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)

2000 Final 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.

FINANCIAL HIGHLIGHTS

- Profit for the year soared approximately 20% (excluding exceptional income) to HK$72,318,000.
- The profits of Hangzhou Qingchunbao and Shanghai Jahwa showed an increase of 34% and 63% respectively over the previous year.
- Sales increased by approximately 26% to HK$533,434,000.
- Return on Shareholders Fund was 14.8%.
- The consolidated net cash balance of the Group exceeded HK$360 million.

CONSOLIDATED INCOME STATEMENT

The Board of Directors of SIIC Medical Science and Technology (Group) Limited (the "Company") is pleased to announce that the audited consolidated results for the year ended 31st December 2000 of the Company and its subsidiaries (the "Group") and the comparative figures for the last year are set out below:

	Notes	**Consolidated 1.1.2000 to 31.12.2000**	Consolidated 17.9.1999 to 31.12.1999	Pro forma Combined 1.1.1999 to 31.12.1999
		HK$'000	*HK$'000*	*HK$'000*
Turnover	*2*	**533,434**	94,878	424,780
Cost of sales		**(166,886)**	(30,639)	(144,440)
Gross profit		**366,548**	64,239	280,340
Investment income	*3*	**15,428**	13,071	16,087
Other revenue		**578**	–	19
Distribution costs		**(181,156)**	(29,349)	(133,267)
Administration expenses		**(75,915)**	(15,277)	(48,203)
Profit from operations	*4*	**125,483**	32,684	114,976
Finance cost		**(1,526)**	(981)	(2,975)
Share of profit of jointly controlled entities	*5*	**23,490**	4,545	14,711
Profit from ordinary activities before taxation		**147,447**	36,248	126,712
Taxation	*6*	**(20,215)**	(2,572)	(14,217)
Profit before minority interests		**127,232**	33,676	112,495
Minority interests		**(54,914)**	(9,321)	(41,012)
Profit for the year/period		**72,318**	24,355	71,483
Dividends	*7*	**18,600**	–	–
Earnings per share – Basic	*8*	**11.7 cents**	8.8 cents	14.6 cents

Notes:

1. Basis of preparation

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 ("GEM"). Its ultimate holding company is Shanghai Industrial Investment (Holdings) Company Limited, incorporated in Hong Kong.

Pursuant to a series of group reorganisation steps from July 1999 in order to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM, the Company became the holding company of the Group on 17th September 1999. Accordingly, the comparative consolidated income statement presented include the results of the subsidiaries and jointly controlled entities from that date. The comparative pro forma combined income statement, which is presented for information purposes only, shows the results of the Group for the year ended 31st December 1999 as if the then group structure had been in existence throughout the year ended 31st December 1999.

2. Turnover

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

3. Investment income

	Consolidated 1.1.2000 to 31.12.2000	Consolidated 17.9.1999 to 31.12.1999	Pro forma Combined 1.1.1999 to 31.12.1999
	HK$'000	*HK$'000*	*HK$'000*
Interest income on application monies received on listing of the Company's shares	**–**	11,296	11,296
Other interest income	**13,933**	1,558	3,171
Property rental income	**1,495**	217	1,620
	15,428	13,071	16,087

4. Profit from operations

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

5. Share of profit of jointly controlled entities

Share of profit of jointly controlled entities mainly represents share of results of Shanghai Jahwa United Co., Ltd. （上海家化聯合股份有限公司）("Shanghai Jahwa") for the year/period.

6. Taxation

	Consolidated 1.1.2000 to 31.12.2000 *HK$'000*	Consolidated 17.9.1999 to 31.12.1999 *HK$'000*	Pro forma Combined 1.1.1999 to 31.12.1999 *HK$'000*
The charge comprises:			
PRC income tax	**16,763**	4,286	15,921
Deferred tax	**–**	(2,971)	(3,871)
Share of PRC income tax of jointly controlled entities	**3,452**	1,257	2,167
	20,215	2,572	14,217

Pursuant to the relevant laws and regulations in the mainland People's Republic of China (the "PRC"), the Group's PRC subsidiary and jointly controlled entity are entitled to exemption from PRC income tax for two years commencing from their first profit-making year of operation and thereafter, they are entitled to a 50% relief from PRC income tax for the following three years.

The tax holiday for Hangzhou Qingchunbao has expired. However, pursuant to an approval received from local tax authorities on 16th September 1998, Hangzhou Qingchunbao was classified as one of the approved "High Technology Entities". Accordingly, Hangzhou Qingchunbao is entitled to a preferential PRC income tax rate of 12% for the three years ended 31st December 2000.

