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**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 RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**HIGHLIGHTS**

- For the six months ended 30 June 2011, revenue representing an increase of approximately 30.37% as compared with that for the corresponding period in 2010 (restated).
- For the six months ended 30 June 2011, profit attributable to equity holders of the Company representing an increase of approximately 33.16% as compared with that for the corresponding period in 2010 (restated).
- For the six months ended 30 June 2011, earnings per share for profit attributable to equity holders of the Company amounted to RMB 0.29.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

## 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 2011, as follows:

### Condensed Consolidated Income Statement (unaudited)

	Note	For the six months ended 30 June	
		2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (restated)
Revenue	6	<b>1,106,014</b>	848,390
Cost of sales	8	<b>(553,791)</b>	(431,031)
<b>Gross Profit</b>		<b>552,223</b>	417,359
Distribution costs	8	<b>(242,600)</b>	(175,276)
Administrative expenses	8	<b>(85,400)</b>	(79,140)
<b>Operating profit</b>		<b>224,223</b>	162,943
Finance income - net	7	<b>2,031</b>	1,995
Share of loss of an associate		<b>(556)</b>	-
<b>Profit before income tax</b>		<b>225,698</b>	164,938
Income tax expense	9	<b>(36,156)</b>	(25,012)
<b>Profit for the period</b>		<b>189,542</b>	139,926
Profit attributable to:			
Owners of the Company		<b>170,850</b>	128,300
Non-controlling interests		<b>18,692</b>	11,626
		<b>189,542</b>	139,926
Earnings per share for profit attributable to owners of the Company during the period			
-Basic	10	<b>RMB0.29</b>	RMB0.22
-Diluted		<b>RMB0.29</b>	RMB0.22
		<b>-</b>	-
		<b>-</b>	-

## Condensed Consolidated Statement of Comprehensive Income (unaudited)

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(restated)
<b>Profit for the period</b>	<b>189,542</b>	139,926
<b>Other comprehensive expense:</b>		
Foreign currency translation differences	<u>(5,051)</u>	<u>(1,806)</u>
<b>Other comprehensive expense for the period, net of tax</b>	<u>(5,051)</u>	<u>(1,806)</u>
<b>Total comprehensive income for the period</b>	<b><u>184,491</u></b>	<b><u>138,120</u></b>
Attributable to:		
Owners of the Company	<b>168,198</b>	127,685
Non-controlling interest	<u>16,293</u>	<u>10,435</u>
<b>Total comprehensive income for the period</b>	<b><u>184,491</u></b>	<b><u>138,120</u></b>

## Condensed Consolidated Balance Sheet (unaudited)

		30 June 2011 (Unaudited) RMB'000	31 December 2010 RMB'000 (restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights	11	69,405	45,841
Property, plant and equipment	11	407,169	392,582
Investment in an associate		2,165	2,892
Prepayments		1,458	29,048
Deferred income tax assets		11,106	9,056
Other long-term assets		375	531
		<u>491,678</u>	<u>479,950</u>
<b>Current assets</b>			
Inventories		1,025,050	957,134
Trade and bills receivable – net	12	159,928	155,229
Amounts due from related parties		28,032	18,871
Prepayments and other current assets		35,314	30,261
Short-term bank deposits		20,108	96,529
Cash and cash equivalents		753,381	441,108
		<u>2,021,813</u>	<u>1,699,132</u>
<b>Total assets</b>		<u><b>2,513,491</b></u>	<u><b>2,179,082</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	588,000	196,000
Reserves			
— Proposed dividends		-	486,080
— Other reserves		1,044,214	880,847
		<u>1,632,214</u>	<u>1,562,927</u>
Non-controlling interests		189,525	177,500
<b>Total equity</b>		<u><b>1,821,739</b></u>	<u><b>1,740,427</b></u>

## Condensed Consolidated Balance Sheet (unaudited) (Cont'd)

		<b>30 June</b>	31 December
		<b>2011</b>	2010
		<b>(Unaudited)</b>	
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
			<i>(restated)</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>5,149</b>	5,251
Deferred income –government grants		<b>41,400</b>	25,037
		<b>46,549</b>	30,288
<b>Current liabilities</b>			
Trade payables	14	<b>221,703</b>	212,463
Salary and welfare payables		<b>6,578</b>	5,117
Advances from customers		<b>98,530</b>	48,999
Amounts due to related parties		<b>19,940</b>	17,380
Current income tax liabilities		<b>28,319</b>	12,018
Accrued expenses and other current liabilities		<b>225,133</b>	97,390
Short-term borrowings		<b>45,000</b>	15,000
		<b>645,203</b>	408,367
<b>Total liabilities</b>		<b>691,752</b>	438,655
<b>Total equity and liabilities</b>		<b>2,513,491</b>	2,179,082
<b>Net current assets</b>		<b>1,376,610</b>	1,290,765
<b>Total assets less current liabilities</b>		<b>1,868,288</b>	1,770,715

