



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)

2000 First Quarterly Results Announcement

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The Directors collectively and individually accept full responsibility for this announcement which is given in compliance with the requirements (Rules Governing the Listing of Securities on the Growth Enterprise Market) of the Stock Exchange. The Directors confirm,

having made all reasonable enquires, that to the best of their knowledge and belief, (i) the information contained in the announcement are accurate and complete in all material aspects and not misleading; (ii) there are no other facts the omission of which would make any statement herein misleading; and (iii) opinions expressed in this announcement have been arrived at after due and careful consideration on the basis and assumptions of reasonableness and fairness.

SUMMARY

- Turnover amounted to HK\$127,670,000, representing an increase of approximately 44% over the pro forma results for the corresponding period last year.
- The performances of both Hangzhou Qingchunbao and Shanghai Jahwa were remarkable with profit after taxation increasing approximately 35% and 11% respectively compared with the pro forma results for the corresponding period last year.
- Earnings per share was HK2.2 cents.
- Western countries now acknowledge the use of natural herbal medicines. The successful exploitation of international markets will produce a considerable income stream for the Group. The Group will speed up the progress to finalise the alliance with an international pharmaceutical group in order to open channels to international markets for products from related companies.
- Bio-pharmaceuticals will play an important role in the Group's future business development. The Group will develop its bio-pharmaceutical business as and when the opportunity arises.
- The Group is capitalising on the current development of internet technology and will actively exploit the e-commerce business in medical and the telemedicine business in order to explore the future development potential in medical business.

RESULTS

The Board of Directors of SIIC Medical Science and Technology (Group) Limited (the “Company”) is pleased to announce that the unaudited consolidated results for the period from 1st January, 2000 to 31st March, 2000 of the Company and its subsidiaries (the “Group”) and the comparative figures of the unaudited pro forma combined results for the same corresponding period last year are set out below:

	<i>Note</i>	Three months ended 31st March	
		2000	1999
		Consolidated	Proforma Combined
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	127,670	88,688
Cost of Sales		<u>(42,797)</u>	<u>(29,439)</u>
Gross Profit		84,873	59,249
Distribution costs		(45,871)	(29,267)
Administrative expenses		<u>(13,375)</u>	<u>(8,538)</u>
Profit from operations	3	25,627	21,444
Finance costs		(862)	(741)
Investment income	4	3,545	873
Share of profit of a jointly controlled entity	5	<u>946</u>	<u>782</u>
Profit from ordinary activities before taxation		29,256	22,358
Income tax expenses	6	<u>(4,159)</u>	<u>(2,764)</u>
Profit after taxation		25,097	19,594
Minority interests		<u>(11,551)</u>	<u>(8,545)</u>
Profit for the period		<u>13,546</u>	<u>11,049</u>
Earnings per share — Basic	7	<u>2.2 cents</u>	<u>N/A</u>

Notes:

1. Basis 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 basis only reflect the actual results for the period from 1st January, 2000 to 31st March, 2000. The pro forma combined results for the three months ended 31st March, 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.

2. Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the period.

3. Profit from operations

During the period, the profit from operations is principally come from Chia Tai Qingchunbao Pharmaceutical Co., Ltd. (“Hangzhou Qingchunbao”).

4. Investment income

	Three months ended 31st March	
	2000	1999
	Consolidated	Proforma Combined
	HK\$'000	HK\$'000
Interest income	3,123	499
Property rental income	<u>422</u>	<u>374</u>
	<u><u>3,545</u></u>	<u><u>873</u></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 Joint-Stock Corporation (“Shanghai Jahwa”) for the period.

6. Income tax expenses

	Three months ended 31st March	
	2000	1999
	Consolidated	Proforma Combined
	HK\$'000	HK\$'000
The charge comprises:		
PRC income tax	4,024	2,710
Share of PRC income tax of a jointly controlled entity	<u>135</u>	<u>54</u>
	<u><u>4,159</u></u>	<u><u>2,764</u></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 period, the jointly controlled entity was in its fifth 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.

7. Earnings per share

The calculation of the basis earnings per share is based on the profit for the period of HK\$13,546,000 and the weighted average of 620,000,000 shares in issue during the period. The earnings per share in respect of the three months ended 31st March, 1999 is not applicable as the directors considered that the information is not relevant.

