



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)



Quarterly Report 2000



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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 GEM (“GEM Listing Rules”) 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

- Turnover increased by approximately 6.62% for the nine months ended 30th September 2000 compared with the corresponding period in 1999.
- Profit attributable to shareholders increased by approximately 33.9% for the nine months ended 30th September 2000 compared with the corresponding period in 1999.
- Earnings per share for the nine months ended 30th September 2000 rose to RMB0.349 from RMB0.261 for the corresponding period in 1999.



## QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Tong Ren Tang Technologies Co. Ltd. (the “Company”) is pleased to announce the unaudited results of the Company for the nine months and three months ended 30th September 2000 together with the unaudited comparative figures for the corresponding periods in 1999, as follows:

	<i>Notes</i>	For the nine months ended 30th September		For the three months ended 30th September	
		2000 <i>RMB'000</i>	1999 <i>RMB'000</i>	2000 <i>RMB'000</i>	1999 <i>RMB'000</i>
Turnover	2	245,961	230,681	71,068	66,037
Cost of sales		(125,981)	(125,261)	(31,268)	(33,708)
Gross Profit		119,980	105,420	39,800	32,329
Selling and distribution costs		(19,932)	(19,757)	(5,789)	(6,059)
Administrative expenses		(40,907)	(40,562)	(16,020)	(12,439)
Profit from operations		59,141	45,101	17,991	13,831
Finance cost		(1,794)	(2,276)	(644)	(698)
Profit before taxation		57,347	42,825	17,347	13,133
Taxation	3	(18,925)	(14,132)	(5,725)	(4,334)
Profit attributable to shareholders		38,422	28,693	11,622	8,799
Earnings per share – Basic	4	RMB0.349	RMB0.261	RMB0.106	RMB0.08

*Notes:***1. Restructuring and 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 22nd March 2000 and its placing H shares were listed on the GEM on 31st October 2000. In preparing for the listing of the Company's H shares on the GEM, Beijing Tongrentang Company Limited ("Tongrentang Ltd.") has underwent a restructuring, details of which are set out in the prospectus of the Company dated 24th October 2000 (the "Prospectus").

The above results were prepared on the basis that the existing Company structure had been in place throughout the period from 1st January 1999 to 30 September 2000. The principal accounting policies adopted in preparing the unaudited results conform with the International Accounting Standard.

**2. Turnover**

The Company's turnover is derived principally from the sales of Chinese Patent Medicine. Turnover represents the net amount received and receivable from third parties for goods sold during the period. Revenue is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

**3. Taxation**

The Company provides for income tax on the basis of its profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable income tax rate is 33%.

Details of taxation charged during the relevant periods are as follows:

	For the nine months ended 30th September		For the three months ended 30th September	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Profit before taxation	<u>57,347</u>	<u>42,825</u>	<u>17,347</u>	<u>13,133</u>
The statutory tax rate of 33%	33%	33%	33%	33%
Tax expenses	<u>18,925</u>	<u>14,132</u>	<u>5,725</u>	<u>4,334</u>

There was no significant deferred taxation for the periods, as there were no significant temporary differences.



#### 4. Earnings per share

The calculation of the basic earnings per share for the nine months and three months ended 30th September 2000 and 1999 was based on the profit attributable to shareholders for the relevant periods and assuming 110,000,000 domestic shares outstanding prior to the placing of the Company's H shares as if the restructuring had taken place on 1st January 1999.

The diluted earnings per share is not presented as there were no potential dilutive ordinary shares during the period from 1st January 1999 to 30th September 2000 and as at the end of 30th September 2000 and 1999 respectively.

## MOVEMENT OF RESERVES

There was no movement of reserves for the relevant periods in 2000 and 1999.

## FINANCIAL REVIEW

With the concerted effort of its dedicated and experienced management team, the Company attained satisfactory results for the nine months ended 30th September 2000. Turnover was approximately RMB245,961,000 for the nine months ended 30th September 2000, increased by approximately 6.62% as compared with the corresponding period in 1999. Profit attributable to shareholders for the nine months ended 30th September 2000 was approximately RMB38,422,000, representing a significant increase of approximately 33.9% compared with the corresponding period in 1999. Earnings per share was RMB0.349 for the nine months ended 30th September 2000.

