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Tong Ren Tang Technologies Co. Ltd.

北京同仁堂科技发展股份有限公司

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

(Stock Code: 1666)

ANNUAL RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of Tong Ren Tang Technologies Co. Ltd. (the “**Company**”) and its subsidiaries (hereafter collectively referred to as the “**Group**”) for the year ended 31 December 2013 (the “**Reporting Period**”) for shareholders' review.

Results of the Year

For the year ended 31 December 2013, the Group's revenue amounted to RMB2,910,749,000, representing an increase of 19.34% from RMB2,439,002,000 (Restated) for the corresponding period of last year; the Group's net profit amounted to RMB503,163,000, representing an increase of 25.93% from RMB399,548,000 (Restated) for the corresponding period of last year; net profit attributable to the owners of the Company amounted to RMB390,093,000, representing an increase of 18.15% from RMB330,180,000 (Restated) for the corresponding period of last year.

Review of the Year

The traditional Chinese medicine industry maintained a continuous growth momentum in 2013, benefiting from continuous government supports to the pharmaceutical industry, especially the traditional Chinese medicine sector, as well as the increasingly strengthened healthcare awareness and recognition of the unique effects of traditional Chinese medicines on the hand of body adaptation and disease prevention. However, global economy showed imbalances in the aftermath of the international financial crisis, characterized by slow recovery in developed economies as well as differentiated paces of development in emerging economies. China is calling for transformation and reforms, as its original economic growth model could hardly sustain. In addition, the Chinese pharmaceutical industry has entered a fast-changing and risky era, featuring an industry-wide reshuffling as a result of the uncompromising stringent implementation of the GMP (the “Good Manufacturing Practice”) and the GSP (the “Good Supplying Practice”) among other domestic pharmaceutical policies with increasing impact on the industry, as well as the continuous high prices of traditional Chinese medicinal raw materials coupled with the hiking labor costs and transportation .

Looking back to the past year, we have taken an even-handed approach focusing both on short-term and long-term development of the Group and made prudent and decisive choices. During the year, the Company completed the placing of 52,392,000 new H shares successfully and further expanded the shareholder base of the Company, so as to bolster and fuel its future business development; and Beijing Tong Ren Tang Chinese Medicine Company Limited (“**Tong Ren Tang Chinese Medicine**”), a subsidiary of the Company was listed on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”), marking a milestone to extend its footprint from Hong Kong to the overseas and set sights on the globe. In addition, we listen to the voice of shareholders with an open mind and dedicate ourselves to operate with progressive reforms and pragmatic improvements, so as to carry forward structural changes and steer the Group into a full-fledged and steady stage. The Group is marching with a more reasonable product mix, increasing scale of product portfolio and healthy growth of subsidiaries.

Outlook and Prospects

Looking ahead, given the potentially greater volatility and uncertainty in global and Chinese economies and the domestic pharmaceutical policy environment, we must acknowledge that the Chinese pharmaceutical industry is faced with unprecedented challenges. Nevertheless, we are fearless since a change usually implies new opportunities and hope. We shall push forward improvements, proactively cultivate and retain talents, and continue the construction of production bases if necessary, so as to further pursue the upgrades in business quality and core competitiveness. The Company will also exert itself together with its vibrant subsidiaries to explore the greater growth potential of the Group. We will also fulfill our social responsibility through energy conservation and carbon reduction practices, with a priority to environmental protection while pursuing growths. We will adhere to the core value that has been a hallmark of Tong Ren Tang, carrying forward the heritage of ancestors to contribute to the wellbeing of posterities as a precursor continuously leading in the Chinese medicine culture.

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

FINANCIAL INFORMATION

The Board is pleased to announce the audited consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet of the Group for the year ended 31 December 2013, together with the comparative figures of 2012, as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<u>2013</u> <i>RMB'000</i>	<u>2012</u> <i>RMB'000</i> (Restated)
Revenue	<i>d</i>	2,910,749	2,439,002
Cost of sales		<u>(1,469,455)</u>	<u>(1,202,432)</u>
Gross profit		1,441,294	1,236,570
Distribution expenses		(582,346)	(551,917)
Administrative expenses		(244,034)	(198,347)
Other losses - net	<i>e</i>	<u>(8,428)</u>	<u>(9,096)</u>
Operating profit		606,486	477,210
Finance income		12,887	8,874
Finance costs		<u>(22,954)</u>	<u>(8,158)</u>
Finance (costs)/income - net	<i>f</i>	(10,067)	716
Share of (losses)/profits of joint ventures		(555)	3,349
Share of loss of an associate		<u>(753)</u>	<u>(801)</u>
Profit before income tax	<i>g</i>	595,111	480,474
Income tax expense	<i>h</i>	<u>(91,948)</u>	<u>(80,926)</u>
Profit for the year		<u>503,163</u>	<u>399,548</u>
Profit attributable to:			
Owners of the Company		390,093	330,180
Non-controlling interests		<u>113,070</u>	<u>69,368</u>
		<u>503,163</u>	<u>399,548</u>
Earnings per share for profit attributable to owners of the Company during the year	<i>j</i>		
- Basic		<u>RMB 0.65</u>	<u>RMB 0.56</u>
- Diluted		<u>RMB 0.65</u>	<u>RMB 0.56</u>
Dividend	<i>i</i>	<u>160,098</u>	<u>147,000</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(Restated)</i>
Profit for the year	503,163	399,548
Other comprehensive (expense)/ income :		
<i>Items that may be reclassified to profit or loss</i>		
Foreign currency translation differences	<u>(25,733)</u>	<u>2,062</u>
Other comprehensive (expense)/ income for the year, net of tax	<u>(25,733)</u>	<u>2,062</u>
Total comprehensive income for the year	<u>477,430</u>	<u>401,610</u>
Attributable to:		
Owners of the Company	382,883	331,115
Non-controlling interests	<u>94,547</u>	<u>70,495</u>
Total comprehensive income for the year	<u>477,430</u>	<u>401,610</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	As at 1 January
	Note	2013	2012
		RMB'000	RMB'000
			(Restated)
			(Restated)
Assets			
Non-current assets			
Leasehold land and land use rights		137,693	140,961
Property, plant and equipment		656,030	509,132
Investments in joint ventures		13,353	21,018
Investment in an associate		-	753
Deposits paid for purchase of property, plant and equipment		12,454	8,297
Deferred income tax assets		14,051	13,372
Other long-term assets		2,273	2,487
		835,854	696,020
Current assets			
Inventories		1,511,016	1,411,851
Trade and bills receivables, net	1	244,807	152,447
Amounts due from related parties		78,253	12,833
Prepayments and other current assets		111,353	65,360
Short-term bank deposits		398,990	5,977
Cash and cash equivalents		1,967,919	835,183
		4,312,338	2,483,651
Total assets		5,148,192	3,179,671

CONSOLIDATED BALANCE SHEET (CONT'D)

