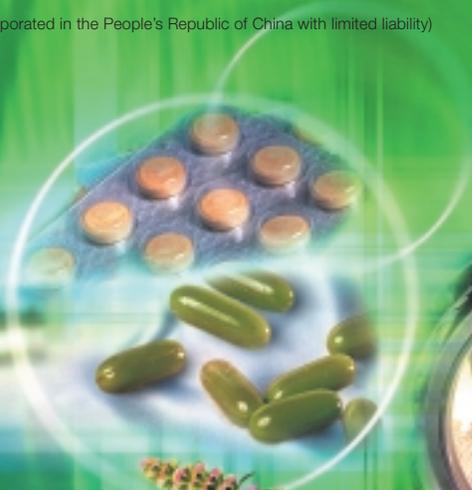




Tong Ren Tang Technologies Co. Ltd.
北京同仁堂科技發展股份有限公司

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



First Quarterly Report 2003



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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 40.16% for the three months ended 31 March 2003 as compared with the corresponding period in 2002.
- Net profit increased by approximately 35.63% for the three months ended 31 March 2003 as compared with the corresponding period in 2002.
- Earnings per share for the three months ended 31 March 2003 was RMB0.26.



QUARTERLY RESULTS (UNAUDITED)

The board of the directors (the “Board”) of Tong Ren Tang Technologies Co. Ltd. (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries and its joint venture (hereafter collectively referred to as the “Group”) for the three months ended 31 March 2003 together with the unaudited comparative figures for the corresponding period in 2002, as follows:

		For the three months ended 31 March	
		2003	2002
	Notes	RMB'000	RMB'000
Turnover	2	271,629	193,802
Cost of sales		<u>(146,670)</u>	<u>(104,567)</u>
Gross profit		124,959	89,235
Selling and distribution costs		(43,861)	(35,134)
Administrative expenses		<u>(30,305)</u>	<u>(18,895)</u>
Profit from operations		50,793	35,206
Finance income, net	3	<u>579</u>	<u>739</u>
Profit before taxation	4	51,372	35,945
Taxation	5	<u>(2,912)</u>	<u>(228)</u>
Income before minority interests		48,460	35,717
Minority interests		<u>(115)</u>	<u>(72)</u>
Net profit		<u>48,345</u>	<u>35,645</u>
Earnings per share - Basic and diluted	6	<u>RMB0.26</u>	<u>RMB0.19</u>

1. Basis of presentation

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

The accompanying unaudited results 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 2002.

2. Turnover

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

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

	For the three months ended 31 March	
	2003 RMB'000	2002 RMB'000
Sales of medicine:		
Domestic	258,336	183,525
Overseas	10,976	7,301
Agency fee income – domestic	2,317	2,976
	<u>271,629</u>	<u>193,802</u>

3. Finance income, net

	For the three months ended 31 March	
	2003 RMB'000	2002 RMB'000
Interest expenses on bank loans repayable within 5 years	–	(422)
Interest income	587	1,097
Others	(8)	64
	<u>579</u>	<u>739</u>



4. Profit before taxation

Profit before taxation was determined after charging the following:

	For the three months ended 31 March	
	2003	2002
	RMB'000	RMB'000
Depreciation of property, plant and equipment	<u>4,274</u>	<u>2,778</u>

5. Taxation

Pursuant to the relevant regulations of the PRC, a high-technology enterprise ("HTE") located in a designated area of Beijing Economic and Technological Development Zone ("BETDZ") is subject to Enterprise Income Tax ("EIT") at a rate of 15%. Moreover, upon approval by the relevant local tax bureau, such a HTE is entitled to an exemption from EIT for the first three years from its commencement of operations and a 50% reduction for the three years thereafter. The certification as a HTE is subject to an annual review by the relevant government bodies. In addition, an amount equal to the EIT exemption or reduction from 15% has to be appropriated to a non-distributable tax reserve.

In March 2002, the Company renewed its HTE certification granted by Beijing Science Technology Committee for the years of 2002 and 2003. The Company was registered in the BETDZ and has obtained an approval from the BETDZ Local Tax Bureau ("BETDZ LTB") (Document Jingdishuikajianmianfa [2000] No. 23) to enjoy an EIT exemption for three years commencing from 2000 and a 50% reduction in EIT for the three years thereafter. In October 2002, Beijing Administration of Taxation issued a circular, namely Jingguoshuihan [2002] No. 632, stating that a HTE can enjoy the preferential tax treatment only if both the registration and operation are in the designated area. However, BETDZ LTB has also verbally confirmed to the Company that the above EIT preferences should be available to the Company as long as the Company's registered address is in BETDZ and it remains as a HTE.

