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)

INTERIM REPORT 2013

HIGHLIGHTS

- For the six months ended 30 June 2013, the Group's revenue represents an increase of approximately 22.51% as compared with the corresponding period in 2012.
- For the six months ended 30 June 2013, profit attributable to owners of the Company represents an increase of approximately 25.27% as compared with the corresponding period in 2012.
- For the six months ended 30 June 2013, earnings per share attributable to owners of the Company amounted to RMB0.45.
- The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2013.

INTERIM RESULTS (UNAUDITED)

The board of directors (the "**Board**") of Tong Ren Tang Technologies Co. Ltd. (the "**Company**") is pleased to announce the unaudited results of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the six months ended 30 June 2013 (the "**Reporting Period**") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the six months ended 30 June	
	Note	**2013 (Unaudited) RMB'000**	2012 (Unaudited) RMB'000 (Restated)
Revenue	6	**1,677,908**	1,369,594
Cost of sales	8	**(840,218)**	(673,791)
Gross profit		**837,690**	695,803
Distribution costs	8	**(338,778)**	(299,826)
Administrative expenses	8	**(118,056)**	(106,401)
Other losses – net		**(11,806)**	(6,495)
Operating profit		**369,050**	283,081
Finance income	7	**3,366**	3,223
Finance costs		**(3,881)**	(4,688)
Finance income – net		**(515)**	(1,465)
Share of profit of joint ventures		**1,345**	598
Share of loss of an associate		**(481)**	(415)
Profit before income tax		**369,399**	281,799
Income tax expense	9	**(58,620)**	(46,050)
Profit for the period		**310,779**	235,749
Profit attributable to:			
Owners of the Company		**265,679**	212,078
Non-controlling interests		**45,100**	23,671
		310,779	235,749
Earnings per share for profit attributable to owners of the Company during the period			
– Basic	10	**RMB0.45**	RMB0.36
– Diluted		**RMB0.45**	RMB0.36
Dividends		**–**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	**310,779**	235,749
Other comprehensive (expense)/income:		
Foreign currency translation differences	**(9,476)**	751
Other comprehensive (expense)/income for the period, net of tax	**(9,476)**	751
Total comprehensive income for the period	**301,303**	236,500
Attributable to:		
Owners of the Company	**247,453**	212,597
Non-controlling interests	**53,850**	23,903
Total comprehensive income for the period	**301,303**	236,500

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Note	**30 June 2013 (Unaudited) RMB'000**	31 December 2012 (Audited) RMB'000 (Restated)
ASSETS			
Non-current assets			
Leasehold land and land use rights	11	**139,600**	140,961
Property, plant and equipment	11	**619,003**	508,685
Investment in joint ventures		**14,967**	21,018
Investment in an associate		**272**	753
Deposits paid for purchase of property, plant and equipment		**4,255**	8,297
Deferred income tax assets		**14,032**	13,372
Other long-term assets		**2,134**	2,112
		794,263	695,198
Current assets			
Inventories		**1,296,286**	1,396,712
Trade and bills receivable, net	12	**434,262**	150,357
Amounts due from related parties	18(d)	**31,717**	12,833
Prepayments and other current assets		**46,773**	64,000
Short-term bank deposits		**5,986**	5,978
Cash and cash equivalents		**1,502,825**	834,317
		3,317,849	2,464,197
Total assets		**4,112,112**	3,159,395
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	**588,000**	588,000
Reserves			
– Proposed dividend		**–**	147,000
– Other reserves		**1,595,372**	1,201,038
		2,183,372	1,936,038
Non-controlling interests		**721,298**	288,211
Total equity		**2,904,670**	2,224,249

	Note	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**39,830**	–
Deferred income tax liabilities		**5,031**	3,094
Deferred income – government grants		**53,411**	54,238
		98,272	57,332
Current liabilities			
Trade payables	14	**387,331**	382,834
Salary and welfare payables		**4,528**	6,442
Advances from customers		**88,566**	116,001
Amounts due to related parties	18(d)	**46,714**	22,109
Current income tax liabilities		**43,109**	13,498
Accrued expenses and other current liabilities		**413,922**	211,930
Short-term borrowings		**125,000**	125,000
		1,109,170	877,814
Total liabilities		**1,207,442**	935,146
Total equity and liabilities		**4,112,112**	3,159,395
Net current assets		**2,208,679**	1,586,383
Total assets less current liabilities		**3,002,942**	2,281,581

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
Cash flows from operating activities:		
Cash generated from operations	**267,848**	218,073
Interest paid	**(3,594)**	(4,164)
Income tax paid	**(26,704)**	(27,061)
Net cash generated from operating activities	**237,550**	186,848
Cash flows from investing activities:		
Acquisition of subsidiaries achieved in stage, net of cash acquired	**8,193**	–
Purchases of property, plant and equipment	**(123,827)**	(63,086)
Proceeds from disposals of property, plant and equipment	**15**	68
Proceeds from short-term bank deposits	**5,978**	6,867
Increase in short-term bank deposits	**(5,986)**	(7,451)
Interest received	**3,366**	3,223
Net cash used in investing activities	**(112,261)**	(60,379)
Cash flows from financing activities:		
Proceeds from short-term borrowings	**45,000**	45,000
Repayments of short-term borrowings	**(45,000)**	(45,000)
Proceeds from long-term borrowings	**39,830**	–
Capital injection from non-controlling interests	**28,332**	3,200
Net cash received from issuance of shares by a subsidiary	**521,322**	–
Dividends paid to non-controlling interests	**(37,256)**	–
Net cash generated from financing activities	**552,228**	3,200
Net increase in cash and cash equivalents	**677,517**	129,669
Cash and cash equivalents at beginning of the period	**834,317**	659,678
Exchange loss on cash and cash equivalents	**(9,009)**	(26)
Cash and cash equivalents at end of the period	**1,502,825**	789,321