		<i>As at 31 December</i>		<i>As at 1 January</i>
	<i>Note</i>	2013	2012	2012
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Restated)</i>	<i>(Restated)</i>
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital	<i>n</i>	640,392	588,000	588,000
Reserves	<i>o</i>			
- Proposed final dividend	<i>i</i>	160,098	147,000	111,720
- Other reserves		2,456,787	1,202,607	1,020,728
		3,257,277	1,937,607	1,720,448
Non-controlling interests		751,340	289,718	221,681
Total equity		4,008,617	2,227,325	1,942,129
Liabilities				
Non-current liabilities				
Borrowings		39,310	-	-
Deferred income tax liabilities		3,340	3,094	5,099
Deferred income – government grants		75,567	54,238	52,185
		118,217	57,332	57,284
Current liabilities				
Trade payables	<i>m</i>	360,744	388,364	472,637
Salary and welfare payables		14,796	6,442	3,534
Advances from customers		179,885	117,766	89,841
Amounts due to related parties		83,192	22,109	34,552
Current income tax liabilities		24,849	13,631	19,231
Other payables		202,892	221,702	85,165
Borrowings		155,000	125,000	125,000
		1,021,358	895,014	829,960
Total liabilities		1,139,575	952,346	887,244
Total equity and liabilities		5,148,192	3,179,671	2,829,373
Net current assets		3,290,980	1,588,637	1,384,312
Total assets less current liabilities		4,126,834	2,284,657	1,999,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

a. GENERAL INFORMATION

The Company was incorporated as a joint stock limited company in Beijing, the People's 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 of the Hong Kong Stock Exchange. The ultimate holding company of the Company is China Beijing Tong Ren Tang Group Co., Ltd. (“**Tong Ren Tang Holdings**”), which was incorporated in Beijing, the PRC.

b. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial 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 2013

- Amendment to IFRS 1 'First time adoption', on government loans
- Amendment to IFRS 7 'Financial instruments: Disclosures' on asset and liability offsetting
- IFRS 10 'Consolidated financial statements'
- IFRS 11 'Joint arrangements'
- IFRS 12 'Disclosure of interests in other entities'
- Amendment to IFRSs 10, 11 and 12 on transition guidance
- IFRS 13 'Fair value measurements'
- Amendment to IAS 1, 'Financial statements presentation' regarding other comprehensive income
- Amendment to IAS 19, 'Employee benefits'
- IAS 27 (revised 2011), 'Separate financial statements'
- IAS 28 (revised 2011), 'Associates and joint ventures'
- IFRIC - Int 20 'Stripping costs in the production phase of a surface mine'
- Annual improvements 2011
- Annual improvement 2012 – Amendment to IFRS 13, 'Fair value measurement'
- Annual improvement 2013 – Amendment to IFRS1, 'First time adoption'

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

b. BASIS OF PREPARATION (CONT'D)

(a) Standards, amendments and interpretations effective in 2013 (Cont'd)

Other than as further explained below regarding the impact of IAS 28 (Revised 2011), the adoption of the new and revised standards and amendments to standards does not have any significant financial effect on these consolidated financial statements.

The Group has adopted the amendment in IAS 28 (revised 2011) "Associates and joint ventures" since 1 January 2013. The accounting of the Group's investment in joint ventures changed from proportionate consolidation to equity method of accounting. The Group has adopted this amendment retrospectively and the consolidated balance sheet at 1 January 2012 and 31 December 2012 and the consolidated income statement for the year ended 31 December 2012 have been restated to reflect the effect of adoption of this amendment. The effects of adoption are disclosed as follows.

Effect on consolidated balance sheet

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Increase/(decrease)</i>			
ASSETS			
Property, plant and equipment	(8,222)	(9,562)	(2,422)
Investment in joint ventures	13,353	21,018	17,617
Deferred income tax assets	-	(73)	(147)
Inventories	(3,889)	(5,876)	(4,733)
Trade and bills receivables, net	(27)	(42)	(193)
Amounts due from related parties	-	-	(26)
Prepayments and other current assets	(780)	(2,518)	(880)
Short-term bank deposits	-	(2,785)	-
Cash and cash equivalents	(7,908)	(9,717)	(14,593)
Total assets	<u>(7,473)</u>	<u>(9,555)</u>	<u>(5,377)</u>
LIABILITIES			
Deferred income tax liabilities	(140)	(147)	(40)
Trade payables	(624)	(1,320)	(1,111)
Salary and welfare payables	-	(174)	(40)
Advances from customers	(2)	(83)	(52)
Amounts due to related parties	(760)	(1,642)	(2,540)
Current income tax liabilities	(865)	(763)	(617)
Other payables	(1,921)	(1,748)	(977)
Short-term borrowings	(3,161)	(3,678)	-
Total liabilities	<u>(7,473)</u>	<u>(9,555)</u>	<u>(5,377)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

b. BASIS OF PREPARATION (CONT'D)

Effect on consolidated income statement

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Increase/(decrease)</i>		
Revenue	(14,513)	(20,859)
Cost of sales	(6,573)	(8,892)
Distribution expenses	(4,781)	(7,154)
Administrative expenses	(2,815)	(1,076)
Finance income-net	(27)	(250)
Share of losses/profits of joint ventures	555	3,349
Income tax expense	(926)	(638)
Profit for the year	-	-

Effect on consolidated statement of cash flows

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Increase/(decrease)</i>		
Operating activities cash flows	(1,147)	(1,543)
Investing activities cash flows	3,974	10,231
Financing activities cash flows	577	(3,678)
Net increase in cash and cash equivalents	3,404	5,010
Cash and cash equivalents at the beginning of year	(9,717)	(14,593)
Net exchange gain/(loss) on cash and cash equivalents	(1,595)	(134)
Cash and cash equivalents at the end of year	(7,908)	(9,717)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

b. BASIS OF PREPARATION (CONT'D)

(b) Standards, amendments and interpretations to existing standards that are effective for annual periods beginning after 1 January 2014 or later periods and have not been early adopted by the Group

- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2015)
- Amendments to IFRS 10, 12 and IAS 27 'Consolidation for investment entities' (effective for annual periods beginning on or after 1 January 2014)
- Amendment to IAS 32 'Financial instruments: Presentation' on asset and liability offsetting (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 'Impairment of assets' on recoverable amount disclosures (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives' (effective for annual periods beginning on or after 1 January 2014)
- IFRIC 21 'Levies' (effective for annual periods beginning on or after 1 January 2014)
- Amendment to IAS 19 regarding defined benefit plans (effective for annual periods beginning on or after 1 July 2014)
- Annual improvement 2012 (effective for annual periods beginning on or after 1 July 2014)
- Annual improvement 2013 (effective for annual periods beginning on or after 1 July 2014)

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

d. REVENUE

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Sales of Chinese medicine products		
- Mainland China	2,442,149	2,122,782
- Outside Mainland China	447,900	282,884
	<u>2,890,049</u>	<u>2,405,666</u>
Chinese medical consultation		
- Outside Mainland China	20,004	19,434
Royalty fee income		
- Outside Mainland China	696	1,107
Agency fee income for distribution services		
- Outside Mainland China	<u>-</u>	<u>12,795</u>
	<u>2,910,749</u>	<u>2,439,002</u>

e. OTHER LOSSES – NET

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Professional expenses incurred in connection with issuance of new shares of a subsidiary	10,077	9,096
Remeasurement gain on previously held interest (Note (a))	<u>(1,649)</u>	<u>-</u>
	<u>8,428</u>	<u>9,096</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

e. OTHER LOSSES – NET (CONT'D)

- (a) The Group has held 51% equity interest in Beijing Tong Ren Tang Canada Co., Ltd. (“**Tong Ren Tang Canada**”). Pursuant to the revised shareholders agreement entered into on 1 June 2013, the other joint venturer of Tong Ren Tang Canada has given up the joint control and as a result, the Group has obtained the control over the financial and operating policies of Tong Ren Tang Canada. Tong Ren Tang Canada has changed its status from a joint venture to a subsidiary of the Group. The Group consolidated the results of Tong Ren Tang Canada from 1 June 2013 onwards.

