

The Stock Exchange of Hong Kong Limited 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.



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

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)

JOINT ANNOUNCEMENT

(1) PROPOSED PRIVATISATION OF

SIIC MEDICAL SCIENCE AND TECHNOLOGY (GROUP) LIMITED

BY

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

BY WAY OF A SCHEME OF ARRANGEMENT

(UNDER SECTION 86 OF THE COMPANIES LAW),

AT THE CANCELLATION PRICE OF HK\$2.15 PER SCHEME SHARE

(2) CONNECTED TRANSACTION FOR

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

Financial Adviser to Shanghai Industrial Holdings Limited

BNP PARIBAS PEREGRINE CAPITAL LIMITED

SCHEME OF ARRANGEMENT

The directors of SIHL and SIIC MedTech jointly announce that, on 21st May 2003, SIHL requested the directors of SIIC MedTech to put forward a proposal to the Scheme Shareholders regarding a proposed privatisation of SIIC MedTech by way of a scheme of arrangement under Section 86 of the Companies Law.

SIHL proposes that the Scheme Shares will be cancelled in exchange for HK\$2.15 in cash for each Scheme Share. The Cancellation Price represents a premium of approximately 64.12% to the audited net asset value per Share as at 31st December 2002 and a premium of approximately 20.79% over the average closing price of HK\$1.78 per Share based on the daily closing prices as quoted on the Stock Exchange over the 10 trading days up to and including 20th May 2003 (being the last date of trading prior to the suspension of trading in Shares pending the issue of this announcement).

The Proposal will be implemented by way of the Scheme. The listing of the Shares on the Stock Exchange will be withdrawn following the effective date of the Scheme and SIIC MedTech will become a wholly-owned subsidiary of SIHL. The Proposal is conditional upon the fulfilment or waiver, as applicable, of the conditions as described in the section headed "Conditions of the Proposal" below. All of the conditions will have to be fulfilled or waived, as applicable, on or before 30th September 2003 (or such later date as SIHL and SIIC MedTech may agree or, to the extent applicable, as the Grand Court may direct). Otherwise, the Scheme will lapse.

As at the Announcement Date, the Scheme Shareholders were interested in 211,066,000 Shares, representing approximately 34.04% of the issued share capital of SIIC MedTech. The maximum number of Scheme Shares and amount of cash required for the Proposal is up to 240,766,000 Shares (representing approximately 38.83% of the issued share capital of SIIC MedTech as at the Announcement Date and approximately 37.06% of the enlarged issued share capital of SIIC MedTech) and approximately HK\$517.65 million respectively, assuming all outstanding share options are exercised in full by all holders of options except for Mr. Li and Mr. Ge (see below for details). SIHL intends to finance the cash required for the Proposal from internal resources. BNP Paribas Peregrine, SIHL's financial adviser, is satisfied that sufficient financial resources are available to SIHL for the implementation of the Proposal.

As at the Announcement Date, there were 38,200,000 outstanding options (38,200,000 new Shares, representing approximately 6.16% of the existing issued share capital of SIIC MedTech as at the Announcement Date and approximately 5.80% of the enlarged issued share capital of SIIC MedTech, would be issued on exercise in full of such options) granted by SIIC MedTech, out of which 6,000,000 share options, 6,000,000 share options, 4,000,000 share options, 2,500,000 share options and 2,500,000 share options were granted to Mr. Feng Gen Sheng, Mr. Li, Mr. Chen Shu Zi, Mr. Ge and Mr. Wu Jian Zhuang respectively, who are directors of SIIC MedTech and are presumed parties acting in concert with SIHL (a total of 21,000,000 new Shares, representing approximately 3.39% of the issued share capital of SIIC MedTech as at the Announcement Date and approximately 3.19% of the enlarged issued share capital of SIIC MedTech, would be issued on exercise in full of such options). Mr. Feng Gen Sheng, Mr. Chen Shu Zi and Mr. Wu Jian Zhuang are deemed parties acting in concert with SIHL due to their directorships in SIIC MedTech, a subsidiary of SIHL. Save for the options, there are no warrants, convertible securities or outstanding derivatives affecting the Shares held by SIHL or parties acting in concert with it. Any Shares issued as a result of the exercise of the options of SIIC MedTech will be treated as Scheme Shares and be subject to the Scheme. An appropriate offer or proposal to holders of any outstanding options in SIIC MedTech will be made in accordance with the Takeovers Code unless the requirements of such offer or proposal is waived by the Executive. Further details in respect of any such offer or proposal will be set out in the scheme document of SIIC MedTech to be dispatched to Shareholders.

