006: RMB5,643,000; 2005: RMB63,827,000. The directors are of opinion that such additional EIT liabilities are unlikely to arise.

21. Dividends

	2009 **RMB'000**	2008 RMB'000
Dividends proposed	**88,200**	78,400

The dividends paid in 2009 and 2008 were RMB78,400,000 (RMB0.40 per share) and RMB78,400,000 (RMB0.40 per share) respectively. On 18 March 2010, the Board of Directors proposed a final dividend of RMB0.45 per share (2008: RMB0.40 per share) for the year ended 31 December 2009, totalling approximately RMB88,200,000 (2008: RMB78,400,000). The proposed dividend distribution is subject to the shareholders' approval at the Annual General Meeting in 2010. The dividend will be recorded in the Group's financial statements for the year ending 31 December 2010.

22. Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately RMB173,027,000 (2008: RMB160,528,000) by the weighted average number of 196,000,000 shares (2008: 196,000,000 shares) in issue during the year.

22. Earnings Per Share (CONT'D)

The Company had no dilutive potential shares for the years ended 31 December 2009 and 2008.

	2009 RMB'000	2008 RMB'000
Profit attributable to equity holders of the Company	**173,027**	160,528
Weighted average number of ordinary shares in issue (thousands)	**196,000**	196,000
Earnings per share	**RMB0.88**	RMB0.82

23. Directors', Supervisors' and Senior Management's Emoluments

(a) Details of the directors' and supervisors' emoluments

The remuneration of every director and supervisor for the year ended 31 December 2009 is set out below:

	Fees RMB'000	Basic salaries and allowance RMB'000	Employer's contribution to pension scheme RMB'000	Bonuses RMB'000	Total RMB'000
Directors:					
Mr. Mei Qun	–	–	–	–	–
Ms. Ding Yong Ling	–	–	–	–	–
Mr. Kuang Gui Shen*	–	608	27	–	635
Mr. Yin Shun Hai	–	–	–	–	–
Mr. Wang Quan*	–	–	–	–	–
Mr. Wang Yu Wei**	–	693	27	–	720
Ms. Fang Jia Zhi**	–	276	27	–	303
Mr. Zhang Huan Ping**	–	–	–	–	–
Miss Tam Wai Chu, Maria	158	–	–	–	158
Mr. Ting Leung Huel, Stephen	158	–	–	–	158
Mr. Jin Shi Yuan	48	–	–	–	48
Supervisors:					
Mr. Zhang Xi Jie	–	–	–	–	–
Mr. Wu Yi Gang	48	–	–	–	48
Ms. Liu Gui Rong*	–	128	16	–	144
Ms. Wang Yanrong**	–	276	27	–	303

* Resigned on 25 June 2009.
** Appointed on 25 June 2009.

23. Directors', Supervisors' and Senior Management's Emoluments (CONT'D)

(a) *Details of the directors' and supervisors' emoluments (Cont'd)*

The remuneration of every director and supervisor for the year ended 31 December 2008 is set out below:

	Fees RMB'000	Basic salaries and allowance RMB'000	Employer's contribution to pension scheme RMB'000	Bonuses RMB'000	Total RMB'000
Directors:					
Mr. Yin Shun Hai	–	–	–	–	–
Mr. Mei Qun	–	–	–	–	–
Mr. Wang Quan	–	–	–	–	–
Ms. Ding Yong Ling	–	–	–	–	–
Mr. Kuang Gui Shen	–	604	24	–	628
Mr. Zhang Sheng Yu (Note i)	–	–	–	–	–
Miss Tam Wai Chu, Maria	159	–	–	–	159
Mr. Ting Leung Huel, Stephen	159	–	–	–	159
Mr. Jin Shi Yuan	48	–	–	–	48
Supervisors:					
Mr. Zhang Xi Jie	–	–	–	–	–
Mr. Wu Yi Gang	48	–	–	–	48
Ms. Liu Gui Rong	–	196	24	–	220

Note i: Resigned as Mr. Zhang Sheng Yu passed away on 22 July 2008.

No directors and supervisors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors and supervisors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

23. Directors', Supervisors' and Senior Management's Emoluments (CONT'D)

(b) *Details of the five highest paid individuals' emoluments*

The five individuals whose emoluments were the highest in the Group for the year include two (2008: one) director whose emoluments are reflected in the analysis presented in note 23 (a) above. The emoluments payable to the remaining three (2008: four) individuals during the year are as follows:

	2009 **RMB'000**	2008 RMB'000
Basic salaries, allowance and bonuses	**1,371**	1,837
Contribution to pension scheme	**80**	80
	1,451	1,917

The emoluments fell within the following band:

	Number of individuals	
	2009	2008
Nil to RMB880,500 (Equivalent to Hong Kong Dollar 1,000,000)	**3**	4

None of the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of such individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) *Equity compensation benefits*

On 22 March 2000, 7,100,000 ordinary shares of the Company were issued to the directors or supervisors of the Company with a par value of RMB1 each. The Company does not have any other equity compensation benefits.

