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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 2011

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 2011 for shareholders' review.

RESULTS OF THE YEAR

For the year ended 31 December 2011, the Group's revenue amounted to RMB1,936,418,000, representing an increase of 22.64% from RMB1,578,914,000 in the corresponding period of last year; profit attributable to owners of the Company amounted to RMB254,687,000, representing an increase of 28.64% from RMB197,978,000 as restated in the corresponding period of last year.

REVIEW OF THE YEAR

2011 was the year when the medical and healthcare system reform of the PRC was brought about in full swing, and marked the beginning of China's 12th Five-Year Plan for the development of the pharmaceutical industry. As the new medical and healthcare reform was promoted in an all-round way and deepened continuously, medical and healthcare expenses accounted for an increasing proportion of the total government expenditure. The restructuring and reallocation of China's medical and healthcare resources favored the Chinese medicine industry and provided it with the momentum for further growth. Meanwhile, the standardization of the pharmaceutical industry was strengthened, as evident by the implementation of the new GMP guidance and the electronic monitoring of products on the National Essential Medicine List. However, the developed economies of the world resorted to budget-cuts in 2011 in face of the sovereign debt crisis which put a severe drag on global economy growth again since the 2008 financial crisis. In addition, the nature of Chinese medicine raw materials is prone to environmental changes which cause frequent price fluctuations. The highflying CPI index in domestic market also led to an increase in the operating cost of traditional Chinese medicine enterprises.

2011 was key to the Company in integrating the Group's various businesses. During the year, insisting in its belief in sustainable development, the Company has maintained an open mind while acting in prudence, and accumulated experience while moving with restraint. In order to achieve our goals of "specialization, scalability and integration", the Company led the close cooperation between various departments and the coordination between different production bases, mapped out a comprehensive strategy, fanned out the successful experience of a few to the entire company, and rolled out, step-by-step, the differentiated operation of our major products without jeopardizing the stable development of the Group. The Company also amended and perfected its various quality standards to better reflect its status as a well-established, century-long brand. By carrying out special tasks and key projects, the Company succeeded in realizing an overall stable and healthy growth.

OUTLOOK AND PROSPECTS

The possible deterioration of the European sovereign debt crisis in 2012 overshadows the economic recovery in Europe even in a global scale. Considering the increasingly limited means in which the macroeconomic policies of the world can be coordinated, the global economy will likely maintain minimal growth and the growth of the emerging economies will also shift to a lower gear. Meanwhile, the inflationary pressures of global shall continue to remain. Looking forward, the Traditional Chinese Medicine industry will be seeing tremendous opportunities as a result of the government's emphasis on its development and the advance of the new medical reform policies, which are favorable to the industry. The State's enforcement of price ceilings to pharmaceutical products and the centralization of pharmaceutical product procurement shall take industry concentration to a new level. As such, pharmaceutical enterprises shall attach greater importance in the maintenance and improvement of their brand images. A healthy brand image has always been indicative of the core competitiveness of an enterprise and the result of stable product quality over a lengthy period. Thus, maintaining such image is the only way the Group can gain a decided edge over rivals in a competitive market and occupy a high ground in the long-term development of the industry.

2012 will be a critical year for the Company to ride its momentum. I shall, together with our entire staff, stimulate thoughts and ideas, lay the bricks for our stable development, optimize our administrative structure, facilitate the development of our subsidiaries, and realize an "integrated" operation through "specialization" and "scalability".

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 aiming for good performance and creating value for our shareholders.

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

Beijing, the PRC
16 March 2012

ANNUAL RESULTS

The Board of Directors 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 2011, together with the comparative figures of 2010, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	***2011*** ***RMB'000***	*2010* *(Restated)* *RMB'000*
Revenue	*d*	**1,936,418**	1,578,914
Cost of sales		**(998,926)**	(817,470)
Gross profit		**937,492**	761,444
Distribution costs		**(402,221)**	(352,797)
Administrative expenses		**(184,859)**	(146,398)
Other losses - net	*e*	**(17,958)**	-
Operating profit		**332,454**	262,249
Finance income - net	*f*	**4,781**	4,933
Share of loss of an associate		**(1,338)**	(388)
Profit before income tax	*g*	**335,897**	266,794
Income tax expense	*h*	**(54,444)**	(42,068)
Profit for the year		**281,453**	224,726
Profit attributable to:			
Owners of the Company		**254,687**	197,978
Non-controlling interests		**26,766**	26,748
		281,453	224,726
Earnings per share for profit attributable to owners of the Company during the year	*j*		
- Basic		**RMB 0.43**	RMB 0.34
- Diluted		**RMB 0.43**	RMB 0.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011	*2010*
		(Restated)
	RMB'000	*RMB'000*
Profit for the year	**281,453**	224,726
Other comprehensive expense:		
Foreign currency translation differences	**(13,355)**	(1,651)
Other comprehensive expense for the year, net of tax	**(13,355)**	(1,651)
Total comprehensive income for the year	**268,098**	223,075
Attributable to:		
Owners of the Company	**248,176**	197,948
Non-controlling interests	**19,922**	25,127
Total comprehensive income for the year	**268,098**	223,075

CONSOLIDATED BALANCE SHEET

	Note	*As at 31 December* ***2011*** ***RMB'000***	*2010* *(Restated)* *RMB'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**143,879**	45,841
Property, plant and equipment		**434,341**	392,582
Investment in an associate		**1,554**	2,892
Prepayments		**-**	29,048
Deferred income tax assets		**18,901**	9,056
Other long-term assets		**293**	531
		598,968	479,950
Current assets			
Inventories		**1,328,034**	957,134
Trade and bills receivables, net	*l*	**142,857**	155,229
Amounts due from related parties		**16,701**	18,871
Prepayments and other current assets		**50,217**	30,261
Short-term bank deposits		**9,407**	96,529
Cash and cash equivalents		**671,695**	441,108
		2,218,911	1,699,132
Total assets		**2,817,879**	2,179,082

CONSOLIDATED BALANCE SHEET (CONT'D)

