



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)



**Third Quarterly Report 2003**



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## HIGHLIGHTS

- Turnover increased by approximately 28.96% for the nine months ended 30 September 2003 as compared with the corresponding period in 2002.
- Net profit increased by approximately 22.20% for the nine months ended 30 September 2003 as compared with the corresponding period in 2002.
- Earnings per share for the nine months ended 30 September 2003 was RMB0.732.



## 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 and its subsidiaries and its joint venture (hereafter collectively referred to as the “Group”) for the nine months ended 30 September 2003 together with the unaudited comparative figures for the corresponding period in 2002, as follows:

|                                  | Notes | For the nine months<br>ended 30 September |                 | For the three months<br>ended 30 September |                 |
|----------------------------------|-------|---|-----------------|--|-----------------|
|                                  |       | 2003<br>RMB'000                           | 2002<br>RMB'000 | 2003<br>RMB'000                            | 2002<br>RMB'000 |
| Turnover                         | 3     | <b>711,178</b>                            | 551,480         | <b>179,366</b>                             | 155,955         |
| Cost of sales                    |       | <b>(337,086)</b>                          | (257,306)       | <b>(66,031)</b>                            | (69,227)        |
| Gross profit                     |       | <b>374,092</b>                            | 294,174         | <b>113,335</b>                             | 86,728          |
| Selling and distribution costs   |       | <b>(122,403)</b>                          | (72,012)        | <b>(34,587)</b>                            | (17,375)        |
| Administrative expenses          |       | <b>(108,457)</b>                          | (111,583)       | <b>(35,143)</b>                            | (35,910)        |
| Profit from operations           |       | <b>143,232</b>                            | 110,579         | <b>43,605</b>                              | 33,443          |
| Finance income, net              | 4     | <b>2,569</b>                              | 2,659           | <b>1,413</b>                               | 1,294           |
| Profit before taxation           | 5     | <b>145,801</b>                            | 113,238         | <b>45,018</b>                              | 34,737          |
| Taxation                         | 6     | <b>(10,152)</b>                           | (1,729)         | <b>(3,490)</b>                             | (1,134)         |
| Income before minority interests |       | <b>135,649</b>                            | 111,509         | <b>41,528</b>                              | 33,603          |
| Minority interests               |       | <b>(1,814)</b>                            | (1,989)         | <b>(672)</b>                               | (604)           |
| Net profit                       |       | <b>133,835</b>                            | 109,520         | <b>40,856</b>                              | 32,999          |
| Earnings per share               |       |   |                 |  |                 |
| - Basic and diluted              | 7     | <b>RMB0.732</b>                           | RMB0.599        | <b>RMB0.224</b>                            | RMB0.181        |

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 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.

### 2. Principal accounting policies

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.

### 3. 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 nine months<br>ended 30 September |                 | For the three months<br>ended 30 September |                 |
|------------------------------|---|-----------------|--|-----------------|
|                              | 2003<br>RMB'000                           | 2002<br>RMB'000 | 2003<br>RMB'000                            | 2002<br>RMB'000 |
| Sales of medicine:           |   |                 |  |                 |
| Domestic                     | 675,862                                   | 526,774         | 170,666                                    | 147,897         |
| Overseas                     | 29,189                                    | 18,043          | 7,360                                      | 6,108           |
| Agency fee income - domestic | 6,127                                     | 6,663           | 1,340                                      | 1,950           |
|                              | <u>711,178</u>                            | <u>551,480</u>  | <u>179,366</u>                             | <u>155,955</u>  |



#### 4. Finance income, net

|   | For the nine months<br>ended 30 September |                | For the three months<br>ended 30 September |                |
|---|---|----------------|--|----------------|
|   | 2003                                      | 2002           | 2003                                       | 2002           |
|   | <i>RMB'000</i>                            | <i>RMB'000</i> | <i>RMB'000</i>                             | <i>RMB'000</i> |
| Interest expenses on bank loans<br>repayable within 5 years | (588)                                     | (870)          | 37   | (224)          |
| Interest income   | 2,520                                     | 3,426          | 907  | 1,389          |
| Others  | 637                                       | 103            | 469  | 129            |
|   | <u>2,569</u>                              | <u>2,659</u>   | <u>1,413</u>                               | <u>1,294</u>   |

