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 2015

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 2015 (the "**Reporting Period**") for shareholders' review.

Results of the Year

For the year ended 31 December 2015, the Group's revenue amounted to RMB3,987,124,000, representing an increase of 19.33% from RMB3,341,166,000 for the corresponding period of last year; the Group's net profit amounted to RMB742,030,000, representing an increase of 20.39% from RMB616,358,000 for the corresponding period of last year; net profit attributable to the owners of the Company amounted to RMB540,481,000, representing an increase of 16.94% from RMB462,187,000 for the corresponding period of last year.

Review of the Year

In 2015, the global economic growth recovery continued to slowdown, the adverse effects of conflicts resulted from differentiated economic policies among different countries began to show with unbalanced recovery. Meanwhile, China is experiencing continuous adjustment of economic structure with changes in mode of economic growth and slowdown of GDP growth. Therefore, under such adverse economic situation both at home and abroad, there are numerous challenges in the pharmaceutical industry in the PRC. However, along with the deepening reform of the medical and health system in the PRC and the partial ease of control over drug prices in this year, the Chinese government continued to attach great importance to and remained supportive to the Chinese medicine industry, which has brought about new opportunities for development in the industry.

During the year, amid the environment full of chances and challenges for development, we upheld the core business philosophy of "Tong Ren Tang" brand to adapt to the trends and seize the opportunities available in the industry to actively response to the adverse effects arising from the slowdown of economic growth and such other changes in the marco-economic environment, and at the same time continued to focus on the consolidation of our advantageous product resources on the back of support from the market and under the guidance of the polices. During the year, we focused on products under Ejiao (阿膠) series and continued our research and development for launching new types of products with new specifications, broaden our product offerings in order to provide more and better choices for consumers and to satisfy their various expectations and preferences, thereby promoting the stable and healthy development of the Group in areas such as Chinese medicines, food, cosmetics and so on.

To keep up with the trend of integrated development of Beijing, Tianjin and Hebei and plan for the development under the "13th Five-year Plan" in advance, we proceeded with the formulation of the industrial layout adjustment plan by establishing a new subsidiary in Yutian County, Heibei Province, where a production base for Chinese medicine products was constructed, and the function positioning of Da Xing Production Base ("**Da Xing Base**") located in Daxing District, Beijing was readjusted. Upon completion of the construction and commencement of operation, such bases will become an integral part of the production center of the Company. At the same time, the Company obtained the control over a High/New Technology Enterprise engaged in extraction of natural herbs by way of capital increase, so as to satisfy the year-on-year growth of the Group's demand for traditional Chinese medicine extracts and enhance the overall production capacity of the Group.

Outlook and Prospects

2016 is the first year under the "13th Five-year Plan" with structural adjustment of the mode of economic growth remained as the main focus. In the future, the population structure in the PRC tends to develop towards aging. At the same time, affected by the accelerating pace of life and the ecosystem, the number of people with chronic illnesses or of sub-health group are increasing. Therefore, the rigid demand for medicines is bound to increase. As Chinese medicine cares and preserves one's health with little side effects and integrates nursery and nourishment, which is suitable for people with chronic illnesses, Chinese medicine will have much room for further development in the future. However, the entry threshold of the industry is constantly rising and the competition in the market is intensifying with continuous increase in the costs of raw materials, salary and on, resulting in constant increase in uncertainties in the overall development of the industry.

Looking forward, we will continue to solidify the foundation for production and sale of Chinese patent medicine, intensify the adjustment of industrial layout, constantly optimize and expand the production capacity by forming a relatively closed operation system loop comprising production, supply, sales and logistics and devoting our utmost efforts in the realization of new breakthrough in production and supply landscape.

We fully understand that the continuous improvement in the industrial chain is the foundation for long-term development of the Group. We will start from Chinese medicinal raw materials and develop the existing products and resources in an in-depth manner. The widening of varieties of our cultivation and planting and the deep processing of Chinese medicinal raw materials will enable us to ensure the supply and quality of the raw materials of the Group while expediting the development of new products via raw material processing. Moreover, comprehensive planning will be made based on the market demand and our own resources in order to exploit natural Chinese medicine's advantage of combining treatment with healthcare, and various aspects of product will be thoroughly studied while the Group's structure will be optimized and consolidated continuously in many ways, thereby promoting the Group's development in the health sector. Also, we will further widen our financing channels and grasp market opportunities to ensure the successful implementation of the Group's future development strategies. By means of various funding methods including issuance of corporate bonds, our capital structure will be further optimized and our investment and financing systems will be improved so that the funding for our sustainable development can be safeguarded.

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 2015, together with the comparative figures of 2014, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	***2015***	*2014*
		RMB'000	*RMB'000*
Revenue	*d*	**3,987,124**	3,341,166
Cost of sales		**(1,995,851)**	(1,725,965)
Gross profit		**1,991,273**	1,615,201
Distribution expenses		**(803,458)**	(638,608)
Administrative expenses		**(306,848)**	(264,977)
Operating profit		**880,967**	711,616
Finance income	*e*	**24,024**	32,387
Finance costs	*e*	**(2,627)**	(3,591)
Finance income – net	*e*	**21,397**	28,796
Share of (loss)/profit of investments accounted for using the equity method		**(3,534)**	188
Profit before income tax		**898,830**	740,600
Income tax expense	*g*	**(156,800)**	(124,242)
Profit for the year		**742,030**	616,358
Profit attributable to:			
Owners of the Company		**540,481**	462,187
Non-controlling interests		**201,549**	154,171
		742,030	616,358
Earnings per share for profit attributable to owners of the Company during the year	*i*		
- Basic and diluted		**RMB0.42**	RMB0.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015	*2014*
	RMB'000	*RMB'000*
Profit for the year	**742,030**	616,358
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign currency translation differences		
- Group	**78,534**	(6,128)
- Joint ventures and associates	**(673)**	(532)
Other comprehensive income/(loss) for the year, net of tax	**77,861**	(6,660)
Total comprehensive income for the year	**819,891**	609,698
Attributable to:		
Owners of the Company	**570,272**	460,633
Non-controlling interests	**249,619**	149,065
Total comprehensive income for the year	**819,891**	609,698