DIVIDEND

In order to maintain sufficient capital for future business development, the Board of Directors has resolved not to pay an interim dividend for the three months period ended 31st March, 2000.

BUSINESS REVIEW

Profitability of the Group for the first quarter was remarkable, with net profit approximately 23 per cent higher than in the corresponding period last year. The business performed well and expanded continuously in line with the Group's business development strategies.

The net profit of Hangzhou Qingchunbao was 35 per cent higher than in the previous corresponding period. Hangzhou Qingchunbao became part of Shanghai Industrial Holdings Limited in late 1998. Having been under the direction of the present management for more than a year, product quality improved. The Group arranged for the Modernised Chinese Medicine Experts Committee to review the company's business development strategy. During the period, Hangzhou Qingchunbao prepared for the commencement of commercial production of the three new products that have received approval from the State Pharmaceutical Supervision and Administration of the PRC. These products are anti-cholethiasis tablets, cassia seed tablets for lowering lipid levels and Shen Kang Ning coated tablets. Commercial production is scheduled to begin in the second half of the year. In addition, the pre-clinical trial technical information review for a new product, Chinese mugwort leaf oil soft capsules, was completed during the first quarter; progress in the development of this product was better than expected.

The first quarterly results of Shanghai Jahwa were good; net profit after taxation was approximately 11 per cent higher than in the corresponding period last year. “Herborist” brandname skin care products for the feet and perfumes using essence oils were launched. The market response to these products was good. In addition, the company made plans to open more outlets in more prosperous areas in order to extend the market penetration of “Herborist” products. Negotiations began and are continuing for Shanghai Jahwa to expand its counter sales business in Hong Kong.

Shanghai SIMST Chinese Medicine Research and Development Centre, a research and development base in Shanghai, began in-depth assessments for six new medicine projects. Certain projects are expected to be confirmed shortly. Beijing SIIC Phytopharmaceuticals Co. Ltd. prepared a development plan for its first six projects which include new medicine and health supplement product. Research and development work for these products will commence soon. After discussions between the Group and several universities in Hong Kong, preliminary steps were taken to co-operate on the establishment of a modern Chinese medicine research and development centre.

The quality of raw materials is an important aspect in the modern Chinese medicine business. During the period, the Group actively pursued the establishment of facilities for providing raw materials for Chinese medicine. One was agreed for Chong Min in Shanghai. These arrangements will provide the Group with the quality assurance needed when successful research and development projects move into commercial production.

The Internet offers a new growth point for commercial sales. During the period, the Group entered into a share subscription agreement to subscribe to a 20 per cent shareholding in Shanghai Medical Information Limited, a well-known pharmaceutical internet sales, for a consideration of RMB12 million. The Group expects to capitalise on the competitive advantage of Shanghai Medical Information in Internet sales in order to strength the business of the Group’s Chinese medicine website, which is now under construction, and to create synergies.

The finalization of the formation of the joint venture for the marketing of the patented “Electronic Housecall System” between the Group and Cyber-Care, Inc. is now in an advanced stage. Presently, both parties are working on the business plan for a telemedicine business in Asia particularly in mainland China.

PROSPECTS

As disclosed in the Prospectus and the 1999 Annual Report of the Group, the Company will focus on its own business. Medical science is its core business with Chinese medicine and bio-pharmaceuticals as its two development arms. The Group will develop into a high technology conglomerate specialised in medical that can compete in mainstream international markets. Western countries now acknowledge the use of natural herbal medicines. The successful exploitation of international markets will produce a considerable income stream for the Group. The Group will speed up progress on concluding an alliance

with an international pharmaceutical group in order to open channels for the sale overseas of products supplied by related companies. Bio-pharmaceuticals will play an important role in the Group's business development. The Group will develop its bio-pharmaceutical business as and when the opportunity arises. The Group will fully utilise the research capability provided by the Modernised Chinese Medicine Experts Committee and the three research and development centres to demonstrate the competitive advantage of the Group in this area. The Group is capitalising on the current development of internet technology and will actively exploit the e-commerce business in medical and the telemedicine business in order to explore the future development potential in medical business. With sound business foundations and an aggressive development strategy, I believe the Group can produce satisfactory returns for investors.

