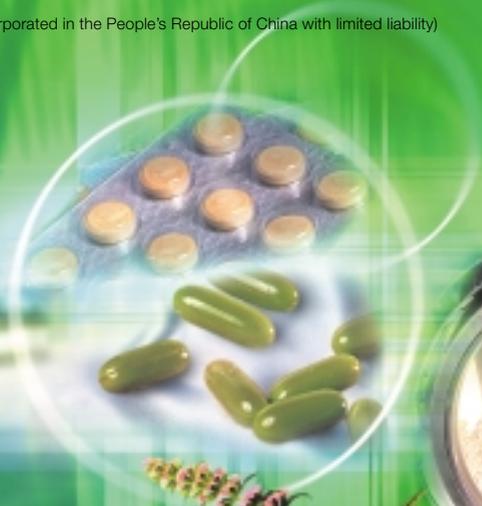




Tong Ren Tang Technologies Co. Ltd.  
北京同仁堂科技發展股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)



3rd Quarterly Report 2001





## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid reports in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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

- Turnover increased by approximately 47.95% for the nine months ended 30 September 2001 compared with the corresponding period in 2000.
- Net profit increased by approximately 70.66% for the nine months ended 30 September 2001 compared with the corresponding period in 2000.
- Earnings per share for the nine months ended 30 September 2001 were RMB0.359.



## 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 30 September 2001 together with the unaudited comparative figures for the corresponding periods in 2000, as follows:

	<i>Notes</i>	For the nine months ended 30 September		For the three months ended 30 September	
		2001 <i>RMB'000</i>	2000 <i>RMB'000</i>	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
Turnover	2	<b>364,021</b>	246,042	<b>111,931</b>	71,068
Cost of sales		<b>(173,064)</b>	(125,981)	<b>(46,670)</b>	(31,268)
Gross profit		<b>190,957</b>	120,061	<b>65,261</b>	39,800
Selling and distribution costs		<b>(59,608)</b>	(19,932)	<b>(25,602)</b>	(5,789)
Administrative expenses		<b>(71,250)</b>	(40,988)	<b>(20,716)</b>	(16,020)
Profit from operations		<b>60,099</b>	59,141	<b>18,943</b>	17,991
Finance income (cost)		<b>5,472</b>	(1,794)	<b>1,231</b>	(644)
Profit before taxation		<b>65,571</b>	57,347	<b>20,174</b>	17,347
Taxation	3	-	(18,925)	-	(5,725)
Net profit		<b>65,571</b>	38,422	<b>20,174</b>	11,622
Earnings per share – Basic	4	<b>RMB0.359</b>	RMB0.349	<b>RMB0.11</b>	RMB0.106

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 its placing of H shares were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM") on 31 October 2000. In preparing for the listing of the Company's H shares on the GEM, Beijing Tongrentang Company Limited ("Tongrentang Ltd.") underwent a restructuring ("the Restructuring"), details of which are set out in the prospectus of the Company dated 24 October 2000 (the "Prospectus") issued in respect of the Company's H shares listed on the GEM.

The above results were prepared on the basis that the existing Company structure had been in place throughout the period from 1 January 2000 to 31 December 2000. The figures for the corresponding periods in prior year are solely for comparative purposes. The principal accounting policies adopted in preparing the unaudited results conform with International Accounting Standards.

### 2. Turnover

The Company's turnover is derived principally from the sales of Chinese Patent Medicine.

An analysis of the Company's turnover by geographical regions is as follows:

	For the nine months ended 30 September		For the three months ended 30 September	
	2001	2000	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of Medicine:				
Domestic	<b>340,760</b>	239,655	<b>105,586</b>	68,688
Overseas	<b>15,493</b>	6,306	<b>3,802</b>	2,380
Agency fee income – domestic	<b>7,768</b>	81	<b>2,543</b>	–
	<b>364,021</b>	246,042	<b>111,931</b>	71,068

