



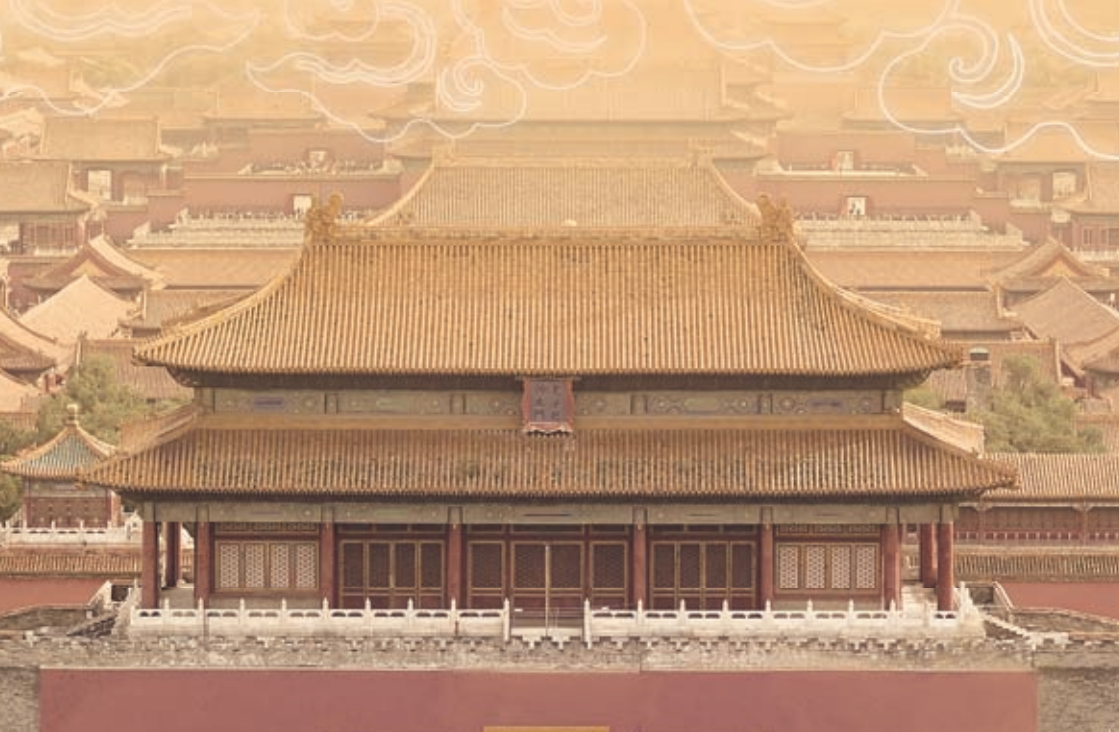
Tong Ren Tang Technologies Co. Ltd.

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)

2019
THIRD QUARTERLY REPORT



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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 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 RMB1,003,713,000 for the nine months ended 30 September 2009, representing an increase of 9.92% as compared with that for the corresponding period in 2008.
- Net profit attributable to equity shareholders of the Company amounted to RMB147,789,000 for the nine months ended 30 September 2009, representing an increase of 19.50% as compared with that for the corresponding period in 2008.
- Earnings per share for profit attributable to equity shareholders of the Company amounted to RMB0.754 for the nine months ended 30 September 2009.

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 (hereafter collectively referred to as the “Group”) and its joint ventures for the three months and nine months ended 30 September 2009, together with the comparative unaudited consolidated figures for the corresponding period in 2008 as follows:

	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Revenue	3	1,003,713	913,142	272,329	240,051
Cost of sales		(541,024)	(506,509)	(146,049)	(127,175)
Gross Profit		462,689	406,633	126,280	112,876
Other gains	4	1,804	2,961	668	920
Distribution costs		(186,100)	(143,656)	(46,288)	(43,995)
Administrative expenses		(95,119)	(93,581)	(38,047)	(29,934)
Profit from operations		183,274	172,357	42,613	39,867
Financial costs	5	(310)	(5,351)	(22)	(235)
Profit before income tax	6	182,964	167,006	42,591	39,632
Income tax expense	7	(25,873)	(40,003)	(5,999)	(8,397)
Total comprehensive income		157,091	127,003	36,592	31,235
Total comprehensive income attributable to:					
Equity holders of the Company		147,789	123,677	32,680	28,397
Minority interests		9,302	3,326	3,912	2,838
		157,091	127,003	36,592	31,235
Earnings per share for profit attributable to equity shareholders of the Company	8	RMB0.754	RMB0.631	RMB0.167	RMB0.145

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 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 2008.