## Condensed Consolidated Statement of Cash Flows (unaudited)

For the six months  
ended 30 June

	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (restated)
<b>Cash flows from operating activities:</b>		
Cash generated from operations	313,171	187,856
Interest paid	(1,015)	(356)
Income tax paid	(22,007)	(24,156)
Net cash generated from operating activities	<u>290,149</u>	<u>163,344</u>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(33,485)	(4,632)
Proceeds from disposals of property, plant and equipment	60	179
Proceeds from short-term bank deposits	96,529	54,021
Increase in short-term bank deposits	(20,108)	(110,849)
Interest received	3,367	2,446
Net cash generated from/(used in) investing activities	<u>46,363</u>	<u>(58,835)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from short-term borrowings	45,000	15,000
Repayments of short-term borrowings	(15,000)	(15,000)
Share issuance costs of a subsidiary	(9,099)	-
Distribution by the acquired business before the business combinations under common control	-	(4,086)
Dividends paid	(43,843)	(5,719)
Net cash used in financing activities	<u>(22,942)</u>	<u>(9,805)</u>
Net increase in cash and cash equivalents	313,570	94,704
Cash and cash equivalents at beginning of the period	441,108	379,926
Exchange loss on cash and cash equivalents	(1,297)	(1,755)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b><u>753,381</u></b>	<b><u>472,875</u></b>

## Condensed Consolidated Statement of Changes in Equity (unaudited)

	Unaudited								Non-control ling interests	Total equity	
	Attributable to owners of the Company										
	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 2011, as previously stated	196,000	355,309	170,633	45,455	102,043	(17,009)	(5,935)	712,521	1,559,017	177,500	1,736,517
Adjustment for Adoption of amendment to IFRS 1 (Notes 16)	-	15,835	-	-	-	-	-	(11,925)	3,910	-	3,910
Balance as of 1 January 2011, as restated	196,000	371,144	170,633	45,455	102,043	(17,009)	(5,935)	700,596	1,562,927	177,500	1,740,427
Profit for the period	-	-	-	-	-	-	-	170,850	170,850	18,692	189,542
Foreign currency translation differences	-	-	-	-	-	(2,652)	-	-	(2,652)	(2,399)	(5,051)
Dividends paid	392,000	(196,000)	-	-	-	-	-	(290,080)	(94,080)	-	(94,080)
Share issuance costs of a subsidiary	-	-	-	-	-	-	(4,831)	-	(4,831)	(4,268)	(9,099)
Balance as of 30 June 2011	<u>588,000</u>	<u>175,144</u>	<u>170,633</u>	<u>45,455</u>	<u>102,043</u>	<u>(19,661)</u>	<u>(10,766)</u>	<u>581,366</u>	<u>1,632,214</u>	<u>189,525</u>	<u>1,821,739</u>
Balance as of 1 January 2010, as previously stated	196,000	355,309	153,027	45,455	102,043	(15,874)	(468)	620,081	1,455,573	134,467	1,590,040
Adoption of merger accounting (Notes 16)	-	-	-	-	-	254	19,926	1,042	21,222	9,935	31,157
Adjustment for Adoption of amendment to IFRS 1 (Notes 16)	-	15,835	-	-	-	-	-	(11,561)	4,274	-	4,274
Balance as of 1 January 2010, as restated	196,000	371,144	153,027	45,455	102,043	(15,620)	19,458	609,562	1,481,069	144,402	1,625,471
Profit for the period	-	-	-	-	-	-	-	128,300	128,300	11,626	139,926
Foreign currency translation differences	-	-	-	-	-	(615)	-	-	(615)	(1,191)	(1,806)
Distribution by the acquired business before the business combinations under common control	-	-	-	-	-	-	-	(3,667)	(3,667)	(419)	(4,086)
Dividends paid	-	-	-	-	-	-	-	(88,200)	(88,200)	(6,195)	(94,395)
Partial disposal of equity interest in a subsidiary	-	-	-	-	-	(256)	(898)	(102)	(1,256)	1,256	-
Contribution from ultimate holding company to a non-wholly owned subsidiary	-	-	-	-	-	-	808	-	808	714	1,522
Balance as of 30 June 2010, as restated	<u>196,000</u>	<u>371,144</u>	<u>153,027</u>	<u>45,455</u>	<u>102,043</u>	<u>(16,491)</u>	<u>19,368</u>	<u>645,893</u>	<u>1,516,439</u>	<u>150,193</u>	<u>1,666,632</u>

## **NOTES:**

### **1. GENERAL INFORMATION**

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 22 March 2000 and upon the placing of its H shares, was listed on 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 Holdings"), a company incorporated in Beijing, the PRC.

The address of its registered office is No. 16 Tongji Beilu, Beijing Economic and Technological Development Zone, Yi Zhuang, Beijing, the PRC.

The Company and its subsidiaries and joint ventures 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.

On 20 May 2011, the Company distributed a bonus issue to all shareholders on the basis of 1 bonus share for every share, held by capitalization of retained earnings, and a separate bonus issue of shares on the basis of 1 share for every share by way of capitalization of the capital reserve, totalling RMB392,000,000.

As of 30 June 2011, the registered share capital of the Company was RMB588,000,000, representing 326,040,000 Domestic shares and 261,960,000 H shares with a par value of RMB1 per share.

On 20 October 2010, one subsidiary of the Company, Beijing Tong Ren Tang Chinese Medicine Company Limited ("Tong Ren Tang Chinese Medicine"), entered into three equity transfer agreements with the Company, Beijing Tong Ren Tang Company Limited ("Parent Company" or "Tong Ren Tang Ltd.") and Beijing Tong Ren Tang International Co., Ltd. ("Tong Ren Tang International") respectively. Pursuant to which, Tong Ren Tang Chinese Medicine purchased interests in several overseas companies that previously held by aforementioned three companies.