The Group has obtained control of Tong Ren Tang Canada at nil consideration and without any acquisition of further equity interest in Tong Ren Tang Canada. There was no change in equity interest and profit-sharing ratio. The carrying value of the Group’s interest in Tong Ren Tang Canada immediately before the deemed acquisition date was RMB4,720,000. The fair value of the identified net assets of Tong Ren Tang Canada shared by the Group at the deemed acquisition date was RMB6,369,000. As a result, a gain on business combination arose.

f. FINANCE INCOME AND COSTS

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
Finance income		
Interest income on cash at bank and short-term bank deposits	<u>12,887</u>	<u>8,874</u>
Finance costs		
Interest expense on bank borrowings	(10,122)	(7,932)
Exchange losses	<u>(12,832)</u>	<u>(226)</u>
	<u>(22,954)</u>	<u>(8,158)</u>
Finance (costs)/income – net	<u><u>(10,067)</u></u>	<u><u>716</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

g. EXPENSE BY NATURE

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

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
Raw materials and consumables used	805,198	849,039
Change in inventories of finished goods and work-in-progress	(36,639)	(164,093)
Employee benefit expense		
- Salary and wages	311,602	240,578
- Staff welfare	28,968	26,903
- Housing fund	17,833	13,712
- Contribution to pension scheme	57,423	44,313
Depreciation of property, plant and equipment	43,383	39,660
Amortization of prepaid operating lease payments	3,272	3,170
Amortization of other long-term assets	758	508
Reversal of provision for impairment of inventories	(8,097)	(6,291)
Provision for impairment of receivables	1,246	581
Operating lease rental	69,455	54,050
Auditor's remuneration		
- Audit services	3,502	1,822
- Non-audit services	2,698	2,615
Research and development costs	21,470	12,016
Loss on disposal of property, plant and equipment	802	209
Recognition of government grants	(24,143)	(4,175)
Professional expenses incurred in connection with issuance of new shares of a subsidiary	10,077	9,096
Processing costs	157,676	159,837
Advertising & promotion expenses	159,171	156,674
Transportation	54,757	48,805
Repair and maintenance	42,589	36,033
Utilities	42,527	37,877
Other taxes	30,067	28,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

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% (2012: 25%). As of 31 December 2013 and 2012, the Company has obtained the HNTE certificate. Consequently, the applicable income tax rate of the Company in 2013 is 15% (2012: 15%).

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year.

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:

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Current income tax expense		
- PRC	54,533	51,405
- Hong Kong	35,988	22,269
- Overseas	2,740	3,875
	93,261	77,549
Deferred income tax expense	(1,313)	3,377
	91,948	80,926

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

h. INCOME TAX EXPENSE (CONT'D)

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

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Profit before income tax	<u>595,111</u>	<u>480,474</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	131,504	107,166
Tax effects of:		
- Income not subject to tax	(7,573)	(1,228)
- Expenses not deductible for tax purposes	1,533	3,266
- Tax losses for which no deferred income tax asset was recognised	2,481	1,332
- Effect of preferential income tax treatments	<u>(35,997)</u>	<u>(29,610)</u>
Income tax expense	<u>91,948</u>	<u>80,926</u>

i. DIVIDENDS

The cash dividends paid in 2013 and 2012 were RMB 147,000,000 (RMB0.25 (including tax) per share based on the total share capital of 588,000,000 shares) and RMB111,720,000 (RMB0.19 (including tax) per share based on the total share capital of 588,000,000 shares), respectively.

On 20 March 2014, the Board of Director proposed a cash dividend in respect of the year ended 31 December 2013 of RMB0.25 (including tax) per share based on the total share capital of 640,392,000 shares, amounting to a total of RMB160,098,000 which is subject to the shareholders' approval at the Annual General Meeting on 12 June 2014. These financial statements do not reflect this dividend payable.

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Interim dividend paid of RMB nil (2012:RMB nil) per ordinary share	-	-
Proposed final cash dividend of RMB0.25(including tax) (2012:RMB0.25(including tax)) per ordinary share	<u>160,098</u>	<u>147,000</u>
	<u>160,098</u>	<u>147,000</u>

The aggregate amounts of the dividends paid and proposed during 2012 and 2013 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

j. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately RMB390,093,000 (2012: RMB330,180,000) by the weighted average number of 604,651,000 shares (2012: 588,000,000 shares) in issue during the year.

The Company had no dilutive potential shares for the years ended 31 December 2013 and 2012.

	<u>2013</u> RMB'000	<u>2012</u> <i>RMB'000</i> <i>(Restated)</i>
Profit attributable to owners of the Company	390,093	330,180
Weighted average number of ordinary shares in issue (thousands)	<u>604,651</u>	<u>588,000</u>
Earnings per share	<u>RMB0.65</u>	<u>RMB0.56</u>

k. SEGMENT INFORMATION

The Directors in 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 Directors in the Board of Directors for the purposes of allocating resources and assessing performance.

The Directors in the Board of Directors considers the business from an operational entity perspective. Generally, the Directors in 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 Mainland China, and (ii) the operation of the distribution network of Tong Ren Tang Chinese Medicine and the manufacture of Chinese medicine outside Mainland China.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

k. SEGMENT INFORMATION (CONT'D)

The segment information provided to the Directors of the Company (the “**Directors**”) for the reportable segments for the year ended 31 December 2013 is as follows:

