上海實業醫藥科技(集團)有限公司*
SIIC MEDICAL SCIENCE AND TECHNOLOGY (GROUP) LTD.
(Incorporated in the Cayman Islands with limited liability)

First Quarterly Results Announcement for the three months ended 31st March 2002

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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

- Turnover rose more than 31.9%.

- Consolidated profits from principal business operations (excluding exceptional income from Shanghai Jahwa in 2001) maintained substantial growth of 15.8%.

- Shanghai Jahwa continued to grow with turnover increase of 17%.

- Total sales of injection products increased satisfactorily. Sales of “Shen Mai Injection”, “Dan Shen Injection”, “Huang Qi Injection” and “Herba Houttuyniae Injection” rose by 8.7%, 17.8%, 31.1% and 64.3% respectively.

- Sales of “Qingchunbao Anti-ageing Tablets” have shown significant growth for consecutive years. In this quarter, its sales increased by 97.1%, to a total of RMB128 million.

BUSINESS REVIEW AND PROSPECTS

SIIC Medical Science and Technology (Group) Limited ("SIIC MedTech" or "the Company") is delighted to announce unaudited turnover for the three months ended 31st March 2002 of HK$237 million, representing an increase of 31.9% over the same period last year, while operating profit rose more than 18.6% to HK$46,428,000 for the period. Consolidated profits from principal business operations (excluding exceptional income of HK$155 million from the listing of Shanghai Jahwa United Co., Ltd. ("Shanghai Jahwa") on the Shanghai Stock Exchange A Shares Market) maintained substantial growth of 15.8% over the corresponding period last year. The Group is making good progress in negotiations for certain new acquisitions, which we expect to complete in the second quarter.

During the period, the State implemented a series of reforms in the medical system and the distribution system for pharmaceutical products. This put considerable pressure on the medical and pharmaceutical sectors. Despite the changes, the Group showed that it could successfully carry out its target projects, including "Dan Shen Injection", "Huang Qi Injection", and "Herba Houttuyniae Injection". These products provide a strong competitive edge with the potential for substantial business development. To strengthen the sales network, we are fully implementing our policy of devolving managerial responsibility to each region; while our operational strategy focuses on research and development of pharmaceutical products for clinical use in hospitals, resulting in the continuous growth of injection products. Total sales of injection products increased satisfactorily. Sales of "Shen Mai Injection", "Dan Shen Injection", "Huang Qi Injection" and "Herba Houttuyniae Injection" rose by 8.7%, 17.8%, 31.1% and 64.3% respectively over the previous year.

To further develop our flagship product, "Shen Mai Injection", we joined forces with the University of Hong Kong, as cooperative research partners, to submit a joint application to the Innovation and Technology Fund established by the Government of Hong Kong Special Administrative Region. Our "University and Enterprise Cooperation Plan" was approved in April. The members of the project include SIIC MedTech, the University of Hong Kong and the Shanghai Medicine Institute of the Chinese Academy of Sciences. Together, we have used state-of-the-art technology to define the bioactive components of "Shen Mai Injection" and their mechanisms of actions. We aim to identify these key components and develop them into a supplementary medicine to treat cardiovascular disease and cancer. This project will provide the foundation for the development of new medicines.

In addition, sales of "Qingchunbao Anti-ageing Tablets" have shown significant growth for consecutive years. In this quarter, its sales increased by 97.1%, to a total of RMB128 million. A Lunar New Year promotion in Zhejiang and Shanghai was so well received that the Group decided to adopt a firm but prudent approach to opening and cultivating markets step by step. We will move into new markets only when we have secured our position in existing markets. At present, we have established sales offices for our healthcare products in Hangzhou, Ningbo, Wenzhou, Jinhua, Taizhou and Shaoxing, further increasing the market share of our products in these cities.

The reforms concerning healthcare products in Chinese medicine initiated by the State Drugs Administration hinge on a clear division between drugs and food. Taking account of the active ingredients, medical effects and current healthcare market conditions, Chia Tai Qingchunbao Pharmaceutical Co., Ltd. has classified and submitted its health supplement products for approval as either: pharmaceutical drugs, by the State Drugs Administration, or healthcare food, by the Ministry of Health, PRC. Among our many submissions "Qingchunbao Anti-aging Tablets", our flagship product, was submitted in the category of pharmaceuticals to the State Drugs Administration. We expect it to pass the examination. The Group intends to sell “Qingchunbao Anti-aging Tablets” as an over-the-counter (“OTC”) drug in the domestic market. The preparation work is now in progress.

