Tong Ren Tang Technologies Co. Ltd.
北京同仁堂科技發展股份有限公司
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 1666)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of Tong Ren Tang Technologies Co., Ltd. (the "Company") and its subsidiaries and joint ventures (hereafter collectively referred to as the "Group") for the year ended 31 December 2010 for shareholders' review.

RESULTS OF THE YEAR

For the year ended 31 December 2010, the Group's revenue amounted to RMB1,578,914,000, representing an increase of 16.77% as compared with last year with RMB1,352,202,000 (restated); profit attributable to the equity shareholders of the Company amounted to RMB198,342,000, representing an increase of 12.46% as compared with last year with RMB176,369,000 (restated).

REVIEW OF THE YEAR

Through the industry shuffling in the recent decade, China's pharmaceutical industry underwent radical and stunning changes. The pharmaceutical industry, one of the fastest growing sectors in China's economy, has been outperforming gross domestic product (the "GDP") in terms of growth. In 2010, the promulgation of favourable pharmaceutical industry policies created a favourable environment and greatly fuelled pharmaceutical market demand. In addition, along with the progresses in new medical reform and the gradual implementation of national investment plan, domestic pharmaceutical market maintained balanced supply and demand, and the pharmaceutical industry especially Chinese medicine industry witnessed improving profitability. However, a series of natural disasters including drought, flood and debris flow in Southwest China in the year resulted in a significant price hike for Chinese medicinal raw materials, imposing a cost pressure to the Chinese medicine industry as a whole.

The Company inherited its heritage to enlighten the road ahead in 2010, which was the 10th anniversary of its establishment and listing. During the year, he Company accomplished the transfer of its listing from the Growth Enterprise Market (the "**GEM**") of the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") to the Main Board (the "**MB**") of the Hong Kong Stock Exchange and consolidated its overseas distribution business through Beijing Tong Ren Tang Chinese Medicine Company Limited (“Tong Ren Tang Chinese Medicine”). Looking back to the twists and turns in the decade, the Company overcame numerous difficulties including medicine price decreases, intensified market competitions and the breakout of financial crisis, and achieved remarkable all-around progresses. The Company has built itself from a previously single-business pharmaceutical manufacturer into a conglomeration that is principally engaged in production and sales of medicines, cosmetics and healthcare products, with scale operations in multiple sectors including production of Chinese medicinal raw materials and distribution of pharmaceuticals.

With the fading aftermath of the financial crisis, China and the world came back to the track of steady growth in the year. Inspired by historical lessons, the Company attached more importance to operation quality and future potential in addition to business growth. Despite the challenge to product cost from hiking domestic prices and labour cost especially in Chinese medicinal raw materials, the Company realigned its operating philosophy to explore new growth source while integrating its overseas resources to strengthen the control over overseas market, thus achieving a growth in the year and laying a cornerstone for future development.

OUTLOOK AND PROSPECTS

As the percentage of China's medical and healthcare investment is still lower than the guideline set by the World Health Organization, it is expected that the government will further increase the investment percentage along with the improvements in economy and treasury. Also with the increasing awareness in health care, medical care will be valued in a more active manner, and the aging of population will give rise to constant demands in medical and healthcare industries. As for Chinese medicine industry, as prevention instead of the treatment of diseases is advocated by the new medical reform, Chinese medicine is expected to become a must in the home medical kit. Meanwhile, the globally popular concept of returning to green nature provides a valuable opportunity for Chinese medicine, which will further fuel China's pharmaceutical industry especially the Chinese medicine industry. Nevertheless, structural adjustment will be the theme for China's pharmaceutical industry as required by the government for deepening the medical system reform. The medical market landscape will be reshaped with continuous business consolidations and a necessary outcome of differentiation.

Looking into 2011, the Company will base its growth upon innovations. I, together with all the staff of the Company, will bring the brand strength into full play, continue to develop end market, and tap into products with high value added and market potential to speed up overall development the Group. We will gradually build up highly specialized and well organized subsidiaries, aiming at the balanced development of the Group as a whole.

I hereby would like to express my sincere gratitude to the board of directors (the "**Board of Directors**") 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 shepherding as well as their support and understanding. Just as in the past, we will continue to aim for good performance and creating value to our shareholders.

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

Beijing, the PRC
17 March 2011

ANNUAL RESULTS

The Board of Directors of the Company is pleased to announce the audited consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet of the Group, for the year ended 31 December 2010, together with the comparative figures of 2009, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	***2010*** ***RMB'000***	*2009 (Restated)* *RMB'000*
Revenue	*d*	**1,578,914**	1,352,202
Cost of sales		**(817,058)**	(709,836)
Gross profit		**761,856**	642,366
Distribution costs		**(352,797)**	(287,459)
Administrative expenses		**(146,382)**	(131,211)
Operating profit		**262,677**	223,696
Finance income - net	*e*	**4,933**	3,556
Share of loss of an associate		**(388)**	-
Profit before income tax	*f*	**267,222**	227,252
Income tax expense	*g*	**(42,132)**	(37,133)
Profit for the year		**225,090**	190,119
Profit attributable to:			
Owners of the parent		**198,342**	176,369
Non-controlling interests		**26,748**	13,750
		225,090	190,119
Earnings per share for profit attributable to equity holders of the Company during the year	*i*		
- Basic		**RMB 1.01**	RMB 0.90
- Diluted		**RMB 1.01**	RMB 0.90

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010	*2009*
		(Restated)
	RMB'000	*RMB'000*
Profit for the year	**225,090**	190,119
Other comprehensive (expense) / income:		
Foreign currency translation differences	**(1,651)**	3,372
Other comprehensive (expense)/income for the year, net of tax	**(1,651)**	3,372
Total comprehensive income for the year	**223,439**	193,491
Attributable to:		
Equity holders of the Company	**198,312**	179,531
Non-controlling interests	**25,127**	13,960
Total comprehensive income for the year	**223,439**	193,491

