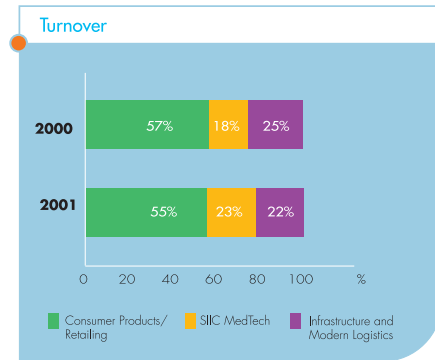


TURNOVER

An analysis of the turnover by principal activities for the year ended 31st December, 2001 is as follow:

	2001 HK\$'000	2000 HK\$'000
Consumer products/retailing	1,756,014	1,694,549
SIIC MedTech	723,911	533,434
Infrastructure and modern logistics	719,493	732,538
	3,199,418	2,960,521



In recent years, the healthcare product market has been developing satisfactorily, with increasing market demand for healthcare products. Turnover of SIIC MedTech business segment for the year increased by approximately 35.7% over the previous year due primarily to the significant increases in sales of Hangzhou Qingchunbao, which rose by approximately HK\$184,630,000, derived principally from an upsurge in sales of Qingchunbao Anti-ageing Tablets.

Consumer products/retailing business segment maintained relative stable growth.

PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Gross profit ratio

Gross profit ratio (excluding income from infrastructure projects) rose slightly in 2001 to approximately 37.9% from approximately 37.7% in 2000.

Investment income

Investment income for 2001 decreased by approximately HK\$142,980,000, to around HK\$201,560,000 compared with approximately HK\$344,540,000 in 2000. The principal reasons for the significant decrease in interest income from bank deposits were the significant reductions in bank deposit rates in the U.S. and Hong Kong, and the Group's injection of approximately HK\$1,300,000,000 into long term investments which reduced bank deposits.

Financial costs

Financial costs for the year decreased by approximately HK\$41,790,000 over 2000, primarily as a result of the Company's repayment of HK\$585,000,000 in long-term bank loans that became due within the year.



Gain on disposal of interests in subsidiaries, associates and jointly controlled entities

Gain on disposal of interests in subsidiaries, associates and jointly controlled entities increased by approximately HK\$137,010,000 to around HK\$154,360,000 compared with approximately HK\$17,350,000 in 2000. The main reason for the increase was due to the equity interest in Shanghai Jahwa of the Group's listed subsidiary, SIIC MedTech, was diluted from 40% to 28.15% subsequent to its listing on the A Share Market of the Shanghai Stock Exchange in March, 2001. As a result of this, SIIC MedTech derived an exceptional gain of approximately HK\$155,690,000, of which the Group's share of attributable profit was approximately HK\$100,000,000.

Share of profits of jointly controlled entities

Share of profits of jointly controlled entities for the year grew by approximately HK\$41,200,000 to around HK\$266,850,000 compared with approximately HK\$225,650,000 in 2000. This growth can be attributed primarily to the increased profits of Bright Dairy, the improved performance of Shanghai Optical Communications and the Group's share of exceptional gain attributable to the listing of Clear Media, held by the Compass Fund, on the Main Board of the Hong Kong Stock Exchange.

Share of profits of associates

As a result of the listing of Shanghai Jahwa on the A Share Market of the Shanghai Stock Exchange in March, 2001, the Company was considered an associate rather than a jointly controlled entity. This led to a significant increase in the Group's share of associates' profits.