	Note	*As at 31 December* ***2011*** ***RMB'000***	*2010* *(Restated)* *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**588,000**	196,000
Reserves			
- Proposed final dividends	*i*	**111,720**	486,080
- Other reserves		**1,019,168**	880,847
		1,718,888	1,562,927
Non-controlling interests		**220,182**	177,500
Total equity		**1,939,070**	1,740,427
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**5,139**	5,251
Deferred income – government grants		**52,185**	25,037
		57,324	30,288
Current liabilities			
Trade payables	*m*	**466,483**	212,463
Salary and welfare payables		**3,574**	5,117
Advances from customers		**86,194**	48,999
Amounts due to related parties		**37,092**	17,380
Current income tax liabilities		**19,804**	12,018
Accrued expenses and other current liabilities		**83,338**	97,390
Short-term borrowings		**125,000**	15,000
		821,485	408,367
Total liabilities		**878,809**	438,655
Total equity and liabilities		**2,817,879**	2,179,082
Net current assets		**1,397,426**	1,290,765
Total assets less current liabilities		**1,996,394**	1,770,715

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 Growth Enterprise Market (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 31 October 2000. On 9 July 2010, the Company transferred the listing from GEM to the Main Board of the Hong Kong Stock Exchange. 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 2011

- Amendment to IFRS 1, Limited exemption from comparative IFRS 7 disclosures for first-time adopters
- IAS 24 (Revised), 'Related party disclosures'
- IAS 32 (Amendment), 'Classification of rights issue'
- Amendment to IFRIC - Int 14, 'Prepayments of a minimum funding requirement'
- IFRIC - Int 19, 'Extinguishing financial liabilities with equity instruments'
- IASB's annual improvements project published in May 2010
  - IFRS 1 (Amendment), 'First time Adoption of International Financial Reporting Standards'
  - IFRS 3 (Amendment), 'Business combinations'
  - IFRS 7 (Amendment), "Financial instruments: Disclosures"
  - IAS 1 (Amendment), "Presentation of financial statements"
  - IAS 27 (Amendment), 'Consolidated and separate financial statements'
  - IAS 34 (Amendment), "Interim financial reporting"
  - IFRIC - Int 13 (Amendment), "Customer loyalty programmes"

b. BASIS OF PREPARATION (CONT'D)

(a) Standards, amendments and interpretations effective in 2011 (cont'd)

The International Accounting Standards Board ("IASB") issued the amendment to Appendix D of IFRS 1 "First-time Adoption of International Financial Reporting Standards" in May 2010. With this amendment, a first-time adopter ("FTA") may elect to use event-driven (such as privatisation or initial public offering) fair values under previous accounting standards as its deemed costs under International Financial Reporting Standards ("IFRS"), provided that the revaluation took place at periods before or during the FTA's first set of IFRS financial statements. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011.

The amendment can be applied by existing IFRS preparers retrospectively in the first annual period after the amendment is effective.

The Group had established a deemed cost in accordance with Chinese Accounting Standards and Interpretations ("CAS") for assets and liabilities by measuring them at fair values during the privatization in 2000. Those revaluation surplus were reversed under IFRS, causing a GAAP difference.

In order to eliminate this GAAP difference of the financial information prepared under CAS and IFRS, the Group has adopted the IFRS 1 (Amendment) from 1 January 2011 and has applied it retrospectively.

Details of the adjustment for adoption of amendment to IFRS 1 on the Group's financial position as at 31 December 2011 and 2010 and the Group's results for the years then ended are set out in Note n.

IAS 24 (Revised), 'Related party disclosures' (effective 1 January 2011). The amendment introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship; the nature and amount of any individually-significant transactions; and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party. The Group has adopted this amendment and simplified the disclosures for related party transactions and balances with government-related entities .

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

b. BASIS OF PREPARATION (CONT'D)

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

- IFRS 1 (Amendment), Severe hyperinflation and removal of fixed dates for first-time adopters (effective for annual periods beginning on or after 1 July 2011)
- IFRS 7 (Amendment), "Disclosures – Transfers of financial assets' (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 2015)
- IFRS 10, 'Consolidated financial statements' (effective for annual periods beginning on or after 1 January 2013)
- IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013)
- IFRS 12, 'Disclosure of interests in other entities' (effective for annual periods beginning on or after 1 January 2013)
- IFRS 13, 'Fair value measurements' (effective for annual periods beginning on or after 1 January 2013)
- IAS 1 (Amendment), 'Presentation of financial statements' (effective for annual periods beginning on or after 1 July 2012)
- IAS 12 (Amendment), 'Deferred tax - Recovery of underlying assets' (effective for annual periods beginning on or after 1 January 2012)
- IAS 19 (Amendment), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013)

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

	2011	*2010*
	RMB'000	*RMB'000*
Sales of medicine		
- PRC Mainland	**1,744,805**	1,449,593
- Outside PRC Mainland	**174,062**	117,656
	1,918,867	1,567,249
Agency fee income for distribution services		
- Outside PRC Mainland	**17,551**	11,665
	1,936,418	1,578,914

e. OTHER LOSSES - NET

	2011	*2010*
	RMB'000	*RMB'000*
Cost incurred for an intended listing of a subsidiary transfer out from reserve	**3,512**	-
Cost incurred for an intended listing of a subsidiary during current year	**16,427**	-
Gain on business combination (Note o)	**(1,981)**	-
	17,958	-

f. FINANCE INCOME - NET

	2011	*2010*
	RMB'000	*RMB'000*
Interest income on cash at bank and short-term bank deposits	**9,431**	6,466
Interest expenses on bank borrowings repayable within one year	**(4,281)**	(721)
Exchange losses	**(369)**	(812)
Finance income- net	**4,781**	4,933