Tong Ren Tang Ltd. and Tong Ren Tang International are under common controlled by the ultimate holding company of the Company. The purchase of interests from Tong Ren Tang Ltd. and Tong Ren Tang International (hereafter collectively referred to as the "Acquired Business") is regarded as business combinations under common control. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 has been restated as a result of adoption of merger accounting for the above business combinations under common control. Details of the relevant statements of adjustments for the common control combinations on the Group's results for the six months ended 30 June 2010 are set out in Note 16.

This condensed consolidated interim financial information was approved for issue on 18 August 2011.

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 2011 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 2010, 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 2010, 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 2011

- Amendment to IFRS 1, Limited exemption from comparative IFRS 7 disclosures for first-time adopters
- IAS 24 (Revised), 'Related party disclosures'
- IAS 32 (Amendment), 'Classification of rights issue'
- Amendment to IFRIC - Int 14, 'Prepayments of a minimum funding requirement'
- IFRIC - Int 19, 'Extinguishing financial liabilities with equity instruments'
- IASB's annual improvements project published in May 2010
  - IFRS 1 (Amendment), 'First time Adoption of International Financial Reporting Standards'
  - IFRS 3 (Amendment), 'Business combinations'
  - IFRS 7 (Amendment), "Financial instruments: Disclosures"
  - IAS 1 (Amendment), "Presentation of financial statements"
  - IAS 27 (Amendment), 'Consolidated and separate financial statements'
  - IAS 34 (Amendment), "Interim financial reporting"
  - IFRIC - Int 13 (Amendment), "Customer loyalty programmes"

The International Accounting Standards Board ("IASB") issued the amendment to Appendix D of IFRS 1 "First-time Adoption of International Financial Reporting Standards" in May 2010. With this amendment, a first-time adopter ("FTA") may elect to use event-driven (such as privatisation or initial public offering) fair values under previous accounting standards as its deemed costs under International Financial Reporting Standards ("IFRS"), provided that the revaluation took place at periods before or during the FTA's first set of IFRS financial statements. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011.

The amendment can be applied by existing IFRS preparers retrospectively in the first annual period after the amendment is effective.

### 3. ACCOUNTING POLICIES (CONT'D)

#### (a) Standards, amendments and interpretations effective in 2011 (cont'd)

The Group had established a deemed cost in accordance with Chinese Accounting Standards and Interpretations (“CAS”) for assets and liabilities by measuring them at fair values during the privatization in 2000. Those revaluation surplus were reversed under IFRS, causing a GAAP difference.

In order to eliminate this GAAP difference of the financial information prepared under CAS and IFRS, the Group has adopted the IFRS 1 (Amendment) from 1 January 2011 and has applied it retrospectively.

Details of the adjustment for adoption of amendment to IFRS 1 on the Group’s financial position as at 30 June 2011 and 31 December 2010 and the Group’s results for the six months ended 30 June 2011 and 2010 are set out in Note 16.

IAS 24 (Revised), ‘Related party disclosures’ (effective 1 January 2011). The amendment introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship; the nature and amount of any individually-significant transactions; and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.

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 1 (Amendment), Severe hyperinflation and removal of fixed dates for first-time adopters (effective for annual periods beginning on or after 1 July 2011)
- IFRS 7 (Amendment), “Disclosures – Transfers of financial assets’ (effective for annual periods beginning on or after 1 July 2011)
- IFRS 9, ‘Financial Instruments’ (effective for annual periods beginning on or after 1 January 2013)
- IFRS 10, ‘Consolidated financial statements’ (effective for annual periods beginning on or after 1 January 2013)
- IFRS 11, ‘Joint arrangements’ (effective for annual periods beginning on or after 1 January 2013)

### **3. ACCOUNTING POLICIES (CONT'D)**

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

- IFRS 12, 'Disclosure of interests in other entities' (effective for annual periods beginning on or after 1 January 2013)
- IFRS 13, 'Fair value measurements' (effective for annual periods beginning on or after 1 January 2013)
- IAS 1 (Amendment), 'Presentation of financial statements' (effective for annual periods beginning on or after 1 July 2012)
- IAS 12 (Amendment), 'Deferred tax - Recovery of underlying assets' (effective for annual periods beginning on or after 1 January 2012)
- IAS 19 (Amendment), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013)

### **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 2010, 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 does 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 2010.

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

## 6. REVENUE

	For the six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (restated)
Sales of products:		
— PRC Mainland	1,015,238	786,152
— Outside PRC Mainland	80,731	56,351
	<u>1,095,969</u>	<u>842,503</u>
Agency fee income for distribution services		
— Outside PRC Mainland	10,045	5,887
	<u>1,106,014</u>	<u>848,390</u>

## 7. FINANCE INCOME - NET

	For the six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (restated)
Interest income on cash at bank and short-term bank deposits	3,367	2,446
Interest expenses on bank borrowings repayable within one year	(1,015)	(356)
Exchange losses	(321)	(95)
Finance income– net	<u>2,031</u>	<u>1,995</u>

## 8. EXPENSES BY NATURE

	For the six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (restated)
Depreciation of property, plant and equipment	19,383	21,264
Amortisation of prepaid operating lease payments	791	593
Amortisation of other long-term assets	156	229
Provision for impairment of inventories	10,134	-
Reversal of provision for impairment of receivables	(4,475)	-
Loss/(gain) on disposal of property, plant and equipment	326	(14)

## 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% (2010: 25%). As of 30 June 2011, the Company is still in the process of re-applying HNTE qualification. Based on management's assessment, the Company can meet the criteria to qualify for the preferential tax rate. Consequently, the applicable income tax rate of the Company used as of 30 June 2011 is 15% (30 June 2010: 15%)

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

## **10. EARNINGS PER SHARE**

The calculation of the earnings per share for the six months ended 30 June 2011 was based on the profit attributable to equity shareholders of the Company of approximately RMB170,850,000 (2010 (restated): RMB128,300,000) divided by the weighted average number of shares issued during the period of 588,000,000 shares (Six months ended 30 June 2010 588,000,000 shares).