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Unaudited										
	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve fund	Statutory public welfare fund	Tax reserve	Foreign currency translation difference	Other reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of 1 January 2013	588,000	175,144	218,810	45,455	102,043	(22,585)	(6,306)	835,477	1,936,038	288,211	2,224,249
Profit for the period	–	–	–	–	–	–	–	265,679	265,679	45,100	310,779
Foreign currency translation differences	–	–	–	–	–	(18,226)	–	–	(18,226)	8,750	(9,476)
Dividends paid to shareholders of the Company relating to 2012	–	–	–	–	–	–	–	(147,000)	(147,000)	–	(147,000)
Dividends paid to non-controlling interests relating to 2012	–	–	–	–	–	–	–	–	–	(37,256)	(37,256)
New shares issuance of a subsidiary	–	–	–	–	–	–	212,858	–	212,858	341,748	554,606
Cost incurred for listing of a subsidiary	–	–	–	–	–	–	(13,658)	–	(13,658)	(12,068)	(25,726)
Business combination	–	–	–	–	–	–	–	–	–	6,162	6,162
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	28,332	28,332
Decrease interests in a subsidiary	–	–	–	–	–	–	(52,319)	–	(52,319)	52,319	–
Balance as of 30 June 2013	588,000	175,144	218,810	45,455	102,043	(40,811)	140,575	954,156	2,183,372	721,298	2,904,670
Balance as of 1 January 2012	588,000	175,144	193,281	45,455	102,043	(23,520)	(4,070)	642,555	1,718,888	220,182	1,939,070
Profit for the period	–	–	–	–	–	–	–	212,078	212,078	23,671	235,749
Foreign currency translation differences	–	–	–	–	–	519	–	–	519	232	751
Dividends paid	–	–	–	–	–	–	–	(111,720)	(111,720)	–	(111,720)
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	3,200	3,200
Balance as of 30 June 2012	588,000	175,144	193,281	45,455	102,043	(23,001)	(4,070)	742,913	1,819,765	247,285	2,067,050

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 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 the GEM to the Main Board of the Stock Exchange on 9 July 2010. Its ultimate holding company is China Beijing Tong Ren Tang Group Co. Ltd. ("**Tong Ren Tang Holdings**"), a company incorporated in Beijing, the PRC.

The address of the Company's registered office is No. 16 Tongji Beilu, Beijing Economic and Technological Development Zone, Beijing, the PRC. The Company and its subsidiaries are hereafter collectively referred to as the "Group". The Group is principally engaged in the production and distribution of Chinese medicine and primarily operates in the PRC.

Beijing Tong Ren Tang Chinese Medicine Company Limited ("**Tong Ren Tang Chinese Medicine**"), a subsidiary of the Company, was incorporated as a limited liability company in Hong Kong and listed on the GEM of the Stock Exchange on 7 May 2013. Upon completion of the share offer and full exercise of the over-allotment option of Tong Ren Tang Chinese Medicine, the shareholding of the Company in Tong Ren Tang Chinese Medicine decreased from 53.09% to 38.38%. The Company remains as the holding company of Tong Ren Tang Chinese Medicine.

The condensed consolidated interim financial information was approved to be issued on 20 August 2013.

The condensed consolidated interim financial information has not been audited.

2. Basis of Preparation

The condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with International Accounting Standard (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 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

3. Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

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

(a) Standards, amendments and interpretations effective in 2013

- IFRS 1 (Amendment) "Government loans"
- IFRS 7 (Amendment) "Financial instruments: Disclosures – Offsetting financial assets and financial liabilities"
- IFRS 10 "Consolidated financial statements"
- IFRS 11 "Joint arrangements"

- IFRS 12 "Disclosure of interests in other entities"
- IFRS 13 "Fair value measurements"
- IAS 1 (Amendment) "Presentation of financial statements"
- IAS 19 (Amendment) "Employee benefits"
- IAS 27 (revised 2011) "Separate financial statements"
- IAS 28 (revised 2011) "Associates and joint ventures"
- IFRIC – Int 20 "Stripping costs in the production phase of a surface mine"
- Annual improvements 2011
  - Amendment to IFRS 1 "First time adoption of IFRS"
  - Amendment to IAS 1 "Presentation of financial statements"
  - Amendment to IAS 16 "Property, plant and equipment"
  - Amendment to IAS 32 "Financial instruments: Presentation"
  - Amendment to IAS 34 "Interim financial reporting"

For the six months ended 30 June 2013, the revenue of the Group recorded a decrease of approximately RMB9,128,000 (corresponding period of 2012: RMB10,796,000) due to adoption of IFRS 11 "Joint Arrangements" which eliminates the use of proportionate consolidation for associates and joint ventures.

Except for above analysis, the adoption of the above standards, amendments and interpretations does not have any significant financial impact to the Group.

(b) ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group***

- IFRS 7 and IFRS 9 (Amendments) "Mandatory effective date and transition disclosures" (effective for annual periods beginning on or after 1 January 2015)
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015)
- Amendments to IFRS 10, IFRS 12 and IAS 27 (revised 2011) "Investment entities" (effective for annual periods beginning on or after 1 January 2014)
- IAS 32 (Amendment) "Financial instruments: Presentation – Offsetting financial assets and financial liabilities" (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 Recoverable amount disclosures for non-financial assets (effective for annual periods beginning on or after 1 January 2014)
- IFRIC Interpretation 21 "Levies" (effective for annual periods beginning on or after 1 January 2014)

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

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012, with the exception of changes in estimates that are required in determining the provision for income taxes.

5. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no changes in any risk management policies since year end.

