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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CHAIRMAN'S STATEMENT

I am pleased to present the annual report of Tong Ren Tang Technologies Co., Ltd. (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") and joint ventures for the year ended 31 December 2008 for shareholders' review.

RESULTS OF THE YEAR

For the year ended 31 December 2008, the Group's revenue amounted to RMB1,211,455,000, representing an increase of 4.70% over last year; profit attributable to the equity shareholders of the Company amounted to RMB160,528,000, representing an increase of 4.30% over last year.

REVIEW OF THE YEAR

2008 was a rollercoaster year in which China had experienced soaring inflation for the first half of the year and fast shrinking economy for the second half of the year, where overflowing market liquidity faced depletion. Nearly all industry players in the PRC had suffered from slumping after sales due to elevated costs. Even the capital chain was on the verge of breakdown. The global financial crisis that started in September greatly dampened the world's economies. In the meantime, the medical sector experienced crashing sales owing to the rise in raw material price and logistics costs. Under such circumstances, the Company responded swiftly: it closely monitored the macro-economic directions and changing market trends; and made appropriate adjustments to the operating policies. The Company adopted solid and sound marketing strategies to highlight the assessment indicators which included the requirements on distributors, sales amount of distributors, smooth cooperation between distributors and the Company, and receivable turnover ratio; as well as implemented effective control on accounts receivable and delivery amounts. These measures increased cash recoveries effectively. The sales branches successfully expanded the sales through sales promotion campaigns, product knowledge training for frontline staff and various product exhibitions and free medical consultation services. The Company further reduced costs and expenses through a comprehensive savings plan and consolidated the foundation through strengthening fundamental management in an effort to increase market competitiveness. The implementation of various measures effectively increased the integrated competence of the Company such as the risk-taking ability and product diversity. During the year under review, in spite of the challenges caused by the financial crisis, the market share and coverage of the Company's products maintained steady growth and the overall quality of business operations of the company was also enhanced.

OUTLOOK AND PROSPECTS

The medical policies reform in the PRC will continue its vertical and in-depth development in 2009. Intensifying reform and improving market economic mechanism will pose new opportunities as well as challenges to the development of the pharmaceutical sector. The promulgation of new proposal on medical reform, the advancement of the national healthcare insurance system, the implementation of the national basic medicine system and the enforcement of a regulated public healthcare management system, will further extend the growth of the pharmaceutical market demand and multi-layered changes in the market consumption structure, generating new growth opportunities in the pharmaceutical market. However, the pharmaceutical market is under keen competition. Together with the revealing consequences of the global financial crisis and several uncertainties that exist in the new medical reform, the growth prospect of the pharmaceutical sector in the PRC is uncertain. Looking ahead, the pharmaceutical players will face fiercer competition whilst the enterprises size and market concentration will remain high.

In 2009, I, together with all the staff of the Company, will seize every opportunity through comprehensive analysis on the impact of the macro-environment and various medical reform policies on the Company so as to capture future trends. In the meantime, we will actively overcome the challenges in order to sustain the growth of the business with a new perspective.

I hereby would like to express my sincere gratitude to the Board and all the staff of the Company for their tireless efforts and excellent performance, with my sincere respect to all the shareholders for their constant shepherding as well as their support and understanding. Just as in the past, we will continue to aim for good performance and creating value for our shareholders.

By Order of the Board
Tong Ren Tang Technologies Co., Ltd.
Mei Qun
Chairman

Beijing, the PRC
20 March 2009

ANNUAL RESULTS

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2008, together with the comparative figures of 2007, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2008** *RMB'000*	2007 (Restated) (Note b) *RMB'000*
Revenue	*d*	**1,211,455**	1,157,030
Cost of sales		**(670,225)**	(660,975)
Gross profit		**541,230**	496,055
Distribution costs		**(225,672)**	(185,288)
Administrative expenses		**(116,668)**	(125,899)
Operating profit		**198,890**	184,868
Finance costs - net	*e*	**(1,642)**	(4,915)
Share of result of an associated company		**-**	(425)
Profit before income tax	*f*	**197,248**	179,528
Income tax expense	*g*	**(30,509)**	(25,474)
Profit for the year		**166,739**	154,054
Attributable to:			
Equity holders of the Company		**160,528**	153,915
Minority interest		**6,211**	139
		166,739	154,054
Dividends		**78,400**	78,400
Earnings per share for profit attributable to equity holders of the Company during the year	*h*		
- Basic		**RMB0.82**	RMB0.81
- Diluted		**RMB0.82**	RMB0.81

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2008	2007
			(Restated)
	Note		(Note b)
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**447,217**	486,200
Leasehold land and land use rights		**48,755**	51,114
Deferred income tax assets		**2,640**	2,936
Other long-term assets		**1,548**	2,267
		500,160	542,517
Current assets			
Inventories		**798,226**	636,473
Trade and bills receivables, net	*j*	**181,555**	277,723
Amounts due from related parties		**31,885**	18,004
Prepayments and other current assets		**7,695**	12,245
Current income tax assets		**12,371**	-
Short-term bank deposits		**5,196**	84,296
Cash and cash equivalents		**258,094**	161,800
		1,295,022	1,190,541
Total assets		**1,795,182**	1,733,058

