



**Tong Ren Tang Technologies Co., Ltd.**  
**北京同仁堂科技發展股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock code: 8069)**

**HALF-YEARLY RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

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

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

## **HIGHLIGHTS**

- Revenue amounted to RMB673,091,000 for the six months ended 30 June 2008, representing an increase of approximately 1.36% as compared with that for the corresponding period in 2007.
- Net profit attributable to equity shareholders of the Company amounted to RMB95,280,000 for the six months ended 30 June 2008, representing a decrease of approximately 23.24% as compared with that for the corresponding period in 2007.
- Earnings per share for profit attributable to equity shareholders of the Company amounted to RMB0.486 for the six months ended 30 June 2008.

## **HALF-YEARLY 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 (hereafter collectively referred to as the “Group”) and its joint ventures for the six months ended 30 June 2008, as follows:

## Condensed Consolidated Statement of Income

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2008	2007	2008	2007
		(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue	3	<b>673,091</b>	664,051	<b>353,533</b>	351,230
Cost of sales		<b>(379,334)</b>	(387,652)	<b>(196,840)</b>	(207,347)
Gross Profit		<b>293,757</b>	276,399	<b>156,693</b>	143,883
Other gains	4	<b>2,041</b>	1,672	<b>861</b>	772
Distribution costs		<b>(99,661)</b>	(78,246)	<b>(57,544)</b>	(41,452)
Administrative expenses		<b>(63,647)</b>	(51,646)	<b>(37,008)</b>	(22,324)
Profit from operations		<b>132,490</b>	148,179	<b>63,002</b>	80,879
Financial costs	5	<b>(5,116)</b>	(3,467)	<b>(1,810)</b>	(2,238)
Profit before income tax	6	<b>127,374</b>	144,712	<b>61,192</b>	78,641
Income tax expense	7	<b>(31,606)</b>	(22,034)	<b>(13,946)</b>	(11,960)
Profit for the period		<b><u>95,768</u></b>	<u>122,678</u>	<b><u>47,246</u></b>	<u>66,681</u>
Attributable to:					
Equity holders of the Company		<b>95,280</b>	124,134	<b>44,692</b>	67,894
Minority interests		<b>488</b>	(1,456)	<b>2,554</b>	(1,213)
		<b><u>95,768</u></b>	<u>122,678</u>	<b><u>47,246</u></b>	<u>66,681</u>
Earnings per share for profit attributable to equity shareholders of the Company	8	<b><u>RMB0.486</u></b>	<u>RMB0.673</u>	<b><u>RMB0.228</u></b>	<u>RMB0.365</u>

## Condensed Consolidated Balance Sheet

		<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	477,527	502,334
Leasehold land and land use rights		50,290	51,114
Deferred income tax assets		1,392	1,392
Other long-term assets		2,080	2,267
		<u>531,289</u>	<u>557,107</u>
<b>Current assets</b>			
Inventories		628,938	636,521
Trade and bills receivable – net	10	292,917	277,723
Prepayments and other current assets		14,971	12,245
Amounts due from related parties		24,574	18,004
Short-term bank deposits		–	84,296
Cash and cash equivalents		331,718	161,800
		<u>1,293,118</u>	<u>1,190,589</u>
<b>Total assets</b>		<u><b>1,824,407</b></u>	<u><b>1,747,696</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	11	196,000	196,000
Reserves	12	1,112,391	1,101,068
		<u>1,308,391</u>	<u>1,297,068</u>
Minority interests		<u>117,980</u>	<u>122,874</u>
<b>Total equity</b>		<u><b>1,426,371</b></u>	<u><b>1,419,942</b></u>

		<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>2,501</b>	2,501
Deferred income – government grants		<b>12,250</b>	12,250
		<b>14,751</b>	14,751
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>156,772</b>	205,892
Salary and welfare payables		<b>12,660</b>	8,782
Advances from customers		<b>19,691</b>	19,392
Current income tax liabilities		<b>11,095</b>	640
Accrued expenses and other current liabilities		<b>78,922</b>	49,170
Amounts due to related parties		<b>9,567</b>	14,127
Short-term borrowings		<b>15,000</b>	15,000
Dividend payables		<b>79,578</b>	–
		<b>383,285</b>	313,003
<b>Total liabilities</b>		<b>398,036</b>	327,754
<b>Total equity and liabilities</b>		<b>1,824,407</b>	1,747,696

## Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash generated from operations	91,480	80,177
Interest paid	(475)	(2,227)
	<u>91,005</u>	<u>77,950</u>
Net cash from operating activities	<u>91,005</u>	<u>77,950</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(8,196)	(6,398)
Proceeds from disposals of property, plant and equipment	522	–
Decrease in short-term bank deposits	84,296	10,207
Interest received	2,041	1,672
	<u>78,663</u>	<u>5,481</u>
Net cash used in investing activities	<u>78,663</u>	<u>5,481</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash generated from financing	250	229,747
Proceeds from government grants	–	1,210
Repayments of short-term borrowings	–	(15,000)
	<u>250</u>	<u>215,957</u>
Net cash generated from financing activities	<u>250</u>	<u>215,957</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>169,918</b>	<b>299,388</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>161,800</b>	<b>203,537</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>331,718</u></b>	<b><u>502,925</u></b>

## Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company			Minority interests	Total
	Share capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	Total <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance as of 1 January 2007	182,800	815,454	998,254	52,968	1,051,222
Net Profit for the six months ended 30 June 2007	–	124,134	124,134	(1,456)	122,678
Dividends paid	–	(73,120)	(73,120)	(589)	(73,709)
Foreign currency translation differences	–	(6,079)	(6,079)	–	(6,079)
Issuance of 13,200,000 new H shares	13,200	212,649	225,849	–	225,849
Balance as of 30 June 2007 (unaudited)	<u>196,000</u>	<u>1,073,038</u>	<u>1,269,038</u>	<u>50,923</u>	<u>1,319,961</u>
Balance as of 1 January 2008	196,000	1,101,068	1,297,068	122,874	1,419,942
Net profit for the six months ended 30 June 2008	–	95,280	95,280	488	95,768
Dividends paid	–	(78,400)	(78,400)	(912)	(79,312)
Foreign currency translation differences	–	(5,557)	(5,557)	(4,470)	(10,027)
Balance as of 30 June 2008 (unaudited)	<u>196,000</u>	<u>1,112,391</u>	<u>1,308,391</u>	<u>117,980</u>	<u>1,426,371</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 GEM on 31 October 2000. Its ultimate holding company is China Beijing Tong Ren Tang Group Co. Ltd. ("Tongrentang Holdings"), incorporated in Beijing, the PRC.

## 2. PRINCIPAL ACCOUNTING POLICIES

The group has prepared the condensed consolidated financial statements in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

The accompanying condensed consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as published by the International Accounting Standards Board. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

## 3. REVENUE

	For the six months ended 30 June		For the three months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Sales of medicine:				
–Domestic	647,706	642,157	337,090	335,049
–Overseas	22,416	21,894	13,474	16,181
Agency fee for distribution services	2,969	–	2,969	–
	<u>673,091</u>	<u>664,051</u>	<u>353,533</u>	<u>351,230</u>

## 4. OTHER GAINS

	For the six months ended 30 June		For the three months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Interest income	<u>2,041</u>	<u>1,672</u>	<u>861</u>	<u>772</u>



## 5. FINANCE COSTS

	For the six months ended 30 June		For the three months ended 30 June	
	2008	2007	2008	2007
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Interest expenses	475	2,227	251	1,079
Exchange loss/(gain)	4,641	1,240	1,559	1,159
	<u>5,116</u>	<u>3,467</u>	<u>1,810</u>	<u>2,238</u>

## 6. PROFIT BEFORE INCOME TAX

Profit before income tax was arrived at after charging the following:

	For the six months ended 30 June		For the three months ended 30 June	
	2008	2007	2008	2007
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Depreciation of property, plant and equipment	23,062	20,904	11,450	10,241

## 7. INCOME TAX EXPENSE

The Law of the People's Republic of China on Enterprise Income Taxes ("New Income Tax Law") was adopted at the National People's Congress on 16 March 2007 and effective as of 1 January 2008. Under the Article 4 of the New Income Tax Law, the rate of enterprise income tax is 25%.

