Interim Report 2010

創建於一六六九年
北京同仁堂
Beijing Tong Ren Tang

Tong Ren Tang Technologies Co. Ltd.
北 京 同 仁 堂 科 技 發 展 股 份 有 限 公 司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1666)

HIGHLIGHTS

- For the six months ended 30 June 2010, revenue representing an increase of approximately 12.73% as compared with that for the corresponding period in 2009.
- For the six months ended 30 June 2010, profit attributable to equity holders of the Company representing an increase of approximately 12.00% as compared with that for the corresponding period in 2009.
- For the six months ended 30 June 2010, earnings per share for profit attributable to equity holders of the Company amounted to RMB0.658.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010.

INTERIM 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 and its joint ventures (hereafter collectively referred to as the "Group") for the six months ended 30 June 2010, as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Note	For the six months ended 30 June **2010** **(Unaudited)** **RMB'000**	 2009 (Unaudited) RMB'000
Revenue	4	**824,467**	731,384
Cost of sales		**(423,902)**	(394,975)
Gross Profit		**400,565**	336,409
Other gains	5	**2,234**	1,136
Distribution costs		**(164,054)**	(139,812)
Administrative expenses		**(76,574)**	(57,072)
Operating profit		**162,171**	140,661
Finance costs	6	**(367)**	(288)
Profit before income tax	7	**161,804**	140,373
Income tax expense	8	**(20,590)**	(19,874)
Profit for the period		**141,214**	120,499
Profit attributable to:			
Equity holders of the Company		**128,926**	115,109
Minority interests		**12,288**	5,390
		141,214	120,499
Earnings per share for profit attributable to equity holders of the Company	9	**RMB0.658**	RMB0.587

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	**141,214**	120,499
Other comprehensive income/(expense):		
Foreign currency translation differences	**(965)**	(410)
Other comprehensive income/(expense) for the period, net of tax	**(965)**	(410)
Total comprehensive income for the period	**140,249**	120,089
Attributable to:		
Equity holders of the Company	**128,828**	114,852
Minority interest	**11,421**	5,237
Total comprehensive income for the period	**140,249**	120,089

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
ASSETS			
Non–current assets			
Property, plant and equipment	10	**391,995**	409,470
Leasehold land and land use rights		**46,909**	47,537
Deferred income tax assets		**4,708**	3,751
Other long-term assets		**1,064**	839
		444,676	461,597
Current assets			
Inventories		**837,341**	827,643
Trade and bills receivable – net	11	**192,148**	145,510
Amounts due from related parties		**18,836**	29,446
Prepayments and other current assets		**32,633**	15,766
Short-term bank deposits		**106,000**	48,351
Cash and cash equivalents		**454,483**	360,669
		1,641,441	1,427,385
Total assets		**2,086,117**	1,888,982
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**196,000**	196,000
Reserves	13	**1,300,201**	1,259,573
		1,496,201	1,455,573
Minority interests		**139,640**	134,467
Total equity		**1,635,841**	1,590,040

	Note	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**5,432**	5,483
Deferred income –government grants		**10,492**	10,610
		15,924	16,093
Current liabilities			
Trade payables	14	**190,198**	173,530
Salary and welfare payables		**10,326**	5,237
Advances from customers		**23,349**	15,383
Amounts due to related parties		**12,577**	13,919
Current income tax liabilities		**13,000**	8,105
Accrued expenses and other current liabilities		**81,702**	51,675
Short-term borrowings		**15,000**	15,000
Dividend payables		**88,200**	–
		434,352	282,849
Total liabilities		**450,276**	298,942
Total equity and liabilities		**2,086,117**	1,888,982
Net current assets		**1,207,089**	1,144,536
Total assets less current liabilities		**1,651,765**	1,606,133

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cash flows from operating activities:		
Cash generated from operations	**161,761**	131,971
Interest paid	**(356)**	(434)
Net cash generated from operating activities	**161,405**	131,537
Cash flows from investing activities:		
Purchases of property, plant and equipment	**(6,218)**	(5,458)
Proceeds from disposals of property, plant and equipment	**90**	(10)
(Increase)/decrease in short-term bank deposits	**(57,649)**	5,196
Interest received	**2,234**	1,136
Net cash (used in)/generated from investing activities	**(61,543)**	864
Cash flows from financing activities:		
Proceeds from government grants	**200**	233
Dividends paid	**(6,248)**	–
Net cash (used in)/generated from financing activities	**(6,048)**	233
NET INCREASE IN CASH AND CASH EQUIVALENTS	**93,814**	132,634
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**360,669**	258,094
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**454,483**	390,728