	The Company	Tong Ren Tang Chinese Medicine	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	2,237,724	491,772	376,330	3,105,826
Inter-segment revenue	(12,823)	-	(182,254)	(195,077)
Revenue from external customers	<u>2,224,901</u>	<u>491,772</u>	<u>194,076</u>	<u>2,910,749</u>
Profit after income tax	318,307	172,675	12,181	503,163
Interest income	7,424	4,583	880	12,887
Interest expense	(9,152)	(469)	(501)	(10,122)
Depreciation of property, plant and equipment	(26,305)	(11,279)	(5,799)	(43,383)
Amortisation of prepaid operating lease payments	(2,099)	(433)	(740)	(3,272)
Reversal of provision for impairment of inventories	7,512	585	-	8,097
Provision for impairment of receivables	(1,246)	-	-	(1,246)
Share of profits/(losses) of joint ventures	3	(558)	-	(555)
Share of loss of an associate	-	(753)	-	(753)
Income tax expense	<u>(51,619)</u>	<u>(35,042)</u>	<u>(5,287)</u>	<u>(91,948)</u>
Segment assets and liabilities				
Total assets	<u>3,588,266</u>	<u>1,108,633</u>	<u>451,293</u>	<u>5,148,192</u>
Investment in joint ventures	<u>2,007</u>	<u>11,346</u>	<u>-</u>	<u>13,353</u>
Additions to non-current assets (other than deferred tax assets)	<u>95,055</u>	<u>98,606</u>	<u>14,935</u>	<u>208,596</u>
Total liabilities	<u>853,359</u>	<u>75,683</u>	<u>210,533</u>	<u>1,139,575</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

k. SEGMENT INFORMATION (CONT'D)

The segment information for the year ended 31 December 2012 is as follows:

(Restated)	Tong Ren			Total
	The Company	Tang Chinese Medicine	All other segments	
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,939,598	365,818	294,291	2,599,707
Inter-segment revenue	(5,903)	(4,017)	(150,785)	(160,705)
Revenue from external customers	<u>1,933,695</u>	<u>361,801</u>	<u>143,506</u>	<u>2,439,002</u>
Profit after income tax	254,510	130,823	14,215	399,548
Interest income	7,580	590	704	8,874
Interest expense	(7,933)	(225)	-	(8,158)
Depreciation of property, plant and equipment	(25,990)	(7,757)	(5,913)	(39,660)
Amortisation of prepaid operating lease payments	(2,091)	(937)	(142)	(3,170)
Reversal of provision/Provision for impairment of inventories	10,958	(4,667)	-	6,291
Provision for impairment of receivables	(581)	-	-	(581)
Share of profit of joint ventures	8	3,341	-	3,349
Share of loss of an associate	-	(801)	-	(801)
Income tax expense	<u>(44,234)</u>	<u>(30,397)</u>	<u>(6,295)</u>	<u>(80,926)</u>
Segment assets and liabilities				
Total assets	<u>2,433,613</u>	<u>542,344</u>	<u>203,714</u>	<u>3,179,671</u>
Investment in joint ventures	<u>2,011</u>	<u>19,007</u>	<u>-</u>	<u>21,018</u>
Investment in an associate	<u>-</u>	<u>753</u>	<u>-</u>	<u>753</u>
Additions to non-current assets (other than deferred tax assets)	<u>69,258</u>	<u>53,033</u>	<u>4,193</u>	<u>126,484</u>
Total liabilities	<u>808,957</u>	<u>82,043</u>	<u>61,346</u>	<u>952,346</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

k. SEGMENT INFORMATION (CONT'D)

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

The amounts provided to the Directors in 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.

Revenues from external customers are derived from the sales of medicine and provision of services. The breakdown of sales of medicine by region is provided in Note d.

The total of the non-current assets other than deferred income tax assets located in Mainland China is RMB633,839,000 (2012: RMB559,738,000(Restated)), and the total of these non-current assets located in other countries is RMB187,964,000 (2012: RMB122,910,000(Restated)).

l. TRADE AND BILLS RECEIVABLES, NET

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
Trade and bills receivables	262,054	168,628
Less: provision for impairment of receivables	<u>(17,247)</u>	<u>(16,181)</u>
Trade and bills receivables, net	<u>244,807</u>	<u>152,447</u>

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

Retail sales at the Group's stores are usually made in cash or by debit or credit cards. For wholesale to distributors, the Group normally grants a credit period ranging from 30 days to 120 days. As of 31 December 2013 and 2012, the ageing analysis of trade and bills receivables based on invoice date was as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

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

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
Within 4 months	242,705	141,165
Over 4 months but within 1 year	12,116	19,176
Over 1 year but within 2 years	466	1,635
Over 2 years but within 3 years	1,584	78
Over 3 years	5,183	6,574
	<u>262,054</u>	<u>168,628</u>

As of 31 December 2013, trade receivables of RMB17,247,000 (2012: RMB16,181,000) were fully provided for impairment. The individually impaired receivables mainly relate to medium and smaller customers, which are in unexpectedly difficult economic situations. The ageing analysis of these receivables is as follows:

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
Within 4 months	4,551	2,670
Over 4 months	12,696	13,511
	<u>17,247</u>	<u>16,181</u>

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

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
At 1 January	16,181	15,600
Provision for impairment of receivables	1,246	581
Write-off	(180)	-
At 31 December	<u>17,247</u>	<u>16,181</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

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

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

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
RMB	201,266	151,233
HKD	59,591	16,995
United States Dollar	526	-
Macanese Pataca	366	32
Australian Dollar	212	272
Singapore Dollar	80	78
Brunei Ringgit	10	18
Canadian Dollar	3	-
	<u>262,054</u>	<u>168,628</u>

m. TRADE PAYABLES

As of 31 December 2013, the ageing analysis of trade payables based on invoice date was as follows:

	<u>2013</u>	<u>2012</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
Within 4 months	347,834	315,552
Over 4 months but within 1 year	12,720	71,512
Over 1 year but within 2 years	190	1,300
	<u>360,744</u>	<u>388,364</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

n. SHARE CAPITAL

	2013		2012	
	Number of shares	Nominal value RMB'000	Number of shares	Nominal value RMB'000
Registered	640,392,000	640,392	588,000,000	588,000
Issued and fully paid				
- Domestic shares with a par value of RMB1 per share	326,040,000	326,040	326,040,000	326,040
- H shares with a par value of RMB1 per share	314,352,000	314,352	261,960,000	261,960
	640,392,000	640,392	588,000,000	588,000

	2013			2012		
	Domestic shares RMB'000	H shares RMB'000	Total RMB'000	Domestic shares RMB'000	H shares RMB'000	Total RMB'000
At 1 January	326,040	261,960	588,000	326,040	261,960	588,000
Proceeds from shares issued	-	52,392	52,392	-	-	-
At 31 December	326,040	314,352	640,392	326,040	261,960	588,000

On 30 August 2013, the Company placed 52,392,000 new H shares at a price of HK\$23 per share. The placement was completed on 6 September 2013.

