



Eastday.com has approval from relevant authorities to publish news on the Internet. It has been established and positioned as a comprehensive website services provider. Eastday.com offers news reporting, updates information services, and comprehensive e-commerce services. Its strong position on news has swiftly built its reputation as a brand. It will continually update services content to explore more characteristic and sizable e-commerce projects for the website.

5. *Shanghai Symphony Telecommunications*

In December 2000, Shanghai Telecom Company, AT&T in U.S. and SII entered into a contract to form Shanghai Symphony Telecommunications Co., Ltd. ("SST"). The total investment involved is US\$25,000,000. SST will provide IP value-added services to international enterprises in Shanghai Pudong. SII has a 15% interest.

SST is China's first telecommunications operating enterprise. Its establishment has the support of relevant government authorities, the Shanghai Municipal Government and China Telecommunications Group. The joint venture uses the network, equipment, technology, customers base and advanced services of its shareholders and provides IP value-added services, including IP VPN, access management, CPE, firewall management and webhosting services.

Shanghai Optical Communications

Shanghai Optical Communications Development Co., Ltd. ("Shanghai Optical Communications") actively explored new markets, and reported promising revenues.

Shanghai Optical Communications was engaged in new major development projects. Projects included:

- (i) Optical Passive Component manufacturing project — a joint venture company was formed with a U.S. enterprise for the development, manufacture and sale of optical passive component. The project will be a key investment project and will make substantial progress in 2001 for manufacture.



- (ii) Polymer Lithium-ion Battery project — polymer lithium-ion battery can be widely used for mobile phones and notebook computers, and offers good business prospects. Shanghai Optical Communications is seeking investment partners for the project. Polymer lithium-ion battery project is a new development for Shanghai Optical Communications. Once the technology matures, it is expected to become an important part of the Shanghai Optical Communications' development plan.

Shanghai Optical Communications' major associated companies continued to contribute revenues:

- (a) *Lucent Technologies of Shanghai, Ltd.*

ADM-16/1 technology transfer was completed in early 2000. Production capacity increased to US\$20,000,000 a month, and promising revenues were reported. In July 2000, the company began to construct a new manufacturing plant that is expected to commence production by the third quarter of 2001. ADM 16-1 JUNIOR, a product newly developed by the research centre will be launched to the market.

- (b) *Lucent Technologies Shanghai Fibre Optics Co., Ltd.*

Due to the fast development of the construction of international Internet systems, the worldwide supply of optical fibre has been in keen demand, which greatly benefited the company's business. After refining the manufacturing technology, annual manufacturing capacity increased substantially, and sales turnover increased by approximately 47%.

- (c) *Shanghai Scientific-Atlanta Co., Ltd.*

The company manufactures optical fibre-based CATV system. It reported good sales results, and reached the budgeted profit level.

Most of the products from the Shanghai Communication Technologies Center were completed on schedule. SV-2000 encoder reached the pre-production stage; SV110A digital satellite receiver, SV300 MPEG-II Multiplexer, SD150 digital video decoding card completed sample development; SB510 high-quality monitoring system and DVB conditional access system reached the product





demonstration and trial use stage. SB510 system was the first domestically developed image system used to broadcast simultaneously the course of broadband laparoscope operation to Shanghai, Beijing and Hangzhou.

Products using MPEG-2 technology is developing with enhanced sales capabilities and management system. It is expected to bring to the company more market opportunities.

High Technology Investment Fund

The Shanghai Hi-Tech Venture Fund formed by the Group and the Shanghai Municipal Government, and the S. I. Technology Fund formed by the Group, Singapore government's Temasek Holdings (Pte) Ltd. and the Singapore Technologies Group served as the Group's prior business venture in the field of information technology. Both investment funds engaged into some information technology investment projects, and reported good progress.