SHAREHOLDING IN SIIC MEDTECH

As at the Announcement Date, SIHL was interested in 408,934,000 Shares, representing approximately 65.96% of the issued share capital of SIIC MedTech. In addition, Mr. Shen Wei Jia, a director of SIIC MedTech, was also interested in a total of 225,000 Shares (representing approximately 0.04% of the issued share capital of SIIC MedTech). As at the Announcement Date, NPL and NEL were interested in a total of 9,073,000 Shares (representing approximately 1.46% of the issued share capital of SIIC MedTech). As at the Announcement Date, SIHL, together with Mr. Shen Wei Jia, NPL and NEL, who/ which are presumed to be acting in concert with SIHL under the Takeovers Code, collectively held 418,232,000 Shares (representing approximately 67.46% of the issued share capital of SIIC MedTech).

CONNECTED TRANSACTION

The Shares in which Mr. Shen Wei Jia, NPL and NEL mentioned above were interested have an aggregate value of about HK\$19.99 million based on the Cancellation Price. In addition, Mr. Feng Gen Sheng, Mr. Chen Shu Zi and Mr. Wu Jian Zhuang, who are directors of SIIC MedTech, were interested in 6,000,000 share options, 4,000,000 share options and 2,500,000 share options of SIIC MedTech respectively, which can be exercised into 12,500,000 new Shares (representing approximately 2.02% of the issued share capital of SIIC MedTech as at the Announcement Date and approximately 1.98% of the enlarged issued share capital of SIIC MedTech) having an aggregate value of about HK\$26.88 million based on the Cancellation Price. Mr. Li and Mr. Ge also hold in aggregate 8,500,000 share options of SIIC MedTech as at the Announcement Date. Mr. Li and Mr. Ge have each executed under seal as a deed, subject to the fulfillment of the conditions of the Proposal, to surrender their respective rights under the share options of SIIC MedTech held by each of them as at the Announcement Date and consented to SIIC MedTech cancelling the share options granted to them at no consideration. Mr. Li and Mr. Ge have undertaken not to exercise their respective rights under the share options held by each of them prior to the fulfilment of the conditions of the Proposal. Upon receipt of the written undertaking of Mr. Li and Mr. Ge and as at the Announcement Date, SIIC MedTech's board of directors has by resolution, subject to the fulfilment of the conditions of the Proposal, cancelled the share options granted, but not exercised, by each of Mr. Li and Mr. Ge pursuant to the terms of the Share Option Scheme. Accordingly, no payment will be made to Mr. Li and Mr. Ge in this regard. The payment for the consideration to Mr. Feng Gen Sheng, Mr. Chen Shu Zi, Mr. Shen Wei Jia, Mr. Wu Jian Zhuang, NPL and NEL, in consideration for the cancellation of their interests in SIIC MedTech constitutes a connected transaction for SIHL under the Listing Rules. However, as the aggregate value of the consideration to be paid of about HK\$46.87 million represents less than 3% of the audited net tangible assets of SIHL as at 31st December 2002 based on its audited consolidated accounts as at that date, approval from the independent shareholders of SIHL will not be required.

DISPATCH OF SCHEME DOCUMENT

A scheme document of SIIC MedTech containing, inter alia, further details of the Proposal and the Scheme and recommendations from the independent board committee of SIIC MedTech with respect to the Proposal and/or the Scheme and the advice of the independent financial adviser to the independent board committee of SIIC MedTech, a notice of the Court Meeting and a notice of the special general meeting of the Company, will be dispatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code.

SUSPENSION AND RESUMPTION OF TRADING

At the request of SIIC MedTech, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. (Hong Kong time) on 21st May 2003, pending the issue of this announcement. Application has been made by SIIC MedTech to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. (Hong Kong time) on 22nd May 2003.

Shareholders of SIIC MedTech and/or potential investors should be aware that the implementation of the Proposal is subject to the conditions as set out below being fulfilled or waived, as applicable, and thus the Proposal may or may not become effective. They should exercise caution when dealing in the Shares.