Under the New Income Tax Law, high-technology enterprises approved by relevant government departments and tax authorities are entitled to tax concessions. Those high-technology enterprises already approved under the former tax regime are required to be re-approved according to the requirements of under the new tax regime. Those high-technology enterprises approved by relevant government departments and tax authorities are permitted to pay at a concession rate of 15% under the New Income Tax Law, while other enterprises are required to pay taxes at the standard tax rate of 25%.

In July 2006, the Company renewed high-technology enterprise certificate with the Beijing Municipal Science & Technology Commission. Pursuant to Guo Shui Fa Notice No. 17 2008 published by the State Administration of Taxation on 30 January 2008, high-technology enterprises approved prior to 1 January 2008 are required to prepay enterprise income taxes at a tax rate of 25% on a provisional basis before they are re-approved pursuant to the New Income Tax Law. As a result, the Company prepaid the income tax at a rate of 25% on a provisional basis for the six months ended 30 June 2008. A tax rate of 15% applied to the Company for the corresponding period of 2007.

The Company is currently making preparations for applying for re-approval as a high-technology enterprise pursuant to relevant regulations of China. Upon grant of such re-approval of the relevant government departments, the company will continue to pay income tax at a rate of 15%.

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

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	For the six months ended 30 June		For the three months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Profit attributable to equity holders of the Company	<u>95,280</u>	<u>124,134</u>	<u>44,692</u>	<u>67,894</u>
	<b>Number of shares</b>	Number of shares	<b>Number of shares</b>	Number of shares
Weighted average number of shares issued during the period	<u>196,000,000</u>	<u>184,477,348</u>	<u>196,000,000</u>	<u>186,136,264</u>
Basic earnings per share	<u>RMB0.486</u>	<u>RMB0.673</u>	<u>RMB0.228</u>	<u>RMB0.365</u>

The Company had no potential dilutive shares for the six months ended 30 June 2008 (2007: Nil).

## 9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB9,685,000 (12 months ended 31 December 2007: RMB24,685,000) on the acquisition of property, plant and equipment.

## 10. TRADE AND BILLS RECEIVABLE – NET

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Trade and bills receivables	315,232	300,038
Less: provision for impairment of receivables	<u>(22,315)</u>	<u>(22,315)</u>
Trade and bills receivable – net	<u>292,917</u>	<u>277,723</u>

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

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

	<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
Within 4 months	<b>269,114</b>	261,478
Over 4 months but within 1 year	<b>34,935</b>	27,621
Over 1 year but within 2 years	<b>5,208</b>	7,857
Over 2 years but within 3 years	<b>5,675</b>	2,782
Over 3 years	<b>300</b>	300
	<b>315,232</b>	300,038

The Group normally grants a credit period ranging from 30 days to 120 days to its trade customers.

## 11. SHARE CAPITAL

	<b>30 June 2008 (Unaudited)</b>		31 December 2007 (Audited)	
	<b>Number of shares</b>	<b>Nominal value RMB'000</b>	Number of shares	Nominal value RMB'000
Registered	<b>196,000,000</b>	<b>196,000</b>	196,000,000	196,000
Issued and fully paid				
– Domestic shares with a par value of RMB1 per share	<b>108,680,000</b>	<b>108,680</b>	108,680,000	108,680
– H shares with a par value of RMB1 per share	<b>87,320,000</b>	<b>87,320</b>	87,320,000	87,320
	<b>196,000,000</b>	<b>196,000</b>	196,000,000	196,000

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

## 12. RESERVES

	Share Premium RMB'000	Statutory surplus reserve fund RMB'000	Statutory public welfare fund RMB'000	Tax reserve RMB'000	Property, plant and equipment revaluation RMB'000	Foreign currency translation difference RMB'000	Retained earnings RMB'000	Total RMB'000
Balance as of 1 January 2007	157,925	108,510	46,622	102,043	8,640	(3,581)	395,295	815,454
Profit attributable to equity holders of the Company for the six months ended 30 June 2007	-	-	-	-	-	-	124,134	124,134
Dividends paid	-	-	-	-	-	-	(73,120)	(73,120)
Foreign currency translation differences	-	-	-	-	-	(6,079)	-	(6,079)
The issuance of 13,200,000 new H shares	212,649	-	-	-	-	-	-	212,649
Balance as of 30 June 2007 (unaudited)	<u>370,574</u>	<u>108,510</u>	<u>46,622</u>	<u>102,043</u>	<u>8,640</u>	<u>(9,660)</u>	<u>446,309</u>	<u>1,073,038</u>
Balance as of 1 January 2008	371,144	121,275	45,455	102,043	7,506	(10,229)	463,874	1,101,068
Profit attributable to equity holders of the Company for the six months ended 30 June 2008	-	-	-	-	-	-	95,280	95,280
Dividends paid	-	-	-	-	-	-	(78,400)	(78,400)
Foreign currency translation differences	-	-	-	-	-	(5,557)	-	(5,557)
Balance as of 30 June 2008 (unaudited)	<u>371,144</u>	<u>121,275</u>	<u>45,455</u>	<u>102,043</u>	<u>7,506</u>	<u>(15,786)</u>	<u>480,754</u>	<u>1,112,391</u>

