



SIIC MEDICAL SCIENCE AND TECHNOLOGY (GROUP) LIMITED

上海實業醫藥科技(集團)有限公司\*

(Incorporated in Cayman Islands with limited liability)

## 2001 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.*

## **HIGHLIGHTS**

**(Unaudited)**

- **Excellent profit performance**

Profits after tax up 11.7 times at HK\$172 million.

Turnover up 40.9%.

- **Strong asset base and firm financial foundation**

Net cash on hand over HK\$380 million.

The ratio of current assets to current liabilities is more than 3.7.

- **Substantial business improvement**

Demand for “Qingchunbao” anti-aging tablets continues to break records - sales for the 1st quarter this year exceeded the total sales for the whole year of 1999.

New products have performed well and further launches are planned for this year.

- **Increased shareholder value**

Earnings per share up 11.7 times at HK\$27.7 cents.

Net asset value up 35% during the period.

## 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 three months ended 31st March 2001 of the Company and its subsidiaries (the “Group”) and the comparative figures for the corresponding period last year are set out below:

	<i>Notes</i>	<b>Three months ended 31st March</b>	
		<b>2001</b>	<b>2000</b>
		<b>Unaudited</b>	<b>Unaudited</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	179,936	127,670
Cost of sales		(72,568)	(42,797)
Gross profit		107,368	84,873
Investment income		2,934	3,545
Distribution costs		(57,676)	(45,871)
Administration expenses		(13,492)	(13,375)
Profit from operations	3	39,134	29,172
Finance costs		-	(862)
Gain on deemed disposal of interests in a jointly controlled entity	4	155,694	-
Share of (loss) profit of jointly controlled entities	5	(262)	946
Profit from ordinary activities before taxation		194,566	29,256
Taxation	6	(8,643)	(4,159)
Profit before minority interests		185,923	25,097
Minority interests		(13,940)	(11,551)
Profit for the period		171,983	13,546
Earnings per share – Basic	7	27.7 cents	2.2 cents

### Notes:

#### 1. Basis of preparation

Shanghai Jahwa United Co., Ltd. (上海家化聯合股份有限公司) (“Shanghai Jahwa”), previously a jointly controlled entity of the Group, was listed on the Shanghai Stock Exchange A Shares Market on 15th March 2001 and became an associate since then. In accordance with Hong Kong Statements of Standard Accounting Practice 10 “Accounting for investments in associates”, the Company should include only published financial information of its listed associate in its financial statements. The latest financial information published by Shanghai Jahwa is up to 31st December 2000. As a result, the income statement of the Group for the current period from 1st January 2001 to 31st March 2001 did not include any sharing of results of Shanghai Jahwa for the same period.

## 2. Turnover

Turnover represented 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 was principally come from Chia Tai Qingchunbao Pharmaceutical Co., Ltd. (正大青春寶藥業有限公司) ("Hangzhou Qingchunbao").

## 4. Gain on deemed disposal of interests in a jointly controlled entity

Gain on deemed disposal of interests in a jointly controlled entity represented the exceptional gain on deemed disposal by the Group's interest in Shanghai Jahwa diluted from 40% to 28.2% after the listing of Shanghai Jahwa's shares on the Shanghai Stock Exchange A Shares Market.

## 5. Share of (loss) profit of jointly controlled entities

Pursuant to basis of preparation in note 1, the Group did not include the sharing of results of Shanghai Jahwa for the current period. Share of profit of jointly controlled entities represented share of results of Shanghai Jahwa of the same period last year.

## 6. Taxation

### Three months ended 31st March

2001	2000
HK\$'000	HK\$'000

The charge comprises:

PRC income tax	8,643	4,024
Share of PRC income tax of a jointly controlled entity	-	135
	<u>8,643</u>	<u>4,159</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 in 2000. During the period, Hangzhou Qingchunbao has provided for PRC income tax calculated at 24%. 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 ended 31st December 2000.

Pursuant to basis of preparation in note 1, the Group did not include any sharing of PRC income tax of Shanghai Jahwa for the current period.