Among our new products, “Qingchunbao Beauty Capsule” is currently being prepared for mass production, and is expected to be available later this year. Following production of a batch of samples by our “Ipriflavone Tablet” workshop, mass production will begin when control samples are calibrated. “Barbary Wolfberry Granules” have been approved by the Health Department of Ningxia Muslim Autonomous Region and are now being examined by the Ministry of Health, PRC. In the meantime, while market surveys and research are carried out, construction of the production factory is proceeding according to plan.

In retailing, at the end of 2001 the Group signed a RMB12 million agreement to purchase 24% of the shares of Hangzhou Huqingyutang Drugstore Co., Ltd. (“Hangzhou Huqingyutang”). The various share registration procedures have now been completed and the Group has obtained the license for further expansion into the retail market. The company has obtained license issued by the National Drug Supervision and Management Bureau to operate drugstore chain outlets across China. This recent acquisition paves the way for our Group’s entry into the medical retail industry. The mainland government's separation of medical and pharmaceutical services, key aims of its medical reforms, will naturally lead to separate control of prescription and OTC medicines. In light of this, we believe that OTC medicine has great potential, to the benefit of medical chain outlets.

Hangzhou Huqingyutang has moved to consolidate its retail network, setting up new outlets in Huzhou and Jiangshu of Zhejiang. Hangzhou Huqingyutang will leverage its strong branding to open a Huqingyu Chinese doctor’s surgery, having completed all relevant applications, registration and preparations. It is expected that the outpatient services will facilitate the sale of the Group’s medical products.

In the personal care sector, Shanghai Jahwa continued to grow with turnover increase of 17% over the same period in the previous year. Sales of the “Liushen” and “Herborist” series increased by more than 30% and 75% respectively over the previous year. In order to boost overseas sales of “Herborist”, the company actively studied the feasibility of cooperating with an established pharmacy chain to sell the product; and in April this year, the company finally reached an agreement to distribute “Herborist” in over one hundred outlets of the Watson’s chain in Hong Kong. This new alliance will boost the series’ market penetration and promote greater brand awareness.

Negotiation between Guang Dong Biolight Medical Technology Co., Ltd. (“Biolight Medical”) and renowned international company for sales distribution of medicare equipment manufactured by Biolight Medical is now in progress. The intended cooperation will enable Biolight Medical to expand its scale of operation.

The business development of E-COM Technology Limited (“E-COM Technology”) showed a positive sign, winning three project agreements: for a digital X-ray photography system, a medical image storage facility, and a data transmission system during the period. At present, several hospitals in mainland China - such as the renowned Affiliated One Hospital of Peking University First Hospital, General Hospital of PLA and Beijing Hospital - have signed contracts for the installations of the company’s medical imaging and information systems. The medical industry is increasingly adopting digital medical equipment and innovative technology applications. The Company is expecting E-COM Technology’s long-term prospects. At the appropriate time, we will consider increasing our stakeholding.

PROSPECTS

Now that China is part of the World Trade Organisation ("WTO"), the mainland market will gradually open its doors to international enterprises. Companies in a broad range of industries are reforming and reshaping themselves to meet the challenges and opportunities that come with WTO membership. In fact, mainland medical companies are already rapidly re-engineering themselves and have launched a series of progressive measures and reforms, anticipating intensified competition in the medical market, under which only the strong will survive.

In future, enterprises looking for market advantage will need to show synergy between their competencies in several areas, including innovation, management, branding, service, information and human resources. We plan to strengthen these areas, and to utilize our resources to speed up our mergers and consolidation strategy. We are committed to acquiring well-established medical companies and undertaking other profitable projects to rapidly expand our asset base and revenue, and to establish a platform with sustained business development.

The Group will further strengthen internal management to control cost and maintain its strategy of exploiting synergies between its estimated and asset operations. As we develop and reinforce our principal business, we shall also energetically pursue our expansion into the medical care sector. This will help to enable the Company to develop into a conglomerate with pharmaceutical and medical services as its core businesses.

