



Tong Ren Tang Technologies Co. Ltd.

北京同仁堂科技发展股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8069)



Third Quarterly Report **2006**



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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

- Revenue decreased by approximately 8.69% for the nine months ended 30 September 2006 as compared with that for the corresponding period in 2005.
- Net profit attributable to equity shareholders of the Company decreased by approximately 14.29% for the nine months ended 30 September 2006 as compared with that for the corresponding period in 2005.
- Earnings per share for profit attributable to equity shareholders of the Company for the nine months ended 30 September 2006 was RMB0.823.



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 nine months ended 30 September 2006 together with the unaudited comparative figures for the corresponding period in 2005, as follows:

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Revenue	3	835,579	915,144	205,573	208,490
Cost of sales		(459,862)	(483,508)	(112,714)	(99,626)
Gross Profit		375,717	431,636	92,859	108,864
Other gains, net	4	2,320	953	563	543
Distribution costs		(127,450)	(165,401)	(39,126)	(41,308)
Administrative expenses		(71,769)	(72,952)	(22,436)	(20,095)
Profit from operations		178,818	194,236	31,860	48,004
Financial costs	5	(3,419)	(4,460)	(1,139)	(2,413)
Profit before income tax	6	175,399	189,776	30,721	45,591
Income tax expense	7	(27,161)	(13,518)	(4,932)	(3,308)
Profit for the period		<u>148,238</u>	<u>176,258</u>	<u>25,789</u>	<u>42,283</u>
Attributable to:					
Equity holders of the Company		150,390	175,460	26,818	41,721
Minority interests		(2,152)	798	(1,029)	562
		<u>148,238</u>	<u>176,258</u>	<u>25,789</u>	<u>42,283</u>
Earnings per share for profit attributable to equity shareholders of the Company	8	<u>RMB0.823</u>	<u>RMB0.960</u>	<u>RMB0.147</u>	<u>RMB0.228</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. ("Tongrentang 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 2005.

3. Revenue

	For the nine months ended 30 September		For the three months ended 30 September	
	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Sales of medicine:				
Domestic	806,621	900,875	193,463	205,545
Overseas	28,958	14,269	12,110	2,945
	<u>835,579</u>	<u>915,144</u>	<u>205,573</u>	<u>208,490</u>

4. Other Gains – Net

	For the nine months ended 30 September		For the three months ended 30 September	
	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Interest income	<u>2,320</u>	<u>953</u>	<u>563</u>	<u>543</u>



5. Finance costs

	For the nine months ended 30 September		For the three months ended 30 September	
	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Interest expenses	3,529	3,523	1,141	1,475
Exchange loss (gain)	(110)	937	(2)	938
	<u>3,419</u>	<u>4,460</u>	<u>1,139</u>	<u>2,413</u>

6. Profit before income tax

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

	For the nine months ended 30 September		For the three months ended 30 September	
	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Depreciation of property, plant and equipment	<u>30,281</u>	<u>21,799</u>	<u>9,723</u>	<u>8,588</u>

7. 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 nine months ended 30 September 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 RMB14,138,000 was transferred to the tax reserve.

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

	For the nine months ended 30 September		For the three months ended 30 September	
	2006	2005	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accounting profit	175,399	189,776	30,721	45,591
Tax rate	15.49%	14.57%	16.05%	14.36%
EIT at tax rate	27,161	27,656	4,932	6,549
Effect of tax benefits of being a HTE	–	(14,138)	–	(3,241)
Income tax expense	<u>27,161</u>	<u>13,518</u>	<u>4,932</u>	<u>3,308</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 30 September 2006.

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

8. Earnings per share

The calculation of the earnings per share for the nine months ended 30 September 2006 was based on the profit attributable to equity shareholders of the Company of approximately RMB150,390,000 (2005: RMB175,460,000) 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 nine months ended 30 September 2006 (2005: Nil).



INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2006 (2005: Nil).

RESERVES

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

	For the nine months ended 30 September			
	Tax reserve		Retained profits	
	2006	2005	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance as of 1 January	102,043	82,487	343,427	250,865
Final dividend declared	–	–	(84,088)	(84,088)
	<u>102,043</u>	<u>82,487</u>	<u>259,339</u>	<u>166,777</u>
Net profit for the three months ended 31 March	–	–	56,090	61,378
Appropriation to reserve	–	4,962	–	(4,962)
	<u>102,043</u>	<u>87,449</u>	<u>315,429</u>	<u>223,193</u>
Net profit for the three months ended 30 June	–	–	67,482	72,361
Appropriation to reserve	–	5,935	–	(5,935)
	<u>102,043</u>	<u>93,384</u>	<u>382,911</u>	<u>289,619</u>
Net profit for the three months ended 30 September	–	–	26,818	41,721
Appropriation to reserve	–	3,241	–	(3,241)
	<u>102,043</u>	<u>96,625</u>	<u>409,729</u>	<u>328,099</u>