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			Minority interests	Total equity
	Share capital	Reserves	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of 1 January 2009	196,000	1,164,392	1,360,392	124,513	1,484,905
Profit for the period	–	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)	196,000	1,200,844	1,396,844	129,089	1,525,933
Balance as of 1 January 2010	196,000	1,259,573	1,455,573	134,467	1,590,040
Profit for the period	–	128,926	128,926	12,288	141,214
Dividends paid	–	(88,200)	(88,200)	(6,248)	(94,448)
Foreign currency translation differences	–	(98)	(98)	(867)	(965)
Balance as of 30 June 2010 (unaudited)	196,000	1,300,201	1,496,201	139,640	1,635,841

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 the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 31 October 2000 and transferred from GEM to Main Board since 9 July 2010. Its ultimate holding company is China Beijing Tong Ren Tang Group Co. Ltd. ("Tong Ren Tang Group"), a company incorporated in Beijing, the PRC.

This condensed consolidated interim financial information was approved for issue on 16 August 2010.

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 2010 has been prepared in accordance with IAS 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 2009, which have been prepared in accordance with IFRS.

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 2009 (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, amendments to standards and interpretations have been effective since 1 January 2010, but are not currently relevant for the Group.

- IFRS 3 (revised), 'Business combinations'.
- IAS 27 (revised), 'Consolidated and separate financial statements'.
- IAS 28, 'Investments in associates'.
- IAS 31, 'Interests in joint ventures'.
- IFRIC-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009.
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) is effective for annual periods beginning on or after 1 January 2010.
- IAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009.
- IFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010.

- First improvements to International Financial Reporting Standards (2008) were issued in May 2008 by the IASB.

- Second improvements to International Financial Reporting Standards (2009) were issued in April 2009 by IASB.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010:

- IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

- IAS 24 (Revised) 'Related party disclosures' supersedes IAS 24 'Related party disclosures' issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011.

- Under 'Classification of rights issues' (Amendment to IAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.

- Amendments to IFRIC Int-14 'Prepayments of a minimum funding requirement' corrects an unintended consequence of IFRIC Int-14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when IFRIC Int-14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted.

- IFRIC –Int 19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

- 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters' (Amendment to IFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to IFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1 July 2010. Early adoption is permitted.

- Third improvements to International Financial Reporting Standards (2010) were issued in May 2010 by IASB. All improvements are effective in the financial year of 2011.

4. Revenue

	For the six months ended 30 June	
	2010	2009
		(Restated)
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales of medicine:		
– PRC Mainland	**783,396**	701,542
– Outside PRC Mainland	**35,529**	26,322
Agency fee income for distribution services		
– Outside PRC Mainland	**5,542**	3,520
	824,467	731,384

5. Other Gains

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest income	**2,234**	1,136

6. Finance Costs

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest expenses	**356**	434
Exchange change loss/(gain)	**11**	(146)
	367	288

7. Profit Before Income Tax

Profit before income tax was arrived after charging the following:

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**20,833**	22,839

8. 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%. The Company has obtained the HNTE certificate since 2008. Consequently, the applicable income tax rate of the Company during the first six months of 2010 is 15% (2009: 15%).

Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the income tax rates prevailing in the tax jurisdictions in which the Group operates.

9. Earnings Per Share

The calculation of the earnings per share for the six months ended 30 June 2010 was based on the profit attributable to equity shareholders of the Company of approximately RMB128,926,000 (2009: RMB115,109,000) divided by the weighted average number of shares issued during the period of 196,000,000 shares (2009: 196,000,000 shares).

The Company had no potential dilutive shares for the six months ended 30 June 2010 (2009: Nil).

10. Additions to Property, Plant and Equipment

For the six months ended 30 June 2010, the additions to property, plant and equipment of the Group was approximately RMB6,218,000 (12 months ended 31 December 2009: RMB6,992,000).