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	***2015***	*2014*
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Leasehold land and land use rights		**152,258**	146,523
Property, plant and equipment		**1,052,598**	890,411
Intangible assets		**61,268**	1,876
Investments accounted for using the equity method		**21,339**	22,396
Prepayments for purchase of property, plant and equipment		**25,188**	21,075
Deferred income tax assets		**29,165**	17,536
		1,341,816	1,099,817
Current assets			
Inventories		**1,958,202**	1,749,835
Trade and bills receivables	*k*	**378,293**	290,488
Amounts due from related parties		**109,478**	98,856
Prepayments and other current assets		**135,219**	142,610
Short-term bank deposits		**724,261**	376,200
Cash and cash equivalents		**1,534,984**	1,774,389
		4,840,437	4,432,378
Total assets		**6,182,253**	5,532,195

CONSOLIDATED BALANCE SHEET (CONT'D)

	Note	As at 31 December	
		2015	*2014*
		RMB'000	*RMB'000*
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**1,280,784**	1,280,784
Reserves	*m*	**2,677,517**	2,268,804
		3,958,301	3,549,588
Non-controlling interests		**1,193,734**	886,566
Total equity		**5,152,035**	4,436,154
Liabilities			
Non-current liabilities			
Borrowings		**470**	-
Deferred income tax liabilities		**7,267**	4,264
Deferred income – government grants		**86,254**	74,053
		93,991	78,317
Current liabilities			
Trade and bills payables	*l*	**372,067**	421,924
Salary and welfare payables		**22,626**	19,845
Advances from customers		**70,859**	164,235
Amounts due to related parties		**43,524**	84,118
Current income tax liabilities		**49,667**	26,940
Other payables		**195,984**	200,662
Borrowings		**181,500**	100,000
		936,227	1,017,724
Total liabilities		**1,030,218**	1,096,041
Total equity and liabilities		**6,182,253**	5,532,195

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 all applicable 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 1 January 2015:

Annual Improvements Project	Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

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 January 2016 or later periods, but have not been early adopted by the Group.

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

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

[(2)] Effective for the accounting period beginning on 1 January 2018

[(3)] Effective for the accounting period beginning on 1 January 2019

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.

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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 to 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

	2015	*2014*
	RMB'000	*RMB'000*
Sales of Chinese medicine products		
- Mainland China	**3,275,146**	2,807,902
- Outside Mainland China	**649,409**	477,972
	3,924,555	3,285,874
Advertising services		
- Mainland China	**34,186**	32,604
Chinese medical consultation services		
- Outside Mainland China	**27,752**	22,134
Royalty fee		
- Outside Mainland China	**631**	554
	3,987,124	3,341,166

e. FINANCE INCOME AND COSTS

	2015	*2014*
	RMB'000	*RMB'000*
Finance income		
Interest income	**22,911**	28,596
Exchange gains, net	**1,113**	3,791
	24,024	32,387
Finance costs		
Interest on bank borrowings	**(7,527)**	(9,204)
Less: amounts capitalised on qualifying assets	**4,900**	5,613
	(2,627)	(3,591)
Finance income – net	**21,397**	28,796

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

f. EXPENSE BY NATURE

Operating profit was arrived at after charging/(crediting) the following:

	2015	2014
	RMB'000	RMB'000
Raw materials and consumables used	**1,182,358**	1,190,196
Change in inventories of finished goods and work-in-progress	**(212,724)**	(237,529)
Employee benefit expense	**630,535**	504,493
Depreciation of property, plant and equipment	**67,604**	56,112
Amortisation of prepaid operating lease payments	**3,450**	3,174
Amortisation of intangible assets	**1,959**	808
Amortisation of other long-term assets	**1,185**	446
Provision for impairment of inventories	**22,426**	5,448
Provision for impairment of receivables	**3,508**	543
Operating lease rental	**102,318**	87,505
Auditor's remuneration		
- Audit services	**5,282**	4,843
- Non-audit services	**323**	515
Research and development costs	**25,186**	19,528
Loss on disposal of property, plant and equipment	**950**	518
Amortisation of deferred income - government grants	**(7,228)**	(8,474)
Processing costs	**219,142**	191,527
Advertising and promotion expenses	**244,006**	185,536
Transportation	**81,049**	57,278
Repair and maintenance	**49,127**	40,081
Utilities	**58,144**	57,648
Other taxes	**45,249**	39,207

g. INCOME TAX EXPENSE

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, enterprises with a High/New Technology Enterprise ("**HNTE**") status are able to enjoy a preferential tax rate of 15%. For the entities without the HNTE status, the PRC income tax rate is 25% (2014: 25%). As of 31 December 2015 and 2014, the Company has obtained the HNTE certificate. Consequently, the applicable income tax rate of the Company in 2015 is 15% (2014: 15%).

Hong Kong Special Administrative Region of the PRC ("**Hong Kong**") profits tax has been provided at the rate of 16.5% (2014: 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.