CONSOLIDATED BALANCE SHEET *(CONT'D)*

	Note	As at 31 December **2008** *RMB'000*	2007 (Restated) (Note b) *RMB'000*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**196,000**	196,000
Reserves		**1,164,392**	1,088,931
		1,360,392	1,284,931
Minority interest in equity		**124,513**	122,874
Total equity		**1,484,905**	1,407,805
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**1,984**	-
Deferred income – government grants		**11,266**	12,250
		13,250	12,250
Current liabilities			
Trade payables	*k*	**222,766**	205,892
Salary and welfare payables		**10,689**	8,782
Advances from customers		**8,506**	19,392
Amounts due to related parties		**5,652**	14,127
Current income tax liabilities		**315**	640
Accrued expenses and other current liabilities		**34,099**	49,170
Short-term borrowings		**15,000**	15,000
		297,027	313,003
Total liabilities		**310,277**	325,253
Total equity and liabilities		**1,795,182**	1,733,058

Notes:

a. GENERAL INFORMATION

The Company was incorporated as a joint stock company with limited liability in 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. ("Tong Ren Tang Holdings"), incorporated in Beijing, the PRC.

b. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They have been prepared under the historical cost convention.

Change in Accounting Policy

In the previous years, the Group's property, plant and equipment were shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets.

In the current year, the Company's directors decided to change the accounting policy for the Group's property, plant and equipment to cost model, and accordingly all property, plant and equipment are restated at historical cost less accumulated deprecation and impairment losses, if any. The Company's directors are of the view that the new accounting policy on property, plant and equipment can provide more comparable and relevant information to the users of the financial information because this accounting policy is commonly used in the pharmaceutical industry to reflect the actual usage of property, plant and equipment. The change in accounting policy has been accounted for retrospectively and the financial information for the year ended 31 December 2007 in the consolidated financial information has been restated in order to comply with IAS 8 "Accounting policies, changes in accounting estimates and errors".

The effect of the change in accounting policy is as follows:

	2008	2007
	RMB'000	*RMB'000*
At 31 December:		
Decrease in property, plant and equipment	**(15,188)**	(16,134)
Decrease in inventory	**(52)**	(48)
Increase in deferred income tax assets	**828**	1,544
Decrease/(increase) in reserves		
- Capital reserve	**15,835**	15,835
- Property, plant and equipment revaluation	**8,302**	7,506
- Retained earnings	**(11,190)**	(11,204)
Decrease in deferred income tax liabilities	**1,465**	2,501
For the year ended:		
(Decrease)/increase in profit for the year	**(14)**	395

As the effect of the change in accounting policy on the income statements for the years ended 31 December 2007 and 31 December 2008 is not significant, there is no material effect on the corresponding basic and diluted earnings per share.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note c.

(i) Amendments and interpretations effective in 2008

- IAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets and related amendment to IFRS 7, 'Financial instruments: Disclosures'
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'
- IFRIC 12, 'Service concession arrangements'
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'

The adoption of the above amendments and interpretations does not have any significant financial impact to the Group.

(ii) Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group.

- IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2009)
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective for annual periods beginning on or after 1 January 2009)
- IAS 19 (Amendment), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2009)
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective for annual periods beginning on or after 1 January 2009)
- IAS 23 (Revised), 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2009)
- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 July 2009)
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective for annual periods beginning on or after 1 January 2009)
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective for annual periods beginning on or after 1 January 2009)
- IAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7) (effective for annual periods beginning on or after 1 January 2009)

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective for annual periods beginning on or after 1 January 2009)
- IAS 36 (Amendment), 'Impairment of assets' (effective for annual periods beginning on or after 1 January 2009)
- IAS 38 (Amendment), 'Intangible assets' (effective for annual periods beginning on or after 1 January 2009)
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective for annual periods beginning on or after 1 January 2009)
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' – 'Eligible hedged items' (effective for annual periods beginning on or after 1 July 2009)
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective for annual periods beginning on or after 1 January 2009)
- IAS 41 (Amendment), 'Agriculture' (effective for annual periods beginning on or after 1 January 2009)
- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 July 2009)
- IFRS 2 (Amendment), 'Share-based payment' (effective for annual periods beginning on or after 1 January 2009)
- IFRS 3 (Revised), 'Business combinations' (effective for annual periods beginning on or after 1 July 2009)
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective for annual periods beginning on or after 1 July 2009)
- IFRS 8, 'Operating segments' (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 13, 'Customer loyalty programmes' (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 15, 'Agreements for construction of real estates' (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after 1 October 2008)
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 18, 'Transfers of assets from customers' (effective for annual periods beginning on or after 1 July 2009)

There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 not addressed above. These amendments are unlikely to have an impact on the Group's financial statements.

c. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in consumer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimations by each balance sheet date.

(ii) Estimated provision for impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of trade and other receivables. Provisions for impairment are applied to trade and other receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate is changed.