24. Retirement and Termination Benefits

Pursuant to the PRC laws and regulations, the Group is required to make monthly contributions to various retirement benefit schemes organised by the relevant provincial and municipal governments for the Group's employees in the PRC at rates ranging from 28% to 32% (2008: 28% to 32%) of the employees' standard salaries, of which 20% to 24% (2008: 20% to 24%) is borne by the Group and the remaining portion is borne by the employees.

The Group's subsidiary in Hong Kong participates in a Mandatory Provident Fund scheme (the "MPF scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong (the "MPF Ordinance"). Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK$1,000 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

These defined contribution schemes are responsible for the pension liabilities of the employees. The Group's contributions to these defined contribution schemes are expensed as incurred.

In addition, the Company provides termination benefits to certain employees up to their normal retirement age. Termination benefits are payable when employment is terminated before the normal retirement age or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value. Carrying amounts of the relevant provision included in "Accrued expenses and other current liabilities" as of 31 December 2009 and 2008, were approximately RMB2,785,000 and RMB3,644,000 respectively.

25. Housing Fund

The Group's full-time employees in the PRC participate in a state-sponsored housing fund. The fund can be used by the Group's employees for purchasing houses, or withdrawn upon their retirement. The Group is required to make annual contributions to the fund based on certain percentages of the employees' salaries. The Group's liability in respect of the fund is limited to the contributions payable in each period. For the year ended 31 December 2009, the Group contributed approximately RMB10,167,000 (2008: RMB8,559,000) to the fund.

26. Cash Generated from Operations

(a) *Reconciliation from profit before income tax to cash generated from operations:*

	2009 RMB'000	2008 RMB'000
Profit before income tax	**220,191**	197,248
Adjustments for:		
Provision/(reversal of provision) for impairment of receivables	**8,732**	(900)
Depreciation of property, plant and equipment	**45,146**	44,658
Amortisation of prepaid operating lease payments	**1,218**	2,359
Amortisation of other long-term assets	**709**	719
Inventory provision	**7,786**	2,620
(Gain)/Loss on disposal of property, plant and equipment	**(180)**	87
Deferred government grants recognised in the income statement	**(2,025)**	(2,021)
Interest income	**(4,301)**	(4,143)
Interest expenses	**774**	1,032
Exchange losses	**37**	4,753
Operating profit before working capital changes	**278,087**	246,412
Decrease/(increase) in current assets:		
Trade and bills receivables	**27,313**	97,068
Inventories	**(37,203)**	(164,373)
Prepayments and other current assets	**(8,071)**	4,550
Amounts due from related parties	**2,439**	(13,881)
Increase/(Decrease) in current liabilities:		
Trade payables	**(52,671)**	16,874
Other current liabilities	**22,821**	(20,367)
Amounts due to related parties	**11,702**	(8,475)
Proceeds from government grants	**1,369**	1,037
Cash generated from operations	**245,786**	158,845

26. Cash Generated from Operations (CONT'D)

(b) Analysis of the balances of cash and cash equivalents and short-term bank deposits

As of 31 December, cash and cash equivalents were denominated in the following currencies:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand				
RMB	**286,345**	202,215	**249,444**	171,637
Hong Kong Dollar	**62,956**	45,761	**13,458**	15,060
US Dollar	**4,966**	5,182	**1,087**	1,087
Macanese Pataca	**2,371**	1,918	**–**	–
Malaysian Ringgit	**2,308**	1,719	**–**	–
Indonesian Rupiah	**512**	985	**–**	–
Canadian Dollar	**1,211**	314	**–**	–
	360,669	258,094	**263,989**	187,784

Bank deposits with original maturities of over three months were denominated in the following currencies:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**46,000**	4,800	**40,000**	–
Macanese Pataca	**884**	–	**–**	–
US Dollar	**695**	–	**–**	–
Malaysian Ringgit	**772**	396	**–**	–
	48,351	5,196	**40,000**	–

The weighted average effective interest rate on short-term bank deposits was 1.75% (2008: 3.22%) per annum. Cash at bank earns interest at floating rates based on daily bank deposit rates.