	2015	*2014*
	RMB'000	*RMB'000*
Current income tax expense		
- Mainland China	**105,986**	83,607
- Hong Kong	**59,657**	40,197
- Overseas	**4,474**	2,999
	170,117	126,803
Deferred income tax credit	**(13,317)**	(2,561)
	156,800	124,242

g. 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:

	2015	*2014*
	RMB'000	*RMB'000*
Profit before income tax	**898,830**	740,600
Tax calculated at domestic tax rates applicable to profits in the respective countries	**203,534**	164,143
Tax effects of:		
- Income not subject to tax	**(2,255)**	(2,223)
- Expenses not deductible for tax purposes	**1,300**	858
- Utilisation of previously unrecognised temporary differences	**-**	(561)
- Tax losses and temporary differences for which no deferred income tax asset were recognised	**6,190**	3,571
- Effect of preferential income tax treatments	**(52,708)**	(46,822)
- Final settlements and payments	**739**	5,276
Income tax expense	**156,800**	124,242

The weighted average applicable tax rate was 22.6% (2014: 22.2%).

h. DIVIDENDS

The cash dividends paid in 2015 and 2014 were RMB179,310,000 (RMB0.14 (including tax) per share based on the total share capital of 1,280,784,000 shares) and RMB160,098,000 (RMB0.25 (including tax) per share based on the total share capital of 640,392,000 shares) respectively.

On 18 March 2016, the Board proposed a cash dividend in respect of the year ended 31 December 2015 of RMB0.15 (including tax) per share based on the total share capital of 1,280,784,000 shares, amounting to a total of RMB192,117,600, which is subject to the shareholders' approval at the 2015 annual general meeting to be held on Thursday, 16 June 2016 (the "**2015 AGM**"). These financial statements do not reflect this dividend payable.

	2015	*2014*
	RMB'000	*RMB'000*
Interim dividend paid of RMB nil (2014: RMB nil) per ordinary share	**-**	-
Proposed final cash dividend of RMB0.15 (including tax) (2014: RMB0.14 (including tax)) per ordinary share	**192,118**	179,310
	192,118	179,310

i. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately RMB540,481,000 by the weighted average number of 1,280,784,000 shares in issue during the year.

The Company had no dilutive potential shares in 2015 and 2014.

	2015	*2014*
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**540,481**	462,187
Weighted average number of ordinary shares in issue (thousands)	**1,280,784**	1,280,784
Earnings per share	**RMB0.42**	RMB0.36

j. 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 manufacturing, retail and wholesale of Chinese medicine products and healthcare products, and provision of Chinese medical consultation and treatments of Beijing Tong Ren Tang Chinese Medicine Company Limited ("**Tong Ren Tang Chinese Medicine**") outside Mainland China and its 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 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)*:***

j. SEGMENT INFORMATION (CONT'D)

The segment information provided to the Directors in the Board for the reportable segments for the year ended 31 December 2015 is as follows:

	The Company	Tong Ren Tang Chinese Medicine	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	2,925,362	783,125	723,659	4,432,146
Inter-segment revenue	(16,792)	-	(428,230)	(445,022)
Revenue from external customers	2,908,570	783,125	295,429	3,987,124
Profit after income tax	418,085	301,535	22,410	742,030
Interest income	13,816	7,551	1,544	22,911
Interest expense	(916)	(173)	(1,538)	(2,627)
Depreciation of property, plant and equipment	(31,716)	(17,379)	(18,509)	(67,604)
Amortisation of prepaid operating lease payments	(2,101)	(436)	(913)	(3,450)
Provision for impairment of inventories	(22,426)	-	-	(22,426)
Provision for impairment of receivables	(3,508)	-	-	(3,508)
Share of profit/(loss) of investments accounted for using the equity method	5	(3,539)	-	(3,534)
Income tax expense	(66,310)	(66,039)	(24,451)	(156,800)
Segment assets and liabilities				
Total assets	3,730,543	1,698,168	753,542	6,182,253
Investments accounted for using the equity method	2,000	19,339	-	21,339
Additions to non-current assets (other than deferred tax assets)	113,309	74,008	81,208	268,525
Total liabilities	691,174	98,842	240,202	1,030,218

j. SEGMENT INFORMATION (CONT'D)

The segment information 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)
Amortisation of prepaid operating lease payments	(2,100)	(430)	(644)	(3,174)
(Provision for)/reversal of provision for impairment of inventories	(5,540)	92	-	(5,448)
Provision for impairment of receivables	(543)	-	-	(543)
Share of (loss)/profit of investments accounted for using the equity method	(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
Investments accounted for using the equity method	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

j. 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 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 RMB1,007,469,000(2014: RMB840,851,000), and the total of these non-current assets located in other countries and regions is RMB305,182,000(2014: RMB241,430,000).

During the year revenue from two customers each accounted for ten percent or more of the Group's total external revenue. These revenues are mainly attributable to The Company Segment and Tong Ren Tang Chinese Medicine Segment. The revenues from these customers are summarised below:

	2015
	RMB'000
Entities under control of ultimate holding company	700,879
Customer A	561,892
	1,262,771

k. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2015	*2014*
	RMB'000	*RMB'000*
Trade receivables	**283,296**	201,221
Bills receivables	**116,329**	107,057
	399,625	308,278
Less: provision for impairment	**(21,332)**	(17,790)
Trade and bills receivables, net	**378,293**	290,488

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 at 31 December 2015 and 2014, the ageing analysis of trade and bills receivables based on invoice date was as follows:

k. TRADE AND BILLS RECEIVABLES (CONT'D)

	As at 31 December	
	2015	*2014*
	RMB'000	*RMB'000*
Within 4 months	**356,298**	281,799
Over 4 months but within 1 year	**32,063**	20,874
Over 1 year but within 2 years	**5,742**	274
Over 2 years but within 3 years	**211**	20
Over 3 years	**5,311**	5,311
	399,625	308,278

As at 31 December 2015, trade receivables of RMB71,357,000 (2014: RMB97,371,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2015	*2014*
	RMB'000	*RMB'000*
Over 4 months but within 1 year	**65,308**	96,900
Over 1 year but within 2 years	**5,594**	219
Over 2 years but within 3 years	**203**	-
Over 3 years	**252**	252
	71,357	97,371

k. TRADE AND BILLS RECEIVABLES (CONT'D)