Shanghai Jahwa was in its fifth profitable year in 2000 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 three months ended 31st March 2001 (excluding results of Shanghai Jahwa) of HK\$171,983,000 (31.3.2000: HK\$13,546,000) and the weighted average of 620,000,000 shares (31.3.2000: 620,000,000 shares) in issue during the period.

No diluted earnings per share is presented as the Company did not have any diluted potential ordinary shares.

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## **DIVIDEND**

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In order to ensure sufficient capital for future business development, the Board of Directors has resolved not to pay an interim dividend for the three months ended 31st March 2001 (31.3.2000: Nil).

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## **BUSINESS REVIEW**

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SIIC Medical Science and Technology (Group) Limited (“SIIC MedTech” or “the Company”) announces unaudited consolidated profit (excluding results of Shanghai Jahwa) for the three months ended 31 March 2001 of over HK\$170 million, representing an increase of approximately 11.7 times over the corresponding period last year. This result was mainly due to exceptional income of over HK\$150 million from the listing of Shanghai Jahwa on the Shanghai Stock Exchange’s A-shares market. However, the profit from operations of the principal businesses, even before this exceptional income, maintained excellent growth over the corresponding period last year. Hangzhou Qingchunbao business continued to perform outstandingly. Profit before taxation of Hangzhou Qingchunbao rose by approximately 34% for the period.

As Shanghai Jahwa is subject to the disclosure requirements of the mainland’s A-share market, which is different from those of the Growth Enterprise Market in Hong Kong. Shanghai Jahwa will announce half-year and final-year results for 2001, but not those for the first and third quarters. Consequently, the Group results for the period do not include profits from Shanghai Jahwa.

During the initial public offering, Shanghai Jahwa was feted by investors and the listing was 410 times over-subscribed. The listing of Shanghai Jahwa raised a total of RMB 734.4 million, freezing over RMB 302 billion. The capital raised by the share offer will be applied mainly to the development of the principal businesses. Shanghai Jahwa expects to expand rapidly, through a series of development programmes. During the first quarter, the net asset value per share in the Company grew by approximately 35%, reflecting the success of the Company’s synergistic strategy of combining business operations and asset management. The Company will continue to energetically pursue its asset management activities to deliver maximum value for shareholders.

### ***Raw Material Supply***

Our establishment of a raw material supply network guarantees the reliable quality and consistent benefits of our traditional Chinese medicine. In order to produce competitive modern Chinese medicines for the international market, the Company recognises the need to use quality raw materials, apply modern production processes and adopt international quality standards. The production base for Echinacea, which the Company has built on Shanghai’s Chongming Island, aims to do all of these. It also provides the raw materials for the soon-to-be-launched “Anntiflu” capsule, the first health care product developed by our Beijing research and development base.

During the period, the Company has established technical standards for both quality and processing of Ningxia barbary wolfberry fruit products, and has started to prepare for its State certification as a healthcare food. In the meantime, we are actively selecting equipment and planning the design of the factory for Ningxia barbary wolfberry fruit products. Work is proceeding phase by phase according to schedule - we are presently planning the product launch. We are considering selling the product through sales agents.

## ***Research and Development***

The Beijing research and development base has developed its first health supplement product, the “Anntiflu” capsule, which is made of the Echinacea growing on Chongming Island. During the period, the Company completed all the test documentation for sales approval by the State Ministry of Health, and passed the first examination by the Shanghai Municipal Ministry of Health. In June 2001, the product will be studied by the examination board of the State Ministry of Health. The principal benefits of our “Anntiflu” capsule are to enhance immunity, prevent influenza and shorten the treatment of influenza. The domestic market for influenza drugs and health supplement products is now RMB 15 billion. The wide recognition of the side effects of western medicine increases the market for Chinese medicine products. It is expected that the sale performance of “Anntiflu” capsule is promising.

