



上海實業醫藥科技(集團)有限公司

SIIC MEDICAL SCIENCE AND TECHNOLOGY (GROUP) LIMITED

上海實業集團成員 A Member of SIIC

First Quarterly Report 2000



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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**



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## COMPANY INFORMATION

### Executive Directors

Zhuo Fu Min *(Chairman)*  
Feng Gen Sheng *(Vice Chairman)*  
Li Wei Da *(Managing Director)*  
Chen Shu Zi *(Deputy Managing Director)*  
Ge Wen Yao  
Wu Jian Zhuang

### Independent Non-Executive Directors

Kwok Chin Kung, Robert  
Li Ka Cheung, Eric  
Lee Ka Sze, Carmelo

### Company Secretary

Wong Mei Ling, Marina  
*ACS, ACIS, MBA, BA (Hons) AC*

### Compliance Officer

Li Wei Da

### Qualified Accountant

Ho Hon Ming, John  
*BA (Hons) Econ, FCA*

### Audit Committee

Li Ka Cheung, Eric  
*(Committee Chairman)*  
Kwok Chin Kung, Robert  
Lee Ka Sze, Carmelo

### Authorized Persons to accept services of process and notices

Li Wei Da  
Wong Mei Ling, Marina

### Registered Office

P.O. Box 309, Uglund House,  
South Church Street, George Town,  
Grand Cayman, Cayman Islands,  
British West Indies

### Head Office and Principal Place of Business

10/F., Shanghai Industrial  
Investment Building,  
48-62 Hennessy Road,  
Wanchai, Hong Kong

### Auditors

Deloitte Touche Tohmatsu

### Sponsor

BNP Prime Peregrine Capital Limited

### Legal Advisers

Woo, Kwan, Lee & Lo  
Pu Dong Law Office  
Fangda Partners  
Maples and Calder Asia

### Hong Kong Branch Share Registrar and Transfer Office

Secretaries Limited  
5/F., Wing On Centre,  
111 Connaught Road Central,  
Hong Kong

### Website Address

[www.siiemst.com](http://www.siiemst.com)



## 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 up the Group's products to international markets.
- 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.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

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 corresponding period last year are set out below:

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

*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**

	<b>Three months ended</b>	
	<b>31st March,</b>	
	<b>2000</b>	1999
		Pro forma
	<b>Consolidated</b>	Combined
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>3,123</b>	499
Property rental income	<b>422</b>	374
	<b>3,545</b>	873

## 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
		Pro forma
	Consolidated	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	135	54
	<hr/>	<hr/>
	4,159	2,764

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 basic 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.




## **BUSINESS REVIEW AND PROSPECTS**

### **BUSINESS REVIEW**

Profitability of the Group for the first quarter was remarkable, with net profit approximately 23% 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% 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-choleithiasis 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% 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.

The research and development base in Shanghai began in-depth assessments for six new medicine projects. Certain projects are expected to be confirmed shortly. The research and development base in Beijing 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% 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.

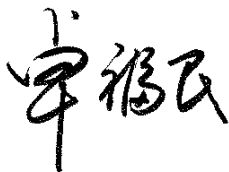


The finalization of the formation of the joint venture for the marketing of the patented “Electronic Housecall System” between the Group and Cyber-Care, Inc. is now in an advanced stage. Presently, both parties are working on the business plan for a telemedicine business in Asia particularly in mainland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



**Zhuo Fu Min**

*Chairman*

Hong Kong, 8th May, 2000

## OTHER INFORMATION

### 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.

### 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:

<b>Name of director</b>	<b>Month of grant</b>	<b>Exercise price per share (HK\$)</b>	<b>Number of share options granted during the period and outstanding at 31st March, 2000</b>
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:

<b>Name of director</b>	<b>Month of grant</b>	<b>Exercise price per share (HK\$)</b>	<b>Number of share options outstanding at 1st January, 2000 and 31st March, 2000</b>
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:

<b>Name of shareholder</b>	<b>Number of ordinary shares beneficially held</b>
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.