



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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR 2009**

**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 increased by approximately 6.07% for the three months ended 31 March 2009 as compared with that for the corresponding period in 2008.
- Net profit attributable to equity shareholders of the Company decreased by approximately 14.07% for the three months ended 31 March 2009 as compared with that for the corresponding period in 2008.
- Earnings per share for profit attributable to equity shareholders of the Company for the three months ended 31 March 2009 was RMB0.29.

## QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Tong Ren Tang Technologies Co., Ltd. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) and its joint ventures for the three months ended 31 March 2009 together with the unaudited comparative figures for the corresponding period in 2008, as follows:

		<b>For the three months ended 31 March</b>	
	<i>Note</i>	<b>2009</b>	2008
		<b>RMB'000</b>	<b>RMB'000</b>
Revenue	3	<b>338,959</b>	319,558
Cost of sales		<u>(180,909)</u>	<u>(182,494)</u>
Gross profit		<b>158,050</b>	137,064
Other gains	4	<b>497</b>	1,180
Distribution costs		<b>(62,764)</b>	(42,117)
Administrative expenses		<u>(27,129)</u>	<u>(26,639)</u>
Operating profit		<b>68,654</b>	69,488
Finance costs	5	<u>(324)</u>	<u>(3,306)</u>
Profit before income tax	6	<b>68,330</b>	66,182
Income tax expense	7	<u>(10,289)</u>	<u>(17,660)</u>
Profit for the period		<u><b>58,041</b></u>	<u>48,522</u>
Attributable to:			
Equity holders of the Company		<b>57,707</b>	50,588
Minority interest		<u>334</u>	<u>(2,066)</u>
		<u><b>58,041</b></u>	<u>48,522</u>
Earnings per share for profit attributable to equity holders of the Company during the period	8	<u><b>RMB0.29</b></u>	<u>RMB0.26</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. ("Tong Ren Tang Holdings"), incorporated in Beijing, the PRC.

**2. PRINCIPAL ACCOUNTING POLICIES**

The accompanying unaudited 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 2008.

**3. REVENUE**

	<b>For the three months ended 31 March</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Sales of medicine:		
— Domestic	<b>325,463</b>	314,897
— Overseas	<b>13,496</b>	4,661
	<b>338,959</b>	319,558

**4. OTHER GAINS**

	<b>For the three months ended 31 March</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Interest income	<b>497</b>	1,180

## 5. FINANCE COSTS

	For the three months ended 31 March	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Interest expenses	236	224
Exchange change loss	88	3,082
	<u>324</u>	<u>3,306</u>

## 6. PROFIT BEFORE INCOME TAX

Profit before income tax was arrived after charging the following:

	For the three months ended 31 March	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Depreciation of property, plant and equipment	<u>11,391</u>	<u>11,612</u>

## 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 Article 4 of the New Income Tax Law, the rate of the 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 taxes 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%.

As of 31 March 2009, the Company has obtained the High/New Technology Enterprise (HNTE) Certificate. Consequently, the applicable income tax rate of the Company in 2009 is 15% pursuant to the New Income Tax Law, while during the corresponding period in 2008, the Company prepaid the income tax at a rate of 25% on a provisional basis since the Company had not been re-approved as the High/New Technology Enterprise.

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 earnings per share for the three months ended 31 March 2009 was based on the profit attributable to equity shareholders of the Company of approximately RMB57,707,000 (2008: RMB50,588,000) divided by the weighted average number of shares issued during the period of 196,000,000 shares (2008: 196,000,000 shares).

The Company had no potential dilutive shares for the three months ended 31 March 2009 (2008: Nil).

## INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2009 (2008: Nil).

## RESERVES

There was no movement of reserves for the relevant periods in 2009 and 2008 except those disclosed as below:

	<b>Retained earnings</b>	
	<b>For the three months ended 31 March</b>	
	<b>2009</b>	<b>2008</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Balance as of 1 January	<b>541,657</b>	463,874
Final dividends declared	<b>(78,400)</b>	(78,400)
	<b>463,257</b>	385,474
Net profit for the three months ended 31 March	<b>57,707</b>	50,588
Balance as of 31 March	<b>520,964</b>	436,062

## BUSINESS REVIEW

In 2009, in view of the keen market competition, the Company strengthens its network construction and distribution capacity based on its principles of “profit-oriented operation, effective control on cash flow, strong focus on products and objective to maintain a stable and orderly market” so as to enlarge its market share. The production and operation during the first quarter of 2009 were stable, facilitating favourable development in all business segments. Sales revenue and net profit both met the assigned objective of the Company. As at 31 March 2009, the Company’s sales revenue amounted to RMB338,959,000, representing an increase of approximately 6.07% over last year. Profit before income tax amounted to RMB68,330,000, representing a growth of 3.25% over last year. Profit attributable to the equity shareholders of the Company amounted to RMB57,077,000, representing an increase of 14.07% over last year. The Company paid income tax at a rate of 15% for the first quarter of 2009, while the income tax prepaid for the corresponding period in 2008 was calculated at a rate of 25%.

During the period under review, the Company endeavoured to expand and develop its distribution system. A stringent control on the prices of major products was implemented with an attempt to stabilize and adjust the order of the market. By adopting innovative marketing strategies, the Company boosted the sales volume of its mainstream products and explored the sales potential of other products with an aim of further developing its key markets while focusing on other non-core sales regions. All sales channels were fully utilized and various small-scale promotional fairs were organized, and the results were satisfactory.

In addition, the Company adopted a series of measures to control its production and operation procedures, including the centralization of resources, the strengthening of planning and coordination, the discontinuation of businesses with unsatisfactory results and the remedy for any inadequacy. All business segments reinforced the production management. The production-to-order system was further upgraded for certain products such as the major products and medical products. With respect to the inventory control and management, the inventory level was monitored from time to time. The production schedules would be adjusted immediately upon the report from the marketing department of its feedback on the changes in the market. The schedules of production and supply would also be modified after taking into account the production cycle, seasonal factors and marketing efforts. Precautions can thus be taken to facilitate a more flexible, reasonable and efficient allocation of resources. As a result, the output as well as the economic effectiveness can be further enhanced, hence leading to a balanced growth in sales

Apart from Liuwei Dihuang Pills (六味地黃丸) series which recorded a 9.27% decrease in sales as compared to the corresponding period last year, the sales of major products of the Company such as Niu Huang Jiedu tablets (牛黃解毒片) series and Ganmao Qingre Grannule (感冒清熱顆粒) series grew by 17.57% and 12.69% respectively during the first quarter, as compared to the corresponding period last year. Benefiting from the development strategies, there was a remarkable growth of more than 20% in the revenue of some other series including Jingui Shenqi Pills (金匱腎氣丸) series, Xihuang Pills (西黃丸) series, Zhibai Dihuang Pills (知柏地黃丸) Series, Qiju Dihuang Pills (杞菊地黃丸) series and E Jiao (阿膠) series.

## **PROSPECTS**

In 2009, the magnitude of the consolidation of pharmaceutical industry will enlarge and more pharmaceutical policies will be promulgated. It is necessary for the upstream pharmaceutical enterprises in the medical market to actively capture the opportunities brought by the medical reform while keeping their pace when facing new challenges. On the one hand, with the implementation of the national basic medicine system, the gross profit margin of products by certain high-end medical manufacturers with more extensive sales network and higher brand recognition will shrink due to the restriction on pricing if such products are included in the list of basic medicines. However, if medical products with lower gross profit margin and inadequate sales capacity are included in the list of basic medicines, their net profit will increase due to the decline in marketing expenses. The growth in pharmaceutical market demand promoted under the new medical reform policies will be mostly apportioned among those pharmaceutical enterprises with higher competitiveness. With respect to the Company, it is foreseeable that the Company will have to face keen competition among strong rivals and the trend of industrial consolidation in the next few years. On the other hand, the requirements of “giving a full play to Chinese medicines” as expressly stipulated in the new medical reform policies reflect the change of mindset of the government. The focus of national healthcare is placed on the prevention of diseases and the thought of “Preventive Treatment” in Chinese medicine becomes an important direction in the new medical reform. Moreover, the objective of extending the basic medical insurance system to cover rural residents by 2011 will also accelerate the market demand in the Chinese medical industry, generating unprecedented opportunities to Chinese medical enterprises.