INTRODUCTION

On 21st May 2003, SIHL, the controlling shareholder of SIIC MedTech, holding through its subsidiaries 65.96% of the issued share capital of SIIC MedTech as at the Announcement Date, requested the directors of SIIC MedTech to put forward a proposal to the Scheme Shareholders regarding a proposed privatisation of SIIC MedTech by way of a scheme of arrangement under Section 86 of the Companies Law.

TERMS OF THE PROPOSAL

The Scheme will provide that the Scheme Shares be cancelled and, in consideration thereof, each Scheme Shareholders will be entitled to receive HK\$2.15 in cash for each Scheme Share held.

For the avoidance of doubt, Scheme Shareholders are entitled to keep the final dividend of HK4 cents in respect of the financial year ended 31st December 2002 of SIIC MedTech payable on 22nd May 2003.

As at the Announcement Date, there were 620,000,000 Shares in issue and the Scheme Shareholders were interested in 211,066,000 Shares, representing approximately 34.04% of the issued share capital of SIIC MedTech.

As at the Announcement Date, there were 38,200,000 outstanding options (38,200,000 new Shares, representing approximately 6.16% of the existing issued share capital of SIIC MedTech as at the Announcement Date and approximately 5.80% of the enlarged issued share capital of SIIC MedTech, would be issued on exercise in full of such options) granted by SIIC MedTech, out of which 6,000,000 share options, 6,000,000 share options, 4,000,000 share options, 2,500,000 share options and 2,500,000 share options were granted to Mr. Feng Gen Sheng, Mr. Li, Mr. Chen Shu Zi, Mr. Ge and Mr. Wu Jian Zhuang respectively, who are directors of SIIC MedTech and are presumed parties acting in concert with SIHL (a total of 21,000,000 new Shares, representing approximately 3.39% of the existing issued share capital of SIIC MedTech as at the Announcement Date and approximately 3.19% of the enlarged issued share capital of SIIC MedTech, would be issued on exercise in full of such options). Mr. Feng Gen Sheng, Mr. Chen Shu Zi and Mr. Wu Jian Zhuang are deemed parties acting in concert with SIHL due to their directorships

in SIIC MedTech, a subsidiary of SIHL. Save for the options, there are no warrants, convertible securities or outstanding derivatives affecting the Shares held by SIHL or parties acting in concert with it. Any Shares issued as a result of the exercise of the options of SIIC MedTech will be treated as Scheme Shares and be subject to the Scheme. An appropriate offer or proposal to holders of any outstanding options in SIIC MedTech will be made in accordance with the Takeovers Code unless the requirements of such offer or proposal is waived by the Executive. Further details in respect of any such offer or proposal will be set out in the scheme document of SIIC MedTech to be dispatched to Shareholders. However, Mr. Li and Mr. Ge have also undertaken not to accept any such offer or proposal made to them in respect of their outstanding options in SIIC MedTech for the reasons stated below.

The maximum number of Scheme Shares (assuming all outstanding share options are exercised in full by all holders of options except for Mr. Li and Mr. Ge, both are directors of SIHL and SIIC MedTech) will be 240,766,000 Shares (representing approximately 38.83% of the issued share capital of SIIC MedTech as at the Announcement Date and approximately 37.06% of the enlarged issued share capital of SIIC MedTech). Due to the fact that Mr. Li and Mr. Ge are directors of SIHL, Mr. Li and Mr. Ge's interest in the share options of SIIC MedTech may be perceived to be faced with conflict of interest. Mr. Li and Mr. Ge have each executed under seal as a deed, subject to the fulfilment of the conditions of the Proposal, to surrender their respective rights under the share options of SIIC MedTech held by each of them as at the Announcement Date and consented to SIIC MedTech cancelling the share options granted to them at no consideration. Mr. Li and Mr. Ge have undertaken not to exercise their respective rights under the share options held by each of them prior to the fulfilment of the conditions of the Proposal. Upon receipt of the written undertaking of Mr. Li and Mr. Ge, and as at the Announcement Date, SIIC MedTech's board of directors has by resolution, subject to the fulfilment of the conditions of the Proposal, cancelled the share options granted, but not exercised, by each of Mr. Li and Mr. Ge pursuant to the terms of the Share Option Scheme. As such, Mr. Li and Mr. Ge will not stand to gain financially from the implementation of the Proposal and SIHL considers that Mr. Li and Mr. Ge's interest in their respective share options will no longer give rise to a material conflict of interest. An application has been made to the Executive to seek a waiver from compliance with the requirement under Rule 2.4 of the Takeovers Code.