g. PROFIT BEFORE INCOME TAX

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

	2011	*2010*
		(Restated)
	RMB'000	*RMB'000*
Raw materials and consumables used	**796,346**	561,941
Change in inventories of finished goods and work-in-progress	**(242,143)**	(86,618)
Employee benefit expense		
- Salary and wages	**190,672**	151,237
- Staff welfare	**25,989**	21,566
- Housing fund	**11,671**	10,920
- Contributions to retirement schemes	**36,403**	30,870
Depreciation of property, plant and equipment	**39,022**	42,838
Amortisation of prepaid operating lease payments	**1,887**	1,186
Amortisation of other long-term assets	**238**	812
Provision for impairment of inventories	**14,764**	8,915
Reversal of provision for impairment of receivables	**(4,487)**	(10,060)
Provision for impairment of property, plant and equipment	**4,501**	8,982
Provision for impairment of non-current prepayment	**5,440**	-
Operating lease rental	**47,036**	26,998
Auditor's remuneration – Audit services	**1,825**	1,615
Research and development costs	**10,490**	11,889
Advertising expenses	**58,082**	69,362
Loss on disposal of property, plant and equipment	**473**	163
Recognition of government grants	**(846)**	(2,796)
Cost incurred for an intended listing of a subsidiary transfer out from reserve	**3,512**	-
Cost incurred for an intended listing of a subsidiary during current year	**16,427**	-

h. INCOME TAX EXPENSE

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, enterprises with a High/New Technology Enterprise ("**HNTE**") status are able to enjoy a preferential tax rate of 15%. For the entities without the HNTE status, the PRC income tax rate is 25% (2010: 25%). As of 31 December 2011 and 2010, the Company has obtained the HNTE certificate. Consequently, the applicable income tax rate of the Company in 2011 is 15% (2010: 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:

	2011	*2010*
		(Restated)
	RMB'000	*RMB'000*
Current PRC income tax expense	**43,984**	34,664
Current Overseas income tax expense	**21,013**	10,856
Deferred income tax expense	**(10,553)**	(3,452)
	54,444	42,068

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:

	2011	*2010*
		(Restated)
	RMB'000	*RMB'000*
Profit before income tax	**335,897**	266,794
Tax calculated at the PRC statutory income tax rate of 25% (2010: 25%)	**83,974**	66,699
Income not subject to tax	**(4,464)**	(4,465)
Expenses not deductible for tax purposes	**8,584**	3,400
Tax losses for which no deferred income tax asset was recognised	**1,389**	306
Effect of preferential income tax treatments	**(25,917)**	(18,989)
Effect of different applicable tax rates for certain subsidiaries and joint ventures	**(9,122)**	(4,883)
Income tax expense	**54,444**	42,068

i. DIVIDENDS

	2011	*2010*
	RMB'000	*RMB'000*
Cash dividends proposed by the Board of Directors	**111,720**	94,080
Bonus shares proposed by the Board of Directors	**-**	196,000
Bonus issue of shares proposed, by way of capitalization of the capital reserve by the Board of Directors	**-**	196,000
Total dividends proposed by the Board of Directors	**111,720**	486,080

The cash dividends paid in 2011 and 2010 were RMB94,080,000 (RMB0.48 (including tax) per share based on 196,000,000 shares) and RMB88,200,000 (RMB0.45 (including tax) per share based on 196,000,000 shares) respectively.

On 16 March 2012, the Board of Directors proposed a cash dividend for the year ended 31 December 2011 of RMB0.19 (including tax) per share based on 588,000,000 shares, totaling approximately RMB111,720,000 (2010:RMB94,080,000). The cash dividends per share would be RMB0.57 (2010:RMB0.48) including tax if based on 196,000,000 shares as at 31 December 2010.

The proposed dividend distribution is subject to the shareholders' approval at the 2011 annual general meeting to be held in 2012. The dividend will be recorded in the Group's financial statements for the year ending 31 December 2012.

j. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately RMB254,687,000 (2010: RMB197,978,000 as restated) by the weighted average number of 588,000,000 shares (2010: 588,000,000 shares) in issue during the year.

The Company had no dilutive potential shares for the years ended 31 December 2011 and 2010.

	2011	*2010*
		(Restated)
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**254,687**	197,978
Weighted average number of ordinary shares in issue (thousands)	**588,000**	588,000
Earnings per share	**RMB0.43**	RMB0.34

On 20 May 2011, the Company distributed the bonus issue to all shareholders on the basis of 2 bonus shares for every share, thus the total shares issued increased from 196,000,000 to 588,000,000. Because the bonus issue was without consideration, the Company treated it as if it had occurred on 1 January 2010 and calculated earnings per share based on 588,000,000 shares after the issuance of bonus shares. If it was calculated based on 196,000,000 shares before the issuance of bonus shares, the earnings per share of 2011 would be RMB1.30 (2010: RMB1.01).

k. SEGMENT INFORMATION

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

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

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

k. SEGMENT INFORMATION (Cont'd)

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

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

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2011 is as follows:

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

k. SEGMENT INFORMATION (Cont'd)

The segment information for the year ended 31 December 2010 is as follows:

(Restated)	The Company	Tong Ren Tang Chinese Medicine	All other segments	Total
	RMB'000	RMB'000	RMB'000	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	168,292	54,267	2,167	224,726
Interest income	5,654	652	160	6,466
Interest expenses	(721)	-	-	(721)
Depreciation of property, plant and equipment	(30,556)	(7,133)	(5,149)	(42,838)
Amortisation of prepaid operating lease payments	(572)	(468)	(146)	(1,186)
Provision for impairment of inventories	(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	(26,849)	(12,943)	(2,276)	(42,068)
Total assets	1,719,514	307,642	151,926	2,179,082
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

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.

k. 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 d.

