



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 THIRD QUARTERLY
RESULTS ANNOUNCEMENT**

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

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The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 enquiries, 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.

HIGHLIGHTS

(Unaudited)

- The consolidated profit attributable to shareholders for the nine months ended 30th September 2000 was HK\$55,639,000, representing an increase of approximately 22% over the pro forma combined results in the same period last year.
- Earnings per share was HK9.0 cents.
- Net profit at Shanghai Jahwa doubled and at Hangzhou Qingchunbao rose by 19%. The business performance is exceeding target.
- During the third quarter, the Group engrossed in the development of certain projects. It accelerated the research and development pace of the Ning Xia barbary wolfberry fruit products; speeded up the negotiation process with a Chinese medicine enterprise regarding the possible acquisition; enhanced the effort in the exploration of the overseas sales market; and escalated the development of telemedicine business.

CONSOLIDATED INCOME STATEMENT

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 nine months and three months ended 30th September 2000 of the Company and its subsidiaries (the “Group”) and the comparative figures of the unaudited pro forma combined results for the corresponding nine months and three months period last year respectively are set out below:

	<i>Notes</i>	For the three months ended 30th September		For the nine months ended 30th September	
		2000	1999	2000	1999
		Unaudited Consolidated	Unaudited Pro forma Combined	Unaudited Consolidated	Unaudited Pro forma Combined
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	141,440	110,123	390,855	299,280
Cost of sales		(43,671)	(37,268)	(122,887)	(102,257)
Gross profit		97,769	72,855	267,968	197,023
Investment income	3	3,937	708	11,651	2,509
Distribution costs		(53,611)	(36,217)	(136,447)	(97,129)
Administration expenses		(13,881)	(5,649)	(53,478)	(24,173)
Profit from operations	4	34,214	31,697	89,694	78,230
Finance cost		(476)	(669)	(1,583)	(1,835)
Share of profit of a jointly controlled entity	5	7,694	3,476	19,085	9,156
Profit from ordinary activities before taxation		41,432	34,504	107,196	85,551
Income tax expenses	6	(4,818)	(3,759)	(14,113)	(8,384)
Profit after taxation		36,614	30,745	93,083	77,167
Minority interests		(13,961)	(12,303)	(37,444)	(31,386)
Profit for the period		22,653	18,442	55,639	45,781
Earnings per share					
— Basic	7	3.7 cents	N/A	9.0 cents	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-organisation 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 30th September 2000. The pro forma combined results for the nine months and three months ended 30th September 1999, which are provided for information purpose, 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. Investment income

	For the three months ended 30th September		For the nine months ended 30th September	
	2000	1999	2000	1999
	Unaudited	Unaudited	Unaudited	Unaudited
	Pro forma	Pro forma	Pro forma	Pro forma
	Combined	Combined	Combined	Combined
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	3,513	436	10,386	1,365
Property rental income	424	272	1,265	1,144
	<u>3,937</u>	<u>708</u>	<u>11,651</u>	<u>2,509</u>

4. Profit from operations

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

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

	For the three months ended 30th September		For the nine months ended 30th September	
	2000	1999	2000	1999
	Unaudited Consolidated HK\$'000	Unaudited Pro forma Combined HK\$'000	Unaudited Consolidated HK\$'000	Unaudited Pro forma Combined HK\$'000
The charge comprises:				
PRC income tax	3,657	3,259	11,548	9,707
Deferred tax	—	—	—	(2,216)
Share of PRC income tax of a jointly controlled entity	<u>1,161</u>	<u>500</u>	<u>2,565</u>	<u>893</u>
	<u>4,818</u>	<u>3,759</u>	<u>14,113</u>	<u>8,384</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 basic earnings per share is based on the profit for the nine months and three months ended 30th September 2000 of HK\$55,639,000 and HK\$22,653,000 respectively and the weighted average of 620,000,000 shares in issue during the respective periods. The earnings per share in respect of the nine months and three months ended 30th September 1999 is not applicable as the Directors considered that the information is not relevant.

DIVIDEND

In order to ensure sufficient capital for future business development, the Board of Directors has resolved not to pay an interim dividend for the nine months period 30th September 2000. Subject to the approval of the shareholders, the Directors will declare the payment of final dividend for the year ending 31st December 2000.

