



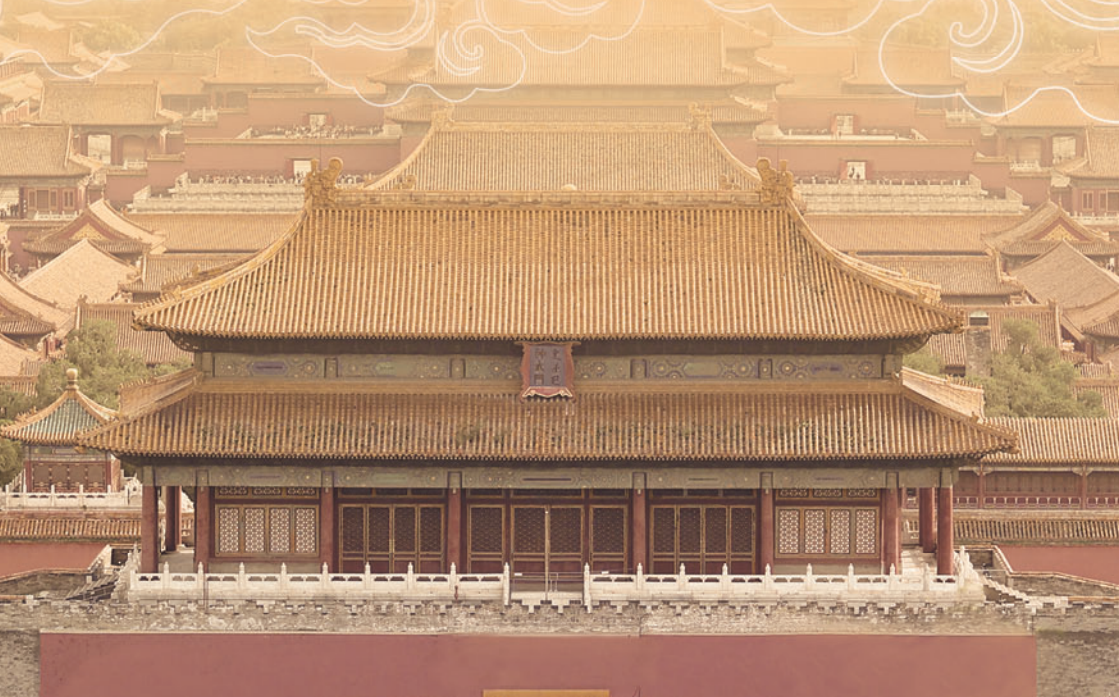
Tong Ren Tang Technologies Co. Ltd.

北京同仁堂科技發展股份有限公司

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

(Stock Code: 8069)

2019
INTERIM REPORT



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors of Tong Ren Tang Technologies Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Tong Ren Tang Technologies Co., Ltd. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



HIGHLIGHTS

- For the six months ended 30 June 2009, revenue representing an increase of approximately 8.66% as compared with that for the corresponding period in 2008.
- For the six months ended 30 June 2009, net profit attributable to equity shareholders of the Company representing an increase of approximately 20.81% as compared with that for the corresponding period in 2008.
- For the six months ended 30 June 2009, earnings per share for profit attributable to equity shareholders of the Company amounted to RMB0.587.

HALF-YEARLY RESULTS (UNAUDITED)

The Board (the “Board”) of Directors (the “Directors”) of Tong Ren Tang Technologies Co. Ltd. (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) and its joint ventures for the six months ended 30 June 2009, as follows:

Condensed Consolidated Statement of Income

	Note	For the six months ended 30 June		For the three months ended 30 June	
		2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Revenue	4	731,384	673,091	392,425	353,533
Cost of sales		(394,975)	(379,334)	(214,066)	(196,840)
Gross Profit		336,409	293,757	178,359	156,693
Other gains	5	1,136	2,041	639	861
Distribution costs		(139,812)	(99,661)	(77,048)	(57,544)
Administrative expenses		(57,072)	(63,647)	(29,943)	(37,008)
Profit from operations		140,661	132,490	72,007	63,002
Financial costs	6	(288)	(5,116)	36	(1,810)
Profit before income tax	7	140,373	127,374	72,043	61,192
Income tax expense	8	(19,874)	(31,606)	(9,585)	(13,946)
Total comprehensive income		<u>120,499</u>	<u>95,768</u>	<u>62,458</u>	<u>47,246</u>
Total comprehensive income attributable to:					
Equity holders of the Company		115,109	95,280	57,402	44,692
Minority interests		5,390	488	5,056	2,554
		<u>120,499</u>	<u>95,768</u>	<u>62,458</u>	<u>47,246</u>
Earnings per share for profit attributable to equity shareholders of the Company	9	<u>RMB0.587</u>	<u>RMB0.486</u>	<u>RMB0.293</u>	<u>RMB0.228</u>

