



First Quarterly Report
2010



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)



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This report, for which the directors of Tong Ren Tang Technologies Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. 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 amounted to RMB469,804,000 for the three months ended 31 March 2010, representing an increase of 38.60% as compared with that for the corresponding period in 2009.
- Net profit attributable to equity shareholders of the Company amounted to RMB64,589,000 for the three months ended 31 March 2010, representing an increase of 11.93% as compared with that for the corresponding period in 2009.
- Earnings per share for profit attributable to equity shareholders of the Company amounted to RMB0.33 for the three months ended 31 March 2010.

QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries and its joint ventures (hereafter collectively referred to as the “Group”) for the three months ended 31 March 2010, together with the comparative unaudited consolidated figures for the corresponding period in 2009 as follows:

	Note	For the three months ended 31 March	
		2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Revenue	3	469,804	338,959
Cost of sales		(243,747)	(180,909)
Gross Profit		226,057	158,050
Other gains	4	962	497
Distribution costs		(97,163)	(62,764)
Administrative expenses		(48,813)	(27,129)
Operating profit		81,043	68,654
Finance costs	5	12	(324)
Profit before income tax	6	81,055	68,330
Income tax expense	7	(10,731)	(10,289)
Profit for the period		70,324	58,041
Profit attributable to:			
Equity holders of the Company		64,589	57,707
Minority interests		5,735	334
		70,324	58,041
Earnings per share for profit attributable to equity shareholders of the Company	8	RMB0.33	RMB0.29

	Note	For the three months ended 31 March	
		2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Profit for the period		70,324	58,041
Other comprehensive income/(expense):			
Foreign currency translation differences		187	88
Other comprehensive income/(expense) for the period, net of tax		187	88
Total comprehensive income for the period		70,511	58,129
Attributable to:			
Equity holders of the Company		64,882	57,924
Minority interest		5,629	205
Total comprehensive income for the period		70,511	58,129

Notes:

1. General Information

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 22 March 2000 and upon the placing of its H shares, was listed on GEM on 31 October 2000. Its ultimate holding company is China Beijing Tong Ren Tang Group Co. Ltd. ("Tong Ren Tang Holdings"), incorporated in Beijing, the PRC.

2. Principal Accounting Policies

The accompanying unaudited consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as published by the International Accounting Standards Board. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

3. Revenue

	For the three months ended 31 March	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Sales of medicine:		
– PRC Mainland	455,918	325,463
– Outside PRC Mainland	12,059	13,496
Agency fee income for distribution services	1,827	–
	469,804	338,959

4. Other Gains

	For the three months ended 31 March	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Interest income	962	497

5. Finance Costs

	For the three months ended 31 March	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Interest expenses	175	236
Exchange loss/(gain)	(187)	88
	(12)	324

6. Profit Before Income Tax

Profit before income tax was arrived after charging the following:

	For the three months ended 31 March	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Depreciation of property, plant and equipment	10,495	11,391

7. Income Tax Expense

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, enterprises with a High/New Technology Enterprise (“HNTE”) status are able to enjoy a preferential tax rate of 15%. For the entities without the HNTE status, the PRC income tax rate is 25%. As of 31 March 2010 and 2009, the Company has obtained the HNTE certificate. Consequently, the applicable income tax rate of the Company during the first three months of 2010 is 15% (2009: 15%).

Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the income tax rates prevailing in the tax jurisdictions in which the Group operates.

8. Earnings Per Share

The calculation of the earnings per share for the three months ended 31 March 2010 was based on the profit attributable to equity shareholders of the Company of approximately RMB64,589,000 (2009: RMB57,707,000) divided by the weighted average number of shares issued during the period of 196,000,000 shares (2009: 196,000,000 shares).

The Company had no potential dilutive shares for the three months ended 31 March 2010 (2009: Nil).

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2010 (2009: Nil).

