

During the year, Sunve Pharmaceutical's Sulfadiazine product and Florfenicol product received approval from the US Food and Drug Administration (FDA). Other product such as Wei Shaxin, were also successfully launched to the market. Certain other products obtained approval for production or clinical testing approval.

Mergen Limited ("Mergen") launched ExpressChip™ products, including mouse ExpressChip™, rat ExpressChip™ and human ExpressChip™. All received good response from customers. Mergen's manufacturing facilities coped well with the product launch, and the products are expected to contribute significantly to the company's 2001 turnover. In 2001, Mergen will launch the 5000 gene mouse chip and the 5000 gene human chip to satisfy the keen market demand.

Mergen successfully validated the on-chip Single Nucleotide Polymorphism (SNP) detection technology in multiple genes, and is seeking collaborators to co-develop such a platform into commercial products. In addition, by continuous effort and using existing DNA microarray advanced technology, Mergen successfully identified several novel genes in the year, particularly for G-Protein Coupled Receptors (GPCRs), and is pursuing appropriate patent registration. Many leading pharmaceutical companies expressed interests on the GPCRs development project. Mergen will continue to patent newly developed products, including multi-chamber microarray. As when those new products are launched to the market, Mergen will receive a stable return through royalties.

Mergen actively explored the Mainland China market, and distributed its products to Japan, Korea, United Kingdom, Germany, Taiwan and Israel. Customers can buy goods via the Internet. Mergen was in advanced negotiations with many leading pharmaceutical companies for manufacturing projects, and expects to confirm many manufacturing contracts as well as to initiate various market launch programmes.

Retailing

Shanghai Orient Shopping Centre Ltd. ("Orient Shopping Centre") recorded a stable profit in 2000. During the year, Orient Shopping Centre took opportunity of sales promotion and enhanced quality services to increase sales returns.

Shanghai Orient Shopping will further set up a wide network of commercial retail outlets, and operate with reputable brands and chain stores.





SHANGHAI

INDUSTRIAL HOLDINGS LIMITED

AUTOMOTIVE PARTS





AUTOMOTIVE PARTS

In 2000, the automobile sales market was weak and consumers expected price reductions. In spite of this, the Group's automotive parts business recorded a net profit of approximately HK\$150,250,000, representing an increase of approximately 0.3%. This represented approximately 13.4% of the Group's net business profit.

Shanghai Huizhong Automotive Manufacturing Co., Ltd. ("Shanghai Huizhong") reported a better profit from mid-year, and showed good progress in exploring sales markets and in reducing its operating costs. In 2001, Shanghai Huizhong will develop its sales network for automotive parts, and enhance its management systems and product awareness.

Original Equipment Manufacturing (OEM) sales reported prominent progress. The Gold Cup M1 project for front/rear shock absorber and pedal assembly reached the testing stage. Shanghai Huizhong started to deliver products of Qingdao Yizhong Company's chassis system. It also invested to improve its technology, such as for the Santana sedan cars automotive parts assembly programme, which was completed. This added 677 equipment items.

Domestic manufacturing projects had good progress, including the Phase II domestic PPAP certification of 22 kinds of automotive parts for the Buick suspension ASM rear module and the front/rear damper module; the production certification for five categories of 33 kinds of automotive parts for Passat car. 19 of them submitted OTS samples for approval. Assembly of accessories projects progressed, including the sample certification of the SH4261 cab-ahead-of-engine towing truck and SH3282 cab-ahead-of-engine self-dumping truck, the technical design and accessories assembly of the SH4262 15 tons high power cab-ahead-of-engine towing truck which had passed the road tests. The production capacity for new products for the year 2000 amounted to approximately 79.5%. Sales of 15 tons heavy trucks increased by approximately 63%.



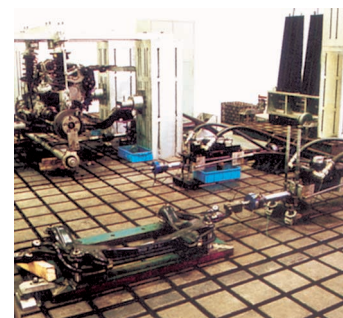
In September 2000, Shanghai Huizhong entered into agreement to form a joint venture company Shanghai Krupp Presta Huizhong Automotive Shanghai Co., Ltd. for the manufacture of car steering column products. Krupp Presta Group is a major supplier of automotive parts in Europe and United States of America, and is one of the worldwide leading manufacturer of steering system products. Investment in the joint venture project amounted to US\$10,500,000. Shanghai Huizhong holds a 40% interest.

During the year, Shanghai Wanzhong Automotive Components Co., Ltd. (“Shanghai Wanzhong”) showed good progress in technology enhancement. Newly imported equipment was prepared for production.

To coincide with the launch of the third generation of Santana sedan cars, Shanghai Wanzhong commenced production in January 2001. It is scheduled to make 40,000 units each of steering knuckle with brake assembly and suspension ASM rear module for the third generation Santana sedan cars as well as 20,000 units of manufacturing engine cradle/lower control arm.