### 13. TRADE PAYABLE

The aging analysis of trade payable was as follows:

	<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
Within 4 months	<b>130,484</b>	155,052
Over 4 months but within 1 year	<b>24,483</b>	48,893
Over 1 year but within 2 years	<b>1,805</b>	1,947
	<b><u>156,772</u></b>	<u>205,892</u>

### 14. SEGMENT INFORMATION

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

### 15. CHARGES ON GROUP ASSETS

As at 30 June 2008, none of the Group's assets was pledged as security for liabilities (31 December 2007: Nil).

### 16. FOREIGN CURRENCY RISK

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

### 17. CAPITAL COMMITMENTS

As of 30 June 2008, the Group had capital commitments of RMB122,400 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 2007: RMB748,000 related to the construction of production facilities).

## **INTERIM DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

In the first half of 2008, in line with the work plan for “Brand, Talents and Development” devised by the Board and the strategic target of “Sustainability, Strengthening and Expansions”, the Company focused on improving the quality of the business operation and assets. Facing intense market competition, the Company successfully accomplished various tasks and economic indicators designated by the Board and the quality of business operations improved unceasingly by reinforcing decision-making in a scientific manner, exploring innovative sales models and stepping up brand management and troop construction. For the half year ended 30 June 2008, the Company’s revenue amounted to RMB673,091,000, representing an increase of 1.36% over the corresponding period last year. Profit attributable to the equity shareholders of the Company amounted to RMB95,280,000, representing a decrease of 23.24% over the corresponding period last year.

### **Sales**

In face of intense market competition in 2008, the Company focused on profitability and product portfolios by expanding its marketing channels, increasing the market share of its product portfolios and improving the quality of its economic operation.

The Company aimed to improve its gross profit margin and net profit by constantly exploring alternative marketing programs. Sales plan was re-devised on the basis of the profitability of products so as to determine sales focus. The sales appraisal policy underwent a reform in which the appraisal indicators for the sales department were broken down and more emphasis was put on the appraisal of sales profit. Indicators were assigned according to product portfolios and implementation of rules was clarified, making the appraisal indicators more operable. To safeguard the Tong Ren Tang brand, the assessment method for dealers were revised by looking into their creditworthiness; market inspection and control were stepped up; and market order was kept in a stable condition.

Starting with our product portfolios, the Company subdivided the market and redefined the product portfolios to mainstream product portfolios, medical-market product portfolios and new product portfolios. The end-user sales network was strengthened by controlling the market prices of our products; the sale of our mainstream product portfolios was stepped up by capitalizing on our brand predominance. By means of various theme activities and regional promotional events, new product portfolios were launched on the market successively for promoting the marketing of our potential and new product portfolios. The Company endeavoured to drive the end-user market and conducted an analysis of the product portfolio in each of the regions to achieve a balance in the sale of product portfolios in the regions.

The Company continued to reinforce the build-up of its product portfolios by concentrating on the theme of our main task of “New Liuwei, New Start” this year. While constantly meeting the personalized demands of consumers, the Company also adjusted product mix and specifications based on market orientation to further expand the portfolio of the Liuwei series. In the first half of 2008, the Company produced and sold more than one hundred kinds of products, of which one product achieved total sales of more than RMB100,000,000; one product achieved total sales of between RMB50,000,000 and RMB100,000,000; ten products achieved total sales of between RMB10,000,000 and RMB50,000,000; and seven products achieved total sales of between RMB5,000,000 and RMB10,000,000. In mainstream products, total sales of Liuwei Dihuang Pills (六味地黃丸) series decreased by 1.69% over the corresponding period last year, Niuhuang Jiedu Tablets (牛黃解毒片) series increased by 2.12% and Ganmao Qingre Granule (感冒清熱顆粒) series recorded a decrease in total sales. There were remarkable increases in some other products series including Jinkui Shenqi Pills (金匱腎氣丸) series, Zhibai Dihuang Pills (知柏地黃丸) series and Qiju Dihuang Pills (杞菊地黃丸) series.