SHANGHAI

INDUSTRIAL HOLDINGS LIMITED

SIIC MEDTECH





SIIC MEDTECH

The net profit of the Group's listed subsidiary, SIIC Medical Science and Technology (Group) Limited ("SIIC MedTech") for the year ended 31st December, 2000 amounted to HK\$72,318,000, representing an increase of approximately 20% over the pro forma combined results of the previous year (excluding exceptional income). The net profit shared by the Group amounted to approximately HK\$46,600,000. Due to the dilution effect of SIIC MedTech's spin-off at the end of 1999, the net profit of the SIIC MedTech business fell approximately 28.8% and representing approximately 4.2% of the Group's net business profit.

The Group embarked on a comprehensive strategic plan designed to integrate medicines with therapy and to focus on the development of modern Chinese medicines and bio-pharmaceutical products. As a result of this focused management approach and the application of appropriate technology and development, Chia Tai Qingchunbao Pharmaceutical Co., Ltd. ("Hangzhou Qingchunbao") and Shanghai Jahwa United Co., Ltd. ("Shanghai Jahwa") recorded sustained business growth. As at the year end of 2000, they increased net profit by approximately 34% and approximately 63% respectively. SIIC MedTech established a number of key networks in order to accelerate the modernisation of its Chinese medicine business. It also leveraged on innovative technologies and seized the initiatives offered by new business opportunities.

1. *Raw Materials Network*

During the year, SIIC MedTech co-founded Ning Xia SIIC Viopes Nutraceuticals Co. Limited with Ningxia Academy of Agriculture & Forestry Sciences. This will develop, produce and sell health supplements using Ningxia barbary wolfberry fruit. In mid-2000, SIIC MedTech entered into a framework agreement with Shanghai SIIC Modern Agriculture Development Co., Ltd., to create a natural herb plantation; it commenced initial Echinacea plantings at Chong Min Island, which was in good progress.



2. *Research and Development Network*

(i) *Beijing Centre*

The Beijing research and development centre will start with health supplements and then follow up with patent medicines. After the year end, SIIC MedTech and the China Academy of Traditional Chinese Medicine, China's top Chinese medicine research institute, entered into a cooperation agreement to further develop traditional Chinese medicines. They will improve the way these preparations are presented and boost the technology used. Both approaches will help modernise Chinese medicines. The new products are designed to appeal strongly to the Asian market.

(ii) *Shanghai Centre*

The Shanghai research and development centre mainly develops high technology Chinese medical products. The Group emphasizes the use of compound formulae. Two products are in an advanced stage of development: a plaster to eliminate phlegm and cure asthma, and a capsule to increase bone strength. As the population in the Mainland ages and awareness of osteoporosis increases, such products are expected to enjoy a significant market share.

(iii) *Hong Kong Centre*

The Hong Kong research and development centre continued to develop projects with reputable local educational institutions in order to fully utilise existing resources and to use Hong Kong's unique advantages, especially access to international markets for Chinese medicines.





3. Sales Network

(i) Hangzhou Qingchunbao

Fifteen pharmaceutical products manufactured by Hangzhou Qingchunbao account for some 90% of total sales. Six of these are categorized as “Type A” drugs and nine as “Type B”. It is expected that sales of health care products from Hangzhou Qingchunbao will increase steadily and that they will contribute significantly to the Group’s revenues.



(ii) Shanghai Jahwa

Shares in Shanghai Jahwa were listed in the “A” share market of Shanghai Stock Exchange on 15th March, 2001 and were 410 times over-subscribed. Shanghai Jahwa raised approximately RMB712,600,000 (net of expenses), thus producing an exceptional profit of approximately HK\$150 million, with approximately HK\$100 million being attributed to the Group in 2001. Proceeds are for the development of core operations that can significantly improve Shanghai Jahwa’s competitiveness and market share, as well as for enhancing business growth, leading to higher returns for shareholders.

4. Medical Services Network

(i) Shanghai Pharmaceutical Network

Shanghai Pharmaceutical Network (www.e135.com) is an e-commerce platform dealing in medical products and is in operation. It is approved by the PRC authorities. The network has established 36 pharmaceutical mini-networks in 26 provinces and municipalities, and provides on-line product delivery through regional medical sales offices owned by its PRC parent entity, Shanghai Medicine Co., Ltd. More than 50 hospitals, 30 medicine trading firms and 60 drugstores use the e135 platform, which carries more than 5,000 items.



