



I. SUMMARY OF THE 2000 RESULTS

Profit attributable to shareholders and turnover of the Group in 2000 amounted to HK\$151 million and HK\$1,521 million, representing respective increases of 16% and 43% over 1999. I am pleased to mention that all core businesses of the Group have achieved notable growth in 2000. The largest profit contributors to profit attributable to shareholders of the Group, namely, Eastern Outer Ring Road, Dynasty and the Container Company grew by 15%, 27% and 3% respectively. Profit attributable to shareholders of the Second Stevedoring Company multiplied significantly by 475%.

As a result of the recovery of the macro economy in PRC which presented a good environment for elevation of the Group's business from their troughs, the Group's result has achieved a notable growth in 2000. The growth rate of the gross domestic products ("GDP") of China rose from 7.1% in 1999 to 8.0% in 2000 and, that of Tianjin, from 10.0% in 1999 to 10.8% in 2000. The gross import-export value of China for 2000 grew by 31.5% over 1999 and, that of Tianjin, by 36.1% over the corresponding year. In 2000, the retail aggregate of social consumption of the PRC increased by 9.7% over 1999, whereas Tianjin rose by 12.1% over the corresponding year. In the absence of any preference treatment policy by the State, the Group has

act positively in enhancing efficiency and returns. Together with the realignment of businesses, such as the swap of the loss-making Tianjin Dongya Worsted Mill for two pieces of land to develop high technology project, the Group's result was benefited from the above factors.

Undoubtedly, sound growth sustained by various businesses of the Group has earmarked the elevation of the Group's operations from their respective troughs and indicated a good trend for development. Please refer to the section headed "Management Discussion and Analysis" for details in respect of the Group's results for 2000.

II. FUTURE DEVELOPMENT STRATEGY AND PROSPECTS

The future development strategy of the Group is to consolidate and reinforce existing core operations and to actively expand new business in order to form an operating structure which has its trunk in infrastructure and consumer products, placing its focus on development in bio-pharmaceuticals, modern logistics and information technology so as to ensure a stable and continual development of the Group.

(I) Consolidate and reinforce existing core operations

Both the infrastructure and the consumer product operations have always been the Group's core businesses that contributed to most of its profits in 2000. Currently, the Group's infrastructure operations comprise container terminals, ports and toll roads and that of consumer products are Dynasty Wine and Pepsi Cola beverages. Some of these operations are the most prestigious assets of Tianjin while others are renown international and domestic brand names which lay a solid foundation for the continual and stable development of the Group. Accordingly, the Group will further consolidate and reinforce these two core operations.

I. Further substantiation of the infrastructure operations

(i) Injection of new infrastructure projects

The infrastructure operations can provide the Group with stable and guaranteed recurring income. In future, the Group will increase appropriately the proportion of assets in this aspect within its asset portfolio in order to strengthen its stable source of income. With respect to intended assets injection, the infrastructure project of the Tianjin Economic and Technology Development Zone, accounting for 14% of the GDP of Tianjin, is the prime candidate of

injection by the Group. At the same time, the scope of injection will also be extended to the Bonded Area of Tianjin Port and the infrastructure project of the Tianjin Portside New Zone, accounting for 34% of the GDP of Tianjin, which integrated the Port, Economic and Technology Development Zone, Bonded Area, Ocean High and New Technology Development Zone and a large industrial base.

(ii) *Improvement and upgrade of port facilities*

The accession of the PRC into the World Trade Organization and the implementation of the strategy of the "Development of the West" will bring forth enormous business opportunities for the Group's port businesses. According to forecast, the throughput of Tianjin Port will reach 0.12 billion tonnages in 2005 of which the throughput of containers will reach 4 million TEUs. In order to meet this challenging opportunity, the Group will hasten in making adequate preparation by expanding its operating capacity and enhance its competitive capability. The Group will continue its investment in improving container terminal with the second phase of its redevelopment work scheduled to be completed in October 2001. Apart from doubling its throughput to 160,000 TEUs, it can also be upgraded into an all-weather modern container terminal handling the fifth and sixth generations of container vessels.

At the same time, Tianjin Port, the location of the Group's port operations, has also taken new strategic planning by excavating the channel for 150,000 tonnes vessels and turning the southern port into a bulk terminal and the northern port into a container terminal in the next 5 to 10 years.

(iii) *Upgrade of management standard of toll roads*

In 2001, Jin Zheng Transportation Company will complete the installation of an automatic ticketing and vehicle monitoring system for enhancing the fare collection efficiency, service quality and management standard of Eastern Outer Ring Road. At the same time, it will coordinate and liaise with road and transportation administration departments of Tianjin in eradicating the evasion of fare collection by detour and enhancing returns.

2. Further strengthening of beverage consumer product operations

(i) *Expansion of Dynasty winery operation*

In March 2001, the Chinese Industry Corporate Information Announcement Centre of the State Administration of Statistics attested that the wines produced by Dynasty ranked first in terms of domestic sales of the same product in 2000. Dynasty will move towards the development into a group by capitalizing fully on its brand name effect, expanding its size of operations through mergers and acquisitions and diversifying by evolving around its core operations. Presently, we are studying the possibility of development into the West of the

PRC. The Group will consider to spin-off Dynasty as a listed company at the right time to benefit their own speedy growth.

At the same time, Dynasty will continue to expand its production facilities. Further to the installation of an Italian-made bottling production line of 15,000 bottles per hour in 2000, Dynasty will also launch an automatic bottling line of 6,000 bottles per hour which will start its production in the first half of 2001. By that time, the production capacity of Dynasty will be expanded with a more rational arrangement.