As of 31 December 2009, the cash in hand balance of the Group was RMB242,000 (2008: RMB306,000). Cash at bank and short-term bank deposits balance of the Group was RMB408,778,000 (2008: RMB262,984,000). Management did not expect any losses from non-performance by those banks.

27. Related Party Transactions

Related parties include the Group and its subsidiaries, other majority state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, 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.

The ultimate holding company itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24, "Related Party Disclosures", state-owned enterprises and their subsidiaries, other than the ultimate holding company and its subsidiaries, directly or indirectly controlled by the PRC government are also defined as related parties of the Group.

A portion of the Group's business activities are conducted with other state-owned enterprises. The Group believes that these transactions are carried out on normal commercial terms that are consistently applied to all customers. For the purpose of related party transactions disclosure, the Group has identified, to the extent practicable, those corporate customers and suppliers which are state-owned enterprises based on their ownership structure. It should be noted, however, that substantially all of the Group's business activities are conducted in the PRC and the influence of the PRC government in the Chinese economy is pervasive. In this regard, the PRC government indirectly holds interests in many companies. Many state-owned enterprises have a multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests. Such interests, however, would not be known to the Group and are not reflected in the disclosures below. In addition, a portion of the Group's revenue from sales of goods are of a retail nature to end users, which include transactions with the employees of state controlled entities while such employees are key management personnel and their close family members. These transactions are carried out on normal commercial terms that are consistently applied to all customers. Due to the volume and the pervasiveness of these transactions, the Group is unable to determine the aggregate amount of these transactions for disclosure. Therefore, the revenue from sales of goods disclosed below does not include retail transactions with these related parties. However, the Group believes that meaningful information relating to related party disclosures has been adequately disclosed.

During the year, 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.

27. Related Party Transactions (CONT'D)

(a) Transactions with the ultimate holding company

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

	2009 RMB'000	2008 RMB'000
Trademark licence fee (Note (i))	**850**	850
Rental expense (Note (ii))	**2,364**	2,364
Storage fee (Note (iii))	**6,804**	6,804

Notes:

(i) A licence agreement dated 1 January 2005 was entered into between the Company and the ultimate holding company whereby the Company is allowed to use certain trademarks and trademark logos (collectively, "Trademarks") of the ultimate holding company.

The term of the licence shall commence from the date of completion of filing the agreement by the ultimate holding company with the relevant authorities up to 28 February 2013. Upon the expiration of the licence, if the ultimate holding company successfully renews the right to use the Trademarks and if the Company fully complies with the terms and conditions of the agreement and requests to continue to use the Trademarks, the ultimate holding company shall renew the agreement with the Company. The renewed term of the licence shall not be shorter than 5 years.

The annual licence fee for the year ended 2009 is RMB850,000. The parties are entitled to adjust the annual licence fee thereafter. Such annual increase or decrease shall not exceed 10% of that of the previous year.

(ii) A land use right leasing agreement (the "Old Agreement") dated 6 October 2000 was entered into between the Company and the ultimate holding company. Pursuant to the agreement, the total area leased to the Company is approximately 49,776.35 sq.m. The land is located in Beijing, the PRC, with leasing period of 20 years commencing from 6 October 2000. The annual rental is calculated at a rate of RMB53.95 per sq.m. Any adjustments to the annual rental shall be made at the market rent, provided that such adjustment shall not exceed 10% of that of the previous year. On 1 January 2006, an amendment was made to reduce the total area of the land leased to 43,815.15 sq.m., the remaining clauses on the Old Agreement remained effective.

(iii) A contract for storage and custody dated 15 April 2008 was entered into between the Company and the ultimate holding company whereby the ultimate holding company agreed to provide storage and custody services to the Company, with the effective period from 2008 to 2010. From the effective date of the contract, the storage fee is calculated at RMB252 per sq.m. per year. Adjustment to the storage fee is permitted after one-year period, provided that the annual increase or decrease shall not exceed 10% of that of the previous year.

27. Related Party Transactions (CONT'D)

(b) *Transactions with the subsidiaries and joint ventures of the ultimate holding company*

	2009 RMB'000	2008 RMB'000
Sales of Chinese medicines (Note (i))	**152,001**	116,426
Agency fee income for distribution services (Note (ii))	**9,082**	8,151
Purchase of raw materials	**3,666**	542

Notes:

(i) The Company signed a sales agreement with the ultimate holding company in 2008. In accordance with this agreement, the Company can sell its products to the subsidiaries and joint ventures of the ultimate holding company. The selling price to the ultimate holding company's subsidiaries and joint ventures shall not be lower than the prices to independent third parties. The agreement has been approved at the Company's Annual General Meeting and is effective from 2008 to 2010.