3. REVENUE

	For the nine months ended 30 September		For the three months ended 30 September	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Sales of medicine:				
– Domestic	937,588	866,736	246,119	219,030
– Overseas	58,631	39,950	22,236	17,534
Agency fee for distribution services	7,494	6,456	3,974	3,487
	<u>1,003,713</u>	<u>913,142</u>	<u>272,329</u>	<u>240,051</u>

4. OTHER GAINS

	For the nine months ended 30 September		For the three months ended 30 September	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Interest income	<u>1,804</u>	<u>2,961</u>	<u>668</u>	<u>920</u>

5. FINANCE COSTS

	For the nine months ended 30 September		For the three months ended 30 September	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Interest expenses	617	819	183	344
Exchange change loss/(gain)	<u>(307)</u>	<u>4,532</u>	<u>(161)</u>	<u>(109)</u>
	<u>310</u>	<u>5,351</u>	<u>22</u>	<u>235</u>

6. PROFIT BEFORE INCOME TAX

Profit before income tax was arrived after charging the following:

	For the nine months ended 30 September		For the three months ended 30 September	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Depreciation of property, plant and equipment	<u>34,113</u>	<u>34,159</u>	<u>11,274</u>	<u>11,097</u>



7. INCOME TAX EXPENSE

The Law of the People's Republic of China on Enterprise Income Taxes ("New Income Tax Law") was adopted effective as of 1 January 2008. Under Article 4 of the New Income Tax Law, the rate of the enterprise income tax is 25%.

Under the New Income Tax Law, those high-technology enterprises approved by relevant government departments and tax authorities are permitted to pay taxes at a concession rate of 15%. On 31 December 2008, the Company has obtained the High/New Technology Enterprise (HNTE) Certificate. Consequently, the applicable income tax rate of the Company in 2008 and 2009 is 15% pursuant to the New Income Tax Law, while during the first nine months of 2008, the Company prepaid the income tax at a rate of 25% on a provisional basis since the Company had not been accredited as a High/New Technology Enterprise.

The profits taxes of the overseas enterprises are calculated on the basis of the estimated assessable profits for the current period at the prevailing tax rates of the countries in which these enterprises are operating.

8. EARNINGS PER SHARE

The calculation of the earnings per share for the nine months ended 30 September 2009 was based on the profit attributable to equity shareholders of the Company of approximately RMB147,789,000 (2008: RMB123,677,000) divided by the weighted average number of shares issued during the period of 196,000,000 shares (2008: 196,000,000 shares).

The Company had no potential dilutive shares for the nine months ended 30 September 2009 (2008: Nil).

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2009 (2008: Nil).

RESERVES

There was no movement of reserves for the relevant periods in 2009 and 2008 except those disclosed as below:

	Retained profits	
	For the nine months ended 30 September	
	2009	2008
	RMB'000	RMB'000
Balance as of 1 January	541,657	463,874
Final dividend declared	(78,400)	(78,400)
	463,257	385,474
Net profit for the three months ended 31 March	57,707	50,588
Appropriation to reserve	<u>—</u>	<u>—</u>
Balance as of 31 March	520,964	436,062
Net profit for the three months ended 30 June	57,402	44,692
Appropriation to reserve	<u>—</u>	<u>—</u>
Balance as of 30 June	578,366	480,754
Net profit for the three months ended 30 September	32,680	28,397
Appropriation to reserve	<u>—</u>	<u>—</u>
Balance as of 30 September	<u>611,046</u>	<u>509,151</u>

BUSINESS REVIEW

In 2009, the Company adheres to sustainable development for practical improvement on the quality of the business operation and assets of the Company, based on the principle of “closely monitoring the market, nurturing growth; leveraging on comparative advantages, sharing resource; strengthening management and control, improving risk-resistance; gathering talents, and changing perspectives” and with a focus on fundamental management. For the first three quarters of year 2009, the production and operation of the Company was in good position, every aspect of the work has shown a sound development trend, and the market competitiveness and the profitability of the products have improved steadily. The Company successfully achieved the objectives assigned for the revenue and net profit of the first three quarters of the year. As at 30 September 2009, the Company’s revenue amounted to RMB1,003,713,000, representing an increase of 9.92% over the corresponding period last year. Profit before tax amounted to RMB182,964,000, representing an increase of 9.56% over the corresponding period last year. Profit attributable to the equity shareholders of the Company amounted to RMB147,789,000, representing an increase of 19.50% over the corresponding period last year.