As at 31 December 2015, trade receivables of RMB21,332,000 (2014: RMB17,790,000) 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	
	2015	*2014*
	RMB'000	*RMB'000*
Within 4 months	**9,611**	10,360
Over 4 months	**11,721**	7,430
	21,332	17,790

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

	2015	*2014*
	RMB'000	*RMB'000*
At 1 January	**17,790**	17,247
Provision for impairment	**3,508**	543
Acquisition of subsidiaries	**34**	-
At 31 December	**21,332**	17,790

k. TRADE AND BILLS RECEIVABLES (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:

	As at 31 December	
	2015	*2014*
	RMB'000	*RMB'000*
RMB	**308,213**	248,430
Hong Kong dollars ("**HKD**")	**89,041**	55,299
United States Dollar	**1,185**	2,158
Korean Won	**898**	1,872
Australian Dollar	**188**	253
Polish Zloty	**21**	114
New Zealand Dollar	**25**	99
Macanese Pataca	**43**	34
Brunei Ringgit	**7**	19
UAE Dirham	**4**	-
	399,625	308,278

l. TRADE AND BILLS PAYABLES

As at 31 December 2015, the ageing analysis of trade and bills payables based on invoice date was as follows:

	As at 31 December	
	2015	*2014*
	RMB'000	*RMB'000*
Within 4 months	**348,042**	357,113
Over 4 months but within 1 year	**21,493**	63,400
Over 1 year but within 2 years	**2,532**	1,411
	372,067	421,924

m. RESERVES

(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 RMB44,904,000 (2014: RMB39,686,000), 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 2015.

In accordance with the amendment of the Company Law of the PRC on 27 October 2005 effective from 1 January 2006, it is not required 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.

(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), an 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 utilisation of the exempted tax is restricted to specified purposes and not distributable to shareholders.

m. RESERVES (CONT'D)

(d) Foreign currency translation differences

Foreign currency translation differences reserve arises from currency translations of all group entities that have a functional currency different from the RMB being translated into the Group's presentation currency of RMB.

(e) Other reserve

Other reserve mainly includes reserves arising from the issuance of additional shares by subsidiaries and disposals to non-controlling interests without change in control.

FINAL DIVIDEND AND TAX

The Board proposed a final dividend for the year ended 31 December 2015 (the "**Final Dividend**") of RMB0.15 (tax included) 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 2015, totaling RMB192,117,600 (2014: a final dividend for the year ended 31 December 2014 of RMB0.14 (tax included) per share based on the total number of the Company's issued and fully paid-up shares of 1,280,784,000, totaling RMB179,309,760). The profit distribution proposal is subject to the approval by the shareholders at the 2015 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 with held 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 organisations, 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, no arrangement was reached pursuant to which the shareholders waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

Annual General Meeting

The 2015 AGM will be held on Thursday, 16 June 2016.

As for the convening of the 2015 AGM, the register of members of H shares of the Company will be closed from Tuesday, 17 May 2016 to Thursday, 16 June 2016 (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 2015 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, 16 May 2016.

Final Dividend

As for the payment of the Final Dividend, if the relevant proposal is approved by the shareholders at the 2015 AGM, the register of members of H shares of the Company will be closed from Wednesday, 23 June 2016 to Monday, 27 June 2016 (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 Tuesday, 22 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2015, the Company continued to grow in a stable, sustainable and healthy manner, thanks to its unchanged focus on "specialisation, scale operation and integration" in response to the increasingly intensified market competition in the industry. For the year ended 31 December 2015, the revenue of the Group amounted to RMB3,987,124,000, representing an increase of 19.33% as compared with RMB3,341,166,000 for the corresponding period of last year; the Group's net profit amounted to RMB742,030,000, representing an increase of 20.39% as compared with RMB616,358,000 for the corresponding period of last year; net profit attributable to the owners of the Company amounted to RMB540,481,000, representing an increase of 16.94% as compared with RMB462,187,000 for the corresponding period of last year.

For the year ended 31 December 2015, the results of the major subsidiaries of the Group are as follows:

The sales revenue of Tong Ren Tang Chinese Medicine[1] and its subsidiaries amounted to RMB783,125,000, representing an increase of 29.68% as compared with the corresponding period of last year and a net profit of RMB301,535,000, representing an increase of 29.13% as compared with the corresponding period of last year;

The sales revenue of Beijing Tong Ren Tang (Tangshan) Nutrition and Healthcare Co., Ltd. (北京同仁堂（唐山）營養保健品有限公司) ("**Tong Ren Tang Tangshan**")[2] amounted to RMB162,965,000, representing an increase of 170.22% as compared with the corresponding period of last year and a net profit of RMB37,958,000, representing an increase of 596.00% as compared with the corresponding period of last year;

The sales revenue of Beijing Tong Ren Tang WM Dianorm Biotech Co., Limited (北京同仁堂麥爾海生物技術有限公司) ("**Tong Ren Tang WM**")[3] amounted to RMB128,341,000, representing an increase of 19.99% as compared with the corresponding period of last year and a net profit of RMB15,046,000, representing an increase of 20.03% as compared with the corresponding period of last year;

Note 1: Tong Ren Tang Chinese Medicine is principally engaged in the manufacturing, retail and wholesale of Chinese medicine products and healthcare products, as well as the provision of Chinese medical consultation and treatments.

Note 2: Tong Ren Tang Tangshan is principally engaged in production and sales of glue product series.

Note 3: Tong Ren Tang WM is principally engaged in research and development as well as sales of biological products, cosmetics products and other products.

