Tong Ren Tang Technologies Co. Ltd.
北京同仁堂科技發展股份有限公司

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

(Stock Code: 1666)

ANNUAL RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 (the "**Reporting Period**") for shareholders' review.

Results of the Year

For the year ended 31 December 2014, the Group's sales revenue amounted to RMB3,341,166,000, representing an increase of 14.79% from RMB2,910,749,000 for the corresponding period of last year; the Group's net profit amounted to RMB616,358,000, representing an increase of 22.50% from RMB503,163,000 for the corresponding period of last year; net profit attributable to the owners of the Company amounted to RMB462,187,000, representing an increase of 18.48% from RMB390,093,000 for the corresponding period of last year.

Review of the Year

Amidst the stabilized but sluggish global economic recovery paces mixed with less resilience across emerging economies, China is experiencing industrial restructuring with an abrupt downshift of domestic economic growth in the short term in 2014. The year witnessed the continuously increasing demand for medicines as driven by the deepening of medical reform, a higher proportion of fiscal expenditures in the pharmaceutical and healthcare system and the introduction of a series of policies including the "low-cost drug catalogue", pointing to a positive outlook for the domestic pharmaceutical industry. However, the industry remained in challenges and transformation given the mutation of diseases which added the uncertainties to the development of domestic pharmaceutical industry. The stricter regulation over pharmaceutical safety by the authorities and the evolving market competition landscape and tactics, while posing grimmer challenges to operating cost control and business management of the Company, also provided a broader stage for large pharmaceutical corporations with high-quality products and sound reputation.

Looking back to 2014, against the backdrop of the stern external economic environment and intensifying competition among domestic rivals, we absorbed the insights from peers and managed to base our stable growth upon rational resource allocation and optimized industrial structure. During the year, the Company successfully completed the capitalization issue which resulted in further shareholder involvement in the development of the Company with an enlarged shareholder base and higher liquidity of shares, laying a solid ground for future development in capital market. In addition, we continued to draw upon our brand strengths with a focus on consolidation of resources, and adopted flexible marketing development strategy to secure market share for our healthy and sustainable growth. Meanwhile, through focusing on market demand and launching new products rationally, our subsidiaries extend their presence to disease prevention, health care, facial and skin care and other fields, thus continuously elevating the Group's overall core competitiveness and market influence of the "Tong Ren Tang" brand.

Outlook and Prospects

Looking into 2015, market competition is to be heightened along with a potentially continuing slowdown of the growth rate of China's economy. Nevertheless, the constructive outlook for the domestic pharmaceutical industry and vast potential demand for Chinese medicine products would remain intact, as fueled by further medical resources to be allocated and full coverage of the basic medical insurance system to be achieved.

In 2015, we will stay focused on the life and healthcare industry. Capitalizing on our resources and cultural strength, we will embed our long-cherished pharmaceutical expertise into modern production process and the ancient teaching into our management concept. In light of the philosophy of "virtue, honesty and trustworthiness" in serving consumers, we will highlight core value of products to sustain the glory of the "Tong Ren Tang" brand in the traditional Chinese medicine industry. Also, we are increasingly required to broaden our vision by combining curing and preventive approaches given the stronger public healthcare awareness and needs, partly attributable to higher stress in life, faster aging process, sub-heath status and chronic diseases that have been more common in China. At subsidiary level, to expand the niche and highlight product positioning with a commitment to better human health, we will gradually diversify into healthcare industries to cultivate new frontiers for growth, in order to uplift the Group's position and influence in the healthcare sector.

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 reward the shareholders with 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 2014, together with the comparative figures of 2013, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	***2014***	*2013*
		RMB'000	*RMB'000*
Revenue	*d*	**3,341,166**	2,910,749
Cost of sales		**(1,725,965)**	(1,469,455)
Gross profit		**1,615,201**	1,441,294
Distribution expenses		**(638,608)**	(582,346)
Administrative expenses		**(264,977)**	(244,034)
Other losses – net	*e*	**-**	(8,428)
Operating profit		**711,616**	606,486
Finance income	*f*	**32,387**	12,887
Finance costs	*f*	**(3,591)**	(22,954)
Finance income/(costs)– net	*f*	**28,796**	(10,067)
Share of profit/(losses) of joint ventures		**188**	(555)
Share of loss of an associate		**-**	(753)
Profit before income tax		**740,600**	595,111
Income tax expense	*h*	**(124,242)**	(91,948)
Profit for the year		**616,358**	503,163
Profit attributable to:			
Owners of the Company		**462,187**	390,093
Non-controlling interests		**154,171**	113,070
		616,358	503,163
Earnings per share for profit attributable to owners of the Company during the year	*j*		
- Basic (2013: Restated)		**RMB0.36**	RMB0.32
- Diluted (2013: Restated)		**RMB0.36**	RMB0.32
Dividends	*i*	**179,310**	160,098

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014	*2013*
	RMB'000	*RMB'000*
Profit for the year	**616,358**	503,163
Other comprehensive expense		
Items that may be reclassified to profit or loss		
Foreign currency translation differences	**(6,660)**	(25,733)
Other comprehensive expense for the year, net of tax	**(6,660)**	(25,733)
Total comprehensive income for the year	**609,698**	477,430
Attributable to:		
Owners of the Company	**460,633**	382,883
Non-controlling interests	**149,065**	94,547
Total comprehensive income for the year	**609,698**	477,430