6. Revenue

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
Sales of medicine:		
– Mainland China	**1,441,674**	1,236,051
– Outside Mainland China	**236,234**	124,003
	1,677,908	1,360,054
Agency fee income for distribution services		
– Outside Mainland China	**–**	9,540
	1,677,908	1,369,594

7. Finance Income and Costs

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Finance income		
Interest income on cash at bank and short-term bank deposits	**3,366**	3,223
Finance costs		
Interest expenses on bank borrowings repayable within one year	**(3,594)**	(4,164)
Exchange losses	**(287)**	(524)
	(3,881)	(4,688)
Finance income – net	**(515)**	(1,465)

8. Expenses by Nature

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Depreciation of property, plant and equipment	**22,078**	20,058
Amortisation of prepaid operating lease payments	**1,882**	1,554
Amortisation of other long-term assets	**7**	10
Provision for impairment of inventories	**734**	2,519
Reversal of provision for impairment of receivables	**(194)**	(2,596)
(Loss)/Income on disposal of property, plant and equipment	**(57)**	112

9. Income Tax Expense

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, enterprises with a High/New Technology Enterprise ("HNTE") status are able to enjoy a preferential tax rate of 15%. For the entities without the HNTE status, the PRC income tax rate is 25% (2012: 25%). As of 30 June 2013 and 2012, the Company has obtained the HNTE certificate. Consequently, the applicable income tax rate of the Company used as of 30 June 2013 is 15% (30 June 2012: 15%). Income tax on overseas profits has been calculated on the estimated assessable profit for the reporting period at the income tax rates prevailing in the tax jurisdictions in which the Group operates.

10. Earnings Per Share

The calculation of the basic earnings per share was based on the profit attributable to owners of the Company for the six months ended 30 June 2013 of approximately RMB265,679,000 (2012: RMB212,078,000) divided by the weighted average number of the ordinary shares issued during the period of 588,000,000 shares (Six months ended 30 June 2012:588,000,000 shares).

The Company had no potential dilutive shares for the six months ended 30 June 2013 and 2012.

11. Additions to Property, Plant and Equipment and Additions to Leasehold Land and Land Use Rights

For the six months ended 30 June 2013, the additions to leasehold land and land use rights of the Group was approximately RMB478,000 (2012: Nil).

For the six months ended 30 June 2013, the additions to property, plant and equipment of the Group was approximately RMB131,196,000 (2012: RMB60,730,000).

12. Trade and Bills Receivable, Net

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 (Restated)
Trade and bills receivables	**450,069**	166,538
Less: provision for impairment of receivables	**15,807**	16,181
Trade and bills receivables, net	**434,262**	150,357

The Group normally grants a credit period ranging from 30 days to 120 days to its trade customers. Ageing analysis of trade and bills receivables based on invoice date was as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 (Restated)
Within 4 months	**433,904**	139,393
Over 4 months but within 1 year	**9,757**	19,176
Over 1 year but within 2 years	**192**	1,317
Over 2 years but within 3 years	**–**	78
Over 3 years	**6,216**	6,574
	450,069	166,538

13. Share Capital

	30 June 2013 (Unaudited) Number of shares	30 June 2013 (Unaudited) Nominal value RMB'000	31 December 2012 (Audited) Number of shares	31 December 2012 (Audited) Nominal value RMB'000
Registered	**588,000,000**	**588,000**	588,000,000	588,000
Issued and fully paid				
– Domestic shares with a par value of RMB1 per share	**326,040,000**	**326,040**	326,040,000	326,040
– H shares with a par value of RMB1 per share	**261,960,000**	**261,960**	261,960,000	261,960
	588,000,000	**588,000**	588,000,000	588,000

14. Trade Payable

The ageing analysis of trade payables based on invoice date was as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 (Restated)
Within 4 months	**371,316**	311,985
Over 4 months but within 1 year	**15,336**	70,471
Over 1 year but within 2 years	**679**	378
	387,331	382,834

15. Segment Information

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

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

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

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

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

The segment information provided to the executive directors in the Board for the reportable segments for the six months ended 30 June 2013 is as follows:

(Unaudited)	The Company RMB'000	Tong Ren Tang Chinese Medicine RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	1,374,280	225,392	185,950	1,785,622
Inter-segment revenue	(9,025)	–	(98,689)	(107,714)
Revenue from external customers	1,365,255	225,392	87,261	1,677,908
Profit after income tax	223,020	70,083	17,676	310,779
Interest income	2,676	349	341	3,366
Interest expenses	(3,460)	(134)	–	(3,594)
Depreciation of property, plant and equipment	(13,148)	(6,231)	(2,699)	(22,078)
Amortisation of prepaid operating lease payments	(1,049)	(71)	(762)	(1,882)
Provision for impairment of inventories	(813)	79	–	(734)
Reversal of provision for impairment of receivables	194	–	–	194
Income tax expense	(39,356)	(15,399)	(3,865)	(58,620)
Segment assets and liabilities				
Total assets	2,727,627	1,147,149	237,336	4,112,112
Additions to non-current assets (other than deferred tax assets)	28,271	100,664	2,768	131,703
Total liabilities	1,004,966	110,223	92,253	1,207,442

The segment information for the six months ended 30 June 2012 is as follows:

(Unaudited) (Restated)	The Company RMB'000	Tong Ren Tang Chinese Medicine RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	1,165,353	150,787	136,757	1,452,897
Inter-segment revenue	(3,031)	(2,793)	(77,479)	(83,303)
Revenue from external customers	1,162,322	147,994	59,278	1,369,594
Profit after income tax	181,553	42,647	11,549	235,749
Interest income	2,498	357	368	3,223
Interest expenses	(4,164)	–	–	(4,164)
Depreciation of property, plant and equipment	(13,547)	(4,035)	(2,476)	(20,058)
Amortisation of prepaid operating lease payments	(1,050)	(423)	(81)	(1,554)
Provision for impairment of inventories	(2,519)	–	–	(2,519)
Reversal of provision for impairment of receivables	2,596	–	–	2,596
Income tax expense	(32,038)	(11,192)	(2,820)	(46,050)

The segment assets and liabilities as at 31 December 2012 are as follows:

(Audited) (Restated)	The Company RMB'000	Tong Ren Tang Chinese Medicine RMB'000	All other segments RMB'000	Total RMB'000
Total assets	2,435,623	542,344	181,428	3,159,395
Additions to non-current assets (other than deferred tax assets)	69,258	60,650	4,170	134,078
Total liabilities	808,957	82,044	44,145	935,146

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Executive in the Board of Directors is measured in a manner consistent with that in the condensed consolidated income statement.