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2010	*2009*
	Note		*(Restated)*
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**45,841**	47,537
Property, plant and equipment		**387,982**	412,072
Investment in an associate		**2,892**	-
Prepayments		**29,048**	-
Deferred income tax assets		**9,746**	6,601
Other long-term assets		**531**	839
		476,040	467,049
Current assets			
Inventories		**957,134**	834,754
Trade and bills receivables, net	*k*	**155,229**	148,450
Amounts due from related parties		**18,871**	29,446
Prepayments and other current assets		**30,261**	17,321
Short-term bank deposits		**96,529**	54,021
Cash and cash equivalents		**441,108**	379,926
		1,699,132	1,463,918
Total assets		**2,175,172**	1,930,967

CONSOLIDATED BALANCE SHEET (CONT'D)

	Note	*As at 31 December* ***2010*** ***RMB'000***	*2009* *(Restated)* *RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Share capital		**196,000**	196,000
Reserves			
- Proposed dividends	*h*	**486,080**	88,200
- Other reserves		**876,937**	1,192,595
		1,559,017	1,476,795
Non-controlling interests		**177,500**	144,402
Total equity		**1,736,517**	1,621,197
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**5,251**	5,494
Deferred income – government grants		**25,037**	10,610
		30,288	16,104
Current liabilities			
Trade payables	*l*	**212,463**	176,270
Salary and welfare payables		**5,117**	6,362
Advances from customers		**48,999**	15,419
Amounts due to related parties		**17,380**	15,262
Current income tax liabilities		**12,018**	9,697
Accrued expenses and other current liabilities		**97,390**	55,656
Short-term borrowings		**15,000**	15,000
		408,367	293,666
Total liabilities		**438,655**	309,770
Total equity and liabilities		**2,175,172**	1,930,967
Net current assets		**1,290,765**	1,170,252
Total assets less current liabilities		**1,766,805**	1,637,301

Notes:

a. GENERAL INFORMATION

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

b. BASIS OF PREPARATION

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

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

(a) Standards, amendments and interpretations effective in 2010

- IFRS 1 (Revised), ‘First-time adoption of IFRSs’
- IFRS 1 (Amendment), ‘Additional exemptions for first-time adopters’
- IFRS 2 (Amendment), ‘Group cash-settled share-based payment transactions’
- IFRS 3 (Revised), ‘Business combinations’
- IAS 27 (Revised), ‘Consolidated and separate financial statements’
- IAS 39 (Amendment), ‘Eligible hedge items’
- IFRIC - Int 17, ‘Distribution of non-cash assets to owners’
- IFRIC - Int 18, ‘Transfer of assets from customers’
- 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’

b. BASIS OF PREPARATION (CONT'D)

(a) Standards, amendments and interpretations effective in 2010(cont'd)

- IASB's annual improvements project published in April 2009
  - IFRS 2 (Amendment), 'Scope of IFRS 2 and IFRS 3 (revised)'
  - IFRS 5 (Amendment), 'Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations'
  - IFRS 8 (Amendment), 'Disclosure of information about segment assets'
  - IAS 1 (Amendment), 'Current/non-current classification of convertible instruments'
  - IAS 7 (Amendment), 'Classification of expenditures on unrecognised assets'
  - IAS 17 (Amendment), 'Classification of leases of land and buildings'
  - IAS 18 (Amendment), 'Determining whether an entity is acting as a principal or as an agent'
  - IAS 36 (Amendment), 'Unit of accounting for goodwill impairment test'
  - IAS 38 (Amendment), 'Additional consequential amendments arising from IFRS 3 (revised) and measuring the fair value of an intangible asset acquired in business combination'
  - IAS 39 (Amendment), 'Treating loan prepayment penalties as closely related derivatives'
  - IAS 39 (Amendment), 'Cash flow hedge accounting'
  - IAS 39 (Amendment), 'Scope exemption for business combination contracts'
  - IFRIC - Int 9 and IFRS 3 (revised)
  - IFRIC - Int 16, 'Hedges of a net investment in a foreign operation'

IAS 17 (Amendment), 'Classification of leases of land and buildings', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of IAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

b. **BASIS OF PREPARATION(CONT'D)**

(a) Standards, amendments and interpretations effective in 2010(cont'd)

IAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases. As a result of the reassessment, the Directors consider the leasehold land and land use right of the Group is classified as operating lease, which is consistent with prior year's treatment.

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

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

- IFRS 1 (Amendment), 'First time Adoption of International Financial Reporting Standards' (effective for annual periods beginning on or after 1 July 2011)
- IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2013)
- IAS 12 (Amendments), 'Deferred tax - Recovery of underlying assets' (effective for annual periods beginning on or after 1 January 2012)
- IAS 24 (Revised), 'Related party disclosures' (effective for annual periods beginning on or after 1 January 2011)
- IAS 32 (Amendment), 'Classification of rights issue' (effective for annual periods beginning on or after 1 February 2010)
- Amendment to IFRIC - Int 14, 'Prepayments of a minimum funding requirement' (effective for annual periods beginning on or after 1 January 2011)
- IFRIC - Int 19, 'Extinguishing financial liabilities with equity instruments' (effective for annual periods beginning on or after 1 July 2010)

b. BASIS OF PREPARATION(CONT'D)

(c) Business combinations under common control

On 20 October 2010, one subsidiary of the Company, Tong Ren Tang Chinese Medicine, entered into three equity transfer agreements with the Company, Beijing Tong Ren Tang Company Limited ("Parent Company" or "Tong Ren Tang Ltd.") and Beijing Tong Ren Tang International Co., Ltd. ("Tong Ren Tang International") respectively. Pursuant to which, Tong Ren Tang Chinese Medicine purchased interests in several overseas companies that previously held by aforementioned three companies.