(iii) Income taxes

The Group is subject to income taxes in numerous of jurisdictions. Significant judgement is required in determining the worldwide provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

d. REVENUE

	2008	2007
	RMB'000	*RMB'000*
Sales of medicine		
- Domestic	**1,147,282**	1,098,196
- Overseas	**56,022**	49,099
	1,203,304	1,147,295
Agency fee for distribution services	**8,151**	9,735
	1,211,455	1,157,030

e. FINANCE COSTS, NET

	2008	2007
	RMB'000	*RMB'000*
Interest income on cash at bank and short-term bank deposits	**4,143**	5,472
Interest expenses on bank borrowings wholly repayable within five years	**(1,032)**	(3,629)
Exchange losses	**(4,753)**	(6,758)
Finance costs - net	**(1,642)**	(4,915)

f. PROFIT BEFORE INCOME TAX

Profit before income tax was arrived at after charging/(crediting) the following:

	2008	2007 (Restated) (Note b)
	RMB'000	*RMB'000*
Raw materials and consumables used	**469,461**	434,868
Change in inventories of finished goods and work in progress	**(45,722)**	(20,353)
Employee benefit expense		
- Salary and wages	**107,827**	88,349
- Staff welfare	**11,469**	9,963
- Housing fund	**8,559**	6,985
- Contributions to retirement schemes	**30,796**	24,997
Depreciation of property, plant and equipment	**44,658**	45,160
Amortisation of prepaid operating lease payments	**2,359**	2,684
Amortisation of other long-term assets	**719**	1,864
Inventory provision	**2,620**	2,462
(Reversal of provision)/provision for impairment of receivables	**(900)**	7,594
Operating lease rental	**17,719**	20,240
Auditor's remuneration	**1,510**	1,510
Research and development costs	**6,838**	4,070
Advertising expenses	**46,629**	36,855
Loss on disposal of property, plant and equipment	**87**	742
Recognition of government grants	**(2,021)**	(3,624)

g. INCOME TAX EXPENSE

From 1 January 2008, the Company determines and pays income tax in accordance with the Corporate Income Tax Law of the People's Republic of China("the new CIT Law") as approved by the National People's Congress on 16 March 2007 with effective from 1 January 2008. Pursuant to the new CIT Law, 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% (2007: 33%). As of 31 December 2008, the Company has obtained the HNTE Certificate. Consequently, the applicable income tax rate of the Company in 2008 is 15% (2007: 15%).

Details of income tax during the year are as follows:

	2008	2007 (Restated) (Note b)
	RMB'000	*RMB'000*
PRC income tax expense	**27,847**	26,722
Overseas income tax expense	**382**	402
Deferred income tax expense/(credit)	**2,280**	(1,650)
	30,509	25,474

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the PRC statutory income tax rate as follows:

	2008	2007 (Restated) (Note b)
	RMB'000	*RMB'000*
Profit before income tax	**197,248**	179,528
Tax calculated at the PRC statutory income tax rate of 25% (2007: 33%)	**49,312**	59,244
Income not subject to tax	**(2,238)**	(440)
Expenses not deductible for tax purposes	**833**	-
Effect of decrease/increase in expected applicable tax rate	**1,162**	(1,196)
Effect of preferential income tax treatments	**(17,437)**	(31,395)
Effect of different tax rates and tax refund for consolidated subsidiaries and joint ventures	**(1,123)**	(739)
Income tax expense	**30,509**	25,474

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

Pursuant to the relevant PRC regulations under the old EIT regulation, a new technology enterprise ("NTE") located in a designated area of Beijing Economic and Technological Development Zone ("BETDZ") was subject to EIT at a preferential income tax rate of 15%. Moreover, upon approval by the relevant local tax bureau, a certified NTE was entitled to full exemption from EIT for the first three years from its commencement of operations and 50% reduction in EIT for the following three years. The NTE certification is subject to annual review by the relevant government bodies. In addition, an amount equivalent to the exempted EIT has to be appropriated to a non-distributable tax reserve.

The Company is registered in the BETDZ and obtained an approval from the BETDZ Local Tax Bureau ("BETDZ LTB") (Document Jing di shui kai jian mian fa [2000] No.23) to enjoy full exemption from EIT for years 2000 to 2002 and 50% reduction for years 2003 to 2005. The Company renewed its NTE certificate with Beijing Science-Technology Committee periodically. Moreover, the above EIT preferential income tax rate of 15% could be applied to the Company in 2007 and the years before as the Company was registered in BETDZ and kept its NTE status in 2007 and the years before.

However, such preferential tax treatments could be subject to review by higher ranking tax authorities as Beijing Municipal State Tax Authority issued a circular in October 2002, namely Jing guo shui han [2002] No.632, stating that only the NTEs whose registration and operation are both located in the designated area can enjoy the preferential income tax treatments for NTEs. If the above EIT preferential income tax treatments for the Company are withdrawn, additional EIT liability for 2007 and the years before would be approximately 2007: RMB4,388,000; 2006: RMB 5,643,000; 2005: RMB 63,827,000; 2004: RMB 60,334,000. The directors are of opinion that such additional EIT liabilities are unlikely to arise.

h. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately RMB160,528,000 (2007: RMB153,915,000) by the weighted average number of 196,000,000 shares (2007: 190,286,000 shares) in issue during the year.