During the year, Shanghai Jahwa was in its fifth profitable year and was entitled to a 50% relief from PRC income tax at the applicable tax rate of 27%. Its subsidiaries are, however, subject to PRC income tax calculated at 33%.

The Group had no significant unprovided deferred taxation for the year/period.

7. Dividends

	Consolidated 1.1.2000 to 31.12.2000 *HK$'000*	Consolidated 17.9.1999 to 31.12.1999 *HK$'000*	Pro forma Combined 1.1.1999 to 31.12.1999 *HK$'000*
Proposed final dividend of HK3 cents (17.9.1999 to 31.12.1999 : nil) (1.1.1999 to 31.12.1999 : nil)	**18,600**	–	–

8. Earnings per share

The calculation of the basic earnings per share is based on the profit for the year/period of HK$72,318,000 (17th September 1999 to 31st December 1999: HK$24,355,000) and the weighted average of 620,000,000 (17th September 1999 to 31st December 1999: 276,512,622) shares in issue during the year/period.

The calculation of the pro forma basic earnings per share is based on the pro forma combined profit for the year ended 31st December 1999 of HK$71,483,000 and the pro forma weighted average of 489,068,493 shares in issue during that year.

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

9. Transfer to/from reserve

There was a transfer of HK$12,540,000 from the accumulated profit to PRC statutory funds.

DIVIDEND

The Board of Directors has resolved to declare a final dividend of HK3 cents per share for the year ended 31st December 2000. Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 26th April 2001, Thursday, the dividend will be paid on 10th May, 2001, Thursday, to shareholders whose names appear on the Register of Members of the Company on 26th April 2001, Thursday.

CLOSE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24th April 2001, Tuesday to 26th April 2001, Thursday, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Secretaries Limited of 5th Floor, Wing On Cetnre, 111 Connaught Road Central, Hong Kong by 4:00 p.m. on 23rd April 2001, Monday.

BUSINESS REVIEW

The year 2000 was the first year of business for our newly listed Company. In addition to implementing the clearly defined development strategy contained in the prospectus, the Group embarked on a comprehensive strategic plan designed to integrate medicines with therapy and to focus on the development of modernised Chinese medicine and bio-pharmaceutical products.

During the year under review, the Company achieved robust growth. In the initial period following the listing, the Group's major assets were a 55% interest in Chia Tai Qingchunbao Pharmaceutical Co., Ltd. ("Hangzhou Qingchunbao") and a 40% interest in Shanghai Jahwa United Co., Ltd. (上海家化聯合股份有限公司) ("Shanghai Jahwa"). Both of these ventures recorded sustained growth as a result of focused management, application of appropriate technology and development of new products. At 31st December 2000, the profits of Hangzhou Qingchunbao and Shanghai Jahwa showed an increase of 34% and 63% respectively over the previous year.

On top of these promising business developments, the Company established a number of key networks in order to accelerate the modernisation of its Chinese medicine business. These included the raw materials, research and development, production, sales, and medical services networks. The Company exploited innovative technologies and seized the initiatives offered by the new economy in order to make strategic investments in the expanding medical e-business arena. These investments included a joint venture into the telemedicare business with Cyber-Care Inc. ("Cyber-Care") and a capital investment in Shanghai Pharmaceutical Business Network Co., Ltd. ("Shanghai Pharmaceutical Network").

The key objective of the raw materials network is to leverage our commanding position so as to develop a series of modernised Chinese pharmaceutical products suited to the needs of a discerning international market.

Ning Xia barbary wolfberry fruit production base

The Group co-founded “Ning Xia SIIC Viopes Nutraceuticals Co. Limited” with Ningxia Academy of Agriculture & Forestry Sciences in 2000 to develop, produce and sell health supplements with Ning Xia barbary wolfberry fruit as the major product. The in-depth development of this product is progressing successfully and results are very promising. The Group is now enhancing its processing techniques and expects to begin commercial production in 2001. Its capital investment in the project totalled RMB50,000,000.

The Group appointed Hong Kong Baptist University to conduct quality tests on its Ning Xia barbary wolfberry fruit and received a very favourable report. Detailed discussions between the Group and other leading educational institutions in Hong Kong are continuing with the aim of further improving the manufacturing process.

Chong Min Island, Shanghai

The Company entered into a framework agreement with Shanghai SIIC Modern Agriculture Development Co., Ltd. in June 2000 to create a natural herb plantation that conform to Good Agricultural Practices (“GAP”) standards together with facilities for processing the cultivated plants.