For the period ended 31 March 2003, an amount equal to the 7.5% EIT exempted amounting to approximately RMB3,949,000 (2002: RMB5,420,000) was transferred to the tax reserve.

The reconciliation of the tax expense of the Group is as follows:

	For the three months ended 31 March	
	2003 RMB'000	2002 RMB'000
Accounting profit	<u>51,372</u>	<u>35,945</u>
Tax rate	13.36%	15.71%
EIT at tax rate	6,861	5,648
Effect of tax benefits of being a HTE	<u>(3,949)</u>	<u>(5,420)</u>
Tax expense	<u><u>2,912</u></u>	<u><u>228</u></u>

Under PRC income tax law, the Company's subsidiaries and joint ventures within PRC are generally subject to EIT at a rate of 33% on the taxable income. Foreign entities are subject to income tax as required by tax laws of countries where those entities operate, respectively. However, as these foreign entities had no material operating activities nor taxable profits for the period, no income tax provision was made.

6. Earnings per share

The calculation of the basic earnings per share for the three months ended 31 March 2003 was based on the net profit of approximately RMB48,345,000 (2002: RMB35,645,000) divided by the weighted average number of shares issued during the period of 182,800,000 shares (2002: 182,800,000 shares).

Diluted earnings per share equal basic earnings per share because there were no potential dilutive ordinary shares outstanding during the period.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2003 (2002: Nil).



MOVEMENT OF RESERVES

There was no movement of reserves for the relevant periods in 2003 and 2002 except those disclosed as below:

	For the three months ended			
	Tax reserve		Retained profits	
	2003	2002	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balances as of 1 January	51,583	23,193	110,584	68,761
Final dividend declared	—	—	(71,292)	(54,840)
	<u>51,583</u>	<u>23,193</u>	<u>39,292</u>	<u>13,921</u>
Net profit for the three months ended 31 March	—	—	48,345	35,645
Appropriation to reserve (see Note 5 above)	3,949	5,420	(3,949)	(5,420)
	<u>3,949</u>	<u>5,420</u>	<u>(3,949)</u>	<u>(5,420)</u>
Balances as of 31 March	<u>55,532</u>	<u>28,613</u>	<u>83,688</u>	<u>44,146</u>

BUSINESS REVIEW

The Company actively followed the yearly plan and the overall strategy of the year in 2003 to capture opportunities, accept challenge, develop stably, focus on enlarging production scale and capacity and increasing sales revenues and market share, as well as enhancing research and development of new products, so as to further enhance the overall business performance and sustained growth of the Company. The production and operation of the Company in the first quarter of 2003 have been enhanced and a better development trend has been continuously achieved. Turnover and net profit for the three months ended 31 March 2003 amounted to approximately RMB271,629,000 and RMB48,345,000, representing an increase of 40.16% and 35.63% respectively as compared with the corresponding period of 2002. The turnover of overseas markets in the first quarter of 2003 amounted to approximately RMB10,976,000, representing an increase of 50.34% as compared with the corresponding period of last year.

Production and sale

The domestic market has been affected by unexpected disease in the first quarter of this year. The demand of some anti-virus medicinal products exceeded the supply. The market demand of the Company's product Banlangen Granule (板藍根顆粒), being a Chinese patent medicine with the effects of dissipating heat, has been increased substantially. In order to ensure the market supply and satisfy the demand of patients, the Company has set up an ad hoc leading team to work on urgent matters according to priority and adjust the production structure in a timely manner. The Company has unified the departments of raw materials supply, production, warehouse and transportation to speed up the production with the quality of the products being ensured. The production of Banlangen Granule (板藍根顆粒) has been increased substantially during the period with the selling price being unchanged and the respective turnover for the first quarter of 2003 has been increased by 129.16% as compared with the corresponding period of last year.