(ii) TRT Chinese Medicine signed an agency agreement with the Parent Company on 25 October 2007. In accordance with this agreement, the Company is appointed as an agent in distributing the Parent Company's products, with the effective period from 2007 to 2009.

(c) *Transactions with other state-owned enterprises*

	2009 RMB'000	2008 RMB'000
Revenue:		
Interest income from bank deposits	**4,091**	4,003
Expenses:		
Interest expenses on bank borrowings	**774**	1,032
Other transactions:		
Sales of Chinese medicine	**156,379**	146,688
Purchase of raw materials	**7,611**	12,074
Purchase of property, plant and equipment	**1,118**	1,738
Drawdown of bank loans	**15,000**	15,000
Repayments of bank loans	**15,000**	15,000

27. Related Party Transactions (CONT'D)

(d) *Balances with related parties*

As of 31 December, balances with related parties consisted of:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank deposits				
State-owned banks and other financial institutions (Note 30 (a))	**399,812**	255,245	**303,944**	187,750
Amounts due from related parties:				
Subsidiaries and joint ventures of the ultimate holding company	**10,231**	11,267	**8,963**	10,269
Other state-owned enterprises	**19,215**	20,618	**19,212**	20,618
	29,446	31,885	**28,175**	30,887
Bank borrowings				
State-owned banks	**15,000**	15,000	**15,000**	15,000
Amounts due to related parties:				
Subsidiaries and joint ventures of the ultimate holding company	**13,567**	1,840	**9,797**	1,003
Other state-owned enterprises	**352**	377	**351**	377
	13,919	2,217	**10,148**	1,380

The amounts due from/(to) related parties are unsecured, interest-free and repayable or recoverable within twelve months.

27. Related Party Transactions (CONT'D)

(d) *Balances with related parties (Cont'd)*

As of 31 December, the ageing analysis of amounts due from related parties based on invoice date was as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 4 months	**28,084**	30,242	**27,139**	29,279
Over 4 months but within 1 year	**1,105**	1,521	**780**	1,486
Over 1 year	**257**	122	**256**	122
	29,446	31,885	**28,175**	30,887

As of 31 December, the ageing analysis of amounts due to related parties based on invoice date was as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 4 months	**12,095**	1,456	**9,036**	619
Over 4 months but within 1 year	**1,300**	271	**588**	271
Over 1 year	**524**	490	**524**	490
	13,919	2,217	**10,148**	1,380

28. Banking Facilities

As of 31 December 2009, the Group had aggregated banking facilities of RMB100,000,000 (2008: RMB100,000,000) for loan and other trade financing. As of 31 December 2009, the unutilised banking facilities amounted to RMB85,000,000 (2008: RMB85,000,000).

29. Segment Information

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions.

The executive directors consider the business from an operational entity perspective. Generally, the executive directors consider the performance of business of each entity within the Group separately. Thus, each entity within the Group is an operating segment.

29. Segment Information (CONT'D)

Among all the operating segments, the Company and TRT Chinese Medicine have these similar long-term average gross margins, as they have the same production process and all produce the Chinese medicine. As a result, the executive directors consider aggregating these two segments to one reportable operating segment. The reportable operating segment derives its revenue primarily from the manufacture and sale of Chinese medicine on a wholesale basis in China.

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

The executive directors assess the performance of the operating segments based on revenue and profit after income tax of each segment.

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2009 is as follows:

	Manufacture and sale of Chinese medicine RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	1,237,443	122,959	1,360,402
Inter-segment revenue	(983)	(51,522)	(52,505)
Revenue from external customers	1,236,460	71,437	1,307,897
Profit after income tax	177,467	6,456	183,923
Interest income	3,846	455	4,301
Interest expenses	(774)	–	(774)
Depreciation of property, plant and equipment	(40,578)	(4,568)	(45,146)
Amortisation of prepaid operating lease payments	(1,077)	(141)	(1,218)
Provision for impairment of inventory	(7,786)	–	(7,786)
Provision for impairment of receivables	(8,732)	–	(8,732)
Income tax expense	(34,560)	(1,708)	(36,268)
Total assets	1,730,804	158,178	1,888,982
Total assets include:			
Additions to non-current assets (other than deferred tax assets)	5,632	1,360	6,992
Total liabilities	280,026	18,916	298,942

29. Segment Information (CONT'D)

The segment information for the year ended 31 December 2008 is as follows:

	Manufacture and sale of Chinese medicine RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	1,151,897	93,209	1,245,106
Inter-segment revenue	(1,681)	(31,970)	(33,651)
Revenue from external customers	1,150,216	61,239	1,211,455
Profit after income tax	163,927	2,812	166,739
Interest income	3,819	324	4,143
Interest expenses	(1,032)	–	(1,032)
Depreciation of property, plant and equipment	(41,510)	(3,148)	(44,658)
Amortisation of prepaid operating lease payments	(2,218)	(141)	(2,359)
Provision for impairment of inventory	(2,620)	–	(2,620)
Reversal of provision for impairment of receivables	900	–	900
Income tax expense	(29,470)	(1,039)	(30,509)
Total assets	1,635,774	159,408	1,795,182
Total assets include:			
Additions to non-current assets (other than deferred tax assets)	7,808	5,007	12,815
Total liabilities	291,972	18,305	310,277

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

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

29. Segment Information (CONT'D)

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 17.

The total of the non-current assets other than deferred income tax assets located in PRC Mainland is RMB343,135,000 (2008: RMB377,040,000), and the total of these non-current assets located in other countries is RMB114,711,000 (2008: RMB120,480,000).

30. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk.

(i) Foreign exchange risk

The Group has foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies, primarily with respect to HK dollar. Moreover, dividends to the shareholders of H Shares are declared in RMB and paid in HK dollar. Fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

The Group has not used any forward contracts or foreign currency borrowings to hedge its exposure to foreign exchange risk.

As of 31 December 2009, if RMB had weakened/strengthened by 2% (2008: 5%) against the HK dollar with all other variables held constant, post-tax profit for the year would have been RMB1,259,000 (2008: RMB2,288,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HK dollar denominated bank deposits. Profit is more sensitive to movements in RMB/HK dollar exchange rates in 2009 than 2008 because of the increased amount of HK dollar denominated bank deposits.

30. Financial Risk Management (CONT'D)

(a) Financial risk factors (Cont'd)

(ii) Credit risk

The Group has no significant concentrations of credit risk. It has policies to ensure that sales of products are made to customers (including customers that are related parties) with an appropriate credit history. Individual credit risk limit is set up based on internal assessment, taking into account the customer's financial position, past experience and other factors. The factors considered by management in determining the impairment are described in Note 8.

Cash at bank and short-term bank deposits are deposited with high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution. As of 31 December 2009, main part of the bank deposits is due with state-owned banks, which are at lower credit risk.

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
State-owned banks and other financial institutions (Note 27(d))	**399,812**	255,245	**303,944**	187,750
Other banks	**8,966**	7,739	**–**	–
	408,778	262,984	**303,944**	187,750

(iii) Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through adequate amount of committed credit facilities to meet its working capital requirements. The amount of undrawn credit facilities at the balance sheet date is disclosed in Note 28.

The borrowings are all these short-term borrowings that will mature within one year (Note 14). Generally, there is no specific credit period granted by the suppliers but the related trade payables are normally expected to be settled within one year after receipt of goods or services.

The carrying amounts of the Group's and the Company's financial liabilities approximate their fair values as the impact of discounting is not significant.

30. Financial Risk Management (CONT'D)

(a) Financial risk factors (Cont'd)

(iv) Interest rate risk

As the Group has no significant interest-bearing assets other than cash and cash equivalents, the Group's income and operating cash flows are substantially independent of changes in market interest rates. As of 31 December 2009 and 2008, all of the Group's borrowings were at fixed rates. The interest rates and repayment terms of the Group's short-term bank loans are disclosed in Note 14. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. However, the current debt level of the Group is relatively low and the exposure to the fair value interest rate risk is limited for the Group. The management of the Group monitors the interest rate exposure regularly.

(b) Fair value estimation

The carrying amounts of the Group's financial assets, including cash and cash equivalents, short-term bank deposits, receivables; and financial liabilities including payables, short-term borrowings, approximate their fair values due to their short maturities of less than one year.

For disclosure purpose, discounted cash flow analysis is used to determine fair value for the financial instruments.

(c) Capital risk management

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

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 capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

	2009 RMB'000	2008 RMB'000
Total borrowings	**15,000**	15,000
Total equity	**1,590,040**	1,484,905
Gearing ratio	**1%**	1%

31. Commitments

(a) Capital commitments

As of 31 December, the Group and the Company had the following capital commitments which were contracted but not provided for:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Construction of production facilities	**237**	480	**–**	480

(b) Operating lease commitments

The Group leases various warehouse and factory premises under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one year	**19,038**	19,046	**16,608**	17,458
Later than one year and no later than five years	**43,794**	52,496	**37,975**	48,710
Later than five years	**14,657**	24,010	**13,789**	22,352
	77,489	95,552	**68,372**	88,520