The total of the non-current assets other than deferred income tax assets located in PRC Mainland is RMB476,235,000 (2010: RMB355,359,000 as restated), and the total of these non-current assets located in other countries is RMB103,832,000 (2010: RMB115,535,000).

l. TRADE AND BILLS RECEIVABLES, NET

	2011	*2010*
	RMB'000	*RMB'000*
Trade and bills receivables	**158,457**	175,316
Less: provision for impairment of receivables	**(15,600)**	(20,087)
Trade and bills receivables, net	**142,857**	155,229

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 2011 and 2010, the ageing analysis of trade and bills receivables based on invoice date was as follows:

	2011	*2010*
	RMB'000	*RMB'000*
Within 4 months	**114,786**	133,250
Over 4 months but within 1 year	**36,038**	34,504
Over 1 year but within 2 years	**81**	1,323
Over 2 years but within 3 years	**1,313**	3,175
Over 3 years	**6,239**	3,064
	158,457	175,316

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

As of 31 December 2011, trade and bills receivables of RMB15,600,000 (2010: RMB20,087,000) 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:

	2011	*2010*
	RMB'000	*RMB'000*
Over 4 months	**15,600**	20,087

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

	2011	*2010*
	RMB'000	*RMB'000*
At 1 January	**20,087**	30,147
Reversal of provision for impairment of receivables	**(4,487)**	(10,060)
At 31 December	**15,600**	20,087

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

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

m. TRADE PAYABLES

As of 31 December 2011, the ageing analysis of trade payables based on invoice date was as follows:

	2011	*2010*
	RMB'000	*RMB'000*
Within 4 months	**425,078**	207,197
Over 4 months but within 1 year	**40,542**	4,896
Over 1 year but within 2 years	**863**	370
	466,483	212,463

n. ADJUSTMENT FOR ADOPTION OF AMENDMENT TO IFRS 1

The Group adopts amendment to IFRS 1 as mentioned in Note b.

Statements of adjustments for adoption of amendment to IFRS 1 on the consolidation balance sheets as at 31 December 2011 and 2010 and the Group's results for the years then ended are summarised as follows:

	The Group before Adoption of amendment to IFRS 1	*Adjustment for Adoption of amendment to IFRS 1*	*Year ended 31 December 2011*
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2011			
Revenues	1,936,418	-	1,936,418
Profit before income tax	336,120	(223)	335,897
Profit for the year	281,643	(190)	281,453

n. ADJUSTMENT FOR ADOPTION OF AMENDMENT TO IFRS 1 (CONT'D)

	The Group before Adoption of amendment to IFRS 1	*Adjustment for Adoption of amendment to IFRS 1*	*As at 31 December 2011*
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2011			
ASSETS			
Property, plant and equipment	429,964	4,377	434,341
Deferred income tax assets	19,558	(657)	18,901
Other non-current assets	145,726	-	145,726
Non-current assets	595,248	3,720	598,968
Current assets	2,218,911	-	2,218,911
Total assets	2,814,159	3,720	2,817,879
EQUITY			
Capital and reserves			
Share capital	588,000	-	588,000
Reserves	1,127,168	3,720	1,130,888
	1,715,168	3,720	1,718,888
Non-controlling interests	220,182	-	220,182
Total equity	1,935,350	3,720	1,939,070
LIABILITIES			
Non-current liabilities	57,324	-	57,324
Current liabilities	821,485	-	821,485
Total liabilities	878,809	-	878,809
Total equity and liabilities	2,814,159	3,720	2,817,879

	As previously stated	*Adjustment for Adoption of amendment to IFRS 1*	*As restated*
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2010			
Revenues	1,578,914	-	1,578,914
Profit before income tax	267,222	(428)	266,794
Profit for the year	225,090	(364)	224,726

n. ADJUSTMENT FOR ADOPTION OF AMENDMENT TO IFRS 1 (CONT'D)

	As previously stated RMB'000	*Adjustment for Adoption of amendment to IFRS 1 RMB'000*	*As restated RMB'000*
As at 31 December 2010			
ASSETS			
Property, plant and equipment	387,982	4,600	392,582
Deferred income tax assets	9,746	(690)	9,056
Other non-current assets	78,312	-	78,312
Non-current assets	476,040	3,910	479,950
Current assets	1,699,132	-	1,699,132
Total assets	2,175,172	3,910	2,179,082
EQUITY			
Capital and reserves			
Share capital	196,000	-	196,000
Reserves	1,363,017	3,910	1,366,927
	1,559,017	3,910	1,562,927
Non-controlling interests	177,500	-	177,500
Total equity	1,736,517	3,910	1,740,427
LIABILITIES			
Non-current liabilities	30,288	-	30,288
Current liabilities	408,367	-	408,367
Total liabilities	438,655	-	438,655
Total equity and liabilities	2,175,172	3,910	2,179,082

o. BUSINESS COMBINATION

The Company has held 60% equity interest in Beijing Tong Ren Tang WM Dianorm Biotech Co., Limited ("**Tong Ren Tang WM**") since 20 February 2001. On 1 November 2011, the articles of association of Tong Ren Tang WM was amended. The joint venturer has given up the joint control power due to the change of business focus. As a result, the Company has obtained the control over the financial and operating policies of Tong Ren Tang WM. Tong Ren Tang WM has changed its status from a joint venture to a subsidiary of the Company. The Group consolidated the results of Tong Ren Tang WM from 1 November 2011 onwards.

The Group has held 51% equity interest in Beijing Tong Ren Tang (Macau) Company Limited ("**Tong Ren Tang Macau**") since 14 May 2003. On 29 November 2011, the articles of association of Tong Ren Tang Macau were amended. The joint venturers have given up the joint control power due to the change of business focus. As a result, the Group has obtained the control over the financial and operating policies of Tong Ren Tang Macau. Tong Ren Tang Macau has changed its status from a joint venture to a subsidiary of the Group. The Group consolidated the results of Tong Ren Tang Macau from 29 November 2011 onwards.

The Group has obtained control of Tong Ren Tang WM and Tong Ren Tang Macau without any cash consideration. The carrying value of the Group's interest in Tong Ren Tang WM and Tong Ren Tang Macau immediately before the acquisition date was RMB25,491,000. The fair value of the identified net assets of Tong Ren Tang WM and Tong Ren Tang Macau shared by the Group at the acquisition date was RMB27,472,000. As a result, a gain on business combination arose.