RESERVES

There was no movement of reserves for the relevant periods in 2010 and 2009 except those disclosed as below:

	Retained profits For the three months ended 31 March	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Balance as of 1 January	620,081	541,657
Final dividend declared	(88,200)	(78,400)
	531,881	463,257
Net profit for the three months ended 31 March	64,589	57,707
Balance as of 31 March	596,470	520,964

BUSINESS REVIEW

During the first quarter of 2010, the Company, in accordance with the Board's strategy of sustainable development, adopted a market-oriented and innovation-driven approach to improve the rationality of management and the efficiency of operating mechanism, inspire the commitment and creativity of staffs, optimize continuously product portfolio, and increase product profitability. Meanwhile, the Company also strived to realize the balance and coordination between speed and benefit, quantity and quality, scale and structure, as well as input and output. These efforts enabled us to work towards a healthy trend and to achieve a satisfactory increment for revenue and net profit during the first quarter. As at 31 March 2010, the Company's revenue amounted to RMB469,804,000, representing an increase of 38.60% over the corresponding period last year. Profit attributable to the equity shareholders of the Company amounted to RMB64,589,000, representing an increase of 11.93% over the corresponding period last year.

Focusing on building up product portfolios, targeting the development of end-user markets and using en-user promotion as a driving force, the Company, during the reporting period, emphasized its operation on potential products, while ensuring the growth of establish markets. In addition, the Company actively sought for opportunity of in-depth developments in other markets in order to build up the variety of products to satisfy the needs of different market demands; such strategy contributed to the Company's various growth points and also expanded the Company's market share.

During the period, the Company continued to strengthen the build-up of its product portfolios and improved the development and design of each product portfolio based on their features to carry out the scale development of its product portfolios. In the first quarter of 2010, among the mainstream products of the Company, sales of Liuwei Dihuang Pills (六味地黄丸) series increased by 31.80% over the corresponding period last year, sales of Ganmao Qingre Granule (感冒清热颗粒) series increased by 15.34% over the corresponding period last year and Niu Huang Jie Du Tablets (牛黄解毒片) series increased by 25.20% over the corresponding period last year. Sales of some other products including Jinkui Shenqi Pills (金匱腎氣丸) series, Fufang DanShen Tablets (複方丹參片) series, Qiguanyan Pills (气管炎丸) series, Yufeng Ningxin Tablets (愈風寧心片) series and Jiawei Xiaoyao Pills (加味逍遙丸) series increased substantially.

PROSPECTS

2010 is a crucial year for China to carry on the comprehensive reform of the medical and healthcare system. The State will continue to step up its commitment to the essential drugs system and the basic medical and healthcare service system. A pilot reform scheme has also been carried out at public hospitals. Structural adjustment in the sector will generate opportunities for the Company, but a number of uncertainties remain in the future of the medical sector. To this end, the Company will closely monitor the implementation of the policies such as the new medical and healthcare reform and the essential drugs system, and keep the awareness of crisis, the sense of urgency and the sense of commitment. The Company, as it always does, will take quality as the lifeline for its survival and development, strictly implement various management policies such as performance appraisal and payroll distribution, further explore new ideas, continue to strengthen the core competitiveness in line with the prevailing market requirements, rapidly adapt itself to the changes in the competitive environment, strengthen the overall corporate operation management and allocate various resources effectively to strive to build up its competitive edges that sustain its future development.

CORPORATE GOVERNANCE

For the three months ended 31 March 2010, the Company complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the GEM Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed and discussed the 2010 first quarterly report.

OTHER INFORMATION

Directors' and Chief Executives' Interests in Shares

As at 31 March 2010, the interests and short positions of the directors ("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 Tong Ren Tang Company Limited ("Tong Ren Tang Ltd.")