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2014	2013
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Leasehold land and land use rights		**146,523**	137,693
Property, plant and equipment		**890,411**	656,030
Investments in joint ventures		**22,396**	13,353
Deposits paid for purchase of property, plant and equipment		**21,000**	12,454
Deferred income tax assets		**17,536**	14,051
Other long-term assets		**1,951**	2,273
		1,099,817	835,854
Current assets			
Inventories		**1,749,835**	1,511,016
Trade and bills receivables, net	*l*	**290,488**	244,807
Amounts due from related parties		**98,856**	78,253
Prepayments and other current assets		**142,610**	111,353
Short-term bank deposits		**376,200**	398,990
Cash and cash equivalents		**1,774,389**	1,967,919
		4,432,378	4,312,338
Total assets		**5,532,195**	5,148,192

CONSOLIDATED BALANCE SHEET (CONT'D)

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*n*	**1,280,784**	640,392
Reserves	*o*		
- Proposed final dividend	*i*	**179,310**	160,098
- Other reserves		**2,089,494**	2,456,787
		3,549,588	3,257,277
Non-controlling interests		**886,566**	751,340
Total equity		**4,436,154**	4,008,617
Liabilities			
Non-current liabilities			
Borrowings		**-**	39,310
Deferred income tax liabilities		**4,264**	3,340
Deferred income – government grants		**74,053**	75,567
		78,317	118,217
Current liabilities			
Trade payables	*m*	**421,924**	360,744
Salary and welfare payables		**19,845**	14,796
Advances from customers		**164,235**	179,885
Amounts due to related parties		**84,118**	83,192
Current income tax liabilities		**26,940**	24,849
Other payables		**200,662**	202,892
Borrowings		**100,000**	155,000
		1,017,724	1,021,358
Total liabilities		**1,096,041**	1,139,575
Total equity and liabilities		**5,532,195**	5,148,192
Net current assets		**3,414,654**	3,290,980
Total assets less current liabilities		**4,514,471**	4,126,834

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

The Group has adopted the following new standards and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on or after 1 January 2014:

- IAS 32 (Amendment) Offsetting Financial Assets and Financial Liabilities
- IAS 36 (Amendment) Recoverable Amount Disclosures for Non-Financial Assets
- IFRS 10, IFRS 12 and IAS 27 (2011) (Amendment) Investment Entities

The adoption of above new standards and amendments to standards does not have any significant financial effect on these consolidated financial statements.

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

b. BASIS OF PREPARATION (CONT'D)

(b) Standards and amendments which are not yet effective

The following are new/revised standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 July 2014 or later periods, but have not been early adopted by the Group.

- Annual Improvements Project Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle [1]
- IAS 16 and IAS 38 (Amendment) Clarification of Acceptable Methods of Depreciation and Amortisation [2]
- IFRS 15 Revenue from Contracts with Customers [3]
- IFRS 9 Financial Instruments [4]

[1] Effective for the accounting period beginning on 1 July 2014

[2] Effective for the accounting period beginning on 1 January 2016

[3] Effective for the accounting period beginning on 1 January 2017

[4] Effective for the accounting period beginning on 1 January 2018

The Group will apply the above new/revised standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new/revised standards and amendments to standards and does not expect that the adoption of these new/revised standards and amendments to standards will result in any material impact on the Group's results and financial position.

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

	2014	*2013*
	RMB'000	*RMB'000*
Sales of Chinese medicine products		
- Mainland China	**2,807,902**	2,442,149
- Outside Mainland China	**477,972**	447,900
	3,285,874	2,890,049
Advertising agency services income		
- Mainland China	**32,604**	-
Chinese medical consultation		
- Outside Mainland China	**22,134**	20,004
Royalty fee income		
- Outside Mainland China	**554**	696
	3,341,166	2,910,749

e. OTHER LOSSES – NET

	2014	*2013*
	RMB'000	*RMB'000*
Professional expenses incurred in connection with issuance of new shares of a subsidiary	**-**	10,077
Remeasurement gain on previously held interest (Note (a))	**-**	(1,649)
	-	8,428

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

	2014	*2013*
	RMB'000	*RMB'000*
Finance income		
Interest income on cash at bank and short-term bank deposits	**28,596**	12,887
Exchange gains	**3,791**	-
	32,387	12,887
Finance costs		
Interest on bank borrowings	**(9,204)**	(10,122)
Less: amounts capitalised on qualifying assets	**5,613**	-
Exchange losses	**-**	(12,832)
	(3,591)	(22,954)
Finance income/(costs) – net	**28,796**	(10,067)

g. EXPENSE BY NATURE

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

	2014	2013
	RMB'000	RMB'000
Raw materials and consumables used	**1,190,196**	805,198
Change in inventories of finished goods and work-in-progress	**(237,529)**	36,639
Employee benefit expense		
- Salary and wages	**373,678**	311,602
- Staff welfare	**42,624**	28,968
- Housing fund	**21,884**	17,833
- Contribution to pension scheme	**66,307**	57,423
Depreciation of property, plant and equipment	**56,112**	43,383
Amortization of prepaid operating lease payments	**3,174**	3,272
Amortization of other long-term assets	**1,254**	758
Provision/(reversal of provision) for impairment of inventories	**5,448**	(8,097)
Provision for impairment of receivables (Note l)	**543**	1,246
Operating lease rental	**87,505**	69,455
Auditor's remuneration		
- Audit services	**4,843**	3,502
- Non-audit services	**515**	2,698
Research and development costs	**19,528**	21,470
Loss on disposal of property, plant and equipment	**518**	802
Recognition of government grants	**(8,474)**	(24,143)
Professional expenses incurred in connection with issuance of new shares of a subsidiary	**-**	10,077
Processing costs	**191,527**	157,676
Advertising and promotion expenses	**185,536**	159,171
Transportation	**57,278**	54,757
Repair and maintenance	**40,081**	42,589
Utilities	**57,648**	42,527
Other taxes	**39,207**	30,067

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% (2013: 25%). As of 31 December 2014 and 2013, the Company has obtained the HNTE certificate. Consequently, the applicable income tax rate of the Company in 2014 is 15% (2013: 15%).