The Company had no dilutive potential shares for the years ended 31 December 2008 and 2007.

	2008	2007 (Restated) (Note b)
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**160,528**	153,915
Weighted average number of ordinary shares in issue (thousands)	**196,000**	190,286
Earnings per share	**RMB0.82**	RMB0.81

i. SEGMENT INFORMATION

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

j. TRADE AND BILLS RECEIVABLES, NET

	2008	2007
	RMB'000	*RMB'000*
Trade and bills receivables	**202,970**	300,038
Less: provision for impairment of receivables	**(21,415)**	(22,315)
Trade and bills receivables, net	**181,555**	277,723

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

The Group normally grants a credit period ranging from 30 days to 120 days to its trade customers. As of 31 December 2008 and 2007, the ageing analysis of trade and bills receivables was as follows:

	2008	2007
	RMB'000	*RMB'000*
Within 4 months	**166,769**	261,478
Over 4 months but within 1 year	**31,819**	27,621
Over 1 year but within 2 years	**2,365**	7,857
Over 2 years but within 3 years	**1,318**	2,782
Over 3 years	**699**	300
	202,970	300,038

As of 31 December 2008, there were no trade and bills receivables past due but not considered impaired (2007: nil).

As of 31 December 2008, trade and bills receivables of RMB21,415,000 (2007: RMB22,315,000) were impaired and provided for. The amount of the provision was RMB21,415,000 as of 31 December 2008 (2007: RMB22,315,000). The ageing analysis of these receivables was as follows:

	2008	2007
	RMB'000	*RMB'000*
Within 4 months	**1,232**	9,288
Over 4 months	**20,183**	13,027
	21,415	22,315

Movements in the provision for impairment of receivables were as follows:

	2008	2007
	RMB'000	*RMB'000*
At 1 January	**22,315**	14,721
(Reversal of provision)/provision for impairment of receivables	**(900)**	7,594
At 31 December	**21,415**	22,315

The maximum exposure to credit risk at the reporting date is the fair value of trade and bills receivables mentioned above. The Group does not hold any collateral as security.

The Group's trade and bills receivables are mainly denominated in RMB.

k. TRADE PAYABLES

As of 31 December, the ageing analysis of trade payables was as follows:

	2008	2007
	RMB'000	*RMB'000*
Within 4 months	**170,494**	155,052
Over 4 months but within 1 year	**47,977**	48,893
Over 1 year but within 2 years	**4,295**	1,947
	222,766	205,892

MOVEMENT IN RESERVES

	Capital reserve	Statutory surplus reserve fund	Statutory public welfare fund	Tax reserve	Property, plant and equipment revaluation	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*
Balance as of 1 January 2007, as previously stated	157,925	106,714	45,904	102,043	8,640	(3,581)	-	397,809	815,454
Adjustment for change in accounting policy *(Note b)*	(15,835)	-	-	-	(8,640)	-	-	10,586	(13,889)
Balance as of 1 January 2007, as restated	142,090	106,714	45,904	102,043	-	(3,581)	-	408,395	801,565
Profit for the year	-	-	-	-	-	-	-	153,915	153,915
Issue of share capital	213,219	-	-	-	-	-	-	-	213,219
Dividends paid	-	-	-	-	-	-	-	(73,120)	(73,120)
Foreign currency translation	-	-	-	-	-	(6,648)	-	-	(6,648)
Appropriation from retained earnings	-	14,813	-	-	-	-	-	(14,813)	-
Adjustment for applying new PRC accounting standards	-	(252)	(449)	-	-	-	-	701	-
Balance as of 31 December 2007	355,309	121,275	45,455	102,043	-	(10,229)	-	475,078	1,088,931
Balance as of 1 January 2008, as previously stated	371,144	121,275	45,455	102,043	7,506	(10,229)	-	463,874	1,101,068
Adjustment for change in accounting policy*(Note b)*	(15,835)	-	-	-	(7,506)	-	-	11,204	(12,137)
Balance as of 1 January 2008, as restated	355,309	121,275	45,455	102,043	-	(10,229)	-	475,078	1,088,931
Profit for the year	-	-	-	-	-	-	-	160,528	160,528
Dividends paid	-	-	-	-	-	-	-	(78,400)	(78,400)
Foreign currency translation differences	-	-	-	-	-	(6,199)	-	-	(6,199)
Purchase of additional interest in a non-wholly owned subsidiary from a minority shareholder	-	-	-	-	-	-	(468)	-	(468)
Appropriation from retained earnings	-	15,549	-	-	-	-	-	(15,549)	-
Balance as of 31 December 2008	355,309	136,824	45,455	102,043	-	(16,428)	(468)	541,657	1,164,392

DIVIDENDS

The Board of Directors proposed a final dividend of RMB0.40 (including tax) per share in respect of the year ended 31 December 2008 (2007: RMB0.40 (including tax) per share), totalling approximately RMB78,400,000 (2007: RMB78,400,000). The proposed dividend distribution is subject to the approval at the annual general meeting in 2009 then it would be listed in the financial statements of the group ended 31 December 2009. Dividend payable to the shareholders of H shares will be paid in Hong Kong Dollars. The exchange rate between RMB and HKD shall be ascertained on the basis of the average of the middle exchange rates for RMB to HKD as published by the People’s Bank of China for the five trading days prior to the date of the coming annual general meeting.