#### 5. Profit before taxation

Profit before taxation was determined after charging the following:

|  | For the nine months<br>ended 30 September |                | For the three months<br>ended 30 September |                |
|--|---|----------------|--|----------------|
|  | 2003                                      | 2002           | 2003                                       | 2002           |
|  | <i>RMB'000</i>                            | <i>RMB'000</i> | <i>RMB'000</i>                             | <i>RMB'000</i> |
| Depreciation of property, plant<br>and equipment | 16,090                                    | 9,590          | 7,544                                      | 3,244          |

#### 6. 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 Jinguoshuihan [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 30 September 2003, an amount equal to the 7.5% EIT exempted amounting to approximately RMB10,782,000 (2002: RMB16,320,000) was transferred to the tax reserve.

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

|                                       | For the nine months<br>ended 30 September |                 | For the three months<br>ended 30 September |                 |
|---------------------------------------|---|-----------------|--|-----------------|
|                                       | 2003<br>RMB'000                           | 2002<br>RMB'000 | 2003<br>RMB'000                            | 2002<br>RMB'000 |
| Accounting profit                     | <u>145,801</u>                            | <u>113,238</u>  | <u>45,018</u>                              | <u>34,737</u>   |
| Tax rate                              | 14.4%                                     | 15.9%           | 15.1%                                      | 17.4%           |
| EIT at tax rate                       | 20,934                                    | 18,049          | 6,780                                      | 6,061           |
| Effect of tax benefits of being a HTE | <u>(10,782)</u>                           | <u>(16,320)</u> | <u>(3,290)</u>                             | <u>(4,927)</u>  |
| Tax expense                           | <u>10,152</u>                             | <u>1,729</u>    | <u>3,490</u>                               | <u>1,134</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.

## 7. Earnings per share

The calculation of the basic earnings per share for the nine months ended 30 September 2003 was based on the net profit of approximately RMB133,835,000 (2002: RMB109,520,000) 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 nine months ended 30 September 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 nine months ended 30 September |                |                  |                |
|--|--|----------------|------------------|----------------|
|  | 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                           | <b>51,583</b>                          | 23,193         | <b>110,584</b>   | 68,761         |
| Final dividend declared                            | –                                      | –              | <b>(71,292)</b>  | (54,840)       |
|  | <b>51,583</b>                          | 23,193         | <b>39,292</b>    | 13,921         |
| Net profit for the three months ended 31 March     | –                                      | –              | <b>48,345</b>    | 35,645         |
| Appropriation to reserve                           | <b>3,949</b>                           | 5,420          | <b>(3,949)</b>   | (5,420)        |
| Balances as of 31 March                            | <b>55,532</b>                          | 28,613         | <b>83,688</b>    | 44,146         |
| Net profit for the three months ended 30 June      | –                                      | –              | <b>44,634</b>    | 40,876         |
| Appropriation to reserve                           | <b>3,543</b>                           | 5,973          | <b>(3,543)</b>   | (5,973)        |
| Balances as of 30 June                             | <b>59,075</b>                          | 34,586         | <b>124,779</b>   | 79,049         |
| Net profit for the three months ended 30 September | –                                      | –              | <b>40,856</b>    | 32,999         |
| Appropriation to reserve<br>(See Note 6 above)     | <b>3,290</b>                           | 4,927          | <b>(3,290)</b>   | (4,927)        |
| Balances as of 30 September                        | <b>62,365</b>                          | 39,513         | <b>162,345</b>   | 107,121        |

## BUSINESS REVIEW

The Company continued to follow the yearly plan and the overall strategy of year 2003 established at the beginning of the year to develop with innovation and strive for establishing an effective market-oriented economic operational system. The Company has actively dealt with market changes, increased the efforts on operation and sales with the operational targets for the third quarter of 2003 being achieved. The production and operation condition of the Company are good while the production and marketing of the dominant products are prosperous. Turnover and net profit for the nine months ended 30 September 2003 amounted to approximately RMB711,178,000 and RMB133,835,000, representing an increase of 28.96% and 22.20% respectively as compared with the corresponding period of last year.