The following table summarises the gain on business combination, fair value of the assets and liabilities acquired and non-controlling interest at the acquisition date.

o. BUSINESS COMBINATION (CONT'D)

	Tong Ren Tang WM At 1 November 2011	*Tong Ren Tang Macau At 29 November 2011*	*Total*
	RMB'000	*RMB'000*	*RMB'000*
Total consideration			
Fair value of equity interest held before the business combination	19,294	8,178	27,472
Fair value of net assets			
Cash and bank balance	28,240	11,345	39,585
Property, plant and equipment	1,299	356	1,655
Inventories	12,369	13,855	26,224
Trade and other receivables	2,717	214	2,931
Trade and other payables	(12,468)	(9,139)	(21,607)
Deferred income tax liabilities	-	(596)	(596)
Total identifiable net assets	32,157	16,035	48,192
Non-controlling interest	(12,863)	(7,857)	(20,720)
Fair value of net assets acquired	19,294	8,178	27,472
Carrying amount of interest originally held by the Group as joint ventures	19,294	6,197	25,491
Gain on business combination	-	1,981	1,981

The Group recognised a gain of RMB1,981,000 as a result of measuring at fair value its 51% equity interest in Tong Ren Tang Macau held before the business combination. The gain is included in "other loss-net" of the Group's consolidated income statement for the year ended 31 December 2011.

The revenue included in the consolidated income statement since the respective acquisition dates contributed by Tong Ren Tang WM and Tong Ren Tang Macau was RMB7,092,000, Tong Ren Tang WM and Tong Ren Tang Macau also contributed profit of RMB662,000 over the same period.

Had Tong Ren Tang WM and Tong Ren Tang Macau been consolidated from 1 January 2011, the consolidated income statement would show revenue of RMB1,961,585,000 and profit of RMB285,919,000.

MOVEMENT IN RESERVES

	The Company					
	Capital reserve (Note(b))	Statutory surplus reserve fund (Note(c))	Statutory public welfare fund (Note(c))	Tax reserve (Note(d))	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of 1 January 2010, as previously stated	355,309	153,027	45,455	102,043	589,552	1,245,386
Adjustment for Adoption of amendment to IFRS 1 (Note n)	15,835	-	-	-	(11,561)	4,274
Balance as of 1 January 2010, as restated	371,144	153,027	45,455	102,043	577,991	1,249,660
Profit for the year	-	-	-	-	179,492	179,492
Dividends paid to shareholders of the Company of 2009	-	-	-	-	(88,200)	(88,200)
Appropriation from retained earnings	-	17,606	-	-	(17,606)	-
Balance as of 31 December 2010	371,144	170,633	45,455	102,043	651,677	1,340,952
Balance as of 1 January 2011, as previously stated	355,309	170,633	45,455	102,043	663,602	1,337,042
Adjustment for Adoption of amendment to IFRS 1 (Note n)	15,835	-	-	-	(11,925)	3,910
Balance as of 1 January 2011, as restated	371,144	170,633	45,455	102,043	651,677	1,340,952
Profit for the year	-	-	-	-	229,189	229,189
Dividends paid to shareholders of the Company of 2010	(196,000)	-	-	-	(290,080)	(486,080)
Appropriation from retained earnings	-	22,648	-	-	(22,648)	-
Balance as of 31 December 2011	175,144	193,281	45,455	102,043	568,138	1,084,061

Note:

(a) Profit attributable to owners of the Company

The profit attributable to owners of the Company in the financial statements of the Company is RMB229,189,000 (2010: RMB179,492,000).

(b) Capital reserve

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

MOVEMENT IN RESERVES (Cont'd)

(c) Statutory reserves

The Company sets aside 10% of its net profit after income tax, before distribution of dividend to shareholders, as stated in the financial statements prepared under PRC accounting standards to the statutory surplus reserve fund. Approximately RMB22,648,000 (2010: RMB17,606,000), 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 2011.

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

(d) Tax reserve

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

DIVIDENDS

The Board of Directors proposed a final dividend of RMB0.19 (including tax) per share for the year ended 31 December 2011 (2010: RMB0.48 (including tax) per share) based on the issued and fully paid share capital of 588,000,000 shares (2010: 196,000,000 shares), totalling RMB111,720,000 (2010: RMB94,080,000). The proposed dividend distribution is subject to the approval at the 2011 annual general meeting of the Company to be held in 2012, will be presented in the financial statements of the Group for the year ending 31 December 2012. Dividend payable to the shareholders of H shares will be paid in Hong Kong Dollars ("HKD"). The exchange rate between RMB and HKD shall be ascertained on the basis of the average of the middle exchange rates as published by the People’s Bank of China for the five trading days prior to the date of the annual general meeting.

An announcement containing the record date and the period of closure of register of members for attending the 2011 annual general meeting of the Company to be held in 2012 and for receiving the proposed final dividend for the year ended 31 December 2011, will be published separately upon the date of the 2011 annual general meeting of the Company to be held in 2012 is determined.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2011, the Company executed its overall strategy of "strengthening our foundation and optimizing our management" amidst the changing internal and external economic environment and shifting industry policies. The Company employed a pragmatic approach and was united to bring in innovation and progress and was successful in building on a positive and sustainable momentum for development. For the year ended 31 December 2011, revenue of the Group amounted to RMB1,936,418,000, representing an increase of 22.64% from RMB1,578,914,000 in the corresponding period of last year; profit attributable to owners of the Company amounted to RMB254,687,000, representing an increase of 28.64% from RMB197,978,000 as restated in the corresponding period of last year.

SALES

In 2011, the Company further diversified its product portfolio, expanded and streamlined its sales network, explored its potential, enhanced its control and management, and attained a balanced overall growth.

In 2011, the Company made adjustments and supplements its existing sales strategy in accordance with the evolving market conditions, to coordinate the marketing of products, the establishment of sales channels, and the development of end market. On one hand, the Company was in active search for resourceful dealers in the end market and in the medical industry to engage in the establishment of our sales network in full force, while forging long-term strategic cooperation with dominant dealers. This allowed the Company to facilitate the growth of new sales channels as well as strengthening its original sales channels. On the other hand, the Company enhanced the development of the end market and increased its retail market share. The Company focused on products promotion, co-operated with local media and public welfare organizations to promote local sales, relied on various forms of promotional campaigns such as themed activities and free medical consultation services to assist the stable development of the end market.