The Company holds the option to further develop raw materials grown and processed at Chong Min Island, Shanghai into a series of herbal products. The decoctions and other products thus developed will be vigorously promoted to international manufacturers of herbal products.

Initial plantings began in 2000 at Chong Min Island with Echinacea. GAP has been implemented and we look forward to successful crops. The Company stepped up its research and development efforts in respect of medicinal products and health supplements containing Echinacea. Manufacture of such products and supplements is expected to begin soon.

Our scientific research and development division enjoys the advantage of employing experts accredited to the highest national standards to undertake professional scientific research and development.

Beijing

The Beijing research and development centre, guided by the “Modernised Chinese Medicine Expert Committee”, drew up a business plan centred on products containing either a single ingredient or simple compounds. In order to ensure a smooth and rapid entry into the medicinal products market, the Beijing office will start with health supplements and then follow up with patent medicines. The Beijing office has commenced development of four health supplement products and one Category 2 Chinese medicine product. These products variously treat liver disorders, enhancing memory function, reducing anxiety, improving sleep patterns and providing immunity against influenza, all with good results. The first of these health supplements will be officially filed with Ministry of Health, PRC for approval.

As at 4th January 2001, the Group and China Academy of Traditional Chinese Medicine, China's top Chinese medicine research institute, entered into a cooperation agreement to further develop traditional Chinese medicines by improving the way in which these preparations are presented and by boosting the technology used, with both approaches helping to achieve the overall modernisation of Chinese medicines. The new products we are planning are designed to appeal strongly to the Asian market.

Shanghai

The Shanghai research and development centre deployed Shanghai University Traditional Chinese Medicine's ("SUTCM") human resources, information resources and research facilities in order to develop highly technologised Chinese medical products. With regard to product strategy, the Group will emphasise the use of compound formulae. Two products have reached the stage of advanced development: a plaster to eliminate phlegm and cure asthma and a capsule to increase bone strength. The former preparation is mainly for paediatric use. The latter product is designed to bring about marked clinical improvements in osteoporosis patients. As the population in the Mainland ages and their knowledge of osteoporosis improves, this product is expected to enjoy a significant share of the market. The Group will continue to select promising health supplements and new pharmaceutical products from among the items being developed by SUTCM.

Hong Kong

The Hong Kong research and development centre continued to adopt a business model based on joint development projects with reputable local educational institutions in order to fully utilise existing resources and best explore Hong Kong's unique advantages. In 2000, the Group entered into letters of intent with the Hong Kong Baptist University and Hong Kong University for, inter alia, the establishment of a research and development base for Chinese medicines in Hong Kong, the development of modernised Chinese pharmaceutical products, the establishment of an international testing centre for Chinese medicines, and further improvements in purity and preparation of the Group's existing products. The Group will capitalise on its role as a bridge between China and other countries in order to open up a gateway to international markets for Chinese medicines.

A well-defined marketing strategy and business plan contributed to significant increase in sales.

Hangzhou Qingchunbao

In 2000, following the publication of the Catalogue of Medicines Covered by the State Basic Medical Insurance, Hangzhou Qingchunbao leveraged its strengths to establish product development plans targeting products contained in this catalogue.

A total of 15 pharmaceutical products manufactured by Hangzhou Qingchunbao (some 90% of the total sales) currently figure in this catalogue. Of these, six are categorised as "Type A", including Shen Mai Injection, Dan Shen Injection (compound formulae), Yu Xiang Cao Injection (heartleaf houttuynia herb), Dang Gui Injection, Yi Mu Cao Soluble Granules and Nimodipine Tablets). Nine are categorised as "Type B", including Dan Shen Injection, Stomach Recuperation Granules, Niaoganning Granules, Huang Qi Injection, Sheng Mai Capsule, Sheng Mai Oral Tonic, Lomefloxacin Hydrochloride Capsules and Flunarizine Hydrochloride Capsules.

In line with market demand, Hangzhou Qingchunbao has promoted the quality and effectiveness of "Qingchunbao" Anti-ageing Tablets in considerable detail via the mass media. Such efforts have resulted in an enlarged customer base, and the sales of "Qingchunbao" Anti-ageing Tablets surged from RMB54,114,000 in 1999 to RMB 125 million in 2000. We expect the sales of health care products from Hangzhou Qingchunbao to increase steadily and to contribute very significantly to the Group's earnings.