### Production

The outbreak of the Severe Acute Respiratory Syndrome epidemic and the change of market demand structure in 2003 have resulted in a higher demand on the production and supply system. In the first half year, all the staff of the Company worked hard in unity and spared no efforts to ensure the market supply of anti-virus medicinal products. Commencing from the third quarter, the demand structure of medicinal products kept on changing and the market demand of anti-virus medicinal products such as Banlangen Granule (板藍根顆粒) has been gradually decreased. Therefore, the Company has strictly implemented the market-oriented principle, further strengthened its adjustment to production, transferred the personnel effectively, arranged the production scientifically under reasonable layout and adjusted the production structure in a timely manner in order to bring the productivity of the current production facilities to full extent. In this way, the Company satisfied the market demand and guaranteed market supply whilst assured the quality of products simultaneously.

The production workshop located in BETDZ has been operated well. The structure and the internal design of the multi-purpose building have been completed while the decoration work has been commenced and expected to be completed for use in next year.



## Sale

The Company continued to carry out the development work of hospital market in Beijing which was chosen as a testing point, enlarged the range of selection of distributors, strengthened the communication with major hospital and the promotion of products, sped up the transmission of market information which resulted in an increase in the sales of the Company's products in Beijing. For the regions outside Beijing, the Company continued to develop sales network with regional agents as the core. With some regional sales network being established in Heilongjiang and Fujian in the first half year as foundation, the Company further strengthened the management of regional distributors, brought the advantage of distributors into full play and emphasized the sales of core products and products with market potential. Meanwhile, the Company continued to stabilize and develop end users market, strengthened the management of retail terminal network, emphasized the promotion of the Company's flagship products, explored and broadened market, made efforts to anticipate demand and acquire market.

The Company has strictly carried on sales system comprised of cash sales and credit sales, strengthened financial management and the control over cash and material flows in order to ensure the achievement of the yearly target. Up to the third quarter of 2003, the turnover of the Company's flagship products Liuwei Dihuang Pill (六味地黄丸) and Niu Huang Jie Du Tablet (牛黄解毒片) have increased by 27.01% and 28.98% over the corresponding period of last year. The turnover of Ganmao Qingre Granule (感冒清热颗粒) has decreased by 12.30% as compared with the corresponding period of last year.

For the overseas market, the Company strove to develop new markets by focusing on different markets and consumer groups as targets for promotion and has enhanced the market knowledge about the Company's products in overseas market while the traditional market was being consolidated simultaneously. The turnover of overseas markets in the first three quarters of 2003 amounted to approximately RMB29,189,000, representing an increase of 61.77% as compared with the corresponding period of last year. The operation situations of Peking Tong Ren Tang (Malaysia) Sdn. Bhd. and Beijing Tongrentang

(Canada) Co., Ltd., being invested by the Company in Malaysia and Canada respectively, were fine. In addition, the Company has invested US\$255,000 to establish Beijing Tong Ren Tang (Macao) Company Ltd. which represented 51% contribution to its total investment. The first pharmacy of Beijing Tong Ren Tang (Macao) Company Ltd. has started business in Macau recently and is welcomed by local customers.

## **Research and development**

While the conditions for research and development of the Research Centre have been further improved with its construction being perfect, the Company has accelerated the progress of the existing research projects and the launching of new products in the market. The anti-influenza effervescent tablet (抗感泡騰片) and Taizi Baoxin Liquor (太子保心口服液), which have been awarded the New Medicine Certificates, were striven to be launched in the market within this year. The new anti-menopause syndrome drug is still under the final technical assessment of the State Pharmaceutical Assessment Centre. In addition, the Company has made use of the geographical advantage of Beijing and cooperated with scientific research institutions widely and actively together with the screening of research projects of new products in order to provide new species of products and technical support for the future development of the Company.