The cash consideration of HK\$2.15 per Scheme Share represents:

- a premium of approximately 64.12% to the audited consolidated net asset value per Share of approximately HK\$1.31 as at 31st December 2002;
- a premium of approximately 14.97% over the closing price of HK\$1.87 per Share as quoted on the Stock Exchange on 20th May 2003 (being the last trading day prior to the suspension of trading in the Shares pending the issue of this announcement);
- a premium of approximately 20.79% over the average closing price of approximately HK\$1.78 per Share based on the daily closing prices as quoted on the Stock Exchange over the 10 trading days up to and including 20th May 2003;
- a premium of approximately 24.28% over the average closing price of approximately HK\$1.73 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including 20th May 2003;

- a premium of approximately 31.90% over the average closing price of approximately HK\$1.63 per Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including 20th May 2003; and
- a premium of approximately 43.33% over the average closing price of approximately HK\$1.50 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including 20th May 2003.

On the basis of the consideration of HK\$2.15 per Scheme Share, which was arrived at after taking into account the above and with reference to other privatisation transactions in the past few years, the Proposal values the entire issued share capital of SIIC MedTech as at the Announcement Date at approximately HK\$1,333 million. The maximum number of Scheme Shares and amount of cash required for the Proposal is up to 240,766,000 Shares (representing approximately 38.83% of the issued share capital of SIIC MedTech as at the Announcement Date and approximately 37.06% of the enlarged issued share capital of SIIC MedTech) and approximately HK\$517.65 million respectively, assuming all outstanding share options are exercised in full by all holders of options except for Mr. Li and Mr. Ge. SIHL intends to finance the cash required for the Proposal from internal resources. BNP Paribas Peregrine, SIHL's financial adviser, is satisfied that sufficient financial resources are available to SIHL for the implementation of the Proposal.

CONDITIONS OF THE PROPOSAL

The Scheme will become effective and binding on SIIC MedTech and all Shareholders subject to the fulfilment or waiver (as applicable) of the following conditions:

- (a) the approval of the Scheme by a majority in number of the Independent Shareholders at the Court Meeting, provided that:
 - (i) the Scheme is approved by Independent Shareholders holding at least 75% in value of those Shares that are voted either in person or by proxy at the Court Meeting; and
 - (ii) the Scheme is not disapproved by Independent Shareholders at the Court Meeting holding more than 10% in value of all the Shares held by the Independent Shareholders;
- (b) the passing of a special resolution to approve and give effect to the Scheme (including the cancellation of the Scheme Shares and the reduction of the share capital of SIIC MedTech) by a majority of at least three-fourths of the Shareholders present and voting in person or by proxy, at a general meeting of SIIC MedTech;
- (c) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of SIIC MedTech, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the orders of the Grand Court for registration;
- (d) compliance, to the extent necessary, with the procedural requirements of Section 15 of the Companies Law and compliance with any conditions imposed under Section 16 of the Companies Law in each case in relation to the reduction of the issued share capital of SIIC MedTech;

- (e) all Authorizations in connection with the Proposal having been obtained or made from, with or by (as the case may be) the Relevant Authorities, in the Cayman Islands and/or Hong Kong and/or any other relevant jurisdictions;
- (f) all Authorizations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective; and
- (g) all necessary consents which may be required under any existing contractual obligations of SIIC MedTech being obtained.

SIHL reserves the right to waive condition (e), (f), and (g) either in whole or in part in respect of any particular matter. Condition (a) to (d) cannot be waived in any event. All of the above conditions will have to be fulfilled or waived, as applicable, on or before 30th September 2003 (or such later date as SIHL and SIIC MedTech may agree or, to the extent applicable, as the Grand Court may direct). Otherwise, the Scheme will lapse.

Warning:

Shareholders of SIIC MedTech and potential investors should be aware that the implementation of the Proposal is subject to the conditions as set out above being fulfilled or waived, as applicable, and thus may or may not become effective. They are advised to exercise caution when dealing in the Shares.