Shanghai Jahwa

During 2000, focusing on the specific features of various brands, Shanghai Jahwa formulated a well-defined marketing strategy to develop new sales channels, i.e. street markets and chain supermarkets. Sales during 2000 increased by approximately 12% as compared to 1999, representing the highest sales growth since 1996.

Shanghai Jahwa products are selling well throughout the country. The major products include Florida water, bath foam, and basic skin-care and beauty care items. The market shares of all these products are among the top ten in their respective markets. In recent years, Shanghai Jahwa has emphasised advances in technology and has conducted research and development into cosmetic products with medicinal properties as well as all-natural cosmetics. Shanghai Jahwa has established joint laboratories or research centres with five universities and institutes including Medical Center of Fudan University, Dermatology Research Institute of Medical Center of Fudan University, Shanghai Medicine Industrial Research Center, East China University of Science and Technology and Shanghai Institute of Cell Biology – Chinese Academy of Sciences to conduct industrial or academic research in a cooperative manner on a project by project basis. Such cooperation upholds standards of product safety, stability and effectiveness.

Shanghai Jahwa's strategic development objective is to become the premier international provider of health, beauty care and lifestyle products. Shanghai Jahwa will always be market-oriented and strive for improvement in its product range and offerings. It will also seek to raise selected brand names to a premium position and to further expand its sales. Such a strategy should enable it to further increase its gross margin and enhance economies of scale, thus making it a competitive international player in this thriving industry.

Shares of Shanghai Jahwa were listed on the Shanghai Stock Exchange on 15th March 2001 and were 410 times over-subscribed. Shanghai Jahwa raised approximately RMB712,600,000 (net of expenses), thus contributing approximately HK$150 million of exceptional income to the Group. The proceeds will mainly be applied to the development of core operations, including market development, an extended sales network, and expansion of the research and technology centre. These plans will significantly improve Shanghai Jahwa's competitiveness and market share and business is expected to grow rapidly, leading to an enhanced return on investment for shareholders.

Emphasis on implementation of GMP certification and further upgrading of product manufacturing management.

Hangzhou Qingchunbao's production workshops are concentrated within a site with gross floor area of around 93,000 square metres situated in Hangzhou, Zhejiang Province. The capacity and quality of equipment in Hangzhou Qingchunbao's plant is well suited to production requirements. Its capsule and tablet workshops, together with its 10ml and 50ml injection lines, comply fully with State Good Manufacturing Practice ("GMP") standards. Hangzhou Qingchunbao is putting sustained effort into modifying hardware and upgrading software in its oral liquid and granule workshops in order to rapidly obtain GMP certificates for these workshops as well. By complying with GMP certification standards, Hangzhou Qingchunbao has effected noticeable improvement in quality management, thus preparing it well for future competition from international enterprises when the PRC enters the World Trade Organisation ("WTO").

Turning to the intention of establishing a production base in Hong Kong, the Group is now reviewing cost and benefit analyses associated with a number of different proposals. In order to determine the location, the appropriate production facilities and the equipment, the Group is also previewing the list of intended products. Whether or not these proposals will materialise depends how well various conditions can be met and whether such moves are beneficial in economic terms.

Opportunities for new business investments in the PRC to achieve higher capital appreciation for shareholders.

Shanghai Pharmaceutical Network (www.e135.com) is an e-commerce platform dealing in medicinal products and approved by the PRC authorities. It has been in operation. The applications provided by e135.com make e-commerce concepts available to traditional medicine enterprises by connecting the major trading units (pharmaceutical producers, distributors, retailers and hospitals) in the field by means medicine circulation field of an e-commerce platform, thus forming an on-line virtual vertical commercial community. It provides such units with value-added services that no off-line market can offer. Through e135.com's e-commerce platform, medicine enterprises can quickly and securely obtain the latest relevant business intelligence as well as purchasing and promoting their products. This has revolutionised traditional marketing and sales behaviour, putting in its place a highly efficient and standardised e-commerce solution that covers the entire supply chain.

The Shanghai Pharmaceutical Network has established 36 pharmaceutical mini-networks in 26 provinces and municipalities and it carries out on-line medicine delivery through the regional medicine sales offices owned by its PRC parent entity, Shanghai Medicine Co., Ltd. At present, more than 50 hospitals, 30 medicine trading firms and 60 drugstores are carrying out transactions on the e135 platform covering more than 5,000 items.

Going forward, the Shanghai Pharmaceutical Business Network will set such objectives for development as: the establishment of a medicine procurement system which will attract major enterprises as its participants; the improvement of the hospital ordering system; and the consolidation and improvement of the pharmaceutical products data base.