During the period, the Company has further strengthened the marketing and promotion with introduction of new products and training activities being conducted in provinces and cities such as Heilongjiang, Hubei, Sichuan and Anhui. Through selecting advantageous products and promoting them intensively according to their different curative effects, providing product consultation and promoting the products in respect of their different characteristics, good results have been achieved. In the first quarter of 2003, the turnover of the Company's flagship products Liuwei Dihuang Pill (六味地黃丸) and Niu Huang Jie Du Tablet (牛黃解毒片) have increased by 41.36% and 54.05% respectively over the corresponding period of last year. The turnover of Ganmao Qingre Granule (感冒清熱顆粒) has been decreased as compared with the corresponding period in 2002.



The Company advocated the modernization of Chinese medicine and improved the standard of production technique of Chinese medicine. In the first quarter of 2003, the Company continued to conduct staff training, adjustment of equipment and perfect the supporting facilities. The Yizhuang production workshop has currently entered the trial production stage and operated well with the production quantity of tablets being raised gradually. At the same time, with Yizhuang production base as the core, the Company examined the change in market demand of different forms and products and fully utilized the existing production resources for the further planning and design of the whole production structure so as to create an advantageous condition for the expansion of production scale and capacity.

The Company has further strengthened the fundamental management and efforts have been made to establish a flat, efficient and effective management model in order to improve the quality of operation. During the period, the Company has enhanced the internal control of financial and quality management of its subordinate units and subsidiaries. As a result, cost is being lowered while resources are fully deployed to achieve higher efficiency.

Research and development

Based on the consolidation of capabilities and innovation system on research and development, the Company's Research Centre has sped up the progress of projects under research and development and the transformation of results of new products. For the new products anti-influenza effervescent tablet (抗感泡騰片) and Taizi Baoxin Liquor (太子保心口服液), the Company has completed the laboratory testings on production technique before the commencement of trial production and strived to launch at the market within this year. For the new anti-menopause syndrome drug, the Company has passed the preliminary approval of Beijing City Pharmaceutical Supervision Bureau for new drugs and has submitted to the State Pharmaceutical Supervision and Administration of the PRC for new drugs approval.

Sales network

Peking Tong Ren Tang (Malaysia) Sdn. Bhd. and Beijing Tongrentang (Canada) Co., Ltd., which are located in Malaysia and Canada respectively, have been operated well in the first quarter. In order to further expand overseas market, the Company will invest in Beijing Tong Ren Tang (Macao) Company Ltd. in which the Company has a 51% contribution to its total investment. The new company is now under preparation and expected to start business within this year.

Bio-pharmaceutical technologies

Beijing Tong Ren Tang WM Dianorm Biotech Co., Limited (“Tong Ren Tang WM Dianorm”) is a specialized company which studies the usage of German monopolistic liposome technology. During the period, Tong Ren Tang WM Dianorm has perfected the systems of research and development, production and quality control, absorbed the core technology of liposome products and took full advantage of monopolistic liposome technology. As a result, several series of liposome spray products have been developed, including NIT-EYE (立眼舒) which is being applied directly on eyelids for releasing eye illness such as tiredness, dryness and painful swell, NIT-ACB (立消瘰) which is used for pimples and ulcer, and NIT-MOUTH (立口健) which is used for preventing carious tooth, periodontosis and maintaining freshness of breath. The marketing and promotion of the above-mentioned products have currently been commenced.



Prospects

The national medical system reforms continued to proceed intensively while a series of policies regarding the standardization of operation of the industry have been successively issued. Especially the Modernization of Traditional Chinese Medicine Outline (中藥現代化發展綱要) issued by eight state departments and councils in the second half of previous year has clearly expressed the consideration and support of the state on Chinese medicine production industry. There has been a substantial increase in the production and sales of the Company in the first quarter of 2003. The Company will continue to take the modernization of traditional Chinese medicine industry as the core and strengthen management and coordination together with implementation of improvement and innovation on our business development. The major points include:

- Take full advantage of the brand name and flexibly utilize various marketing strategies to acquire medicinal market so as to achieve prompt increase in sales revenue;
- Efforts will be made to accelerate the structural planning and design of Yizhuang production base. The Company will further optimize the allocation of resources, further rationalise the production lines and make use of technological improvement and innovation to enlarge production capacity to ensure the market demand; and
- Speed up the modernization of traditional Chinese medicine industry, achieve the improvement of industry and product standard, strengthen the competitive advantage of the Company's products and accelerate the launching of new products to the market.