**Condensed Consolidated Balance Sheet**

		30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	10	428,172	447,217
Leasehold land and land use rights		49,198	48,755
Deferred income tax assets		2,427	2,640
Other long-term assets		1,244	1,548
		481,041	500,160
Current assets			
Inventories		760,563	798,226
Trade and bills receivable – net	11	268,954	181,555
Amounts due from related parties		13,048	31,885
Prepayments and other current assets		13,276	7,695
Current income tax assets		7,257	12,371
Short-term bank deposits		–	5,196
Cash and cash equivalents		390,728	258,094
		1,453,826	1,295,022
Total assets		1,934,867	1,795,182
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	196,000	196,000
Reserves	13	1,200,844	1,164,392
		1,396,844	1,360,392
Minority interests		129,089	124,513
Total equity		1,525,933	1,484,905

		30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
	<i>Note</i>		
Non-current liabilities			
Deferred income tax liabilities		1,984	1,984
Deferred income – government grants		11,266	11,266
		13,250	13,250
Current liabilities			
Trade payables	<i>14</i>	221,960	222,766
Salary and welfare payables		13,752	10,689
Advances from customers		11,920	8,506
Amounts due to related parties		3,349	5,652
Current income tax liabilities		520	315
Accrued expenses and other current liabilities		50,712	34,099
Short-term borrowings		15,000	15,000
Dividend payables		78,471	–
		395,684	297,027
Total liabilities		408,934	310,277
Total equity and liabilities		1,934,867	1,795,182

**Condensed Consolidated Statement of Cash Flows**

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations	131,971	91,480
Interest paid	(434)	(475)
Net cash generated from operating activities	131,537	91,005
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(5,458)	(8,196)
Proceeds from disposals of property, plant and equipment	(10)	522
Decrease in short-term bank deposits	5,196	84,296
Interest received	1,136	2,041
Net cash generated from investing activities	864	78,663
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash generated from financing	-	250
Proceeds from government grants	233	-
Repayments of short-term borrowings	-	-
Net cash generated from financing activities	233	250
NET INCREASE IN CASH AND CASH EQUIVALENTS	132,634	169,918
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	258,094	161,800
CASH AND CASH EQUIVALENTS AT END OF PERIOD	390,728	331,718

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company			Minority interests	Total
	Share capital	Reserves	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of 1 January 2008	196,000	1,088,931	1,284,931	122,874	1,407,805
Net profit for the six months ended 30 June 2008	-	95,280	95,280	488	95,768
Dividends paid	-	(78,400)	(78,400)	(912)	(79,312)
Foreign currency translation differences	-	(5,557)	(5,557)	(4,470)	(10,027)
Balance as of 30 June 2008 (unaudited)	<u>196,000</u>	<u>1,100,254</u>	<u>1,296,254</u>	<u>117,980</u>	<u>1,414,234</u>
Balance as of 1 January 2009	196,000	1,164,392	1,360,392	124,513	1,484,905
Net profit for the six months ended 30 June 2009	-	115,109	115,109	5,390	120,499
Dividends paid	-	(78,400)	(78,400)	(661)	(79,061)
Foreign currency translation differences	-	(257)	(257)	(153)	(410)
Balance as of 30 June 2009 (unaudited)	<u>196,000</u>	<u>1,200,844</u>	<u>1,396,844</u>	<u>129,089</u>	<u>1,525,933</u>

*NOTES:***1. GENERAL INFORMATION**

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 22 March 2000 and, upon the placing of its H shares, was listed on GEM on 31 October 2000. Its ultimate holding company is China Beijing Tong Ren Tang Group Co. Ltd. ("Tong Ren Tang Holdings"), a company incorporated in Beijing, the PRC.

This condensed consolidated interim financial information was approved for issue on 10 August 2009.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with IAS/HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRS/HKFRSs.

3. PRINCIPAL ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements are prepared in accordance with the accounting policies that are adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2008 (see the annual financial statements), except as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- IAS/HKAS 1 (revised), 'Presentation of financial statements'
- IFRS/HKFRS 8, 'Operating segments'. IFRS/HKFRS 8 replaces IAS/HKAS 14, 'Segment reporting'
- Amendment to IFRS/HKFRS 7, 'Financial instruments: disclosures'

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- IAS/HKAS 23 (amendment), 'Borrowing costs'.
- IFRS/HKFRS 2 (amendment), 'Share-based payment'.
- IAS/HKAS 32 (amendment), 'Financial instruments: presentation'.
- IFRIC/HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and IAS/HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- IFRIC/HK(IFRIC) 13, 'Customer loyalty programmes'.
- IFRIC/HK(IFRIC) 15, 'Agreements for the construction of real estate'.
- IFRIC/HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.
- IAS/HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to IAS/HKAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009.
- IFRS/HKFRS 3 (revised), 'Business combinations' and consequential amendments to IAS/HKAS 27, 'Consolidated and separate financial statements', IAS/HKAS 28, 'Investments in associates' and IAS/HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- IFRIC/HK(IFRIC) 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009.
- IFRIC/HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009.