Shanghai SIIC Transportation Electric Co., Ltd. (“SIIC Transportation Electric”) recorded a stable profit in 2000.

Central controller (LRH) for the Santana sedan cars model 2000 of Shanghai Volkswagon were approved for sale in October 2000. Power windows manufactured and designed by SIIC Transportation Electric for Buick automobiles and a new product, SGM W-Car horn, were delivered its sales at the same time. In 2001, SIIC Transportation Electric will further renovate the equipment for making power windows, so as to manufacture quality products and to enhance production efficiency as well as to develop its electronic components business.





SIIC Transportation Electric's joint venture company, Valeo Shanghai Automotive Electric Motors & Wiper Systems Co., Ltd. commenced sales of its manufactured Passat B5 Wiper and Audi A6 Wiper in March and September of 2000 respectively, and reported good sales record; Shanghai Delphi Automotive Door Latch and Security Systems Co., Ltd. and Shanghai Brose Automotive Components Co., Ltd. were scheduled to gradually launch new products.

During the year, SIIC Transportation Electric completed a restructuring of its assets. The scope of business was approved to include electric switch, cigar lighter, ignition cable and DC motor. Product lines increased to 20 categories and more than 200 different items. In particular, "Shengjia" and "Globe" are both reputable brands in the market of Mainland China. Upon restructuring, SIIC Transportation Electric became the strongest key company in the automotive parts industry. It will further strengthen its market share, reinforce after-sales services as well as exploring its export market.

SHANGHAI

INDUSTRIAL HOLDINGS LIMITED

INFORMATION TECHNOLOGY





INFORMATION TECHNOLOGY

The net profit of the information technology business amounted to approximately HK\$17,000,000, representing an increase of approximately 841%. This represented approximately 1.5% of the Group's net business profit. Through its investment in Shanghai Information Investment Inc. ("SII"), the Group participated in the development of "Shanghai Infoport" and the establishment of new core information technology business.

SII

The Group announced in July 2000 and completed acquisition of a 20% interest in SII in September. SII made good progress on its major investment projects:

1. *Shanghai Cable Network*

SII owns a 51% interest in Shanghai Cable Network Co., Ltd. ("Cable Network") which is fully responsible for the construction, operation and maintenance of Shanghai Cable TV networking. Shanghai Cable TV Network was established in 1992, and owns more than 4,500km of fiber optics. It covers up to 97% of the urban areas. It has more than 3,200,000 users and home coverage exceeds 85%. It transmits more than 30 TV programmes, and is one of the world's largest city cable TV systems.

Cable Network upgraded Shanghai Cable TV's access network. The two-way HFC network upon upgrading to 860MHz, was able to transmit simulated and digital TV messages through different frequencies, and to provide high-speed, broadband and interactive data and speech transmission services to family users. By the end of 2000, the broadband two-way upgrading was made available to around one million families, and two-way upgrading for 700,000 families was completed in the year of 2000. Cable Network also launched China's first 24-hour on-line broadband internet access services — Cableplus services.

2. *Shanghai Information Pipeline*

To cope with the changes in China's telecommunication industry, the opening up of the industry, and to accelerate the construction of Shanghai's information infrastructure facilities, SII formed a wholly-owned subsidiary, Shanghai Information Pipeline Co., Ltd. ("Information Pipeline"). Using





new construction and upgrading facilities, and in compliance with the regulations of the Shanghai Municipal Government, Information Pipeline started work on a city-wide broadband fiber network, to enhance the composite use and operating standard of information pipeline resources, and committed to its network construction, maintenance and management.

By the year end, Information Pipeline had commenced construction of the first 349.8km of the network and had completed 209km. 38,793km of optical fiber were installed along Shanghai Subway/Metro No. 1 and 2. Twenty-seven optical fibre toning engine rooms were built. It also provided general services to other telecommunications operating entities such as China Netcom, China Unicom, Cable Network and China Mobile.

3. *Shanghai ATM Backbone*

In November 2000, SII and Shanghai Telecom Company increased their capital investment in Shanghai Information Network Co., Ltd. The registered capital was increased from RMB60,000,000 to RMB130,000,000. The additional funds are being used to expand the Shanghai ATM backbone which is a key part of the “Shanghai Infoport” project in 2000. Upon expansion and upgrading, the transmission rate in between the core switch of Shanghai ATM network reached 2.5Gbps. Edge switch increased to 89 modules. A suburban broadband network is being constructed, with the X.25, DDN network gradually transformed to the broadband platform.

The broadband backbone network after expansion is at present the most sizable ATM city backbone network, comprising high volume broadband interactive capabilities, network congestion control, flow control and quality control capability. Access points covered the whole city and sub-urban area, and will form the inter-networking of the cities of Beijing, Tianjin and Guangzhou.

4. *Eastday.com*

Shanghai Orient Webcasting Co., Ltd. (“Eastday.com”) is a large comprehensive services website formed by various leading Shanghai news media. It was successfully launched in May 2000. SII has a 10% interest.