COMPETING INTERESTS

Direct competition with Beijing Tongrentang Company Limited (“Tongrentang Ltd.”) and China Beijing Tong Ren Tang Group Co. Ltd. (“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 underlying problems of the body which may have a direct or indirect influence on the explicit symptoms. As such, the curative effects of Chinese medicine are usually very broad. The proper medicine is selected with reference to a number of variables such as the patient's state of illness, gender, age and constitution, the occurring season of the disease and its curative effects on the implicit problems of the patient. As such, any particular type of Chinese medicine usually has several curative effects, some of which may be in common with those of other products under different names. Given this nature of Chinese medicine, there may exist direct competition between the products of the Company and those of Tongrentang Holdings and Tongrentang Ltd.

The Company, Tongrentang Ltd. and Tongrentang Holdings are all engaged in the manufacturing of Chinese Patent Medicine. Their businesses are delineated in accordance with their differences in focus on the forms of medicine they produce. Tongrentang Ltd. mainly produces Chinese Patent Medicine in traditional form such as large pill, powder, ointment, pellet and medicinal wine. It also has some minor production lines for the production of granules and pills. On the other hand, the Company focuses on manufacturing products in forms of granules, pills, tablets and soft capsules. Tongrentang Ltd.'s main products include Angong Niu Huang Pills (安宮牛黃丸), Tongren Wuji Baifen Pills (同仁烏雞白鳳丸), Tongren Dahuolo Pellets (同仁大活絡丹) and Guogong Wine (國公酒).



In order to ensure that the business delineation between the Company and Tongrentang Holdings and Tongrentang Ltd. are properly documented and formalized, pursuant to an undertaking dated 19 October 2000 given by Tongrentang Holdings and Tongrentang Ltd. in favor of the Company (“October Undertaking”), Tongrentang Holdings and Tongrentang Ltd. undertook that, except for Angong Niu Huang Pills (安宮牛黃丸), Tongrentang Holdings, Tongrentang Ltd. and their respective subsidiaries would not produce any common products of the same names or under the same names with different forms that may compete directly with those of the Company in the future. In this regard, the Company, Tongrentang Ltd. and Tongrentang Holdings agreed not to produce certain of their products so that only one of them would continue the production of each of the products with common production permits. As such, it was agreed that out of the 86 products of the Company with common production permits, 49 of them would only be manufactured by the Company in the future, while 31 and 5 of them would only be manufactured by Tongrentang Ltd. and Tongrentang Holdings respectively upon listing of the shares of the Company on GEM on 31 October 2000 and only one of them, Angong Niu Huang Pills (安宮牛黃丸), would be manufactured by both the Company and Tongrentang Ltd. in the future.

Out of the products which are manufactured by the Company throughout the years, 8 of them are found to have common production permits with Tongrentang Ltd. Currently, apart from Angong Niu Huang Pills (安宮牛黃丸), the Company manufactures 4 out of the 7 of them while Tongrentang Ltd. manufactures the remaining 3.

Both the Company and Tongrentang Ltd. produce Angong Niu Huang Pills (安宮牛黃丸). The Directors consider that, except for Angong Niu Huang Pills (安宮牛黃丸) produced by the Company and Tongrentang Ltd., there is no other competition among the Company, Tongrentang Ltd. and Tongrentang Holdings. The Directors consider that as Angong Niu Huang Pills (安宮牛黃丸) only represents a small percentage of Company’s turnover and is not one of the major forms of medicine for development after the listing of the Company, the Company will continue to manufacture and sell Angong Niu Huang Pills (安宮牛黃丸). Save as mentioned herein, the Directors confirm that no other products of the Company have any competition with Tongrentang Ltd. or Tongrentang Holdings.

First right of refusal

Although the Company, Tongrentang Ltd. and Tongrentang Holdings all engage in the business of production, manufacturing and sale of Chinese medicine, the principal products by each of these companies are different. It had been decided that the Company would concentrate on new forms of products which were believed to be more competitive against western pharmaceutical products while Tongrentang Ltd. and Tongrentang Holdings would continue to focus on developing existing traditional forms of products.

