



SIIC MEDICAL SCIENCE AND TECHNOLOGY (GROUP) LIMITED

上海實業醫藥科技(集團)有限公司*

(Incorporated in the Cayman Islands with limited liability)

Announcement of the 1999 Final Results

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SUMMARY

SIIC Medical Science and Technology (Group) Limited (the “Company”), which was listed on the GEM of the Stock Exchange on 2nd December, 1999, is a company with medical science as its core business and modern high technology as its backup. During the period under review, Chia Tai Qingchunbao Pharmaceutical Co., Ltd. (“Hangzhou Qingchunbao”), Shanghai Jahwa Joint-Stock Corporation (“Shanghai Jahwa”) and the other business objectives of the Group have been met with full efforts being made in business development according to the defined strategies. The Company will actively capitalise on the development trend of high technology business by combining it with the competitive advantages of the Group’s business to create a high level, high standard and sizeable modernised medical conglomerate with medical science as its hub and Chinese medicine and biopharmaceutical as its two development arms.

The audited pro forma combined profit attributable to shareholders for the year ended 31st December, 1999 was HK\$71,483,000, which exceeded the annual proforma combined profit forecast as set out in the prospectus of the Company of 23rd November, 1999 (the “Prospectus”) by over 19%. Consolidated earnings per share and proforma combined earnings per share were HK8.8 cents and HK14.6 cents respectively.

RESULTS

The Board of Directors of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the period from 17th September, 1999 (date of incorporation) to 31st December, 1999 and the comparative figures of the pro forma combined results for the year ended 31st December, 1999 as follows:

| | <i>Notes</i> | Consolidated 17th September, 1999 to 31st December, 1999 <i>HK\$'000</i> | Pro forma combined 1st January, 1999 to 31st December, 1999 <i>HK\$'000</i> |
|--|--------------|--|---|
| Turnover | 2 | 94,878 | 424,780 |
| Cost of sales | | <u>(30,639)</u> | <u>(144,440)</u> |
| Gross profit | | 64,239 | 280,340 |
| Other revenue | | — | 19 |
| Distribution costs | | (29,349) | (133,267) |
| Administrative expenses | | <u>(15,277)</u> | <u>(48,203)</u> |
| Profit from operations | 3 | 19,613 | 98,889 |
| Finance costs | | (981) | (2,975) |
| Investment income | 4 | 13,071 | 16,087 |
| Share of profit of a jointly controlled entity | 5 | <u>4,545</u> | <u>14,711</u> |
| Profit from ordinary activities before taxation | | 36,248 | 126,712 |
| Income tax expenses | 6 | <u>(2,572)</u> | <u>(14,217)</u> |
| Profit before minority interests | | 33,676 | 112,495 |
| Minority interests | | <u>(9,321)</u> | <u>(41,012)</u> |
| Profit for the period/year | | <u>24,355</u> | <u>71,483</u> |
| Earnings per share | 7 | | |
| — Basic | | <u>8.8 cents</u> | <u>14.6 cents</u> |

Notes:

1. Basic of preparation

The Company was incorporated in the Cayman Islands on 17th September, 1999 under the Companies Law (1998 Revision) of the Cayman Islands and the re-organization of the Group prior to the listing on GEM of the Stock Exchange was completed in November 1999, as such the results under the consolidated basic only reflect the actual results for the period from 17th September, 1999 to 31st December, 1999. The pro forma combined results for the twelve months ended 31st December, 1999, which are provided for information purpose only, have been prepared on a basis as if the current group structure had been in existence since 1st January, 1999. Since the Company was incorporated in 1999, no comparative figures for the last corresponding period are available.

2. Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the period. The principal activities of the Group are the manufacture and sale of Chinese medicine and health food. The major products are Shen Mai Injection, Stomach Recuperation Granules and Qingchunbao Anti-ageing Tablet and the principal markets are Hangzhou, Shanghai and Guangzhou, the Mainland People's Republic of China ("PRC").

3. Profit from operations

During the period, the profit from operations is principally come from Hangzhou Qingchunbao.

4. Investment income

| | Consolidated 17th September, 1999 to 31st December, 1999 <i>HK\$'000</i> | Pro forma combined 1st January, 1999 to 31st December, 1999 <i>HK\$'000</i> |
|---|--|---|
| Interest income on application monies received on listing of the Company's shares | 11,296 | 11,296 |
| Other interest income | 1,558 | 3,171 |
| Property rental income | 217 | 1,620 |
| | <u>13,071</u> | <u>16,087</u> |

5. Share of profit of a jointly controlled entity

Share of profit of a jointly controlled entity represents share of results of Shanghai Jahwa for the period/year.

