



**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 2006**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE  
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*This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

- Sales increased by approximately 2.99% for the three months ended 31 March 2006 as compared with the corresponding period in 2005.
- Profit attributable to equity shareholders of the Company decreased by approximately 8.62% for the three months ended 31 March 2006 as compared with the corresponding period in 2005.
- Earnings per share for profit attributable to equity shareholders of the Company for the three months ended 31 March 2006 was RMB0.31.

## 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 2006 together with the unaudited comparative figures for the corresponding period in 2005, as follows:

		For the three months ended 31 March	
		2006	2005
	Notes	RMB'000	RMB'000
Sales	2	312,940	303,862
Cost of sales		(174,437)	(160,093)
Gross profit		138,503	143,769
Other gains	3	911	188
Distribution costs		(48,453)	(51,828)
Administrative expenses		(24,358)	(25,047)
Operating profit		66,603	67,082
Finance costs	4	(1,139)	(1,386)
Profit before income tax	5	65,464	65,696
Income tax expense	6	(10,133)	(4,287)
Net profit		<u>55,331</u>	<u>61,409</u>
Attributable to:			
Equity holders of the Company		56,090	61,378
Minority interests		(759)	31
		<u>55,331</u>	<u>61,409</u>
Earnings per share for profit attributable to equity shareholders of the Company	7	<u>RMB0.31</u>	<u>RMB0.34</u>

Notes:

## 1. Basis of presentation

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., incorporated in Beijing, the PRC.

The accompanying unaudited consolidated results 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 2005.

## 2. Sales

	For the three months ended 31 March	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of medicine:		
Domestic	304,300	300,914
Overseas	8,640	2,948
	<u>312,940</u>	<u>303,862</u>

## 3. Other gains

	For the three months ended 31 March	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	<u>911</u>	<u>188</u>

## 4. Finance costs

	For the three months ended 31 March	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank loans repayable within 5 years	1,067	1,089
Exchange loss	72	297
	<u>1,139</u>	<u>1,386</u>

## 5. Profit before income tax

Profit before income tax was determined after charging the following:

	For the three months ended 31 March	
	2006	2005
	RMB'000	RMB'000
Depreciation of property, plant and equipment	<u>10,663</u>	<u>6,591</u>

## 6. Income tax expense

Pursuant to the relevant regulations of the PRC, the applicable income tax rate for the Company is 15%.

With the approval from the Beijing Economic and Technological Development Zone Local Tax Bureau (Document Jingdishuikaijianmianfa [2000] No. 23), the Company was entitled to an exemption from Enterprise Income Tax (“EIT”) for the first three years from its commencement of operations and a 50% reduction for the three years thereafter, on a condition that an amount equal to the EIT exemption or reduction from 15% had to be appropriated to a non-distributable tax reserve. The exemption and reduction started from 2000 and expired in 2005.

For the three months ended 31 March 2006, the applicable income tax rate for the Company was 15%, without any tax relief. For the corresponding period in 2005, an amount equal to EIT exempted amounting to approximately RMB4,962,000 was transferred to the tax reserve.

The reconciliation of the tax expense of the Group is as follows:

	For the three months ended 31 March	
	2006	2005
	RMB'000	RMB'000
Accounting profit	<u>65,464</u>	<u>65,696</u>
Tax rate	15.48%	14.08%
EIT at tax rate	10,133	9,249
Effect of tax benefits of being a High-Technology Enterprise	—	(4,962)
Income tax expense	<u>10,133</u>	<u>4,287</u>

Except for the Company and Beijing Tong Ren Tang Hebei Chinese Medicinal Raw Materials Technologies Co., the provision for PRC current income tax is based on the statutory rate of 33% of the assessable income of each of the companies and enterprises now comprising the Group as determined in accordance with the relevant PRC income tax rules and regulations for the periods ended 31 March 2006.

Foreign entities are subject to income tax as required by tax laws of countries where those entities operate.

## 7. Earnings per share

The calculation of the earnings per share for the three months ended 31 March 2006 was based on the profit attributable to equity shareholders of the Company of approximately RMB56,090,000 (2005: RMB61,378,000) divided by the weighted average number of shares issued during the period of 182,800,000 shares (2005: 182,800,000 shares).

The Company had no potential dilutive shares for the three months ended 31 March 2006 (2005: Nil).

## INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2006 (2005: Nil).

## MOVEMENT OF RESERVES

There was no movement of reserves for the relevant periods in 2006 and 2005 except those disclosed as below:

	Tax reserve		Retained profits	
	2006	2005	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balances as of 1 January	<b>102,043</b>	82,487	<b>343,427</b>	250,865
Final dividend declared	—	—	<b>(84,088)</b>	(84,088)
	<b>102,043</b>	82,487	<b>259,339</b>	166,777
Net profit for the three months ended 31 March	—	—	<b>56,090</b>	61,378
Appropriation to reserve ( <i>See Note 6 above</i> )	—	4,962	—	(4,962)
Balances as of 31 March	<b>102,043</b>	<b>87,449</b>	<b>315,429</b>	<b>223,193</b>

## BUSINESS REVIEW

In 2006, according to the management target “hardship and consolidation” set by the Board, the Company stuck to our major two themes of “reform” and “management,” and firmly adhered to the requirements of “emphasizing on profit and focusing on cash flow.” The Company confirmed the guiding principle of establishing a cost saving and highly efficient enterprise that focuses on exploring income sources and saving costs, and firmly adhered to the objectives of enhancing revenue and saving cost in performing our work in order to further improve the profitability and management level of the Company. In the period ended 31 March 2006, the Company reported an turnover of RMB312,940,000, representing an increase of 2.99% as compared with the figure for the corresponding period of last year; pre-tax profit of RMB65,464,000, representing a decrease of 0.35% as compared with the corresponding period of last year; profit attributable to the shareholders of the Company of RMB56,090,000, representing a decrease of 8.62% as compared with the corresponding period of last year. The decrease of profit attributable to the shareholders of the Company is attributable to the end of the preferential treatment of income tax enjoyed by the Company in 2005.

During the period and for the work of marketing, the Company aimed at changing its operation model, strengthening network construction of various levels, the construction of product portfolio, maintaining the operation of channels, optimizing the process of management and enhancing the Company's overall marketing ability. The Company also intended to base its marketing on the existing sales network to strengthen the overall planning of marketing work and the establishment, maintenance and administration of terminal network. For this purpose, the Company further adjusted the structure of its marketing division by setting up a specialized Market Department in charge of the establishment and maintenance of retail terminal network and the marketing and promotion of the products. The Market Department operated in Tianjin, Shijiazhuang, Chongqing, Jinan, Xian, etc. as priorities for trial, trained and organized OTC terminal marketing teams and strengthened the promotion of terminal pharmacies in order to foster consumption demand effectively.

The Company focused on standardizing the sales behavior of distributors, strengthening the market monitoring and maintaining good market order for the sales of key products in the first quarter. The Company continued to consolidate the building of product portfolio and focused on the promotion of products with market potential by way of various forms of promotion activities. Though the total sales of the series of Liuwei Dihuang Pill, Niuhuang Jiedu Tablet and Ganmao Qingre Granule decreased slightly as compared with the first quarter of the previous year, the sales of some other kinds rose substantially. The products whose sales rose substantially were the series of Zhibai Dihuang Pill, Xihuang Pill, Banlangen Granule, etc. The sales of these products all increased over 20% as compared with the corresponding period of the previous year.

The Company continued to improve the overall production structure, to strengthen its control on direction and deployment of production, and optimize the system of production and management and fully capitalized the advantages of technology and equipment. The Company also strengthened the all-process management of costs and expenses of production to find out potential in the rate of utilization of equipment, the rate of utilization of working hours, the ability to act in response to emerging events so as to take advantage of scale of economies and to increase the overall production capacity of the Company.

According to the guiding principle of building a cost-saving enterprise, the Company strengthened the budget management of costs and expenses, implemented strict system of approving and managing the funds outside the budget. The Company strengthened the budgeting management and auditing of sales costs and the management of raw material procurement and further optimized the structure of raw materials inventories.

## **PROSPECTS**

In 2006, the Company will continue aim at achieving at consistent and steady growth by fully capitalizing on the advantages of its own technologies, products and quality and its brand name Tong Ren Tang and striving for the increase of the market share of the Company's products.

The Company will continue to improve marketing model, standardize market operation order and strive for ensuring the steady growth of key products; make more efforts to develop the competitive products with market potential to obtain the market share so as to lay a foundation for the future sustainable growth; to strengthen internal control, to arrange rational equipment of resources and reduce costs and expenses in order to further enhance the quality of operation and profitability of the Company.

## OTHER INFORMATION

As at 31 March 2006, 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**

<b>Names</b>	<b>Type of interests</b>	<b>Capacity</b>	<b>Number of shares (Note)</b>	<b>Percentage of domestic shares</b>	<b>Percentage of total registered share capital</b>
Mr. Yin Shun Hai	Personal	Beneficial Owner	500,000	0.455%	0.274%
Mr. Mei Qun	Personal	Beneficial Owner	500,000	0.455%	0.274%
Mr. Zhao Bing Xian	Personal	Beneficial Owner	5,000,000	4.546%	2.735%

*Note:* All represented domestic shares.