Tong Ren Tang Ltd. and Tong Ren Tang International are under common controlled by the ultimate holding company of the Company. The purchase of interests from Tong Ren Tang Ltd. and Tong Ren Tang International (hereafter collectively referred to as the "Acquired Business") is regarded as business combinations under common control. Details of the relevant statements of adjustments for the common control combinations on the Group's financial position as at 31 December 2010 and 2009 and the Group's results for the years then ended are as follows:

	The Group before acquired business RMB'000	*Acquired business RMB'000*		*Adjustments RMB'000*	*Year ended 31 December 2010 RMB'000*
Year ended 31 December 2010					
Revenues	1,531,856	47,636	(i)	(578)	1,578,914
Profit before income tax	263,941	3,486	(i)	(205)	267,222
Profit for the year	223,831	1,464	(i)	(205)	225,090

b. BASIS OF PREPARATION(CONT'D)

(c) Business combinations under common control (cont'd)

	The Group before acquired business RMB'000	*Acquired business RMB'000*		*Adjustments RMB'000*	*Year ended 31 December 2010 RMB'000*
As at 31 December 2010					
ASSETS					
Non-current assets	471,558	4,482		-	476,040
Current assets	1,662,931	36,540	(i)	(339)	1,699,132
Total assets	2,134,489	41,022		(339)	2,175,172
EQUITY					
Capital and reserves					
Share capital	196,000	24,235	(ii)	(24,235)	196,000
Reserves	1,345,034	4,916	(ii)	13,067	1,363,017
	1,541,034	29,151		(11,168)	1,559,017
Non-controlling interests	166,671	-	(ii)	10,829	177,500
Total equity	1,707,705	29,151		(339)	1,736,517
LIABILITIES					
Non-current liabilities	30,235	53		-	30,288
Current liabilities	396,549	11,818		-	408,367
Total liabilities	426,784	11,871		-	438,655
Total equity and liabilities	2,134,489	41,022		(339)	2,175,172

b. BASIS OF PREPARATION(CONT'D)

(c) Business combinations under common control (cont'd)

	As previously stated RMB'000	*Acquired business RMB'000*		*Adjustments RMB'000*	*As restated RMB'000*
Year ended 31 December 2009					
Revenues	1,307,897	44,587	(i)	(282)	1,352,202
Profit before income tax	220,191	7,023	(i)	38	227,252
Profit for the year	183,923	6,158	(i)	38	190,119

	As previously stated RMB'000	*Acquired business RMB'000*		*Adjustments RMB'000*	*As restated RMB'000*
As at 31 December 2009					
ASSETS					
Non-current assets	461,597	5,452		-	467,049
Current assets	1,427,385	36,676	(i)	(143)	1,463,918
Total assets	1,888,982	42,128		(143)	1,930,967
EQUITY					
Capital and reserves					
Share capital	196,000	18,849	(ii)	(18,849)	196,000
Reserves	1,259,573	12,451	(ii)	8,771	1,280,795
	1,455,573	31,300		(10,078)	1,476,795
Non-controlling interests	134,467	-	(ii)	9,935	144,402
Total equity	1,590,040	31,300		(143)	1,621,197
LIABILITIES					
Non-current liabilities	16,093	11		-	16,104
Current liabilities	282,849	10,817		-	293,666
Total liabilities	298,942	10,828		-	309,770
Total equity and liabilities	1,888,982	42,128		(143)	1,930,967

b. BASIS OF PREPARATION(CONT'D)

(c) Business combinations under common control (cont'd)

Notes:

(i) Adjustments to eliminate the inter-group transactions for the year ended 31 December 2010 and 2009.

(ii) Adjustments to eliminate the investment costs, share capitals of the acquired business against reserves and non-controlling interests.

No other significant adjustments were made to the net assets and net profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

c. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Net realisable value of inventories

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

(ii) Estimated provision for impairment of receivables

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

(iii)Income taxes

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

d. REVENUE

	2010	*2009*
		(Restated)
	RMB'000	*RMB'000*
Sales of medicine		
- PRC Mainland	**1,449,593**	1,238,312
- Outside PRC Mainland	**117,656**	102,450
	1,567,249	1,340,762
Agency fee income for distribution services		
- Outside PRC Mainland	**11,665**	11,440
	1,578,914	1,352,202

e. FINANCE INCOME - NET

	2010	*2009*
		(Restated)
	RMB'000	*RMB'000*
Interest income on cash at bank and short-term bank deposits	**6,466**	4,367
Interest expenses on bank borrowings repayable within one year	**(721)**	(774)
Exchange losses	**(812)**	(37)
Finance income- net	**4,933**	3,556

f. PROFIT BEFORE INCOME TAX

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

	2010	*2009*
		(Restated)
	RMB'000	*RMB'000*
Raw materials and consumables used	**561,941**	530,166
Change in inventories of finished goods and work-in-progress	**(86,618)**	(100,913)
Employee benefit expense		
- Salary and wages	**151,237**	121,091
- Staff welfare	**21,566**	13,463
- Housing fund	**10,920**	10,167
- Contributions to retirement schemes	**30,870**	26,660
Depreciation of property, plant and equipment	**42,426**	46,050
Amortisation of prepaid operating lease payments	**1,186**	1,191
Amortisation of other long-term assets	**812**	710
Provision for impairment of inventories	**8,915**	7,786
(Reversal of provision)/provision for impairment of receivables	**(10,060)**	8,732
Provision for impairment of property, plant and equipment	**8,982**	-
Operating lease rental	**26,998**	23,675
Auditor's remuneration	**1,615**	1,616
Research and development costs	**11,889**	3,901
Advertising expenses	**69,362**	57,477
Loss/(gain) on disposal of property, plant and equipment	**147**	(180)
Recognition of government grants	**(2,796)**	(2,025)

g. 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% (2009: 25%). As of 31 December 2010 and 2009, the Company has obtained the HNTE certificate. Consequently, the applicable income tax rate of the Company in 2010 is 15% (2009: 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.

g. INCOME TAX EXPENSE (Cont'd)