The major reasons contributing to the significant increase in profit attributable to shareholders were:

- the increase in sales price of the Company's major products such as Niu Huang Jie Du Tablet and Liuwei Dihuang Pill while the price of the raw materials was comparatively stable.
- the 21% drop in financial expense as a result of the settlement of long-term bank loan of RMB8.3 million in 1999 and the corresponding decline of the interest rate.

## IMPORTANT SUBSEQUENT EVENT

As at 31st October 2000, the Company was successfully listed on the GEM through the placement of H shares of a nominal value of RMB1 each.

## REVIEW AND PROSPECTS

The Company is primarily engaged in the research, development, manufacturing, sales and export of Chinese Patent Medicine. The main forms of the Company's Chinese medicine products are: granules, pills, tablets and soft capsules. The Company's profit continued to grow as a direct result of strict implementation of cost-effective policies on production and its efforts to control cost in the future. In addition, the Company will continue to utilize Tongrentang Ltd.'s nationwide sales and marketing network to distribute the Company's products, while at the same time to strengthen the promotion of the oversea markets to facilitate a steady growth in the Company's sales.

With a view to accomplish the business objectives set out in the Company's Prospectus, the Company has been undertaking the following developments:

1. In response to market needs, the Company has been engaged in the research and development of a wide range of new medicine products, including anti-influenza drug, anti-cardiovascular system disease drug and anti-menopause syndrome drug. The Board believes that these new medicine, if successfully developed, will have huge market potential.
2. The Company has signed a joint-venture agreement, with WM Dianorm Biotech Co., Limited to establish Beijing Tong Ren Tang WM Dianorm Biotech Co., Limited, in order to research and develop biopharmaceutical products using the liposome technology developed by Dianorm G. Maierhofer GMBH. The Company aims to put new products, based on the research result of the joint venture, into production with a view to capitalise on the immense market potential in China.



3. The Company signed an agreement on 7 October 2000 with Hutchison Chinese Medicine Investment Limited, an indirect wholly owned subsidiary of Hutchison Whampoa Limited, and Beijing Holdings Limited, the majority shareholders of Beijing Enterprises Holdings Limited, to form a joint venture company, Tong Ren Tang Hutchison (H. K.) Pharmaceutical Development Company Limited, in Hong Kong. The joint venture will be engaged in the research, development and sale of Chinese medicines mainly in Hong Kong with an aim to modernize and internationalize Chinese medicines. The joint venture will be held as to 40% by the Company, 10% by Beijing Holdings Limited and 50% by Hutchison Chinese Medicine Investment Limited. The Company will contribute HK\$40 million as investment to the joint venture within one year after its establishment. This agreement will take effect upon all requisite PRC governmental or other approvals for the consummation of the transaction contemplated thereby being obtained.

As at the date of the this announcement, there has been no material change in business objectives since the issuance of Prospectus.

## **INTERIM DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September 2000 (1999: Nil).

## DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

Immediately following the completion of the placing of the Company's H Shares as mentioned in the Prospectus, the beneficial interests of the Directors and Supervisors in the Shares and the share capital of any associated corporation (within the meaning of the SDI Ordinance), which will have to be notified to the Company and the Stock Exchange pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which will be required, pursuant to rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange once the H Shares are listed, will be as follows:

Name	Personal Interest Number of share	Family Interest Number of share	Corporate Interest Number of share	Other Interest Number of share
Yin Shun Hai	500,000( <i>Note</i> )	-	-	-
Wang Zhao Qi	500,000( <i>Note</i> )	-	-	-
Mei Qun	500,000( <i>Note</i> )	-	-	-
Tian Rui Hua	100,000( <i>Note</i> )	-	-	-
Zhao Bing Xian	5,000,000( <i>Note</i> )	-	-	-
Tian Da Fang	500,000( <i>Note</i> )	-	-	-

*Note:* Domestic shares only

Save as disclosed above, immediately following the completion of the placing of the Company's H Shares, none of the directors or the supervisors or their associates had any interests in any securities in the Company, as defined in the SDI Ordinance and none of the directors or the supervisors, nor their spouses or children under 18 years of age were granted or had exercised any rights to subscribe for the securities in the Company.