To provide for the Company's focus on developing the four major forms of products (namely, granules, pills, tablets and soft capsules), pursuant to the October Undertaking, Tongrentang Holdings and Tongrentang Ltd. have granted to the Company a first right of refusal to manufacture and sell any of the new products developed by Tongrentang Holdings, Tongrentang Ltd. or any of their respective subsidiaries and which belong to one of the four main forms of the Company. Once the first right of refusal is exercised, both Tongrentang Ltd. and Tongrentang Holdings or their respective subsidiaries are not allowed to manufacture any of such new products. In the event the Company develops any new product based on the existing products of Tongrentang Holdings, Tongrentang Ltd. or their respective subsidiaries, and such new product falls into one of the major forms of the Company, the Company will be entitled to manufacture such new product and Tongrentang Holdings, Tongrentang Ltd. and their respective subsidiaries will not be allowed to manufacture such new product. The Directors believe that the above undertaking would clarify that both Tongrentang Ltd. and Tongrentang Holdings would support the Company in its development of the four major forms of products in the future.

In order for the Company to have an independent review in deciding whether to proceed with the research and development of new products, the Company confirms that the independent non-executive Directors, one of whom being a reputable person in the Chinese medicine industry, will determine whether to exercise the first right of refusal granted by Tongrentang Holdings or Tongrentang Ltd. to develop any proposed new products which belong to one of the major forms (namely, granules, pills, tablets and soft capsules) of the Company.



In the event that the Company refuses the first right of refusal offered by Tongrentang Ltd. and/or Tongrentang Holdings, terms of the option to be offered to independent third party should not be more favourable than that originally offered to the Company. Otherwise, the Company should be given the opportunity to re-consider the option under the new terms. The above undertaking would no longer be valid in the event that the direct or indirect aggregate shareholdings of Tongrentang Holdings or Tongrentang Ltd. in the Company falls below 30%.

DIRECTORS' INTERESTS

As of 31 March 2003, the interests of the Directors of the Company 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 required pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

The Company

Name	Personal Interest	Family Interest	Corporate Interest	Other Interest
	Number of shares	Number of shares	Number of shares	Number of shares
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	-	-	-

Tongrentang Ltd.

Name	Personal Interest	Family Interest	Corporate Interest	Other Interest
	Number of shares (Note)	Number of shares	Number of shares	Number of shares
Mr. Yin Shun Hai	19,923	-	-	-
Mr. Wang Zhao Qi	15,939	-	-	-
Mr. Mei Qun	15,939	-	-	-

Note: All represented A Shares of Tongrentang Ltd.

Save as disclosed above, as of 31 March 2003, none of the Directors or their associates had any interests in any securities in the Company and its associated corporations. None of the Directors, 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 SHAREHOLDER

As of 31 March 2003, 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 in the issued shared capital of the Company was as follows:

Name	Number of shares	Shareholding percentage as of 31 March 2003
Tongrentang Ltd.	100,000,000	54.705%
Tongrentang Holdings	100,000,000 (Note) 2,900,000	54.705% 1.586%

Notes: Such Shares were held through Tongrentang Ltd. As at 31 March 2003, Tongrentang Ltd. was owned as to 69.98% by Tongrentang Holdings. According to the SDI Ordinance, Tongrentang Holdings is deemed to own the 100,000,000 Shares held by Tongrentang Ltd.



Save as disclosed above, the Company is not aware of any person with an interest of 10% or more in the issued capital of the Company as at 31 March 2003.

AUDIT COMMITTEE

Pursuant to the Rules 5.23 of the GEM Listing Rules, the Company has set up an audit committee according to "A Guide For The Formation of An Audit Committee" compiled by the Hong Kong Society of Accountants. In compliance with the Rules 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 audit committee are to review and monitor the Company's financial reporting process and internal control system. The audit committee comprises Mr. Ting Leung Huel, Stephen and Ms. Tam Wai Chu, Maria, who are independent non-executive directors of the Company.

One meeting has been conducted by the audit committee in this quarter. The meeting was held on 28 February 2003 and has discussed the operating results, statements of affairs and accounting policies with respect to the audited financial statements of the Company for the year ended 31 December 2002 and listened to the advice provided by auditors. The audit committee has reviewed the first quarterly report of 2003.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 31 March 2003, the Company has not purchased, sold or redeemed any of the Company's listed shares.

RULES 5.28 TO 5.39 TO THE GEM LISTING RULES

For the three months ended 31 March 2003, the Group has complied with rules 5.28 to 5.39 to the GEM Listing Rules concerning board practices and procedures throughout the financial year.

By the Order of the Board
Tong Ren Tang Technologies Co. Ltd.
Yin Shun Hai
Chairman

Beijing, the PRC
23 April 2003