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

Revenues from external customers are derived from the sales of drugs and agency fee for distribution services. The breakdown of sales of drugs by region is provided in Note 6.

The total of the non-current assets other than deferred income tax assets located in PRC Mainland is RMB589,092,000 (31 December 2012: RMB556,904,000), and the total of these non-current assets located in other countries is RMB191,139,000 (31 December 2012: RMB124,922,000 (Restated)).

16. Business Combination

Pursuant to the revised shareholders agreement entered into between Tong Ren Tang Chinese Medicine, a subsidiary of the Company, and the joint venturer of Beijing Tong Ren Tang Canada Co., Ltd. ("**TRT (Canada)**") on 1 June 2013, the joint venturer of TRT (Canada) has given up the joint control and as a result, Tong Ren Tang Chinese Medicine has obtained the control over the financial and operating policies of TRT (Canada). TRT (Canada) has changed its status from a jointly controlled entity to a subsidiary of the Company. As the Company holds 51% equity interest in TRT (Canada) through Tong Ren Tang Chinese Medicine, the Group has consolidated the results of TRT (Canada) from 1 June 2013 onwards.

17. Commitments

(a) Capital commitments

As of 30 June 2013, the Group had capital commitments of RMB92,935,000 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 2012: RMB170,426,000 related to the construction of production facilities).

(b) Operating lease commitments

The Group leases various warehouse and factory premises under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 (Restated)
Not later than one year	**54,546**	51,419
Later than one year and no later than five years	**51,357**	70,624
Later than five years	**5,516**	6,753
	111,419	128,796

18. Related Party Transactions

Related parties include the Group and its subsidiaries, other majority state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence in making financial and operating decisions and key management personnel of the Company as well as their close family members.

The ultimate holding company itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24, "Related Party Disclosures", state-owned enterprises and their subsidiaries, other than the ultimate holding company and its subsidiaries, directly or indirectly controlled by the PRC government are also defined as related parties of the Group.

A portion of the Group's business activities are conducted with other state-owned enterprises. The Group believes that these transactions are carried out on normal commercial terms that are consistently applied to all customers. For the purpose of related party transactions disclosure, the Group has identified, to the extent practicable, those corporate customers and suppliers which are state-owned enterprises based on their ownership structure. It should be noted, however, that substantially all of the Group's business activities are conducted in the PRC and the influence of the PRC government in the Chinese economy is pervasive. In this regard, the PRC government indirectly holds interests in many companies. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests. Such interests, however, would not be known to the Group and are not reflected in the disclosures below. In addition, a portion of the Group's revenue from sales of goods are of a retail nature to end users, which include transactions with the employees of state controlled entities while such employees are key management personnel and their close family members. These transactions are carried out on normal commercial terms that are consistently applied to all customers. Due to the volume and the pervasiveness of these transactions, the Group is unable to determine the aggregate amount of these transactions for disclosure. Therefore, the revenue from sales of goods disclosed below does not include retail transactions with these related parties. However, the Group believes that meaningful information relating to related party disclosures has been adequately disclosed.

During the Period, the Group had the following material transactions with related parties, which were entered into at terms mutually agreed with these related parties in the ordinary course of business.

(a) Transactions with the ultimate holding company

Transactions with the ultimate holding company during the year are summarised as follows:

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Trademark licence fee (Note (i))	**425**	425
Rental expense (Note (ii))	**1,182**	1,182
Storage fee (Note (iii))	**1,458**	1,458

Notes:

(i) On 28 February 2013, the Company and the ultimate holding company renewed a licence agreement, whereby the Company is allowed to use certain trademarks and trademark logos (collectively, "**Trademarks**") of the ultimate holding company.

The term of the licence is authorised from 1 March 2013 to 28 February 2018. Upon the expiration of the licence, if the ultimate holding company successfully renews the right to use the Trademarks and if the Company fully complies with the terms and conditions of the agreement and requests to continue to use the Trademarks, the ultimate holding company shall renew the agreement with the Company. The renewed term of the licence shall not be shorter than 5 years.

For the six months ended 30 June 2013, the annual licence fee is RMB425,000. The parties are entitled to adjust the annual licence fee thereafter. Such annual increase or decrease shall not exceed 10% of that of the previous year.

(ii) A land use right leasing agreement (the "**Old Agreement**") dated 6 October 2000 was entered into between the Company and the ultimate holding company. Pursuant to the agreement, the total area leased to the Company is approximately 49,776.35 sq.m. The land is located in Beijing, the PRC, with a lease period of 20 years commencing from 6 October 2000. The annual rental is calculated at a rate of RMB53.95 per sq.m. Any adjustments to the annual rental shall be made at the market rent, provided that such adjustment shall not exceed 10% of that of the previous year. On 1 January 2006, an amendment was made to reduce the total area of the land leased to 43,815.15 sq.m., the remaining clauses on the Old Agreement still remain effective.

(iii) A contract for storage and custody was renewed on 18 January 2011 between the Company and the ultimate holding company whereby the ultimate holding company agreed to provide storage and custody services to the Company, with an effective period from 2011 to 2013. From the effective date of the contract, the storage fee is calculated at RMB252 per sq.m. per year. Adjustment to the storage fee is permitted after one-year period provided that the annual increase or decrease shall not exceed 10% of that of the previous year.