Business Review

In line with the management target “perseverance and consolidation” set by the Board, the Company focused on the two main subjects of “reform” and “management”, and adhered to the principle of “emphasis on profitability and cash flow”. The Company upheld the guiding principle of realizing a cost effective and highly efficient enterprise by means of tapping resources and saving costs, and further improved the profitability and management of the Company. As at 30 September 2006, sales revenue of the Company amounted to RMB835,579,000, representing a decrease of 8.69% as compared with that for the corresponding period of 2005. The decrease in sales revenue was due to standardizing agents’ sales behaviour in order to tackle the fierce market competition by keeping order in the market. Pre-tax profit was RMB175,399,000, representing a decrease of 7.58% as compared with that for the corresponding period of 2005. The decrease in pre-tax profit was due to the increase in costs such as raw materials and supplementary materials along with decrease in sales revenue of the Company. Profit attributable to equity holders of the Company was RMB150,390,000 representing a decrease of 14.29% as compared with that for the corresponding period of 2005. The decrease in profit attributable to equity holders of the Company was due to the termination of profit tax benefits enjoyed by the Company in 2005.

During the reporting period, the Company further standardized and perfected the existing marketing network formed by agents, regional distributors and retail terminals by special arrangement. It tightened the control over agents, standardized the sales behaviour of agents, maintained the operation order and in particular, tightened the control over the dominating products. The Company was active in expanding the end-user market, participating in the tenders of medical organizations of different levels, and striving to increase the market share of the Company’s products. The Market Department continued to develop and maintain the end-user market in the cities for trial. On the basis of establishing the system, recruiting OTC representatives, forming direct sales teams and perfecting the files of pharmacies, end-user market research and direct sales, the Company selected one to two products for sale by means of direct selling in the third quarter so as to effectively enhance the reputation and market share for the Company’s products in the end-user market.



From the first quarter to the third quarter of 2006, the market competition further intensified for product items produced concurrently by a number of other manufacturers, as a result, the sales of products like Liuwei Dihuang Pill Series (六味地黄丸系列), Niu Huang Jie Du Tablet Series (牛黄解毒片) and Ganmao Qingre Granule Series (感冒清热颗粒系列) decreased as compared with that for the corresponding period of 2005. So the Company continued to strengthen the construction of product portfolio and enhanced the promotion of products with market potential. Based on products' features, different forms of marketing campaigns were selected. The sales of some series including Banlangen Granule (板蓝根颗粒), Qiju Dihuang Pill (杞菊地黄丸), Xihuang Pill (西黄丸) and Jiawei Xiaoyao Pill (加味逍遥丸) increased as a result of the product portfolio construction strategies.

The Company continued to strictly manage the costs budgeting. With the devotion of different aspects like procurement, production, sales, quality and employees, the Company strived to control the variable costs and refined the cost standard so as to further raise the economy operating quality. In order to keep strengthening the basic management work and improving the achievement assessment, the Company, in the third quarter, further improved the appraisal system, strengthened the monthly evaluation system among the management and production staff, standardized the duty standard of the management staff and effectively fostered their enthusiasm and creativity.

PROSPECTS

From the first quarter to the third quarter of 2006, the sales and profit of the Company decreased as compared with that for the corresponding period of 2005. In the fourth quarter, the Company will continue to enhance its quality of operations by focusing on the two main subjects of “reform” and “management” and by adhering to the principle of “emphasis on profitability and cash flow”.

The Company will keep expanding the network construction both horizontally and vertically. It will also consolidate the marketing rationale of all the staff members, strengthen the end-user market expansion and increase the market share of the products in the end-user market. The Company will actively carry out the marketing activities for different products, analyze the consumer needs in the market, focus on the target market, develop and strengthen new specifications, new packages, and the sales of minor products so as to develop and create a new product portfolio. The Company aims at perfecting the production and operation schedule and financial budgeting in 2007, so as to realize sustainable growth.

CORPORATE GOVERNANCE

For the nine months ended 30 September 2006, 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, two meetings have been conducted by the audit committee in 2006. The first meeting was held on 3 March 2006 for reviewing and discussing the operating results, statements of affairs, accounting policies with respect to the audited financial statements of the Company, internal audit matters and advice provided by auditors. The audit committee concluded the meeting with agreement to the contents of the annual report.