The sales revenue of 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) ("**Tong Ren Tang Xing An Meng**")[4] amounted to RMB46,329,000, representing an increase of 60.17% as compared with the corresponding period of last year and a net profit of RMB1,691,000, representing an increase of 348.49% as compared with the corresponding period of last year;

The sales revenue of 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**")[5] amounted to RMB98,079,000, representing an increase of 4.27% as compared with the corresponding period of last year and a net profit of RMB5,969,000, representing an increase of 17.52% as compared with the corresponding period of last year;

The total sales revenue of six subsidiaries of Chinese medicinal raw materials production[6] amounted to RMB128,775,000, representing an increase of 1.15% as compared with the corresponding period of last year and a net profit of RMB10,060,000, representing an increase of 23.30% as compared with the corresponding period of last year.

Note 4: Tong Ren Tang Xing An Meng is principally engaged in cultivating, purchasing and selling of Chinese medicinal raw materials; production and selling of tea drinks product series and foot care product series.

Note 5: Nansanhuan Zhonglu Drugstore is a retail drugstore invested and established by the Company in Mainland China, principally engaged in sales of medicine, Chinese and Western patent medicines, Shen Rong and medicinal materials, medical instruments and other products of almost 1000 varieties.

Note 6: As at the date of this announcement, the Company has established six subsidiaries engaged in Chinese medicinal raw materials production respectively in Yutian County of Hebei Province, Nanyang City of Henan Province, Yingshan County of Hubei Province, Hangzhou City of Zhejiang Province, Tongling County of Anhui Province and Yanji City of Jilin Province, with major business scope of cultivating and selling of Chinese medicinal raw materials.

Sales

In 2015, the Company made full use of its own abundant varieties of resources and products of broad therapeutic scope to implement the marketing ideas of "one policy for one product" and continued to treat the satisfaction of customers' needs as the pivot point. Through establishing marketing strategic alliance with major distributors, strengthening the cooperation with the medical product distributors of Tong Ren Tang brand and other chain medical product retail terminals, the steady growth of product sales was further enhanced. During the year, by integrating the seasonal, regional, consumption capacity and such other factors, aiming at the characteristics of medicine usage by consumers in different seasons and on the basis of steady development of key varieties, we commenced marketing activities of four major seasonal themes throughout the year, namely "Enjoying Spring", "Relaxing Summer", "Appreciating Autumn" and "Caring Winter", making full use of distributors and terminal networks in various regions, promoting vigorously cardiovascular, summer heat clearing, health building up, flu curing and such other product series to further explore the market potentials and improve the competitive advantages of products, thereby the overall sales amount increases continuously. Moreover, the profitability was enhanced constantly through comprehensive sorting and analyzing existing variety structures, grasping the overall layout of varieties and the market, and adjusting some of the self-pricing and low-price medical products.

We continued to launch interactive marketing with the internet as the carrier, narrowing the distance with our consumers. As at the date of this announcement, we have established four WeChat official accounts including Beijing Tong Ren Tang Technologies(北京同仁堂科技), Beijing Tong Ren Tang WM Cosmetics (北京同仁堂麥爾海化妝品), Tong Ren Tang Ejiao (同仁堂阿膠), Tong Ren Tang Haibao Task Force (同仁堂嗨寶戰隊) to continue to vigorously promote the Company's products and healthcare and wellness knowledge through the WeChat platform, providing a professional and convenient personalized service experience to consumers. At the same time, we have opened a total of five food flagship stores in Tmall (天貓商城), JD.com (京東商城), www.yihaodian.com (一號店), amazon.cn (亞馬遜商城) and CCTVMALL.COM (央視商城), and the exploration of e-commerce platform is initially successful.

By simultaneous implementation of multiple measures including optimizing and integrating marketing channels, strengthening the construction of Ejiao Fang (阿膠坊), widening the innovation of promotional media, the market influence of Tong Ren Tang Ejiao series products was enhanced, with the Ejiao servies products developing rapidly. In the year, we continued to focus on establishing variety groups of Ejiao series products.The healthcare alcohol products of "Tong Ren Wine" series with Ejiao as the major raw material were rolled out successfully with the main idea of "homology of medicine and food", having further enriched the scope of products. As at the date of this announcement, Ejiao series products of the Group have been developed into more than forty products, including, among others, medicinal Ejiao, Yongshenghe Ejiao (永盛合阿膠), Ejiao powder (阿膠粉), Ejiao cake (阿膠糕), Ejiao honey (阿膠蜂蜜膏), Ejiao wine (阿膠酒), realizing the steady growth in the competitiveness of Tong Ren Tang Ejiao products in the market.

In 2015, the Group produced and sold more than four hundred kinds of products in total, of which eight kinds of products achieved a sales amount of more than RMB100 million; twenty-five kinds of products achieved a sales amount in the range from RMB10 million to RMB100 million; nineteen kinds of products achieved a sales amount in the range from RMB5 million to RMB10 million. The scale of the Group's product portfolio was further enlarged. Among the major products of the Group, except that the sales amount of Ganmao Qingre Granules (感冒清熱顆粒) series declined to some extent as compared with the corresponding period of last year, the sales amount of Ejiao (阿膠) series products increased by 94.97%, the sales amount of Liuwei Dihuang Pills (六味地黃丸) series increased by 6.35%, the sales amounts of Jinkui Shenqi Pills (金匱腎氣丸) series increased by 2.02%, Niuhuang Jiedu Tablets (牛黃解毒片) series increased by 9.01%, the sales amounts of Xihuang Pills (西黃丸) series increased by 49.81%. Other products with obvious increase in sales amounts include Zhibai Dihuang Pills (知柏地黃丸) series, Buzhong Yiqi Pills (補中益氣丸) series, etc..