#### **Tongrentang Ltd.**

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

*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	0.500%
Mr. Mei Qun	Personal	Beneficial Owner	78,000	1.000%
Ms. Ding Yong Ling	Personal	Beneficial Owner	39,000	0.500%

Save as disclosed above, as at 31 March 2006, 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 2006, 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	90.909%	–	54.705%
Tongrentang Holdings (Note 1)	Interest of a controlled corporation	100,000,000	90.909%	–	54.705%
	Beneficial owner	2,900,000	2.636%	–	1.586%
First State Investments (Hong Kong) Limited (Note 2)	Investment manager	9,484,000	–	13.027%	5.188%
First State (Hong Kong) LLC (Note 2)	Interest of a controlled corporation	9,484,000	–	13.027%	5.188%
First State Investments (Bermuda) Ltd (Note 2)	Interest of a controlled corporation	9,484,000	–	13.027%	5.188%
First State Investment Managers (Asia) Ltd (Note 2)	Interest of a controlled corporation	9,484,000	–	13.027%	5.188%
Colonial First State Group Ltd (Note 2)	Interest of a controlled corporation	9,484,000	–	13.027%	5.188%
The Colonial Mutual Life Assurance Society Ltd (Note 2)	Interest of a controlled corporation	9,484,000	–	13.027%	5.188%
Commonwealth Insurance Holdings Limited (Note 2)	Interest of a controlled corporation	9,484,000	–	13.027%	5.188%
Colonial Holding Company (No.2) Pty Limited (Note 2)	Interest of a controlled corporation	9,484,000	–	13.027%	5.188%
Colonial Holding Company Pty Ltd (Note 2)	Interest of a controlled corporation	9,484,000	–	13.027%	5.188%
Colonial Ltd (Note 2)	Interest of a controlled corporation	9,484,000	–	13.027%	5.188%
Commonwealth Bank of Australia (Note 2)	Interest of a controlled corporation	9,484,000	–	13.027%	5.188%
Fidelity International Limited	Investment manager	7,387,000	–	10.147%	4.041%

*Notes:*

- (1) Such shares were held through Tongrentang Ltd. As at 31 March 2006, 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.
- (2) Commonwealth Bank of Australia owns 100% of Colonial Ltd. Colonial Ltd owns 100% of Colonial Holding Company Pty Ltd. Colonial Holding Company Pty Ltd owns 100% of Colonial Holding Company (No.2) Pty Limited. Colonial Holding Company (No.2) Pty Limited owns 100% of Commonwealth Insurance Holdings Limited. Commonwealth Insurance Holdings Limited owns 100% of The Colonial Mutual Life Assurance Society Ltd. The Colonial Mutual Life Assurance Society Ltd owns 100% of Colonial First State Group Ltd. Colonial First State Group Ltd owns 100% of First State Investment Managers (Asia) Ltd. First State Investment Managers (Asia) Ltd owns 100% of First State Investments (Bermuda) Ltd. First State Investments (Bermuda) Ltd owns 100% of First State (Hong Kong) LLC. First State (Hong Kong) LLC owns 100% of First State Investments (Hong Kong) Limited. Accordingly, Commonwealth Bank of Australia, Colonial Ltd, Colonial Holding Company Pty Ltd, Colonial Holding Company (No.2) Pty Limited, Commonwealth Insurance Holdings Limited, The Colonial Mutual Life Assurance Society Ltd, Colonial First State Group Ltd, First State Investment Managers (Asia) Ltd, First State Investments (Bermuda) Ltd and First State (Hong Kong) LLC are deemed by Part XV of the SFO to be interested in the 9,484,000 shares held by First State Investments (Hong Kong) Limited.

Save as disclosed above, as at 31 March 2006, 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 Beijing Tongrentang Company Limited (“Tongrentang Ltd.”) and China Beijing Tong Ren Tang Group Co. Ltd. (“Tongrentang Holdings”)

The curative effects of Chinese medicine are brought about by not only treating the symptoms of the disease, but also treating and regulating other implicit problems of the body which may have a direct or indirect influence on the explicit symptoms. As such, the curative effects of Chinese medicine are usually very broad. The proper medicine is selected with reference to a number of variables such as the patient’s state of illness, gender, age and constitution, the occurring season of the disease and its curative effects on the implicit problems of the patient. As such, any particular type of Chinese medicine usually has several curative effects, some of which may be in common with those of other products under different names. Given this nature of Chinese medicine, there may exist direct competition between the products of the Company and those of Tongrentang Holdings and Tongrentang Ltd.