Names	Type of interests	Capacity	Number of shares (Note)	Percentage of total registered share capital
Mr. Yin Shun Hai	Personal	Beneficial Owner	46,620	0.009%
Mr. Mei Qun	Personal	Beneficial Owner	37,297	0.007%

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%

Save as disclosed above, as at 31 March 2010, none of the Directors and chief executives of the Company had 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 2010, the following persons (other than the Directors and chief executives of the Company) had interests and short positions or shares in a lending pool in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Percentage of domestic shares	Percentage of H shares	Percentage of total registered share capital
Tong Ren Tang Ltd.	Beneficial owner	100,000,000	92.013%	–	51.020%
Tong Ren Tang Holdings (Note 2)	Interest of a controlled corporation	100,000,000	92.013%	–	51.020%
	Beneficial owner	1,580,000	1.454%	–	0.806%
The Hamon Investment Group Pte Limited (Note 3)	Interest of a controlled corporation	5,049,000(L)	–	5.782%	2.576%
Atlantis Investment Management Ltd	Investment Manager	7,000,000(L)	–	8.016%	3.571%
Templeton Asset Management Ltd.	Investment Manager	5,159,000(L)	–	5.908%	2.632%
JPMorgan Chase & Co. (Note 4)	Interest of a controlled corporation	7,000,000(L) 7,000,000(P)	– –	8.016% 8.016%	3.571% 3.571%

Notes:

- (1) (L) – Long position, (S) – Short position, (P) – Lending pool
- (2) Such shares were held through Tong Ren Tang Ltd.. As at 31 March 2010, Tong Ren Tang Ltd. was owned as to 55.24% by Tong Ren Tang Holdings. According to Part XV of the SFO, Tong Ren Tang Holdings is deemed to be interested in the 100,000,000 shares held by Tong Ren Tang Ltd.
- (3) 1,197,000 shares were held by Hamon Asset Management Limited, 2,852,000 shares were held by Hamon U.S. Investment Advisors Limited and 1,000,000 shares were held by Hamon Investment Management Limited. All of them held the said shares as investment manager and were directly or indirectly wholly-owned subsidiaries of The Hamon Investment Group Pte Limited. Accordingly, The Hamon Investment Group Pte Limited is deemed under Part XV of the SFO to be interested in the aggregate of 5,049,000 shares held by these wholly-owned subsidiaries.

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- (4) Such shares were directly held by JPMorgan Chase Bank, N.A. as custodian corporation/approved lending agent, which is 100% owned by JP Morgan Chase & Co. Accordingly, JP Morgan Chase & Co. is deemed under Part XV of the SFO to be interested in such shares held by JPMorgan Chase Bank, N.A.

Save as disclosed above, as at 31 March 2010, 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

Competition with Tong Ren Tang Ltd. and Tong Ren Tang Holdings

Traditional Chinese medicines produce a broad range of curative effects as they can be used to treat the external symptoms of a disease and regulate other functions of the body that directly or indirectly give rise to such disease. To find the specific ways to treat a disease, it is necessary to consider a number of variables such as the state of illness, gender, age and constitution of a patient, the weather and the curative effects on the implicit problems of the patient. As such, a single type of traditional Chinese medicines usually has several curative effects, some of which may be similar to those of other products with different names or types. Given this nature of traditional Chinese medicines, there may be a competition between the products of the Company and those of Tong Ren Tang Holdings and Tong Ren Tang Ltd.

The Company, Tong Ren Tang Ltd. and Tong Ren Tang Holdings are all engaged in the manufacturing of Chinese Patent Medicines. Their businesses are classified by the forms of medicine they produce. Tong Ren Tang Ltd. mainly produces Chinese Patent Medicines in traditional forms such as pills, powder, ointment and medicinal wine. It also has some minor production lines for the production of granules and pills. On the other hand, the Company focuses on manufacturing products in forms of granules, pills, tablets and soft capsules. Tong Ren Tang Ltd.'s main products include Angong Niu Huang Pills (安宮牛黃丸), Tongren Wuji Baifeng Pills (同仁烏雞白鳳丸), Tongren Dahuoluo Pills (同仁大活絡丸) and Guogong Wine (國公酒).