IASB's annual improvements project published in April 2009:

- Amendment to IFRS/HKFRS 2 'Share-based payments', effective for periods beginning on or after 1 July 2009.
- Amendment to IFRS/HKFRS 5 'Non-current Assets held for sale and discontinued operations', effective for periods beginning on or after 1 January 2010.
- Amendment to IFRS/HKFRS 8 'Operating segments', effective for periods beginning on or after 1 January 2010.
- Amendment to IAS/HKAS 1 'Presentation of financial statements', effective for periods beginning on or after 1 January 2010.
- Amendment to IAS/HKAS 7 'Statement of cash flows', effective for periods beginning on or after 1 January 2010.
- Amendment to IAS/HKAS 17 'Leases', effective for periods beginning on or after 1 January 2010.
- Amendment to IAS/HKAS 36 'Impairment of assets', effective for periods beginning on or after 1 January 2010.
- Amendment to IAS/HKAS 38 'Intangible assets', effective for periods beginning on or after 1 July 2009.
- Amendment to IAS/HKAS 39 'Financial instruments: recognition and measurement', effective for periods beginning on or after 1 January 2010.
- Amendment to IFRIC/HK(IFRIC) 9 'Reassessment of embedded derivatives', effective for periods beginning on or after 1 July 2009.
- Amendment to IFRIC/HK(IFRIC) 16 'Hedges of a net investment in a foreign operation', effective for periods beginning on or after 1 July 2009.

4. REVENUE

	For the six months ended 30 June		For the three months 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Sales of medicine:				
– Domestic	691,469	647,706	366,006	337,090
– Overseas	36,395	22,416	22,899	13,474
Agency fee for distribution services	3,520	2,969	3,520	2,969
	<u>731,384</u>	<u>673,091</u>	<u>392,425</u>	<u>353,533</u>

5. OTHER GAINS

	For the six months ended 30 June		For the three months 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Interest income	1,136	2,041	639	861

6. FINANCE COSTS

	For the six months ended 30 June		For the three months 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Interest expenses	434	475	198	251
Exchange change loss/(gain)	(146)	4,641	(234)	1,559
	<u>288</u>	<u>5,116</u>	<u>(36)</u>	<u>1,810</u>

7. PROFIT BEFORE INCOME TAX

Profit before income tax was arrived after charging the following:

	For the six months ended 30 June		For the three months 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Depreciation of property, plant and equipment	22,839	23,062	11,448	11,450

8. INCOME TAX EXPENSE

The Law of the People's Republic of China on Enterprise Income Taxes ("New Income Tax Law") was adopted effective as of 1 January 2008. Under Article 4 of the New Income Tax Law, the rate of the enterprise income tax is 25%.

Under the New Income Tax Law, those high-technology enterprises approved by relevant government departments and tax authorities are permitted to pay taxes at a concession rate of 15%. On 31 December 2008, the Company has obtained the High/New Technology Enterprise (HNTE) Certificate. Consequently, the applicable income tax rate of the Company in 2008 and 2009 is 15% pursuant to the New Income Tax Law, while during the first half of 2008, the Company prepaid the income tax at a rate of 25% on a provisional basis since the Company had not been re-approved as the High/New Technology Enterprise.

The profits taxes of the overseas enterprises are calculated on the basis of the estimated assessable profits for the current period at the prevailing tax rates of the countries in which these enterprises are operating.

9. EARNINGS PER SHARE

The calculation of the earnings per share for the six months ended 30 June 2009 was based on the profit attributable to equity shareholders of the Company of approximately RMB115,109,000 (2008: RMB95,280,000) divided by the weighted average number of shares issued during the period of 196,000,000 shares (2008: 196,000,000 shares).

The Company had no potential dilutive shares for the six months ended 30 June 2009 (2008: Nil).

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2009, the additions to property, plant and equipment of the Group was approximately RMB5,034,000 (12 months ended 31 December 2008: RMB12,815,000).