## **Production**

In 2008, the Company strengthened the organization and command of production in the core of its production system, carried out scientific dispatch, highlighted the key points and coordinated and arranged for production, supply, warehousing and other operations as well as carrying out a large-scale distribution of production locations and allocation of workers within the Company for the first time. Other departments took the initiative in cooperating with the production department to further improve the utilization rate of assembly machines and the compatibility of technics and assembly processes, and the optimization of the procedures for inspecting ready samples and enhance the production efficiency and management level of production for ensuring the smooth completion of production.

After obtaining the GMP Authentication from the Department of Health in Hong Kong at the end of last year, the Hong Kong-based Beijing Tong Ren Tang Chinese Medicine Company Limited (北京同仁堂國藥有限公司) officially commenced the production of Beijing Tongrentang Ganoderma Spore Powder Capsule (北京同仁堂靈芝孢子粉膠囊) and launched this product successfully. At present, the sales tendency is good, and Tongrentang Ganoderma Spore Powder Capsule (北京同仁堂靈芝孢子粉膠囊) is expected to become a new point of growth. The research and development of other products, healthcare products and new products are being carried out in an orderly manner.

## **Management and Research & Development**

The Company emphasizes on taking precautions against brand risks and raising brand awareness by implementing responsibilities for brand management; assigning the functional departments to the Company’s brand management and the management authority of such departments; revising, supplementing and improving the existing regime for brand management; strengthening the training of business staff for the protection of its brands; setting out the requirements for the use of the brands by our subsidiaries; and establishing a long-term mechanism for maintaining and protecting our brands.

The Company remains committed to a market-oriented, production practice-based and forward-looking principle in its scientific research and development. The regime for the management of research and development was optimized by providing solutions to production practice; key problems were tackled and research was carried out specifically for the quality problem and technic upgrade for our products; secondary scientific research for key products was strengthened; scientific research projects carrying proprietary intellectual property rights were selected and reserved on an ongoing basis; and the process for the research of new products was accelerated.

## **Sales Network**

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

During the first half of the year, the Peking Tongrentang (M) Sdn. Bhd. in Malaysia achieved a revenue of approximately RMB5,780,500; the Beijing Tong Ren Tang Canada Co. Ltd in Canada achieved a revenue of approximately RMB3,621,300; the Beijing Tong Ren Tang (Macau) Company Limited in Macau Special Administrative Region achieved a revenue approximately RMB5,058,300; and the Beijing Tong Ren Tang (Indonesia) Company Limited in Indonesia achieved a revenue of approximately RMB2,368,600.

Beijing Tong Ren Tang Nansanhuan Zhonglu Drugstore Co., Limited (北京同仁堂南三環中路藥店有限公司), a drugstore established by the Company in Beijing, delivered a good operating performance and achieved a revenue of approximately RMB12,450,300 during the first half of the year.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2008, the Company had 1,760 employees (31 December 2007: 1,785 employees). Remunerations are determined by reference to market terms and the performance, qualifications and experience of individual employees. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other staff benefits include contributions to pension scheme, medical insurance scheme, unemployment insurance scheme, industrial accident insurance scheme, maternity insurance scheme and housing fund.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

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



As at 30 June 2008, the Group had cash, cash equivalents and short term bank deposits amounted to RMB331,718,000 (31 December 2007: RMB246,096,000) and short term borrowings of RMB15,000,000 (31 December 2007: RMB15,000,000). These borrowings carried a fixed interest rate of 6.723% (31 December 2007: 5.913%) per annum.

As at 30 June 2008, the Group had total assets of RMB1,824,407,000 (31 December 2007: RMB1,747,696,000) which were financed by non-current liabilities of RMB14,751,000 (31 December 2007: RMB14,751,000), current liabilities of RMB383,285,000 (31 December 2007: RMB313,003,000), shareholders' equity of RMB1,308,391,000 (31 December 2007: RMB1,297,068,000) and minority interests of RMB117,980,000 (31 December 2007: RMB122,874,000).