### 3. Taxation

Pursuant to the relevant income tax laws of the PRC, the Company is subject to Enterprise Income Tax ("EIT") at a rate of 15%. Moreover, according to the Notice for Explanation of the Execution of Enterprise Income Tax Policy (1995) No. 573 issued by Beijing Local Tax Bureau, enterprises that are qualified as high-technology enterprises are entitled to further tax holiday on EIT. The Company obtained approval as a high-technology enterprise on 29 August 2000 and therefore will be exempted from EIT for three years starting from the first profitable year and a 50% reduction in the following three years. However, an amount equal to the exempted EIT has to be appropriated to reserves as tax reserve and is not distributable by the Company. The year 2000 was the first profitable year of the Company for EIT purposes. According to the approval from Beijing High-Technology Industrial Development District Tax Bureau, the Company is entitled to a full exemption from EIT for the period from June to December 2000 and for the year of 2001. For the nine months ended 30 September 2001, the EIT exempted amounting to approximately RMB12,388,000 has been transferred to the tax reserve.



The reconciliation of the Company's statutory tax rate to the effective tax rate is as follows:

	For the nine months ended 30 September		For the three months ended 30 September	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Accounting profit	65,571	57,347	20,174	17,347
The statutory tax rate	15%	33%	15%	33%
Tax at the statutory rate	9,836	18,925	3,026	5,725
Adjustment on EIT	2,552	-	-	-
Effect on tax benefit of being a high-technology enterprise	(12,388)	-	(3,026)	-
Tax expenses	-	18,925	-	5,725

During January to May of 2000, the Company was in the early stage of incorporation and has not obtained the tax registration certificate, the EIT of the Company during that period in 2000 was paid through the Company's parent company, Tongrentang Ltd., subject to a tax rate of 33%. The Company obtained the tax registration certificate in June 2000, the applicable EIT rate for June 2000 was 33%. The tax paid for June 2000 has been refunded.

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 30 September 2001 was based on the net profit of approximately RMB65,571,000 and RMB20,174,000 respectively (2000: RMB38,422,000 and RMB11,622,000, respectively) divided by the weighted average number of shares issued during the period of 182,800,000 shares (2000: 110,000,000 shares, being the number of shares issued immediately after the Restructuring).

Diluted earnings per share is not presented for the nine months and three months ended 30 September 2001 and 2000 as there were no potential dilutive potential shares in existence during the relevant periods and as at the end of relevant periods.

#### 5. Comparative figures

Certain comparative figures for the nine months ended 30 September 2000 have been reclassified to conform with the audited annual report for the year ended 31 December 2000.

## BUSINESS REVIEW AND PROSPECTS

Consistent with market trend, the Company continues to execute the business strategy whereby production, marketing and returns of operation are achieved in equilibrium. The Company is enhancing creativity and management, strengthening internal supervisory control, improving products' quality, promoting marketing, placing more emphasis on performance appraisal and upgrading the Company's competitiveness. The Company has established the management model to fit its strategic goal and has also upgraded its competitiveness in the market, its human resources, financial management, creativity and brand and is perfecting its management and operation, while implementing the annual plan. As a result, the operations of the Company have been enhanced, a better development trend has been achieved and the economic targets for the first three quarters of 2001 have been achieved. The production and marketing of the dominant products have been prospering with sales increasing steadily this year. Turnover and net profit for the nine months ended 30 September 2001 amounted to approximately RMB364,021,000 and RMB65,571,000, representing an increase of 47.95% and 70.66% respectively as compared with the corresponding period in 2000.

In order to further expand its production base, the Company purchased another piece of land near the piece purchased in the first half of this year in Beijing Economic and Technology Development Zone ("BDZ") with area of approximately 15,071 sq.m.. The design for the production plant in the old plot is in progress.

### Business Review

#### Production

In order to unify the management and control and to balance the production of the two factories, the Company has consolidated its production and texting departments. The Company has also reduced the personnel in management department by transferring excessive staff to the production line and sales force. Such moves have reduced administrative costs and harmonized internal production management without affecting the production quality. The Company has implemented a policy of "production according to order form", and strictly followed the direction of "market-orientation and innovation as the main part to enhance the Company's competitive capability".



Simultaneously, the Company on a timely manner adjusted the production structure based on the order to meet the market demand. The production plan was also adjusted to meet the urgent demand. The Company's top three production priorities are: export products, key products and new products.