11. TRADE AND BILLS RECEIVABLE – NET

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Trade and bills receivables	290,369	202,970
Less: provision for impairment of receivables	(21,415)	(21,415)
Trade and bills receivable – net	<u>268,954</u>	<u>181,555</u>

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

The ageing analysis of trade and bills receivables was as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Within 4 months	265,776	166,769
Over 4 months but within 1 year	17,236	31,819
Over 1 year but within 2 years	5,325	2,365
Over 2 years but within 3 years	1,333	1,318
Over 3 years	699	699
	<u>290,369</u>	<u>202,970</u>

12. SHARE CAPITAL

	30 June 2009 (Unaudited)		31 December 2008 (Audited)	
	Number of shares	Nominal value RMB'000	Number of shares	Nominal value RMB'000
Registered	<u>196,000,000</u>	<u>196,000</u>	<u>196,000,000</u>	<u>196,000</u>
Issued and fully paid				
- Domestic shares with a par value of RMB1 per share	108,680,000	108,680	108,680,000	108,680
- H shares with a par value of RMB1 per share	<u>87,320,000</u>	<u>87,320</u>	<u>87,320,000</u>	<u>87,320</u>

The holders of domestic shares and H shares are entitled to the same economic and voting rights with minor exceptions.

13. RESERVES

	Share Premium	Statutory Surplus reserve fund	Statutory Public welfare fund	Tax reserve	Property, plant and equipment revaluation	Foreign currency translation difference	Other reserves	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of									
1 January 2008	355,309	121,275	45,455	102,043	-	(10,229)	-	475,078	1,088,931
Profit attributable to equity holders of the Company for the six months ended 30 June 2008	-	-	-	-	-	-	-	95,280	95,280
Dividends paid	-	-	-	-	-	-	-	(78,400)	(78,400)
Foreign currency translation differences	-	-	-	-	-	(5,557)	-	-	(5,557)
Balance as of 30 June 2008 (unaudited)	<u>355,309</u>	<u>121,275</u>	<u>45,455</u>	<u>102,043</u>	<u>-</u>	<u>(15,786)</u>	<u>-</u>	<u>491,958</u>	<u>1,100,254</u>
Balance as of									
1 January 2009	355,309	136,824	45,455	102,043	-	(16,428)	(468)	541,657	1,164,392
Profit attributable to equity holders of the Company for the six months ended 30 June 2009	-	-	-	-	-	-	-	115,109	115,109
Dividends paid	-	-	-	-	-	-	-	(78,400)	(78,400)
Foreign currency translation differences	-	-	-	-	-	(257)	-	-	(257)
Balance as of 30 June 2009 (unaudited)	<u>355,309</u>	<u>136,824</u>	<u>45,455</u>	<u>102,043</u>	<u>-</u>	<u>(16,685)</u>	<u>(468)</u>	<u>578,366</u>	<u>1,200,844</u>

14. TRADE PAYABLE

The ageing analysis of trade payable was as follows:

	30 June 2009	31 December 2008
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 4 months	184,936	170,494
Over 4 months but within 1 year	34,170	47,977
Over 1 year but within 2 years	2,854	4,295
	<u>221,960</u>	<u>222,766</u>

15. SEGMENT INFORMATION

No segment information is presented as the Group operates primarily in one industry and geographical segment.

16. CHARGES ON GROUP ASSETS

As at 30 June 2009, none of the Group's assets was pledged as security for liabilities (31 December 2008: Nil).

17. FOREIGN CURRENCY RISK

The Group has foreign currency risk as certain accounts receivable arising from export sales are denominated in foreign currencies, principally HK dollars; the dividends to H shareholders are declared in RMB and factually in HK Dollar. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. However, the impact is not material to the Group.

18. CAPITAL COMMITMENTS

As of 30 June 2009, the Group had no capital commitments which were not provided but had been contracted for in the unaudited consolidated financial statements of the Group related to the construction of production facilities (31 December 2008: RMB480,000 related to the construction of production facilities).

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of 2009, the Company focused on the implementation of special projects and the diversification of products with growth potential, continued to enhance the quality of its business operations, assets and services, and satisfactorily accomplished various tasks assigned by the Board. As at 30 June 2009, the Company's sales revenue amounted to RMB731,384,000, representing an increase of 8.66% over the corresponding period last year. Profit before tax amounted to RMB140,370,000, representing an increase of 10.21% over the corresponding period last year. Profit attributable to the equity shareholders of the Company amounted to RMB115,109,000, representing an increase of 20.81% over the corresponding period last year.

Sales

In 2009, in view of the keen market competition, the Company strengthens its network construction and distribution capacity based on its principles of "profit-oriented operation, effective control on cash flow, strong focus on products and objective to maintain a stable and orderly market" so as to enlarge its market share. The Company endeavoured to expand and develop its distribution system. A stringent control on the prices of major products was implemented with an attempt to stabilize and adjust the order of the market. By adopting innovative marketing strategies, the Company boosted the sales volume of its mainstream products and explored the sales potential of other products with an aim of further developing its key markets while focusing on other non-core sales regions. All sales channels were fully utilized and various small-scale promotional fairs were organized, and the results were satisfactory. In addition, the Company adopted a series of measures to control its production and operation procedures, including the centralization of resources, the strengthening of planning and

coordination, the discontinuation of businesses with unsatisfactory results and the remedy for any inadequacy. All business segments reinforced production management. The production-to-order system was further upgraded for certain products such as the major products and medical products. With respect to inventory control and management, the inventory level was monitored from time to time. The production schedules were revised immediately upon the report from the marketing department of its feedback on the changes in the market. The schedules of production and supply were also modified after taking into account the production cycle, seasonal factors and marketing efforts. Precautions can thus be taken to facilitate a more flexible, reasonable and efficient allocation of resources. As a result, output and economic effectiveness were further enhanced, hence leading to a balanced growth in sales.