“Anntiflu” capsule will be the first achievement of the Company’s research and development effort, and demonstrates its ability to independently develop intellectual property. It also marks the first step of the Company’s ongoing research and development programme. The Company will pursue its existing strategy and continue to launch new products

The Beijing centre has begun development of two other health supplement products for the treatment of liver complaints and for memory enhancement. As the production process is finalised and test samples are further processed, we expect to submit them to the State Ministry of Health for approval. The new liver drug is particularly suitable for two types of patient: sufferers of chronic liver damage from alcohol abuse, other chemical effects, chronic hepatitis, fatty liver and cirrhosis, and secondly the more than 100 million hepatitis B virus carriers in the PRC. The new pharmaceutical product will help protect their livers and prevent pathological problems. The health supplement for intelligence and memory enhancement aims to improve children’s intelligence and the memory function of the elderly. The product offers a competitive combination of special formula and advanced form.

The Company and the China Academy of Traditional Chinese Medicine, China's top Chinese medicine research institute, entered into a second agreement to develop quality classic traditional Chinese medicines. Five products from the State’s primary medicine catalogue will be offered in new, improved form and have their production methods updated. With the help of effective marketing and package design, we expect the new products both to succeed in the domestic market and to enter the Asian market, supporting the worldwide expansion in the use of Chinese medicines.

The period saw the completion of a research project entitled, “Critical issues affecting the entry of Chinese Medicine, Plant Medicine and Health Supplement Products into International Markets: Rules and Regulations, Management, and Sales Channels”, conducted by the Institute for the Advancement of Chinese Medicine at Hong Kong Baptist University, at the behest of our Hong Kong research and development centre. The report significantly helps understanding of international markets, the building of international channels and the development of new products. The Company is considering further expansion of its presence in international markets.

## ***Production***

To meet the continuing growth in demand for its healthcare products, Hangzhou Qingchunbao is expanding its production capacity. The new facilities are expected to come on stream in the first half of the year. In addition, the Company will produce “Anntiflu” capsule by applying the high quality production processes used for Hangzhou Qingchunbao, leveraging its research and development capability into a new product area and satisfying the demand for Chinese medicine.

## *Sales*

Sales of Hangzhou Qingchunbao continued to grow with turnover exceeding RMB 190 million, an increase of more than 40% over the same period in the previous year. The Hangzhou Qingchunbao business sustained this growth through the refinement of the positioning and sales strategy for “Qingchunbao” anti-aging tablets. The product with proven effectiveness achieved record sales revenue approximately 120% higher than the corresponding period last year. At present, “Qingchunbao” anti-aging tablets are sold mainly in Jiangsu, Zhejiang and Shanghai. So the domestic market still offers extensive scope for expansion.

The capital raised in the share offer of Shanghai Jahwa indicates strong support for the entry of the product into international markets. After lengthy planning and preparation work, Shanghai Jahwa is ready to open its first two specialist “Bai Cao Ji” shops in Causeway Bay on Hong Kong Island and in a busy Kowloon district in June or July this year. Based on the tastes and requirements of overseas consumers, Shanghai Jahwa has adapted the design and production of the existing “Bai Cao Ji” products to produce a highly competitive range in terms of variety, quality and package design. This range is targeted specifically at international markets and will be supported by a series of marketing and advertising initiatives. We believe that consumers will greet “Bai Cao Ji” as fresh and new.

Shanghai Pharmaceutical Business Network Co., Ltd. (“Shanghai Pharmaceutical Network”) has conducted a trial run of its purchasing-by-tender system, constructed the required hardware platform, and completed the general design of a targeted purchase system for its four major purchase centres, together with a study of likely demand. Several phases of the project have already been implemented, including concurrent design review. At the same time, Shanghai Economic and Trade Commission selected e135.com as being in one of the five key industries that can benefit from foster measures. It was also designated by the Shanghai Municipal Government as one of the thirty-two “showcase firms for overseas investors”, reflecting its leading position in this thriving industry.