6. Income tax expenses

| | Consolidated 17th September, 1999 to 31st December, 1999 <i>HK\$'000</i> | Pro forma combined 1st January, 1999 to 31st December, 1999 <i>HK\$'000</i> |
|--|--|---|
| The charge comprises: | | |
| PRC income tax | 4,286 | 15,921 |
| Deferred taxation | (2,971) | (4,971) |
| Share of PRC income tax of a jointly controlled entity | <u>1,257</u> | <u>3,267</u> |
| | <u>2,572</u> | <u>14,217</u> |

Pursuant to the relevant laws and regulations in the mainland PRC, the Group's PRC subsidiary and jointly controlled entity are entitled to exemption from PRC income tax for two years commencing from their first profit-making year of operation and thereafter, they are entitled to a 50% relief from PRC income tax for the following three years.

The tax holiday for Hangzhou Qingchunbao has expired. However, pursuant to an approval received from local tax authorities on 16th September, 1998, Hangzhou Qingchunbao was classified as one of the approved "High Technology entities". Accordingly, Hangzhou Qingchunbao is entitled to a preferential PRC income tax rate of 12% for the three years ending 31st December, 2000.

During the year, the jointly controlled entity was in its fourth profitable year and was entitled to a 50% relief from PRC income tax at the applicable tax rate of 27%. Its subsidiaries are, however, subject to PRC income tax calculated at 33%.

The Group had no significant unprovided deferred taxation for the period/year.

7. Earnings per share

The calculation of the basis earnings per share is based on the profit for the period of HK\$24,355,000 and the weighted average of 276,512,622 shares in issue during the period.

The calculation of the pro forma basic earnings per share is based on the pro forma combined profit for the year of HK\$71,483,000 and the pro forma weighted average of 489,068,493 shares in issue during the year.

DIVIDENDS

As set out in the Prospectus, since the shares of the Company was listed on GEM of the Stock Exchange on 2nd December, 1999, the Directors do not recommend any final dividend for the period from 17th September, 1999 (date of incorporation) to 31st December, 1999.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed for the period from Thursday, 4th May, 2000 to Monday, 8th May, 2000 (both days inclusive) during which no transfers will be effected.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, neither the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

YEAR 2000 COMPLIANCE

The Group's computer system was proved Year 2000 compliant safely. Testings of the modifications, replacements and upgrades of all equipment, hardware and software of the Company, Hangzhou Qingchunbao, Shanghai Jahwa and their sales offices were completed ahead of the expected schedule.

The Board of Directors will continue to concentrate on the running of the Group's computer system to ensure that the production and operating results of the Group will not be affected by the Year 2000 Problem. The Board of Directors firmly believe that the Year 2000 Problem will not have any material impact on the operation of the Group.

BUSINESS REVIEW

Although the Company has been listed for approximately four months, the development of each business is progressing very satisfactorily ahead of the expected schedule. Currently, the Group is marching into the horizons of e-commerce and fully devoted in the promotion of telemedicine business which will inject new elements of internet into its modernised medical science business.

Hangzhou Qingchunbao

The development of this business continues with a growth trend. The sale of health supplement products was scaling a new historical height. The injection workshop has fully complied with GMP standards and completed the first testing of the provincial health bureau pharmaceutical administration. Progresses in the scientific research of new products under development are running smoothly. Shen Kang Ning coated tablet has obtained the approval document of the State Pharmaceutical Supervision and Administration of the PRC ("SPSAC") much earlier than expected.

Shanghai Jahwa

The overall performance of the business has been satisfactory with a growth in sales of 13%. Shanghai Jahwa is presently prepared for its listing on the PRC "A" Share market which will project its new facets to the investors.

Research and development base

The Modernised Chinese Medicine Experts Committee was formed with experts in medicine botany, pharmacology, botanical chemistry and medicine chemistry, manufacturing and production technology and clinical. The research and development bases in Beijing and Shanghai have launched their operations respectively. The base in Hong Kong is being finalised. A solid foundation in scientific research and development will be one of the Group's competitive advantages in its business.

Manufacture of pharmaceutical products

The Group is negotiating with a renown international pharmaceutical manufacturer for the establishment of an alliance as the world-wide exclusive agent (other than the PRC) of a number of the Group's products and product development. The negotiation is now progressing satisfactorily and it is expected that agreement will be finalized shortly.