During the second quarter, the Company continued to remain focused on and launch solid promotional events for products with a growth potential, and prioritized the production of medicines of various forms which have been identified for development. The Company continued to implement a centralized sales policy, monitor the flow of products and maintain the stability of the prices of its products. The strategy for selecting commercial channels was revised promptly and smoothly. Partnership was stepped up with enterprises qualified and capable in distribution. The present and potential effects of the new medical reform policy on the Company's product mix were closely monitored. Academic popularity, professional sales promotion and improvement of our in-house training team were stepped up to enhance adaptability to sales promotional efforts. Based on the "dual indicators" for performance appraisal set by the marketing department last year, a three-tier performance appraisal indicator was introduced, aimed at further breaking down such indicators as time schedule, indicators of decomposition, quality of completion and payment of expenses to make such indicators more scientifically reasonable and operational. To adapt to the market, the sales pattern was modified to address the prevention and control of major diseases such as tumours and chronic diseases such as diabetes and hypertension as well as the emphasis on the healthcare for women and children under the new medical reform policy, by stepping up the promotion of products for infant and anti-tumour purposes. Satisfactory results were achieved in the selection and diversification of products.

A steady growth was achieved in the sales revenue of the Company's mainstream products, of which one product achieved total sales of more than RMB100 million; 12 products achieved total sales of between RMB10 million and RMB100 million; and 6 products achieved total sales of between RMB5 million and RMB10 million. Among these mainstream products, Niu Huang Jiedu tablets (牛黃解毒片) series grew by 6.86% in sales over the corresponding period last year; Ganmao Qingre Granule (感冒清熱顆粒) series posted an increase of more than 20% in sales over the corresponding period last year; only Liuwei Dihuang Pills (六味地黃丸) series fell periodically in sales over the corresponding period last year. There was a remarkable sales increase in some other product series including Jingui Shenqi Pills (金匱腎氣丸) series, Xihuang Pills (西黃丸) series, Banlangen Granule (板藍根顆粒) series, Shengmai Yin (生脈飲) series and E Jiao (阿膠) series.

Production

To ensure that production is carried out smoothly, performance appraisal indicators were broken down and performance appraisal weighing determined at each production base to make appraisal items more comprehensive in line with each production base's specific procedures, focuses and performance appraisal and other principles as well as based on ad hoc projects and second-tier business accounting. To enhance production quality, each production procedure was tracked and each staff member was assigned a responsibility so that production quality was brought to a new level. Each production unit fully communicated across other units and adopted various initiatives such as coordinated and planned production, increase in the turnover rate among processes, assurance of made-to-order products and export products as well as focus on key products and products with a growth pole such that production capacity was fully utilized and work efficiency further enhanced.

Beijing Tong Ren Tang Chinese Medicine Company Limited (北京同仁堂國藥有限公司), which is located in Hong Kong, delivered satisfactory production and operation. Beijing Tong Ren Tang Sporoderm-broken Ganoderma Lucidum Spores Powder Capsules (北京同仁堂破壁靈芝孢子粉膠囊), a highlight product from the company, achieved sales revenue of approximately RMB10,943,600 during the first half of the year. A number of other products are in the process of development and preparation and are anticipated to be marketed by the end of 2009.

Management and Research & Development

The Company's quality control department convened regular meetings to supervise and examine the progress in ad hoc projects relating to quality. The Company's scientific research and development department continued to maintain a market-oriented, production problem-solving and forward-looking policy, and aimed for solving the practical problems relating to production as a breakthrough point and aggressively carried out the development of new medicines. Clinical tests and research on some new Chinese medicines as well as conclusions on these tests and research were completed in the first half of the year. The development of foodstuffs and health foods was stepped up and the functions of these foodstuffs and health foods, made from raw materials of the same source for medicine and food, were highlighted and their taste and mouthfeel were modified after the preferences of a wide spectrum of consumers were evaluated. At present, the Company is summarizing the information on the products in the process of research ready for submitting applications. Secondary development of existing products was carried out; a number of measures were taken to optimize processes, improve technology, increase specifications and change the forms of medicine to unlock the market potential of these products.

