

## I. TURNOVER

An analysis of turnover by principal activities for the six months ended 30th June 2002 is as follows:

	<b>30th June 2002 HK\$'000</b>	30th June 2001 HK\$'000
Consumer products/retailing	<b>946,095</b>	916,769
Medicine and Bio-technology	<b>419,884</b>	339,402
Infrastructure and modern logistics	<b>354,322</b>	361,480
	<b>1,720,301</b>	1,617,651

During the period, turnover of medicine and bio-technology business grew by approximately 24% over the corresponding period last year, due primarily to the significant growth in the sales of Hangzhou Qingchunbao during the period in the amount of approximately HK\$80,000,000, which is largely as a result of the strenuous efforts made by Hangzhou Qingchunbao in enhancing its marketing activities through a series of promotional activities in the first half of 2002, which drove up sales in healthcare products. Sales of “Qingchunbao Anti-Aging Tablets” went up by approximately 70% over the same period last year.

Turnover of consumer products/retailing business rose by approximately 3% over the corresponding period last year primarily because Nanyang Tobacco successfully solidified its Singapore market and expanded into the new Taiwan market, and coupled with its steady exports and domestic sales which led to the overall increase in sales. Wing Fat Printing has developed a number of new tobacco packs for use by Nanyang Tobacco. Tobacco pack orders from European Tobacco Inc. also increased.

## II. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

### 1. Gross profit ratio

Gross profit ratio (excluding income from infrastructure projects) for the period went up from approximately 37.1% for the same period last year to approximately 40.9%.

### 2. Investment income

Investment income for the period fell significantly from approximately HK\$142,260,000 for the corresponding period last year to approximately HK\$43,490,000, a decrease of approximately HK\$98,770,000. This was primarily due to the significant decrease in interest income from bank deposits of approximately HK\$63,140,000 during the period resulted from the significant reduction in bank deposit rates in the U.S. and Hong Kong since the latter half of 2001. In addition, gains from disposal of listed securities also fell by approximately HK\$31,980,000.

### 3. Finance costs

Finance costs for the period decreased by approximately HK\$16,730,000 over the same period last year primarily because the Group has repaid last year a long-term bank loan of approximately HK\$585,000,000 that became due last year.

### 4. Gain on deemed disposal of interest in a jointly controlled entity

Gain on deemed disposal of interest in a jointly controlled entity recorded in the corresponding period last year was derived from the listing of Shanghai Jawah, a jointly controlled entity of the Group's subsidiary, SIIC MedTech, of which SIIC MedTech held a 40% interest, on the A Share market of the Shanghai Stock Exchange in March 2001 which generated an exceptional gain of approximately

HK\$155,690,000 for SIIC MedTech, of which approximately HK\$100,000,000 was attributed to the Group. There was no deemed profit on disposal of interests in jointly controlled entities by the Group recorded during the period.

## 5. Share of profits of jointly controlled entities

Share of profits of jointly controlled entities for the period was reduced by approximately HK\$44,460,000 from the figures for the same period last year of approximately HK\$131,650,000 to approximately HK\$87,190,000. The decrease in the share of profits was primarily attributed to the decrease in profit of Shanghai Huizhong and the unfavourable business performance of Shanghai Optical Communications compared to the corresponding period last year.

## 6. Share of profits of associates

Share of profits of associates for the period was reduced by approximately HK\$14,100,000 from the figures for the corresponding period last year of approximately HK\$42,190,000 to approximately HK\$28,090,000. The decrease in share of profits was primarily due to the losses of SMIC attributed to the Group the first time during the period.

### III. DIVIDEND

During the period, the Group paid a final dividend for 2001 of HK34 cents (2000 final dividend: HK30 cents) per share. The Board has resolved to pay an interim dividend for 2002 of HK15 cents (2001 interim dividend: HK14 cents) per share.

## IV. ASSETS

As at 30th June 2002, the Group had total assets of approximately HK\$15,873,500,000 (31st December, 2001: approximately HK\$14,836,200,000).

## V. LOANS AND CAPITAL

1. As at 30th June 2002, the Group's short-term loan was reduced by HK\$383,100,000 to approximately HK\$843,590,000, primarily as a result of the Group's repayment of a long-term syndication loan of approximately HK\$1,170,000,000 that became due during the year. During the period, a new five-year term and revolving loan of HK\$1,600,000,000 was raised, of which the revolving portion of HK\$800,000,000 was classified as short-term loan.
2. Long-term loan rose by HK\$800,000,000, being the long term portion of the new five-year loan of HK\$1,600,000,000.
3. As the Group has repaid during the period the last instalment its five-year syndication loan of US\$300,000,000 that was raised in 1997, the Group has no US\$ loan. Its outstanding loan are in denominations of HK\$ and RMB, of which the five-year term loan of HK\$800,000,000 is repayable in full by 2007. As at 30th June 2002, approximately 97% of the loans were HK\$ loans.
4. Liquid fund held was approximately HK\$3,262,330,000, of which the proportions of US\$, HK\$ and RMB were approximately 45%, 21% and 34% respectively.

5. The Group remains a net cash position in respect of its indebtedness. Sound debt-equity structure of the Group lends key supports to the Group's business development. However, in line with the pace of business development and actual funding requirements, the Group has capitalised on the current low interest rates to improve its financial structure during the period by way of raising a new HK\$1.6-billion loan at more favourable interest rates.
6. Shareholders' fund of the Group rose by approximately HK\$435,140,000 to approximately HK\$12,873,540,000.
7. Gearing ratio of the Group increased from approximately 8.7% from last year end to approximately 10.9%.

## VI. POLICY ON FINANCIAL RISK MANAGEMENT

### Exchange rate risk

During the period, the Group did not enter into any forward exchange rate contract that is to minimise business and investment risks due to the unfavourable fluctuations in foreign currency exchange rates.

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

## VII. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities during the period.