SHAREHOLDING STRUCTURE

The table below sets out the shareholding structure of SIIC MedTech as at the Announcement Date and immediately upon completion of the Proposal:

Shareholders	As at the Announcement Date		Upon completion of the Proposal	
	Number of Shares	%	Number of Shares	%
SIHL Group	408,934,000	65.96	408,934,000	100.00
NEL (<i>note 1</i>) (<i>note 3</i>)	8,098,000	1.30	—	—
NPL (<i>note 1</i>) (<i>note 3</i>)	975,000	0.16	—	—
Mr. Shen Wei Jia (<i>note 1</i>) (<i>note 4</i>)	225,000	0.04	—	—
Sub-total (<i>note 2</i>)	418,232,000	67.46	408,934,000	100.00
Independent Shareholders	201,768,000	32.54	—	—
Total	<u>620,000,000</u>	<u>100.00</u>	<u>408,934,000</u>	<u>100.00</u>

Notes:

1. All of the Shares held by NEL, NPL and Mr. Shen Wei Jia will form part of the Scheme Shares.
2. The figure represents the aggregate shareholding of SIHL Group and parties acting in concert with SIHL Group under the Takeovers Code.
3. Both NEL and NPL are wholly-owned subsidiaries of SIIC which in turn is the ultimate controlling shareholder of SIHL.
4. An executive director of SIIC MedTech.

Following the effective date of the Scheme and the withdrawal of listing of the Shares on the Stock Exchange, SIIC MedTech will become a wholly-owned subsidiary of SIHL.

REASONS FOR AND BENEFITS OF THE PROPOSAL

For Scheme Shareholders

The trading liquidity of the Shares has been thin. The average daily trading volume for the past 6 months preceding the Announcement Date of about 891,000 Shares has been less than 0.14% of the free float of the Shares trading on the Stock Exchange. Given the low liquidity of the Shares traded on the Stock Exchange and the current depressed equity markets, the directors of SIHL are of the opinion that SIIC MedTech's ability to raise funds from the equity markets may be limited and any significant improvement in this in the foreseeable future is uncertain. Therefore, the directors of SIHL hold the view that it is no longer necessary for the continued listing of the Shares on the Stock Exchange.

Since SIHL already owns approximately 65.96% of SIIC MedTech as at the Announcement Date, the directors of SIHL believe that it is unlikely that the minority Shareholders will receive any other offer to acquire the Shares from a third party without the approval of SIHL. In addition, Shareholders should note that no discussions have taken place (or are taking place) with any third party regarding the disposal of any of the Shares held by SIHL and SIHL has no intention of discontinuing SIIC MedTech's businesses.

In addition, the Cancellation Price represents a premium of about 20.79%, 24.28% and 31.90% over the 10-day, 30-day and 60-day average closing price per Share respectively and a premium of about 64.12% over the net asset value per Share as at 31st December 2002. The directors of SIHL believe that the Proposal will provide an opportunity for all Scheme Shareholders to realize their investments in SIIC MedTech at a premium to the prevailing market price of the Share.

For SIHL

The directors of SIHL consider that the Proposal is in the best interest of the shareholders of SIHL as it will result in a leaner group structure by making SIIC MedTech a wholly-owned subsidiary of SIHL. Upon the completion of the Proposal, SIHL will be able to increase its share in the profit contribution of SIIC MedTech from 65.96% to 100.00%.

In addition, medicine and bio-technology is one of the core businesses of SIHL for development. SIHL intends to restructure its medical business, which the Proposal represents a principal step for the restructuring exercise. Upon the Proposal becoming

effective, SIHL will be more flexible to formulate the development strategies for the medical business and to expand its medicine and bio-technology business in order to enhance the return to its shareholders.

INFORMATION ON SIIC MEDTECH

SIIC MedTech is a company incorporated in the Cayman Islands with limited liability, which shares have been listed on the Growth Enterprise Market of the Stock Exchange since December 1999. SIIC MedTech Group is principally engaged in pharmaceutical products and health food, medical retailing, medical equipment, and personal care products businesses in the PRC.

A summary of the consolidated results of the SIIC MedTech for each of the two financial years ended 31st December 2002 and for the three months ended 31st March 2003 is set out below:

	For the three months ended 31st March 2003 (unaudited) HK\$'million	For the year ended 31st December	
		2002 (audited) HK\$'million	2001 (audited) HK\$'million
Turnover	325.7	842.4	723.9
Operating profit	53.3	231.8	157.6
Gain on deemed disposal of interest in a jointly controlled entity	—	—	155.7
Profit from ordinary activities before taxation	55.8	241.9	341.1
Profit after taxation (but before minority interests)	40.8	167.5	288.3
Profit attributable to shareholders	21.1	87.5	232.7

As at 31st December 2002, the audited consolidated net assets of SIIC MedTech were approximately HK\$810.2 million or approximately HK\$1.31 per share and the audited consolidated net tangible assets of SIIC MedTech were approximately HK\$762.1 million.