Sales Network

Currently, the Company has made overseas investments through the establishment of four joint ventures in the hope of commencing its distribution operations and opening retail drugstores in these places to increase its product sales.

During the first half of the year, Peking Tongrentang (M) Sdn. Bhd. in Malaysia achieved sales revenue of approximately RMB5,283,500; Beijing Tong Ren Tang Canada Co. Ltd. in Canada achieved sales revenue of approximately RMB3,749,200; Beijing Tong Ren Tang (Macau) Company Limited in the Macau Special Administrative Region achieved sales revenue of approximately RMB5,914,200; and Beijing Tong Ren Tang (Indonesia) Company Limited in Indonesia achieved sales revenue of approximately RMB2,756,600.

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), a retail drugstore established by the Company in Beijing, delivered good operating performance and achieved sales revenue of approximately RMB14,143,300 during the first half of the year.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2009, the Company had 1,714 employees (31 December 2008: 1,740 employees). Remunerations are determined by reference to market terms and the performance, qualifications and experience of individual employees. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other staff benefits include contributions to pension scheme, medical insurance scheme, unemployment insurance scheme, industrial accident insurance scheme, maternity insurance scheme and housing fund.

FINANCIAL REVIEW

Liquidity and Financial Resources

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

As at 30 June 2009, the Group had cash, cash equivalents and short term bank deposits amounted to RMB390,728,000 (31 December 2008: RMB263,290,000) and short term borrowings of RMB15,000,000 (31 December 2008: RMB15,000,000). These borrowings carried a fixed interest rate of 4.779% (31 December 2008: 6.723%) per annum.

As at 30 June 2009, the Group had total assets of RMB1,934,867,000 (31 December 2008: RMB1,795,182,000) which were financed by non-current liabilities of RMB13,250,000 (31 December 2008: RMB13,250,000), current liabilities of RMB395,684,000 (31 December 2008: RMB297,027,000), shareholders' equity of RMB1,396,844,000 (31 December 2008: RMB1,360,392,000) and minority interests of RMB129,089,000 (31 December 2008: RMB124,513,000).

Gearing and liquidity ratio

The Group's gearing ratio, defined as the ratio between total borrowings and shareholders' equity (not including minority interests), was 0.01 (31 December 2008: 0.01). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 3.67 (31 December 2008:4.36), reflecting the abundance of financial resources of the Group.

Prospects

A number of policies were introduced in China in the first half of 2009, such as the “Opinion of the State Council of the Chinese Communist Party Central Committee regarding Deepening the Reform of the Pharmaceutical and Healthcare System” (《中共中央國務院關於深化醫藥衛生體制改革的意見》) and the “Several Opinions regarding the Support and Promotion of the Development of the Chinese Pharmaceutical Industry” (《關於扶持和促進中醫藥事業發展的若干意見》), aimed at stepping up the support of the Chinese pharmaceutical industry. This presents a good opportunity for the industry.

The outlook for the pharmaceutical market becomes increasingly clear as China is gradually pushing ahead with medical protection schemes. During the year, China will commence and deploy nine national basic public health service projects under three categories. According to the medical reform implementing scheme, the expenses required for these projects will be incorporated into the government budget. Moreover, other policies such as the State Council’s proposal to increase the number of participants under the basic medical insurance scheme for urban workers and residents to 390 million in 2009 will significantly increase the demand for the pharmaceutical market. Based on this, the Company will fully capitalize on the government’s favourable policy towards the Chinese pharmaceutical industry by consistently improving its own management and developing more products with proprietary brands to enhance its competitiveness and solicit returned customers while striving to minimize costs and enhance risk resistance capacity.

To enable its production and operation to couple with the market closely, the Company will make arrangements based on the new medical reform policy in the second half of the year, striving to make a new breakthrough in opening up new markets such as the healthcare sector, community healthcare sector and rural healthcare sector, with a particular focus on stepping up sales efforts in the eastern and northwestern parts of China which are conventional regions with a weak economy. Partnership will be stepped up with enterprises qualified and capable in distribution. The



level of mechanization will be raised further; production potential will be unlocked; echeloned development will be carried out for subsequent new product varieties such as health products and foodstuffs as well as cosmetics with huge market potential; and the development of subsidiaries will be stepped up to enhance their own capabilities to build up strengths.

CORPORATE GOVERNANCE

For the half year ended 30 June 2009, the Company complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”).

Directors’ Dealing in Securities

The Company has formulated and implemented its Code on Dealing in Securities, pursuant to required standard of dealings set out in Rule 5.48 to Rule 5.67 of the GEM Listing Rules to regulate the Directors’ dealing in securities. The terms of the Code on Dealing in Securities of the Company are no less exacting than the required standard of dealings and these requirements are also applicable to specific persons such as the senior management.