With our integrated competitive advantages, and those of our parent company, we shall actively seek out and make more acquisitions and consolidation. We shall broaden our cooperation with local and international enterprises through re-engineering, consolidation and integration of both internal and external resources, with the ultimate aim of maximizing returns for our shareholders

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

Lu Ming Fang
Chairman

Hong Kong, 6th May 2002

CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results for the three months ended 31st March 2002 of the Company and its subsidiaries (the "Group") and the comparative figures for the corresponding period last year are set out below:

		Three months ended 31st March	
		2002	2001
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
Turnover	3	237,420	179,936
Cost of sales		(84,587)	(72,568)
Gross profit		152,833	107,368
Investment income		1,368	2,934
Distribution costs		(83,007)	(57,676)
Administration expenses		(24,766)	(13,492)
Profit from operations	4	46,428	39,134
Finance costs		-	-
Gain on deemed disposal of interests in a jointly controlled entity	5	-	155,694
Share of profit of an associate	6	3,795	-
Share of loss of jointly controlled entities		(352)	(262)
Profit from ordinary activities before taxation		49,871	194,566
Taxation	7	(12,546)	(8,643)
Profit before minority interests		37,325	185,923
Minority interests		(18,461)	(13,940)
Profit for the period		18,864	171,983
Dividends	8	27,900	18,600
Earnings per share – Basic	9	3.0 cents	27.7 cents

Notes:

1. *General*

The Company is a listed public limited company incorporated in Cayman Islands. The shares of the Company are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM"). Its ultimate holding company is Shanghai Industrial Investment (Holdings) Company Limited, incorporated in Hong Kong.

The Company is an investment holding company.

2. ***Comparative figures***

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. In 2001, Shanghai Jahwa did not publish financial information for the three months ended 31st March. As a result, the income statement of the Group for the three months ended 31st March 2001 did not include any sharing of results of Shanghai Jahwa.

3. Turnover

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

During the three months ended 31st March 2002 and 2001, the Group was engaged in the manufacture and sale of Chinese medicine and health supplement products. More than 90% of the Group's turnover, contribution to operating profit and assets was attributed to this business segment and located in the PRC.

4. Profit from operations

During the period, the profit from operations was principally from Chia Tai Qingchunbao Pharmaceutical Co., Ltd. (正大青春寶藥業有限公司) ("Hangzhou Qingchunbao").

5. 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 28.15% after the listing of Shanghai Jahwa's shares on the Shanghai Stock Exchange A Shares Market.

6. Share of profit of an associate

Share of profit of an associate represented share of results of Shanghai Jahwa for the three months ended 31st March 2002. Pursuant to comparative figures in note 2, the Group did not include the sharing of results of Shanghai Jahwa for the three months ended 31st March 2001.

7. Taxation

	Three months ended 31st March	
	2002	*2001*
	HK$'000	*HK$'000*
The charge comprises:		
PRC income tax	***12,077***	*8,643*
Share of PRC income tax of an associate	***452***	*-*
Share of PRC income tax of jointly controlled entities	***17***	*-*
	12,546	*8,643*

During the period, Hangzhou Qingchunbao has provided for PRC income tax at 24% (31st March 2001: 24%).

Pursuant to an approval received from local tax authorities in September 2001, Shanghai Jahwa was classified as one of the approved "High Technology entities". Accordingly, Shanghai Jahwa is entitled to a preferential PRC income tax rate of 13.5% for the three years ending 31st December 2003.

Pursuant to comparative figures in note 2, the Group did not include any sharing of PRC income tax of Shanghai Jahwa for the three months ended 31st March 2001.

The Group had no significant unprovided deferred tax for the period.

8. Dividends

	Three months ended 31st March	
	2002	2001
	HK$'000	HK$'000
Proposed final dividend of HK3 cents per share and special final dividend of HK1.5 cents per share, totally HK4.5 cents per share for the year ended 31st December 2001 (2000 : HK3 cents per share)	**27,900**	18,600

9. Earnings per share

The calculation of the basic earnings per share is based on the profit for the three months ended 31st March 2002 of HK$18,864,000 (31st March 2001: HK$171,983,000) and the weighted average of 620,000,000 shares (31st March 2001: 620,000,000 shares) in issue for the three months ended 31st March 2002.

Diluted earnings per shares is not presented as there was no dilutive potential ordinary shares in existence during the period.