(b) Transactions with the subsidiaries and joint ventures of the ultimate holding company

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
Sales of Chinese medicine related products (Note (i))	**182,005**	145,780
Purchases of raw materials, semi-finished products and finished products (Note (ii))		
– Purchases of raw materials and semi-finished products	**23,210**	21,695
– Purchases of finished products	**5,367**	22,986
Agency fee income for distribution services (Note (iii))	**–**	9,540
Exclusive distributorship (Note (iv))	**11,520**	–
Technology research (Note (v))	**1,600**	–

Notes:

(i) The Company renewed a sales agreement with the ultimate holding company on 18 January 2011. In accordance with this agreement, the Group can sell its products to the subsidiaries and joint ventures of the ultimate holding company. The selling price to the ultimate holding company's subsidiaries and joint ventures shall not be lower than the prices to independent third parties. The agreement has been approved at the Company's Annual General Meeting and is effective from 2011 to 2013.

(ii) The Company signed a procurement agreement with the ultimate holding company on 28 February 2011, with an effective period from 2011 to 2013. Pursuant to the agreement, the subsidiaries and joint ventures of the ultimate holding company can supply to the Group the products that are required for the Group's production, sale and distribution. The price procured by the Group from the ultimate holding company's subsidiaries and joint ventures shall be negotiated by the parties on an arm's length basis. The ultimate holding company shall not supply the products to the Group (1) at a price higher than that of the products of the same type and quality offered to the Group by independent third parties or the prevailing market price; (2) if there is not any comparable market price available for the relevant materials/products, the price shall be determined based on the integrated cost plus not more than 15% surcharge, and in any event, the price for such procurement shall be no less favorable than terms offered by independent third parties to the Group.

(iii) Tong Ren Tang Chinese Medicine renewed an agency agreement with the parent company of the Company (Beijing Tong Ren Tang Company Limited, "**Tong Ren Tang Ltd.**") on 2 March 2010. In accordance with this agreement, Tong Ren Tang Chinese Medicine is appointed as an agent in distributing the parent company's products, with an effective period from 2010 to 2012.

(iv) On 29 October 2012, Tong Ren Tang Chinese Medicine entered into an exclusive distributorship frame-work agreement with the parent company of the Company. The Exclusive Distributorship Framework Agreement shall be effective from 1 November 2012 to 31 December 2014. Pursuant to which Beijing Tong Ren Tang International Natural-Pharm Co., Ltd. ("**International Natural-Pharm**"), a wholly-owned subsidiary of Tong Ren Tang Chinese Medicine, was appointed as the sole overseas distributor of the parent company of the Company, for the purpose of the distribution of its products outside the PRC.

(v) On 19 March 2013, the Company entered into the Framework Agreement on Technology Research and Development Cooperation with Beijing Zhongyan Tong Ren Tang Pharmaceuticals Research and Development Co., Ltd. ("**Zhongyan Company**"). The Framework Agreement on Technology Research and Development Cooperation shall be effective from 2013 to 2015. Pursuant to which the Company entrust Zhongyan Company to conduct quality research on the products as specified by the Company and pay corresponding research and development expenses incurred by Zhongyan Company. The research and development expenses determined based on the costs and expenditures incurred by Zhongyan Company for completion of the research work under the Framework Agreement.

(c) Transactions with other state-owned enterprises

In the ordinary course of business, the Group sells goods to, and purchase goods from other state-owned enterprises based on terms as set out in the underlying agreements, market prices or actual cost incurred, or as mutually agreed.

The Group places deposits in and receives loans mainly from state-owned financial institutions in the ordinary course of business. The deposits and loans are in accordance with the terms as set out in the respective agreements, and the interest rates are set at prevailing market rates.

(d) Balances with related parties

Balances with related parties consisted of:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 (Restated)
Amounts due from related parties:		
Subsidiaries and joint ventures of the ultimate holding company	**22,638**	10,228
Other state-owned enterprises	**9,079**	2,605
	31,717	12,833
Amounts due to related parties:		
Subsidiaries and joint ventures of the ultimate holding company	**35,972**	15,821
Other state-owned enterprises	**10,742**	6,288
	46,714	22,109

The amounts due from/to related parties are unsecured, interest-free and receivable or repayable within twelve months.

The ageing analysis of amounts due from related parties based on invoice date was as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 (Restated)
Within 4 months	**28,534**	10,785
Over 4 months but within 1 year	**2,610**	1,349
Over 1 year	**573**	699
	31,717	12,833

The ageing analysis of amounts due to related parties based on invoice date was as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 (Restated)
Within 4 months	**45,918**	18,695
Over 4 months but within 1 year	**371**	3,133
Over 1 year	**425**	281
	46,714	22,109

INTERIM DIVIDENDS

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2013 (Corresponding period in 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2013, despite the slowdown in the economic growth of Mainland China, the pharmaceutical industry maintained stable momentum in the growth. The Company continued to implement the strategy of "professional, sizable and collective growth", focused on its core business, as well as pursued diversified development and led to a steady growth in the first half of the year. For the six months ended 30 June 2013, the Group's sales revenue amounted to RMB1,677,908,000, representing an increase of 22.51% as compared with RMB1,369,594,000 (Restated) for the corresponding period of last year; profit attributable to owners of the Company amounted to RMB265,679,000, representing an increase of 25.27% as compared with RMB212,078,000 for the corresponding period of last year.

Sales

During the Reporting Period, faced with the volatile market situation, the Company made painstaking efforts in addressing the external environment while reducing internal expenses. By effectively utilizing the advantage of its brand, the Company maintained its sustainable development through continuous expanding market channels and strengthening its product portfolio.

On the one hand, by deepening the strategic partnerships with large-scale medicine distribution corporations, distributors and drugstores, the Company further expanded its channel network and commenced to establish strategic alliance on marketing, so as to reinforce information communication and long-term cooperation and achieve win-win cooperation. On the other hand, based on the current product structure, market demand and geographic difference, the Company diversified its sales strategies targeting different regions and products, achieved parallel advancement in brand culture communication, channel construction and product promotion, and improved the product portfolio and scale development of the Company.

