

**SIIC MEDICAL SCIENCE AND TECHNOLOGY (GROUP) LTD :  
BETTER STICK TO WESTERN MEDICINE, FOLKS**

About one week ago, this scribe reported that an underwriter in a GEM listing – a listing on The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd – had decided to increase the normal underwriting fee of 2.50 percent to 3.50 percent, and that this was a distinct departure from the normal practice in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China ((PRC).

The underwriter was ICEA Capital Ltd, which helped to put together the flotation of [China Agrotech Holdings Ltd](#) on The GEM.

Well, now, BNP Prime Peregrine has done one better than [ICEA Capital Ltd](#) – it has charged the latest GEM listing an underwriting fee of 4 percent.

This is a new high for this town where it appears that the name of the game for underwriters is 'to milk' new listings for as much as they can while the going is good.

BNP Prime Peregrine has brought SIIC Medial Science and Technology (Group) Ltd to The Gem, offering a total of 215.80 million, 10-cent shares at an Offer Price of \$HK1.63 per share.

Even before the ink was dry on the Prospectus, CITIC Pacific Ltd, Cheung Kong (Holdings) Ltd, Hutchison Whampoa Ltd and Sun Hung Kai Properties Ltd have, between them, agreed to take up about 13.30 percent of the Issued and Fully Paid-Up Share Capital of the Company, representing an aggregate investment of about \$HK127.14 million.

These 'strategic investors' have agreed not to sell or transfer their interests in their holdings in SIIC Medial Science for a period of not less than 6 months from the date of the Prospectus, November 23.

SIIC Medial Science is a company, which is devoted to 'the modernisation and the scientific applications of Chinese medicines.' (Page One of the Prospectus)

This Company has been around for a number of years so that one could hardly call its Management anything but experienced.

Having sung its praises, TARGET notes that the Vice Chairman, Mr Feng Gen Sheng, now 65 years old, claims to have been in the pharmaceutical business since the tender age of 14 years.

Aside from spending his entire teens and adult life in working in this industry, he is said, also, to be a senior economist.

This man should be studied by somebody in the West -- because he has to be some kind of universal genius.

The structure of this flotation is that 194.20 million shares will be placed with institutions, and 21.60 million shares will be offered to the public.

The following is the past 30 months' financial records of the Company:

	Year Ended December 31		
	1997	1998	Six months To June 30, 1999
	<i>(All Figures Are Denominated in \$HK'000)</i>		
Turnover	313,264	375,373	189,157

Cost of Sales		116,306	128,643	64,989
Gross Profit		196,958	246,730	124,168
Less:	Selling Expenses	83,117	113,212	60,912
	Administrative Expenses	35,545	44,605	18,524
	Finance Charges	4,901	4,079	1,166
Other Income		1,127	4,727	1,801
<b>Sub-Total</b>		<b>74,522</b>	<b>89,561</b>	<b>45,367</b>
PRC Sales Tax Refund		24,069	27,376	NIL
<b>Operating Profit</b>		<b>98,591</b>	<b>116,937</b>	<b>45,367</b>
Share of Profit of an Associated Company		11,775	13,861	5,680
<b>Profit from Ordinary Activities before Taxation</b>		<b>110,366</b>	<b>130,798</b>	<b>51,047</b>
Taxation		13,356	13,793	4,625
Profit before Minority Interests		97,010	117,005	46,422
Minority Interests		38,231	47,416	19,083
<b>Profit for the Year</b>		<b>58,779</b>	<b>69,589</b>	<b>27,339</b>

The above is quite instructive, showing how this Company has turned in successive profits over the past 30 months and how, Gross Profit Margins have gone from 31.47 percent in 1997, to 31.15 percent in 1998, and then down to 23.98 percent for the first 6 months of the Current Financial Year.

One notes, also, that, while the Turnover rose between 1997 and 1998 by nearly 20 percent, Selling Expenses rose about 36 percent.

Helping the Company, of course, was the PRC Sales Tax Refunds, which, in 1997, ... [CLICK TO ORDER FULLARTICLE](#)