The amount of interim dividend for the nine months ended 30th September 1999 is not applicable as the Directors considered that the information is not relevant.

BUSINESS REVIEW

The consolidated profit attributable to shareholders for the nine months ended 30th September 2000 was HK\$55,639,000, representing an increase of approximately 22% over the pro forma results for the same period last year. Net profit at Hangzhou Qingchunbao and Shanghai Jahwa rose by 19% and 100%, respectively. Business performance is exceeding targets.

Since the beginning of the year, the Group has steadfastly followed its business strategy and persevered in its efforts to pursue business development. The Group progressed well in creating a modernised and internationalised Chinese-medicine business and in utilising Internet technology for its business expansion. During the third quarter, the Group developed various projects. It accelerated the research and development of Ning Xia barbary wolfberry fruit products to widen the earnings base; speeded up negotiations to acquire a Chinese-medicine enterprise to expand the scale of this business; enhanced efforts in exploring overseas markets to increase income stream; and escalated the development of the telemedicine business to take advantage of the growth potential of the medicine market.

Raw Materials Network

The Group benefited from the experience of the “Modernised Chinese Medicine Experts Committee” and utilised its strong research and development bases while planting, extracting, enhancing and further developing the raw materials of Chinese medicine. The ultimate objective is to develop a series of modern Chinese medicinal products that can meet the demands of the international market.

During the period, the Group conducted extensive research and development on Ning Xia barbary wolfberry fruit products which produced initial favourable results. Hong Kong Baptist University tested the fruit and found it to be of high quality. The Group is enhancing the processing technique and expects to begin commercial production of the products next year. Furthermore, in depth discussions between the Group and a Hong Kong university to further improve the process for manufacturing Ning Xia barbary wolfberry fruit products were held.

Earlier this year plantation trials were begun at Chong Min, Shanghai on producing Herba Echinacea. Good agricultural practices are now implemented and successful harvests are expected. The Group escalated the pace of research and development of the medicinal and health supplement products that comprising the ingredient of Herba Echinacea. It is expected that Herba Echinacea products will have good potential in mainland PRC and overseas markets of medicine and health supplement products.

Research and Development Network

The Beijing research and development base commenced creating four health-supplement products and one category 2 Chinese medicine. The health-supplement products are in the areas of hepatopathy, memory enhancement, anxiety reduction, sleep improvement and immunity enhancement against influenza. The category 2 Chinese medicine involves an injection to reduce fever (解熱). Looking at hepatopathy products, there are about 100 million people that are Type B Hepatitis carriers in the PRC. The Group will aggressively accelerate the development pace to capture this huge market. It is expected that approximately four health-supplement products will begin commercial production next year.

The Shanghai research and development base will deploy the Shanghai University of Traditional Chinese Medicine's human resources, information resources and research facilities to develop high technology-based Chinese medicinal products. With regard to product strategy, the Group is emphasising the compound formula of Chinese medicine, which complements the business of the Beijing research and development base.

The Hong Kong research and development base will continue to adopt the model of joint development with respected education institutes in order to fully utilise the strengths and resources of the parties. Efforts will be made to promote Hong Kong as an international centre for Chinese medicine.

Production Network

The capacity and quality of Hangzhou Qingchunbao's manufacturing plants will satisfy production requirements. The injection workshop and the tablet and capsule workshop fully comply with GMP standards. Crude herbs are prepared in a Chinese-medicine pre-processing workshop, which was affirmed GMP-compliant while the injection workshop was being examined. The certification of the oral-tonic workshop will be processed by the middle of next year. With regard to establishing a production base in Hong Kong, the Group is reviewing cost and benefit analyses of various proposals. In order to determine the location, the appropriate production facilities and equipment, the Group is previewing the list of intended products for production. Since the preparation work is time consuming, slight delays in the project's schedule are anticipated.

