



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)

0.0001



0.0001

0.5.25

First Quarterly Report 2007

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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 0.04% for the three months ended 31 March 2007 as compared with that for the corresponding period in 2006.
- Net profit attributable to equity holders of the Company increased by approximately 0.27% for the three months ended 31 March 2007 as compared with that for the corresponding period in 2006.
- Earnings per share for profit attributable to equity holders of the Company for the three months ended 31 March 2007 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 2007 together with the unaudited comparative figures for the corresponding period in 2006, as follows:

		For the three months ended 31 March	
		2007	2006
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Revenue	3	312,821	312,940
Cost of sales		(180,305)	(174,437)
Gross Profit		132,516	138,503
Other gains	4	900	911
Distribution costs		(36,794)	(48,453)
Administrative expenses		(29,322)	(24,358)
Operating profit		67,300	66,603
Finance costs	5	(1,229)	(1,139)
Profit before income tax	6	66,071	65,464
Income tax expense	7	(10,074)	(10,133)
Profit for the period		<u>55,997</u>	<u>55,331</u>
Attributable to:			
Equity holders of the Company		56,240	56,090
Minority interests		(243)	(759)
		<u>55,997</u>	<u>55,331</u>
Earnings per share for profit attributable to equity holders of the Company during the period 8		<u>RMB0.31</u>	<u>RMB0.31</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 2006.

3. REVENUE

	For the three months ended 31 March	
	2007	2006
	RMB'000	RMB'000
Sales of medicine:		
Domestic	307,108	304,300
Overseas	5,713	8,640
	<u>312,821</u>	<u>312,940</u>

4. OTHER GAINS

	For the three months ended 31 March	
	2007	2006
	RMB'000	RMB'000
Interest income	900	911

5. FINANCE COSTS

	For the three months ended 31 March	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses	1,148	1,067
Exchange loss	81	72
	<u>1,229</u>	<u>1,139</u>

6. PROFIT BEFORE INCOME TAX

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

	For the three months ended 31 March	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	<u>10,663</u>	<u>10,663</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 Jingdishuikajianmianfa [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 2007, the applicable income tax rate for the Company was 15%, without any tax relief.



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 2007.

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 three months ended 31 March 2007 was based on the profit attributable to equity shareholders of the Company of approximately RMB56,240,000 (2006: RMB56,090,000) divided by the weighted average number of shares issued during the period of 182,800,000 shares (2006: 182,800,000 shares).

The Company had no potential dilutive shares for the three months ended 31 March 2007 (2006: Nil).

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2007 (2006: Nil).

RESERVES

There was no movement of reserves for the relevant period in 2007 and 2006 except retained earnings disclosed as below:

	Retained earnings	
	For the three months ended 31 March	
	2007	2006
	RMB'000	RMB'000
Balances as of 1 January	395,295	343,427
Final dividend declared	(73,120)	(84,088)
	322,175	259,339
Net profit for the three months ended 31 March	56,240	56,090
Balances as of 31 March	378,415	315,429



BUSINESS REVIEW

Tongrentang has always strategically positioned itself as an internationally famous modern Chinese medicine group by developing in the medicinal healthcare sector from the core of modern Chinese medicine. It has a tactic mission of “innovation of development, mechanism and culture”. The Company will make sweeping reforms and innovative development in order to create sustainable growth, competitive edges and promising profitability. The Company recorded satisfactory results for the first quarter of 2007. Market order is restoring gradually, demand for certain products exceeds supply thereof, various works proceeds in shape, sales and net profit for the first quarter of 2007 hit the targets set by the Company. For the period ended 31 March 2007, the revenue amounted to RMB312,821,000, representing a decrease of 0.04% compared to the corresponding period last year; profit attributable to equity holders of the Company amounted to RMB56,240,000, representing an increase of 0.27% compared to the corresponding period last year. Operating performance remained level as compared to the same period last year.

During the period under review, the Company has strengthened market penetration and market enlargement by dividing the market into smaller segments based on existing market network. The Company has further developed sale channels and further enhanced ultimate points of distribution, especially for second level distributors and retail points. By conducting site visit on key markets, the Company has collected such information as sales in ultimate points of distribution and price performances. With this information, the Company can strengthen its capability in maintaining price level and in further enlarging market share. The Company has also conducted different comprehensive promotional campaigns for different market segments in different climatic conditions.