Details of income tax during the year are as follows:

	2010	*2009*
		(Restated)
	RMB'000	*RMB'000*
Current PRC income tax expense	**34,664**	31,107
Current Overseas income tax expense	**10,856**	4,387
Deferred income tax expense	**(3,388)**	1,639
	42,132	37,133

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:

	2010	*2009*
		(Restated)
	RMB'000	*RMB'000*
Profit before income tax	**267,222**	227,252
Tax calculated at the PRC statutory income tax rate of 25% (2009: 25%)	**66,806**	56,813
Income not subject to tax	**(4,465)**	(1,602)
Expenses not deductible for tax purposes	**3,400**	5,189
Tax losses for which no deferred income tax asset was recognised	**306**	45
Effect of preferential income tax treatments	**(19,032)**	(20,089)
Effect of different applicable tax rates for certain subsidiaries and joint ventures	**(4,883)**	(3,223)
Income tax expense	**42,132**	37,133

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.

g. INCOME TAX EXPENSE (Cont'd)

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. The Directors are of opinion that such additional EIT liabilities are unlikely to arise.

h. DIVIDENDS

	2010	*2009*
	RMB'000	*RMB'000*
Cash dividends proposed	94,080	88,200
Other dividends proposed	392,000	-
Total dividends proposed	**486,080**	88,200

The cash dividends paid in 2010 and 2009 were RMB88,200,000 (RMB0.45 per share) and RMB78,400,000 (RMB0.40 per share) respectively. On 17 March 2011, the Board of Directors proposed a cash dividend of RMB0.48 per share (2009: RMB0.45 per share) for the year ended 31 December 2010, totaling RMB94,080,000 (2009: RMB88,200,000). The Board of Directors also proposed a bonus issue to all shareholders on the basis of 1 bonus share for every share, held by capitalization of retained earnings, and a separate bonus issue of shares on the basis of 1 share for every share by way of capitalization of the capital reserve, totaling RMB392,000,000 (2009: nil). The proposed dividend distribution is subject to the shareholders' approval at the Annual General Meeting in 2011. The dividend will be recorded in the Group's financial statements for the year ending 31 December 2011.

i. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately RMB198,342,000 (2009: RMB176,369,000) by the weighted average number of 196,000,000 shares (2009: 196,000,000 shares) in issue during the year.

The Company had no dilutive potential shares for the years ended 31 December 2010 and 2009.

	2010	*2009*
		(Restated)
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**198,342**	176,369
Weighted average number of ordinary shares in issue (thousands)	**196,000**	196,000
Earnings per share	**RMB1.01**	RMB0.90

j. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

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

The reportable operating segments derive their revenue primarily from the manufacture and sale of Chinese medicine and healthcare products 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 Board of Directors assesses the performance of the operating segments based on revenue and profit after income tax of each segment.

j. SEGMENT INFORMATION (Cont'd)

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2010 is as follows:

	The Company RMB'000	*Tong Ren Tang Chinese Medicine RMB'000*	*All other segments RMB'000*	*Total RMB'000*
Segment revenue	1,338,902	165,801	178,819	1,683,522
Inter-segment revenue	(6,166)	(2,645)	(95,797)	(104,608)
Revenue from external customers	1,332,736	163,156	83,022	1,578,914
Profit after income tax	168,656	54,267	2,167	225,090
Interest income	5,654	652	160	6,466
Interest expenses	(721)	-	-	(721)
Depreciation of property, plant and equipment	(30,909)	(7,133)	(4,384)	(42,426)
Amortisation of prepaid operating lease payments	(572)	(468)	(146)	(1,186)
Provision for impairment of inventory	(8,915)	-	-	(8,915)
Reversal of provision for impairment of receivables	10,060	-	-	10,060
Provision for impairment of property, plant and equipment	(8,982)	-	-	(8,982)
Income tax expense	(26,913)	(12,943)	(2,276)	(42,132)
Total assets	1,715,604	307,642	151,926	2,175,172
Total assets include:				
Additions to non-current assets (other than deferred tax assets)	19,228	39,647	3,758	62,633
Total liabilities	391,181	25,720	21,754	438,655

j. SEGMENT INFORMATION (Cont'd)

The segment information for the year ended 31 December 2009 is as follows:

(Restated)	*The Company RMB'000*	*Tong Ren Tang Chinese Medicine RMB'000*	*All other segments RMB'000*	*Total RMB'000*
Segment revenue	1,191,487	114,740	102,912	1,409,139
Inter-segment revenue	(2,833)	(2,582)	(51,522)	(56,937)
Revenue from external customers	1,188,654	112,158	51,390	1,352,202
Profit after income tax	157,656	29,809	2,654	190,119
Interest income	3,776	338	253	4,367
Interest expenses	(774)	-	-	(774)
Depreciation of property, plant and equipment	(35,158)	(6,546)	(4,346)	(46,050)
Amortisation of prepaid operating lease payments	(572)	(473)	(146)	(1,191)
Provision for impairment of inventory	(7,786)	-	-	(7,786)
Provision for impairment of receivables	(8,732)	-	-	(8,732)
Income tax expense	(28,636)	(7,137)	(1,360)	(37,133)
Total assets	1,541,905	250,132	138,930	1,930,967
Total assets include:				
Additions to non-current assets (other than deferred tax assets)	5,544	1,267	1,223	8,034
Total liabilities	273,209	20,389	16,172	309,770

During 2009, the Company did not disclose Tong Ren Tang Chinese Medicine as a reportable operating segment. However, after the acquisition refer to Note b(c), Tong Ren Tang Chinese Medicine qualifies as a reportable operating segment and, therefore, the comparatives are consistent in this regard.

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

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

j. 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 Noted.