The development objectives in 2001 are to establish a medicine procurement system which will attract major enterprises as its participants; to improve the hospital ordering system; and to consolidate and improve the pharmaceutical products data base.



(ii) *Telemedicine Business System*

In February 2000, SIIC MedTech and Cyber-care, Inc., a U.S. company, entered into an agreement to set up a joint venture company, SIIC-CYBeR Pacificare Limited. This venture mainly engages in the exclusive promotion and application of its patented portable Internet Domestic Telemedicine Monitor System in various Asian markets. Cyber-Care, Inc. provides network devices and equipment and SIIC MedTech has production rights to the Telemedicine Monitor System. SIIC MedTech will fully capitalize the technological edge provided by the advanced Telemedicine Monitor System and enhance the integrated operations so as to offer a highly professional system that can take medical services in the PRC and Asia into a new era.





Highlights for Next Year

During the year, the Group gradually implemented business transformation, and actively developed the information technology business and modern logistics business as well as the medicine and biotechnology business. In the first year of the new century, the Group is taking advantage of business opportunities, employing innovative ideas in its development and further refining its business.

- **Information Technology**

Following the completion of its acquisition of a 20% interest in the “Shanghai Infoport” investment project in September 2000, the Group continued to seek appropriate investment opportunities. It acquired an approximate 11% interest in Semiconductor Manufacturing International Corporation (“SMIC”) in Shanghai subsequent to the year end. This involved a consideration of approximately US\$110,000,000 (approximately HK\$858,000,000). This will allow the Group to participate in the semiconductor circuit manufacturing processing project being established in the Shanghai Zhang Jiang High Technology Park. Demand for integrated circuits in Mainland China greatly exceeds supply. Most integrated circuit products are imported. Investing in integrated circuit projects in Mainland China therefore does not only help meeting the local demand, but can be achieved with operating costs 15–20% lower than in international markets. This will enhance export possibilities. SMIC is currently being established producing 20 cm diameter and 0.25 micron technology semiconductor circuits, which is an advanced technology in the industry. SMIC has many orders from worldwide customers, and is expected to start deliveries by the end of 2001. The SMIC project is one of the major development projects in Shanghai during the “Tenth Five-Year plan”. The Group expects to enjoy high economic returns from the project in the future.

- **Modern Logistics**

The Group has long-term strategies to actively participate in the logistics business. It continues to seek investment projects with high development potential. The Group is now establishing a logistics system based on an electronic information platform to serve sea, land and air transportation. It is expected that in the three years’ time, the logistics business will be one of the major revenue generators for the Group.

- **Container Terminal**

Shanghai has formulated its objectives to be an international transportation centre. Apart from the three construction phases of Waigaoqiao Container Terminal, which is currently in the development stage, there is also the development of Yangshan Seaport project. The Group will make a thorough assessment of related projects and will participate in suitable ones at appropriate time.



- **Medicine and Biotechnology**

The Group is actively developing its medicine and bio-technology business in China and in the United States. It is concentrating on commercializing research and development work, mainly involving bio-technological areas such as anti-cancer drugs, human DNA chips. SIIC Medical Science and Technology (Group) Limited is the Group's vehicle for its medicine business. It is developing a comprehensive sales network, quality research and development bases and is expanding into international markets.

- **Listing in Mainland China**

The Group made full use of good timing to raise capital on Mainland China's securities market. It listed Shanghai Jahwa United Co., Ltd. ("Shanghai Jahwa") on the "A" share market subsequent to the year end. This received good response. The spin-off will provide the Group with an exceptional profit of approximately HK\$100 million.

Shanghai Bright Dairy and Food Co., Ltd. is actively preparing for an "A" share listing. This will be on a larger scale than that of Shanghai Jahwa, and is expected to happen in the second half of 2001.

- The Group plans its business transformation and at the same time reinforces and enhances the operating return of its existing businesses. It makes use of good business environment to expand market shares and pursues to enhance management quality as well as competitive capabilities, and to consolidate the foundation that contributes profit.