In building and promoting new product ranges, the Company has also developed potential products, formulated tailor-made growth target, and then launched into the market. In the first quarter of 2007, the Company's key products, Liuwei Dihuang Pill (六味地黃丸), Niuhuang Jiedu Tablet (牛黃解毒片) and Ganmao Qingre Granule (感冒清熱顆粒), were again accredited with "Beijing Top Brand Product" awards of 2006. These three products as aggregate contributed over 50% of the Company's total sale income, remaining level as compared to the same period last year. Among them, sales of Liuwei Dihuang Pill series increased by approximately 15.55%, Ganmao Qingre Granule series remained level and Niuhuang Jiedu Tablet series recorded a minor drop, as compared to the same period in 2006. Sales of other products, including Fufang Danshen Tablet (複方丹參片) series, Niuhuang Jiangya Pill (牛黃降壓丸) series, Banlangen Granule (板藍根顆粒) series, etc, shown a growing trend as a result of the strategies of developing new product range.

PROSPECTS

With the progress of China's medical and healthcare reforms, medicine-related policies will be launched in the foreseeable future, as a result, a new round of market competition will be inevitable. This, however, will also create a better regulated and healthier market condition for various well established brands. All in all, the Company will continue to focus on improving profitability. The Company will, on one hand, strengthen cost control, reduce spending, minimize internal wastage and enhance overall competitiveness of the Company, on the other hand, also intensify sale reforms, employ new sale strategies and mechanism, encourage innovations, stimulate consumption demand and expand sale volume.

CORPORATE GOVERNANCE

For the three months ended 31 March 2007, 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 2007. The meeting was held on 2 March 2007 to review and discuss the operating results, statements of affairs, major accounting policies and internal audit issues of the Company for the year ended 31 December 2006 and to take advice from auditors.

The audit committee has reviewed the first quarterly report of 2007.

OTHER INFORMATION

Directors' and Chief Executives' interests in shares

As at 31 March 2007, 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 <i>(Note)</i>	Percentage of total registered share capital
Mr. Yin Shun Hai	Personal	Beneficial Owner	38,850	0.009%
Mr. Mei Qun	Personal	Beneficial Owner	31,081	0.007%
Mr. Kuang Gui Shen	Personal	Beneficial Owner	22,700	0.005%

Note: All represented A shares.

Beijing Tong Ren Tang International Co., Limited

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 31 March 2007, 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 2007, 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	9,955,000	-	13.674%	5.446%
First State (Hong Kong) LLC (Note 2)	Interest of a controlled corporation	9,955,000	-	13.674%	5.446%
First State Investments (Bermuda) Ltd (Note 2)	Interest of a controlled corporation	9,955,000	-	13.674%	5.446%
First State Investment Managers (Asia) Ltd (Note 2)	Interest of a controlled corporation	9,955,000	-	13.674%	5.446%
Colonial First State Group Ltd (Note 2)	Interest of a controlled corporation	9,955,000	-	13.674%	5.446%
Commonwealth Insurance Holdings Ltd (Note 2)	Interest of a controlled corporation	9,955,000	-	13.674%	5.446%

Name of shareholder	Capacity	Number of shares	Percentage of domestic shares	Percentage of H shares	Percentage of total registered share capital
Colonial Holding Company Ltd (Note 2)	Interest of a controlled corporation	9,955,000	–	13.674%	5.446%
Commonwealth Bank of Australia (Note 2)	Interest of a controlled corporation	9,955,000	–	13.674%	5.446%
Capital Research and Management Company (Note 3)	Investment manager	5,824,000	–	8.000%	3.186%
Capital International, Inc. (Note 3)	Investment manager	2,556,000	–	3.511%	1.398%
Capital Group International, Inc. (Note 3)	Interest of a controlled corporation	2,556,000	–	3.511%	1.398%
The Capital Group Companies, Inc. (Note 3)	Interest of a controlled corporation	8,380,000	–	11.511%	4.584%
Fidelity International Limited	Investment manager	6,528,000	–	8.967%	3.571%

Notes:

- (1) Such shares were held through Tongrentang Ltd. As at 31 March 2007, 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 9,955,000 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 31 March 2007, 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 the Company’s turnover and is not one of the major forms of medicine for development after the listing of the Company, the Company will continue to manufacture and sell Angong Niu Huang Pills (安宮牛黃丸). Save as mentioned herein, the directors confirm that 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 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 fall below 30%.



PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 31 March 2007, 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
27 April 2007

As at the date of this report, the Board comprises 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; and Ms. Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan as independent non-executive directors.