The Company, Tongrentang Ltd. and Tongrentang Holdings are all engaged in the manufacturing of Chinese Patent Medicine. Their businesses are delineated in accordance with their differences in focus on the forms of medicine they produce. Tongrentang Ltd. mainly produces Chinese Patent Medicine in traditional form such as large pill, powder, ointment, pellet 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. Tongrentang Ltd.’s main products include Angong Niu Huang Pills (安宮牛黃丸), Tongren Wuji Baifen Pills (同仁烏雞白鳳丸), Tongren Dahuolo Pills (同仁大活絡丸) and Guogong Wine (國公酒).

In order to ensure that the business delineation between the Company and Tongrentang Holdings and Tongrentang Ltd. are properly documented and formalized, pursuant to an undertaking dated 19 October 2000 given by Tongrentang Holdings and Tongrentang Ltd. in favor of the Company (“October Undertaking”), Tongrentang Holdings and Tongrentang Ltd. undertook that, except for Angong Niuhuang Pills (安宮牛黃丸), Tongrentang Holdings, Tongrentang Ltd. and their respective subsidiaries would not produce any common products of the same names or under the same names with different forms that may compete directly with those of the Company in the future.

Both the Company and Tongrentang Ltd. produce Angong Niuhuang Pills (安宮牛黃丸). The Directors consider that, except for Angong Niuhuang Pills (安宮牛黃丸) produced by the Company and Tongrentang Ltd., there is no other direct competition among the Company, Tongrentang Ltd. and Tongrentang Holdings. The Directors consider that as Angong Niuhuang Pills (安宮牛黃丸) only represents a small percentage of Company’s turnover and is not one of the major forms of medicine for development after the listing of the Company, the Company will continue to manufacture and sell Angong Niuhuang Pills (安宮牛黃丸). Save as mentioned herein, the Directors confirm that no other products of the Company have any direct competition with Tongrentang Ltd. or Tongrentang Holdings.

## **FIRST RIGHT OF REFUSAL**

Although the Company, Tongrentang Ltd. and Tongrentang Holdings all engage in the business of production, manufacturing and sale of Chinese medicine, the principal products by each of these companies are different. It had been decided that the Company would concentrate on new forms of products which were believed to be more competitive against western pharmaceutical products while Tongrentang Ltd. and Tongrentang Holdings would continue to focus on developing existing traditional forms of products.

To provide for the Company’s focus on developing the four major forms of products (namely, granules, pills, tablets and soft capsules), pursuant to the October Undertaking, Tongrentang Holdings and Tongrentang Ltd. have granted to the Company a first right of refusal to manufacture and sell any of the new products developed by Tongrentang Holdings, Tongrentang Ltd. or any of their respective subsidiaries and which belong to one of the four main forms of the Company. Once the first right of refusal is exercised, both Tongrentang Ltd. and Tongrentang 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 Tongrentang Holdings, Tongrentang Ltd. or their respective subsidiaries, and such new product falls into one of the major forms of the Company, the Company will be entitled to manufacture such new product and Tongrentang Holdings, Tongrentang 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 Tongrentang Ltd. and Tongrentang Holdings would support the Company in its development of the four major forms of products in the future.

In order for the Company to have an independent review in deciding whether to proceed with the research and development of new products, the Company confirms that one of the independent non-executive Directors is a reputable person in the Chinese medicine industry and will determine whether to exercise the first right of refusal granted by Tongrentang Holdings or Tongrentang Ltd. to develop any proposed new products which belong to one of the major forms (namely, granules, pills, tablets and soft capsules) of the Company. In the event that the Company refuses the first right of refusal offered by Tongrentang Ltd. and/or Tongrentang Holdings, terms of the option to be offered to independent third party should not be more favourable than that originally offered to the Company. Otherwise, the Company should be given the 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 Tongrentang Holdings or Tongrentang Ltd. in the Company falls below 30%.

## **AUDIT COMMITTEE**

Up to the date of this announcement, the audit committee has conducted one meeting in 2006. The meeting was held on 3 March 2006 in which the committee has discussed the operating results, statements of affairs, major accounting policies and internal audit issues of the Company for the year ended 31 December 2005 and listened to the advice provided by auditors.

The audit committee has reviewed the first quarterly report of 2006.

## **CORPORATE GOVERNANCE**

For the three months ended 31 March 2006, 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.

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

During the period ended 31 March 2006, 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.**  
**Yin Shun Hai**  
*Chairman*

Beijing, the PRC  
25 April 2006

As at the date of this announcement, the board of director of the Company comprises Mr. Yin Shun Hai, Mr. Mei Qun, Ms. Ding Yong Ling and Mr. Bi Jie Ping as executive directors; Mr. Zhao Bing Xian as non-executive director; 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 "Latest Company Announcement" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its publication.*