Good Manufacturing Practice ("GMP") improvements on existing production lines have been active in progress with GMP improvements on two production lines finished and reported to the relevant government department for approval. The two production lines with GMP improvements have been used for production. The GMP improvements on the production line for soft capsules will be completed by the end of this year. The Company will utilize this opportunity to upgrade the level of technical equipment and improve the management level and staff quality.

### **Operation**

The Company has strengthened the logistics management and speeded up the rate of material turnover in order to increase income and reduce expenditure. It has improved the information management and established a modern information collection system to improve the Company's ability to respond to market information. The Company has increased investment in marketing and has adopted flexible and diverse operation strategy for different products. A marketing system which is closer to market and more responsive and more personalized is being established. In respect of its sales strategy, the Company is stabilizing and developing its end user market, strongly promoting the agent system and expanding the sales channel. Domestic and overseas markets are being explored with the emphasis on sales and market development of key products, constantly broadening and widening market penetration, enlarging marketing scale to ensure greater market penetration in order that the annual operation and marketing together would be reached.

There has been a substantial increase in turnover during the first three quarters of 2001 as compared with the corresponding period in 2000. During the nine months ended 30 September 2001, the Company has attained sales of RMB364,021,000, representing an increase of 47.95% over the corresponding period of last year. Turnovers for Liuwei

Dihuang Pill, Niuhuang Jiedu Tablet, Ganmao Qingre Granule during the first three quarters of 2001 represents an increase of 86.23%, 38.6% and 37.55% respectively as compared with the corresponding period in 2000.

### **Construction of Research and Development Centre**

The Company pays great attention to the development of new products. Pursuant to its development strategy, the Company is continuing to perfect the operation of its research and development centre and is following the principle of “actively facing the development and the actual production and operation of the Company”. It will increase investment in scientific research and development of new products and raise the level of efficiency in new medicine development. In addition, the Company will introduce research and development facilities and personnel, speed up the completion of development of new products and actively commence the secondary stage of research and development. Simultaneously, the Company will pay more attention to the modification and improvement of existing products, upgrade the technical quality, speed up the research and development of the studying products, complete the application procedures for approval of the medicines which have been on clinical trial, get the new medicine certificate and production license of the new anti-influenza drug pending for approval in order to preserve new products for the future development of the Company.

### **Development of New Products**

The new products which the Company are developing include a new anti-influenza drug, a new anti-cardiovascular disease drug and a new anti-menopause syndrome medicine and so on:

- A. For the new anti-influenza drug, the Company has submitted related materials in the first half of 2001 to the relevant government department for approval.
- B. For the new anti-cardiovascular disease drug, the Company has completed the clinical summing-up and is preparing for the supplementary test and material modification.



- C. For the new anti-menopause syndrome drug, the Company will continue to perform clinical tests.

### **Bio-pharmaceutical Technologies**

The Company's project on bio-pharmaceutical technologies continues to follow the principle of "active involvement and steady progress, picking the right project and proceeding systematically for gradual expansion to achieve economies of scale". Beijing Tong Ren Tang WM Dianorm Biotech Co., Ltd. has completed the layout of its development program, the draft of regulation and system, the establishment of its organization structure and the allocation of personnel. The joint venture is now working on the training of staff and the establishment of production line so that the production of new products can be commenced as soon as possible.

### **Prospects**

The Company's production and sales achieved a satisfactory increase in the first three quarters of 2001 as compared with the corresponding period in last year. With China's accession to World Trade Organization, the Company will use science and technology as guide, promote application of new technology, increase strength in scientific technology research and development, ensure product quality, adhere to the principle of "seek to survive, promote sales and capture users by attaching importance to quality". The Company will perform the following work in recent two years as scheduled:

- (1) Following the development strategy of "produce the product with a production certificate, develop the product on which the clinical test has been done, lay out the development plan for new products", the Company will increase cooperation with scientific research institutions, try its best to obtain a new medicine certificate in 2001, and prepare for its launching on market next year.
- (2) Improving the technology and quality standard of existing products by optimizing the process control, reasonably arranging the production system, reducing the cost and energy consumption in production, completing packaging improvements for certain existing products during the first half of next year to upgrade their image.