The qualified period of being entitled to the proposed final dividend for the year ended 31 December 2008, the period for closure of register of members of H shares and the date of the coming annual general meeting are to be determined. Once they are confirmed, the Company will further announce the notice of annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Over the past two years, the Company has been focusing on the sustainable growth strategies proposed by the Board, resulting in significant improvement in the Company’s marketing and financial performance for 2008. Currently, the Company has included such strategies and their key performance indicators into the daily management system of the Company. In 2008, in adherence to the concept of “Brand, Talents and Development” designated by the Board, together with a highly organized structure and regulated management, the quality of our business operations was significantly improved. For the year ended 31 December 2008, revenue of the Group amounted to RMB 1,211,455,000, representing an increase of 4.70% over last year; profit attributable to the shareholders of the Company amounted to RMB 160,528,000, representing an increase of 4.30% over last year. As of 31 December 2008, the Company successfully obtained the Certificate of High and New Technology Enterprise. Pursuant to the requirements of the New Income Tax Law, the Company should enjoy the corporate income tax rate of 15% for 2008.

SALES

In 2008, the Company continued to change its marketing strategies and place more emphasis on the profitability of products, cash flows and net profits so as to respond swiftly to the changing market.

Leverage on the established marketing network, the Company strengthened the end-user development through capitalizing on various flexible sales promotion campaigns. In addition to maintaining existing sales channels, the Company actively expanded and developed new channels; explored new customers and new regions. Moreover, the Company sought national policies related opportunities arising from changing national medical reforms and tendering policies; and improved and strengthened healthcare tendering.

For sales market management, the Company focused on the market price performance of its own products. It had stringent control over the acts of distributors and increased penalty for irregularities such as cross sales and low price dumping so as to fully monitor market prices and ensure an orderly market. For the product portfolios under national pricing, the Company closely monitored the national policies and information released by various provinces; coordinated with related Price Administration Bureau; and actively provide relevant product information, thus effectively ensuring the stability of products price of the Company.

For overseas market, as the financial crisis extended, various export enterprises in the PRC were adversely affected. By closely monitoring the global market changes, the Company launched new products and services through detailed analysis on the Company's product portfolios. In 2008, over ten products of the Company including Liuwei Dihuang Pills (六味地黃丸) and Ganmao Qingre Granule (感冒清熱顆粒) obtained the HALAL certification in China, positioning the Company to enter the Islamic markets such as Malaysia and the Middle East. In 2008, the export sales of the Company's products amounted to US$4,034,400, representing an increase of 5.66% over last year.

In 2008, through the main line "New Liuwei, New Start" ("新六味，新起點") and the strengths of brand and quality, the Company continued to strengthen the development of its product portfolios. During the year, the Company produced and sold more than one hundred kinds of products, of which 18 products achieved total sales of more than RMB10 million; and 12 products achieved total sales of between RMB5 million and RMB10 million. The product concentration was further increased. Of its major products, Liuwei Dihuang Pills (六味地黃丸) series maintained similar sales as in the past year, while the sales of Niuhuang Jiedu tablets（牛黃解毒片）series grew by 3.97% over the corresponding period last year. Apart from Ganmao Qingre Grannule (感冒清熱顆粒)series, which fell by 11.73% over the corresponding period last year, there was a remarkable increase in some other product series including Xihuang Pills (西黃丸)series, Qiju Dihuang Pills (杞菊地黃丸) series , Jiawei Xiaoyao Pills (加味逍遙丸) series and E Jiao (阿膠)series, which grew by more than 20% over last year.

PRODUCTION

In 2008, the Company delivered medical products to the market in more than ten forms such as pill, tablet, granule, capsule and syrup. With respect to production, the Company actively developed the core production dispatch functions of the product manufacturing department; overcame the adverse impacts of labor shortage and limited production due to the Olympics; conducted detailed analysis on purchase plans; coordinated the sales department to sort out urgent and important orders; coordinated the quality department to accelerate the examine cycle; coordinated the production bases to fully mobilize their production capacity, and coordinated the distribution department to make timely and fast deliveries. Through planning and arranging workers and adjusting the product portfolios of various production bases, the product manufacturing department re-allocated the resources in a reasonable and efficient manner. Apart from accomplishing all of the annual production assignments, the product manufacturing department successfully completed the temporary assignment on attaching the label of "Athletes used with caution" on the products containing stimulant substances listed in the directory.

Embarking on enhancing quality and maintain brand image, the production bases under the Company further optimized the production procedures through improving the production processes. The Company subsequently completed the improvement in the packaging process for decocted paste and the packaging specification for soft capsules, and the technology upgrade for oral liquid dispensing equipment, thus further enhancing the production capacity and production efficiency.