## *Medical Services*

Early this year, the Company invited officials from various provincial civil administrative bureaus to watch a demonstration of its telemedicine system, and received a positive response. The Company hopes that the introduction of the telemedicine system to various government departments will speedily and effectively promote the system across the nation. We have already conducted a preliminary market survey in Hong Kong and collected the opinions of professionals in the medical industry and related organisations towards telemedicine. Also, our Hong Kong demonstration centre is already open, and will strengthen the communication between Shanghai and Hong Kong. Through the system, Hong Kong medical organisations can now obtain medical and healthcare services from Shanghai Shu Guang Hospital. The Company will actively promote the development of telemedicine.

## **OUTLOOK FOR 2001**

With rising demand for natural medicines in international markets, the prospects for Chinese medicine in both local and overseas markets are very promising, while biomedicine offers great potential in this new century. The Board of Directors believes that SIIC MedTech will show substantial growth based on these two business areas. SIIC MedTech will exploit information technology and the knowledge economy to enhance its competitiveness. In the coming year, the Company will acquire further businesses to actively expand its bio-pharmaceutical operations. Through this programme of acquisition and consolidation we will continue to grow the Company and to quickly and successfully leverage the economic effectiveness of the whole business to new heights.

Finally, on behalf of the Board of Directors, I wish to thank our shareholders for their strong support and all the staff of the Company for their continuing hard work.

The image shows a handwritten signature in black ink. The characters are '卓福民' (Zhuo Fu Min), written in a cursive style. The first character '卓' is on the left, followed by '福' and '民' on the right.

**Zhuo Fu Min**  
*Chairman*

Hong Kong, 7th May 2001



## DIRECTORS' INTERESTS IN SECURITIES

As at 31st March 2001, 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:

<i>Name of director</i>	<i>Month of grant</i>	<i>Exercise price per share HK\$</i>	<i>Number of share options granted during the period and outstanding at 31st March 2001</i>
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:

<i>Name of director</i>	<i>Month of grant</i>	<i>Exercise price per share HK\$</i>	<i>Outstanding at 1st January 2001</i>	<i>Exercised during the period</i>	<i>Outstanding at 31st March 2001</i>
Zhuo Fu Min	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
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.

Mr. Lee Ka Sze, Carmelo, an independent non-executive director of the Company, is a partner of Messrs. Woo, Kwan, Lee & Lo, solicitors, which firm rendered professional services to the Group and received normal remuneration of such services.

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.

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## SUBSTANTIAL SHAREHOLDERS

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As at 31st March 2001, 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:

<i>Name of shareholder</i>	<i>Number of ordinary shares beneficially held</i>
Shanghai Industrial Investment (Holdings) Company Limited (“SIIC”) <i>(note)</i>	408,952,000
Shanghai Industrial Investment Treasury Company Limited (“STC”) <i>(note)</i>	396,393,000
Shanghai Investment Holdings Limited (“SIH”) <i>(note)</i>	396,393,000
Shanghai Industrial Holdings Limited (“SIHL”) <i>(note)</i>	396,393,000
Central Force Investments Limited (“CFI”)	372,000,000

*Note: S.I. Infrastructure Holdings Limited (“SIIH”) and SIHL Treasury Limited (“SIHL Treasury”) are beneficially owners of 4,261,000 and 3,238,000 ordinary shares of the Company. SIIH, SIHL Treasury 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, SIHL Treasury 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, 3,965,000 and 3,579,000 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 31st March 2001 representing 10% or more of the issued share capital of the Company.

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## SPONSOR’S INTERESTS

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To the best knowledge of the Company’s sponsor, BNP Paribas Peregrine Capital Limited (“BNP Paribas 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 as at 31st March 2001.

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.

The BNP Paribas Peregrine Group, the parent company of BNP Paribas Peregrine, whose Vice Chairman, Mr. Leung Pak To, Francis, is an independent non-executive director of Shanghai Industrial Holdings Limited, an intermediate holding company of the Company.

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## AUDIT COMMITTEE

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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.

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## COMPETING INTERESTS

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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”). An intermediate 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 infarction. SIIC Biopharmaceutical is principally engaged in research and development 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.

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## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

*\* 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.*