Hong Kong Special Administrative Region of the PRC ("**Hong Kong**") profits tax has been provided at the rate of 16.5% (2013: 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:

	2014	*2013*
	RMB'000	*RMB'000*
Current income tax expense		
- Mainland China	**83,607**	54,533
- Hong Kong	**40,197**	35,988
- Overseas	**2,999**	2,740
	126,803	93,261
Deferred income tax expense	**(2,561)**	(1,313)
	124,242	91,948

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:

	2014	*2013*
	RMB'000	*RMB'000*
Profit before income tax	**740,600**	595,111
Tax calculated at domestic tax rates applicable to profits in the respective countries	**164,143**	131,504
Tax effects of:		
- Income not subject to tax	**(2,223)**	(7,573)
- Expenses not deductible for tax purposes	**858**	1,533
- Utilisation of previously unrecognised temporary differences	**(561)**	-
- Tax losses and temporary differences for which no deferred income tax asset were recognised	**3,571**	2,481
- Effect of preferential income tax treatments	**(46,822)**	(35,997)
- Final settlement and payment of enterprise income taxes	**5,276**	-
Income tax expense	**124,242**	91,948

The weighted average applicable tax rate was 22.2% (2013: 22.1%).

i. DIVIDENDS

The cash dividends paid in 2014 and 2013 were RMB160,098,000 (RMB0.25 (including tax) per share based on the total share capital of 640,392,000 shares) and RMB147,000,000 (RMB0.25 (including tax) per share based on the total share capital of 588,000,000 shares) respectively.

On 20 March 2015, the Board proposed a cash dividend in respect of the year ended 31 December 2014 of RMB0.14 (including tax) per share based on the total share capital of 1,280,784,000 shares, amounting to a total of RMB179,309,760, which is subject to the shareholders' approval at the annual general meeting to be held on 9 June 2015 (the "**AGM**"). These financial statements do not reflect this dividend payable.

	2014	*2013*
	RMB'000	*RMB'000*
Interim dividend paid of RMB nil (2013: RMB nil) per ordinary share	**-**	-
Proposed final cash dividend of RMB0.14(including tax, based on the total share capital of 1,280,784,000 shares) (2013: RMB0.25 (including tax, based on the total share capital of 640,392,000 shares)) per ordinary share	**179,310**	160,098
	179,310	160,098

The aggregate amounts of the dividends paid and proposed during 2013 and 2014 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

j. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately RMB462,187,000 by the weighted average number of 1,280,784,000 ordinary shares in issue during the year.

In accordance with IAS 33, "Earnings per share", as the number of ordinary shares outstanding increases as a result of the capitalization (Note n), the calculation of earnings per share for the year ended 31 December 2013 presented has been adjusted retrospectively.

The Company had no dilutive potential shares for the years ended 31 December 2014 and 2013.

	2014	*2013*
	RMB'000	*RMB'000*
		(Restated)
Profit attributable to owners of the Company	**462,187**	390,093
Weighted average number of ordinary shares in issue (thousands)	**1,280,784**	1,209,302
Earnings per share	**RMB0.36**	RMB0.32

k. SEGMENT INFORMATION

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

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

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

Other companies are engaged in processing and purchasing of Chinese medicinal raw materials, sales of medicinal products and advertising, 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 assess the performance of the operating segments based on revenue and profit after income tax of each segment.

k. SEGMENT INFORMATION (CONT'D)

The segment information provided to the Directors in the Board for the reportable segments for the year ended 31 December 2014 is as follows:

	The Company	Tong Ren Tang Chinese Medicine	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	2,493,608	603,895	528,303	3,625,806
Inter-segment revenue	(15,621)	-	(269,019)	(284,640)
Revenue from external customers	2,477,987	603,895	259,284	3,341,166
Profit after income tax	372,072	233,519	10,767	616,358
Interest income	17,843	9,422	1,331	28,596
Interest expense	(987)	-	(2,604)	(3,591)
Depreciation of property, plant and equipment	(29,837)	(13,943)	(12,332)	(56,112)
Amortization of prepaid operating lease payments	(2,100)	(430)	(644)	(3,174)
(Provision for) /reversal of impairment of inventories	(5,540)	92	-	(5,448)
Provision for impairment of receivables	(543)	-	-	(543)
Share of (losses)/profits of joint ventures	(10)	198	-	188
Income tax expense	(67,874)	(47,957)	(8,411)	(124,242)
Segment assets and liabilities				
Total assets	3,686,893	1,287,912	557,390	5,532,195
Investment in joint ventures	2,000	20,396	-	22,396
Additions to non-current assets (other than deferred tax assets)	199,906	56,669	54,153	310,728
Total liabilities	852,187	71,311	172,543	1,096,041

k. SEGMENT INFORMATION (CONT'D)

The segment information 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	2,224,901	491,772	194,076	2,910,749
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	(51,619)	(35,042)	(5,287)	(91,948)
Segment assets and liabilities				
Total assets	3,588,266	1,108,633	451,293	5,148,192
Investment in joint ventures	2,007	11,346	-	13,353
Additions to non-current assets (other than deferred tax assets)	95,055	98,606	14,935	208,596
Total liabilities	853,359	75,683	210,533	1,139,575

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 is measured in a manner consistent with that in the income statement.

