



**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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR 2007**

**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 2.64% for the nine months ended 30 September 2007 as compared with that for the corresponding period in 2006.
- Net profit attributable to equity shareholders of the Company increased by approximately 0.44% for the nine months ended 30 September 2007 as compared with that for the corresponding period in 2006.
- Earnings per share for profit attributable to equity shareholders of the Company for the nine months ended 30 September 2007 was RMB0.802.

## 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 2007 together with the unaudited comparative figures for the corresponding period in 2006, as follows:

	<i>Notes</i>	For the nine months ended 30 September		For the three months ended 30 September	
		2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Revenue	3	<b>857,674</b>	835,579	<b>193,623</b>	205,573
Cost of sales		<b>(484,468)</b>	(459,862)	<b>(96,816)</b>	(112,714)
Gross Profit		<b>373,206</b>	375,717	<b>96,807</b>	92,859
Other gains-net	4	<b>3,162</b>	2,320	<b>1,490</b>	563
Distribution costs		<b>(115,672)</b>	(127,450)	<b>(37,426)</b>	(39,126)
Administrative expenses		<b>(81,325)</b>	(71,769)	<b>(29,679)</b>	(22,436)
Profit from operations		<b>179,371</b>	178,818	<b>31,192</b>	31,860
Financial costs	5	<b>(3,936)</b>	(3,419)	<b>(469)</b>	(1,139)
Profit before income tax	6	<b>175,435</b>	175,399	<b>30,723</b>	30,721
Income tax expense	7	<b>(27,125)</b>	(27,161)	<b>(5,091)</b>	(4,932)
Profit for the period		<b><u>148,310</u></b>	<u>148,238</u>	<b><u>25,632</u></b>	<u>25,789</u>
Attributable to:					
Equity holders of the Company		<b>151,056</b>	150,390	<b>26,922</b>	26,818
Minority interests		<b>(2,746)</b>	(2,152)	<b>(1,290)</b>	(1,029)
		<b><u>148,310</u></b>	<u>148,238</u>	<b><u>25,632</u></b>	<u>25,789</u>
Earnings per share for profit attributable to equity shareholders of the Company	8	<b><u>RMB0.802</u></b>	<u>RMB0.823</u>	<b><u>RMB0.137</u></b>	<u>RMB0.147</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 nine months ended 30 September		For the three months ended 30 September	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Sales of medicine:				
Domestic	831,743	806,621	189,586	193,463
Overseas	25,931	28,958	4,037	12,110
	<u>857,674</u>	<u>835,579</u>	<u>193,623</u>	<u>205,573</u>

**4. Other Gains – Net**

	For the nine months ended 30 September		For the three months ended 30 September	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Interest income	<u>3,162</u>	<u>2,320</u>	<u>1,490</u>	<u>563</u>

**5. Finance costs**

	For the nine months ended 30 September		For the three months ended 30 September	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Interest expenses	3,271	3,529	1,044	1,141
Exchange loss (gain)	665	(110)	(575)	(2)
	<u>3,936</u>	<u>3,419</u>	<u>469</u>	<u>1,139</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	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Depreciation of property, plant and equipment	<u>32,044</u>	<u>30,281</u>	<u>11,140</u>	<u>9,723</u>

## 7. Income tax expense

Pursuant to the relevant regulations of the PRC, for the nine months ended 30 September 2007, the applicable income tax rate for the Company was 15%, without any tax relief.

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.

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 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 basic earnings per share is based on the following data:

	For the nine months ended 30 September		For the three months ended 30 September	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Profit attributable to equity holders of the Company	<u>151,056</u>	<u>150,390</u>	<u>26,922</u>	<u>26,818</u>
	<i>Number of shares</i>	<i>Number of shares</i>	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of shares issued during the period	<u>188,360,440</u>	<u>182,800,000</u>	<u>196,000,000</u>	<u>182,800,000</u>
Basic earnings per share	<u>RMB0.802</u>	<u>RMB0.823</u>	<u>RMB0.137</u>	<u>RMB0.147</u>

The Company had no potential dilutive shares for the nine months ended 30 September 2007 (2006: Nil).

## INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2007 (2006: Nil).

## RESERVES

There was no movement of reserves for the relevant periods in 2007 and 2006 except those disclosed as below:

	Retained profits For the nine months ended 30 September	
	2007 RMB'000	2006 RMB'000
Balance as of 1 January	395,295	343,427
Final dividend declared	(73,120)	(84,088)
	<hr/>	<hr/>
	322,175	259,339
Net profit for the three months ended 31 March	56,240	56,090
Appropriation to reserve	—	—
	<hr/>	<hr/>
Balance as of 31 March	378,415	315,429
Net profit for the three months ended 30 June	67,894	67,482
Appropriation to reserve	—	—
	<hr/>	<hr/>
Balance as of 30 June	446,309	382,911
Net profit for the three months ended 30 September	26,922	26,818
Appropriation to reserve	—	—
	<hr/>	<hr/>
Balance as of 30 September	<u>473,231</u>	<u>409,729</u>

## BUSINESS REVIEW

In 2007, the Company centered around the strategic development Tong Ren Tang's goal of "Adhering to modern Chinese medicine, developing the life and health business and becoming the internationally famous modern Chinese medicine corporation", and the Board's strategic requirement of "innovation of development, mechanism and culture" and underwent boisterous reform, innovation and development which aim at raising the competitive edge and profit making capacity of the Company for sustainable development. From the 1st to the 3rd quarter in 2007, the Company was in excellent operation and market regulation was gradually recovered. Demand for some products outstripped supply. Various tasks showed

positive development. The selling revenue and net profit for the 1st to the 3rd quarter has smoothly achieved the designated target of the Company. As at 30 September 2007, the Company realized selling revenue RMB857,674,000, an increase of 2.64% as compared to the corresponding period last year. The profit attributable to the Company's shareholder was RMB151,056,000, an increase of 0.44% as compared to the corresponding period last year.

During the reporting period, to adapt to the changes of the medicine market, the Company adjusted its market strategy. while actively participating in the tendering and bidding for drugs in various provinces and cities, and on the other hand, establish and strengthen the medical maintenance team, complemented the social distributor with delivery rights in medicine to launch tender and promotion for social medical care and adopted various measures to enlarge the market share for Group's products. We employed sales personnel from the market to build a brand new marketing division and continued with the localisation of sales personnel. We reinforced the progress benchmark and examination. We establish and develop terminal market in trial cities, starting specialized display store and maintaining the sales work for products, reinforcing investigation in point-of-sale cities and product flow, flowing speed feedback, data analysis thus improving the Company's control over the market, and at the same time effectively improve the Company's competitiveness and market share in point-of-sale cities.

From the 1st to the 3rd quarter in 2007, the leading product of the Company Liuwei Dihuang Pill (六味地黃丸) series achieved a rather stable sales result with the corresponding period last year, while Niuhuang Jiedu Tablet (牛黃解毒片) series and Ganmao Qingre Granule (感冒清熱顆粒) series recorded a growth exceeding 20% as compared with the corresponding period last year. The Company continued to reinforce brand establishment for variety of product and further strengthened marketing and campaign for potential products. We launched various selling activities according to product characteristics. Part of various other products like Niuhuang Jiangya Pill (牛黃降壓丸), Fufang Danshen Tablet (複方丹參片), Xihuang Pill (西黃丸), Anshen Jiannao Ye (安神健腦液) benefited from brand establishment and recorded significant growth in sales.

We continue to establish and improve the unified management system including production management, quality management, safety management and audit management with the production base as the foundation, so as to arrange production in a reasonable manner to raise production efficiency. The Company intensifies inventory management, emphasizes collecting and analysing market information of Chinese medicine. Through forms like tender purchase (招標採購), comparative purchase (比價採購), we strived to lower purchasing cost and underwent strategic reserve of key ingredients for specific products to meet demand for production and operation. In the 3rd quarter, the Company was again awarded "Outstanding Corporation in Quality Management In National Medical Industry" (全國醫藥行業質量管理小組活動優秀企業).