During the year, the Company continued to improve its operating efficiency, keep away operational risks, enhance market surveillance, stabilize the price of major products and impose order in the market. Its emphasis on the quality of receivables and steady cash flows guaranteed an efficient operation with controllable risks. Meanwhile, the Company stepped up its efforts in encouraging our sales team to gain and cultivate their professional attitude and skills as well as inciting their initiative in order to improve their marketing techniques and capacity to innovate.

In 2011, the Company clearly defined the positioning of our products further. Differentiated sales were conducted which emphasized the distinctiveness of different major products and regions. The product portfolio of medicine for reducing internal heat, cold and nutritional supplements were enriched. During the year, the Company produced and sold more than one hundred kinds of products, of which 21 products achieved total sales of more than RMB10 million; and 17 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 Liuwei Dihuang Pills (六味地黄丸) series grew by 18.52% as compared with last year. Ganmao Qingre Grannule (感冒清熱顆粒) series grew by 13.76% as compared with last year, while Niuhuang Jiedu Tablets (牛黃解毒片) series maintained stable sales 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, Shengmai Liquor (生脉饮) series, Jiawei Xiaoyao Pills (加味逍遥丸) series, Shugan Hewei Pills (舒肝和胃丸) series, which grew by more than 20% over the corresponding period last year.

In overseas markets, the slowdown of the global economic recovery and the continued appreciation of RMB in 2011 resulted in a downward slopping movement of Chinese export after an initial rise in the beginning of the year, also bringing along substantial risks and challenges for the Company’s export business. In face of the increasingly difficult external business environment and to tackle the impact exerted by the changes therein, the Company optimized its product portfolio intended for export, the market structure and regional restructure so as to improve our capacity to maintain the sustainability of our exports. In 2011, the export sales of the Company’s products amounted to US$5,914,000, representing an increase of 20.60% over last year.

PRODUCTION

In 2011, the Company delivered medical products to the market in more than ten forms including pills, tablets, granules, capsules and liquid. During the year, taking into consideration of our future development scale and managerial needs, the Company implemented a branch factory system, The transformation of our production bases from simple manufacturing facilities to branch factories which are responsible for their own production management. Each branch factory is redesigning the division of labor, developing its organizational and personnel placement structure, and streamlining its workflow and management system according to the new manufacturing system. Furthermore, the manage team of branch factories improved their overall management capability innovatively. They established assessment and incentive mechanisms and extended the mechanism of branch personnel dispatched; we reinvented human resources management by nurturing multi-talented staff; we attained technological innovation by modifying and modernizing our technologies and production processes. As such, the Company laid a solid groundwork for its “integration”.

During the year, in response to the electronic monitoring requirement implemented by the State Food and Drug Administration in relation to the pharmaceutical products included in the National Essential Medicine List, the Company imposed stricter electronic monitoring and upgraded the relevant information systems. It has also perfected the electronic labeling and identification system and developed an electronic tracking system to trace certain selected pharmaceutical products. Furthermore, the Company focused on improving the automation level of our facilities and put in substantial effort in breaking the production bottleneck of our large honeyed pills production line by acquiring a number of wax dipping machine and peeling machine after successfully modifying the single-forming production process of our small pills, effectively improved our production efficiency and drove down cost.

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 medicine of the Company from 2007. As at 31 December 2011, 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 (“**NiuBaoTun Medicine Processing Factory**”), representing 5% of the total investment. In 2011, 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 management in 2011. In respect of the frequent fluctuations of Chinese medicinal raw materials’ price, the Company kept track of market changes, analyzed the causes of the price surges and price drops. The Company formulated a comprehensive plan in advance which factored in the number of sales orders and the Company’s production plan as well as kept a reasonable reserve, so as to minimize procurement costs. Moreover, the Company conducted investigations on its list of suppliers regularly to review their reputation and the quality of goods provided, and also refined the reviewing standards and strengthened its quality control and supervision of the suppliers.

In 2011, the Company tackled special tasks by adopting a special task management model. The successful experience was fanned out to the entire company, which boosted execution power and management efficiency in a company-wide manner. This management model has become an effective means for the Company to execute its key projects, and received the 1st price of “Innovative Modern Enterprise Management in Award” in Beijing. In addition, with the implementation of both the electronic monitoring code and the new GMP guidance, the Company was able to complete its quality management systems, refine the quality standards and normalize quality management in accordance with the standards worthy of a century-old brand. During the year, the Company passed the re-examination for certification issued by the Therapeutic Goods Administration in Australia.

In respect of R&D, the Company took incremental steps to enhance its research capability, placed equal emphasis on R&D as well as the application of technological breakthroughs. The Company engaged in the research of quality standards and specificity successively to provide technical support to the product sales. Besides, the Company strives for result transformation by putting ideas into reality and serving the production needs. During the year, the Company has been recognised again as innovation company.

SALES NETWORK IN MAINLAND CHINA

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 2011, Nansanhuan Zhonglu Drugstore gave full play to its featured operations. Adhering to the operating direction of "establishing itself as a top-notch drugstore selling quality medicines", Nansanhuan Zhonglu Drugstore secured a foothold for long term development and enhanced its quality of services in pursuit of strengthening values of brands. Nansanhuan Zhonglu Drugstore realized a revenue of RMB 59,755,500 for the reporting period, representing an increase of 22.34% 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 2011, the Chinese medicinal raw materials production bases of the Company participated in producing, collecting and processing of Chinese medicinal raw materials. Capitalizing on the favorable government policies, Anhui Base cooperated with Peony Research Institute of Tongling City (銅陵市牡丹研究所) in carrying out the comprehensive program addressing preventive measures and recommended cures of peony diseases. The program had also been recognized by Anhui Food and Drug Administration and Supervision Bureau (安徽省食品藥品監督管理局) as an Anhui Medicinal Project(皖藥行動項目). Yanbian Base joined hands with the economic channel of Yanbian Satellite TV in promoting itself as well as the corporate culture of Tong Ren Tang. Moreover, Hebei Base proactively participated in the projects in connection with optimization and upgrade of standardized planting bases of local Chinese medicinal raw materials in Northern China and the comprehensive research and development of series of products. Hebei Base also collaborated with Tangshan Normal University in developing projects of standardized planting bases of isatis root (板藍根) and bupleurum sinense(北柴胡) and relevant research on optimization and upgrade of SOP projects. In 2011, all of these Company's production bases for traditional Chinese medicinal raw materials achieved a sale revenue of RMB 111,773,700, representing an increase of 33.76% as compared with last year. Theses production bases played a key role in securing the supply and quality of Chinese medicinal raw materials required for the Company's products.