After the enquiry by the Company to all Directors, all Directors have confirmed that they have been complying with the required standard of dealings set out the GEM Listing Rules and the Code on Dealing in Securities of the Company.

Audit Committee

The audit committee of the Company has reviewed and discussed the operating results, statements of affairs and major accounting policies with respect to the unaudited interim results of the Company for the six months ended 30 June 2009 and internal audit matters of the Company.

OTHER INFORMATION

Directors' and Chief Executives' Interests in Shares

As at 30 June 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in shares

The Company

Name	Type of interests	Capacity	Number of shares <i>(Note)</i>	Percentage of domestic shares	Percentage of total registered share capital
Mr. Yin Shun Hai	Personal	Beneficial Owner	500,000	0.460%	0.255%
Mr. Mei Qun	Personal	Beneficial Owner	500,000	0.460%	0.255%

Note: All represented domestic shares.

Beijing Tong Ren Tang Company Limited (“Tong Ren Tang Ltd.”)

Names	Type of interests	Capacity	Number of shares (Note)	Percentage of total registered share capital
Mr. Yin Shun Hai	Personal	Beneficial Owner	46,620	0.009%
Mr. Mei Qun	Personal	Beneficial Owner	37,297	0.007%

Note: All represented A shares.

Beijing Tong Ren Tang International Co., Limited

Names	Type of interests	Capacity	Number of shares	Percentage of total registered share capital
Mr. Yin Shun Hai	Personal	Beneficial Owner	39,000	0.125%
Mr. Mei Qun	Personal	Beneficial Owner	78,000	0.250%
Ms. Ding Yong Ling	Personal	Beneficial Owner	39,000	0.125%

Save as disclosed above, as at 30 June 2009, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the following persons (other than the Directors and chief executives of the Company) had interests and short positions or shares in a lending pool in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Percentage of domestic shares	Percentage of H shares	Percentage of total registered share capital
Tong Ren Tang Ltd.	Beneficial owner	100,000,000	92.013%	-	51.020%
Tong Ren Tang Holdings (Note 2)	Interest of a controlled corporation Beneficial owner	100,000,000 1,580,000	92.013% 1.454%	-	51.020% 0.806%
The Hamon Investment Group Pte Limited (Note 3)	Interest of a controlled corporation	5,049,000(L)	-	5.782%	2.576%
Atlantis Investment Management Ltd	Investment Manager	7,000,000(L)	-	8.016%	3.571%
Templeton Asset Management Ltd	Investment Manager	5,159,000(L)	-	5.908%	2.632%
JPMorgan Chase & Co. (Note 4)	Interest of a controlled corporation	7,000,000(L) 7,000,000(P)	- -	8.016% 8.016%	3.571% 3.571%



Notes:

- (1) (L) – Long position, (S) – Short position, (P) – Lending pool
- (2) Such shares were held through Tong Ren Tang Ltd.. As at 30 June 2009, Tong Ren Tang Ltd. was owned as to 55.24% by Tong Ren Tang Holdings. According to Part XV of the SFO, Tong Ren Tang Holdings is deemed to be interested in the 100,000,000 shares held by Tong Ren Tang Ltd..
- (3) 1,197,000 shares were held by Hamon Asset Management Limited, 2,852,000 shares were held by Hamon U.S. Investment Advisors Limited and 1,000,000 shares were held by Hamon Investment Management Limited. All of them held the said shares as investment manager and were directly or indirectly wholly-owned subsidiaries of The Hamon Investment Group Pte Limited. Accordingly, The Hamon Investment Group Pte Limited is deemed under Part XV of the SFO to be interested in the aggregate of 5,049,000 shares held by these wholly-owned subsidiaries.
- (4) Such shares were directly held by JPMorgan Chase Bank, N.A. as custodian corporation/ approved lending agent, which is 100% owned by JP Morgan Chase & Co.. Accordingly, JP Morgan Chase & Co. is deemed under Part XV of the SFO to be interested in such shares held by JPMorgan Chase Bank, N.A.

Save as disclosed above, as at 30 June 2009, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

COMPETING INTERESTS

Direct competition with Tong Ren Tang Ltd. and Tong Ren Tang Holdings

Traditional Chinese medicines produce a broad range of curative effects as they can be used to treat the external symptoms of a disease and regulate other functions of the body that directly or indirectly give rise to such disease. To find the specific ways to treat a disease, it is necessary to consider a number of variables such as the state of illness, gender, age and constitution of a patient, the weather and the curative effects on the implicit problems of the patients. As such, a single type of traditional Chinese medicine usually has several curative effects, some of which may be similar to those of other products with different names or types. Given this nature of traditional Chinese medicine, there may be a direct competition between the products of the Company and those of Tong Ren Tang Holdings and Tong Ren Tang Ltd.