## **PROSPECTS**

From the 1st to the 3rd quarter in 2007, the Company's selling revenue and profit were raised slightly as compared with the corresponding period last year. In the 4th quarter, the Company will work according to the requirement of "Innovation of development, mechanism and culture", unify our philosophies and raise the awareness. We will start from raising and improving operation quality, integrating operation segment scientifically and reasonably and raise the internal operation efficiency and lower operating

cost. In the 4th quarter, the Company will rely on market subsidiaries in sales to boost terminal internet establishment, launch promotional activities for specified products and guarantee the full attainment for the annual operation direction. We will devote ourselves to the operation plan and budget for 2008, and achieve sustainable development.

## **CORPORATE GOVERNANCE**

For the nine months ended 30 September 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**

Pursuant to the Rules 5.28 of the GEM Listing Rules, the Company has set up an audit committee according to “A Guide For The Formation of An Audit Committee” compiled by the Hong Kong Society of Accountants. In compliance with the Rules of 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the audit committee are to review and monitor the Company’s financial reporting process and internal control system. The committee comprises Ms. Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan, who are independent non-executive directors of the Company.

Up to the date of this report, two meetings have been conducted by the audit committee in the year. The first meeting was held on 2 March 2007 to review and discuss the operating results, statements of affairs, major accounting policies with respect to the audited financial statements of the Company for the year ended 31 December 2006 and internal audit matters and to listen to the advice provided by auditors. The Committee concluded the meeting with agreement to the contents of the annual report.

The second meeting was held on 6 August 2007 to review and discuss the operating results, statements of affairs and major accounting policies with respect to the unaudited interim report of the Company for the six months ended 30 June 2007 and internal audit matters. The Committee concluded the meeting with agreement to the contents of the interim report.

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

## **OTHER INFORMATION**

As at 30 September 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	0.460%	0.255%
Mr. Mei Qun	Personal	Beneficial Owner	500,000	0.460%	0.255%

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	0.125%
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.

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 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 30 September 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	92.013%	–	51.020%
Tongrentang Holdings (Note 1)	Interest of a controlled corporation	100,000,000	92.013%	–	51.020%
Hamon Asset Management Limited (Note 2)	Beneficial owner Investment manager	1,580,000 1,197,000	1.454% –	– 1.371%	0.806% 0.611%
Hamon U.S. Investment Advisors Limited (Note 2)	Investment manager	2,852,000	–	3.266%	1.455%
Hamon Investment Management Limited (Note 2)	Investment manager	1,000,000	–	1.145%	0.510%
The Hamon Investment Group Pte Limited (Note 2)	Interest of a controlled corporation	5,049,000	–	5.782%	2.576%
Fidelity International Limited	Investment manager	5,204,000	–	5.960%	2.655%
Atlantis Investment Management Ltd	Investment manager	4,477,000	–	5.127%	2.284%

#### Notes:

- (1) Such shares were held through Tongrentang Ltd. As at 30 September 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) The Hamon Investment Group Pte Limited owns 100% of Hamon Asset Management Limited, Hamon U.S. Investment Advisors Limited and Hamon Investment Management Limited.

Accordingly, The Hamon Investment Group Pte Limited is deemed by Part XV of the SFO to be interested in the 1,197,000 shares held by Hamon Asset Management Limited, the 2,852,000 shares held by Hamon U.S. Investment Advisors Limited and the 1,000,000 shares held by Hamon Investment Management Limited.

Save as disclosed above, as at 30 September 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 Baifeng Pills (同仁烏雞白鳳丸), Tongren Dahuoluo 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. Only Angong Niu Huang Pills can be produced by both the Company and Tongrentang Ltd.

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 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 falls below 30%.

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

During the period ended 30 September 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 29 October, 2007

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