10. Reserves

Movements in the reserves of the Group during the three months ended 31st March 2002 were set out as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Goodwill HK$'000	PRC statutory funds HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE GROUP							
At 1st January 2002	192,130	194,649	(20,725)	23,878	(12)	286,123	676,043
Profit for the period	-	-	-	-	-	18,864	18,864
Dividends (note 8)	-	-	-	-	-	(27,900)	(27,900)
At 31st March 2002	192,130	194,649	(20,725)	23,878	(12)	277,087	667,007

The contributed surplus represents the difference between the net assets of the subsidiaries acquired by the Company and the nominal value of the Company's shares issued at the time of a previous group reorganisation.

PRC statutory funds are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries and jointly controlled entities.

OTHER INFORMATION

DIVIDENDS

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 2002 (31st March 2001: Nil).

DIRECTORS' INTERESTS IN SECURITIES

Mr. Lu Ming Fang has personal interest in 1,000,000 shares of Shanghai Industrial Holdings Limited ("SIHL"), an intermediate holding company of the Company. Save as disclosed hereinabove, as at 31st March 2002, 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$*	**Outstanding at 1st January 2002 and 31st March 2002**
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 aforesaid options can be exercised during the period from 21st January 2003 to 20th January 2006.

(b) Pursuant to the share option scheme of SIHL, certain directors of the Company have interests in share options ("SIHL Options") to subscribe for shares in SIHL ("SIHL shares") which were granted to them as follows:

Name of director	**Month of grant**	**Exercise price per share** *HK$*	**Outstanding at 1st January 2002 and 31st March 2002**
Lu Ming Fang	August 1998	10.432	500,000
	January 1999	9.568	1,200,000
	July 2001	10.432	1,500,000
Li Wei Da	January 1999	9.568	1,200,000
Zhou Jie	August 1998	10.432	1,500,000
	January 1999	9.568	1,200,000
Chen Shu Zi	July 2001	10.432	1,500,000
Wu Jian Zhuang	January 1999	9.568	1,000,000

The aforesaid options can be exercised during the 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. The firm rendered professional services to the Group and received normal remuneration for such services.

Save as disclosed above, at no time during the period was the Company or its holding companies, 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 2002, the register kept by the Company under Section 16(1) of the SDI Ordinance showed that the following parties 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") *(note)*	398,618,000
Shanghai Industrial Investment Treasury Company Limited ("STC") *(note)*	398,618,000
Shanghai Investment Holdings Limited ("SIH") *(note)*	398,618,000
Shanghai Industrial Holdings Limited ("SIHL") *(note)*	398,618,000
Central Force Investments Limited ("CFI")	372,000,000

Note: S.I. Infrastructure Holdings Limited ("SIIH") and SIHL Treasury Limited ("SIHL Treasury") are the beneficial owners of 4,261,000 and 3,238,000 ordinary shares of the Company respectively. SIIH, SIHL Treasury and CFI are wholly owned subsidiaries of SIHL, which is, in turn, a subsidiary of SIH. STC owns 100% of SIH. SIIC owns 100% of STC. Accordingly, SIIC are deemed by the SDI Ordinance to be interested in the ordinary shares beneficially owned by STC, SIH, SIHL, SIIH, SIHL Treasury and CFI as listed above.

Save as disclosed above, as at 31st March 2002, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company.

COMPETING INTERESTS

The ultimate holding company of the Company, Shanghai Industrial Investment (Holdings) Co., Ltd. has interest in SIIC Investment (Shanghai) Co., Ltd. ("SIICI") and Shanghai Industrial United Holdings Co., Ltd. ("Shanghai United"). Shanghai Industrial Holdings Limited, an intermediate holding company of the Company, 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 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. Shanghai United's investments in high technology enterprises comprise 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"), Zhejiang Zuoli Pharmaceutical Company Ltd. ("Zuoli") and Shanghai Industrial United Holdings Pharmaceutical Co., Ltd. ("SIUHP"). 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 and SIUHP are engaged in the development, manufacturing and sale of Chinese medicine and health maintenance products. Mr. Lu Ming Fang is a director of Shanghai United and holds 15,000 shares of Shanghai United.

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, as at 31st March 2002, 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.

AUDIT COMMITTEE

The audit 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 financial reporting process and internal control systems of the Group and annual report, half-yearly report, quarterly reports and accounts of the Company.

BOARD PRACTICES AND PROCEDURES

During the period, the Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

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.

** for identification purposes only*

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