11. Trade and Bills Receivable – Net

	30 June 2010	31 December 2009
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Trade and bills receivables	**222,295**	175,657
Less: provision for impairment of receivables	**(30,147)**	(30,147)
Trade and bills receivable – net	**192,148**	145,510

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 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within 4 months	**168,788**	133,611
Over 4 months but within 1 year	**44,218**	32,628
Over 1 year but within 2 years	**6,298**	6,354
Over 2 years but within 3 years	**1,021**	1,180
Over 3 years	**1,970**	1,884
	222,295	175,657

12. Share Capital

	30 June 2010 (Unaudited)		31 December 2009 (Audited)	
	Number of shares	**Nominal value RMB'000**	Number of shares	Nominal value RMB'000
Registered	**196,000,000**	**196,000**	196,000,000	196,000
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	**87,320,000**	**87,320**	87,320,000	87,320

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

13. Reserves

	Share Premium RMB'000	Statutory Surplus reserve fund RMB'000	Statutory Public welfare fund RMB'000	Tax reserve RMB'000	Property, plant and equipment revaluation RMB'000	Foreign currency translation difference RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance as of 1 January 2009	355,309	136,824	45,455	102,043	–	(16,428)	(468)	541,657	1,164,392
Profit for the period	–	–	–	–	–	–	–	115,109	115,109
Dividends paid	–	–	–	–	–	–	–	(78,400)	(78,400)
Foreign currency translation differences	–	–	–	–	–	(257)	–	–	(257)
Balance as of 30 June 2009 (unaudited)	355,309	136,824	45,455	102,043	–	(16,685)	(468)	578,366	1,200,844
Balance as of 1 January 2010	355,309	153,027	45,455	102,043	–	(15,874)	(468)	620,081	1,259,573
Profit for the period	–	–	–	–	–	–	–	128,926	128,926
Dividends paid	–	–	–	–	–	–	–	(88,200)	(88,200)
Foreign currency translation differences	–	–	–	–	–	(98)	–	–	(98)
Balance as of 30 June 2010 (unaudited)	355,309	153,027	45,455	102,043	–	(15,972)	(468)	660,807	1,300,201

14. Trade Payable

The ageing analysis of trade payable was as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within 4 months	**180,599**	145,413
Over 4 months but within 1 year	**9,460**	23,352
Over 1 year but within 2 years	**139**	4,765
	190,198	173,530

15. Segment Information

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions.

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

Among all the operating segments, the Company and Beijing Tong Ren Tang Chinese Medicine Company Limited (北京同仁堂國藥有限公司) ("TRT Chinese Medicine") have these similar long-term average gross margins, as they have the same production process and all produce the Chinese medicine. As a result, the executive directors consider aggregating these two segments to one reportable operating segment. The reportable operating segment derives its revenue primarily from the manufacture and sale of Chinese medicine on a wholesale basis in China.

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

The executive directors assess the performance of the operating segments based on revenue and profit after income tax of each segment.

The segment information (unaudited) provided to the executive directors for the reportable segments for the year ended 30 June 2010 is as follows:

	Manufacture and sale of Chinese medicine RMB'000	**All other segments** RMB'000	**Total** RMB'000
Segment revenue	778,069	106,407	884,476
Inter-segment revenue	(457)	(59,552)	(60,009)
Revenue from external customers	777,612	46,855	824,467
Profit after income tax	139,679	1,535	141,214
Interest income	2,132	102	2,234
Interest expenses	(356)	–	(356)
Depreciation of property, plant and equipment	(18,539)	(2,294)	(20,833)
Amortisation of prepaid operating lease payments	(523)	(81)	(604)
Income tax expense	(20,455)	(135)	(20,590)
Total assets	2,006,123	79,994	2,086,117
Total assets includes:			
Additions to non-current assets (other than deferred tax assets)	(23,679)	5,801	(17,878)
Total liabilities	427,077	23,199	450,276

The segment information (unaudited) for the year ended 30 June 2009 is as follows:

	Manufacture and sale of Chinese medicine RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	698,689	56,265	754,954
Inter-segment revenue	(1,515)	(22,055)	(23,570)
Revenue from external customers	697,174	34,210	731,384
Profit after income tax	120,497	2	120,499
Interest income	949	187	1,136
Interest expenses	(409)	(25)	(434)
Depreciation of property, plant and equipment	(20,538)	(2,301)	(22,839)
Amortisation of prepaid operating lease payments	(525)	(47)	(572)
Income tax expense	(18,971)	(903)	(19,874)
Total assets	1,874,651	60,216	1,934,867
Total assets includes:			
Additions to non-current assets (other than deferred tax assets)	(16,744)	(2,162)	(18,906)
Total liabilities	396,710	12,224	408,934

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

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

Revenues from external customers are derived from the sales of medicine and agency fee for distribution services. The breakdown of sales of medicine by region is provided in Note 4.

The total of the non-current assets other than deferred income tax assets located in PRC Mainland is RMB326,802,000 (2009: RMB350,463,000), and the total of these non-current assets located in other countries is RMB113,166,000 (2009: RMB128,151,000).

16. Charges on Group Assets

As at 30 June 2010, none of the Group's assets was pledged as security for liabilities (31 December 2009: 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 2010, the Group had capital commitments of RMB81,000 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 2009: RMB237,000 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 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2010, the Company continued to focus on the strategic objective of becoming "a leading, strong and large player" in the field according to the requirements in the "Year of Fundamental Management". While sustaining a steady growth in its performance, the Company managed to maintain the quality of operation and assets and accomplish various tasks. This year marks the tenth anniversary of the listing of the Company. During the reporting period, the Company was approved of the transfer of listing from GEM to the Main Board of the Stock Exchange, and trading of shares officially commenced on the Main Board on 9 July 2010. As at 30 June 2010, the Company's sales revenue amounted to RMB824,467,000, representing an increase of 12.73% over the corresponding period last year. Profit attributable to the equity shareholders of the Company amounted to RMB128,926,000, representing an increase of 12.00% over the corresponding period last year.

SALES

Despite the intense market competition as well as the complex and mercurial market conditions during the period under review, the Company continued to carry on the build-up of product portfolios, expanded sales channels and increased the market share in various product categories to further raise its profit level.

The Company focused on market expansion and constantly improved the marketing system by combining the end-user sales system and sales channel system with the medical sales system and overseas sales system and incorporating them into unified planning and coordinated development. On one hand, the Company endeavoured to open up unexplored markets and gave priority to the development of dealers with terminal or medical resources to further expand its market share. On the other hand, the Company formulated plans in advance based on market demand and accelerated the process of paving the way for products by expanding sales in major individual and chain drugstores in particular, and developed overseas markets and the healthcare market specifically to form a new economic growth point.

The Company operates in strict compliance with the requirements that quality of operation comes before the pace of development, regulates market order and stabilizes market prices to ensure the quality of operation enhances persistently. During the period under review, the Company managed to maintain healthy market conditions and effectively hedged against business risks by means of an array of effective initiatives such as revision of the pricing policy for its product categories, strict implementation of the rules for credit sales and close monitoring of price fluctuations in channels to achieve solid operating efficiency.

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; 13 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, Niuhuang Jiedu Tablets (牛黃解毒片) series grew by 3.01% in sales over the corresponding period last year; Ganmao Qingre Granule (感冒清熱顆粒) series grew by 5.41% in sales over the corresponding period last year; while Liuwei Dihuang Pills (六味地黃丸) series maintained similar sales as the corresponding period last year. There was a remarkable sales increase in some other product series including Fufang Danshen Tablets (複方丹參片) series, Jiawei Xiaoyao Pills (加味逍遙丸) series, Ganmao Soft Capsules (感冒軟膠囊) series, Qi Guan Yan Pills (氣管炎丸) series and E Jiao (阿膠) series.

PRODUCTION

During the period under review, the Company revamped industrial planning for some principal projects such as the pills plant and tablets and capsules plant upgrade projects. With the close cooperation between various relevant departments, scientific and rational designs for technology, production capacity, equipment and energy management were made to best optimize the allocation of resources. Moreover, each production base continued to streamline management, further improved the establishment of a secondary accounting system, raised the mechanization level, improved their respective production capacities and gradually switched from a pure production base to a production and business base.

