



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 2004



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

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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 15.66% for the three months ended 31 March 2004 as compared with the corresponding period in 2003.
- Net profit increased by approximately 21.94% for the three months ended 31 March 2004 as compared with the corresponding period in 2003.
- Earnings per share for the three months ended 31 March 2004 was RMB0.32.



QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Tong Ren Tang Technologies Co. Ltd. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries and its joint ventures (hereafter collectively referred to as the “Group”) for the three months ended 31 March 2004 together with the unaudited comparative figures for the corresponding period in 2003, as follows:

		For the three months ended 31 March	
		2004	2003
	Notes	RMB'000	RMB'000
Turnover	3	314,165	271,629
Cost of sales		<u>(159,256)</u>	<u>(146,670)</u>
Gross profit		154,909	124,959
Selling and distribution costs		(51,113)	(43,861)
Administrative expenses		<u>(38,285)</u>	<u>(30,305)</u>
Profit from operations		65,511	50,793
Finance (cost) income, net	4	<u>(1,007)</u>	<u>579</u>
Profit before taxation	5	64,504	51,372
Taxation	6	<u>(4,770)</u>	<u>(2,912)</u>
Profit before minority interests		59,734	48,460
Minority interests		<u>(784)</u>	<u>(115)</u>
Net profit		<u>58,950</u>	<u>48,345</u>
Earnings per share	7	<u>RMB0.32</u>	<u>RMB0.26</u>

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 consolidated 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 2003.

3. Turnover

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

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

	For the three months ended 31 March	
	2004 RMB'000	2003 RMB'000
Sales of medicine:		
Domestic	304,999	258,336
Overseas	9,141	10,976
Agency fee income - domestic	25	2,317
	<u>314,165</u>	<u>271,629</u>

4. Finance (cost) income, net

	For the three months ended 31 March	
	2004 RMB'000	2003 RMB'000
Interest expenses on bank loans repayable within 5 years	(669)	-
Interest income	259	587
Others	(597)	(8)
	<u>(1,007)</u>	<u>579</u>



5. Profit before taxation

Profit before taxation was determined after charging the following:

	For the three months ended 31 March	
	2004	2003
	RMB'000	RMB'000
Depreciation of property, plant and equipment	<u>6,002</u>	<u>4,274</u>

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 to 2004. 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 2004, an amount equal to the 7.5% EIT exempted amounting to approximately RMB4,733,000 (2003: RMB3,949,000) 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	
	2004 RMB'000	2003 RMB'000
Accounting profit	<u>64,504</u>	<u>51,372</u>
Tax rate	14.73%	13.36%
EIT at tax rate	9,503	6,861
Effect of tax benefits of being a HTE	<u>(4,733)</u>	<u>(3,949)</u>
Tax expense	<u><u>4,770</u></u>	<u><u>2,912</u></u>

The provision for PRC current income tax is based on the statutory rate of 33% of the assessable income of each of the companies and enterprises now comprising the Group as determined in accordance with the relevant PRC income tax rules and regulations for the periods ended 31 March 2004 and 2003, except for Beijing Tong Ren Tang Hebei Chinese Medicinal Raw Materials Technologies Co., Limited which is taxed at rate of 2.31% of total revenue.

Foreign entities are subject to income tax as required by tax laws of countries where those entities operate, respectively, at rates ranging from 2.00% to 39.96%.

7. Earnings per share

The calculation of the basic earnings per share for the three months ended 31 March 2004 was based on the net profit of approximately RMB58,950,000 (2003: RMB48,345,000) divided by the weighted average number of shares issued during the period of 182,800,000 shares (2003: 182,800,000 shares).

The Company had no potential dilutive shares for the three months ended 31 March 2004 (2003: Nil).

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2004 (2003: Nil).