Tong Ren Tang WM always focuses on the inheritance and innovation of Chinese medicine, sticking to the principle of using old recipes and extracting natural plant extracts. In 2015, Tong Ren Tang WM continued to give impetus to channel building up. On one hand, it made full use of marketing on e-commerce platform on the one hand which led to the successful opening of "Tong Ren Tang Cosmetics Flagship Store" at amazon.cn and www.yihaodian.com so that the number of cosmetics online stores has increased to 3. On the other hand, the efforts of building strong terminals were enhanced continuously, trying to enter the mall and supermarket channels to gradually realize a layout of multiple networks. Moreover, in order to enhance the competitiveness of the product groups, Tong Ren Tang WM made use of the branding advantages of Tong Ren Tang and the recognition by consumers of herbal and natural healthcare products. Sanqi gum care and tooth strengthening toothpaste, Sangju pure ice fresh toothpaste, mouthwash and many other oral care series products, and many products for men including face cleansing gel and nourishing cream were rolled out in succession, thereby forming diversified product groups, including lotion, cream, facial and eye masks, liposome skincare products and daily health products, oral care products and products for men, which have attracted different types of consumer groups with various needs. In 2015, Tong Ren Tang WM passed the high-tech enterprise certification once again and obtained the certificate of high-tech enterprise.

Tong Ren Tang Xing An Meng continued the production and sales of foot pads, drinks, gel-patches series products. During the year, its successful development of five types of skin patch products including joint patches (關節舒貼) and back-pain (腰痛舒貼) patches were rolled out. At the same time, many herbal solid drinks named "office teas" specially for the working people, including Snow Pear Loquat Tea (雪梨枇杷茶), Cassia Chrysanthemum Tea (決明菊花茶), Herbal Tea (涼茶), were rolled out, transmitting the healthy life idea of "integration of nursery and nourishment" and continuously promoting the traditional Chinese health concepts.

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 and adhered to the operating direction of "establishing itself as a top-notch drugstore selling quality medicines", spreading Tong Ren Tang's service culture of "Heal the world".

Six subsidiaries producing Chinese medicinal raw materials strictly followed the planting and harvesting approach specific to places of origin and seasons, to provide the Company with various Chinese medicinal raw materials including cornel (山茱萸), Tuckahoe (茯苓), Cortex Moutan (牡丹皮) and so on. While the supply of Chinese medicinal materials is ensured, some of the subsidiaries made more efforts in the development of by-products of Chinese medicinal raw materials, thereby developing deep processed products of Chinese medicinal materials with authentic quality which meets the market demand. In order to support Beijing Tong Ren Tang Anhui Chinese Medicinal Raw Materials Co., Limited (北京同仁堂安徽中藥材有限公司), the Company entered into a capital increase agreement with Bozhou City Jingwan Plant of Prepared Chinese Medicine in Pieces (亳州市京皖中藥飲片廠) to jointly make an additional capital contribution of RMB20 million on a pro rata basis to it, mainly used for construction of production workshops of Chinese medicinal materials and trial development of fat and oil products so that new growth points will subsequently be sought.

Production

The Company has carried out special works with a focus on improving the product first-pass yields. Such works include formulation and optimization of relevant assessment standards and measures; strengthen the management over changes and deviation through quality review and analysis on each link in the production chain; and step up its control and management throughout the whole process of production, including coordination in the production process, deployment of manpower and quality inspection. These may help to ensure the coordination and matching between each of the production procedure from manufacturing of dosage to packaging of products, so as to further improve the product first-pass yields. In addition, the Company continued to focus on cost reduction and efficiency enhancement in the production process. With the introduction of new equipment (e.g. large electronic counting and bottle packaging machine) and upgrade of existing equipment (e.g. automatic buckling machine and loading system), the Company continuously optimized the production procedures with a view to enhance the reliability of technology as well as reasonableness of the production procedures and to provide assurance of product quality.

In 2015, the Group further improved its industrial layout and enhance the Company's production capacity on an on-going basis in accordance with the development requirements under the "Beijing-Tianjin-Hebei Coordinated Development Plan" (京津冀協同發展規劃綱要). Pursuant to the requirements of adjustment on industrial layout in Beijing, Chinese medicine extraction, as an integral part in the production of Chinese patent medicines, has been categorized as industry forbidden to increase in Beijing. In this regard, the Company adjusted its investment plan for Da Xing Base by changing the construction of extracting and liquid dosage production workshop in the original plan into the construction of a production workshop for honeyed pills. The total investment was also adjusted from RMB1,088 million to RMB795 million. As at the end of 2015, RMB217.25 million has been invested in the Da Xing Base. As at the date of this announcement, the major construction of the R&D center and the solid dosage production workshop of Da Xing Base as well as the production workshop of honeyed pills has been completed, and the preparatory work for interior construction is undergoing. Upon completion of the construction, Da Xing Base will become an integrated industrial base focusing on the production of pills and R&D.

In line with the above adjustment, the Company established Beijing Tong Ren Tang Technologies (Tangshan) Co., Ltd. (北京同仁堂科技發展（唐山）有限公司), a subsidiary, in Yutian County, Tangshan City, Hebei Province, where the Company acquired a piece of land occupying an area of 111,800 square meters for the construction of a production base for Chinese medicine products. The production base will be mainly used as extracting and liquid dosage production workshop. As at the end of 2015, RMB32.65 million has been invested into such base. Currently, the construction of the extraction and production workshop of the base has commenced.

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. As at the end of 2015, RMB98.76 million has been invested in the Bo Zhou base. Upon 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 further enhancing the production capacity of the Company and improving its supply chain.

In order to further enhance the Group's capability in Chinese medicine extraction, the Company obtained the control over Beijing Tong Ren Tang Technologies Chengdu Co., Ltd. (北京同仁堂科技發展成都有限公司) (formerly known as "Chengdu Longquan High-Tech Natural Pharmaceutical Co. Ltd" (成都龍泉高科天然藥業有限公司)) by way of additional capital contribution of RMB38 million. As a High/New Technology Enterprise engaged in extraction of natural herbs and production of pharmaceutical ingredients, Beijing Tong Ren Tang Technologies Chengdu Co., Ltd. could provide the Company with the relevant Chinese medicinal raw materials, thereby effectively ensure the production and supply of the Company's Chinese medicine products.