The total of the non-current assets other than deferred income tax assets located in PRC Mainland is RMB 350,759,000 (2009: RMB343,135,000), and the total of these non-current assets located in other countries is RMB 115,535,000 (2009: RMB117,313,000).

k. TRADE AND BILLS RECEIVABLES, NET

	2010	*2009*
		(Restated)
	RMB'000	*RMB'000*
Trade and bills receivables	**175,316**	178,597
Less: provision for impairment of receivables	**(20,087)**	(30,147)
Trade and bills receivables, net	**155,229**	148,450

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

The Group normally grants a credit period ranging from 30 days to 120 days to its trade customers. As of 31 December 2010 and 2009, the ageing analysis of trade and bills receivables based on invoice date was as follows:

	2010	*2009*
		(Restated)
	RMB'000	*RMB'000*
Within 4 months	**133,250**	136,539
Over 4 months but within 1 year	**34,504**	32,628
Over 1 year but within 2 years	**1,323**	6,366
Over 2 years but within 3 years	**3,175**	1,180
Over 3 years	**3,064**	1,884
	175,316	178,597

k. TRADE AND BILLS RECEIVABLES, NET(Cont'd)

As of 31 December 2010, trade and bills receivables of RMB20,087,000 (2009: RMB30,147,000) 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:

	2010	*2009*
		(Restated)
	RMB'000	*RMB'000*
Within 4 months	**-**	2,475
Over 4 months	**20,087**	27,672
	20,087	30,147

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

	2010	*2009*
		(Restated)
	RMB'000	*RMB'000*
At 1 January	**30,147**	21,415
(Reversal of provision) / provision for impairment of receivables	**(10,060)**	8,732
At 31 December	**20,087**	30,147

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.

l. TRADE PAYABLES

As of 31 December 2010, the ageing analysis of trade payables based on invoice date was as follows:

	2010	*2009*
		(Restated)
	RMB'000	*RMB'000*
Within 4 months	**207,197**	147,047
Over 4 months but within 1 year	**4,896**	24,403
Over 1 year but within 2 years	**370**	4,820
	212,463	176,270

MOVEMENT IN 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 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
Balance as of 1 January 2010	355,309	153,027	45,455	102,043	589,552	1,245,386
Profit for the year	-	-	-	-	179,856	179,856
Dividends paid	-	-	-	-	(88,200)	(88,200)
Appropriation from retained earnings	-	17,606	-	-	(17,606)	-
Balance as of 31 December 2010	355,309	170,633	45,455	102,043	663,602	1,337,042

Note:

(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 RMB179,856,000 (2009: RMB157,572,000).

(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.

MOVEMENT IN RESERVES(Cont'd)

(c) Statutory reserves

The Company sets aside 10% of its net profit after income tax, before distribution of dividend to shareholders, as stated in the financial statements prepared under PRC accounting standards to the statutory surplus reserve fund. Approximately RMB17,606,000 (2009: RMB16,203,000), 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 2010.

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 since 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 g).

DIVIDENDS AND BONUS ISSUE

The Board proposed a cash dividend of RMB0.48 (including tax) per share to all shareholders in respect of the year ended 31 December 2010 (2009: RMB0.45 (including tax) per share) out of the audited undistributed profit kept at 31 December 2007. The Board also proposed a bonus share for each share (2009: Nil) and meanwhile proposed 1 bonus issue for each share held by way of capitalization of the capital reserve (2009: Nil). The proposed distribution scheme is subject to the approval at the annual general meeting in 2011. Cash 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 middle 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 which will be held on Friday, 13 May 2011.

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It is expected that the cash dividend and bonus shares will be paid to the shareholders whose names appear on the register of members of the Company on Friday, 13 June 2011. The register of Members will be closed from Wednesday, 13 April 2011 to Friday, 13 May 2011, during which period no transfer of shares of the Company will be affected. The further notice of the arrangement of these bonus issue will be made by the Company in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2010, the Company adhered to the strategies for sustainable development proposed by the Board of Directors to respond to the changing domestic and international economic environments and industry policies. According to the deployments for the "Year of Planning" put forward by the Board of Directors, the Company earnestly analyzed its strengths and weaknesses to plot out its blueprint in the context of the law of industry development and the trend of governmental policies. On the basis of steady development, the Company gradually improved its business structure, and maintained a balanced and healthy growth as a whole. For the year ended 31 December 2010, revenue of the Group amounted to RMB 1,578,914,000, representing an increase of 16.77% as compared with last year with RMB1,352,202,000 (restated); profit attributable to the shareholders of the Company amounted to RMB 198,342,000, representing an increase of 12.46% as compared with last year with RMB176,369,000 (restated).

SALES

In 2010, the Company focused on the build-up of product portfolios to explore the stronghold of end market, and leveraged on flexible terminal promotions based on strengthened management to adapt to the evolving market.

The Company further improved its sales network layout in 2010, with a focus on establishing strong presence in new regions while consolidating the existing market share. On one hand, purchase channels of dealers were regulated and retail prices of medicines were strictly executed, with efforts in increasing our product coverage while diversifying the product portfolios to minimise market risks from monotonous product lines. On the other hand, the Company further enhanced terminal construction, taking initiatives including gradual localisation of salesman, overall merchandising on end market, identifying difference marketing of emerging products, and various terminal promotions under a wide range of themed activities.

During the year, the Company laid stress on the balance between business growth and quality. Orders were undertaken based on comprehensive consideration of inventory structure, production capacity and market demand, so as to ensure the consistency of orders and market needs, reasonable inventory and the implementation of production schedule. In addition, the Company strengthened management on dealers. Focusing on rational structure of receivables and eligibility of dealers, the Company increased the assessment ratio of products operated by the dealers. Meanwhile, the assessment and incentive mechanism for employees was improved on the basis of survival of the fittest.

On overseas market, the environment for exports was still challenging for domestic enterprises due to the fallout of the financial crisis and volatile exchange rates. The Company continued to develop potential market while consolidating the existing market presence. In 2010, six products of the Company passed the HALAL certification of China Muslim Association. Thus, the Company had a total of 24 products with such certificates, laying a solid foundation for development of Muslim markets. In 2010, the export sales of the Company's products amounted to US$4,904,000, representing an increase of 10.18% over last year.