MOVEMENT OF RESERVES

There was no movement of reserves for the relevant periods in 2004 and 2003 except those disclosed as below:

	For the three months ended 31 March			
	Tax reserve		Retained profits	
	2004	2003	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balances as of 1 January	64,742	51,583	174,553	110,584
Final dividend declared	—	—	(78,604)	(71,292)
	64,742	51,583	95,949	39,292
Net profit for the three months ended 31 March	—	—	58,950	48,345
Appropriation to reserve (See Note 6 above)	4,733	3,949	(4,733)	(3,949)
Balances as of 31 March	69,475	55,532	150,166	83,688

BUSINESS REVIEW

In the new year, the Company actively followed the yearly plan and the overall strategy of the year to consolidate its foundation, speed up the construction of the production base so as to increase production capacity, put full efforts to extend the sales network, identify products with market potential from the abundant variety of existing products and expand the sales of the Company's products to ensure the achievement of different targets of the Company. The production and operation condition of the Company are good in the first quarter of 2004 and a better continuous trend has been continuously achieved with a steady increase in turnover and net profit. The Group's turnover and net profit for the three months ended 31 March 2004 amounted to approximately RMB314,165,000 and RMB58,950,000, representing an increase of 15.66% and 21.94% respectively as compared with the corresponding period of last year.

During the period, the Company continued to develop sales network formed by regional agents, distributors and terminal retailers with regional agents as the core in different regions. The testing points have been extended from Heilongjiang and Fujian established in last year to regions including Dongbei, Anhui and Henan in order to further enlarge the coverage of sales network throughout the country. The Company continued to consolidate the hospital market in Beijing to increase the quantity of the Company's products being sold to hospitals. Taking advantage of the abundant variety of anti-influenza medicines and the opportunity of frequent catching of influenza in winter and spring seasons, the Company has organized a promotion campaign named "Anti-influenza Project" in more than ten cities in the first quarter so as to enlarge the promotion stratum of the Company's products and cultivate new products with market potentials. In the first quarter, the turnover of the Company's major products Liuwei Dihuang Pill (六味地黄丸), Niuhuang Jiedu Tablet (牛黄解毒片) and Ganmao Qingre Granule (感冒清热颗粒) have increased by 23.56%, 43.69% and 17.63% respectively over the corresponding period of last year.



The New Medicine Certificate and production approval of the new anti-menopause syndrome drug Baihe Geng Nian An Granule have been obtained during the period. The function of this medicine is to nourish the liver and kidney and calm down the mind. At the same time, the Research Centre has actively cooperated with pharmaceutical research institutions to screen and increase the reserve of research projects of new products. The secondary research has been constantly proceeded with the application of the membrane filtration technology in the production of tablets being further enlarged.

The construction of the multi-purpose building located in BETDZ has been basically completed while the installation and testing of equipments are proceeding and is expected to commence operation within this year. The operation of the tablet production workshop and the multi-purpose building will effectively relieve the production capacity problem of tablet products. The remaining land will be used to establish the pill and granule workshops. The foundation work has been commenced and the Company will strive to complete the construction soon in order to increase the production capacity of pills and granules. Beijing Tong Ren Tang Tongke Pharmaceutical Company Limited, which is located in Tongzhou district of Beijing City, is now proceeding the construction of the pre-processing workshop of Chinese medicinal raw materials so as to raise the entire production capacity of the Company.

The Company has further strengthened the fundamental management and perfected the internal control. More sources of income are opened and the expenses are cut down with the overall management standard of the Company being enhanced. Especially the control over subsidiaries are strengthened which resulted in the cost and expenses being reduced while the working efficiency was enhanced.

The operation conditions of Peking Tongrentang (M) Sdn. Bhd., Beijing Tong Ren Tang Canada Co. Ltd. and Beijing Tong Ren Tang (Macau) Company Limited, which are located in Malaysia, Canada and Macau respectively, are good in the first quarter. The joint ventures have planned to continue to open retail pharmacies according to local conditions in order to further enlarge the sales of the Company's products in local markets. Beijing Tong Ren Tang (Indonesia) Company Limited is now under busy preparation.

PROSPECTS

Following the entry of the PRC into the World Trade Organization, our country has to fulfill various commitments continuously in 2004. The competition faced by the pharmaceutical industry in international market has become increasingly severe while the competition of local market has also turned vigorous. In the future, the Company will strive to enlarge the entire scale and take advantage of economies of scale, strengthen the Company so as to raise the competitiveness of the Company. The major points include:

- Further strengthen the fundamental work and speed up the construction of production facilities with Yizhuang production base as the core.
- Increase the investment and optimize the allocation of resources to perfect the production arrangement and raise the production scale.
- Emphasize the brand advantage and flexibly utilize various marketing strategies to explore new markets continuously.