INFORMATION ON SIHL

SIHL is incorporated in Hong Kong with limited liability, which shares are listed on the Stock Exchange. SIHL, together with its wholly-owned subsidiaries, Central Force Investments Limited, S.I. Infrastructure Holdings Limited and SIHL Treasury Limited, hold about 65.96% interest in the issued share capital of SIIC MedTech. SIHL Group is principally engaged in infrastructure and modern logistics, information technology, medicine and bio-technology businesses, consumer products and automobile and parts.

The summary of the audited consolidated results of the SIHL Group for each of the two financial years ended 31st December 2002 is set out below:

	For the year ended	
	31st December	
	2002	2001
	<i>HK\$'million</i>	<i>HK\$'million</i>
Turnover	3,380.0	3,199.4
Operating profit	1,159.1	1,090.2
Profit from ordinary activities before taxation	1,451.8	1,490.0
Profit after taxation (but before minority interests)	1,269.4	1,381.1
Profit attributable to shareholders	1,126.3	1,202.5

As at 31st December 2002, the audited consolidated net assets of SIHL Group were approximately HK\$13,497.8 million or approximately HK\$14.42 per share.

Upon the Proposal becoming effective, SIHL will continue to maintain the medical business of SIIC MedTech.

WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled. Share certificates for the Shares held by the Scheme Shareholders will thereafter cease to have effect as documents or evidence of title. SIIC MedTech will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the effective date of the Scheme. The Scheme Shareholders will be notified by way of a press announcement of the exact dates on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme will be included in the scheme document, which will also contain, inter alia, further details of the Scheme.

The listing of Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or lapse.

OVERSEAS SHAREHOLDERS OF SIIC MEDTECH

The making of the Proposal to persons not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such persons should inform themselves appropriately and observe any applicable legal or regulatory requirements. It is the responsibility of any overseas shareholders of SIIC MedTech wishing to accept the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

LISTING RULES IMPLICATION ON SIHL

The Shares in which Mr. Shen Wei Jia, NPL and NEL were interested have an aggregate value of about HK\$19.99 million based on the Cancellation Price. In addition, Mr. Feng Gen Sheng, Mr. Chen Shu Zi and Mr. Wu Jian Zhuang, who are directors of SIIC MedTech,

were interested in, 6,000,000 share options, 4,000,000 share options and 2,500,000 share options of SIIC MedTech respectively, which can be exercised into 12,500,000 new Shares (representing approximately 2.02% of the issued share capital of SIIC MedTech as at the Announcement Date and approximately 1.98% of the enlarged issued share capital of SIIC MedTech) having an aggregate value of about HK\$26.88 million based on the Cancellation Price. Mr. Li and Mr. Ge also hold in aggregate 8,500,000 share options of SIIC MedTech as at the Announcement Date. Mr. Li and Mr. Ge have each executed under seal as a deed, subject to the fulfilment of the conditions of the Proposal, to surrender their respective rights under the share options of SIIC MedTech held by each of them as at the Announcement Date and consented to SIIC MedTech cancelling the share options granted to them at no consideration. Mr. Li and Mr. Ge have undertaken not to exercise their respective rights under the share options held by each of them prior to the fulfilment of the conditions of the Proposal. Upon receipt of the written undertaking of Mr. Li and Mr. Ge, and as at the Announcement Date, SIIC MedTech's board of directors has by resolution, subject to the fulfilment of the conditions of the Proposal, cancelled the share options granted, but not exercised, by each of Mr. Li and Mr. Ge pursuant to the terms of the Share Option Scheme. Accordingly, no payment will be made to Mr. Li and Mr. Ge in this regard. The payment for the consideration to Mr. Feng Gen Sheng, Mr. Chen Shu Zi, Mr. Shen Wei Jia, Mr. Wu Jian Zhuang, NPL and NEL in consideration for the cancellation of their interests in SIIC MedTech constitutes a connected transaction for SIHL under the Listing Rules. However, as the aggregate value of the consideration to be paid of about HK\$46.87 million represents less than 3% of the audited consolidated net tangible assets of SIHL as at 31st December 2002, approval from the independent shareholders of SIHL will not be required.