In 2010, the Company developed product-specific marketing strategies based on definite product positioning, and rolled out typical products for different seasons to continue 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 20 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 sales of Niuhuang Jiedu Tablets (牛黃解毒片) series grew by 10.81% as compared with last year. Ganmao Qingre Grannule (感冒清熱顆粒) series grew by 1.61% as compared with last year, while Liuwei Dihuang Pills (六味地黄丸) series dropped by 2.30% as compared with last year. There was a remarkable increase in some other product series including Jinkui Shenqi Pills (金匮肾气丸) series, Xihuang Pills (西黄丸) series, Jiawei Xiaoyao Pills (加味逍遥丸) series, Huoxiang Zhengqi Liquor (藿香正气水) series,which grew by more than 30% over the corresponding period last year.

PRODUCTION

The Company delivered medical products to the market in more than ten physical forms such as pill, tablet, granule, capsule and liquid in 2010. The Company redeployed its production bases according to the existing staffing, equipment, production layout and capacity, including renovation of certain workshops at Yizhuang Production Base and Liujiayao Production Base, which effectively reduced transfer of intermediate materials and improved continuity of production to exploit potential capacity. Meanwhile, modern assembly was advanced by equipment updating and upgrading, thereby cutting down labour costs while ensure product quality.

With the in-depth implementation of functions during the year, the Company's production bases were gradually transformed from single-type production bases to comprehensive bases integrating production and operation. On one hand, the production bases strictly observed consumption and loss indicators for raw materials, auxiliary materials and packaging materials which increased first pass yield of finished products, shortened production cycle and cut down production costs by various means. On the other hand, technological innovations including one-step moulding test for pills were promoted, laying a solid ground for future growth.

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)(the "Tongke"), which is located at Tongzhou District, Beijing, produces semi-finished goods for different forms of medicine of the Company from 2007. As at 31 December 2010, Tongke has a total investment of RMB 75 million, of which RMB 71.25 million was cumulatively contributed by the Company, representing 95% of the total investment; and RMB3.75 million was cumulatively contributed by Beijing NiuBaoTun Medicine Processing Factory (the "NiuBaoTun Medicine Processing Factory"), representing 5% of the total investment. In 2010, the semi-finished goods produced by Tongke effectively satisfied the production needs of the Company.

MANAGEMENT AND RESEARCH AND DEVELOPMENT

The Company further reinforced its fundamental management in all aspects in 2010. In respect of purchasing raw materials, we insisted upon choosing qualified suppliers with good reputations. Based on prudent analysis of market price trend, we built up inventory in advance at competitive purchase prices, which effectively controlled purchase cost.

To strengthen system construction, the Company formulated and improved "Marketing Management Measures", "Brand Management Measures" and "Quality Reward and Penalty Measures" in 2010. By defining procedures and authorities under such measures, the Company improved corporate management in a systematic and normalised way with strengthened control on subsidiaries. In the meantime, the Company continued to improve product quality standards. According to the requirements of pharmacopoeia, the Company revamped packages, instruction, tags and bottle labels for over 200 specifications of over 100 products, and standardised information for hundreds of raw materials and auxiliary materials to ensure product quality and safety.

On research and development, the Company streamlined and improved its research knowledge based on market survey, rooting in existing products and R&D strengths to accommodate the future development plan. Stresses were placed on medicines for anti-tumour, anti-virus, gynaecological and paediatric purpose to lay the ground for future development. Meanwhile, efforts were put in the second phase of scientific research, improvement in production technology and optimisation of production parameters, to pursue quality improvement technology for smooth production.

SALES NETWORK IN PRC MAINLAND

Beijing Tong Ren Tang Nansanhuan Zhonglu Drugstore Co., Limited (北京同仁堂南三環中路藥店有限公司) (the "Nansanhuan Zhonglu Drugstore") is a retail drugstore located at Nansanhuan Zhonglu, Fentai District, Beijing. In 2010, Nansanhuan Zhonglu Drugstore capitalised on the brand strength of "Tong Ren Tang" to give full play to its operational features. Sales revenue was boosted based on standard management in the principle combining top drugstore and quality medicines. A revenue of RMB 48,845,500 was recorded for the reporting period, representing an increase of 52.26% as compared with 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 2010, while participating in collecting and processing of Chinese medicinal raw materials, the Company's production bases further strengthened technological development and normalised quality standards to improve the quality of Chinese medicinal raw materials. Anhui Base was applying for two invention patents in relation to root bark of tree peony. Hebei Base has started the research programme regarding standardised plantation and seed breeding of isatis root (板藍根) and catnip (荊芥). Henan Base continued to strictly follow GAP requirements to superintend its production activities, which ensured raw material quality of cornel (山茱萸). In 2010, all of these Company's production bases for traditional Chinese medicinal raw materials achieved a sale revenue of RMB 83,562,900. Theses production bases played a key role in securing the supply and quality of Chinese medicinal raw materials required for the Company's products.

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

Tong Ren Tang WM was jointly established by the Company and WM Dianorm Biotech Co, Limited with a total investment of US$3,000,000 and is owned as to 60% by the Company. Since its establishment, Tong Ren Tang WM is committed to introducing liposome technology into modern Chinese medicine and its application in pharmaceuticals and cosmetics. Currently, the company's major products are skincare products. By reinforcing product development in 2010, Tong Ren Tang WM completed the upgrading of over 30 products, and launched four new varieties of gingko face and eye mask series as well as a number of cream products which diversified its product portfolios. In 2010, Tong Ren Tang WM generated total revenue of RMB 36,380,700.