TONG REN TANG WM

Tong Ren Tang WM was jointly established by the Company and WM Dianorm Biotech Co., Limited with a total investment of US$3 million and is owned as to 60% by the Company. Since its establishment, Tong Ren Tang WM is committed to introducing liposome technology into modern Chinese medicine and promoting its application in pharmaceuticals and cosmetics with a wide range of product offerings, such as lotion, cream, facial and eye masks and liposome skincare products. Tong Ren Tang WM forged ahead with its roll-out of new products during the year, with a total of 9 products, including herbal makeup remover, multi-functional blemish balm cream (BB Cream), herbal moisturizing spray, being launched. In 2011, Tong Ren Tang WM generated a total revenue of RMB 39,407,600, representing an increase of 8.32% as compared with last year.

TONG REN TANG CHINESE MEDICINE/ OVERSEAS SALES NETWORK

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 2011, its total investment amounted to HK$201,430,000, of which HK$106,940,000 was contributed by the Company, representing 53.09% of the total investment; and HK$94,490,000 was contributed by Tong Ren Tang Ltd., representing 46.91% of the total investment. Tong Ren Tang Chinese Medicine is principally engaged in (1) distribution and retail of Chinese medicine through its overseas distribution network; (2) providing overseas sales agency services for the Company and Tong Ren Tang Ltd.; (3) development, production and sales of its own products.

Currently, Tong Ren Tang Chinese Medicine owns the production facilities for traditional Chinese medical products in Tai Po Industrial Estate in the Hong Kong Special Administrative Region ("**Hong Kong**") covering a gross floor area of over 10,000 square metres. It produces products in various forms including pills and capsules 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 into domestic and overseas markets and recorded desirable sales. With its corporate positioning as the overseas culture messenger of Tong Ren Tang, upholding the core value of Tong Ren Tang culture and tapping into the organic essence of Chinese traditional culture, Chinese medicine health preserving culture, Tong Ren Tang historic and diversity of overseas culture, Tong Ren Tang Chinese Medicine strengthened the construction of overseas sales network by setting up new sales terminal with a view to establishing and optimizing its distribution network. During the year, Tong Ren Tang Chinese Medicine established Beijing Tong Ren Tang (Dubai) Company Limited (北京同仁堂(迪拜)有限公司) in Dubai, United Arab Emirates ("**UAE**") and set up some new Chinese medicine stores in Hong Kong and the Macau Special Administrative Region ("**Macau**"). The move further expanded its market share and generated satisfactory social benefits and economic benefits.

As at the end of 2011, Tong Ren Tang Chinese Medicine had established twelve joint ventures in eleven countries and regions outside the PRC and Hong Kong (Macau, Malaysia, Canada, Indonesia, Korea, Thailand, Australia, Singapore, Brunei, Cambodia and United Arab Emirates). 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 2011, the said twelve joint ventures achieved an aggregate sales revenue of RMB 94,504,600, representing a growth of 28.39% as compared with RMB 73,607,900 for the corresponding period of the previous year.

In 2011, Tong Ren Tang Chinese Medicine generated a total revenue of RMB 234,302,500, representing an increase of 41.32% from RMB 165,801,300 in the corresponding period of last year.

FINANCIAL REVIEW

Liquidity and Financial Resources

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

As at 31 December 2011, the Group had cash and cash equivalents amounted to RMB671,695,000 (31 December 2010: RMB441,108,000) and short-term borrowings of RMB125,000,000 (31 December 2010: RMB15,000,000). The borrowings carried an interest rate of 6.459% (31 December 2010: 4.779%) per annum.

As at 31 December 2011, the Group had total assets amounting to RMB2,817,879,000 (31 December 2010(Restated): RMB2,179,082,000). The funds comprised of non-current liabilities of RMB57,324,000 (31 December 2010: RMB30,288,000), current liabilities of RMB821,485,000 (31 December 2010: RMB 408,367,000), shareholders’ equity of RMB1,718,888,000 (31 December 2010(Restated): RMB 1,562,927,000) and non-controlling interests of RMB220,182,000 (31 December 2010 : RMB177,500,000).

Capital Structure

Details of changes in the capital structure of the Group as at 31 December 2011 as compared with that as at 31 December 2010 are set out as follows:

	2011		2010	
	Number of shares	Nominal value	Number of shares	Nominal value
		RMB'000		RMB'000
Registered	588,000,000	588,000	196,000,000	196,000
Issued and fully paid				
- Domestic shares with a par value of RMB1 per share	326,040,000	326,040	108,680,000	108,680
- H shares with a par value of RMB1 per share	261,960,000	261,960	87,320,000	87,320
	588,000,000	588,000	196,000,000	196,000

	2011			2010		
	Domestic shares	H shares	Total	Domestic shares	H shares	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	108,680	87,320	196,000	108,680	87,320	196,000
Issuance of bonus shares	217,360	174,640	392,000	-	-	-
At 31 December	326,040	261,960	588,000	108,680	87,320	196,000

On 20 May 2011, the Company distributed the bonus issue to all shareholders on the basis of 2 bonus share for every share.