On 20 March 2014, the Board of Director proposed a share issue to all shareholders by capitalisation of the reserve on the basis of one share with a par value of RMB1 for every ordinary share, totalling RMB640,392,000, which is subject to the shareholders' approval at the Annual General Meeting and H share Class Meeting and Domestic Share Class Meeting on 12 June 2014. These financial statements do not reflect this capitalization of the reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

o. RESERVES

	The Company					Total RMB'000
	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	
Balance as of 1 January 2012	175,144	193,281	45,455	102,043	568,138	1,084,061
Profit for the year (Note (a))	-	-	-	-	255,281	255,281
Dividends paid to shareholders of the Company relating to 2011	-	-	-	-	(111,720)	(111,720)
Appropriation from retained earnings	-	25,529	-	-	(25,529)	-
Balance as of 31 December 2012	<u>175,144</u>	<u>218,810</u>	<u>45,455</u>	<u>102,043</u>	<u>686,170</u>	<u>1,227,622</u>
Balance as of 1 January 2013	175,144	218,810	45,455	102,043	686,170	1,227,622
Profit for the year (Note (a))	-	-	-	-	362,136	362,136
Proceeds from shares issued	906,681	-	-	-	-	906,681
Professional expenses incurred in connection with issuance of new shares	(27,333)	-	-	-	-	(27,333)
Dividends paid to shareholders of the Company relating to 2012	-	-	-	-	(147,000)	(147,000)
Appropriation from retained earnings	-	36,213	-	-	(36,213)	-
Balance as of 31 December 2013	<u>1,054,492</u>	<u>255,023</u>	<u>45,455</u>	<u>102,043</u>	<u>865,093</u>	<u>2,322,106</u>

Notes:

(a) Profit attributable to owners of the Company

The profit attributable to owners of the Company in the financial statements of the Company is RMB362,136,000 (2012: RMB255,281,000).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

o. 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 RMB36,213,000 (2012: RMB25,529,000), 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 2013.

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

(d) Tax reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

BUSINESS COMBINATIONS UNDER COMMON CONTROL

On 27 June 2013, the Company entered into the equity transfer agreement with Tong Ren Tang Medicinal Materials Co., in respect of the acquisition of 51% equity interest in Xing An Meng Co. at a consideration of RMB 1,791,120.

Tong Ren Tang Medicinal Materials Co., is under common control by the ultimate holding company of the Company, thus the acquisition is regarded as business combination under common control.

Effects for common control combination of the acquired subsidiary on the consolidated balance sheets as at 31 December 2013 and 2012 and the Group's results for the years then ended are as follows:

	The Group before acquired business RMB'000	Acquired subsidiary RMB'000	Adjustments ⁽ⁱ⁾ RMB'000	The Group after acquired business RMB'000
Year ended 31 December 2013				
Revenues	2,897,700	13,049	-	2,910,749
Profit before income tax	595,084	27	-	595,111
Profit for the year	503,147	16	-	503,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):
BUSINESS COMBINATIONS UNDER COMMON CONTROL (CONT'D)

	The Group before acquired business	Acquired subsidiary	Adjustments ⁽ⁱ⁾	The Group after acquired business
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2013				
ASSETS				
Non-current assets	834,881	973	-	835,854
Current assets	4,288,082	24,256	-	4,312,338
Total assets	5,122,963	25,229	-	5,148,192
EQUITY				
Capital and reserves				
Share capital	640,392	3,000	(3,000)	640,392
Reserves	2,615,308	93	1,484	2,616,885
	3,255,700	3,093	(1,516)	3,257,277
Non-controlling interests	749,824	-	1,516	751,340
Total equity	4,005,524	3,093	-	4,008,617
LIABILITIES				
Non-current liabilities	118,217	-	-	118,217
Current liabilities	999,222	22,136	-	1,021,358
Total liabilities	1,117,439	22,136	-	1,139,575
Total equity and liabilities	5,122,963	25,229	-	5,148,192

	As previously stated	Effect of Adoption of amendment to IAS 28	Acquired subsidiary	Adjustments ⁽ⁱ⁾	As restated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012					
Revenues	2,447,132	(20,859)	12,729	-	2,439,002
Profit before income tax	481,078	(638)	34	-	480,474
Profit for the year	399,531	-	17	-	399,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):

BUSINESS COMBINATIONS UNDER COMMON CONTROL (CONT'D)

	As previously stated	Effect of Adoption of amendment to IAS 28	Acquired subsidiary	Adjustments ⁽ⁱ⁾	As restated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2012					
ASSETS					
Non-current assets	683,815	11,383	822	-	696,020
Current assets	2,485,131	(20,938)	19,458	-	2,483,651
Total assets	3,168,946	(9,555)	20,280	-	3,179,671
EQUITY					
Capital and reserves					
Share capital	588,000	-	3,000	(3,000)	588,000
Reserves	1,348,038	-	76	1,493	1,349,607
	1,936,038	-	3,076	(1,507)	1,937,607
Non-controlling interests	288,211	-	-	1,507	289,718
Total equity	2,224,249	-	3,076	-	2,227,325
LIABILITIES					
Non-current liabilities	57,479	(147)	-	-	57,332
Current liabilities	887,218	(9,408)	17,204	-	895,014
Total liabilities	944,697	(9,555)	17,204	-	952,346
Total equity and liabilities	3,168,946	(9,555)	20,280	-	3,179,671

Note:

(i) 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.

FINAL DIVIDEND AND TAX

The Board proposes a final dividend for the year ended 31 December 2013 (the “**Final Dividend**”) of RMB0.25 (including tax) per share (2012: RMB0.25 (including tax) per share) based on the total number of the Company's issued and fully paid-up shares of 640,392,000 (2012: 588,000,000 shares) as at the end of 2013, totaling RMB160,098,000 (2012: RMB147,000,000). The profit distribution proposal is subject to the approval by the shareholders at the 2013 annual general meeting of the Company (the “**AGM**”).

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

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

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The AGM will be held on 12 June 2014.

As for the AGM, the register of members of H shares of the Company will be closed from Tuesday, 13 May 2014 to Thursday, 12 June 2014 (both days inclusive), during which time no transfer of H shares of the Company will be registered. In order to be qualified for attending and voting at the AGM, all transfer documents of the holders of H shares of the Company must be lodged with the Company's H share registrar and transfer office, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 12 May 2014.

As for the payment of the Final Dividend, if the relevant proposal is approved by the shareholders at the AGM, the register of members of H shares of the Company will be closed from Thursday, 19 June 2014 to Monday, 23 June 2014 (both days inclusive), during which time no transfer of H shares of the Company will be registered. In order to be qualified for the payment of the Final Dividend, all transfer documents of the holders of H shares of the Company must be lodged with the Company's H share registrar and transfer office, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 18 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Amidst the complicated and uncertain market environment in 2013, the Company continued its efforts in “specialization, scale operation and integration” and maintained a stable growth momentum. For the year ended 31 December 2013, the sales revenue of the Group amounted to RMB2,910,749,000, representing an increase of 19.34% as compared with RMB2,439,002,000 (Restated) for the corresponding period of last year; the Group’s net profit amounted to RMB 503,163,000, representing an increase of 25.93% as compared with RMB 399,548,000(Restated) for the corresponding period of last year; net profit attributable to the owners of the Company amounted to RMB390,093,000, representing an increase of 18.15% as compared with RMB330,180,000 (Restated) for the corresponding period of last year.

Sales

In 2013, the Company launched large-scale series promotional campaigns integrating brand culture communication, government public welfare, channel development and product marketing, leveraging upon multi-channel and multi-form publicity activities to enhance the strength and frequency of product promotions. Meanwhile, the Company continued to publicize its products through all-dimension channels including traditional media such as television, radio and newspapers as well as new online media including microblogs and WeChat, supplemented by other activities such as traditional Chinese medicine forums. As a result, market awareness of the brand of Tong Ren Tang and the Company's products was effectively enhanced.