In 2009, the Company will continue to seize every opportunity, minimize the waste of resources and upgrade the examination and assessment standard, to further optimize the sales network and channels and to create new businesses with growth potentials. The Company will strengthen its presence in developed markets and maintain the sustainability of market development by organizing themed marketing campaigns in various forms. In addition, the Company will adjust and modify the relevant management systems and indicators such as the customer assessment system, the risk rating standard and the provision of credit facilities by working out its principles of “profit-oriented operation and effective control on cash flow” so as to prevent from the risks of operation.

## **CORPORATE GOVERNANCE**

For the three months ended 31 March 2009, the Company complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the GEM.

### **Audit Committee**

Up to the date of this report, one meeting had been conducted by the audit committee in 2009. The meeting was held on 27 February 2009 to review and discuss the operating results, financial position, major accounting policies and internal audit issues of the Company for the year ended 31 December 2008 and to take advice from auditors.

The audit committee has reviewed the first quarterly report of 2009. The audit committee concluded the meeting with agreement to the contents of the quarterly report.



## OTHER INFORMATION

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

As at 31 March 2009, 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, were as follows:

#### Long positions in shares

##### The Company

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

*Note: All represented domestic shares.*

##### Beijing Tong Ren Tang Company Limited ("Tong Ren Tang Ltd.")

Names	Type of interests	Capacity	Number of shares (Note)	Percentage of total registered share capital
Mr. Yin Shun Hai	Personal	Beneficial Owner	46,620	0.009%
Mr. Mei Qun	Personal	Beneficial Owner	37,297	0.007%
Mr. Kuang Gui Shen	Personal	Beneficial Owner	27,240	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 31 March 2009, 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 31 March 2009, the following persons (other than the directors and chief executives of the Company) had interests and short positions or shares in a lending pool in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Percentage of domestic shares	Percentage of H shares	Percentage of total registered share capital
Tong Ren Tang Ltd.	Beneficial owner	100,000,000	92.013%	–	51.020%
Tong Ren Tang Holdings (Note 2)	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 (Note 3)	Investment Manager	1,197,000(L)	–	1.371%	0.611%
Hamon U.S. Investment Advisors Limited (Note 3)	Investment Manager	2,852,000(L)	–	3.266%	1.455%
Hamon Investment Management Limited (Note 3)	Investment Manager	1,000,000(L)	–	1.145%	0.510%
The Hamon Investment Group Pte Limited (Note 3)	Interest of a controlled corporation	5,049,000(L)	–	5.782%	2.576%
Atlantis Investment Management Ltd	Investment Manager	6,792,000(L)	–	7.778%	3.465%
Templeton Asset Management Ltd	Investment Manager	5,244,000(L)	–	6.025%	2.676%
JPMorgan Chase & Co.	Investment Manager	6,200,000(L)	–	7.100%	3.163%
		6,200,000(P)	–	7.100%	3.163%

Notes:

- (1) (L) – Long position, (S) – Short position, (P) – Lending pool
- (2) Such shares were held through Tong Ren Tang Ltd.. As at 31 March 2009, Tong Ren Tang Ltd. was owned as to 55.24% by Tong Ren Tang Holdings. According to Part XV of the SFO, Tong Ren Tang Holdings is deemed to be interested in the 100,000,000 shares held by Tong Ren Tang 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 31 March 2009, 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, a single type of traditional Chinese medicine usually has several curative effects, some of which may be similar to those of other products with different names or types. Given this nature of traditional Chinese medicine, there may be a 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 by the Company, the Company will continue to manufacture and sell Angong Niu Huang Pills (安宮牛黃丸). Save as mentioned herein, the directors confirm that none of 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 the 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 favourable than that originally offered to the Company. Failing which the Company should be given an opportunity to re-consider the option under the new terms. The above undertaking would no longer be valid in the event that the direct or indirect aggregate shareholdings of Tong Ren Tang Holdings or Tong Ren Tang Ltd. in the Company falls below 30%.

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

During the period ended 31 March 2009, the Company has not purchased, sold or redeemed any of the Company's listed shares.

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

Beijing, the PRC  
28 April 2009

*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 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>.*