Chairman's Statement

I am pleased to announce that the Group's audited profit attributable to shareholders for the year ended 31st December, 2001 amounted to HK$1,202,534,000, up approximately 6% over the previous year. The Directors recommended the payment of a final dividend of HK34 cents per share.

With China's accession to the World Trade Organisation ("WTO"), further opening up of the PRC market and also domestic enterprises' efforts to shore up competitiveness by countering international competition are all factors that have ensured the sustained economic development of Shanghai and its associated business opportunities. For the Group, China's accession to the WTO is an opportunity rather than a challenge. Already, steps have been taken to capitalise fully on this opportunity by enhancing our competitiveness and actively promoting the Group's products worldwide through the introduction of foreign technology and strategic partners, as well as by optimising competitive advantages in economies of scale continuously. Performance was satisfactory in 2001, with each segment of the Group's operation making steady progress. During the year, the Group has further driven the transformation of its businesses by upgrading overall quality and strengthening profitability. Meanwhile, the Group focused on developing the information technology, modern logistics, infrastructure, and medicine and bio-technology businesses.

The information technology business achieved significant breakthroughs during the year. In the first half of 2001, the Group invested approximately US$110,000,000 in Semiconductor Manufacturing International Corporation ("SMIC"), successfully entering the microelectronics industry. In September of the same year, the Group raised its investment to approximately US$184,000,000 and became SMIC's largest shareholder, with an approximately 17% equity interest. During the year, SMIC entered into pilot production of 8-inch wafers at 0.25-micron and below technology, and will proceed to volume production. As an increase in demand for chips worldwide, particularly in China, is expected, sales orders for 2002 were satisfactory, indicating promising prospect for this investment. As one of the largest broadband suppliers in Shanghai, Shanghai Information Investment Inc.'s profit contributions over the next three years are expected to accelerate at a considerably faster pace.

During the year, the Group actively re-positioned itself in the development of the modern logistics business. In addition to its investments in Shanghai, the Group gradually built up a nationwide logistics business network by acquiring domestic business networks, as well as by cooperating with foreign strategic partners. The Shanghai Industrial Wai Lian Fa International Logistics Corporation Limited is currently operating smoothly. Shanghai Industrial Sinotrans International Logistics Company Limited, which has received approval from the relevant PRC government authority, will commence operation soon. The Group is also poised to invest in airport logistics-related projects, and recently signed a letter of intent with respect to the acquisition of a sizeable domestic nationwide logistics and transportation service group, with direct participation in operations and management. This will form the foundation for the Group's development of the modern logistics business, which will gradually become one of the Group's core businesses, expected to generate steady profit and growth.

In terms of infrastructure, in addition to the steady cash returns derived from the elevated road projects, the relevant PRC government authority approved the project proposal for the Shanghai Pudong Waigaoqiao Container Terminal Phase One Project, which will be a new source of growth for the Group's infrastructure business. Total investment in the newly formed joint venture company would amount to RMB3,000,000,000. This project, which is expected to be operational in mid-2002, will be the first step in further promoting the Group's infrastructure business.

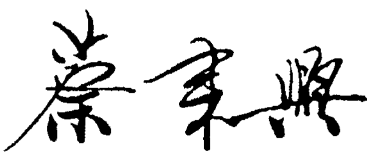
During the year, the Group actively drove the development of its pharmaceutical business. Development of the anti-cancer drugs, H100 series, noted new significant progress. Cooperations with international partners for natural medicine intensified. Shanghai Jahwa United Co., Ltd. ("Shanghai Jahwa") was successfully listed, and showing satisfactory growth in profit. Despite the dilution of the Group's equity interests from 40% to 28.15% subsequent to the listing, profit contributions made by Shanghai Jahwa increased by over 20% when compared to the previous year. Sales of medical drugs and health-care products sustained their growth and helped to maintain Chia Tai Qingchunbao Pharmaceutical Co., Ltd.'s position as the PRC's national leader.

The new CEO Lu Ming Fang *(centre)* and his deputies: Li Wei Da *(front, right)*, Lu Yu Ping *(front, left)*, Qian Shi Zheng *(back, right)* and Zhou Jie *(back, left)*.

The Compass Fund, established by the Group and Time Warner, invested in Clear Media Limited ("Clear Media") in 2001. This was a major breakthrough in establishing a platform for domestic media development. Clear Media was listed in Hong Kong on 19th December, 2001 and was over-subscribed in both the international placing and the public offer. The turnover and net profit of Shanghai Bright Dairy and Food Co., Ltd. ("Bright Dairy") for the year rose tremendously over last year. Bright Dairy continues to secure its leading position in the PRC market, with market shares of more than 80% in Shanghai. The company is expected to maintain its swift business development and is also in the active process of becoming a listed company. In 2001, with the Group's effective active management and close follow-up of its member companies' businesses, the companies met their projected targets. In the fourth quarter of 2001, sales growth in the automotive parts business began to slow down due to the effects of China's accession to the WTO. Notwithstanding that, all the companies in the Group's automotive parts business reached their expected levels of profit and noted satisfactory returns. Nanyang Brothers Tobacco Company Limited and The Wing Fat Printing Company Limited saw increases in profit with stable growth. Shanghai Orient Shopping Centre Ltd. noted increased profit.

In January 2002, in order to cope with business development needs and to comply with the State policy on the rotation of personnel assigned overseas, Mr. Lu Ming Fang was appointed Executive Director and Chief Executive Officer ("CEO") of the Company, replacing Mr. Zhuo Fu Min, who has been re-designated Vice Chairman. Mr. Lu Da Yong, the former Executive Deputy CEO, resigned that post but remained an Executive Director. Messrs. Qian Shi Zheng and Zhou Jie were both appointed Executive Directors and Deputy CEOs, joining the two incumbent Deputy CEOs, Messrs. Li Wei Da and Lu Yu Ping. Since the Group's listing, it has gradually built a sound decision-making and management structure, and the new management team has welcomed to its ranks younger well-educated personnel with professional experience in financial markets. Myself, together with Messrs. Chen Wei Shu and Zhuo Fu Min, Vice Chairmen, have long participated in the major decision-making processes and management of the Company and will continue to contribute to the Company, that help to sustain its continuity and stability and drive the Group's expansion and innovation.

The year 2001 marked the Group's fifth anniversary. Looking back, the Group has steered the phenomenal development of its businesses by joining international capital markets through listings, establishing a modern corporate management system, and introducing both high and new technologies along with numerous reforms and innovations. During the year, the Group implemented an incentive reward system by adopting the "economic value-added" (EVA) performance appraisal indicator in order to enhance shareholder value. In the first half of the year, the Group also established a global round-the-clock securities trading platform by implementing the American Depository Receipts (ADR) Program (Level One), which, coupled with its participation in the London Automated Quotation System for Hong Kong Stocks, advanced the globalisation of trading in the Group's securities. The Group will accelerate its pace of merger and acquisition, and will focus on the development of its information technology, modern logistics, infrastructure, and medicine and bio-technology businesses, add better quality assets and strengthen profitability. Aided by the swift development of Shanghai as an international economic, financial, trading and shipping centre, the Group also has relative advantages in creating promising value for shareholders by being able to make the most of opportunities in Shanghai's buoyant development and investing in projects with potential in the Shanghai Municipality and its vicinity.



Cai Lai Xing
Chairman

15th April, 2002