As the principal workshop for preprocessing traditional Chinese medicine materials, Beijing Tong Ren Tang Tongke Pharmaceutical Company Limited (北京同仁堂通科藥業有限責任公司)（"Tongke"）, which is located at Tongzhou District, Beijing, produces semi-finished goods for different forms of medicine of the Company. Tongke has a total investment of RMB 75 million, of which RMB 50.25 million was subsequently contributed by the Company, representing 67% of the total investment; and RMB24.75 million was contributed by Beijing NiuBaoTun Medicine Processing Factory, representing 33% of the total investment. Its production facilities commenced production in 2007. In 2008, Tongke produced semi-finished goods of over 1.3 million kilogram, which effectively satisfied the production needs of the Company.

Beijing Tong Ren Tang Chinese Medicine Company Limited(北京同仁堂國藥有限公司) （"TRT Chinese Medicine"）, which is located at Hong Kong, was jointly invested and established by the Company and Tong Ren Tang Ltd. It has a cumulative total investment of HK$ 178,000,000, of which HK$ 90,780,000 was contributed by the Company, representing 51%; and HK$ 87,220,000 was contributed by Tong Ren Tang Ltd., representing 49%. Following its inception, a production base for traditional Chinese medicinal products and health products was scheduled for establishment in Tai Po Industrial Estate, Hong Kong, and construction was completed in 2007. Currently, TRT Chinese Medicine owns the production facilities for traditional Chinese medicinal products in Tai Po Industrial Estate, which occupies a GFA of over 10,000sqm and produces products in various forms including pill, tablet and granule. In January 2008, upon the grant of the manufacturer certificate of "Hong Kong Good Manufacturing Practice Guidelines for Proprietary Chinese Medicine by the Chinese Medicine Trader Committee of Chinese Medicine Council of Hong Kong, TRT Chinese Medicine actively arrange for product manufacturing. During the year, its highlight product, Beijing Tong Ren Tang Sporoderm-broken Ganoderma Lucidum Spores Powder Capsules (北京同仁堂破壁靈芝孢子粉膠囊) was successfully launched in both the domestic and overseas markets. The revenue of such product amounted to RMB 11.95 million. As the equipment and technologies become more stabilized, and product research and development further grow, TRT Chinese Medicine will continue to launch new products in addition to increasing the sales of existing products so as to cater for market needs.

MANAGEMENT AND RESEARCH AND DEVELOPMENT

In 2008, the Company further reinforced various aspects of fundamental management. For raw materials procurement, the Company strictly implemented the procurement review system, making annual and quarterly estimates in line with the production plans and sales plans; and made timely adjustments according to the market updates, which effectively ensured the relative stability of the procurement costs of raw material.

In addition, the Company further improved the assessment system of production management. The proposal on adjusting bonus allocation in production base was issued by the Company used the production base in Yi Zhuang for pilot runs. In accordance with the proposal, as the proportion of bonuses to the salaries of production workers was increased, work efficiency and quality of each production segment were directly linked with the bonuses, thus increasing action of the production base on the bonus allocation. The Company will extend such proposal to other production bases after smooth operation of such proposal so as to maximize the incentives of production workers.

For research and development, the Company placed much emphasis on adopting a practical production approach to solve various problems relating to quality and technology in the course of production. During the year, the Company improved the secondary development of Liuwei Dihuang Pills (六味地黃丸) and Isatis Root Grannule(板藍根顆粒), and established the assessment method of isatis root(板藍根) medicinal raw material and its medicinal quality standards; commenced the specific research on Anshen Jiannao Liquor(安神健腦液) and Die Da Pills (跌打丸) and made transitional achievements; and further improved the research on the online quality control system and machine project management in the course of extraction and purification of the traditional Chinese Medicines. Moreover, the research institute accelerated its efforts towards the development of its pipeline products. Many new products were under pre-clinical study or clinical analysis. The new product research will provide the Company with sufficient product reserves for sustainable development.

SALES NETWORK

As a prudent-minded enterprise seeking stable growth, the Company is expanding its sales network step by step.

Currently, the Company has made overseas investments through the establishment of four joint ventures, which located in Malaysia, Canada, Macau Special Administrative Region and Indonesia respectively, namely Peking Tong Ren Tang (M) Sdn. Bhd., Beijing Tong Ren Tang Canada Co., Ltd., Beijing Tong Ren Tang (Macau) Company Limited and Beijing Tong Ren Tang (Indonesia) Company Limited,. Each company commenced its distribution operations. At present, all joint ventures have opened local retail drugstores with good operating conditions.