- (3) Modernizing and internationalizing Traditional Chinese Medicine, continuing GMP improvement to establish competitive advantage and increase economic benefit.
- (4) Extending distribution channels by increasing the strength in product advertisement and utilizing the advantage of a variety of high quality products to stabilize and enlarge the trade to Southeast Asia and export to Japan and Europe as well as to seek for new marketing opportunity.
- (5) Completing the first phase of construction of the high-standard production base in BDZ in next year.
- (6) Carrying out the business plans stated in the Prospectus and strengthening the management and use of the funds raised to ensure the quality and progress of the Company's business plans so as to achieve a good return on investment.
- (7) Preparing to set up the Company's own sales team, establishing an operation and marketing model and the distribution channels suitable for the domestic market, improving the incentive scheme and adopting modern scientific management to enhance the the Company's brand image and to increase its market share and profitability.
- (8) Working out the production and operation plan and the financial budget for 2002, efficiently controlling the cost and expenses according to the budget to realize sustainable development.



## Comparison of the business plans and actual progress

From 1 July 2001 to 31 December 2001 \*      From 1 July 2001 to 30 September 2001

### Expansion of production capability and establishment of production base

The Company will produce relevant products at its existing production plants and at those to be established in Beijing in the future.

#### Expected project progress \*\*

Confirmation of implementation plan and commencement of construction.

#### Actual project progress

In order to expand the production base, the Company has purchased another piece of land in BDZ near the piece purchased in the first half of this year with area of approximately 15,071 sq.m. The design for the production plant in the old piece of land is in progress.

GMP improvements on existing production lines have been partially completed.

The anticipated investment would be HK\$15 million.

Actual investment amounted to RMB14,590,000, equivalent to approximately HK\$13,760,000.

## **Investment in the Research Centre, new medicine development and bio-pharmaceutical technologies**

### **Investment in the Research Centre**

Capitalizing on its extensive research and development experience, the Research Centre will increase its research capability in the future by taking advantage of the investment to recruit more high caliber research personnel and to capitalize on the research and development strength of universities in Beijing to develop new drugs. The Research Centre will also be responsible for applying for approval from the relevant PRC authorities for the Company's new pharmaceutical products.

#### **Expected project progress \*\***

Purchase of equipment and facilities and completion of initial phase of construction

The anticipated investment would be HK\$10 million.

#### **Actual project progress**

Purchase and installation of equipment and facilities, development of new medicine and research on new technology for production are in progress.

Actual investment amounted to RMB1,094,000, equivalent to approximately HK\$1,030,000.



## Development of new medicine

The Company is currently conducting research and development of the following new products:

### A. *Research on new anti-influenza drug*

The Company is conducting research on the production of new anti-influenza medicine in the form of effervescent tablet to tailor for the intake habit of the western people. This medicine is developed in accordance with international technical and quality standards, and therefore is expected to become a competitive product in the international markets.

#### **Expected project progress \*\***

Clinical trial continued.

#### **Actual project progress**

Information with regard to testing has been forwarded to assessment center of relevant government department for approval.

### B. *Development of the new anti-cardiovascular system disease drug*

The new anti-cardiovascular medicine is based on clinically proved prescriptions and has been developed into three types of pure Chinese medicine to cure and prevent the cardiovascular diseases.

#### **Expected project progress \*\***

Clinical trial continued.

#### **Actual project progress**

Performing supplementary tests and information adjustment.

C. *Development of new anti-menopause syndrome drug*

The anti-menopause syndrome medicine is based on clinically proved prescriptions and has been developed into three main types of pure Chinese medicine to nourish liver and kidney, smoothening kidney and relieving “Yang” and releasing pressure. Its function is to regulate the central nervous system through a tranquillizing effect, as well as to raise oestrogen levels.

**Expected project progress \*\***

Clinical trial continued.

HK\$5.5 million would be invested in the three medicines.

**Actual project progress**

Continuing the clinical trial as scheduled.

Actual investment amounted to RMB256,000, equivalent to approximately HK\$240,000. The actual investment is less than that stated in the Prospectus due to a postponement in the investment on the new anti-cardiovascular system disease drug because the relevant clinical test has not yet been completed.