Drawing upon the comprehensive strengths in its product portfolio covering a dozen of categories including nutritional supplements, cold remedies and gynecological and pediatric medicines, the Company continued to expand the scale of its second-tier and potential products. Hence, a product portfolio with various categories, dosage forms and specifications has been established to cater for medication needs of different consumer groups, laying a solid foundation for the Company's healthy growth in the long run. To explore new marketing models for its food series, the Company leveraged on the advantages of online platforms to carry out online promotions so as to prepare a sound market ground for progressive penetration into food market in the future.

During the year, the Company produced and sold more than one hundred kinds of products, of which 32 kinds of products achieved total sales of more than RMB10 million; and 18 kinds of products achieved total sales in the range from RMB5 million to RMB10 million. The scale of the Company's product portfolio was further enlarged. Among the major products of the Company, as compared with the corresponding period of last year, except that the sales of Niu Huang Jie Du Tablets (牛黃解毒片) series decreased, the sales of Liuwei Di Huang Pills (六味地黃丸) series increased by 21.73% and the sales of Ganmao Qingre Grannule (感冒清熱顆粒) series increased by 39.94%. Other products, the sales of which increased by more than 20% over the corresponding period of last year, include Ejiao (阿膠) series, Jiawei Xiaoyao Pills (加味逍遙丸) series, Qiju Dihuang Pills series (杞菊地黃丸) and Ban Langen Grannule (板藍根顆粒) series.

Production

In 2013, the Company produced nearly twenty forms of products including pills, tablets, granules, capsules and liquid. During the year, the Company upgraded production equipment including buckling machines, and further achieved coherent and systematic operations by linking the waxing and printing procedures of the product line for pills. Furthermore, the Company continued to attach great importance to improve the product quality management system. Through strengthened management and control on raw materials, packaging materials, technological processes and operating procedures, product quality was ensured under a specialized production model which has been gradually optimized. As at the end of 2013, more than 10 dosage forms of the Company have successfully passed certification under the new edition of GMP.

As the workshop for extracting traditional Chinese medicinal materials, Beijing Tong Ren Tang Tongke Pharmaceutical Company Limited (北京同仁堂通科藥業有限責任公司) (“**Tongke Company**”), which is located at Tongzhou District, Beijing, has produced semi-finished goods for the production of different forms of medicines of the Company since 2007. In 2013, the semi-finished goods produced by Tongke Company effectively satisfied the production needs and the quality of semi-finished goods of the Company.

Management and Research and Development

In 2013, the Group further rationalized its internal control system through strengthened fundamentals, gradual improvements in internal control rules and optimizations of internal audit system, leading to the enhanced management over business process. During the year, in accordance with the management goal of "specialization", the Company continued to amend and supplement nearly 100 internal regulations more comprehensive covering of the corporate management areas to build up the institutional framework. During the reporting period, the Group timely adjusted its risk countermeasures and enhanced its risk resistance capacity through internal control assessment across the management areas, identification and analysis of risks based on the promptly collected information relevant to changes in internal control risks. In addition, capturing the opportunities from implementation of the new edition of GSP, the Company made great effort in the establishment of a pharmaceutical operation quality management system tailored to its condition. The management system is designed to strengthen controls over sales of medicines, delivery and collection of receivables, and enhance expertise of the key aspects to speed up the specialized development. The Company successfully passed the certification under the new edition of GSP during the year.

On research and development, the Company continued to focus on cross-disciplinary studies and strengthened the research on quality control approaches for raw materials in light of the philosophy of balancing fundamental research and development on the existing products. The Company also conducted the in-depth analysis of consumer market dynamics, segmented the market needs, and formed positive interaction with the consumer market, so as to continue to do the directional research for the improvement of the existing product specifications and dosage forms.

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”)

Nansanhuan Zhonglu Drugstore is located at Nansanhuan Zhonglu, Fengtai District, Beijing, is the only retail drugstore invested and established by the Company in Mainland China. Adhering to the operating direction of “establishing itself as a top-notch drugstore selling quality medicines” and the philosophy of "quality first and customer foremost" and leveraging on the brand of Tong Ren Tang, Nansanhuan Zhonglu Drugstore gave full play to its featured operations in 2013 and achieved a powerful increase in its sales revenue. In 2013, Nansanhuan Zhonglu Drugstore realized sales revenue of RMB84,121,000, representing an increase of 22.34% as compared with the corresponding period of last year.

Chinese Medicinal Raw Materials Production Bases

Currently, the Company has established six subsidiaries in Hebei Province, Henan Province, Hubei Province, Zhejiang Province, Anhui Province and Jilin Province, respectively, which can provide the Company with major traditional Chinese medicinal raw materials such as cornel (山茱萸), Tuckahoe (茯苓) and catnip (荆芥). These production bases played a key role in securing the supply and quality of Chinese medicinal raw materials required for the Company's products.

During the year of 2013, while conducting raw material collection and processing, the Chinese medical raw material production bases under the Company further upgraded their management and lowered their operational risks. During the year, the Company's several Chinese medicinal raw materials including cornel (山茱萸), Tuckahoe (茯苓), catnip (荆芥) which was planted in the four production bases situated in Hebei, Zhejiang, Hubei and Nanyang successfully passed the on-site inspection for certification under the Good Agricultural Practice ("GAP"), which ensure the safety and quality of medicinal raw materials and the realization of the Group sustainable development of economy, environment and society. In 2013, all of the Company's production bases for traditional Chinese medicinal raw materials achieved a sales revenue of RMB138,048,000, representing an increase of 19.43% as compared with the corresponding period of last year in total.

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

Tong Ren Tang WM was jointly established by the Company and WM Dianorm Biotech Co., Limited with a total investment of US\$3 million, of which 60% was contributed 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, cosmetics and daily health products. Its major products include lotion, cream, facial and eye masks and liposome skincare products. During the year of 2013, Tong Ren Tang WM continued its efforts in expanding the market and established a multi-channel development model through the progressive development of supermarket channel as well as the preliminary establishment of the Dianorm exclusive counters and in-depth collaboration with Tong Ren Tang drug stores. During the reporting period, Tong Ren Tang WM launched more than 10 new facial mask products including Tong Ren Tang Pearl Brightening Facial Mask and Tong Ren Tang Silk Hydrating Facial Mask, leading to a diversifying product portfolio and the improving market recognition. In 2013, Tong Ren Tang WM generated a total sales revenue of RMB 85,562,000, representing an increase of 61.43% as compared with last year.

Tong Ren Tang Xing An Meng Chinese Medicinal Materials Co., Ltd. (北京同仁堂興安盟中藥材有限責任公司)(Xing An Meng Co., Ltd.)