### **Gearing and liquidity ratio**

The Group's gearing ratio, defined as the ratio between total borrowings and shareholders' equity (not including minority interests), was 0.01 (31 December 2007: 0.01). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 3.37 (31 December 2007:3.80), reflecting the abundance of financial resources.

### **Prospects**

Despite the impact of the increase in prices of Chinese medicine raw materials, price ceiling restriction of medicines and more intense market competition, we believe that as further reforms will be carried out in the medicinal sector, market size will expand and it is expected to create new development opportunities for the Company.

During the first half of the year, the overall results of the Company was basically of the same level as the corresponding period last year. However, further progress was made in the sale of some of the product portfolios; various market management initiatives were working efficiently; and the market order was improving constantly. In the second half of the year, the Company will continue to improve its overall execution and control forces, strengthen brand protection, increase the sales of products, enhance the profitability of products and consolidate and improve the quality of its business operations and assets in a practical manner.

### **CORPORATE GOVERNANCE**

For the half year ended 30 June 2008, the Company complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the GEM Listing Rules.

## **Directors' Dealing in Securities**

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

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

## **Board of Directors**

The third session of the board of directors of the Company was comprised of nine directors, in which Mr. Zhang Sheng Yu, an executive director, passed away on 22 July 2008. The Board is currently comprised of eight directors, their term of office will end upon the conclusion of the general meeting in 2009. The board of directors comprises three influential independent non-executive directors. Independent non-executive directors are independent of the management and in possession of solid experience in business and finance. They provide significant contribution to the development of the Company.

As at 30 June 2008 and at any time, the board of directors fulfilled the minimum requirement of appointing at least three independent non-executive directors as required by the GEM Listing Rules and the number of independent non-executive directors being at least one-third of the members of the board of directors, and it also met the requirement of having one independent non-executive director qualified as a professional or having the professional accounting and financial management expertise.

## **Chairman of the Board and General Manager**

Mr. Mei Qun is the chairman of the board of directors and Mr. Wang Yu Wei is the general manager. They are two clearly defined positions. The chairman is responsible for management decision-making and the operation of the Board while the general manager is in charge of day-to-day operational management. The Articles of Association of the Company sets out the respective functions of the chairman and the general manager in detail.

## **Audit Committee**

Pursuant to the Rules 5.28 of the GEM Listing Rules, the Company has set up an audit committee according to “A Guide For The Formation of An Audit Committee” compiled by the Hong Kong Society of Accountants. In compliance with the Rules of 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the audit committee are to review and monitor the Company’s financial reporting process and internal control system. The committee comprises Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan, who are independent non-executive directors of the Company. Mr. Ting Leung Huel, Stephen, the Chairman of the Committee, possesses appropriate professional qualification and financial experience.

Up to the date of this report, the audit committee has conducted two meetings in the year. The first meeting was held on 27 February 2008 to review and discuss the operating results, statements of affairs, major accounting policies with respect to the audited financial statements of the Company for the year ended 31 December 2007 and internal audit matters and to listen to the advice provided by auditors. The Committee concluded the meeting with agreement to the contents of the annual report.

The second meeting was held on 31 July 2008 to review and discuss the operating results, statements of affairs and major accounting policies with respect to the unaudited interim report of the Company for the six months ended 30 June 2008 and internal audit matters. The Committee concluded the meeting with agreement to the contents of the interim report.

## OTHER INFORMATION

### Directors' Interests In Shares

As at 30 June 2008, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

#### Long positions in shares

##### The Company

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

*Note:* All represented domestic shares.

##### Beijing Tongrentang Company Limited ("Tongrentang Ltd.")

Names	Type of interests	Capacity	Number of shares ( <i>Note</i> )	Percentage of total registered share capital
Mr. Yin Shun Hai	Personal	Beneficial Owner	38,850	0.009%
Mr. Mei Qun	Personal	Beneficial Owner	31,081	0.007%
Mr. Kuang Gui Shen	Personal	Beneficial Owner	22,700	0.005%

*Note:* All represented A shares.