The Company had no potential dilutive shares for the six months ended 30 June 2011 and 2010.

On 20 May 2011, the Company distributed the bonus issue to all shareholders on the basis of 2 bonus share for every share as mentioned in Note 1. Because the bonus issue was without consideration, the Company treated it as if it had occurred on 1 January 2010 when calculating earnings per share.

## **11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND ADDITIONS TO LEASEHOLD LAND AND LAND USE RIGHTS**

For the six months ended 30 June 2011, the additions to leasehold land and land use rights of the Group was approximately RMB 24,836,000 (2010 (restated): nil).

For the six months ended 30 June 2011, the additions to property, plant and equipment of the Group was approximately RMB 36,849,000 (2010 (restated): RMB3,616,000).

## 12. TRADE AND BILLS RECEIVABLE – NET

	<b>30 June 2011 (Unaudited) RMB'000</b>	31 December 2010  RMB'000 (restated)
Trade and bills receivables	<b>175,540</b>	175,316
Less: provision for impairment of receivables	<b>(15,612)</b>	(20,087)
	<hr/>	<hr/>
Trade and bills receivable – net	<b>159,928</b>	155,229
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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:

	<b>30 June 2011 (Unaudited) RMB'000</b>	31 December 2010  RMB'000 (restated)
Within 4 months	<b>153,573</b>	133,250
Over 4 months but within 1 year	<b>15,248</b>	34,504
Over 1 year but within 2 years	<b>457</b>	1,323
Over 2 years but within 3 years	<b>23</b>	3,175
Over 3 years	<b>6,239</b>	3,064
	<hr/>	<hr/>
	<b>175,540</b>	175,316
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### 13. SHARE CAPITAL

	30 June 2011 (Unaudited)		31 December 2010	
	Number of shares	Nominal value	Number of shares	Nominal value
		<i>RMB'000</i>		<i>RMB'000</i>
Registered	<b><u>588,000,000</u></b>	<b><u>588,000</u></b>	<b><u>196,000,000</u></b>	<b><u>196,000</u></b>
Issued and fully paid				
– Domestic shares with a par value of RMB1 per share	<b>326,040,000</b>	<b>326,040</b>	108,680,000	108,680
– H shares with a par value of RMB1 per share	<b><u>261,960,000</u></b>	<b><u>261,960</u></b>	<u>87,320,000</u>	<u>87,320</u>
	<b><u>588,000,000</u></b>	<b><u>588,000</u></b>	<b><u>196,000,000</u></b>	<b><u>196,000</u></b>

	2011			2010		
(Unaudited)	Domestic shares	H shares	Total	Domestic shares	H shares	Total
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 1 January	<b>108,680</b>	<b>87,320</b>	<b>196,000</b>	108,680	87,320	196,000
Issuance of bonus shares	<b><u>217,360</u></b>	<b><u>174,640</u></b>	<b><u>392,000</u></b>	-	-	-
At 30 June	<b><u>326,040</u></b>	<b><u>261,960</u></b>	<b><u>588,000</u></b>	<b><u>108,680</u></b>	<b><u>87,320</u></b>	<b><u>196,000</u></b>

Apart from the minor differences under the different regulatory jurisdictions, the economic and voting rights are the same for both the domestic and H shareholders.

On 20 May 2011, the Company distributed the bonus issue to all shareholders on the basis of 2 bonus share for every share as mentioned in Note 1.



## 14. TRADE PAYABLE

The ageing analysis of trade payable was as follows:

	<b>30 June 2011</b> <b>(Unaudited)</b> <i>RMB'000</i>	31 December 2010 <i>RMB'000</i> (restated)
Within 4 months	<b>218,697</b>	207,197
Over 4 months but within 1 year	<b>2,814</b>	4,896
Over 1 year but within 2 years	<b>192</b>	370
	<hr/> <b>221,703</b> <hr/>	<hr/> 212,463 <hr/>

## 15. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors considers the business from an operational entity perspective. Generally, 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 its products outside the PRC mainland.

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

## 15. SEGMENT INFORMATION (CONT'D)

The segment information provided to the Board of Directors for the reportable segments for the six months ended 30 June 2011 is as follows:

(Unaudited)	Tong Ren Tang			Total
	The Company	Chinese Medicine	All other segments	
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	935,035	120,964	114,945	1,170,944
Inter-segment revenue	(2,945)	(1,864)	(60,121)	(64,930)
Revenue from external customers	<u>932,090</u>	<u>119,100</u>	<u>54,824</u>	<u>1,106,014</u>
Profit after income tax	145,358	35,555	8,629	189,542
Interest income	2,655	490	222	3,367
Interest expenses	(1,015)	-	-	(1,015)
Depreciation of property, plant and equipment	(13,146)	(4,000)	(2,237)	(19,383)
Amortisation of prepaid operating lease payments	(286)	(434)	(71)	(791)
Provision for impairment of inventory	(9,145)	(989)	-	(10,134)
Reversal of provision for impairment of receivables	4,475	-	-	4,475
Income tax expense	<u>(24,929)</u>	<u>(9,579)</u>	<u>(1,648)</u>	<u>(36,156)</u>