The registered capital of Xing An Meng Co., Ltd. is RMB3 million. The equity transfer transaction as disclosed in the announcement of the Company dated 27 June 2013 had been completed before the end of 2013. Hence, Xing An Meng Co., Ltd. has become a subsidiary of the Company (which was owned as to 51% by the Company and as to 49% by Xing An Meng Jingmeng Chinese Medicinal Materials Technology Development Co., Ltd. (興安盟京蒙中藥材科技開發有限公司), respectively). During the Reporting Period, the herbal tea products including "Tong Ren Tang" branded Tong Ren Yijian Tea manufactured and sold by Xing'anmeng Company received sound responses from market. For the year of 2013, Xing An Meng Co., Ltd. generated a total revenue of RMB 13,049,000, representing an increase of 2.51% as compared with last year.

Beijing Tong Ren Tang (Tangshan) Nurtition and Healthcare Co., Ltd. (“Tangshan Company”)

The registered capital of Tangshan Company, which is located in Tangshan, Hebei Province, is RMB120 million. As disclosed in the announcement of the Company dated 21 October 2013, upon completion of the equity transfer transaction, Tangshan Company will become a non wholly-owned subsidiary directly held by the Company, which is owned as to 65%, 9%, 20% and 6% by the Company, Tong Ren Tang Chinese Medicine, Tangshan Jiayi Packaging Industries Co., Ltd. (唐山佳艺包装工业有限公司) and Bozhou Jingqiao Medicine Co. Ltd. (亳州市京譙医药有限责任公司), respectively. The glue workshop of Tangshan Company successfully passed certification under the new edition of GMP in 2013, and is scheduled to commence pilot production in 2014. After commencing production, it expects to expand production capacity of its glue product series, and progressively develop a glue product portfolio to further diversify the Group's product lines.

Tong Ren Tang Chinese Medicine

Tong Ren Tang Chinese Medicine, which is a subsidiary of the Company and is located in the Hong Kong Special Administrative Region (“**Hong Kong**”), was jointly invested and established by the Company and Tong Ren Tang Company Limited (“**Tong Ren Tang Ltd.**”). Tong Ren Tang Chinese Medicine completed the share offer and was successfully listed on the GEM of the Hong Kong Stock Exchange on 7 May 2013. Upon completion of the aforesaid listing and as at the date of publication of this announcement, the total issued shares of Tong Ren Tang Chinese Medicine were increased to 830,000,000 shares, which are owned as to 38.38% by the Company, as to 33.91% by Tong Ren Tang Ltd. and the rest by public shareholders. Tong Ren Tang Chinese Medicine is principally engaged in construction of overseas distribution network and distribution of products of TRT brand and other Chinese medicine health products, and development, production and sales of its own products.

During 2013, Tong Ren Tang Chinese Medicine has been devoted to further expand its overseas business. New overseas distribution channels are established to increase its market share and improve the awareness of Tong Ren Tang brand in overseas markets. As at 31 December 2013, Tong Ren Tang Chinese Medicine had established 39 retail outlets in fourteen countries and regions outside Mainland China (Hong Kong, Macau, Malaysia, Canada, Indonesia, Korea, Thailand, Australia, Singapore, Brunei, Cambodia, United Arab Emirates, Poland and United Kingdom) to sell Chinese medicine and offer Chinese medicine healthcare services, and at the same time, to organise healthcare lectures and activities featuring traditional Chinese culture, with a view to cultivating local awareness of healthy life and promoting the culture of traditional Chinese medicine.

In 2013, Tong Ren Tang Chinese Medicine and its subsidiaries and joint ventures generated a total sales revenue of RMB491,772,000, representing an increase of 34.43% as compared with RMB365,818,000 (Restated) for the corresponding period of last year, and the net profit of RMB181,561,000 representing an increase of 38.78% over the corresponding period last year with RMB130,823,000.

Financial Review

Liquidity and Financial Resources

The Group has maintained a sound financial position. During the year of 2013, the Group's primary source of funds was cash generated from operating activities, bank loans, the proceeds of the placing of new H shares of the Company and the proceeds of the share offer of Tong Ren Tang Chinese Medicine (a subsidiary of the Company). During the year, the aggregate amount of the net proceeds of the aforesaid issue of new shares by members of the Group amounted to approximately RMB1,462,479,000 (2012: Nil).

As at 31 December 2013, the Group's cash and cash equivalents amounted to RMB1,967,919,000 (31 December 2012: RMB835,183,000 (Restated)), plus short-term bank borrowings of RMB155,000,000 (31 December 2012: RMB125,000,000), carrying an interest rate of 5.603% (2012: 6.321%) per annum, plus Non-current borrowings of RMB39,310,000 (31 December 2012: Nil), carrying an interest rate of 1.590% (2012: Nil) per annum.

As at 31 December 2013, the total assets of the Group amounted to RMB 5,148,192,000 (31 December 2012: RMB3,179,671,000 (Restated)). The funds comprised non-current liabilities of RMB118,217,000 (31 December 2012 : RMB57,332,000 (Restated)), current liabilities of RMB1,021,358,000 (31 December 2012: RMB895,014,000 (Restated)), equity attributable to owners of the Company of RMB3,257,277,000 (31 December 2012: RMB1,937,607,000 (Restated)) and non-controlling interests of RMB751,340,000 (31 December 2012: RMB289,718,000 (Restated)).

Capital Structure

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

During the year of 2013, the Group's funds were mainly used for production and operation activities, purchase of non-current assets and repayment of bank loans and loan interest and payment of cash dividends, etc.

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares or repay borrowings. During the year of 2013, the Company and its subsidiary, Tong Ren Tang Chinese Medicine, issued, by way of placing/share offer, 52,392,000 and 230,000,000 new shares, respectively. The Group monitors its capital on the basis of the gearing ratio.

Gearing and Liquidity Ratios

As at 31 December 2013, the Group's gearing ratio (the ratio between total borrowings and equity attributable to owners of the Company) was 0.06 (31 December 2012 : 0.06 (Restated)). The Group's liquidity ratio (the ratio between current assets over current liabilities) was 4.22 (31 December 2012: 2.77 (Restated)), reflecting that the Group had sufficient financial resources.

Charges over Assets of the Group

As at the end of 31 December 2013, none of the Group's assets was pledged as security for liabilities (31 December 2012: Nil (Restated)).

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2013 (31 December 2012: Nil).

Capital Commitments

As at 31 December 2013, the capital commitments of the Group relating to the constructions of production facilities, which had been contracted for but had not been reflected in the consolidated financial statements of the Group, amounted to approximately RMB38,749,000 (31 December 2012: RMB 170,426,000).

Significant Investment and Material Acquisition / Disposal of Assets

During the year of 2013, the Group did not have any significant investment or material acquisition or disposal of assets.

Future Investment Plan

As at the end of 2013, the Company had bought a total of approximately 108,700 square meters of industrial level in Da Xing Bio-Pharm Industrial Base at Zhongguancun Technology Park District, Beijing, for the construction of Da Xing Production Base (**“Da Xing Base”**). The total investment of Da Xing Base is expected to be approximately RMB 1,088 million, which will be paid by internal funds, bank borrowings or others. As at the end of 2013, RMB 77,190,000 had been invested in the base. At present, the submission of applications is in progress and certain approvals have been obtained, while certain tendering works have been started or completed, and civil construction of Da Xing Base is expected to be commenced in the year of 2014. Upon the completion of the construction, Da Xing Base will become an integrated industrial base with functions of both production and technology research for all forms of Chinese medicines such as solid dosage form and liquid formulation.