Beijing Tong Ren Tang Chinese Medicine Company Limited ("TONG REN TANG Chinese Medicine")

Tong Ren Tang Chinese Medicine, which is located in Hong Kong, was jointly invested and established by the Company and Beijing Tong Ren Tang Company Limited ("Tong Ren Tang Ltd."). As at 31 December 2010, its total investment amounted to HK$201,430,000, of which HK$106,940,000 was contributed by the Company, representing 53.09%; and HK$94,490,000 was contributed by Tong Ren Tang Ltd., representing 46.91%. Tong Ren Tang Chinese Medicine is principally engaged in (1) development, production and sales of its own healthcare products; (2) distribution and retail of healthcare products and Chinese medicine through its overseas distribution network. Tong Ren Tang Chinese Medicine also provides overseas sales agency services for the Company and Tong Ren Tang Ltd.

Currently, Tong Ren Tang Chinese Medicine owns the production facilities for traditional Chinese medical products in Tai Po Industrial Estate in Hong Kong covering a GFA of over 10,000 square metres. It produces products in various forms including pill, tablet and granule under the manufacturer certificate of "Hong Kong Good Manufacturing Practice Guidelines for Proprietary Chinese Medicine" issued by the Chinese Medicine Trader Committee of Chinese Medicine Council of Hong Kong. Sporoderm-broken Ganoderma Lucidum Spores Powder Capsules (破壁靈芝孢子粉膠囊), the major product of Tong Ren Tang Chinese Medicine, was successfully launched in domestic and overseas markets and recorded desirable sales. Marine Collagen Peptide Tablet (海洋膠原蛋白肽片), a new healthcare product self developed by the company, was also launched in market in 2010. With the commitment to research and development, Tong Ren Tang Chinese Medicine continued to introduce new products while seeking to increase sales of existing products. It has self developed eight new healthcare products, and thus a proprietary product portfolio of healthcare products was taking shape.In 2010, Tong Ren Tang Chinese Medicine generated a total revenue of RMB 165,801,300, representing an increase of 44.47% over the corresponding period last year with RMB114,762,600 (restated), and the profit of RMB 54,267,500 representing an increase of 82.05% over the corresponding period last year with RMB29,808,900 (restated).

SALES NETWORK OUTSIDE PRC MAINLAND

In October 2010, the Company consolidated its overseas joint ventures through Tong Ren Tang Chinese Medicine to develop its overseas sales network. As the shareholders of Tong Ren Tang Chinese Medicine, the Company and Tong Ren Tang Ltd. made additional capital contributions to Tong Ren Tang Chinese Medicine with their interests in four joint ventures, namely Tong Ren Tang (Malaysia), Tong Ren Tang (Macau), Tong Ren Tang (Canada) and Tong Ren Tang (Indonesia), and interests in two joint ventures, namely Tong Ren Tang (Boryung) and Tong Ren Tang (Thailand), at a consideration of HKD18,854,163 and HKD8,489,200 respectively. After the additional contributions, the interests held by the Company in Tong Ren Tang Chinese Medicine increased from 51% to 53.09%. Meanwhile, Tong Ren Tang International, a subsidiary of Tong Ren Tang Holdings, transferred its interests in three joint ventures, namely Tong Ren Tang (Australia), Tong Ren Tang (Singapore) and Tong Ren Tang (Brunei), to Tong Ren Tang Chinese Medicine at a cash consideration of HKD17,382,623.

As of the end of the year, Tong Ren Tang Chinese Medicine had eleven joint ventures in ten countries and regions outside the PRC and the Hong Kong Special Administrative Region (the Macau Special Administrative Region, Malaysia, Canada, Indonesia, Korea, Thailand, Australia, Singapore, Brunei and Cambodia). Upholding the tradition of Beijing Tong Ren Tang and the combination of “illustrious brand”, “quality medicine” and “top doctors”, each joint venture conducted their medicine distribution operations and built up retail networks in their respect locations with positive performance. In 2010, Tong Ren Tang Chinese Medicine further explored the Hong Kong market by opening a flagship store in Central. Combining the diagnosis of an in-store doctor with medicine retail, the flagship store promoted both its products and its culture. To expand its market in North America, Tong Ren Tang Chinese Medicine opened a new shop in Toronto, Ontario, Canada, setting its foot in both the eastern and western North America. In 2010, the said eleven joint ventures achieved an aggregate sales revenue of RMB73,607,900, with a growth of 17.25% compared with that for the corresponding period of the previous year with RMB62,779,300 (restated).

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 2010, the Group had cash and cash equivalents amounted to RMB441,108,000 (31 December 2009(Restated): RMB379,926,000) and short-term borrowings of RMB15,000,000 (31 December 2009(Restated): RMB15,000,000). The borrowings carried an interest rate of 4.779% (31 December 2009(Restated): 4.779%) per annum.

As at 31 December 2010, the Group had total assets amounting to RMB2,175,172,000 (31 December 2009(Restated): RMB1,930,967,000). The funds comprised of non-current liabilities of RMB30,288,000 (31 December 2009(Restated): RMB16,104,000), current liabilities of RMB408,367,000 (31 December 2009(Restated): RMB 293,666,000), shareholders' equity of RMB1,559,017,000 (31 December 2009(Restated): RMB 1,476,795,000) and non-controlling interests of RMB177,500,000 (31 December 2009(Restated): RMB144,402,000).

Capital Structure

There has been no material change in the capital structure of the Group as at 31 December 2010 as compared with that as at 31 December 2009.

Gearing and liquidity ratios

As at 31 December 2010, the Group's gearing ratio, the ratio between total borrowings and shareholders' equity (excluding minority interests), was 0.01 (31 December 2009(Restated): 0.01). The Group's liquidity ratio, the ratio between current assets over current liabilities, was 4.16 (31 December 2009(Restated): 4.98), reflecting that the Group had abundant financial resources.

Charges over Group’s assets

As at 31 December 2010, none of the Group’s assets was pledged as security for liabilities (31 December 2009(Restated): Nil).

Contingent liabilities

Other than those disclosed in the Note g, the Group had no contingent liabilities as at 31 December 2010 (31 December 2009(Restated): Nil).