Since its inception, TRT Chinese Medicine which is located in Hong Kong, has been focusing on the research and manufacture of new products as well as the expansion into new areas leveraging on its own competitive edge to achieve rapid development. In the first half of the year, TRT Chinese Medicine successfully manufactured and marketed some new products which received positive market response through the adoption of three measures simultaneously aimed at "promotion, retention and research".

MANAGEMENT AND RESEARCH & DEVELOPMENT

During the period under review, the Company continued to improve various policies such as the quality control and Chinese medicinal materials procurement policies by strengthening information and procedural management. The Company also strengthened the responsibilities of expatriate staff members and improved the management system by reinforcing the organization of subsidiaries by means of a corporate governance structure so that the percentage of contributions from these subsidiaries continued to increase.

With respect to research and development, the Company continued to "carry out scientific research and achieve benefits", optimized the system governing research and development with an aim to solving the actual problems in production, tackled key problems and carried out research specifically related to technological upgrade and process optimization, and stepped up the research and exploration of health foods which included special dietary foods, beauty care foods and herbal tea drinks. The Company continued to screen and retain scientific research projects carrying independent intellectual property rights to accelerate the progress in the research and development of new 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 RMB5,487,200; Beijing Tong Ren Tang Canada Co. Ltd. in Canada achieved sales revenue of approximately RMB5,018,500; Beijing Tong Ren Tang (Macau) Company Limited in the Macau Special Administrative Region achieved sales revenue of approximately RMB7,785,700; and Beijing Tong Ren Tang (Indonesia) Company Limited in Indonesia achieved sales revenue of approximately RMB1,938,600.

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 RMB22,034,200 during the first half of the year.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2010, the Company had 1,716 employees (31 December 2009: 1,751 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 under review, the Group's primary source of funds was cash provided by operating activities and bank loans.

As at 30 June 2010, the Group had cash and cash equivalents amounted to RMB454,483,000 (31 December 2009: RMB360,669,000) and short term borrowings of RMB15,000,000 (31 December 2009: RMB15,000,000). These borrowings carried a fixed interest rate of 4.779% (31 December 2009: 4.779%) per annum.

As at 30 June 2010, the Group had total assets of RMB2,086,117,000 (31 December 2009: RMB1,888,982,000) which were financed by non-current liabilities of RMB15,924,000 (31 December 2009: RMB16,093,000), current liabilities of RMB434,352,000 (31 December 2009: RMB282,849,000), shareholders' equity of RMB1,496,201,000 (31 December 2009: RMB1,455,573,000) and minority interests of RMB139,640,000 (31 December 2009: RMB134,467,000).

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 2009: 0.01). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 3.78 (31 December 2009: 5.05), reflecting the abundance of financial resources of the Group.

PROSPECTS

The overall operation of the Company improved during the period under review from the same period last year, as demonstrated by a further growth in the sales of some product categories and significant improvement in market competitiveness.

In the second half of 2010, new changes will take place in the competitive scene of the pharmaceutical market and uncertainties will remain at the policy level as tenders are being invited for medical services under the medication list in various provinces, and the procurement and distribution of tender-winning pharmaceuticals commenced in some areas. Despite the pressure from these possible changes in the future, we believe the ongoing implementation of the healthcare reform, increasing capacity of the pharmaceutical market, emergence of a new consumer base and upgrade of the existing consumption pattern will bring new development opportunities to the Company.

In the second half of 2010, the Company will continue to improve the coordination and creativity of the overall operation, strengthen fundamental management, capitalize on market opportunities, create favourable conditions, expand market segments and carry out steady development in the areas for nutritive and health foods as well as the culture of health preservation by primarily focusing on the research, development and production of therapeutic drugs to achieve healthy and sustainable development.

CORPORATE GOVERNANCE

For the six months ended 30 June 2010, 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") and Appendix 14 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities (the "Listing Rules"). None of the Directors is aware of any information that would reasonably suggest that the Company is not or was not in compliance with the codes for any time during the period under review.

DIRECTORS' DEALING IN SECURITIES

Having made specific enquiries with all the Directors, the Directors had for the six months ended 30 June 2010 complied with the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules. The Company has not adopted a code of conduct less stringent than the "Model Code for Securities Transactions by Directors of Listed Issuers" regarding securities transactions of the Directors.