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

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 RMB840,851,000 (2013: RMB633,839,000), and the total of these non-current assets located in other countries and regions is RMB241,430,000 (2013: RMB187,964,000).

l. TRADE AND BILLS RECEIVABLES, NET

	As at 31 December	
	2014	*2013*
	RMB'000	*RMB'000*
Trade and bills receivables	**308,278**	262,054
Less: provision for impairment of receivables	**(17,790)**	(17,247)
Trade and bills receivables, net	**290,488**	244,807

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 2014 and 2013, the ageing analysis of trade and bills receivables based on invoice date was as follows:

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

	As at 31 December	
	2014	*2013*
	RMB'000	*RMB'000*
Within 4 months	**281,799**	242,705
Over 4 months but within 1 year	**20,874**	12,116
Over 1 year but within 2 years	**274**	466
Over 2 years but within 3 years	**20**	1,584
Over 3 years	**5,311**	5,183
	308,278	262,054

As of 31 December 2014, trade receivables of RMB17,790,000 (2013: RMB17,247,000) 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 was as follows:

	As at 31 December	
	2014	*2013*
	RMB'000	*RMB'000*
Within 4 months	**10,360**	4,551
Over 4 months	**7,430**	12,696
	17,790	17,247

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

	2014	*2013*
	RMB'000	*RMB'000*
At 1 January	**17,247**	16,181
Provision for impairment of receivables	**543**	1,246
Write-off	**-**	(180)
At 31 December	**17,790**	17,247

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

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivables as 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:

	As at 31 December	
	2014	*2013*
	RMB'000	*RMB'000*
RMB	**248,430**	201,266
Hong Kong dollars ("**HKD**")	**55,299**	59,591
United States Dollar	**2,158**	526
Korean Won	**1,872**	-
Australian Dollar	**253**	212
Polish Zloty	**114**	-
New Zealand Dollar	**99**	-
Macanese Pataca	**34**	366
Brunei Ringgit	**19**	10
Singapore Dollar	**-**	80
Canadian Dollar	**-**	3
	308,278	262,054

m. TRADE PAYABLES

As of 31 December 2014, the ageing analysis of trade payables based on invoice date was as follows:

	As at 31 December	
	2014	*2013*
	RMB'000	*RMB'000*
Within 4 months	**357,113**	347,834
Over 4 months but within 1 year	**63,400**	12,720
Over 1 year but within 2 years	**1,411**	190
	421,924	360,744

n. SHARE CAPITAL

	As at 31 December			
	2014		2013	
	Number of shares	**Nominal value**	Number of shares	Nominal value
		RMB'000		RMB'000
Total share capital	**1,280,784,000**	**1,280,784**	640,392,000	640,392
Issued and fully paid				
-Domestic shares with a par value of RMB1 per share	**652,080,000**	**652,080**	326,040,000	326,040
-H shares with a par value of RMB1 per share	**628,704,000**	**628,704**	314,352,000	314,352
	1,280,784,000	**1,280,784**	640,392,000	640,392

	2014			2013		
	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	**326,040**	**314,352**	**640,392**	326,040	261,960	588,000
Proceeds from shares issued	**-**	**-**	**-**	-	52,392	52,392
Capitalisation of the reserve	**326,040**	**314,352**	**640,392**	-	-	-
At 31 December	**652,080**	**628,704**	**1,280,784**	326,040	314,352	640,392

On 20 March 2014, the Board 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, totaling RMB640,392,000, which was approved by the shareholders' at the annual general meeting held on 12 June 2014 and has been completed on 3 July 2014.

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

o. RESERVES

	Capital reserve (Note (a))	Statutory surplus reserve fund (Note (b))	Statutory public welfare fund (Note (b))	Tax reserve (Note (c))	Foreign currency translation differences	Other reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of 1 January 2013	175,144	218,810	45,455	102,043	(22,585)	(4,776)	835,516	1,349,607
Profit for the year	-	-	-	-	-	-	390,093	390,093
Foreign currency translation differences								
--Group	-	-	-	-	(4,827)	-	-	(4,827)
--Joint Ventures	-	-	-	-	(2,383)	-	-	(2,383)
Appropriation from retained earnings	-	36,213	-	-	-	-	(36,213)	-
Issuance of new shares	906,681	-	-	-	-	-	-	906,681
Professional expenses incurred in connection with the Company's issuance of new shares	(27,333)	-	-	-	-	-	-	(27,333)
Dividends paid to shareholders of the Company relating to 2012	-	-	-	-	-	-	(147,000)	(147,000)
Business combinations under common control	-	-	-	-	-	(1,791)	-	(1,791)
Professional expenses incurred in connection with issuance of new shares of a subsidiary	-	-	-	-	-	(13,705)	-	(13,705)
Issuance of new shares of a subsidiary	-	-	-	-	-	167,543	-	167,543
Balance as of 31 December 2013	1,054,492	255,023	45,455	102,043	(29,795)	147,271	1,042,396	2,616,885
Balance as of 1 January 2014	1,054,492	255,023	45,455	102,043	(29,795)	147,271	1,042,396	2,616,885
Profit for the year	-	-	-	-	-	-	462,187	462,187
Foreign currency translation differences								
--Group	-	-	-	-	(1,022)	-	-	(1,022)
--Joint Ventures	-	-	-	-	(532)	-	-	(532)
Appropriation from retained earnings	-	39,686	-	-	-	-	(39,686)	-
Dividends paid to shareholders of the Company relating to 2013	-	-	-	-	-	-	(160,098)	(160,098)
Capitalisation of the reserve (Note n)	(640,392)	-	-	-	-	-	-	(640,392)
Transaction with non-controlling interests	-	-	-	-	-	(8,224)	-	(8,224)
Balance as of 31 December 2014	414,100	294,709	45,455	102,043	(31,349)	139,047	1,304,799	2,268,804

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

o. RESERVES (CONT'D)

Notes:

(a) Capital reserve

Capital reserve 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.

(b) 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 RMB39,686,000 (2013: RMB36,213,000), 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 as at 31 December 2014.