The Company has entered the medicare field starting with a telemedicare business system.

In February 2001, the Company and Cyber-Care, a U.S. company, entered into an agreement to set up a joint venture, SIIC-CYBeR Pacificare Limited, which mainly engages in the businesses of the exclusive promotion and application of its patented portable Internet Domestic Telemedicare Monitor System in various Asian markets (including the PRC, Hong Kong, Singapore, Malaysia and Korea). Cyber-Care will provide the network device and the equipment while the Company will retain production rights to the Telemedicare Monitor System.

In mid-May 2000, the Company and Cyber-Care jointly organised the "Tele-Health Care Application Show" in Shanghai, demonstrating the application of the Telemedicare Monitor System as it operates in Shanghai. In the same year, the Company and Shanghai Shu Guang Hospital entered into a letter of intent concerning the provision of telemedicare services. The system demonstration centre also went into operation. The Group invited officers from civil administration bureaus from around the PRC to observe the system at work and received an enthusiastic response. The Group is confident that the Telemedicare Monitor System will become very familiar to people throughout China as the demonstration campaign to the related governmental agencies gathers force. The Group will fully capitalise the technological edge provided by its advanced Telemedicare Monitor System and enhance its integrated operations so as to provide the market with a highly professional system that can take medical services in the PRC and Asia into a new era.

High quality, low cost medical equipment is one of the keys to the success of the telemedicare business. To ensure that the quality of the Telemedicare Monitor System will meet Cyber-Care's requirements for the joint venture, the Company acquired a 38% interest in the Zhuhai Biolight Electronic Co., Ltd. ("Zhuhai Biolight") at the end of 2000, becoming one of its two largest co-equal shareholders. Incorporated in 1993 and providing a solid base for further development and stable earning, Zhuhai Biolight engages mainly in the production of high technology medical equipment. Zhuhai Biolight plans to apply for a listing on the PRC GEM. If this plan is realised, it will not only pave the road for Zhuhai Biolight's further development, but also bring significant returns on investment to the Company.

PROSPECTS

The year 2001 heralds a new era for Chinese medicine these traditional products are the essence of Chinese culture. The rising global demand for natural medicines offers excellent prospects for Chinese medicine both within the PRC and in overseas markets. Demand for bio-pharmaceutical products is also expected to grow significantly. We believe that the development of the markets for traditional Chinese medicine and bio-pharmaceuticals offer SIIC MedTech substantial room for business growth and a promising future.

With its integration into the WTO, China is undergoing substantial changes in its economic administration and market development. At the same time, the Chinese authorities are actively working to redress the excess of imports of herbal medicine over exports. Exports of Chinese pharmaceutical products are expected to reach new highs in the 21st century. Over the past year, SIIC MedTech has developed several products to target of international markets, and has established a number of overseas retail outlets. In the coming year, SIIC MedTech will leverage its unique role as the bridge between the east and the west to promote the globalisation of Chinese medicine. To this end, the Beijing research and development base will make increased use of single ingredient and simple compounds. The Group will respond dynamically to market changes and will seize every business opportunity that emerges as the Chinese medicine industry moves into this new era.

In 2001, SIIC MedTech will continue its successful strategy of combining traditional resources and modern technology. Building on its secure foundation, the Company exploit information technology and its industry knowledge to strengthen its competitive position. Our strategy will optimise both business operation and assets management. The Group plans to grow through further acquisitions, leveraging the favourable environment for capital in the PRC.

The Group will develop its bio-pharmaceutical business in 2001. As disclosed in the prospectus, the board of directors will consider acquiring bio-pharmaceutical operations from its parent company, if this is practicable and in the interests of the shareholders of the Company. The Group expects to quickly enhance its profitability through acquisition and consolidation.

I would like to take this opportunity to extend my gratitude to the members of the board for their leadership and to all the staff members for their commitment. In particular, I would like to express my sincere thanks for the continuous support of the shareholders towards the Company, especially during the recent weak market. We rely on the support of our shareholders to pursue our development strategy. By emphasising long term development, focusing on our core business and identifying growth opportunities, we are confident that we will continue to add value for our shareholders.

Zhuo Fu Min
Chairman

Hong Kong, 15th March 2001

COMPARISON OF BUSINESS PROGRESS

The following is a summary of the actual business progress in comparison with the business objectives set out in the prospectus of the Company dated 23rd November 1999 (“Prospectus”).