### **Developing bio-pharmaceutical technologies**

The Company entered into an agreement with WM Dianorm Biotech Co., Limited (“Dianorm”) on 10 May 2000 for the establishment of a joint venture, Beijing Tong Ren Tang WM Dianorm Biotech Co., Limited. By utilizing Dianorm’s advanced technologies in liposome and other bio-pharmaceutical areas, the Company will be able to promote the technological level of Chinese medicine and will be able to develop other new bio-pharmaceutical products.

#### **Expected project progress \*\***

Conducting preliminary research and application for production approval of The State Pharmaceutical Supervision and Administration of the PRC.

The anticipated investment would be HK\$10 million.

#### **Actual project progress**

The layout of development program has been completed, establishment of organisation structure, while allocation of personnel and preparation of the production line are in progress. New products are expected to be launched in 2002.

No investment has been made during this quarter.

### **Establishing sales network and venturing into e-commerce business**

#### **Establishing sales network**

The Company plans to establish its own domestic sales network after listing on the GEM, and strengthens its existing overseas sales and marketing network so as to further increase the penetration of products in the domestic market and the overseas market respectively.

**Expected project progress \*\***

Obtain approval from the relevant local government departments and commencement of construction and decoration of properties.

The anticipated investment would be HK\$17 million.

**Actual project progress**

Construction will commence after approval from relevant government department is granted.

No investment has been made because preliminary approval from relevant local government department has not been granted.

**E-commerce**

The Company plans to establish websites on Chinese medicine so as to provide online services on medical consultancy and the sale of medicine.

**Expected project progress \*\***

Trial operation of websites and online medical business development.

The anticipated investment would be HK\$5 million.

**Actual project progress**

Since the internet industry is now affected by various factors and not in a profitable stage, the Company has postponed the development of this project.

No investment has been made.



## **Establishing production base for Chinese medicinal raw materials**

The Company plans to establish a production base for Chinese medicinal raw materials at a suitable location in China so as to ensure the quality and supply of raw materials.

### **Expected project progress \*\***

Preparation of plantation.

The anticipated investment would be HK\$8 million.

### **Actual project progress**

The feasibility studies of two agricultural bases have been passed and co-operative partners have been selected. The respective co-operative contracts have been signed with capital being injected. These co-operative agricultural bases have already completed the registration procedures and will commence business soon. The co-operative partners of another two agricultural bases have already been confirmed with co-operative contracts being signed. Capital injection will be made shortly.

Actual investment amounted to RMB6.12 million, equivalent to approximately HK\$5.77 million.

## **Investment in Tong Ren Tang Hutchison (H.K.) Pharmaceutical Development Company Limited (“Tong Ren Tang Hutchison Pharmaceutical Development”)**

The Company entered into an agreement on 7 October 2000 with Hutchison Chinese Medicine, an indirect wholly owned subsidiary of Hutchison Whampoa Limited, and Beijing Holdings Limited, the majority shareholder of Beijing Enterprises Holdings Limited, to form a joint venture company, proposed to be named Tong Ren Tang Hutchison Pharmaceutical Development in Hong Kong. This agreement will take effect upon all requisite PRC governmental or other approvals for the consummation of the transaction contemplated thereby being obtained. The joint venture company will be

held as to 40% by the Company. The authorized share capital of the joint venture company is HK\$15 million. The total investment proposed to be made by the shareholders in the joint venture company is HK\$200 million. The Company will contribute HK\$40 million to the joint venture within one year after its establishment upon all requisite regulatory and other approvals being obtained, with the remaining HK\$40 million to be invested by the Company within 3-4 years after the incorporation of the joint venture company.

#### **Expected project progress \*\***

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The anticipated investment would be HK\$20 million.

#### **Actual project progress**

The joint venture company has been registered in Hong Kong and part of the capital contribution has been made. Hutchison Chinese Medicine is performing market research while the Company is responsible for research on the prescription to cater for the U.S. market.

Actual investment amounted to HK\$6 million. The actual investment is less than that stated in the Prospectus due to the investment made during this quarter is the first contribution while the balance will be invested after the approvals of all requisite departments have been obtained.