MEETINGS AND SCHEME SHARES

As at the Announcement Date, SIHL owned 408,934,000 Shares, representing approximately 65.96% of the issued share capital of SIIC MedTech. Such Shares will not form part of the Scheme Shares and will not be voted at the Court Meeting. In view of the interests of SIHL in the Proposal, parties who are acting in concert with SIHL, being NEL, NPL and Mr. Shen Wei Jia, which/who collectively held, as at the Announcement Date, 9,298,000 Shares (representing approximately 1.50% of the issued share capital of SIIC MedTech), will not vote at the Court Meeting. However, the 9,298,000 Shares held by NEL, NPL and Mr. Shen Wei Jia, will still form part of the Scheme Shares. The maximum number of Scheme Shares (assuming that all outstanding options are exercised in full by all holders of options except for Mr. Li and Mr. Ge) will be 240,766,000 Shares (representing approximately 38.83% of the issued share capital of SIIC MedTech as at the Announcement Date). In the event that Mr. Feng Gen Sheng, Mr. Chen Shu Zi and Mr. Wu Jian Zhuang exercise their respective share options of SIIC MedTech or any part thereof and become Shareholders, the Shares held by Mr. Feng Gen Sheng, Mr. Chen Shu Zi and Mr. Wu Jian Zhuang will form part of the Scheme Shares but Mr. Feng Gen Sheng, Mr. Chen Shu Zi and Mr. Wu Jian Zhuang will not vote at the Court Meeting.

SIHL, NEL, NPL and Mr. Shen Wei Jia have indicated that if the Scheme is approved at the Court Meeting, their respective Share will be voted in favor of the special resolution to be proposed at the special general meeting of SIIC MedTech to approve and give effect to the Scheme (including the cancellation of the Scheme Shares and the reduction of the issued share capital of SIIC MedTech).

SUSPENSION AND RESUMPTION OF TRADING

At the request of SIIC MedTech, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. (Hong Kong time) on 21st May 2003, pending the issue of this announcement. Application has been made by SIIC MedTech to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. (Hong Kong time) on 22nd May 2003.

GENERAL

SIHL has appointed BNP Paribas Peregrine as its financial adviser in connection with the Proposal. An independent board committee will be established to advise the Independent Shareholders in connection with the Proposal. An independent financial adviser will be appointed to advise the independent board committee of SIIC MedTech in connection with the Proposal and the Scheme and the independence of each member of the independent board committee will be confirmed with the Executive at such time. An announcement will be made by SIIC MedTech after it has appointed an independent financial adviser to advise its independent board committee.

Mr. Li and Mr. Ge, both being directors of SIHL and SIIC MedTech hold 8,500,000 share options of SIIC MedTech. Mr. Li and Mr. Ge may consequently be perceived to be faced with a conflict of interest and in such circumstances may be required to obtain independent advice as to whether the making of the Proposal is in the interests of SIHL's shareholders pursuant to Rule 2.4 of the Takeovers Code. An application has been made to the Executive to seek a waiver from compliance with the requirement under Rule 2.4 of the Takeovers Code.

A scheme document of SIIC MedTech containing, inter alia, further details of the Proposal and the Scheme, the expected timetable, an explanatory statement as required under the Companies Law and the Rules of the Grand Court, information regarding SIIC MedTech and SIHL, the recommendation of the independent board committee of SIIC MedTech with respect to the Proposal and the Scheme, a letter of advice from the independent financial adviser to such independent board committee, a notice of the Court Meeting and a notice of the special general meeting of SIIC MedTech will be dispatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code.

Set out below are the dealings in Shares by SIHL and parties acting in concert with SIHL, during the 6-month prior to the Announcement Date (subject to confirmation):

Acquisitions

By NEL

Date	No. of Shares	Average Price per Share
7th March 2003	290,000	1.44
10th March 2003	358,000	1.40
17th March 2003	68,000	1.50
19th March 2003	978,000	1.49
20th March 2003	104,000	1.49
21st March 2003	44,000	1.48
24th March 2003	160,000	1.49
25th March 2003	150,000	1.46
26th March 2003	84,000	1.48
3rd April 2003	130,000	1.62
4th April 2003	60,000	1.64
9th April 2003	935,000	1.71
10th April 2003	290,000	1.72
11th April 2003	100,000	1.73
14th April 2003	100,000	1.71
15th April 2003	352,000	1.70
16th April 2003	210,000	1.72
17th April 2003	270,000	1.71
22nd April 2003	40,000	1.71
23rd April 2003	125,000	1.70
24th April 2003	138,000	1.70
25th April 2003	234,000	1.69
28th April 2003	35,000	1.70
	<hr/>	<hr/>
Total	5,255,000	1.60
	<hr/> <hr/>	<hr/> <hr/>