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 of 2006. The balance together with statutory surplus reserve fund can be used to offset accumulated losses or convert as share capital of the Company.

(c) 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 utilization of the exempted tax is restricted to specified purposes and not distributable to shareholders.

p. EVENT AFTER THE BALANCE SHEET DATE

On 5 February 2015, Tong Ren Tang Chinese Medicine, a subsidiary of the Company, entered into an agreement with an independent third party (the "Vendor"), pursuant to which Tong Ren Tang Chinese Medicine has conditionally agreed to purchase and the Vendor has conditionally agreed to sell 51% of the issued share capital of Honour Essence Trading Limited (大宏貿易有限公司), a limited company incorporated in Hong Kong which is principally engaged in the distribution of Chinese medicine in Hong Kong, at a consideration of HKD71,426,000 (approximately RMB56,537,000), which shall be satisfied by the allotment and issue of 7,100,000 shares at HKD10.06 (approximately RMB7.96) each by Tong Ren Tang Chinese Medicine to the Vendor. The transaction was completed on 27 February 2015 and the issued shares of Tong Ren Tang Chinese Medicine increased from 830,000,000 to 837,100,000 on the same date. Upon completion, the shareholding ratio of the Company in Tong Ren Tang Chinese Medicine declined from 38.38% to 38.05%, but Tong Ren Tang Chinese Medicine continued to be a subsidiary of the Company.

FINAL DIVIDEND AND TAX

The Board proposed a final dividend for the year ended 31 December 2014 (the "**Final Dividend**") of RMB0.14 (including tax) per share based on the total number of the Company's issued and fully paid-up shares of 1,280,784,000 as at the end of 2014, totaling RMB179,309,760 (2013: a final dividend for the year ended 31 December 2013 of RMB 0.25 (including tax) per share based on the total number of the Company's issued and fully paid-up shares of 640,392,000, totaling RMB160,098,000). The profit distribution proposal is subject to the approval by the shareholders at 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 (Guoshuihan [2011] No.348), 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.

As of the date of this announcement, none of the shareholders had waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The AGM will be held on Tuesday, 9 June 2015.

As for the AGM, the register of members of H shares of the Company will be closed from Sunday, 10 May 2015 to Tuesday, 9 June 2015 (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 Friday, 8 May 2015.

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 Tuesday, 16 June 2015 to Saturday, 20 June 2015 (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 Monday, 15 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2014, the Company continued to grow in a stable, sustainable and healthy manner, thanks to its unchanged focus on "specialization, scale operation and integration" to respond to the increasingly intensified market competition in the industry. For the year ended 31 December 2014, the sales revenue of the Group amounted to RMB3,341,166,000, representing an increase of 14.79% as compared with RMB2,910,749,000 for the corresponding period of last year; the Group’s net profit amounted to RMB616,358,000, representing an increase of 22.50% as compared with RMB503,163,000 for the corresponding period of last year; net profit attributable to the owners of the Company amounted to RMB462,187,000, representing an increase of 18.48% as compared with RMB390,093,000 for the corresponding period of last year.

Sales

We further refined our sales channels in 2014, leveraging upon promotional platforms of marketing partners to diversify cooperation models and operation channels. On the one hand, we furthered optimized the existing distribution channels, relying on strategic alliances and cooperation with large pharmaceutical circulation enterprises in building up an in-depth and large-scale distribution network. Tapping on retail outlets within its parent group under the "Tong Ren Tang" brand to maximize the brand effect, the Company made full use of fellow channels within its parent group to increase market awareness of the Company's products, thus realizing a multi-level and multidimensional cooperation model over the traditional channel network. On the other hand, in view of the increasingly strong influence of the Internet on reshaping the market, the Company also incorporated online marketing ideology into its business philosophy by exploring resources of new network media promotion and online marketing. In the second half of 2014, the Company successfully opened “Tong Ren Tang Food Flagship Store” on JD.com and Tmall.com with an aim to sell food products. In addition, the online-to-offline full-channel interactive marketing model of the Company is gradually taking shape through participation in promotional events of well-known online pharmacies and publicity activities on WeChat and other new media platforms.

Keeping in its mind that future competition is a war about catering to various market needs, the Company has been adhering to differentiated marketing by aligning its regional market development with product portfolio development according to medicine needs of consumer groups. During the year, the Company's rational sales planning under a hierarchical geographic structure helped to maximize the potential of regional markets according to their respective characteristics. At the same time, a cascaded portfolio of specialty products was developed, according to the chareateristics of the specialty products and the regional consumer groups, laying a cornerstone for scale development of our product portfolio and regional market penetration towards a balance between products and regional markets.

During the year, the Company produced and sold more than one hundred kinds of Chinese patent medicines, of which 32 kinds of products achieved a sales amount of more than RMB10 million; and 18 kinds of products achieved a sales amount 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 amount of Liuwei Dihuang Pills (六味地黃丸) series decreased, the sales amount of Niuhuang Jiedu Tablets (牛黃解毒片) series increased by 25.90% and the sales amount of Ganmao Qingre Granules (感冒清熱顆粒) series increased by 16.01%. Other products, the sales amount 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, Jinkui Shenqi Pills (金匱肾气丸) series and Xihuang Pills (西黄丸) series.

Production

In 2014, the Company produced nearly 20 forms of products including pills, tablets, granules, capsules and liquid. With market-oriented production throughout the year, the Company established an effective, rapid and smooth bridge between its production and sales through effective communication mechanisms including production-sales coordination meetings and regular production meetings, etc. Production procedures were scheduled in a scientific and rational manner under the whole-process specialized monitoring. Taking the opportunity of certifications including new GMP in China and TGA in Australia, we further strengthened our awareness of quality, taking initiatives such as improving quality management standards and on-site management to boost quality management both in hardware and software to ensure the quality and safety of pharmaceuticals.