A steady growth was achieved in the sales revenue of the Company's mainstream products, of which twenty-one products achieved total sales of more than RMB10 million and seventeen products achieved total sales of between RMB5 million and RMB10 million. Among these mainstream products, the sales of Liuwei Dihuang Pills (六味地黃丸) series increased by 33.37% over the corresponding period of last year; the sales of Ganmao Qingre Granule (感冒清熱顆粒) series increased by 37.63% over the corresponding period of last year. Except that the sales of Niuhuang Jiedu Tablets (牛黃解毒片) series decreased as compared with the corresponding period of last year, there was remarkable increase in the sales of some other products including Ban Langen Granule (板藍根) series, E Jiao (阿膠) series and Jiawei Xiaoyao Pills (加味逍遙丸) series, etc.

Production

During the Reporting Period, the Company remained vigilant even amid favorable business environment. To improve the quality management structure of the Group, the Company conducted predictive analysis on various potential issues in production, started from the very beginning to strengthen the supervision and management of raw materials, auxiliary materials, packaging materials and their related suppliers, as well as classified risk levels of critical raw materials for the establishment of relevant risk control measures. Meanwhile, by optimizing techniques such as waste control of plastic ball used by automatic buckling machine, the Company improved the stability of its product quality, which led to the enhancement of production efficiency and reduction in production costs.

Currently, the preliminary approval procedures for Da Xing Production Base located at Beijing Zhongguancun Technology Park District is in steady progress. The construction work of major parts of the warehouse in Bo Zhou Base for pre-processing and logistics of Chinese medicine materials located at Bo Zhou, Anhui Province, has been completed.

Management and Research & Development

During the Reporting Period, the information management system of the Company and its subsidiaries was further optimized. By streamlining the management flow and re-consolidating its internal and external resources, the Company progressively changed its business flow and management model and achieved modernized management through industrialization driven by informatization. Moreover, the Company continued to optimize its personnel structure. In particular, the professional capability and occupational quality of the staff were enhanced through professional trainings. By modifying and perfecting the hierarchy, number and structure of the recruited talent, the Company built up a long-term, sustainable and target-oriented talent pool, so as to meet the requirement of the long-term development of the Company.

In terms of scientific research, the Company also conducted in-depth analysis on consumer market demand and strengthened the research and development on follow-up products while expanding the current product category, with the ultimate goal of enriching the future product reserve of the Company. Moreover, the Company stepped up its efforts in the research of quality control and inspection methods to further enhance and optimize the features of the current products.

Tong Ren Tang Chinese Medicine

Tong Ren Tang Chinese Medicine, a subsidiary of the Company, was listed on the GEM of the Stock Exchange on 7 May 2013. Tong Ren Tang Chinese Medicine and its subsidiaries ("**Tong Ren Tang Chinese Medicine Group**") are based in Hong Kong. During the Reporting Period, Tong Ren Tang Chinese Medicine Group opened 4 new stores in Hong Kong, hence the number of its retail outlets in Hong Kong increased to 15 and the market share was continuously expanding. Moreover, facing the world, Tong Ren Tang Chinese Medicine Group took its efforts to promote the culture of Chinese medicines, and further enhanced the recognition of Tong Ren Tang brand in overseas markets by leveraging the excellent quality of its products. As at 30 June 2013, Tong Ren Tang Chinese Medicine Group had established 22 retail stores in 10 overseas countries and region (including Macau, Singapore, Australia, Canada, Thailand, United Arab Emirates, Brunei, Malaysia, Indonesia and Cambodia).

In the first half of 2013, the sales revenue of Tong Ren Tang Chinese Medicine Group amounted to RMB225,392,000, representing an increase of 49.48% as compared with RMB150,787,000 (Restated) for the corresponding period of last year.

Chinese Medicinal Raw Materials Production Bases

Currently, the Company has established six subsidiaries in Hebei province, Henan province, Hubei province, Zhejiang province, Anhui province and Jilin province respectively, which are capable of providing the Company with major Chinese medicinal raw materials such as cornel (山茱萸), Tuckahoe (茯苓) and catnip (荊芥).

In the first half of 2013, focusing on the development orientation of "specialization", each Chinese medicinal raw materials production base gave full play to its geographical advantage and cultivated authentic medicinal materials to ensure stable supply. For the six months ended 30 June 2013, all the Chinese medicinal raw materials production base of the Company achieved a total sales revenue of RMB82,264,000, representing an increase of 44.08% as compared with RMB57,095,000 for the corresponding period of last year.

Beijing Tong Ren Tang WM Dianorm Biotech Co., Limited (北京同仁堂麥爾海生物技術有限公司) ("Tong Ren Tang WM")

Tong Ren Tang WM was jointly established by the Company and WM Dianorm Biotech Co., Limited with a total investment of US$3 million and is owned as to 60% by the Company. Since its establishment, Tong Ren Tang WM is committed to introducing liposome technology into modern Chinese medicine and promoting its application in pharmaceuticals and cosmetics. Its major products include lotion, cream, facial and eye masks skincare products. During the Reporting Period, Tong Ren Tang WM continued to strengthen its product development and planning to launch new products such as facial masks under Hancao Zhiyuan series and was granted production licenses for hair, beauty and cosmetic products, and was awarded the High/New Technology Enterprise Certificate. For the six months ended 30 June 2013, the sales revenue of Tong Ren Tang WM amounted to RMB39,060,000, representing an increase of 46.02% as compared with RMB26,750,000 for the corresponding period of last year.