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 2010 and internal audit matters of the Company.

OTHER INFORMATION

Directors', Supervisors' and Chief Executives' Interests in Shares

As at 30 June 2010, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to "Model Code for Securities Transactions by Directors of Listed Issuers" in Appendix 10 of the Listing Rules, were as follows:

Long positions in shares

The Company

Names	Type of interests	Capacity	Number of shares (Note)	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 2010, none of the Directors, Supervisors 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) were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under the SFO) or were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required, pursuant to the requirements as set out in Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the following persons (other than the Directors, Supervisors 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 Group (Note 2)	Interest of a controlled corporation	100,000,000	92.013%	–	51.020%
	Beneficial Owner	1,580,000	1.454%	–	0.806%
The Hamon Investment Group Pte Limited (Note 3)	Interest of a controlled corporation	5,049,000(L)	–	5.782%	2.576%
Liu Yang (Note 4)	Investment Manager	5,151,000(L)	–	5.899%	2.628%
JPMorgan Chase & Co. (Note 5)	Interest of a controlled corporation	5,151,000(L) 5,151,000(P)	– –	5.899% 5.899%	2.628% 2.628%

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 2010, Tong Ren Tang Ltd. was owned as to 55.24% by Tong Ren Tang Group. According to Part XV of the SFO, Tong Ren Tang Group was 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) Atlantis Investment Management Ltd. held 5,151,000 shares of the Company and it is 40% owned by Liu Yang. Accordingly, Liu Yang is deemed under Part XV of the SFO to be interested in such shares held by Atlantis Investment Management Ltd.

(5) 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 2010, the Directors were not aware of any other person (other than the Directors, Supervisors 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

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

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 competition between the products of the Company and those of Tong Ren Tang Group and Tong Ren Tang Ltd.

The Company, Tong Ren Tang Ltd. and Tong Ren Tang Group 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 Kunbao Pills (坤寶丸), Tongren Wuji Baifeng Pills (同仁烏雞白鳳丸), Tongren Dahuoluo Pills (同仁大活絡丸), Guogong Wine (國公酒) and Angong Niuhuang Pills (安宮牛黃丸).

To ensure that the business classification between the Company, Tong Ren Tang Group and Tong Ren Tang Ltd. are properly documented and established, Tong Ren Tang Group and Tong Ren Tang Ltd. undertake, pursuant to an undertaking dated 19 October 2000 committed by Tong Ren Tang Group and Tong Ren Tang Ltd. in favor of the Company ("October Undertaking"), that other than Angong Niiuhuang Pills (安宮牛黃丸), Tong Ren Tang Group, 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 Niuhuang Pills (安宮牛黃丸) is manufactured by both the Company and Tong Ren Tang Ltd.

The Directors consider that other than Angong Niuhuang 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 Group. 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 products of the Company is in competition with Tong Ren Tang Ltd. or Tong Ren Tang Group.

Right of First Refusal

Although the Company, Tong Ren Tang Ltd. and Tong Ren Tang Group 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 Group 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 Group 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 Group, 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 Group 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 Group, 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 Group, 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 Group 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 Group 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 Group, 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 Group or Tong Ren Tang Ltd. in the Company falls below 30%.

Moreover, Tong Ren Tang Group and Tong Ren Tang Ltd. confirm that the Company and its independent non-executive Directors will implement the following:

(i) the independent non-executive Directors will review, at least on an annual basis, the compliance with the non-competition undertaking by Tong Ren Tang Group and Tong Ren Tang Ltd. the options, pre-emptive rights or first rights of refusals provided by Tong Ren Tang Ltd. and Tong Ren Tang Group on their existing or future competing businesses;

(ii) Tong Ren Tang Ltd. and Tong Ren Tang Group have undertake to provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking;

(iii) the Company will disclose decisions on matters reviewed by independent non-executive Directors in relation to the compliance and enforcement of the undertaking (e.g. the exercise of options or first rights of refusals) either through the annual report, or by way of announcements to the public; and

(iv) an annual declaration by Tong Ren Tang Ltd. and Tong Ren Tang Group on compliance with the non-competition undertaking in the annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2010, 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
16 August 2010

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