During the reporting period, setting its premise as “maintaining an orderly market”, the Company further improved profitability of products through an implementation of measures such as centralized sales policy and monitor over the flow of products, on a basis of stabilization and stringent control on the prices of mainstream products. In terms of end-users and channels building, by taking full advantages of brand and quality products, the Company expanded sales channels and end-user network for gradual development in markets such as healthcare sector, community healthcare sector and rural healthcare sector, aiming at a continuous expansion in sales territory through various channels and perspectives. In addition, the Company carried on the deepening of marketing performance appraisal system reform, in which each marketing performance appraisal indicator was further broken down. An initial effect of the newly-introduced three-tier performance appraisal indicator has been acquired, resulting in a significant enhancement in operating quality.

The Company continued to reinforce the build-up of its product portfolios, optimized product structure and focused on mainstream products marketing strategy based on the characteristics of the products and market demand. Various forms of marketing activities have been carried out for products with significant sales potential such as products for infant and anti-tumor purpose. In the first three quarters of 2009, in mainstream products of the Company, sales of Ganmao Qingre Granule (感冒清熱顆粒) series increased by 55.39% over the corresponding period last year, and Niu Huang JieDu Tablets (牛黃解毒片) series maintained similar sales as the corresponding period last year, except that Liuwei Dihuang Pills (六味地黃丸) series decreased by 3.09%. Benefiting from product portfolios strategy, sales of some other products including Jinkui Shenqi Pills (金匱腎氣丸) series, Shengmaiyin (生脈飲) series, E Jiao (阿膠) series and Niu Huang Jiangya Pills (牛黃降壓丸) series increased substantially.

The Company continued to consolidate the achievement acquired from brand management year and gradually established as well as improved a long-term brand management mechanism. On top of the current standard, the Company optimized industrial arrangements and inventory structure with an emphasis on mainstream products and medicines identified for development and continuously enhanced mechanism level and reasonableness of resource allocation while strengthening fundamental management. Through a revision on medicine processing consumption standard, improvement on product first-pass yield, control over production cycle, implementation of a second-tier bonus allocation reform and establishment of a secondary accounting system, the Company further improved production efficiency and lowered the production costs.



PROSPECTS

The sales revenue and profit of the first three quarters in 2009 both recorded a steady growth as compared to the corresponding period last year. With the progressive recovery of global economy and the promulgation of national polices such as the list of basic medicine in the future, the Company will be faced up with both opportunities and challenges. As for the fourth quarter of the year, the Company will remain committed to its principle, reinforce fundamental management, further improve and enhance operation quality as well as upgrade core competitiveness. To ensure the accomplishment of the year's business target, the Company will study on the policy orientation, stay close to market trend and analyze its strengths and weaknesses, followed by an adoption of effective measurements combined with product development and further enhancement of channel and end-user network construction.

CORPORATE GOVERNANCE

For the nine months ended 30 September 2009, 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 GEM ("the GEM Listing Rules").

AUDIT COMMITTEE

The audit committee of the Company has reviewed and discussed the third quarterly report 2009.

OTHER INFORMATION

Directors' and Chief Executives' Interests in Shares

As at 30 September 2009, 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 <i>(Note)</i>	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 30 September 2009, 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 30 September 2009, 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 30 September 2009, 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.
- (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 30 September 2009, 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 patients. As such, a single type of traditional Chinese medicine 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 medicine, there may be 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 pill, 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, 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 of the Company. Only one of the products – Angong Niu Huang Pills (安宮牛黃丸) is 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 the 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 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 medicine, 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 development of existing forms of traditional Chinese Medicines.

To procure that the Company focuses on 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 medicine 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, terms of the option to be offered to independent third party should not be more favourable than that 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 30 September 2009, 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
29 October 2009

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.