Sales Network

During the nine-month period, Hangzhou Qingchunbao has focused on promoting its health-supplement products. Various promotion activities were arranged which enhanced the brand loyalty of "QINGCHUNBAO" and stimulated sales of the "QINGCHUNBAO" anti-ageing tablets. The turnover of health-supplement products of Hangzhou Qingchunbao doubled with the sales of "QINGCHUNBAO" anti-ageing tablets rose by 149% in the same period last year. It is anticipated that the growth trend will continue and will bring considerable income to the Group. The sale of "QINGCHUNBAO" anti-ageing tablets is

currently concentrated in a few areas including Jiangsu Province, Zhejiang Province and Shanghai. The product is seen as having strong growth potential in the PRC. In addition, Hangzhou Qingchunbao plans to explore the health-supplement products market in Hong Kong and overseas which will further extend Hangzhou Qingchunbao's sales channels and income streams.

Shanghai Jahwa's overall results were better than expected with net profit climbing by approximately 100% over the same period last year. Shanghai Jahwa formulated a precise marketing strategy for its three important brands of "Liushen", "Maxam" and "Chinf de Chinf". It is aggressively promoting sales through temporary booths in department stores and permanent displays in chain supermarkets. Based on market research for each of its cosmetic brands, certain measures were taken to improve sales including re-defining merchandise and product lines, identifying primary products, and utilising new packaging. Sales of the "Herboist" series of products performed consistently well. Shanghai Jahwa is now contemplating the launching of franchise stores to increase market share. Furthermore, Shanghai Jahwa also plans to establish specialist stores in Hong Kong by the end of the year, setting up an overseas sales channel and targeting the international market.

In addition, during the period, negotiations were held between the Group and a Chinese-medicine enterprise regarding the acquisition of certain stakes. The acquisition target has an established sales network with high-quality production facilities, which complement the existing business of the Group.

Service Network

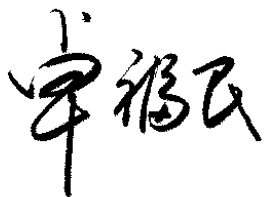
The telemedicine business of the Group is now progressing. It is now in the course of producing sample units. A letter of intent regarding the provision of medicine centre services was entered into between the Group and Shanghai Shu Guang Hospital. By the end of this year, a telemedicine demonstration centre will be established in Shanghai and the trial business will commence. The Group will fully utilise the advanced technology of telemedicine system in the international market and its own operational experience to introduce to the market a highly professional telemedicine system. Medical services in the PRC and Asian countries will experience breakthroughs in the new era.

PROSPECTS

The modernisation of Chinese medicine is reflected in the results of clinical trials and the evaluation of raw materials. The modernisation of the industry, reliable efficacy, and consistent quality and composition of the medicinal substances have all contributed to the enhanced popularity of Chinese medicine in the international market. Chinese medicine is now enjoying a higher status in various countries worldwide and among multinational medicine manufacturers. It is expected that Chinese medicine exports from the PRC will become a new growth area. The Group will utilise scientific technology to continue to modernise Chinese medicine with an aim to enter the international market.

In the fourth quarter, the Group will continue to pursue its business development in a practical manner. Efforts will be made to develop its e-commerce and telemedicine businesses and to integrate old business models with new ones. On the one hand, the Group has recorded steady growth and strong earnings based on the Chinese-medicine business and, on the other hand, it is poised to capture the growth potential of Internet technology-based businesses. This competitive edge provides the Group's ongoing engine for growth.

On behalf of the Board, I would like to extend our gratitude to shareholders for their unfailing support and to our staff for their dedication.



Zhuo Fu Min

Chairman

Hong Kong, 6th November 2000

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September 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 30th September 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	Outstanding at 1st January 2000	Exercised during the period	Outstanding at 30th September 2000
Zhuo Fu Min	August 1996	8.808	1,500,000	1,500,000	—
	January 1999	9.568	1,400,000	—	1,400,000
Li Wei Da	April 1997	30.912	2,000,000	—	2,000,000
	January 1999	9.568	1,200,000	—	1,200,000
Ge Wen Yao	August 1996	8.808	1,000,000	1,000,000	—
Wu Jian Zhuang	January 1999	9.568	1,000,000	—	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 30th September 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>	403,033,000
Shanghai Industrial Investment Treasury Company Limited (“STC”) <i>(note)</i>	389,560,000
Shanghai Investment Holdings Limited (“SIH”) <i>(note)</i>	389,560,000
Shanghai Industrial Holdings Limited (“SIHL”) <i>(note)</i>	389,560,000
Central Force Investments Limited (“CFI”)	372,000,000

Note: S.I. Infrastructure Holdings Limited (“SIIH”) is the beneficial owner of 2,170,000 ordinary shares of the Company. SIIH and CFI are wholly-owned subsidiaries of SIHL, which is, in turn, a subsidiary of SIH. STC owns 100% of SIH. Accordingly, SIH and STC are deemed by the SDI Ordinance to be interested in the ordinary shares beneficially owned by SIHL, SIIH and CFI as listed above.