Business objective of the second half of 2000 as disclosed in the Prospectus			Actual business progress up to the second half of 2000
Hangzhou Qingchunbao			
•	*Sale of principal products*		In the year 2000, the product mix of Hangzhou Qingchunbao has been revised to meet the market demand. As a result the allocation of resources was adjusted in order to obtain higher economic value. The sales volume of Dan Shen Injection and Huang Qi Injection were 117% and 246% higher than in 1999 respectively. They became two new major products of Hangzhou Qingchunbao.
1.	Shen Mai Injection	: 7,693,000 vials	6,816,000 vials
2.	Stomach Recuperation Granules	: 3,196,000 boxes	2,531,000 boxes
3.	Granules Niaoganning	: 896,000 boxes	834,000 boxes
4.	Granules Qingreling	: 567,000 boxes	522,000 boxes
5.	Qingchunbao Anti-ageing Tablet	: 1,738,000 bottles	5,496,000 bottles
			Total annual sales volume of each of the above products was higher than in the year 1999.

Business objective of the second half of 2000 as disclosed in the Prospectus	Actual business progress up to the second half of 2000
• *Development of marketing channels*	
Hospitals, clinics and drug distributors will remain the principal marketing channels for Chinese patent medicine and health supplement products. However, Hangzhou Qingchunbao will further develop its retail network. Distribution outlets, including those with supermarket chains and other Hangzhou Qingchunbao outlets, will increase about 5 to 10.	Hospital, clinics and drug distributors are the principal marketing channels. A change in the marketing strategy of health supplement products readdressed focus to large-scale distributors and supermarkets. Higher sales turnover was recorded. In addition, the increase in the number of sales outlets of Luen Wah Supermarket indirectly extended the sales network of Hangzhou Qingchunbao.
The marketing team will have a total staff number of about 635 while maintaining the number of sales offices at 55.	The marketing team has a total staff number of about 627 while maintaining the number of sale offices at 55.
• *Production and facilities*	
1. Premises	
Located in Hangzhou, Zhejiang Province with a gross floor area of about 93,000 sq.m.	Consistent with the business objective specified in the Prospectus.
2. Status of GMP compliance	
Natural herb based tablet and capsule workshop, preparation of crude herbs workshop and oral tonic workshop in full compliance with GMP standards.	The injection workshop, the natural herb based tablet and capsule workshop fully complied with GMP standards. Crude herbs are prepared in a Chinese-medicine pre-processing workshop, which was affirmed GMP-compliant while the injection workshop was being examined. The oral-tonic workshop commenced implementation of GMP compliance procedures. Since the production facilities shall undergo modification, the GMP certification will be processed in 2002.

Business objective of the second half of 2000 as disclosed in the Prospectus	**Actual business progress up to the second half of 2000**
• *Research & Development*	
	Apart from the following projects, during 2000, Hangzhou Qingchunbao launched a new injection product, Yu Xiag Cao Injection (heartleaf houttuynia herb), which cures various infectious diseases. Production facility complies with GMP standards, the extraction technique is sophisticated and the price is reasonable. Consumers responded encouragingly to the product.
1. Project No: 202X-99-02	
Approval obtained from State level State Drug Administration ("SDA")	Pre-clinical trial technical information was reviewed by a provincial level SDA. As the Government has increased the technology standards for new category four medicines, supplemental materials and further experimental details are required.
2. Stomach Recuperation Capsule	
Approval obtained from State level SDA to commence clinical trial.	New technology was used in the production of Stomach Recuperation Capsule. However, the Government has yet to announce standards for such technology. This project is then pending.
3. Anti-cholelithiasis Tablet	
Commence commercial production.	Relevant production approval has been obtained. Production schedule and marketing plan are under in depth consideration and examination.
4. Cassia Seed Lipid Lowering Tablet	
Commence commercial production.	Relevant production approval has been obtained. Production schedule and marketing plan are under in depth consideration and examination.
5. Shen Kang Ning Coated Tablet	
Completed quality standard review by the State Pharmacopeia Committee.	Consistent with the business objective specified in the Prospectus.