The segment assets and liabilities as at 30 June 2011 are as follows:

(Unaudited)	Tong Ren Tang			Total
	The Company	Chinese Medicine	All other segments	
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	<u>1,971,167</u>	<u>367,288</u>	<u>175,036</u>	<u>2,513,491</u>
Total assets include:				
Additions to non-current assets (other than deferred tax assets)	<u>11,795</u>	<u>23,726</u>	<u>1,328</u>	<u>36,849</u>
Total liabilities	<u>582,641</u>	<u>63,036</u>	<u>46,075</u>	<u>691,752</u>

## 15. SEGMENT INFORMATION (CONT'D)

The segment information for the six months ended 30 June 2010 is as follows:

(Unaudited) (Restated)	Tong Ren Tang			Total RMB'000
	The Company RMB'000	Chinese Medicine RMB'000	All other segments RMB'000	
Segment revenue	742,812	71,829	94,602	909,243
Inter-segment revenue	(3,565)	(544)	(56,744)	(60,853)
Revenue from external customers	<u>739,247</u>	<u>71,285</u>	<u>37,858</u>	<u>848,390</u>
Profit after income tax	114,466	23,216	2,244	139,926
Interest income	2,088	295	63	2,446
Interest expenses	(356)	-	-	(356)
Depreciation of property, plant and equipment	(15,643)	(3,410)	(2,211)	(21,264)
Amortisation of prepaid operating lease payments	(286)	(236)	(71)	(593)
Income tax expense	<u>(18,885)</u>	<u>(4,999)</u>	<u>(1,128)</u>	<u>(25,012)</u>

The segment assets and liabilities as at 31 December 2010 are as follows:

(Restated)	Tong Ren Tang			Total RMB'000
	The Company RMB'000	Chinese Medicine RMB'000	All other segments RMB'000	
Total assets	<u>1,719,514</u>	<u>307,642</u>	<u>151,926</u>	<u>2,179,082</u>
Total assets include: Additions to non-current assets (other than deferred tax assets)	<u>19,228</u>	<u>39,647</u>	<u>3,758</u>	<u>62,633</u>
Total liabilities	<u>391,181</u>	<u>25,720</u>	<u>21,754</u>	<u>438,655</u>

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 Board of Directors is measured in a manner consistent with that in the condensed consolidated income statement.

## 15. SEGMENT INFORMATION (CONT'D)

The amounts provided to 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 products and agency fee for distribution services. The breakdown of sales of products 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 RMB368,279,000 (31 December 2010 (restated): RMB355,359,000), and the total of these non-current assets located in other countries is RMB112,293,000 (31 December 2010(restated): RMB115,535,000).

## 16. BUSINESS COMBINATIONS UNDER COMMON CONTROL AND ADJUSTMENT FOR ADOPTION OF AMENDMENT TO IFRS 1

The Group adopts merger accounting for common control combinations in respect of the Acquired Business as mentioned in Note 1 and amendment to IFRS 1 as mentioned in Note 3.

Statements of adjustments for common control combinations of the Acquired Business and adoption of amendment to IFRS 1 on the Group's financial position as at 30 June 2011 and 31 December 2010 and the Group's results for the six months ended 30 June 2011 and 2010 are summarised as follows:

(Unaudited)	The Group before Adoption of amendment to IFRS 1 RMB'000	Adjustment for Adoption of amendment to IFRS 1 RMB'000	Six months ended 30 June 2011 RMB'000
<b>Six months ended 30 June 2011</b>			
<b>Revenues</b>	1,106,014	-	1,106,014
Profit before income tax	225,916	(218)	225,698
<b>Profit for the period</b>	<b>189,728</b>	<b>(186)</b>	<b>189,542</b>

**16. BUSINESS COMBINATIONS UNDER COMMON CONTROL AND ADJUSTMENT FOR ADOPTION OF AMENDMENT TO IFRS 1 (CONT'D)**

(Unaudited)	The Group before Adoption of amendment to IFRS 1 RMB'000	Adjustment for Adoption of amendment to IFRS 1 RMB'000	As at 30 June 2011 RMB'000
<b>As at 30 June 2011</b>			
<b>ASSETS</b>			
Non-current assets	487,954	3,724	491,678
Current assets	2,021,813	-	2,021,813
<b>Total assets</b>	<b>2,509,767</b>	<b>3,724</b>	<b>2,513,491</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	588,000	-	588,000
Reserves	1,040,490	3,724	1,044,214
	1,628,490	3,724	1,632,214
<b>Non-controlling interests</b>	<b>189,525</b>	<b>-</b>	<b>189,525</b>
<b>Total equity</b>	<b>1,818,015</b>	<b>3,724</b>	<b>1,821,739</b>
<b>LIABILITIES</b>			
Non-current liabilities	46,549	-	46,549
Current liabilities	645,203	-	645,203
<b>Total liabilities</b>	<b>691,752</b>	<b>-</b>	<b>691,752</b>
<b>Total equity and liabilities</b>	<b>2,509,767</b>	<b>3,724</b>	<b>2,513,491</b>

**16. BUSINESS COMBINATIONS UNDER COMMON CONTROL AND ADJUSTMENT FOR ADOPTION OF AMENDMENT TO IFRS 1 (CONT'D)**

(Unaudited)	As previously stated	Adjustment for Adoption of amendment to IFRS 1	Acquired business	Adjustments <sup>(i)</sup>	As restated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended 30 June 2010</b>					
<b>Revenues</b>	824,467	-	24,179	(256)	848,390
Profit before income tax	<u>161,804</u>	<u>(213)</u>	<u>3,417</u>	<u>(70)</u>	<u>164,938</u>
<b>Profit for the period</b>	<u><u>141,214</u></u>	<u><u>(181)</u></u>	<u><u>(1,037)</u></u>	<u><u>(70)</u></u>	<u><u>139,926</u></u>

Note:

(i) Adjustments to eliminate the inter-group transactions for the six months ended 30 June 2010.