The Company also had bought a total industrial land of approximately 55,000 square meters in Qiaocheng District, Bo Zhou City, An Hui province for the construction of Bo Zhou Base for pre-processing and logistics of Chinese medicine materials (**“Bo Zhou Base”**). The total investment of Bo Zhou Base is expected to be approximately RMB 185 million, which will be paid by internal funds, bank borrowings or others. As at the end of 2013, RMB 82,090,000 had been invested in the base. During the reporting period, construction and acceptance inspection for the main warehouse of the Chinese medicinal raw materials have been completed. Upon the completion of the construction, Bo Zhou Base will provide the Company with the traditional Chinese medicinal raw materials after pure selection and pharmaceutical processing, which aims at enhancing the production capacity of the Company and improving its supply chain.

Employees and Remuneration Policies

As at 31 December 2013, the Group had a total of 3,155 employees (31 December 2012: 2,931 employees), of which 2,025 are employees of the Company (31 December 2012: 1,921 employees). Remunerations of the employees of the Company are determined with reference to the prevailing market level as well as the performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance will be paid to the employees as recognition of and a reward for their contributions to the Company. Other benefits include contributions by the Company to the endowment insurance, medical insurance, unemployment insurance, industrial accident insurance, maternity insurance and housing fund. The Company also set up the senior management incentive plan (the **“Incentive Plan”**). Based on the growth rate of the audited profit attributable to owners of the Company as compared with the same for last year, the Board may appropriate certain funds within the pre-set percentage range to distribute to the members of the senior management. For details of the Incentive Plan, please refer to the circular of the Company dated 21 April 2011. In 2013, as approved by the Board, the Company paid a total of RMB2,967,000 incentive fund for the year of 2012 to the members of the senior management according to the Incentive Plan.

Future Prospects

Looking into 2014, we will continue to rely on the development of the industry, absorb the insights from peers to forge ahead, and to build up Tong Ren Tang with longer, stronger and larger business lines on a healthy and steady development basis.

1. Focusing on major products and channels to explore new direction of marketing model

We will give full play to comprehensive advantages of the existing product coverage, tap on product potential to better cater for regional and seasonal characteristics and consumer medication preferences. As such, the Group expects to ensure market shares of its major products while seeking continuous breakthroughs in second-tier and potential products and regional penetration. Meanwhile, the Group will take full use of various terminals to showcase its strengths in product mix and resources of the brand for a steady growth in overall sales.

2. Putting emphasis on structure and organic development to achieve new breakthroughs in diversified products

Through organic development of the Company and its subsidiaries, we expect to gradually establish an umbrella of business segments led by traditional Chinese medicine products and covering a range of sectors including healthcare products, health foods and natural herb cosmetics. The Group will also explore the new sales model based on online platforms, taking foods and cosmetics as key entry points to further expand the breadth and depth of its product family.

3. Laying stress on individual competency and comprehensive development to promote new production and management models

The Group will strive to enhance self-management competency of its branch factories on a results-oriented and scientific basis, focusing on improving their capabilities of forecasting, analyzing and processing capabilities for production, scheduling and quality inspection data to constantly upgrade their production and management levels. We aim to establish an integrated production chain system each link from procurement of raw materials and packaging materials, production process monitoring, quality inspection, in-warehouse product maintenance and delivery up to product distribution.

OTHER INFORMATION

Competing Interests

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

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

To ensure that the business classification between the Company, Tong Ren Tang Holdings and Tong Ren Tang Ltd. is properly documented and established, Tong Ren Tang Holdings and Tong Ren Tang Ltd. undertake, pursuant to an undertaking dated 19 October 2000 committed by Tong Ren Tang Holdings and Tong Ren Tang Ltd. in favor of the Company (“**October Undertaking**”), that other than Angong Niu Huang 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 Niu Huang 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 Niu Huang Pills (安宫牛黄丸). Save as mentioned herein, the Directors confirm that none of the products of the Company is in competition with Tong Ren Tang Ltd. or Tong Ren Tang Holdings.

Right of First Refusal

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

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

The Company and the independent non-executive Directors have confirmed upon the review: during the year 2013, 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 2013 annual report to be published by the Company soon.

CORPORATE GOVERNANCE

The Board believes that a good and steady framework of corporate governance is extremely important for the development of the Company. The Company has adopted the principles and standards contained in the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”) as the Company's standards, and combined with its own experience, aiming to establish a good corporate governance structure. For the year ended 31 December 2013, the Company had always strictly complied with all the code provisions in the Corporate Governance Code.

AUDIT COMMITTEE

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

The Audit Committee comprises all the independent non-executive Directors, being Mr. Ting Leung Huel, Stephen, Miss Tam Wai Chu, Maria, 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 2013, the Audit Committee convened two meetings. The first meeting was held on 12 March 2013 to review and discuss the operating results, financial position and major accounting policies contained in the audited financial statements of the Group for the year ended 31 December 2012, as well as matters in relation to risk management, legal compliance and internal audit, and to listen to the result of audit reported by the auditors. The committee concluded the meeting with agreement to the contents of the 2012 annual report. The second meeting was held on 13 August 2013 to review and discuss the operating results, financial position and major accounting policies contained in the unaudited financial statements of the Group for the six months ended 30 June 2013, 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 2013 interim report.

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

At the meeting held on 13 March 2014, the Audit Committee reviewed and discussed the operating results, financial position and major accounting policies contained in the audited financial statements of the Group for the year ended 31 December 2013, as well as matters in relation to risk management, legal compliance and internal audit, and to listen to the result of audit reported by the auditors. The committee concurred in the contents of the 2013 annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year of 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MAJOR SUBSEQUENT EVENT

On 20 March 2014, the Board resolved to propose the capitalization of the capital reserve of the Company into ordinary shares of the Company to be allotted and issued to the shareholders on the basis of one (1) capitalization share for every share held by the shareholders whose names appear on the register of members of the Company on the record date. The capitalization shares will be credited as fully paid by way of capitalization of an amount in the capital reserve account of the Company which is equal to the aggregate nominal value of the capitalization shares to be issued.

The proposed capitalization issue shall become effective upon the fulfillment of certain conditions, including the approval by the shareholders at the AGM, the H share class meeting and the domestic share class meeting of the Company, respectively; and the approval by the listing committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the capitalization H shares.

For details of the proposed capitalization issue, please refer to the relevant announcement published by the Company on 20 March 2014.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the Company's website (www.tongrentangkj.com) and the Hong Kong Stock Exchange website (www.hkex.com.hk). The Company will dispatch the 2013 Annual Report containing all information as required by the Listing Rules to the shareholders in due course, and will publish the same on the websites of the Company and the Hong Kong Stock Exchange.

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

Beijing, the PRC
20 March 2014

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