Sales Network in PRC Mainland

Beijing Tong Ren Tang Nansanhuan Zhonglu Drugstore Co., Limited (北京同仁堂南三環中路藥店有限公司) ("**Nansanhuan Zhonglu Drugstore**") is a retail drugstore located at Nansanhuan Zhonglu, Fengtai District, Beijing. Adhering to a customer-oriented operating principle since its establishment, Nansanhuan Zhonglu Drugstore achieved a powerful increase in sales revenue by giving full play to its featured operations. For the six months ended 30 June 2013, Nansanhuan Zhonglu Drugstore achieved a sales revenue of approximately RMB39,578,000, representing an increase of 27.47% as compared with RMB31,049,000 for the corresponding period of last year.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group had a total of 2,896 employees (31 December 2012: 2,931 employees), of which 1,933 were employees of the Company (31 December 2012: 1,921 employees). Remunerations of the employees of the Company are determined with reference to the prevailing market level as well as the performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance during the year will be paid to the employees as recognition of and a reward for their contributions to the Company. Other benefits include contributions by the Company to the endowment insurance, medical insurance, unemployment insurance, industrial accident insurance, maternity insurance and housing fund. The Company also set up the senior management incentive plan (the "**Incentive Plan**"). Based on the growth rate of the audited profit attributable to owners of the Company as compared with the same for last year, the Board may appropriate certain funds within the pre-set percentage range to distribute to the members of the senior management. (For details of the Incentive Plan, please refer to the circular of the Company dated 21 April 2011)

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintains a sound financial position. During the Reporting Period, the Group's primary source of funds was cash generated from operating activities and bank loans.

As at 30 June 2013, the cash and cash equivalents balance of the Group amounted to RMB1,502,825,000 (31 December 2012: RMB834,317,000 (Restated)), short term borrowings of the Group amounted to RMB125,000,000 (31 December 2012: RMB125,000,000), carrying a fixed interest rate of 5.652% (31 December 2012: 6.321%) per annum, and long term borrowings of the Group amounted to RMB39,830,000 (31 December 2012: Nil), carrying a fixed interest rate of 1.58% (31 December 2012: Nil) per annum.

As at 30 June 2013, total assets of the Group amounted to RMB4,112,112,000 (31 December 2012: RMB3,159,395,000 (Restated)), which were financed by non-current liabilities of RMB98,272,000 (31 December 2012: RMB57,332,000 (Restated)), current liabilities of RMB1,109,170,000 (31 December 2012: RMB877,814,000 (Restated)), equity attributable to owners of the Company of RMB2,183,372,000 (31 December 2012: RMB1,936,038,000) and non-controlling interests of RMB721,298,000 (31 December 2012: RMB288,211,000).

Capital Structure

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

In the first half of 2013, the Group's primary source of funds was cash generated from operating activities and bank loans, which were mainly used for production and operation activities, disposal of fixed assets and repayment of bank loans and loan interest, etc.

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares or repay borrowings. The Group monitors its capital on the basis of the gearing ratio. The gearing ratio is calculated by total borrowings divided by total equity. Total borrowings include 'current and non-current borrowings' as set out in the consolidated balance sheet. Total equity was set out in the consolidated balance sheet.

Gearing and Liquidity Ratio

As at 30 June 2013, the Group's gearing ratio, defined as the ratio of total borrowings divided by equity attributable to owners of the Company, was 0.08 (31 December 2012: 0.07 (Restated)); and the liquidity ratio of the Group, represented by a ratio of current assets divided by current liabilities, was 2.99 (31 December 2012: 2.81 (Restated)), which reflects the abundance of financial resources of the Group.

Charges Over Assets of the Group

As at 30 June 2013, none of the Group's assets was pledged as security for any liabilities (31 December 2012: Nil (Restated)).

Foreign Exchange Risk

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies (primarily in Hong Kong dollar). Fluctuations of the exchange rates of RMB against foreign currencies could affect the results of operations of the Group. However, the impact will not be material to the Group.

Material Investment, Acquisition and Disposal of Assets

On 1 March 2012, the Company and Tong Ren Tang Ltd. established Beijing Tong Ren Tang Chinese Medicine (Hong Kong) Group Co., Ltd. ("**Chinese Medicine Group Co., Ltd.**") in Hong Kong, with an issued share capital of HK$10,000, of which 53.09% and 46.91% equity interest were owned by the Company and Tong Ren Tang Ltd., respectively. Chinese Medicine Group Co., Ltd. is a subsidiary of the Company. On 25 January 2013, the Company and Tong Ren Tang Ltd. entered into the capital increase agreement, pursuant to which the Company and Tong Ren Tang Ltd. agreed to increase their respective investment in Chinese Medicine Group Co., Ltd. by subscription for the new shares to be issued by Chinese Medicine Group Co., Ltd. on a pro rata basis, which amounted to a total capital increase of HK$74,990,000. Upon completion of the capital increase, the issued share capital of Chinese Medicine Group Co., Ltd. was increased to HK$75,000,000. (Please refer to the announcement of the Company dated 25 January 2013 for details)

On 4 March 2013, Tong Ren Tang Chinese Medicine entered into a sales and purchase agreement with Chinese Medicine Group Co., Ltd. to dispose all its equity interest in a subsidiary, Beijing Tong Ren Tang (Tangshan) Nutrition and Healthcare Co., Ltd. ("**Tangshan Company**"), to Chinese Medicine Group Co., Ltd. at a consideration of RMB84.6 million in cash. Tong Ren Tang Chinese Medicine received the consideration in full on 16 April 2013. The aforesaid transfer of the equity interest in Tangshan Company was approved by the relevant PRC government authority on 26 April 2013.

PROSPECTS

In the second half of 2013, in line with the comprehensive implementation of the new national essential drug list and the new edition of the GSP, the industrial pattern of the Chinese pharmaceutical market will continue to change, and the regulatory rules regarding the pharmaceutical industry will be further strengthened, which may bring about new opportunities for traditional Chinese medicine enterprises. However, various market uncertainties as well as increasing pressures on cost and competition indicate that challenges will coexist with opportunities in the future market.