Business objective of the second half of 2000 as disclosed in the Prospectus	Actual business progress up to the second half of 2000
6. Shuangbaosu Oral Tonic (Low-sugar formula)	
Approval obtained from State health department functional foods evaluation office.	Low-sugar formula Shuangbaosu Oral Tonic was temporarily suspended after marketing research revealed that domestic and overseas competition was very keen, and that quality and price of competitor products varied greatly.
Research and development base	
• *Shanghai research and development base*	
Continue research and development projects transferred from SUTCM. Anticipated commencement of up to about 5 additional new projects if available.	Two category 3 new medicine projects were acquired from SUTCM which have the medical application of osteoporosis and paediatric asthma. The Group will continue to select appropriate research and development projects from SUTCM.
Amount to be incurred : HK$6,000,000	The consideration for the acquisition of the two category 3 new medicine projects amounted to RMB4,600,000. Balance of the intended funding was held as short-term deposits.
• *Beijing research and development base*	
Continue existing research and development projects. Commence new projects if available.	The research and development of four health-supplement products and one category 2 Chinese medicine was commenced. The health-supplement products are in the areas of hepatopathy, memory enhancement, anxiety reduction, sleep improvement and immunity enhancement against influenza. The category 2 Chinese medicine involves an injection to reduce fever.
Amount to be incurred: HK$8,000,000	An aggregate amount of HK$604,000 was incurred. Balance of the intended funding was held as short-term deposits.

Business objective of the second half of 2000 as disclosed in the Prospectus	Actual business progress up to the second half of 2000
• *Hong Kong research and development base*	
Enter into co-operative arrangement with research institutes in Hong Kong by end of 2000.	A Letter of Intent was signed with the Hong Kong University for the refinement and the improvement of the formula of two of the Group's products, Dan Shen Injection (compound formulae) and Huang Qi Injection. In depth negotiations among the University of Science and Technology of Hong Kong and the Hong Kong Baptist University regarding the development of modernised Chinese medicines for overseas market and the PRC market were in progress. A research regarding the development of Chinese medicine internationally undertaken by the Hong Kong Baptist University was in progress. It is expected that the research report will be finalised in the first quarter.
Amount to be incurred: HK$8,000,000	An aggregate amount of HK$200,000 was incurred. Balance of the intended funding was held as short-term deposits.
Production of pharmaceutical products	
• *Establishment of a production base in Hong Kong*	
Select the location and apply for relevant approvals. Anticipated manufacturing premises will have a total area of up to 40,000 sq.ft.	Cost and benefit analyses of various proposals associated with the establishment of a production base in Hong Kong are under review. In order to determine the location, the appropriate production facilities and the equipment, the Group is also previewing the list of intended products. The regulations and standards of Chinese medicine have yet to be announced by the Government of the Hong Kong Special Administrative Region. The progress of this project will be deferred and will follow the overall planning of Chinese medicine business in Hong Kong.

Business objective of the second half of 2000 as disclosed in the Prospectus	Actual business progress up to the second half of 2000
• *Joint ventures with reputable Chinese medicine enterprises*	
Enter into joint venture agreement by the end of 2000 if appropriate.	Negotiations were held between the Group and a Chinese-medicine enterprise regarding the acquisition of certain stakes. Such company has a matured sales network in the PRC and has high quality production facilities, which will create synergy effect to the Group's business. The negotiation process was longer than expected. It is anticipated that the acquisition will be finalised in 2001.
• *Alliance with international pharmaceutical companies*	
Continue negotiations and evaluation. Enter into agreement by end of 2000.	The Group has been in negotiation with a well-known international pharmaceutical company in respect of a joint alliance for months. However, the financial terms were not up to the satisfaction of the Group. The Group will continue to locate other international alliance possibilities.
Amount to be incurred: HK$29,000,000	No funding requirement was needed during the period. The intended funding was held as short-term deposits.
Marketing and sales	
• *Expand and strengthen its distribution network in the PRC*	
Finalise the terms of the acquisition and commence due diligence. Expected completion of the acquisition by mid 2000.	The prosperity of the PRC financial market added complication in accomplishing acquisition projects in the PRC. Presently, the Group is unable to bargain favourable terms. The Group will continue to locate appropriate acquisition targets.
Amount to be incurred: HK$10,000,000	No funding requirement was needed during the period. The intended funding was held as short-term deposits.