In 2008, under the unfavorable impacts of the financial crisis and exchange volatility, all staff of the joint ventures made efforts to increase sales in their own capacity. Peking Tong Ren Tang (M) Sdn. Bhd. continued to promote the traditional Chinese medicinal products through organizing health seminars meanwhile actively diversified the individual packages of the traditional Chinese medicinal raw materials and expanded the best-selling products. Beijing Tong Ren Tang (Indonesia) Company Limited marketed the traditional Chinese medicinal products through billboards and advertisements on newspapers and magazines to increase sales. Beijing Tong Ren Tang Canada Co., Ltd. enhanced quality of service through expanding its scope of services including fling for customers to cater for patients' needs and increase customer satisfaction. In 2008, Beijing Tong Ren Tang (Macau) Company Limited relocated its drugstore to the core area in one of the world's cultural heritages, the Historic Centre of Macau, and redesigned the drugstore settings and signboard, highlighting the cultural features of Tong Ren Tang. In September 2008, Beijing Tong Ren Tang (Macau) Company Limited was accredited the "Merchant of Integrity"(誠信店) for the year by the Consumer Council of Macau Special Administrative Region for its quality services. In 2008, the four joint ventures, namely Peking Tong Ren Tang (M) Sdn. Bhd., Beijing Tong Ren Tang Canada Co., Ltd., Beijing Tong Ren Tang (Macau) Company Limited and Beijing Tong Ren Tang (Indonesia) Company Limited achieved a revenue of RMB11,134,400, RMB6,535,600, RMB11,097,200 and RMB4,309,400 respectively. The total revenue amounted to RMB 33,076,600, representing an increase of 4.57% over last year.

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) is a retail drugstore located at Nansanhuan Zhonglu, Fentai District, Beijing. In 2008, it fully leveraged on its own strengths and effectively catered for the market needs through expanding the scope of services and enhancing the standard of services. In particular, it designated pharmacists to station in-store to provide professional guideline on drug use for patients, to provide patients with drug purchase checklist and to provide out of stock registration services. In addition, it launched its mail order business in an effort to serve patients across the regions in the PRC. These measures effectively drove the growth of sales revenue. A revenue of RMB 24,463,800 was recorded for the reporting period, representing a 28.00% increase over last year.

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).

In 2008, each of the production bases enthusiastically carried out the producing, collecting and processing in traditional Chinese medicinal materials. In 2008, the Anhui production base focused on regulated management and made comprehensive improvements in related regulation systems and administrative measures, which defined the details of the terms of reference for different positions and drove the incentives of workers through a sound operating system. In 2008, the production base was accredited as the leading municipal enterprise for agricultural industrialization in Tongling city, Anhui province. In adherence to its efforts in quality control and cost management, the Hebei production base made adjustments to and practiced crop rotation on the sample fields as its plantation structure; and improved the packaging materials or packaging methods of the medicinal raw materials, further lowering the costs of production. Having made new progress in technology and research, the Hubei production base subsequently revised the technology standards including the Regulation on Production Technology of Tuckahoe Cultivation, completed the compilation of related technology information on Tuckahoe cultivation and Tuckahoe patent. Its project on "Regulated Cultivation Research on Local Chinese Medicinal Raw Materials and Sample Production Base Development" was granted the first prize in technology innovation in Hubei province in 2007. The Henan production base strictly monitored and directed the production activities in accordance with the GAP standards requirements to ensure the quality of its raw material cornel (山茱萸)。The Yanbian production base in Jilin province reaped good harvest of platycodon (桔梗) again in line with the technology standard required by the Company.

In 2008, all of these Company's production bases for traditional Chinese medicinal raw materials achieved a sales revenue of RMB 29,912,700. Theses production bases played a key role in securing the supply and quality of Chinese medicinal raw materials required for the Company's products.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group has maintained a sufficient fund and low borrowing balance. As at 31 December 2008, the Group had cash and cash equivalents amounting to RMB258,094,000 (2007: RMB161,800,000) and short-term borrowings of RMB15,000,000 (2007: RMB15,000,000). The borrowings carried an interest rate of 6.723% (2007: 5.913%) per annum.

As at 31 December 2008, the Group had total assets amounting to RMB1,795,182,000 (2007 Restated: RMB1,733,058,000). The funds comprised of non-current liabilities of RMB13,250,000 (2007 Restated: RMB12,250,000), current liabilities of RMB297,027,000 (2007: RMB 313,003,000), shareholders' equity of RMB1,360,392,000 (2007 Restated: RMB 1,284,931,000) and minority interests of RMB124,513,000 (2007: RMB122,874,000).

Capital Structure

There has been no material change in the capital structure of the Group as at 31 December 2008 as compared with that as at 31 December 2007.

Gearing and liquidity ratios

The Group's gearing ratio, the ratio between total borrowings and shareholders' equity (excluding minority interests), was 0.01 (2007: 0.01). The Group's liquidity ratio, the ratio between current assets over current liabilities, was 4.36 (2007: 3.80), reflecting that the Group had abundant financial resources.

Charges over Group's assets

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

Contingent liabilities

Other than those disclosed in the Note g to the consolidated financial statements, the Group had no contingent liabilities as at 31 December 2008 (2007: Nil).

Capital commitments

At as 31 December 2008, the Group had the capital commitments related to constructions of production facilities which had been contracted for but not been reflected in the consolidated financial statements of the Group approximately RMB 480,000 (2007: RMB 748,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Company had 1,740 employees (2007: 1,785 employees). Remunerations are determined by reference to market terms and the performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include Company's contributions to the pension scheme, medical insurance scheme, unemployment insurance scheme, industrial accident insurance scheme, maternity insurance scheme and housing fund.