(ii) *Ready for production by Tianjin Pepsi-Cola in 2001*

A factory plant owned by Tianjin Pepsi-Cola Beverage Company Limited, the Group's 44% associated company, is currently under construction in the Tianjin Economic and Technology Development Zone. Its production line and accessory facilities have arrived in succession and targeted for completion and ready for production within 2001.

(2) Other operations

Wah Sang Gas Holdings Limited, the Group's 30.14% associated company, intends to extend the scope of its market from its existing bases of Tianjin, Shandong Province and Hebei Province to 4 new provinces with a total population size of 245 million. Whilst developing industrial and commercial gas pipeline users, it will also study the feasibility of operating gas fuel stations for LPG vehicles. It is expected that Wah Sang Holdings will have a good development in 2001.

Subsequent to the completion of its restructuring in 2000, the Group's 33.34% associated company, Otis Elevator (China) Investment Co., Ltd. will strengthen the coordination of inter-group internal resources to effectively prevent inter-company competition within the Group and to adequately capitalize upon its economy of scale in reducing costs and consolidating further its market position.

In respect of real estate, it is expected that the first stage of Huayuan New Century, totalling 1,220 sets will be launched in different batches in 2001 and ready for occupation in August 2001. Construction of the second stage of the project, totalling 1,200 units with a total residential area of 130,000 sq.m., will commence in 2001. It is hoped that the real estate operation will make a profit contribution to the Group in 2001.

With respect to businesses that have poor development prospects, which are adverse to the Group's development or the Group has very minor equity interests, the Group will prefer to opt out selectively.

(3) Active expansion of strategic new businesses

In respect of the development of new projects, the basic strategies of the Group are: firstly, to nurture vigorously a number of projects with high growth, high return and high technology content. The second one is to focus on the development of industries that have comparative advantages.

Another strategy is to leverage upon the background of its controlling shareholder, Tsinlien Group Company Limited, the window company of Tianjin Municipal Government, in having the priority of selecting more mature projects for injection into the Group. In adopting these strategies, the Group has identified bio-pharmaceuticals, modern logistics and information technology as the strategic focus for future business development.

1. Concerted efforts to accelerate development of bio-pharmaceuticals

On 29th March 2001, the Group has entered into heads of agreement in respect of the cooperation with the First Teaching Hospital of Tianjin University of Traditional Chinese Medicine (the "First Teaching Hospital") on the development of a traditional Chinese medicine ("TCM") business. It is proposed that a sanatorium for convalescence, medical and healthcare be set up by capitalizing upon the advantages of the First Teaching Hospital in medical treatment, pharmacology and healthcare to provide patients, in particular, the middle and old aged, with convalescent medical treatment and healthcare services, and the preparation, extraction and development of TCM. First Teaching Hospital, one of the 7 key Chinese hospitals nationwide designated by the Ministry of Health, is a reputable medical institution in terms of its unique efficacy in the treatment of stroke patients by acupuncture. Such cooperation will not only bring about rich economic rewards in the development of the Group's biopharmaceutical businesses but also foster and enhance TCM for our contributions towards the establishment of Hong Kong as a centre for TCM.

China Walfen Medical Ltd., which the Group has a controlling interests, will be developed into a pharmaceutical enterprise with the medical treatment of orthopaedic disorder as its core business and possessing research and development, production, sales and treatment capacity. Currently, it intends to apply "Class 2 New Chemical Medicine Certificate" for its osteoma medicine of "M-Lexidronate" powder injection dosage and to obtain approvals as soon as possible for other related new medicines which will commence their clinical trials soon. At the same time, it is in the process of developing and trading of high technology bio-pharmaceutical materials and actively commencing medical technical consultation and cooperation in order to realise profit quickly.

2. Moving ahead steadily with modern logistics

The Group has affirmed that modern logistics will become its future core business for key development by combining with its strategic target of constructing Tianjin into the important international logistics centre for China and the Northeast Asia region. Tianjin possesses distinct advantages in terms of transportation and location for its development of modern logistics. The accession of China into the World Trade Organization will definitely promote the accelerated growth of external trade and the implementation of the development strategy of "Opening Up the West" will create immense demands for logistics in the mid-western region. All these will bestow unlimited opportunities for the development of the logistics industry. Tianjin will capture this historical coincidence in constructing a modern logistics system that interacts internally and with the West and integrates externally and with Northeastern Asia. At present, Tianjin has taken

the lead in formulating a masterplan for the development of modern logistics and recently, inaugurated 5 logistics centre projects, including the logistics centre of the Development Zone, the Bonded Area, the Airport and the multi-functional Port Economic Zone in the lower estuary of Haihe.

The strategy of the Group's participation in the development of modern logistics of Tianjin is to focus upon the overall logistics development system of Tianjin by selecting projects with good returns, including infrastructure projects that enhance the integrated sea, land and air transportation system, in a prudent, stable and steady manner.

3. Prudence in the development of information technology

Although the information industry is currently undergoing consolidation, it still inhibits enormous development potential in the direction of future technology development. Accordingly, the Group will continue to focus upon its information technology operation as one of the key developments of its future high technology business. However, in the process of development, our strategy will be more cautious in selecting prudent projects that can really create actual returns. At the same time, the focus of development will be placed on projects that can transform and upgrade the traditional industries.

With hindsight and looking ahead, we are confident in the future development of the Group. The operating condition of the Group in 2000 has dissipated from the canyon of the Asian financial crisis. Through reorganising, restructuring and development, we will be able to maintain our steady growth trend in 2001 and reward the shareholders with satisfactory returns.

Wang Guang Hao

Chairman

Hong Kong SAR, 25th April 2001