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 provided semi-finished goods for the production of different forms of medicines to the Company since 2007. In 2014, Tongke Company focused on specialized extraction to effectively meet the Company's production needs and ensure the quality of semi-finished products.

The registered capital of Beijing Tong Ren Tang (Tangshan) Nurtition and Healthcare Co., Ltd. ("**Tangshan Company**") (located in Tangshan, Hebei Province) is RMB120 million, which is owned as to 74%, 20% and 6% respectively by the Company, Tangshan Jiayi Packaging Industries Co., Ltd.（唐山佳藝包裝工業有限公司）and Bozhou Jingqiao Medicine Co. Ltd.（亳州市京譙醫藥有限責任公司）. Tangshan Company will center on manufacturing of glue product series. During the year, its food workshop successfully passed the certification of QS (Quality Standard on Food Production). It is envisaged that the output increase of Tangshan Company will further enhance the Group's production capacity of glue product series, thus diversifying the Group's product mix of the same. For the year of 2014, Tangshan Company generated a total revenue of RMB60,308,000, and a net profit of RMB5,454,000.

Management and Research and Development

In 2014, the Company remained committed to "specialized" and "standardized" development. The Company streamlined key areas in production and operation, and defined more than 10 annual tasks with an intensified focus at the beginning of the year, which were pressed forward by dedicated task groups. During the year, we continued the product quality control over all kinds of products and constant improvement of management standards and operational protocols based on the development of standards and systems, which were promoted to our subsidiaries to gradually realize systematic and standardized operation. A hierarchical management model was adopted across procurement, production, warehousing, logistics and sales, etc. to identify risk areas, assess risk level and build up an internal risk-controlling "firewall". With strengthened internal control, we gradually achieved overall control over personnel, finance and property in business processes to improve our scientific management level. During the year, the Company successfully passed the re-certification of HNTE.

On research and development, the Company adhered to the tenet of providing practical and efficient scientific research services for production and operation to constantly advance scientific research on the existing products, focusing on in-depth research on increasing indications and broadening scope of application to underpin further market development. During the year, we made inspiring breakthroughs in the research and development of Ejiao food series by rolling out a series of well-received products, including Ejiao Honey Cream and Instant Ejiao Powder, which laid a foundation for diversification of product categories of the Group.

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, and is the only retail drugstore invested and established by the Company in Mainland China. In 2014, Nansanhuan Zhonglu Drugstore continued its quality priority on products, services and operation to give full play to its featured operations in a customer-centered approach. At the same time, leveraging on the "Tong Ren Tang" brand, it adhered to the operating direction of "establishing itself as a top-notch drugstore selling quality medicines", integrating our culture of "Heal the world" into daily operation, which fueled the growth in sales revenue. In 2014, Nansanhuan Zhonglu Drugstore realized sales revenue of RMB94,060,000, representing an increase of 11.81% 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 Chinese medicinal raw materials such as cornel (山茱萸), tuckahoe (茯苓) and catnip (荊芥). These production bases played a key role in securing the supply and quality of Chinese medicinal raw materials required for the Company's products.

In line with the trend of "Return to the green nature" in 2014, our production bases strictly followed the planting and harvesting approach specific to places of origin and seasons to provide pure and authentic Chinese medicinal raw materials to the Company. In addition, the production bases further standardized cultivation of herbs and improved management level to reduce operational risks. During the year, Herba Corydalis Bungeanae (苦地丁) and Cortex Moutan (牡丹皮) which were planted in our production bases situated in Hebei and Anhui successfully passed the on-site inspection for certification under the "Good Agricultural Practice" ("**GAP**"), which ensured the safety and quality of medicinal raw materials and achieved sustainable development of economy, environment and society. In 2014, all of the Company's production bases for Chinese medicinal raw materials achieved a total sales revenue of RMB127,309,000.

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

The registered capital of Tong Ren Tang WM is US$3 million, which is owned as to 60% and 40% respectively by the Company and WM Dianorm Biotech Co., Limited. In light of the tenet of "distilling the secret recipe culturally and scientifically" since its inception, it is committed to combining natural herb and modern Chinese medicine and promoting its application in pharmaceuticals, cosmetics and daily health products. Its major products include lotion, cream, facial and eye masks, liposome skincare products and daily health products. Responding to the consumer's increasing pursuit for safe and natural cosmetics in 2014, Tong Ren Tang WM abided by the standards of "superior materials, superb technique", combining extraction of herbal raw materials and the leading production technology to highlight effectiveness, safety and natural attributes of products. In addition, to meet consumer needs, it introduced innovative marketing models including e-commence platform to promote sales of products, and gradually established a multi-platform and multi-channel growth pattern. During the year, more than 10 new products including Tong Ren Tang Freckle-Removing Cream (同仁堂祛斑霜) and Tong Ren Tang Nourishing Body Lotion (同仁堂滋養保濕體乳) were marketed. The product portfolio comprising facial care, hand care, liposome care and hair care products made Tong Ren Tang WM a carrier of the herbal skin care undertaking. In 2014, Tong Ren Tang WM generated a total sales revenue of RMB106,958,000, representing an increase of 25.01% as compared with the corresponding period of last year, and a net profit of RMB12,535,000, representing an increase of 23.82% as compared with the corresponding period of 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 original registered capital of Xing An Meng Co., Ltd. was RMB3 million. In 2014, the Company and Beijing Dekang Xinrui Trading Co., Ltd. (北京德康信瑞商貿有限責任公司) ("**Dekang Xinrui**") entered into a capital increase agreement, pursuant to which each party agreed to jointly increase its investment in Xing An Meng Co., Ltd. by an additional capital contribution of RMB16 million on a pro rata basis based on the original shareholding. Upon completion of the capital increase, the registered capital of Xing An Meng Co., Ltd. was increased to RMB19 million, and the Company and Dekang Xinrui continued to hold 51% and 49% equity interest in Xing An Meng Co., Ltd. respectively. During the Reporting Period, it focused on tea drinks and foot care products series to further promote traditional Chinese healthcare concept. While consolidating and expanding the existing sales channels, it also started to develop supermarket channels appropriate for its products and end markets, thus enhancing the influence of its products. During the year, its foot care products were well received in the market. For the year of 2014, Xing An Meng Co., Ltd. generated a total revenue of RMB28,925,000, representing an increase of 121.67% as compared with the corresponding period of last year, and a net profit of RMB377,000.