TAXATION

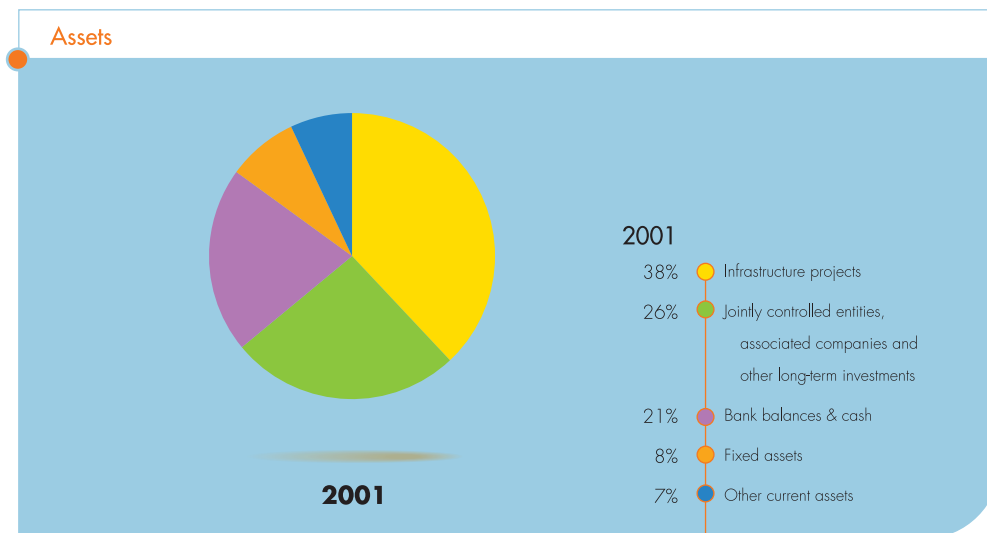
The Group's effective tax rate for the year was approximately 7.3% and was approximately 6.1% for 2000. The increase was due to the expiry of the tax concession period for Hangzhou Qingchunbao, the PRC tax rate of which went up from 12% to 24%.

DIVIDEND

During the year, the Group paid an interim dividend of HK14 cents (2000: HK11 cents) per share. The Board has recommended the payment of a final dividend of HK34 cents (2000: HK30 cents) per share, making a total annual dividend of HK48 cents (2000: HK41 cents) per share, for approval in the forthcoming annual general meeting. Dividend payout ratio was approximately 35.8% (2000: approximately 32.3%).

ASSETS

As at 31st December, 2001, the Group had total assets of approximately HK\$14,836,200,000 (2000: approximately HK\$14,494,440,000).



LOANS AND CAPITAL

- Short-term borrowings rose to approximately HK\$1,226,690,000, an increase of around HK\$610,950,000 over the previous year. This was due mainly to the transfer of long-term bank loans of approximately HK\$1,170,000,000 due in 2002 to short-term bank loans, as well as the repayment of long-term bank loans amounting to HK\$585,000,000 due in the year.
- Long-term borrowings lowered by approximately HK\$1,165,810,000 to around HK\$4,190,000 compared with approximately HK\$1,170,000,000 in 2000.
- All borrowings, denominated in US\$ and RMB of which approximately 95% were in US\$, wholly repayable before 2003.
- In 2001, the Group held approximately HK\$3,120,680,000 in bank balances and cash, of which the proportions of US\$, HK\$ and RMB were approximately 56%, 16% and 28% respectively.
- The Group is in a net cash position. The debt-equity structure in 2001 was relatively healthy, lending key support to the Group's business development. However, in line with the pace and actual fund requirements of business development, the Group will utilize on the current low-interest environment by further strengthening its financial structure with the objective of lowering

overall capital costs. In 2002, the Company successfully obtained a 5 year syndication loan of HK\$1,600,000,000. The loan agreement was signed by the Company and the participating banks on 10th April, 2002.

- The Group's shareholders' funds increased by approximately HK\$799,170,000 to around HK\$12,438,410,000.
- Gearing ratio reduced from approximately 12.8% to around 8.7%.

POLICY ON FINANCIAL RISKS MANAGEMENT

Interest rate risks

The Company has entered into interest rate hedging contracts with certain financial institutions in respect of its floating-rate bank loans for US\$150,000,000 in order to hedge against floating interest rate risks. These contracts will expire in June, 2002.

Exchange rate risks

During the year, the Group did not enter into any exchange rate forward contracts in order to reduce business and investment risks due to unfavourable fluctuations in foreign currency exchange rates.

The Group will review its market, business operating conditions and financial position from time to time and will prudently conduct appropriate interest rate and exchange rate risks hedging activities as required in order to offset unfavourable fluctuations in interest rates and foreign currency exchange rates which may have adverse financial impact on the Group.