Capital commitments

At as 31 December 2010, the Group had the capital commitments related to constructions of production facilities which had been contracted for but not been reflected in the consolidated financial statements of the Group approximately RMB 6,602,000 (31 December 2009(Restated): RMB 237,000).

Employees and Remuneration Policies

As at 31 December 2010, the Company had 1,778 employees (31 December 2009: 1,751 employees). Remunerations are determined by reference to market terms and the performance, qualifications and experience of 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.

Future Prospects

In 2011, the Company will continue to adhere to the strategy of sustainable development, raise our efficiency relying on technology, explore new business horizons, innovate in our operating model and adjust our growth pattern to strive for a well-balanced development between economic scale and operating quality with pragmatic and scientific planning so as to build a leading, strong and large-scale group. The major objectives for the Company in 2011 are as follows:

1. Fostering a Comprehensive Product Portfolio and Promoting the "Tong Ren Tang" Brand

The Company will continue to develop its end markets and speed up its expansion into potential markets by leveraging on its branding edge. Supported by its diversified products, the Company will accelerate the building up of a comprehensive product portfolio to satisfy the needs of different regions. The Company will also continue to enrich its overseas sales product portfolio. Efforts will be made to analyze relevant policies and laws and regulations in different countries and facilitate product registration in these overseas markets so as to spread the "Tong Ren Tang" brand, promote Chinese herbal medicine culture and expand the influence of the Company, its brand and Chinese herbal medicine.

2. Promoting the Modernization of Chinese Medicine and Securing Future Development

The Company carries out its research and development on Chinese medicine based on the theory and practice of Chinese herbal medicine adopting modern science and technologies. With an aim to penetrate into and cooperate with different subjects and fields as well as explore an innovative development mode, the Company will proactively strengthen its research on Chinese medicine, redevelop existing products, focus on the research of effective components of Chinese medicine and improve research and production of new varieties of Chinese medicine, applying modern testing and analysis methodologies.

3. Pursuing the core business, expanding the field and Developing Group Operation

Adhering to the concept of healthy, harmonious and leap-forward development, the Company will continue to expand and optimize its business segments, such as the manufacturing and sale of Chinese Patent Medicines and healthcare products, overseas distribution, Chinese medicine cosmetics and Chinese pharmaceutical raw materials production. Subsidiaries are encouraged to continuously develop and improve their strengths in their respective fields so as to become a new growth driver to support the sustainable development of the Group in the future.

OTHER INFORMATION

COMPETING INTERESTS

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

Both of the Company and Tong Ren Tang Ltd. engage in the production of Chinese patent medicines, but the principal products of each of these companies are different. Tong Ren Tang Ltd. mainly produces Chinese patent medicines in traditional Chinese medicine forms such as honeyed pills, powder, ointment and medicinal wines. Tong Ren Tang Ltd.'s main products include Kunbao Pills (坤寶丸), Tongren Wuji Baifeng Pills (同仁烏雞白鳳丸), Tongren Dahuoluo Pills (同仁大活絡丸), Guogong Wine (國公酒) and Angong Niuhuang Pills (安宮牛黃丸). It also has some minor production lines for the production of granules and pills. These products do not compete with the Group in terms of their curative effects. The Company focuses on manufacturing products in new medicine forms. The Company's main products include Liuwei Dihuang Pills (六味地黄丸), Niuhuang Jiedu Tablet(牛黄解毒片), Ganmao Qingre Granule (感冒清热颗粒), Jinkui Shenqi Pills (金匮肾气丸) and Shengmai Liquor(生脉饮)etc. Tong Ren Tang Holding is an investment holding company and is not involved in the production of Chinese patent medicines. Neither Tong Ren Tang Ltd. nor Tong Ren Tang Group intends to inject its Chinese medicines business into the Company in the future.

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.

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

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 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 among the independent non-executive Directors, a reputable person in the traditional Chinese medicinal sector will determine whether to exercise the right of first refusal granted by Tong Ren Tang Holdings or Tong Ren Tang Ltd. In the event that the Company refuses the right of first refusal offered by Tong Ren Tang Ltd. and/or Tong Ren Tang Holdings, the terms of the option to be offered to an independent third party should not be more favourable than those originally offered to the Company. Failing which the Company should be given an opportunity to re-consider the option under the new terms. The above undertaking would no longer be valid in the event that the direct or indirect aggregate shareholdings of Tong Ren Tang Holdings or Tong Ren Tang Ltd. in the Company falls below 30%.

The Company and the independent non-executive Directors of the Company have confirmed upon the review: during the year 2010, Tong Ren Tang Ltd. and Tong Ren Tang Holdings have provided all information necessary for the annual review by the independent non-executive Directors and their compliance with the non-competition undertaking. Tong Ren Tang Ltd. and Tong Ren Tang Holdings have fulfilled their undertakings on the provision of relevant pre-emptive rights on their existing or future competing businesses. Tong Ren Tang Ltd. and Tong Ren Tang Holdings have made annual declarations on compliance with the non-competition undertaking. For details, please refer to the annual report of the Company.

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 2010, the Company complied with all the code provisions set out in Appendix 14 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange(the "Listing Rules") and Appendix 15 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange(the "GEM Listing Rules").

AUDIT COMMITTEE

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 2010, the audit committee has conducted two meetings in the year. The first meeting was held on 15 March 2010 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 2009 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 4 August 2010 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 2010 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 9 March 2011 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 2010 and to listen to the advice provided by auditors. The Committee concurred in the contents of the annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

PUBLICATION OF ANNUAL RESULT ANNOUNCEMENT AND ANNUAL REPORT

The results announcement will be published on the company's website (www.tongrentangkj.com) and the Stock Exchange website (www.hkex.com.hk). The Company sent the 2010 Annual Report to shareholders in due course contains all information required by the Listing Rules, and will publish on the in the Company and the Stock Exchange website.

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

Beijing, the PRC,
17 March 2011

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