Tong Ren Tang Tangshan, located in Tangshan City, Hebei Province, continued to optimize its production procedures through planning and deployment of resources, which in turn continued to increase its production capacity of glue product series so that it would be able to meet market demand. Meanwhile, it has expedited the construction of a food production workshop which is expected to commence production in 2016 and will further enhance the capability in supplying food products under Ejiao (阿膠) series.

Management and Research and Development

With a view to enhance the level of internal control and management and the ability in risk prevention and control as well as to ensure continuous and effective operation of the risk management and internal control system, the Group has established a task group for internal control and risk management in 2015. The group was responsible for the comprehensive management of the Group's internal control. On one hand, the Group further improved its risk management and internal control system by completing the preparation of relevant documents including the "Internal Control and Management Manual", developing systems and ancillary operating procedures regarding risk management and specifying the duties and approving power of management at all levels. On the other hand, the Group further strengthened its risk management ability and enhanced the risk prevention and control level by conducting risk rationalization and inspection on the Company and each of its subsidiaries and strengthening the cooperation of and supervision over every procedure and department. Besides, the Group also carried out tracking and audit on large construction projects throughout the whole process to ensure that the procedures are in compliance with the laws and regulations.

For research and development, the Company achieved a remarkable breakthrough in the research and development of new medicines. The Company has completed the pre-clinical research on a new medicine during the year. The medicine is mainly used for the treatment of acute respiratory infections of children, which features excellent anti-inflammatory and cooling effect. The research has been funded by "Ten Diseases Ten Drugs (十病十藥)" R&D project organized by Beijing Municipal Science & Technology Commission, which will provide product reserve for the Group's future development. At the same time, we were well aware of the vital role of follow-up scientific research in the development of Chinese medicines modernization. As such, we continued to promote the research on increasing indications and extending expiry date of existing products, so as to provide a solid foundation built on scientific research for enhancing the competitiveness of Chinese medicines.

Tong Ren Tang Chinese Medicine

Tong Ren Tang Chinese Medicine has been committed to the development in overseas market since its establishment, during which it promoted the culture of Chinese medicine of China and thus continuously increase the influence of "Tong Ren Tang" brand around the world. In 2015, Tong Ren Tang Chinese Medicine deepened its exploration of the core value of "Tong Ren Tang" brand. By streamlining the internal product resources, stepping up the efforts in promotion of brand and product in an effective manner as well as various forms of promotional and marketing activities for products, Tong Ren Tang Chinese Medicine has boosted its overall revenue growth. In addition, Tong Ren Tang Chinese Medicine made targeted investment by adopting an effective business strategy to select and plan investment in accordance with different characteristics of the overseas markets. It has successfully acquired Honour Essence Trading Limited during the year and fully utilized its offline distribution network to keep enhancing its competitiveness in the market and increasing its market share. Meanwhile, it further improved its development pathway in Europe by establishing retail stores in the Netherlands, Sweden and the Czech Republic, which has enabled the promotion of Chinese medical health and wellness in a broader geographical area.

As of 31 December 2015, Tong Ren Tang Chinese Medicine has established 63 retail stores in 18 countries and regions outside Mainland China (Hong Kong, Macao, Malaysia, Canada, Indonesia, South Korea, Thailand, Australia, Singapore, Brunei, Cambodia, United Arab Emirates, Poland, the United Kingdom, New Zealand, the Netherlands, Sweden and the Czech Republic).

Financial Review

Liquidity and Financial Resources

The Group has maintained a sound financial position. During the year of 2015, the Group's primary source of funds was cash generated from daily operating activities.

As at 31 December 2015, the Group's cash and cash equivalents amounted to RMB1,534,984,000 (31 December 2014: RMB1,774,389,000) in total, plus short-term bank borrowings of RMB181,500,000 (31 December 2014: RMB100,000,000), carrying an interest rate of 4.869% (2014: 5.456%) per annum and accounting for 17.62% of the total liabilities (2014: 9.12%), plus non-current borrowings amounted to RMB470,000 (31 December 2014: Nil), bearing interest at 1.5% plus the bank bill rate of the day in Australia per annum (2014: Nil) and accounting for 0.05% of the total liabilities (2014: Nil).

As at 31 December 2015, the total assets of the Group amounted to RMB6,182,253,000 (31 December 2014: RMB5,532,195,000). The funds comprised non-current liabilities of RMB93,991,000 (31 December 2014: RMB78,317,000), current liabilities of RMB936,227,000 (31 December 2014: RMB1,017,724,000), equity attributable to owners of the Company of RMB3,958,301,000 (31 December 2014: RMB3,549,588,000) and non-controlling interests of RMB1,193,734,000 (31 December 2014: RMB886,566,000).

Capital Structure

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

In the year of 2015, the Group's funds were mainly used for production and operation activities, construction of engineering projects, purchase of non-current assets, repayment of borrowings and payment of cash dividends, etc.

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

The Group monitors its capital on the basis of the gearing ratio.

Liquidity

As at 31 December 2015, the Group's liquidity ratio (the ratio of current assets to current liabilities) was 5.17 (31 December 2014: 4.36), reflecting that the Group had sufficient financial resources. The Group's quick ratio (the ratio of liquid assets to current liabilities) was 2.93 (31 December 2014: 2.50), reflecting that the Group remained liquid. The Group's trade receivable turnover ratio (the ratio of revenue to the average of trade receivable balance) was 17.90 (31 December 2014: 19.29), reflecting that the Group's trade receivables were liquid. The Group's trade payable turnover ratio (the ratio of revenue to the average of trade payable balance) was 10.21 (31 December 2014: 8.54), reflecting that the Group had a relatively strong ability to use funding from suppliers at nil consideration. The Group's inventory turnover ratio (the ratio of revenue to the average of inventory balance) was 2.15 (31 December 2014: 2.05), reflecting that the Group had a high turnover rate.

