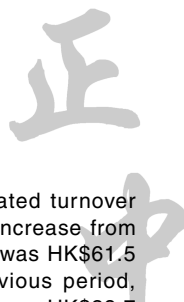


Shanxi Central Pharmaceutical International Limited



BUSINESS REVIEW

For the six months ended 30 November 2001, the Group's consolidated turnover amounted to HK\$148.5 million, representing approximately a 42.5% increase from the last corresponding period. The Group's gross profit for the period was HK\$61.5 million, representing approximately a 19.9% increase from the previous period, whereas the Group's profit attributable to shareholders for the period was HK\$28.7 million, an increase of approximately 185.6% from the previous period. The Board considers that the increase in turnover for the previous six months was mainly attributable to the increase in sales of the Group's anti-rheumatoid pharmaceutical products to the existing and the newly established hospital networks in the PRC. The substantial increase in net profit from ordinary activities attributable to shareholders was partly due to the decline in marketing and distribution expenses for market development. The outstanding performance for the period indicates that the Group's strategy to launch massive advertising and marketing activities to promote its anti-rheumatoid pharmaceutical products in the PRC during the previous year is fruitful.

The development, manufacturing and provision of Chinese pharmaceutical products for the treatment of rheumatoid and/or arthritic conditions are continued to be the main driving force for the Group's growth. For the six months ended 30 November 2001, the manufacturing business contributed approximately 91.3% of the Group's turnover. The turnover had increased approximately 60.2% from the last corresponding period due to the increase in sales of the Group's Chinese pharmaceutical products through its hospital networks in the PRC. The Group will continue to expand its hospital networks in the PRC to secure its growth.

The trading business of the Group is concentrated in the Beijing region. Due to intense competition in the area, the turnover of the Group's trading business for the period had declined approximately 39.1% from the last corresponding period, while the loss had declined approximately 79.6% from the previous period. The Board expects that the trading business of the Group will continue to face fierce competition in the coming years.

The turnover of the Group's operation of Taiyuan Hospital recorded a decline of approximately 12.6% from the previous period, while the loss had decreased substantially by approximately 85.4% from the last corresponding period. The decline in loss was mainly attributable to the successful management and cost control strategy adopted by the Group during the period under review.