Internet sales business

On 17th March, 2000, the Group entered into a share subscription agreement with Shanghai Medical Information Limited, a renown pharmaceutical internet sales company, in respect of its subscription of a 20% equity interest. It is one of the pilot units in pharmaceutical e-commerce designated by the relevant state authorities in the PRC and is principally engaged in the provision of pharmaceutical information service on internet and in e-commerce. Shanghai Medical Information has a matured business base and achieved outstanding performance since its establishment last year.

The Group will actively pursue its internet sales business by planning to capitalise the matured business advantages of that website in conjunction with the Group's Chinese medicine website. Internet sales business will combine effectively with the existing business networks and sales team of the Group by complementing one another to give added-value.

Telemedicine

In February this year, the Group signed a memorandum of agreement with Cyber-Care Inc., a U.S. company listed in the Nasdaq Market in respect of the cooperation of a telemedicine system which is the Group's first step in exploring medicare through high technology. In addition, the Group has also signed a letter of intent in March this year for the development of the telemedicine with a company in Shanghai, which engaged in telemedicine and have good relationship with hospitals on the internet. Although the market focus of these two projects are different, they do complement the businesses of each other.

PROSPECTS

The Group features high tech characteristics and the advantage of a stable profit base. It successfully integrates to form a new structure, creating new opportunities for investors. The Group will actively sustain its business development, capitalise the development tendency of high technology business, vigorously explore internet and e-commerce businesses and combine the competitive advantages of the Group in modernised Chinese medicine business in developing the Group into an enterprise based in the PRC facing the international market arena with modernised Chinese medicine as its core business and modern high technology as its backup and culminating in the realisation of the objective of entering the international mainstream market.

The Group will continue to speed up its pace of expansion through mergers, acquisitions, strategic alliances and joint ventures. The Group is well-prepared to meet any challenges head-on and create new businesses.

On behalf of the Board, I would like to take this opportunity to express my gratitude to the shareholders for their unfailing supports and to my colleagues for the endeavour they have made in realising the objectives of the Group.

By Order of the Board

A handwritten signature in black ink, consisting of three Chinese characters: 卓福民 (Zhuo Fu Min).

Zhuo Fu Min
Chairman

Hong Kong, 20th March, 2000

COMPARISON OF BUSINESS PROGRESS

| Business scope | Business objective | Business objective of the 4th quarter of 1999 (as disclosed in the Prospectus) | Actual progress up to the 4th quarter of 1999 |
|-----------------------|---|--|---|
| Hangzhou Qingchunbao | <p>Business objective on sales of principal products:</p> <ol style="list-style-type: none"> 1. Shen Mai Injection (10ml) 2. Stomach Recuperation Granules (15gx6) 3. Granules Niaoganning (15gx6) 4. Granules Qingreling (15gx6) 5. Qingchunbao Anti-ageing Tablet (80 tablets) <p>Development of marketing channels</p> <p>Business objective on production and facilities:</p> <ol style="list-style-type: none"> 1. Premises 2. Status of GMP compliance | <p>3,771,000 vials</p> <p>1,566,000 boxes</p> <p>439,000 boxes</p> <p>278,000 boxes</p> <p>852,000 bottles</p> <p>Hospitals, clinics and drug distributors will remain the principal marketing channels for Chinese patent medicine and health supplement products. In addition, Hangzhou Qingchunbao plans to continue negotiations with a view to entering into arrangements with other supermarket chains in the PRC to develop additional marketing channels.</p> <p>Hangzhou Qingchunbao will maintain the existing 55 sales offices. The marketing team will have a total staff number of about 590.</p> <p>Located in Hangzhou, Zhejiang Province with a gross floor area of about 92,000 sq.m..</p> <p>Injection workshop in full compliance with GMP standards.</p> | <p>3,823,000 vials</p> <p>1,359,000 boxes</p> <p>434,000 boxes</p> <p>317,000 boxes</p> <p>1,467,000 bottles</p> <p>Hospital, clinics and drug distributors remain the principal marketing channels for Chinese patent machine and health supplement products. During this period, through the networks of Lian Hua Supermarkets, Hangzhou Qingchunbao was able to increase 60 sales counters in and outside Shanghai instantaneously.</p> <p>Consistent with the business objective described in the prospectus.</p> <p>Consistent with the business objective described in the prospectus.</p> <p>Injection workshop has fully complied with GMP standards and completed the initial testing of the provincial health bureau pharmaceutical administration.</p> |