Beijing Tong Ren Tang Century Advertising Co., Limited *（北京同仁堂世纪广告有限公司）* ***("Tong Ren Tang Century Advertising")***

Tong Ren Tang Century Advertising, a wholly-owned subsidiary of the Company with registered capital of RMB1 million, is primarily engaged in advertising design, production, agency and publication, etc. Upholding the service concept with a focus on planning, originality and publicity effect during the year, it adopted various channels including, among others, printed media, television, radio and outdoor advertising to promote the "Tong Ren Tang" brand and products, and continued to improve the initiative and innovativeness of its services. For the year of 2014, Tong Ren Tang Century Advertising generated a total revenue of approximately RMB43,983,000.

Tong Ren Tang Chinese Medicine

Tong Ren Tang Chinese Medicine, which is a subsidiary of the Company and is located in 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 Stock Exchange on 7 May 2013. As at 31 December 2014, the total issued shares of Tong Ren Tang Chinese Medicine were 830,000,000 shares, which were owned as to 38.38% by the Company, as to 33.91% by Tong Ren Tang Ltd. and the rest by public shareholders. As at the date of publication of this annual results announcement, the total issued shares of Tong Ren Tang Chinese Medicine have increased to 837,100,000 shares, which were owned as to 38.05% by the Company, as to 33.62% by Tong Ren Tang Ltd. and the rest by public shareholders (For details about the changes of the total issued shares of Tong Ren Tang Chinese Medicine and the shareholding percentage, please refer to Note p). Tong Ren Tang Chinese Medicine is principally engaged in construction of overseas distribution network and distribution of products of "Tong Ren Tang" brand and other Chinese patent medicine health products, and development, production and sales of its own products.

Based in Hong Kong with the aim of going global, Tong Ren Tang Chinese Medicine continued to promote the Chinese traditional culture with a focus on the culture of Chinese medicine in 2014. During the year, Tong Ren Tang Chinese Medicine opened the first flagship store for Chinese medicine and health preservation in Hong Kong, completed the acquisition of Fook Ming Tong Chinese Medical Center（福明堂中醫藥中心）and entered into a framework agreement with Maori, the indigenous people of New Zealand, with the intention to establish a touring health and cultural center in New Zealand. As at 31 December 2014, Tong Ren Tang Chinese Medicine had established 56 retail stores in 15 countries and regions outside Mainland China (Hong Kong, Macau, Malaysia, Canada, Indonesia, South Korea, Thailand, Australia, Singapore, Brunei, Cambodia, United Arab Emirates, Poland, the United Kingdom and New Zealand). With the proactive development of new business modes and network and the continuously enhanced strategies of innovation, branding and international marketing, Tong Ren Tang Chinese Medicine managed to create new sources of value growth.

In 2014, Tong Ren Tang Chinese Medicine and its subsidiaries generated a total sales revenue of RMB603,895,000, representing an increase of 22.80% as compared with RMB491,772,000 for the corresponding period of last year, and a net profit of RMB233,519,000, representing an increase of 28.62% as compared with RMB181,561,000 for the corresponding period of last year.

Financial Review

Liquidity and Financial Resources

The Group has maintained a sound financial position. During the year of 2014, the Group's primary source of funds was cash generated from daily operating activities.

As at 31 December 2014, the Group's cash and cash equivalents amounted to RMB1,774,389,000 (31 December 2013: RMB1,967,919,000) in total, plus short-term bank borrowings of RMB100,000,000 (31 December 2013: RMB155,000,000), carrying an interest rate of 5.456% (2013: 5.603%) per annum, plus nil non-current borrowings (as at 31 December 2013, the non-current borrowings amounted to RMB39,310,000, carrying an interest rate of 1.590% per annum).

As at 31 December 2014, the total assets of the Group amounted to RMB5,532,195,000 (31 December 2013: RMB5,148,192,000). The funds comprised non-current liabilities of RMB78,317,000 (31 December 2013: RMB118,217,000), current liabilities of RMB1,017,724,000 (31 December 2013: RMB1,021,358,000), equity attributable to owners of the Company of RMB3,549,588,000 (31 December 2013: RMB3,257,277,000) and non-controlling interests of RMB886,566,000 (31 December 2013: RMB751,340,000).

Capital Structure

The objectives of the Group's capital management policy are to safeguard the Group's ability to continue as a going concern so as to provide returns 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 2014, 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 and HKD 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. The Group monitors its capital on the basis of the gearing ratio.

Gearing and Liquidity Ratios

As at 31 December 2014, the Group's gearing ratio (the ratio of total borrowings to equity attributable to owners of the Company) was 0.03 (31 December 2013: 0.06); the Group's liquidity ratio (the ratio of current assets to current liabilities) was 4.36 (31 December 2013: 4.22), reflecting that the Group had sufficient financial resources.

Charges over Assets of the Group

As at 31 December 2014, none of the Group's assets was pledged as security for liabilities (31 December 2013: Nil).