## SUBSTANTIAL SHAREHOLDERS

As at 30th September 2000 and immediately following the placing of the Company's H shares as mentioned in the Prospectus, according to the register required to be kept under Section (16)1 of the SDI Ordinance, the only shareholder with an interest of 10% or more of the issued shared capital of the Company was as follows:

Name	No. of shares	Shareholding percentage as at 30th September 2000	Shareholding percentage immediately after placing
Tongrentang Ltd. (Note 2)	100,000,000 (Note 1)	90.909%	54.705%

- Note: 1. All represented domestic shares.  
2. Tongrentang Ltd. is owned as to 75% by China Beijing Tong Ren Tang Holdings Corp. ("Tongrentang Holdings").

## COMPETING INTERESTS

As disclosed in the Prospectus, the Company may have the following competing interests with Tongrentang Ltd and Tongrentang Holdings.

- **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 direct or indirect influences 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. **Given this nature of Chinese medicine,**

and the fact that the Company has been relying and will continue to rely on the distribution network of Tongrentang Ltd. for distribution of the Company's products, there may exist direct competition between the products of the Company and those of Tongrentang Holdings and Tongrentang Ltd.. The Company's business may be affected adversely due to such direct competition.

After the listing of the Company, the Company, Tongrentang Holdings and Tongrentang Ltd. will not have any products in common except for Angong Niu Huang Pills (安宫牛黄丸). As there are numerous manufacturers producing this product in the PRC, the Company will be in direct competition with such manufactures, including Tongrentang Ltd. in respect of such product.

- **No clear business delineation with Tongrentang Ltd. and Tongrentang Holdings**

Although the Company has a total of 86 production permits in common with those of Tongrentang Ltd. and Tongrentang Holdings, their business are delineated in accordance with their focus on the forms of medicine they produce. The Company focuses on producing products in the forms of granules, pills, tablets and soft capsules while Tongrentang Ltd. and Tongrentang Holdings focus on producing Chinese medicine in the forms of large pills, powder, ointment, pellet and medicinal wine. However, Tongrentang Ltd. also has some minor production lines for the productions of granules and pills. In addition, due to the nature of Chinese medicine, products in different forms may have similar curative effects and properties. As all the three companies are engaging in the business of manufacturing Chinese Patent Medicines, the delineation of business between these three companies is not clear. As a result, the Company's business may be adversely affected by products of Tongrentang Holdings and Tongrentang Ltd. with similar curative effects in different forms.



## SPONSOR'S INTERESTS

Immediately after the listing of the Company's H shares on the GEM on 31st October 2000, the following two associated companies of BOCI Asia Limited had interests in the Company's shares:

<b>Name</b>	<b>No. of H Shares</b>
BOC China Fund Limited	1,000,000
BOC Securities (S) Pte Ltd.	150,000

Save as above, immediately after the listing of the Company's H Shares on the GEM on 31st October 2000, BOCI Asia Limited, its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules), did not have any interests in the shares of the Company or any rights to subscribe for or to nominate persons to subscribe for the shares of the Company.

By a sponsorship agreement entered into between the Company and BOCI Asia Limited pursuant to which BOCI Asia Limited has been appointed as sponsor of the Company for the remainder of the year ended 31st December 2000 and for the period of two years commencing from 1 January 2001 and the Company shall pay an agreed amount fee to BOCI Asia Limited for its provision of services.

## YEAR 2000 COMPLIANCE

As mentioned in the Prospectus, the Company has reviewed its computer hardware and software to ensure that they are year 2000 compliant. The Board believe that they have taken all necessary steps to ensure the computer systems of the Company are year 2000 compliant but is aware that many year 2000 issues are outside the Company's control and may continue to pose a threat to its business well into year 2000. The Company has not encountered any material difficulties in all functional areas arising from the year 2000 compliance since 1 January 2000.

## AUDIT COMMITTEE

The Company has set up an audit committee according to "Guideline to set up an audit committee" compiled by the Hong Kong Society of Accountants. The committee's main duty is to review and monitor the Company's finance reporting process and internal control system. The committee now comprises Mr. Ting Leung Huel, Stephen and Ms. Tam Wai Chu, Maria.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

From the date of listing on 31st October 2000 to the date of this announcement, the Company has not purchased, sold or redeemed any of the Company's listed shares.

On behalf of the Board

**Yin Shun Hai**

*Chairman*

Hong Kong, 14th November, 2000

*This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the day of the posting.*