By NPL

Date	No. of Shares	Average Price per Share
10th April 2003	200,000	1.72
15th April 2003	200,000	1.70
16th April 2003	40,000	1.72
23rd April 2003	30,000	1.69
24th April 2003	<u>81,000</u>	<u>1.70</u>
Total	<u>551,000</u>	<u>1.71</u>

By SIHL Treasury Limited

Date	No. of Shares	Average Price per Share
25th March 2003	25,000	1.47
26th March 2003	5,000	1.47
27th March 2003	583,000	1.54
28th March 2003	10,000	1.56
31st March 2003	348,000	1.56
1st April 2003	207,000	1.55
2nd April 2003	65,000	1.59
3rd April 2003	2,414,000	1.63
4th April 2003	2,114,000	1.67
7th April 2003	1,829,000	1.71
8th April 2003	<u>2,716,000</u>	<u>1.73</u>
Total	<u>10,316,000</u>	<u>1.67</u>

Save for the Proposal itself, there are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between SIHL or any person acting in concert with it and any other person in relation to shares of SIHL or the Shares which might be material to the Proposal.

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Announcement Date”	21st May 2003, being the date of this announcement
“Authorizations”	all the necessary authorizations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“BNP Paribas Peregrine”	BNP Paribas Peregrine Capital Limited, financial adviser to SIHL and deemed licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance

“Cancellation Price”	the cancellation price of HK\$2.15 per Scheme Share payable in cash by SIHL to the Scheme Shareholders
“Companies Law”	the Companies Law (2002 Revision) of the Cayman Islands
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at which the Scheme will be voted upon
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate thereof
“Grand Court”	Grand Court of the Cayman Islands
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than SIHL Group and parties acting in concert with SIHL Group, which include Mr. Shen Wei Jia, NPL and NEL
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ge”	Mr. Ge Wen Yao, an executive director of SIHL and SIIC MedTech
“Mr. Li”	Mr. Li Wei Da, an executive director of SIHL and SIIC MedTech
“NEL”	Nanyang Enterprises Limited, a wholly-owned subsidiary of SIIC
“NPL”	Nanyang Enterprises Properties Limited, a wholly-owned subsidiary of SIIC
“PRC”	the People’s Republic of China
“Proposal”	the proposal for the privatisation of SIIC MedTech by SIHL by way of the Scheme
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Scheme”	a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all Scheme Shares
“Scheme Share(s)”	Share(s) held by Scheme Shareholders
“Scheme Shareholder(s)”	Shareholder(s) of SIIC MedTech other than SIHL and its subsidiaries
“Shareholders”	registered holders of Shares
“Share Option Scheme”	the share option scheme of SIIC MedTech adopted on 11th November 1999
“Shares”	ordinary shares of HK\$0.10 each in the share capital of SIIC MedTech

“SIHL”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are currently listed on the Stock Exchange
“SIHL Group”	SIHL and its subsidiaries
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability which is established by Shanghai Municipal Government and is the ultimate controlling shareholder of SIHL
“SIIC MedTech”	SIIC Medical Science and Technology (Group) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are currently listed on the Growth Enterprise Market of the Stock Exchange
“SIIC MedTech Group”	SIIC MedTech and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers

By Order of the board of
Shanghai Industrial Holdings Limited
Cai Lai Xing
Chairman

By Order of the board of
**SIIC Medical Science and Technology
(Group) Limited**
Lu Ming Fang
Chairman

Hong Kong, 21st May 2003

The directors of SIHL (except for Dr. Lee Quo Wei, due to health reasons) jointly and severally accept full responsibility for the accuracy of the information in relation to SIHL contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

This announcement, for which the directors of SIIC MedTech collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement (other than information in relation to SIHL) is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website on the “Latest Company Announcements” page for a minimum period of 7 days from the date of publication.

* For identification purpose only