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2014 (31 December 2013: Nil).

Capital Commitments

As at 31 December 2014, 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 RMB127,261,000 (31 December 2013: RMB38,749,000).

Significant Investment and Material Acquisition / Disposal of Assets

During the year of 2014, the Group did not have any significant investment or material acquisition or disposal of assets.

Future Investment Plan

As at the end of 2014, the Company had bought a total of approximately 108,700 square meters of land 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 in Da Xing Base is expected to be approximately RMB1,088 million, which will be paid by internal funds, bank borrowings or others. As at the end of 2014, RMB179,820,000 had been invested in the base. So far, main construction for R&D center, solid dosage plant and liquid dosage plant has been completed. Upon the completion of the construction, Da Xing Base will become an integrated industrial base with functions of both production and technology research for various forms of Chinese medicines such as solid dosage form and liquid dosage form.

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 in Bo Zhou Base is expected to be approximately RMB185 million, which will be paid by internal funds, bank borrowings or others. As at the end of 2014, RMB91,590,000 had been invested in the base. During the Reporting Period, the Company carried out internal improvement of the warehouse and workshop for Chinese medicinal raw materials in an orderly manner. Upon the completion of the construction, Bo Zhou Base will provide the Company with the 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 2014, the Group had a total of 3,595 employees (31 December 2013: 3,155 employees), of which 2,086 are employees of the Company (31 December 2013: 2,025 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 net profit attributable to owners of the Company as compared with that 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 2014, as approved by the Board, the Company paid a total of RMB3,648,400 incentive fund for the year of 2013 to the members of the senior management according to the Incentive Plan.

Future Prospects

The year of 2015 is the final year of the “Twelfth Five-year Plan” for China's evolving pharmaceutical industry. Amidst the complicated economic environment and faced with possible adjustments and changes within the industry, we should reposition ourselves in the transformation prudently and decisively, broadening our mindset to seize market opportunities and enhance our competitiveness for long-term development of the Group on a healthy and sustainable basis.

Looking ahead, we will continue to integrate our culture-based traditional Chinese medicine concept into modern pharmaceutical process to cater for various medication needs with focus on modern Chinese medicine. In 2015, we will continue to tap on market potential, introduce new marketing approaches to enhance our competitive edge. On one hand, we will stay close to the characteristics and needs of markets and consumers and guide the consumption habits based on effective and in-depth research on segment consumer markets in different regions. On the other hand, we will continue to explore on and develop new business and service models. We expect to seize the opportunity to introduce our products to more consumers through e-commerce platform, an innovative vehicle implying tremendous potential, to promote closer integration of online and offline products progressively.

In addition, we will promote the subsidiaries to continuously rely on their specialized market positioning by respectively focusing on and penetrating into cosmetics and food products. While expanding the application and categories of products, we will combine our heritage and innovations to forge a distinctive, well-structured and specialized business mix as a growth engine for the Group's sustainable development.

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

To ensure that the business classification between the Company, Tong Ren Tang Holdings and Tong Ren Tang Ltd. is properly documented and established, Tong Ren Tang Holdings and Tong Ren Tang Ltd. undertake, pursuant to an undertaking dated 19 October 2000 committed by Tong Ren Tang Holdings and Tong Ren Tang Ltd. in favor of the Company ("**October Undertaking**"), that other than Angong Niuhuang Pills (安宫牛黄丸), Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries will not produce in future any products that bear the same names or bear the same names with different dosage forms as those pharmaceutical products produced by the Company, which 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 direct 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 product forms of the Company, the Company will be entitled to manufacture such new product and none of Tong Ren Tang Holdings, Tong Ren Tang Ltd. or their respective subsidiaries will 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 thereof, 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. 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 2014, Tong Ren Tang Ltd. and Tong Ren Tang Holdings have provided all information necessary to the independent non-executive Directors for their annual review and report on their fulfillment on the October Undertaking. Tong Ren Tang Ltd. and Tong Ren Tang Holdings have fulfilled their undertakings on the relevant right of first refusal granted to the Company 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 2014 annual report to be published by the Company soon.

CORPORATE GOVERNANCE

The Board believes that a good and steady framework of corporate governance is extremely important for the development of the Company. The Company has adopted the principles and standards contained in the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules as the Company's standards, and combined them with its own experience, aiming to establish a good corporate governance structure. For the year ended 31 December 2014, the Company had always strictly complied with the code provisions in the Code.

AUDIT COMMITTEE

The Company has set up an Audit Committee with specific written terms of reference and duties 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. Its primary duties 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 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. The Company has fully complied with the requirements under Rule 3.21 of the Listing Rules.

During the year of 2014, the Audit Committee convened two meetings. The first meeting was held on 13 March 2014 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 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 concluded the meeting with agreement to the contents of the 2013 annual report. The second meeting was held on 12 August 2014 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 2014, 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 2014 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 reappointment of the auditors; and held separate meetings with the auditors to discuss matters relating to its audit fees and other issues arising from the audit.

At the meeting held on 11 March 2015, 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 2014, as well as matters in relation to risk management, legal compliance and internal audit, and to listened to the results of audit reported by the auditors. The committee concurred in the contents of the 2014 annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDITORS

PricewaterhouseCoopers ("**PwC**") was appointed as the auditor of the Company for the year ended 31 December 2014. The figures in respect of the results announcement of the Group for the year ended 31 December 2014 have been agreed by PwC, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2014. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Federation of Accountants and consequently no assurance has been expressed by PwC on the preliminary results announcement.

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 Stock Exchange website (www.hkex.com.hk). The Company will dispatch the 2014 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 Stock Exchange.

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

Beijing, the PRC
20 March 2015

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