The Company, although a central-old enterprise engaged in a traditional industry, is committed to the mission of reform. In the second half of 2013, taking into consideration of its overall long-term development, the Company will adhere to the development strategy of "specialization, proper scale of production and collectivization", and continue to improve its management and innovative development model, so as to fulfill its responsibilities to the society, its shareholders and employees with excellent operating results and quality.

OTHER INFORMATION

CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2013, the Company had complied with the code provisions contained in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). None of the directors of the Company (the "**Directors**") is aware of any information that would reasonably suggest that the Company was not in compliance with the provisions in such code for any time during the above-mentioned period.

DIRECTORS' AND SUPERVISORS' DEALINGS IN SECURITIES

The Company has adopted a code of conduct regarding securities transactions by the Directors and the supervisors of the Company (the "**Supervisors**") on terms no less exacting than the required standard contained in the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all the Directors and Supervisors, all of them confirmed that they had complied with the required standard set out in the Model Code and the code of conduct of the Company for the six months ended 30 June 2013.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the operating results, financial position and major accounting policies in the unaudited financial statements of the Group for the six months ended 30 June 2013 and discussed relevant internal audit matters.

CHANGE IN BIOGRAPHICAL DETAILS OF DIRECTORS AND SUPERVISORS

Miss Tam Wai Chu, Maria, an independent non-executive Director, was appointed on 25 July 2013 as a director of Love, Family Foundation Limited (愛•家基金會有限公司), a non-profit company incorporated in Hong Kong.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests and short positions of the Directors, Supervisors and the chief executive 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 (Chapter 571 of the laws of Hong Kong, 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 requirements in the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Long Positions in Shares

The Company

Name	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	1,500,000	0.460%	0.255%
Mr. Mei Qun	Personal	Beneficial Owner	1,500,000	0.460%	0.255%

Note: All represented domestic shares.

Tong Ren Tang Ltd.

Name	Type of interests	Capacity	Number of shares (Note)	Percentage of total registered share capital	Number of convertible bonds
Mr. Yin Shun Hai	Personal	Beneficial Owner	116,550	0.009%	–
Mr. Mei Qun	Personal	Beneficial Owner	93,242	0.007%	–
	Personal	Beneficial Owner	–	–	86,000

Note: All represented A shares.

Save as disclosed above, as at 30 June 2013, none of the Directors, Supervisors and the chief executive 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 requirements in the Model Code as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the following persons (other than the Directors, Supervisors and the chief executive of the Company) 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:

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	300,000,000	92.013%	–	51.020%
Tong Ren Tang Holdings (Note 2)	Interest of controlled corporation by the substantial shareholder	300,000,000	92.013%	–	51.020%
	Beneficial Owner	4,740,000	1.454%	–	0.806%
Yuan Sai Nan (Note 3)	Beneficial Owner	18,360,000(L)	–	7.009%	3.122%
Commonwealth Bank of Australia (Note 4)	Interest of controlled corporation by the substantial shareholder	18,526,000(L)	–	7.072%	3.151%

Notes:

(1) (L) – Long position

(2) Such shares were held through Tong Ren Tang Ltd. As at 30 June 2013, 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 was deemed to be interested in the 300,000,000 shares held by Tong Ren Tang Ltd..

(3) As is known to the Directors, on 13 May 2011, this shareholder held 6,120,000 H shares of the Company. Upon completion of the bonus issue of shares of the Company on 20 May 2011 and as at 30 June 2013, he held 18,360,000 H shares of the Company.

(4) As at 30 June 2013, Commonwealth Bank of Australia indirectly held 18,526,000 H shares of the Company in long position through a series of corporations under its control.

Save as disclosed above, as at 30 June 2013, the Directors were not aware of any other person (other than the Directors, Supervisors and the chief executive 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

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

Both of the Company and Tong Ren Tang Ltd. engage in the production and sale of Chinese patent medicines, but the principal products of each of these companies are different. Tong Ren Tang Ltd. mainly produces Chinese patent medicines in traditional Chinese medicine forms such as honeyed pills, powder, ointment and medicinal wines. Tong Ren Tang Ltd.'s main products include Kunbao Pills (坤寶丸), 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). It also has some minor production lines for the production of granules and pills. These products do not compete with the Company in terms of their curative effects. The Company focuses on manufacturing products in new medicine forms which are more competitive as compared with western medicine. The Company's main products include Liuwei Dihuang Pills (六味地黃丸), Niuhuang Jiedu Tablets (牛黃解毒片), Ganmao Qingre Granule (感冒清熱顆粒), Jinkui Shenqi Pills (金匱腎氣丸) and Shengmai Liquor (生脈飲), etc. Tong Ren Tang Holdings is an investment holding company and is not involved in the production of Chinese patent medicines.

To ensure that the business classification between the Company, Tong Ren Tang Holdings and Tong Ren Tang Ltd. 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 Niuhuang Pills (安宮牛黃丸), Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries will not produce in future any products that bear the same names or bear the same names with different forms as those pharmaceutical products produced by the Company, and that may compete directly with those pharmaceutical products of the Company.

The Directors consider that as Angong Niuhuang Pills (安宮牛黃丸) only represents a small percentage of Company's turnover and is not one of the major forms of medicine for the development of the Company, the Company will continue to manufacture and sell Angong Niuhuang Pills (安宮牛黃丸). Save as mentioned herein, the Directors confirm that none of the products of the Company is in direct competition with Tong Ren Tang Ltd. or Tong Ren Tang Holdings.

RIGHT OF FIRST REFUSAL

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

Moreover, Tong Ren Tang Holdings 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 options, pre-emptive rights or first rights of refusals provided by Tong Ren Tang Ltd. and Tong Ren Tang Holdings on their existing or future competing businesses;

(ii) Tong Ren Tang Ltd. and Tong Ren Tang Holdings have undertaken 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 Holdings on compliance with the non-competition undertaking in the annual report of the Company.