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

Gearing and liquidity ratios

As at 31 December 2011, the Group's gearing ratio, the ratio between total borrowings and shareholders' equity (excluding non-controlling interests), was 0.07 (31 December 2010 (Restated): 0.01). The Group's liquidity ratio, the ratio between current assets over current liabilities, was 2.70 (31 December 2010: 4.16), reflecting that the Group had flourishing financial resources.

Charges over Group's assets

As at 31 December 2011, none of the Group's assets was pledged as security for liabilities (31 December 2010: Nil).

Contingent liabilities

The Group had no contingent liabilities as at 31 December 2011 (31 December 2010: Nil).

Capital commitments

At as 31 December 2011, 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 RMB21,287,000 (31 December 2010: RMB 6,602,000).

Employees and Remuneration Policies

As at 31 December 2011, the Company had 1,827 employees (31 December 2010: 1,778 employees). Remunerations are determined with 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 2012, adhering to its development direction of “pursuing specialization, scalability, and integrated group operation”, the Company will take every opportunity to realize stable development, further broaden its development mindset, innovate development pattern and enhance development quality so as to support sustainable business growth of Tong Ren Tang, aiming at building a leading, strong and large-scale group. The major objectives for the Company in 2012 are as follows:

1. ***Fostering the Construction of Comprehensive Product Portfolio and Sharpening Brand Images to Achieve Specialized Operation***

Capitalizing on the development trend of medicine industry especially the Chinese medicine industry, the Company will set a clear direction in line with its market orientation and actual conditions as well as broaden its business mindset so as to promote specialized business positioning of subsidiaries, specialized model for distribution channels, specialized management of research and development and specialized staff training. Through such initiatives, the Company will further optimize the operational structure and focus on its core business in a bid to enhance its core competitiveness and further reinforce the leading position and dominance of the Company in the Chinese medicine industry.

2. ***Forging the construction of production bases and Promoting Operating Productivity to Achieve Scale Benefits***

The Company will establish new production base and pre-processing and logistic. The new bases will be planed and designed in accordance with the growing capacity requirements. The new bases will maximize the capacity by actively carrying out the new equipment, application of new technologies in the production process and optimizing the process route design. The company also will strengthen the management and organization of the project construction. The Internal Audit Department will audit and oversee the whole process of project construction and maintain a comprehensive control over the progress, quality and costs. Furthermore, the Company will strengthen the implementation of “branch system” and consolidate the industrial basis, seeking for an optimized industrial layout and production of scale.

3. ***Optimizing System Construction and Facilitating Transformation of Functions to Promote Group Operation***

The Company will strive to optimize its system construction. With strengthened process control and system reform, the Company will continue to innovate and strengthen its fundamental management and avoid potential risks through regulated, organized and standardized management and the implementation of “branch system”. In particular, the Company will materialize the transformation of functions among departments and divisions, thus gearing into efficient group operation with special focus on the planning, management, services and supervision from the model of horizontal management. Meanwhile, efforts will be put in strengthening the organizational construction and assessment system at the basic level to pursue healthy growth and integrated group operation.

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

To ensure that the business classification between the Company, Tong Ren Tang Holdings and Tong Ren Tang Ltd. 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 (安宫牛黄丸), Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries will not produce in future any products that bear the same names or bear the same names with different forms as those pharmaceutical products produced by the Company, and that may compete directly with those pharmaceutical products of the Company.

The Directors consider that as Angong Niuhuang Pills (安宫牛黄丸) only represents a small percentage of the Company's turnover and is not one of the major forms of medicine for development by the Company, the Company will continue to manufacture and sell Angong Niuhuang Pills (安宫牛黄丸). Save as mentioned herein, the Directors confirm that none of the products of the Company is in competition with Tong Ren Tang Ltd. or Tong Ren Tang Holdings.

Right of first refusal

To procure that the Company focuses on the development of the four major forms of products (namely granules, 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 fall below 30%.

The Company and the independent non-executive Directors have confirmed upon the review: during the year 2011, Tong Ren Tang Ltd. and Tong Ren Tang Holdings have provided all information necessary for the annual review by the independent non-executive Directors and their compliance with the October Undertaking. Tong Ren Tang Ltd. and Tong Ren Tang Holdings have fulfilled their undertakings on the provision of relevant right of first refusal on their existing or future competing businesses. Tong Ren Tang Ltd. and Tong Ren Tang Holdings have made annual declarations on compliance with the October Undertaking. For details, please refer to the 2011 annual report of the Company.

CORPORATE GOVERNANCE REPORT

The Board of Directors believes that a good and steady framework of corporate governance is extremely important for the development of the Company. For the year ended 31 December 2011, the Company complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**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, of which Mr. Ting Leung Huel, Stephen, the Chairman of the Committee, possesses appropriate professional qualification and financial experience.

During the year of 2011, the audit committee had conducted two meetings. The first meeting was held on 9 March 2011 to review and discuss the operating results, financial position, major accounting policies in respect of the audited financial statements of the Company for the year ended 31 December 2010, as well as matters in relation to risk management, legal compliance and internal audit, and to listen to the result of audit by the auditors. The committee concluded the meeting with agreement to the contents of the relevant annual report. The second meeting was held on 11 August 2011 to review and discuss the operating results, financial position and major accounting policies in respect of the unaudited financial statements of the Company for the six months ended 30 June 2011, as well as matters in relation to risk management, legal compliance and internal audit. The committee concluded the meeting with agreement to the contents of the relevant interim report.

The audit committee held a meeting on 13 March 2012 to review and discuss the operating results, financial position, major accounting policies in respect of the audited financial statements of the Company for the year ended 31 December 2011, as well as matters in relation to risk management, legal compliance and internal audit, and to listen to the result of audit by the auditors. The Committee concurred in the contents of the relevant annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During 2011, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement will be published on the company's website (www.tongrentangkj.com) and the Hong Kong Stock Exchange website (www.hkex.com.hk). The Company will dispatch the 2011 Annual Report containing all information as required by the Listing Rules to the shareholders in due course, and will publish the same on the websites of the Company and the Hong Kong Stock Exchange.

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

Beijing, the PRC
16 March 2012

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. Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan as independent non-executive Directors.