Gearing Ratios

As at 31 December 2015, the Group's gearing ratio (the ratio of total borrowings to equity attributable to owners of the Company) was 0.05 (31 December 2014: 0.03).

Expense Ratio

As of 31 December 2015, the expense ratio of the Group was 0.20 (31 December 2014: 0.19); the administrative expense ratio was 0.08 (31 December 2014: 0.08); the finance cost ratio was 0.01 (31 December 2014: 0.01).

Gross Margin and Net Profit Margin

As at 31 December 2015, the gross margin of the Group was 49.94% (31 December 2014: 48.34%), while the net profit margin was 18.61% (31 December 2014: 18.45%).

Research and Development Expenses

As at 31 December 2015, the research and development expenses of the Group was RMB25,186,000 (31 December 2014: RMB19,528,000), accounting for 0.49% of net assets (31 December 2014: 0.44%) and 0.63% of revenue (31 December 2014: 0.58%), respectively.

Capital Expenditure

As at 31 December 2015, the Group's capital expenditure incurred amounted to RMB234 million (31 December 2014: RMB277 million), primarily used for the construction of production base and the establishment of new retail outlets.

Charges over Assets of the Group

As at 31 December 2015, RMB2,228,000 of the Group's assets was pledged as security for short-term borrowing of RMB1,500,000 and RMB10,270,000 of the Group's assets was pledged as security for long-term borrowing of RMB470,000 (31 December 2014: Nil).

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2015 (31 December 2014: Nil).

Foreign Currency Risk

The Group operates internationally and foreign exchange risk arises from future merger and acquisitions, commercial business or recognised assets and liabilities and net investments in foreign operations, primarily with respect to the HKD. The Group currently does not have a foreign currency hedging policy. The Group mainly manages its foreign currency risk by closely monitoring the movement of the exchange rates.

Capital Commitments

As at 31 December 2015, 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 RMB156,650,000 (31 December 2014: RMB127,261,000).

Significant Investment Held

During the year of 2015, the Group did not have any significant investment. As at the date of this announcement, the Group does not have any plan for material investments or purchase of capital assets.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during 2015.

Employees and Remuneration Policies

As at 31 December 2015, the Group had a total of 3,766 employees (31 December 2014: 3,595 employees), of which 2,117 are employees of the Company (31 December 2014: 2,086 employees). Remunerations of the employees of the Company are determined with reference to the prevailing market level as well as the performance, qualification and experience of individual employee. Discretionary bonuses based on individual performance will be paid to the employees as a 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 2015, as approved by the Board, the Company paid a total of RMB3,872,000 incentive fund for the year of 2014 to the members of the senior management according to the Incentive Plan.

Future Prospects

2016 is a crucial year for seizing opportunities and overcoming challenges while making steady development. We aim to establish the guiding principle to achieve comprehensive economic development and whole-process cost control and quality management over various systems, at the same time focusing on total-solution products and encouraging the active participation of all staff. Through these efforts, we will continue to consolidate our existing advantages in the development of Chinese patent medicines and constantly look out for new development opportunities to build a new pathway for diversified development.

On one hand, we will fully utilize the unique advantages of Chinese medicines in preventive treatment as well as curing chronic diseases and senile diseases. Using our brand and products as the focal points, we will establish accurate positioning in terms of function, market positioning and customer and continue to implement scientific and highly effective strategies for market operation and marketing, which will help to consolidate the sales share of major products, broaden the saleable markets for our key nurtured products, refine the sales strategies for products with huge potential, with an aim to maintain a diversified product structure and market layout and to build up an inter-connected and infiltrative network for development and enhancing our core competiveness.

On the other hand, we will continue to take innovation as our driving force to keep exploring new areas and developing new products as well as cultivating and strengthening the development of our subsidiaries. We will keep on consolidating and expanding the market network and seek for innovations and breakthroughs in areas such as cosmetics, food and healthcare food, so as to identify new growth drivers for the development of the Group.

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 (坤寶丸), Tongren Wuji Baifeng Pills (同仁烏雞白鳳丸), Tongren Dahuoluo Pills (同仁堂大活絡丸), Guogong Wine (國公酒) and Angong Niuhuang Pills (安宮牛黃丸). It also has some minor production lines for the production of granules and 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 (六味地黃丸), Niuhuang Jiedu Tablet (牛黃解毒片), Ganmao Qingre Granule (感冒清熱顆粒), Jinkui Shenqi Pills (金匱腎氣丸) and Shengmai Liquor (生脈飲), 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 (安宮牛黃丸), Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries will not produce in future any products that bear the same names or bear the same names with different 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 (安宮牛黃丸) 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 (安宮牛黃丸). 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 2015, 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 2015 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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 2015, 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, risk management 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 2015, the Audit Committee convened two meetings. The first meeting was held on 11 March 2015 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 2014 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 2014 annual report. The second meeting was held on 12 August 2015 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 2015 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 2015 interim report.

In addition, the Audit Committee reviewed the effectiveness of the Company's financial control, internal control, risk management and internal audit; 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 12 March 2016, 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 2015, 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 Audit Committee concurred in the contents of the 2015 annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2015, 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 2015. The figures in respect of the results announcement of the Group for the year ended 31 December 2015 have been agreed by PwC, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2015. 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 website of the Stock Exchange (www.hkex.com.hk). The Company will despatch the 2015 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.
Gao Zhen Kun
Chairman

Beijing, the PRC
18 March 2016

As at the date of this announcement, the Board comprises Mr. Gao Zhen Kun, Mr. Gong Qin, Mr. Gu Hai Ou, Mr. Li Bin, 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.