**16. BUSINESS COMBINATIONS UNDER COMMON CONTROL AND ADJUSTMENT FOR ADOPTION OF AMENDMENT TO IFRS 1 (CONT'D)**

	As previously stated	Adjustment for Adoption of amendment to IFRS 1	As restated
	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000
<b>As at 31 December 2010</b>			
<b>ASSETS</b>			
Non-current assets	476,040	3,910	479,950
Current assets	1,699,132	-	1,699,132
<b>Total assets</b>	<b>2,175,172</b>	<b>3,910</b>	<b>2,179,082</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	196,000	-	196,000
Reserves	1,363,017	3,910	1,366,927
	1,559,017	3,910	1,562,927
<b>Non-controlling interests</b>	177,500	-	177,500
<b>Total equity</b>	<b>1,736,517</b>	<b>3,910</b>	<b>1,740,427</b>
<b>LIABILITIES</b>			
Non-current liabilities	30,288	-	30,288
Current liabilities	408,367	-	408,367
<b>Total liabilities</b>	<b>438,655</b>	<b>-</b>	<b>438,655</b>
<b>Total equity and liabilities</b>	<b>2,175,172</b>	<b>3,910</b>	<b>2,179,082</b>

No other significant adjustments were made to the net assets and net profit of any entities or businesses to achieve consistency of accounting policies.

## 17. CHARGES ON GROUP ASSETS

As at 30 June 2011, none of the Group's assets was pledged as security for liabilities (31 December 2010: Nil).

## 18. COMMITMENTS

### (a) Capital commitments

As of 30 June 2011, the Group had capital commitments of RMB26,996,000 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 2010 (restated): RMB6,602,000 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:

	<b>30 June 2011</b>	31 December 2010
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	
Not later than one year	<b>36,362</b>	26,533
Later than one year and no later than five years	<b>54,571</b>	55,596
Later than five years	<b>10,494</b>	11,951
	<b>101,427</b>	94,080



## **INTERIM DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

In the six months up to June 30, 2011, in accordance with the guidance of the 12th Five-Year Plan, the Company adhered to implementing the requirements of "Corporate Year of Innovation and Development", while striving to improve its mode of development. In line with consolidating its foundation for growth, the Company, with the aims of specialization, scalability, and integration of subsidiaries into a better functioning group, has optimized its industrial layout and improved its sales strategies of productions so as to ensure the successful completion of all tasks in the first half of 2011. As at 30 June 2011, the Company's sales revenue amounted to RMB1,106,014,000, representing an increase of 30.37% over the corresponding period of last year with RMB848,390,000 (restated). Profit attributable to the equity shareholders of the Company amounted to RMB170,850,000, representing an increase of 33.16% over the corresponding period of last year with RMB128,300,000 (restated).

### **Sales**

During the period under review, faced with fierce competition in the market and following the integration of national pharmaceutical policies, the Company launched a rational promotion strategy for its products and a plan for developing sales channels and terminals. It selected key cities and products with good potential. Such key cities will act as hubs and ultimately stretch into the sales regions around them. The Company furthered the development of its product portfolio, while streamlining and broadening its sales channel network.

While emphasizing product development, the Company effectively integrated the tapping of potential of the channels and terminals with promotional activities. On the one hand, the Company focused on the development of customers with end-market networks, and selected strategic partners to cooperate with, thus greatly improving the Company's local market shares. On the other hand, with a differentiated marketing approach, the Company highlighted the selling features of its products, such as the gynecological series and pediatric series. Leveraging on its branding strengths, it promoted sales of different types of products.

While focusing on improving its operating quality, the Company comprehensively improved the quality of its team, strengthened market inspections so as to ensure the stability of its key products' prices in the market. In addition, the Company strictly enforced such internal control policies as "Credit Management Policy" and "Approval Policy for New Clients", and improved the comprehensive evaluation system for distributors, in order to effectively manage risk and ensure sustained and healthy development of the Company.

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; fifteen products achieved total sales of between RMB10 million and RMB100 million; and eight products achieved total sales of between RMB5 million and RMB10 million. Among these mainstream products, Liuwei Dihuang Pills (六味地黄丸) series grew by 7.50% in sales over the corresponding period of last year; Niu Huang Jiedu Tablets (牛黄解毒片) series grew by 19.99% in sales over the corresponding period of last year; Ganmao Qingre Granule (感冒清热颗粒) series grew by 21.88% in sales over the corresponding period last year. There was a remarkable sales increase in some other product series including Jinkui Shenqi Pills (金匮肾气丸) series Jiawei Xiaoyao Pills (加味逍遥丸) series, Shengmai Liquor (生脉饮) and Xi Huang Pills (西黄丸) series etc.

As at 30 June 2011, the export sales of the Company's products amounted to US\$3,381,800, representing an increase of 24.72% over the corresponding period last year.