On behalf of the Board, I would like to take this opportunity to express my gratitude to shareholders for their unfailing support and to my colleagues for the endeavours they have made.

A handwritten signature in black ink, consisting of stylized Chinese characters, likely '卓福民' (Zhuo Fu Min).

Zhuo Fu Min

Chairman

Hong Kong, 8th May, 2000

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March 2000, none of the directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(a) Pursuant to the Company's share option scheme, certain directors of the Company have personal interests in share options to subscribe for shares in the Company which have been granted to them as follows:

Name of director	Month of grant	Exercise price per share (HK\$)	Number of share options granted during the period and outstanding at 31st March 2000
Zhuo Fu Min	January 2000	1.69	8,000,000
Feng Gen Sheng	January 2000	1.69	6,000,000
Li Wei Da	January 2000	1.69	6,000,000
Chen Shu Zi	January 2000	1.69	4,000,000
Ge Wen Yao	January 2000	1.69	2,500,000
Wu Jian Zhuang	January 2000	1.69	2,500,000

The options can be exercised within three years commencing on the expiry of three years after the date of grant.

(b) Pursuant to the share option scheme of Shanghai Industrial Holdings Limited (“SIHL”), an intermediate holding company, certain directors of the Company have personal interests in share options to subscribe for shares in SIHL which have been granted to them as follows:

Name of director	Month of grant	Exercise price per share	Number of share options outstanding at 1st January 2000 and 31st March 2000
Zhuo Fu Min	August 1996	8.808	1,500,000
	January 1999	9.568	1,400,000
Li Wei Da	April 1997	30.912	2,000,000
	January 1999	9.568	1,200,000
Ge Wen Yao	August 1996	8.808	1,000,000
Wu Jian Zhuang	January 1999	9.568	1,000,000

The options can be exercised within three and a half years commencing on the expiry of six months after the date of grant.

Save as disclosed above, at no time during the period was the Company or its holding companies or any of its fellow subsidiaries or subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2000, the register kept by the Company under Section 16(1) of the SDI Ordinance showed that the following persons are interested in 10% or more of the nominal value of the issued ordinary shares of the Company:

Name of shareholder	Number of ordinary shares beneficially held
Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") (<i>note</i>)	386,142,000
Shanghai Industrial Investment Treasury Company Limited ("STC") (<i>note</i>)	381,127,000
Shanghai Investment Holdings Limited ("SIH") (<i>note</i>)	381,127,000
Shanghai Industrial Holdings Limited ("SIHL") (<i>note</i>)	381,127,000
Central Force Investments Limited ("CFI")	372,000,000

Note: CFI is a wholly-owned subsidiary of SIHL, which is, in turn, a wholly-owned subsidiary of SIH. STC owns 100% of SIH. Accordingly, SIHL, SIH and STC are deemed by the SDI Ordinance to be interested in the ordinary shares beneficially owned by CFI as listed above.

Top Modern Limited ("TML") is the beneficial owner of 5,015,000 ordinary shares of the Company. SIIC owns 100% of TML and 100% of STC and is accordingly deemed by the SDI Ordinance to be interested in a total of 386,142,000 shares beneficially owned by TML and CFI.

Save as disclosed above, the Company has not been notified of any other interests as at 31st March 2000 representing 10% or more of the issued share capital of the Company.

SPONSOR'S INTERESTS

The Company's sponsor, BNP Prime Peregrine Capital Limited ("BNP Prime Peregrine"), its directors, employees or associates, did not have any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the sponsorship agreement entered into between BNP Prime Peregrine and the Company dated 23rd November 1999, BNP Prime Peregrine has been appointed as sponsor of the Company for the period ending 31st December 2001 and the Company shall pay an agreed amount of fee to BNP Prime Peregrine for its provision of services.

Mr. Leung Pak To, Francis, chairman of BNP Prime Peregrine, is an independent non-executive director of SIHL, the holding company of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

YEAR 2000 COMPLIANCE

The Board of Directors is pleased to announce that the Group's computer systems (including the Company, Hangzhou Qingchunbao, Shanghai Jahwa and their sales offices) were proved Year 2000 compliant safely. The Board of Directors believes that the Year 2000 computer issue will have no material impact on the operations of the Group.

* *for identification purposes only*

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