Top Modern Limited (“TML”), Nanyang Enterprises Limited (“NEL”) and Nanyang Enterprises Property Limited (“NEPL”) are beneficial owners of 5,015,000, 4,401,000 and 4,057,000 ordinary shares of the Company. SIIC owns 100% of TML, NEL, NEPL and STC. Accordingly, SIIC is deemed by the SDI Ordinance to be interested in the ordinary shares beneficially owned by TML, NEL, NEPL and STC.

Save as disclosed above, the Company has not been notified of any other interests as at 30th September 2000 representing 10% or more of the issued share capital of the Company.

SPONSOR’S INTERESTS

As at 30th September 2000, the Company’s sponsor, BNP Paribas Peregrine Capital Limited (“BNP Paribas Peregrine”) [formerly known as BNP Prime Peregrine Capital Limited], 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 Paribas Peregrine and the Company dated 23rd November 1999, BNP Paribas 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 Paribas Peregrine for its provision of services.

Mr. Leung Pak To, Francis, chairman of BNP Paribas Peregrine, is an independent non-executive director of Shanghai Industrial Holdings Limited, the holding company of the Company.

AUDIT COMMITTEE

The audited committee comprises Messrs. Li Ka Cheung, Eric, Kwok Chin Kung, Robert and Lee Ka Sze, Carmelo. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

COMPETING INTERESTS

The ultimate holding company of the Company, Shanghai Industrial Investment (Holdings) Co. Ltd. has interest in SIIC International Investment Company (“SIICI”) and Shanghai Industrial United Holdings Co., Ltd. (“Shanghai United”). The holding company of the Company, Shanghai Industrial Holdings Limited has interest in Shanghai Sunve Pharmaceutical Co., Ltd. (“Sunve Pharmaceutical”), Shanghai Sunway Biotech Co., Ltd. (“Sunway Biotech”) and Mergen Limited (“Mergen”).

SIICI has interest in Shanghai SIIC SMU Biotech Co., Ltd (“SMU Biotech”) and Shanghai SIIC Kehau Biopharmaceutical Co., Ltd. (“SIIC Biopharmaceutical”). SMU Biotech is principally engaged in the manufacturing and distribution of recombinant streptokinase for

injection which is used for emergency treatment to dissolve blood clog from myocardial infection. SIIC Biopharmaceutical is principally engaged in research and develop of EPO which has a medical application for increasing erythrocyte. Shanghai United is a conglomerate engaging in three principal areas of business being high technology, supermarket chain, and textile manufacturing. Some of Shanghai United's investments in high technology enterprises are also engaged in medical and pharmaceutical related operations. Shanghai United has interest in Shanghai Medical Equipment Co., Ltd. ("Med Equipment"), a medical device company, SIIC Kehua Biology Company Limited ("Kehua Biology") and Zhejiang Zuoli Pharmaceutical Company ("Zuoli"). Med Equipment is engaged in the design, development, manufacturing and distribution of medical apparatus including emergency room, operating room and dental equipment. Kehua Biology is engaged in the development, production and distribution of clinical diagnosis reagent and related products. Its main products include hepatitis B testing agent, hepatitis C antibody diagnosis testing agent and HIV antigen. Zuoli is engaged in the development, manufacturing and sale of Chinese medicine and health maintenance products.

Sunve Pharmaceutical is principally engaged in the development, manufacture and sale of Vitamin C and other Western pharmaceutical products. Sunway Biotech is principally engaged in the research, development, manufacturing and sale of granulocyte colony stimulant and an anti-cancer drug.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

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 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*

This announcement will remain on GEM website on the "Latest Company Announcements" page or 7 days from the date of its posting.