## **Production**

During the period under review, faced with growing market demand, the launch of the State's electronic monitoring of pharmaceuticals, and the pressure from consecutive implementation of the Company's industrial transformation projects, the Company's production command and dispatch system provided outstanding support. The command and dispatch system timely works out appropriate production measures and scientifically and rationally allocates production. The Company continued to proceed with production cycle assessment, and gradually expanded the number of products under assessment, so as to ensure stable and orderly production.

Each production base of the Company has carried out layout reconfiguration, structural adjustments, and technological innovation, in order to gradually achieve modernization and scalability. The Liujiayao Base continuously upgraded its level of mechanization and automation, tapped potential, while optimizing the production process, and striving to improve productivity. In the first half of this year, Yizhuang Base reduced labor intensity with completion of the transformation of one-step molding for pills, increase in automatic feeding and honey-measurement, while on-site dust well came under control. Consequently, the production process became smoother, and the production environment has been optimized.

## **Management and Research & Development**

During the period under review, the Company adhered to implementing the “Special Task System”. In light of the annual priorities, the Company set up special task forces to tackle special research topics, with a focus on resolving the pressing issues that affect production and operation. In response to the general rise in prices of raw materials of Traditional Chinese Medicine in China Mainland, the Company took such measures as shortening the frequency of price inquiries and conducting more field trips to grasp the market price trends and understand the causes of price changes. Such measures have been effective to a certain extent in curbing rising costs. Meanwhile, with a well-rounded quality representative system, better standards, system construction and process improvement, the Company effectively implemented various quality management policies, hence continuously improved the overall capacity in quality management and control.

The Company's research and development work began with supporting the production and operations, while taking advantage of new technologies and equipment. The R&D strengths promoted production and sales, ensuring sustainable growth of the Company.

## **Tong Ren Tang Chinese Medicine**

Tong Ren Tang Chinese Medicine, which is located in Hong Kong, introduced capsule filling machines and thermal shrink packaging machines, in order to improve the tooling technology and productivity in the first half of 2011. Its main product, Sporoderm-broken Ganoderma Lucidum Spores Powder Capsules(破壁灵芝孢子粉胶囊), has recorded satisfactory sales. The sales revenue of this product amounted to RMB39,164,000, representing an increase more than 50% over the corresponding period of last year. As at 30 June 2011, the sales revenue of Tong Ren Tang Chinese Medicine amounted to RMB120,964,000, representing an increase of 68.41% over the corresponding period of last year with RMB71,829,000 (restated). Profit attributable of Tong Ren Tang Chinese Medicine amounted to RMB35,555,000, representing an increase of 53.15% over the corresponding period of last year with RMB23,216,000 (restated).

Tong Ren Tang Chinese Medicine has made overseas investments through the establishment of eleven joint ventures in ten countries and regions outside the PRC and the Hong Kong Special Administrative Region (the Macau Special Administrative Region, Malaysia, Canada, Indonesia, Korea, Thailand, Australia, Singapore, Brunei and Cambodia) in hoping of commencing its distribution operations and opening retail drugstores in these places to increase its product sales.

During the first half of the year, the said eleven joint ventures achieved an aggregate sales revenue of RMB43,480,000, with a growth of 30.43% compared with that for the corresponding period of the previous year with RMB33,336,000 (restated).

## **Chinese Medicinal Raw Materials Production Bases**

Currently, the Company's six subsidiaries in Hebei province, Henan province, Hubei province, Zhejiang province, Anhui province, Jilin province respectively are capable of providing the Company with major traditional Chinese medicinal raw materials such as cornel (山茱萸), Tuckahoe (茯苓) and catnip (荊芥). These production bases provided stable supplies of raw materials and ensured their quality. During the first half of the year, these Company's production bases for traditional Chinese medicinal raw materials achieved a total sale revenue of RMB 48,807,000.

### **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”)**

In the first half of 2011, Tong Ren Tang WM enhanced product development, increased direct channel coverage, and boosted market development efforts. During the period, the sales revenue of Tong Ren Tang WM amounted to RMB21,628,000, representing an increase of 10.48% over 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), a retail drugstore established by the Company in Beijing, delivered good operating performance and achieved sales revenue of approximately RMB34,121,000 during the first half of the year, representing an increase of 54.86% over the corresponding period of last year.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2011, the Company had 1,767 employees (31 December 2010: 1,778 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. In order to encourage and reward the members of Senior Management of the Company and keep a good performance of the Company, an Incentive Plan within the range of the company's senior management was approved at the annual general meeting held on 13 May 2011. 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 2011, the Group had cash and cash equivalents amounted to RMB 753,381,000 (31 December 2010: RMB441,108,000) and short term borrowings of RMB 45,000,000 (31 December 2010: RMB15,000,000). These borrowings carried a fixed interest rate of 6.06% (31 December 2010: 4.779%) per annum.

As at 30 June 2011, the Group had total assets of RMB2,513,491,000 (31 December 2010 (restated): RMB2,179,082,000) which were financed by non-current liabilities of RMB 46,549,000 (31 December 2010 (restated): RMB30,288,000), current liabilities of RMB 645,203,000 (31 December 2010 (restated): RMB408,367,000), shareholders' equity of RMB1,632,214,000 (31 December 2010 (restated): RMB1,562,927,000) and non-controlling interests of RMB189,525,000 (31 December 2010(restated): RMB177,500,000).