Business objective of the second half of 2000 as disclosed in the Prospectus	Actual business progress up to the second half of 2000
• *E-commence*	
Construct a website that serves the greater Shanghai area. Expected daily hit rate on the website will be about 1,000 times.	The Government has approved the agreement signed last year for the acquisition of 20% stake in Shanghai Pharmaceutical Network. The company runs a website, www.e135.com, which has been authorised by the relevant Government authorities. Business operation was commenced. It is an application service provider rendering technical support to the Chinese pharmaceutical exchange platform. Since the website has an agreeable business foundation, the Group modified its development and investment strategy in e-commerce business. The Group considered that the foundation and the prospect of such website are among the best in the PRC. The investment in this website has already materialised the Company's objective of engage in e-commerce business.
Amount to be incurred: HK$3,500,000	No funding requirement was needed during the period. The intended funding was held as short-term deposits.
• Over-the counter sales	
Enter into agreement with chain stores in Hong Kong to expand the over-the-counter sales distribution network of the Group.	Presently, certain products of Shanghai Jahwa were launched in Hong Kong through chain supermarket. High-class natural Chinese herb personal care product is the image of "Herboist" products. "Herboist" will appear in the Hong Kong market through franchise stores. Furthermore, in early 2001, through a reputable chained Chinese medicine speciality store, the Group sale Ningxia barbary wolfberry fruit that has a good therapeutic effect. The co-operation created a new channel for the sale of the Group's health supplement product in the Hong Kong market.
Amount to be incurred: HK$2,500,000	No funding requirement was needed during the period. The intended funding was held as short-term deposits.

Business objective of the second half of 2000 as disclosed in the Prospectus	Actual business progress up to the second half of 2000
Chinese medicine clinical centre	
Anticipated completion of the establishment of the clinic in Hong Kong by end of 2000.	This project will proceed further upon the announcement of the policies and regulations relating to Chinese medicine clinical centre by the Government of the Special Administrative Region.
Amount to be incurred: HK$1,500,000	No funding requirement was needed during the period. The intended funding was held as short-term deposits.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December 2000, none of the Directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(a) Pursuant to the Company's share option scheme, certain Directors of the Company have personal interests in share options to subscribe for shares in the Company which have been granted to them as follows:

Name of director	Month of grant	Exercise price per share *HK$*	Number of share options granted during the year and outstanding at 31st December 2000
Zhuo Fu Min	January 2000	1.69	8,000,000
Feng Gen Sheng	January 2000	1.69	6,000,000
Li Wei Da	January 2000	1.69	6,000,000
Chen Shu Zi	January 2000	1.69	4,000,000
Ge Wen Yao	January 2000	1.69	2,500,000
Wu Jian Zhuang	January 2000	1.69	2,500,000

The options can be exercised within three years commencing on the expiry of three years after the date of grant.

(b) Pursuant to the share option scheme of Shanghai Industrial Holdings Limited ("SIHL"), the holding company of the Company, certain Directors of the Company have personal interests in share options to subscribe for shares in SIHL which have been granted to them as follows:

Name of director	**Month of grant**	**Exercise price per share** *HK$*	**Outstanding at 1st January 2000**	**Exercised during the year**	**Outstanding at 31st December 2000**
Zhuo Fu Min	August 1996	8.808	1,500,000	1,500,000	–
	January 1999	9.568	1,400,000	–	1,400,000
Li Wei Da	April 1997	30.912	2,000,000	–	2,000,000
	January 1999	9.568	1,200,000	–	1,200,000
Ge Wen Yao	August 1996	8.808	1,000,000	1,000,000	–
Wu Jian Zhuang	January 1999	9.568	1,000,000	–	1,000,000

The options can be exercised within three and a half years commencing on the expiry of six months after the date of grant.

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 for 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2000, the register kept by the Company under Section 16(1) of the SDI Ordinance showed that the following persons are interested in 10% or more of the nominal value of the issued ordinary shares of the Company:

Name of shareholder	**Number of ordinary shares beneficially held**
Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") *(note)*	412,886,000
Shanghai Industrial Investment Treasury Company Limited ("STC") *(note)*	396,393,000
Shanghai Investment Holdings Limited ("SIH") *(note)*	396,393,000
Shanghai Industrial Holdings Limited ("SIHL") *(note)*	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 beneficial 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, 6,419,000 and 5,059,000 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 December 2000 representing 10% or more of the issued share capital of the Company.

SPONSOR'S INTERESTS

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 December 2000.

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, the holding company of the Company.

AUDIT COMMITEE

The audit committee comprises Mr. Li Ka Cheung, Eric, Mr. Kwok Chin Kung, Robert and Mr. Lee Ka Sze, Carmelo. The Third and the Fourth audit committee meetings were held on 28th July 2000 and 12th March 2001 respectively. The results and financial position, major accounting and internal auditing issues of the Group for the period ended 30th June 2000 and the year ended 31st December 2000 were discussed in the respective audit committee meetings.

COMPETING INTERESTS

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

YEAR 2000 COMPLIANCE

The Board of Directors is pleased to announce that the Group's computer systems were proved Year 2000 compliant safely. The Board of Directors believes that the Year 2000 computer issue will have no material impact on the operations of the Group.

* *for identification purposes only*

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