## Beijing Tong Ren Tang International Co., Limited

<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%

## Beijing Tong Ren Tang Nature-Pharm Co. Ltd.

<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. Wang Quan	Personal	Beneficial Owner	200,000	0.400%

Save as disclosed above, as at 30 June 2008, none of the Directors and chief executives of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the following persons (other than the Directors and chief executives 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:

### Long positions in shares

Name of shareholder	Capacity	Number of shares	Percentage of domestic shares	Percentage of H shares	Percentage of total registered share capital
Tongrentang Ltd.	Beneficial owner	100,000,000	92.013%	–	51.020%
Tongrentang Holdings	Interest of a controlled corporation	100,000,000	92.013%	–	51.020%
	Beneficial owner	1,580,000	1.454%	–	0.806%
Hamon Asset Management Limited ( <i>Note 3</i> )	Investment manager	1,197,000(L)	–	1.371%	0.611%
Hamon U.S. Investment Advisors Limited ( <i>Note 3</i> )	Investment Manager	2,852,000(L)	–	3.266%	1.455%
Hamon Investment Management Limited ( <i>Note 3</i> )	Investment Manager	1,000,000(L)	–	1.145%	0.510%
The Hamon Investment Group Pte Limited ( <i>Note 3</i> )	Interest of a controlled corporation	5,049,000(L)	–	5.782%	2.576%
Atlantis Investment Management Ltd	Investment Manager	7,041,000(L)	–	8.063%	3.592%
Templeton Asset Management	Investment Manager	5,224,000(L)	–	5.983%	2.665%
JPMorgan Chase & Co.	Investment Manager	5,386,000(L)	–	6.168%	2.748%
		5,386,000(P)	–	6.168%	2.748%

*Notes:*

- (1) (L) – Long position, (S) – Short position, (P) – Lending pool
- (2) Such shares were held through Tongrentang Ltd.. As at 30 June 2008, Tongrentang Ltd. was owned as to 55.24% by Tongrentang Holdings. According to Part XV of the SFO, Tongrentang Holdings is deemed to be interested in the 100,000,000 shares held by Tongrentang Ltd..
- (3) The Hamon Investment Group Pte Limited owns 100% interest in Hamon Asset Management Limited, Hamon U.S. Investment Advisors Limited and Hamon Investment Management Limited.

Accordingly, the Hamon Investment Group Pte Limited is deemed under Part XV of the SFO to be interested in 1,197,000 shares held by Hamon Asset Management Limited, 2,852,000 shares held by Hamon U.S. Investment Advisors Limited and 1,000,000 shares held by Hamon Investment Management Limited.

Save as disclosed above, as at 30 June 2008, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## **COMPETING INTERESTS**

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

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

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

To ensure that the business classification between the Company, Tong Ren Tang Holdings and Tong Ren Tang Ltd. are properly documented and established, Tong Ren Tang Holdings and Tong Ren Tang Ltd. Undertake, pursuant to an undertaking dated 19 October 2000 committed by Tong Ren Tang Holdings and Tong Ren Tang Ltd. in favor of the Company (“October Undertaking”), that other than Angong Niu Huang Pills (安宮牛黃丸), Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries will not produce in future any products that bear the same names or bear the same names with different forms as those pharmaceutical products of the Company. Only one of the products – Angong Niu Huang Pills (安宮牛黃丸) – are manufactured by both the Company and Tong Ren Tang Ltd.. The directors consider that other than Angong Niu Huang Pills (安宮牛黃丸) produced by the Company and Tong Ren Tang Ltd., There is no any other direct competing business among the Company, Tong Ren Tang Ltd. and Tong Ren Tang Holdings.

The Directors consider that as Angong Niu Huang Pills (安宮牛黃丸) only represents a small percentage of the Company’s turnover and is not one of the major forms of medicine for development after the listing of 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**

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

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



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

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the period ended 30 June 2008, the Company has not purchased, sold or redeemed any of the Company's listed shares.

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

Beijing, the PRC, 14 August 2008

*As at the date of this announcement, the Board comprises Mr. Mei Qun, Ms. Ding Yong Ling, Mr. Kuang Gui Shen, Mr. Yin Shun Hai and Mr. Wang Quan as executive directors; and Miss. Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan as independent non-executive directors.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its posting and be posted at our Company website <http://www.tongrentang.com>.*