## **Bio-pharmaceutical technologies**

The Company's project on bio-pharmaceutical technologies continued to follow the principle of "active involvement and progress steadily, picking the right project and proceeding systematically for gradual expansion to achieve economies of scale". Beijing Tong Ren Tang WM Dianorm Biotech Co., Limited ("Tong Ren Tang WM Dianorm") has carried out the market-oriented objective thoroughly and further fixed the position of functional cosmetics in the market in accordance with the market demand. The major products are being emphasized while the marketing and promotion work have been commenced. Besides, Tong Ren Tang WM Dianorm continued to study deeply the research on the application of liposome technology to pharmaceutical products and has obtained certain achievements.



## Prospects

There has been an increase in the production and sales of the Company in the first three quarters of 2003 as compared with the corresponding period in last year. In the future, the Company will further accelerate the construction of the production base, expand the production capacity, perfect the sales and management system, increase sales revenue and efforts on research and development and speed up the launching of new products in the market.

- (1) Efforts will be made to accelerate the construction of the production base in the BETDZ. After the completion of the internal decoration work of the multi-purpose building, the Company will proceed the installation and testing of equipment and expect to be completed for operation next year.
- (2) The planning and design of the acquired land in the Yizhuang production base will be accelerated with the allocation of resources being optimized. The production capacity and scale will be further raised under the gradual adjustment of production arrangement.
- (3) Speed up the improvement and innovation of the marketing system. The Company will construct and perfect the marketing system formed by agents, distributors and end users network. While the original major market of the products is being consolidated, the Company will develop new market actively, broaden the marketing channels and enhance the adaptability to market changes.
- (4) The Company will speed up the launching of new products in the market, increase the investment in scientific research and development, select and launch new products with high potency, high technological additional value, high efficiency and which carry proprietary intellectual property rights and increase the reserve of new projects.
- (5) The Company will work out the production and operation plan and the financial budget for 2004 and strengthen the control of cost and expenses so as to enhance the profitability of the Company efficiently and achieve sustained growth.

## OTHER INFORMATION

### 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 implicit 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 forms such as large 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. 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 IN SHARES

As at 30 September 2003, the interests and short positions of the 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 5.40 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

### Long positions in shares

#### The Company

| Name               | Type of interests | Capacity         | Number of shares<br>(Note) | Percentage of<br>domestic shares | Percentage of<br>total registered<br>share capital |
|--------------------|-------------------|------------------|----------------------------|----------------------------------|--|
| Mr. Yin Shun Hai   | Personal          | Beneficial owner | 500,000                    | 0.455%                           | 0.274%   |
| Mr. Wang Zhao Qi   | Personal          | Beneficial owner | 500,000                    | 0.455%                           | 0.274%   |
| Mr. Mei Qun        | Personal          | Beneficial owner | 500,000                    | 0.455%                           | 0.274%   |
| Mr. Tian Rui Hua   | Personal          | Beneficial owner | 100,000                    | 0.091%                           | 0.055%   |
| Mr. Zhao Bing Xian | Personal          | Beneficial owner | 5,000,000                  | 4.546%                           | 2.735%   |

*Note:* All represented domestic shares.

**Tongrentang Ltd.**

| Name             | Type of interests | Capacity         | Number of shares<br>(Note) | Percentage of<br>total registered<br>share capital |
|------------------|-------------------|------------------|----------------------------|--|
| Mr. Yin Shun Hai | Personal          | Beneficial owner | 19,923                     | 0.006%   |
| Mr. Mei Qun      | Personal          | Beneficial owner | 15,939                     | 0.005%   |

*Note:* All represented A shares of Tongrentang Ltd.

**Beijing Tong Ren Tang International Co., Limited**

| Name             | Type of interests | Capacity         | Number of shares | Percentage of<br>total issued<br>share capital |
|------------------|-------------------|------------------|------------------|--|
| Mr. Yin Shun Hai | Personal          | Beneficial owner | 39,000           | 0.500%   |
| Mr. Mei Qun      | Personal          | Beneficial owner | 78,000           | 1.000%   |

Save as disclosed above, as at 30 September 2003, none of the Directors and chief executives of the Company has 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 minimum standards of dealing by directors as referred to in Rule 5.40 of the GEM Listing Rules.



## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the following persons (other than the Directors and chief executives of the Company) 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:

### Long positions in shares

| Name of shareholder   | Capacity                             | Number of shares | Percentage of domestic shares | Percentage of H shares | Percentage of total registered share capital |
|---|--------------------------------------|------------------|-------------------------------|------------------------|--|
| Tongrentang Ltd.  | Beneficial owner                     | 100,000,000      | 90.909%                       | –                      | 54.705%                                      |
| Tongrentang Holdings ( <i>Note 1</i> )                                      | Interest of a controlled corporation | 100,000,000      | 90.909%                       | –                      | 54.705%                                      |
|   | Beneficial owner                     | 2,900,000        | 2.636%                        | –                      | 1.586%                                       |
| Capital International, Inc.   | Investment manager                   | 8,736,000        | –                             | 12.000%                | 4.779%                                       |
| Capital Group International, Inc. ( <i>Note 2</i> )                         | Interest of a controlled corporation | 8,736,000        | –                             | 12.000%                | 4.779%                                       |
| The Capital Group Companies, Inc. ( <i>Note 2</i> )                         | Interest of a controlled corporation | 8,736,000        | –                             | 12.000%                | 4.779%                                       |
| J.P. Morgan Fleming Asset Management (Asia) Inc. ( <i>Notes 3 and 4</i> )   | Interest of a controlled corporation | 4,199,000        | –                             | 5.768%                 | 2.297%                                       |
| J.P. Morgan Fleming Asset Management Holdings Inc. ( <i>Notes 3 and 4</i> ) | Interest of a controlled corporation | 4,760,000        | –                             | 6.539%                 | 2.604%                                       |
| J.P. Morgan Chase & Co. ( <i>Notes 3,4 and 5</i> )                          | Interest of a controlled corporation | 7,137,000        | –                             | 9.804%                 | 3.904%                                       |
| First State Investments (Hong Kong) Limited                                 | Investment manager                   | 4,481,000        | –                             | 6.155%                 | 2.451%                                       |
| First State (Hong Kong) LLC ( <i>Note 6</i> )                               | Interest of a controlled corporation | 4,481,000        | –                             | 6.155%                 | 2.451%                                       |

| Name of shareholder                                     | Capacity                             | Number of shares | Percentage of domestic shares | Percentage of H shares | Percentage of total registered share capital |
|---|--------------------------------------|------------------|-------------------------------|------------------------|--|
| First State Investments (Bermuda) Ltd (Note 6)          | Interest of a controlled corporation | 4,481,000        | -                             | 6.155%                 | 2.451%                                       |
| First State Investment Managers (Asia) Ltd (Note 6)     | Interest of a controlled corporation | 4,481,000        | -                             | 6.155%                 | 2.451%                                       |
| Colonial First State Group Ltd (Note 6)                 | Interest of a controlled corporation | 4,481,000        | -                             | 6.155%                 | 2.451%                                       |
| The Colonial Mutual Life Assurance Society Ltd (Note 6) | Interest of a controlled corporation | 4,481,000        | -                             | 6.155%                 | 2.451%                                       |
| Colonial Holding Company (No.2) Pty Limited (Note 6)    | Interest of a controlled corporation | 4,481,000        | -                             | 6.155%                 | 2.451%                                       |
| Colonial Holding Company Pty Ltd (Note 6)               | Interest of a controlled corporation | 4,481,000        | -                             | 6.155%                 | 2.451%                                       |
| Colonial Ltd (Note 6)                                   | Interest of a controlled corporation | 4,481,000        | -                             | 6.155%                 | 2.451%                                       |
| Commonwealth Bank of Australia (Note 6)                 | Interest of a controlled corporation | 4,481,000        | -                             | 6.155%                 | 2.451%                                       |