The second meeting was held on 7 August 2006 for reviewing and discussing the operating results, statements of affairs and accounting policies with respect to the unaudited interim report of the Company for the six months ended 30 June 2006 and internal audit matters. The audit committee concluded the meeting with agreement to the contents of the interim report.

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



OTHER INFORMATION

Directors' Interests in Shares

As at 30 September 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 GEM Listing Rules, 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	0.455%	0.274%
Mr. Mei Qun	Personal	Beneficial Owner	500,000	0.455%	0.274%

Note: All represented domestic shares.

Beijing Tongrentang Company Limited (“Tongrentang Ltd.”)

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

Note: All represented A shares.

Beijing Tong Ren Tang International Co., Limited

Names	Type of interests	Capacity	Number of shares	Percentage of total registered share capital
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%

Beijing Tong Ren Tang Nature-Pharm Co. Ltd.

Names	Type of interests	Capacity	Number of shares	Percentage of total registered share capital
Mr. Wang Quan	Personal	Beneficial Owner	200,000	0.400%



Save as disclosed above, as at 30 September 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 30 September 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) Ltd (Note 2)	Investment manager	10,933,000	–	15.018%	5.981%
First State (Hong Kong) LLC (Note 2)	Interest of a controlled corporation	10,933,000	–	15.018%	5.981%
First State Investments (Bermuda) Ltd (Note 2)	Interest of a controlled corporation	10,933,000	–	15.018%	5.981%
First State Investment Managers (Asia) Ltd (Note 2)	Interest of a controlled corporation	10,933,000	–	15.018%	5.981%
Colonial First State Group Ltd (Note 2)	Interest of a controlled corporation	10,933,000	–	15.018%	5.981%

Name of shareholder	Capacity	Number of shares	Percentage of domestic shares	Percentage of H shares	Percentage of total registered share capital
Commonwealth Insurance Holdings Ltd (<i>Note 2</i>)	Interest of a controlled corporation	10,933,000	–	15.018%	5.981%
Colonial Holding Company Ltd (<i>Note 2</i>)	Interest of a controlled corporation	10,933,000	–	15.018%	5.981%
Commonwealth Bank of Australia (<i>Note 2</i>)	Interest of a controlled corporation	10,933,000	–	15.018%	5.981%
Capital Research and Management Company (<i>Note 2</i>)	Investment manager	5,824,000	–	8.000%	3.186%
Capital International, Inc. (<i>Note 3</i>)	Investment manager	2,556,000	–	3.511%	1.398%
Capital Group International, Inc. (<i>Note 3</i>)	Interest of a controlled corporation	2,556,000	–	3.511%	1.398%
The Capital Group Companies, Inc. (<i>Note 3</i>)	Interest of a controlled corporation	8,380,000	–	11.511%	4.584%
Fidelity International Limited	Investment manager	7,387,000	–	10.147%	4.041%

Notes:

- (1) Such shares were held through Tongrentang Ltd. As at 30 September 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 Holding Company Ltd. Colonial Holding Company Ltd. owns 100% of Commonwealth Insurance Holdings Ltd. Commonwealth Insurance Holdings 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 Holding Company Ltd., Commonwealth Insurance Holdings 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 10,933,000 shares held by First State Investments (Hong Kong) Limited.



- (3) The Capital Group Companies, Inc. owns 100% of Capital Group International, Inc. Capital Group International, Inc. owns 100% of Capital International, Inc.. The Capital Group Companies, Inc. owns 100% of Capital Research and Management Company.

Accordingly, under Part XV of the SFO, The Capital Group Companies, Inc. and Capital Group International, Inc are deemed to be interested in the 2,556,000 shares held by Capital International, Inc., The Capital Group Companies, Inc. is deemed to be interested in the 5,824,000 shares held by Capital Research and Management Company.

Save as disclosed above, as at 30 September 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 Tongrentang Ltd. and 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, 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 Niu Huang 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 Niu Huang Pills (安宮牛黃丸). The directors consider that, except for Angong Niu Huang 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 Niu Huang Pills (安宮牛黃丸) only represents a small percentage of Company's turnover and is not one of the major forms of medicine for development after the listing of the Company, the Company will continue to manufacture and sell Angong Niu Huang Pills (安宮牛黃丸). Save as mentioned herein, the directors confirm that 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 provides 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 of the Company 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%.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30 September 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 27th October, 2006

As at the date of this report, the Board comprises (i) Mr. Yin Shun Hai, Mr. Mei Qun, Mr. Wang Quan, Ms. Ding Yong Ling, Mr. Kuang Gui Shen and Mr. Zhang Sheng Yu as executive directors; (ii) Ms. Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin ShiYuan as independent non-executive directors.