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 Niuhuang Pills (安宮牛黃丸), Tongren Wuji Baifen Pills (同仁烏雞白鳳丸), Tongren Dahuolo Pills (同仁大活絡丸) 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 31 March 2004, 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 5.46 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 (Note)	Percentage of domestic shares	Percentage of total registered share capital
Mr. Yin Shun Hai	Personal	Beneficial owner	500,000	0.455%	0.274%
Mr. Mei Qun	Personal	Beneficial owner	500,000	0.455%	0.274%
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 <i>(Note)</i>	Percentage of total registered 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 total issued share capital
Mr. Yin Shun Hai	Personal	Beneficial owner	39,000	0.500%
Mr. Mei Qun	Personal	Beneficial owner	78,000	1.000%

Beijing Tongrentang Nature-Pharm Co. Ltd.

Name	Type of interests	Capacity	Number of shares	Percentage of total registered share capital
Ms. Li Lian Ying	Personal	Beneficial owner	300,000	0.600%

Save as disclosed above, as at 31 March 2004, 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 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, 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 Chase & Co. (<i>Notes 3,4 and 5</i>)	Interest of a controlled corporation	4,105,000	–	5.639%	2.246%



Name of shareholder	Capacity	Number of shares	Percentage of domestic shares	Percentage of H shares	Percentage of total registered share capital
First State Investments (Hong Kong) Limited	Investment manager	5,686,000	–	7.810%	3.111%
First State (Hong Kong) LLC (Note 6)	Interest of a controlled corporation	5,686,000	–	7.810%	3.111%
First State Investments (Bermuda) Ltd (Note 6)	Interest of a controlled corporation	5,686,000	–	7.810%	3.111%
First State Investment Managers (Asia) Ltd (Note 6)	Interest of a controlled corporation	5,686,000	–	7.810%	3.111%
Colonial First State Group Ltd (Notes 6 and 7)	Interest of a controlled corporation	5,836,000	–	8.016%	3.193%
The Colonial Mutual Life Assurance Society Ltd (Notes 6 and 7)	Interest of a controlled corporation	5,836,000	–	8.016%	3.193%
Colonial Holding Company (No.2) Pty Limited (Notes 6 and 7)	Interest of a controlled corporation	5,836,000	–	8.016%	3.193%
Colonial Holding Company Pty Ltd (Notes 6 and 7)	Interest of a controlled corporation	5,836,000	–	8.016%	3.193%
Colonial Ltd (Notes 6 and 7)	Interest of a controlled corporation	5,836,000	–	8.016%	3.193%
Commonwealth Bank of Australia (Notes 6 and 7)	Interest of a controlled corporation	5,836,000	–	8.016%	3.193%

Notes:

- (1) Such shares were held through Tongrentang Ltd. As at 31 March 2004, 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 350,000 shares and 1,278,000 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 405,000 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 2,072,000 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 and 100% of First State Investment (UK Holdings) Limited. 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 5,686,000 shares held by First State Investments (Hong Kong) Limited, out of which 370,000 shares are subject to delegation arrangement between First State Investments (Hong Kong) Limited and First State Investment Management (UK) Limited as mentioned in Note (7) below.
- (7) Colonial First State Group Ltd owns 100% of First State Investment (UK Holdings) Limited. First State Investment (UK Holdings) Limited owns 100% of SI Holdings Limited. SI Holdings Limited owns 100% of First State Investment Management (UK) 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 (UK Holdings) Limited and SI Holdings Limited are deemed by Part XV of the SFO to be interested in the 520,000 shares held by First State Investment Management (UK) Limited, out of which 370,000 shares are subject to delegation arrangement between First State Investments (Hong Kong) Limited and First State Investment Management (UK) Limited as mentioned in Note (6) above.



Save as disclosed above, as at 31 March 2004, 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 5.28 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 5.29 and 5.30 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 Ms. Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan, who are independent non-executive directors of the Company.

Up to the date of this announcement, one meeting has been conducted by the audit committee in this quarter. The meeting was held on 20 February 2004 for discussion of the operating results, statements of affairs and accounting policies with respect to the audited financial statements of the Group for the year ended 31 December 2003 and listened to the advice provided by auditors. The audit committee has reviewed the first quarterly report of 2004.

BOARD PRACTICES AND PROCEDURES

The Group has complied with rules 5.34 to 5.45 to the GEM Listing Rules concerning board practices and procedures throughout the three months ended 31 March 2004.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 31 March 2004, the Company has not purchased, sold or redeemed any of the Company's listed shares.

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

Beijing, the PRC
26 April 2004