## Notes:

- (1) Such shares were held through Tongrentang Ltd. As at 30 September 2003, Tongrentang Ltd. was owned as to 69.98% by Tongrentang Holdings. According to Part XV of the SFO, Tongrentang Holdings is deemed to be interested in the 100,000,000 shares held by Tongrentang Ltd.
- (2) The Capital Group Companies, Inc. owns 100% of Capital Group International, Inc. while Capital Group International, Inc. owns 100% of Capital International, Inc. Accordingly, The Capital Group Companies, Inc. and Capital Group International, Inc. are deemed by Part XV of the SFO to be interested in the 8,736,000 shares held by Capital International, Inc.
- (3) J.P. Morgan Chase & Co. owns 100% of J.P. Morgan Fleming Asset Management Holdings Inc. J.P. Morgan Fleming Asset Management Holdings Inc. owns 100% of J.P. Morgan Fleming Asset Management (Asia) Inc. J.P. Morgan Fleming Asset Management (Asia) Inc. owns 100% of JF International Management Inc. and 99.99% of JF Asset Management Limited respectively.



Accordingly, J.P. Morgan Chase & Co., J.P. Morgan Fleming Asset Management Holdings Inc. and J.P. Morgan Fleming Asset Management (Asia) Inc. are deemed by Part XV of the SFO to be interested in the 630,000 shares and 3,569,000 shares held by JF International Management Inc. and JF Asset Management Limited respectively.

- (4) J.P. Morgan Fleming Asset Management Holdings Inc. owns 96% of Robert Fleming Holdings Ltd. Robert Fleming Holdings Ltd owns 99.96% of Robert Fleming Asset Management Ltd. Robert Fleming Asset Management Ltd owns 100% of J.P. Morgan Fleming Asset Management (UK) Limited. Accordingly, J.P. Morgan Chase & Co. and J.P. Morgan Fleming Asset Management Holdings Inc. are deemed by Part XV of the SFO to be interested in the 561,000 shares held by J.P. Morgan Fleming Asset Management (UK) Limited.
- (5) J.P. Morgan Chase & Co. owns 100% of J.P. Morgan Chase Bank. Accordingly, J.P. Morgan Chase & Co. is deemed by Part XV of the SFO to be interested in the 2,377,000 shares held by J.P. Morgan Chase Bank.
- (6) Commonwealth Bank of Australia owns 100% of Colonial Ltd. Colonial Ltd owns 100% of Colonial Holding Company Pty Ltd. Colonial Holding Company Pty Ltd owns 100% of Colonial Holding Company (No.2) Pty Limited. Colonial Holding Company (No.2) Pty Limited owns 100% of The Colonial Mutual Life Assurance Society Ltd. The Colonial Mutual Life Assurance Society Ltd owns 100% of Colonial First State Group Ltd. Colonial First State Group Ltd owns 100% of First State Investment Managers (Asia) Ltd. First State Investment Managers (Asia) Ltd owns 100% of First State Investments (Bermuda) Ltd. First State Investments (Bermuda) Ltd owns 100% of First State (Hong Kong) LLC. First State (Hong Kong) LLC owns 100% of First State Investments (Hong Kong) Limited. Accordingly, Commonwealth Bank of Australia, Colonial Ltd, Colonial Holding Company Pty Ltd, Colonial Holding Company (No.2) Pty Limited, The Colonial Mutual Life Assurance Society Ltd, Colonial First State Group Ltd, First State Investment Managers (Asia) Ltd, First State Investments (Bermuda) Ltd and First State (Hong Kong) LLC are deemed by Part XV of the SFO to be interested in the 4,481,000 shares held by First State Investments (Hong Kong) Limited.

Save as disclosed above, as at 30 September 2003, 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.

## AUDIT COMMITTEE

Pursuant to Rule 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 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 members are Mr. Ting Leung Huel, Stephen and Ms. Tam Wai Chu, Maria, who are independent non-executive directors of the Company.

Up to the date of this announcement, two meetings have been conducted by the audit committee in the year. The first meeting was held on 28 February 2003 for discussion of 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 second meeting was held on 7 August 2003 for discussion of the operating results, statements of affairs and accounting policies with respect to the unaudited interim report of the Company for the six months ended 30 June 2003. The audit committee has reviewed the third quarterly report of 2003.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the period ended 30 September 2003, the Company has not purchased, sold or redeemed any of the Company's listed shares.

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

Beijing, the PRC  
21 October 2003