To ensure that the business classification between the Company and Tong Ren Tang Holdings and Tong Ren Tang Ltd. are properly documented and established, Tong Ren Tang Holdings and Tong Ren Tang Ltd. undertake, pursuant to an undertaking dated 19 October 2000 committed by Tong Ren Tang Holdings and Tong Ren Tang Ltd. in favor of the Company ("October Undertaking"), that other than Angong Niu Huang Pills (安宮牛黃丸), Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries will not produce in future any products that bear the same names or bear the same names with different forms as those pharmaceutical products produced by the Company, and that may compete directly with those pharmaceutical products of the Company. Only one of the products – Angong Niu Huang Pills (安宮牛黃丸) – are manufactured by both the Company and Tong Ren Tang Ltd.

The Directors consider that other than Angong Niu Huang Pills (安宮牛黃丸) produced by the Company and Tong Ren Tang Ltd., there is no any other direct competing business among the Company, Tong Ren Tang Ltd. and Tong Ren Tang Holdings. The Directors consider that as Angong Niu Huang Pills (安宮牛黃丸) only represents a small percentage of Company's turnover and is not one of the major forms of medicine for development by the Company, the Company will continue to manufacture and sell Angong Niu Huang Pills (安宮牛黃丸). Save as mentioned herein, the Directors confirm that none of the products of the Company is in competition with Tong Ren Tang Ltd. or Tong Ren Tang Holdings.

Right of first refusal

Although the Company, Tong Ren Tang Ltd. and Tong Ren Tang Holdings are all engaged in the production, manufacturing and sale of traditional Chinese medicines, the principal products of each of these companies are different. The Company focuses on new forms of products which are more competitive against western pharmaceutical products, while Tong Ren Tang Ltd. and Tong Ren Tang Holdings continue to focus on the development of existing forms of traditional Chinese medicines. To procure that the Company focuses on the development of the four major forms of products (namely granules, pills, tablets and soft capsules), Tong Ren Tang Holdings and Tong Ren Tang Ltd. have granted the Company, pursuant to the October Undertaking, a right of first refusal to manufacture and sell any of the new products which is developed by Tong Ren Tang Holdings, Tong Ren Tang Ltd. or any of their respective subsidiaries and which is one of the four main forms of the Company. Upon exercise of the right of first refusal, both Tong Ren Tang Ltd. and Tong Ren Tang Holdings or their respective subsidiaries are not allowed to manufacture any of such new products. In the event the Company develops any new product based on the existing products of Tong Ren Tang Holdings, Tong Ren Tang Ltd. or their respective subsidiaries, and such new product is one of the major forms of the Company, the Company will be entitled to manufacture such new product and Tong Ren Tang Holdings, Tong Ren Tang Ltd. and their respective subsidiaries will not be allowed to manufacture such new product. The Directors believe that the above undertaking would clarify that both Tong Ren Tang Ltd. and Tong Ren Tang Holdings would support the Company in its development of the four major forms of products in the future.

To procure that the Company conducts an independent review of the research and development of new products and the development capability, the Company confirms that among the independent non-executive Directors, a reputable person in the traditional Chinese medicinal sector will determine whether to exercise the right of first refusal granted by Tong Ren Tang Holdings or Tong Ren Tang Ltd. to develop any proposed new products which is one of the major forms (namely granules, pills, tablets and soft capsules) of the Company. In the event that the Company refuses the right of first refusal offered by Tong Ren Tang Ltd. and/or Tong Ren Tang Holdings, the terms of the option to be offered to an independent third party should not be more favourable than those originally offered to the Company, failing which the Company should be given an opportunity to re-consider the option under the new terms. The above undertaking would no longer be valid in the event that the direct or indirect aggregate shareholdings of Tong Ren Tang Holdings or Tong Ren Tang Ltd. in the Company falls below 30%.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 31 March 2010, the Company had not purchased, sold or redeemed any of the Company's listed shares.

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

Beijing, the PRC
26 April 2010

As at the date of this report, the Board comprises Mr. Mei Qun, Ms. Ding Yong Ling, Mr. Yin Shun Hai, Mr. Wang Yu Wei, Ms. Fang Jia Zhi and Mr. Zhang Huan Ping as executive Directors; and Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan as independent non-executive Directors.