The Company, Tong Ren Tang Ltd. and Tong Ren Tang Holdings are all engaged in the manufacturing of Chinese Patent Medicines. Their businesses are classified by the forms of medicine they produce. Tong Ren Tang Ltd. mainly produces Chinese Patent Medicines in traditional forms such as pill, powder, ointment and medicinal wine. It also has some minor production lines for the production of granules and pills. On the other hand, the Company focuses on manufacturing products in forms of granules, pills, tablets and soft capsules. Tong Ren Tang Ltd.'s main products include Angong Niu Huang Pills (安宮牛黃丸), Tongren Wuji Baifeng Pills (同仁烏雞白鳳丸), Tongren Dahuoluo Pills (同仁大活絡丸) and Guogong Wine (國公酒).

To ensure that the business classification between the Company, Tong Ren Tang Holdings and Tong Ren Tang Ltd. are properly documented and established, Tong Ren Tang Holdings and Tong Ren Tang Ltd. undertake, pursuant to an undertaking dated 19 October 2000 committed by Tong Ren Tang Holdings and Tong Ren Tang Ltd. in favor of the Company ("October Undertaking"), that other than Angong Niu Huang Pills (安宮牛黃丸), Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries

will not produce in future any products that bear the same names or bear the same names with different forms as those pharmaceutical products of the Company. Only one of the products – Angong Niu Huang Pills (安宮牛黃丸) is manufactured by both the Company and Tong Ren Tang Ltd.

The Directors consider that other than Angong Niu Huang Pills (安宮牛黃丸) produced by the Company and Tong Ren Tang Ltd., there is no any other direct competing business among the Company, Tong Ren Tang Ltd. and Tong Ren Tang Holdings. The Directors consider that as Angong Niu Huang 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 Niu Huang Pills (安宮牛黃丸). Save as mentioned herein, the Directors confirm that none of products of the Company is in competition with Tong Ren Tang Ltd. or Tong Ren Tang Holdings.

RIGHT OF FIRST REFUSAL

Although the Company, Tong Ren Tang Ltd. and Tong Ren Tang Holdings are all engaged in the production, manufacturing and sale of traditional Chinese medicine, the principal products of each of these companies are different. The Company focuses on new forms of products which are more competitive against western pharmaceutical products, while Tong Ren Tang Ltd. and Tong Ren Tang Holdings continue to focus on development of existing forms of traditional Chinese Medicines.

To procure that the Company focuses on development of the four major forms of products (namely granules, pills, tablets and soft capsules), Tong Ren Tang Holdings and Tong Ren Tang Ltd. have granted the Company, pursuant to the October Undertaking, a right of first refusal to manufacture and sell any of the new products which is developed by Tong Ren Tang Holdings, Tong Ren Tang Ltd. or any of their respective subsidiaries and which is one of the four main forms of the Company. Upon exercise of the right of first refusal, both Tong Ren Tang Ltd. and Tong Ren Tang Holdings or their respective subsidiaries are not allowed to manufacture any of such new products. In the event the Company develops any new product

based on the existing products of Tong Ren Tang Holdings, Tong Ren Tang Ltd. or their respective subsidiaries, and such new product is one of the major forms of the Company, the Company will be entitled to manufacture such new product and Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries will not be allowed to manufacture such new product. The Directors believe that the above undertaking would clarify that both Tong Ren Tang Ltd. and Tong Ren Tang Holdings would support the Company in its development of the four major forms of products in the future.

To procure that the Company conducts an independent review of the research and development of new products and the development capability, the Company confirms that among the independent non-executive Directors, a reputable person in the traditional Chinese medicine sector will determine whether to exercise the right of first refusal granted by Tong Ren Tang Holdings or Tong Ren Tang Ltd. to develop any proposed new products which is one of the major forms (namely, granules, pills, tablets and soft capsules) of the Company. In the event that the Company refuses the right of first refusal offered by Tong Ren Tang Ltd. and/or Tong Ren Tang Holdings, terms of the option to be offered to independent third party should not be more favourable than that originally offered to the Company. Failing which the Company should be given an opportunity to re-consider the option under the new terms. The above undertaking would no longer be valid in the event that the direct or indirect aggregate shareholdings of Tong Ren Tang Holdings or Tong Ren Tang Ltd. in the Company falls below 30%.



PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30 June 2009, the Company had not purchased, sold or redeemed any of the Company's listed shares.

By Order of the Board
Tong Ren Tang Technologies Co., Ltd.
MEI QUN
Chairman

Beijing, the PRC
10 August 2009

As at the date of this report, the Board comprises Mr. Mei Qun, Ms. Ding Yong Ling, Mr. Yin Shun Hai, Mr. Wang Yu Wei, Ms. Fang Jia Zhi and Mr. Zhang Huan Ping as executive Directors; and Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan as independent non-executive Directors.