| | | | |
|--------------------------------------|---|---|---|
| | <p>Business objective on research and development</p> <ol style="list-style-type: none"> 1. Chinese Mugwort Leaf Oil Soft Capsule 2. Stomach Recuperation Capsule 3. Anti-cholelithiasis Tablet 4. Cassia Seed Lipid Lowering Tablet 5. Shen Kang Ning Coated Tablet 6. Shuang-baosu Deal Tonic (Low sugar formula) | <p>Complete pre-clinical trial study.</p> <p>Complete pre-clinical trial study.</p> <p>Obtain SPSAC approval.</p> <p>Obtain SPSAC approval.</p> <p>Began functional test.</p> | <p>Completed the related pre-clinical trial study.</p> <p>Completed the related pre-clinical trial study.</p> <p>Obtained SPSAC approval.</p> <p>Obtained SPSAC approval.</p> <p>Obtained production approval of new product from SPSAC in November 1999. The whole approval procedure was completed earlier than expected.</p> <p>Functional test are in progress.</p> |
| <p>Research and development base</p> | <p>Shanghai research and development base</p> <p>Beijing research and development base</p> | <p>Arrangement made with Shanghai University of Traditional Chinese Medicine (“SUTCM”).</p> <p>Continue to negotiate on detailed terms of the joint venture.</p> <p>Commence evaluation of the existing research and development projects of SUTCM.</p> <p>Preliminary discussions with traditional Chinese medicine institutes and experts to establish a research and development joint venture in Beijing.</p> | <p>Signed a joint venture contract and articles of association with SUTCM in respect of the establishment of “Modernised Chinese Medicine Scientific Research and Development Centre”. Commenced assessment of 6 of the new medicine projects presently under research and development by SUTCM.</p> <p>Initial development strategies of Beijing research and development centre have been set and a letter of intent in respect of cooperation has been signed with Beijing University of Traditional Chinese Medicine.</p> |

| | | | |
|---------------------------------------|--|---|--|
| | Hong Kong research and development base | Preliminary discussions with research institutes in Hong Kong. | Conducted and are in the process of negotiation in respect of the feasibility of establishing a modernised Chinese medicine research and development centre with testing and analysis facility. |
| Production of pharmaceutical products | <p>Establishment of a production base in Hong Kong</p> <p>Establishment of joint venture with reputable Chinese medicine enterprises</p> <p>Alliance with international pharmaceutical companies</p> | <p>Continue feasibility study in respect of the establishment of a production base.</p> <p>Continue to locate and review potential suitable joint venture candidates.</p> <p>Continue preliminary negotiations with international pharmaceutical company.</p> | <p>Held meetings with Industry Department of the Hong Kong SAR Government and is assessing the feasibility of the plan.</p> <p>Conducted negotiations with a number of reputable Chinese medicine enterprises on joint venture arrangements through intermediaries.</p> <p>Conducting negotiation with a well-known international pharmaceutical company in respect of a joint alliance as the worldwide exclusive agent (other than the PRC) of a number of the Group's products and product development.</p> |
| Marketing and sales | <p>Expand and strengthen its distribution network in the PRC</p> <p>E-commerce</p> <p>Over-the-counter sales</p> | <p>Conduct preliminary negotiation with target.</p> <p>Conduct preliminary evaluation.</p> <p>Continue negotiation with Lian Hua Supermarket to expand the Group's over the counter distribution power.</p> | <p>Consistent with business objective described in the prospectus.</p> <p>The Group has established the first website in Greater Shanghai area to capitalise the opportunity for e-commerce development.</p> <p>Consistent with business objective described in the prospectus.</p> |

Amount to be financed from the new proceeds from the issuing of the New Shares and/or from other resources

| Business scope | Business objective | Amount of the 4th quarter of 1999 (as disclosed in the Prospectus) | Actual amount up to the 4th Quarter of 1999 |
|----------------------------------|---|---|--|
| Research and development base | Shanghai research and development base | HK\$2,000,000 | Nil |
| | Beijing research and development base | HK\$500,000 | approximately HK\$374,000 |
| | Hong Kong research and development base | Nil | Nil |
| Marketing and sales | E-commerce | Nil | Nil |
| | Over-the-counter sales | Nil | Nil |
| Chinese medicine clinical centre | | Nil | Nil |

* *for identification purposes only*

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