PROSPECTS

The year of 2009 marks the 340th anniversary of Tong Ren Tang since its establishment. In adherence to the ancient teaching "Not dare to reduce the pharmaceutical processes no matter how complicated, not dare to save raw materials no matter how expensive they would be", the Company will continue the pharmaceutical manufacturing traditions of Tong Ren Tang so as to realize the objectives, of "closely monitoring the market, nurturing growth; leveraging on comparative advantages, sharing resource; strengthening management and control, overcoming risks; gathering talents, and changing perspectives ", which was designed by the Board as key tasks. The Company will also strengthen brand management, specialize in fundamental management, increase competitiveness and adaptability, and maintain healthy, steady and sustainable development of the Company. In 2009, the Company has the following important tasks:

1. Conduct Demand Analysis to Explore Market

The Company will continue to explore market and expand the sales coverage of its major product portfolios to ensure balanced development. For overseas markets, the Company will swiftly launch health products and functional food products tailored to the overseas market in accordance with the respective standards and requirements; and attempt to explore new markets such as Europe and the US. In addition, the Company will continue to monitor closely the updates on national medical reforms and the national basic medicine system to selectively market in key regions, provinces, hospitals and healthcare communities. The Company will also explore potential product portfolios and use prescription drugs as its major products to tap into the hospital market. Capitalizing on the opportunities arising from the launch of national healthcare insurance system, the Company will strengthen the coverage and market share, which is low, in the northwestern region.

2. Consolidate Foundation to Strengthen Management

The Company will take into account the management success in the past in long-term mechanism and continue to strengthen and improve the brand protection system; strictly implement the financial budget approval system and internal control audit system; tighten the system on quality assessment and accountability; and further increase the rate between inputs and outputs of its major product portfolios and strengthen inventory management to lower the costs of production and operation of the Company. The Company will strengthen the management of its subsidiaries through enhance management means; strengthen its control on daily operation through improving the corporate governance structure of its subsidiaries to ensure legal compliance; strengthen internal control, establish and improve the overall control system covering key operations of the Company to reduce operational risks; and recommend and establish a secondary accounting system in all production bases to improve the cost accounting system of the Company.

3. Gather Talents for Sustainable Development

The Company considers that the most effective means to retain talents is to establish a sound corporate culture and a solid human resource system, particularly the provision of extensive career prospects to the staff. The Company will continue to develop its team of professional talents. It will formulate and improve the Reserve Managers System through various means including open recruitment and internal promotion in order to improve and enrich the reserve manager team in a timely manner; and increase regular and orientation training to improve the assessment system. This will help establish the solid foundation for nurturing and selecting a team of young and outstanding talents for reserve managers. At the production bases, the Company will focus to nurture skilled talents and appoint the skilled high-tech worker for key technical positions as the leader. Through the approach “One master teach one apprentice”, the professional skills and operation levels of staff will be significantly enhanced.

OTHER INFORMATION

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 patient. As such, a single type of traditional Chinese medicines 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 medicines, 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 Niuhuang Pills (安宮牛黄丸), 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 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 Niuhuang Pills (安宮牛黄丸), 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. Only one of the products – Angong Niuhuang Pills (安宮牛黄丸) – are manufactured by both the Company and Tong Ren Tang Ltd..

The Directors consider that other than Angong Niuhuang Pills (安宮牛黄丸) 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 Niuhuang Pills (安宮牛黄丸) 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 Niuhuang Pills (安宮牛黄丸). 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 medicines, 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 the development of existing forms of traditional Chinese medicines.

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 and development of new products and the development capability, 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. 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, 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%.

CORPORATE GOVERNANCE REPORT

The board of directors believed that the good and steady frame of corporate governance was extremely important for development of the Company. For the year ended 31 December 2008, the Company complied with all the code provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the GEM Listing Rules.

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 Institute of Certified Public 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, and review the Company’s annual and interim results and relevant filings.

The committee comprises Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan, in which Mr. Ting Leung Huel, Stephen, the Chairman of the Committee, possesses appropriate professional qualification and financial experience.

During the year of 2008, 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, financial position, 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, financial position 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.

The audit committee held a meeting on 27 February 2009 to review and discuss the operating results, financial position, major accounting policies and internal audit matters of the Company for the year ended 31 December 2008 and to listen to the advice provided by auditors. The Committee concurred in the contents of the annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

PUBLICATION OF INFORMATION ON GEM WEBSITE AND COMPANY'S WEBSITE

The Annual Report of the Group, which will contain all the information required by Chapter 18 of the GEM Listing Rules, will be published on the GEM website and company's website on or before 31 March 2009.

By Order of the Board
Tong Ren Tang Technologies Co. Ltd.
Mei Qun
Chairman

Beijing, the PRC,
20 March 2009

As at the date of this announcement, the Board comprises (i) Mr. Mei Qun, Ms. Ding Yong Ling, Mr. Kuang Gui Shen, Mr. Yin Shun Hai and Mr. Wang Quan as executive directors; (ii) Ms. 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.tongrentangkj.com.