\* Since the progress of the projects was set out on a half-year basis as stated in the Prospectus, the expected project progress of each business objective as disclosed in this quarterly report was reflected the plan for the second half year of 2001.

\*\* Since the progress of the projects was set out on a half-year basis as stated in the Prospectus, the expected project progress and expected amount of investments was reflected the plan for the second half year of 2001 while the actual investment of each project as disclosed in this quarterly report was reflected the actual progress of the third quarter of 2001.



## INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2001 (2000: Nil).

## MOVEMENT OF RESERVES

There was no movement of reserves for the relevant periods in 2001 and 2000 except those disclosed as below:

	For the nine months ended 30 September			
	Tax reserve		Retained profits	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
Balances as of 1 January	4,427	–	41,795	38,258
Final dividend declared	–	–	(38,388)	(38,258)
	<u>4,427</u>	<u>–</u>	<u>3,407</u>	<u>–</u>
Net profit for the three months ended 31 March	–	–	28,050	18,106
Appropriation to reserve	4,207	–	(4,207)	–
	<u>8,634</u>	<u>–</u>	<u>27,250</u>	<u>18,106</u>
Balances as of 31 March	8,634	–	27,250	18,106
Net profit for the three months ended 30 June	–	–	17,347	8,694
Appropriation to reserve	5,155	–	(5,155)	–
	<u>13,789</u>	<u>–</u>	<u>39,442</u>	<u>26,800</u>
Balances as of 30 June	13,789	–	39,442	26,800
Net profit for the three months ended 30 September	–	–	20,174	11,622
Appropriation to reserve (See Note 3 above)	3,026	–	(3,026)	–
	<u>16,815</u>	<u>–</u>	<u>56,590</u>	<u>38,422</u>
Balances as of 30 September	16,815	–	56,590	38,422

## DIRECTORS' AND SUPERVISORS' INTEREST IN SHARES

As of 30 September 2001, the interests of the Company's Directors and Supervisors and their respective associates in the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance, or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange as follows:

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

*Note:* All represented domestic shares.

Saved as disclosed above, as of 30 September 2001, none of the Directors or the Supervisors or their associates had any interests in any securities in the Company. 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 of the Company.



## SUBSTANTIAL SHAREHOLDERS

As of 30 September 2001, 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 share capital of the Company was as follows:

<b>Name</b>	<b>Number of shares</b>	<b>Shareholding percentage as of 30 September 2001</b>
Tongrentang Ltd. ( <i>Note 2</i> )	100,000,000 ( <i>Note 1</i> )	54.705%

- Notes:*
1. All represented domestic shares
  2. As of 30 September 2001, Tongrentang Ltd. is owned as to 69.98% by China Beijing Tong Ren Tang Holdings Corp.

Saved as disclosed above, the Company is not aware of any person with an interest of 10% or more of the issued capital of the Company as at 30 September 2001.

## SPONSOR'S INTERESTS

According to the notification from our sponsor, BOCI Asia Limited, as of 30 September 2001, BOCI Asia Limited, its directors, employees or associates (as referred to Note 3 of Rules 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 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 31 December 2000 and for the period of two years commencing from 1 January 2001 and the Company shall pay an agreed fee to BOCI Asia Limited for its provision of services.

## AUDIT COMMITTEE

Pursuant to the Rules 5.23 of the GEM Listing Rules, 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. In compliance with the Rules of 5.24 and 5.25 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the Committee are to review and monitor the Company’s financial reporting process and internal control system. The committee comprises Mr. Ting Leung Huel, Stephen and Ms. Tam Wai Chu, Maria, independent non-executive directors of the Company.

Two meetings have been conducted by the audit committee in 2001 up to the date of this report. The first meeting was held on 28 February 2001 for discussion of the operating results, statements of affairs and accounting policies with respect to the audited report of the Company for the year ended 31 December 2000. The second meeting was held on 6 August 2001 for discussion of the operating results, statements of affairs and accounting policies with respect to the unaudited half-year report of the Company for the six months ended 30 June 2001.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

As of 30 September 2001, the Company has not purchased, sold or redeemed any of the Company’s listed shares.

By the Order of the Board

**Yin Shun Hai**

*Chairman*

Beijing, the PRC  
6 November 2001

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