### **Gearing and liquidity ratio**

The Group's gearing ratio, defined as the ratio between total borrowings and shareholders' equity (not including non-controlling interests), was 0.03 (31 December 2010 (restated): 0.01). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 3.13 (31 December 2010(restated): 4.16), reflecting the abundance of financial resources of the Group.

### **Foreign currency risk**

The Group has foreign currency risk as certain accounts receivable arising from selling the Company's products in the countries or regions outside the PRC mainland and the business of its subsidiaries and its joint ventures outside the PRC mainland. 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. Currently, the Group has not any related hedges for foreign currency risk.

### **Material investment**

For the six months ended 30 June 2011, the Group did not have any material investments.

### **Material acquisitions and disposals of assets**

For the six months ended 30 June 2011, the Group did not have material acquisitions or disposals of assets.

## **Prospects**

During the period under review, the Group's revenue and profit have grown substantially, with continuous improvement of overall operations quality and gradual increase in competitiveness in the market.

In the second half of 2011, the State Government, especially the Beijing municipal government, will extend increasing support to the traditional Chinese medicinal industry. The per capita funding standard for basic public health services and new farming subsidy standards will also rise. All such factors will provide good opportunities for the Company to grow moving forward. With the deepening reform of national health policies, the pharmaceutical production and quality standards will gradually improve, the end retail pharmaceutical market will be more and more strictly regulated, and industry concentration will gradually increase. As such, the future market will embrace both opportunities and challenges.

In the second half of 2011, the Company will continue to strengthen the development of product, focusing on consolidating its main products and cultivating varieties with good potential. It shall continuously optimize the structure of product varieties, and improve consumers' recognition of the Tong Ren Tang brand and culture. The Company will enhance its market share and improve its profitability. In addition, the Company will continue to reasonably allocate resources, tap its own potential, and optimize the overall industrial layout. At the same time, the Company will steadily improve processes, utilize new technologies, and develop new products, with a view to laying the foundation for the long-term growth of the Company.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

For the six months ended 30 June 2011, the Company complied with the provisions set out in 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 and Supervisors' Dealing in Securities**

The Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard of the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors and Supervisors, the Directors and Supervisors had for the six months ended 30 June 2011 complied with the Model Code.

### **Audit Committee**

The audit committee of the Company has reviewed and discussed the operating results, financial position and major accounting policies with respect to the unaudited interim results of the Company for the six months ended 30 June 2011 and internal audit matters of the Company.

## OTHER INFORMATION

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

As at 30 June 2011, the interests 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 the Model Code, were as follows:

#### Long positions in shares

##### The Company

<b>Names</b>	<b>Type of interests</b>	<b>Capacity</b>	<b>Number of shares (Note)</b>	<b>Percentage of domestic shares</b>	<b>Percentage of total registered share capital</b>
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.

<b>Names</b>	<b>Type of interests</b>	<b>Capacity</b>	<b>Number of shares (Note)</b>	<b>Percentage of total registered share capital</b>
Mr. Yin Shun Hai	Personal	Beneficial Owner	116,550	0.009%
Mr. Mei Qun	Personal	Beneficial Owner	93,242	0.007%

*Note: All represented A shares.*

## Tong Ren Tang International

<b>Names</b>	<b>Type of interests</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of total registered share capital</b>
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 2011, 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 2011, 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:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of domestic shares</b>	<b>Percentage of H shares</b>	<b>Percentage of total registered share capital</b>
Tong Ren Tang Ltd.	Beneficial Owner	300,000,000	92.013%	–	51.020%
Tong Ren Tang Holdings (Note 2)	Interest of a controlled corporation	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%



*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 2011, 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) On 13 May 2011, 6,120,000 H shares were held by this holder. On 20 May 2011, the Company distributed two (2) bonus shares to every one (1) existing share held by the shareholders whose names appeared on the register of members of the Company as of 13 May 2011. Therefore, 18,360,000 H shares were held by this holder as of 30 June 2011.*

Save as disclosed above, as at 30 June 2011, 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 Holdings

Both of the Company and Tong Ren Tang Ltd. engage in the production 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 Niu Huang 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 Group 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), Niu Huang 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 and Tong Ren Tang Holdings and Tong Ren Tang Ltd. are properly documented and established, Tong Ren Tang Holdings and Tong Ren Tang Ltd. undertake, pursuant to an undertaking dated 19 October 2000 committed by Tong Ren Tang Holdings and Tong Ren Tang Ltd. in favor of the Company ("October Undertaking"), that other than Angong Niu Huang Pills (安宮牛黃丸), Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries will not produce in future any products that bear the same names or bear the same names with different forms as those pharmaceutical products produced by the Company, and that may compete directly with those pharmaceutical products of the Company.

The Directors consider that as Angong Niu Huang 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 development by the Company, the Company will continue to manufacture and sell Angong Niu Huang Pills (安宮牛黃丸). Save as mentioned herein, the Directors confirm that none of the products of the Company is in 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 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 nonexecutive 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 or Tong Ren Tang Ltd. in the Company falls 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.

#### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

#### **PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The 2011 interim report of the Company, which contains the unaudited consolidated financial statements for the six months ended 30 June 2011, and all other information required under Appendix 16 of the Listing Rules will be despatched to H shareholders of the Company and published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tongrentangkj.com](http://www.tongrentangkj.com)) in due course.

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

Beijing, the PRC  
18 August 2011

*As at the date of this announcement, 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; Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan as independent non-executive Directors.*