CONSUMER PRODUCTS

Consumer Products

Winery Operation

Dynasty, consolidated with Tiangong, recorded a strong growth for the year 2000 with net turnover and profit attributable to shareholders amounted to approximately HK$490 million and HK$62 million respectively, representing 9% and 27% increase over 1999. During the year 2000, the total sales volume increased from about 21.8 million bottles to about 23.1 million, of which dry red wine continued to contribute over 75% of the sales mix.

Despite keen competition in the winery market in 2000, Dynasty is still able to manage to be one of the best fine wine sellers in the PRC. Due to the changing customer preference and severe competition, more efforts have been placed on advertising and promotional campaign to arouse the brand awareness among the customers and to expand the existing sales network. In November 2000, a representative office in Shanghai was established to pave the way for future growth. The emphasis on the development of new product lines, such as Jinwangjao, better serves different customers' needs and creates a positive image to boost the market share.

The introduction of new fully automated bottling line and improved technological skills in the production brought a beneficial impact on the overall productivity. With increasing production volume, the economies of scales has helped to lower the average unit cost of production. Since September 1999, Dynasty began to use local unfinished red wine supplied by a 60% owned local subsidiary company for producing dry red wine. This not only released Dynasty from relying on expensive imported products, but also helped to further lower its costs without affecting the product quality.

Going forward, the Board is confident that Dynasty will continue to play a dominant role in the PRC grape wine market and achieve promising results.

Infrastructure Operations

Road Operation

Jin Zheng Transportation Company has started its toll collection since November 1999, the company started to generate a full year's toll fee income in 2000. Net turnover and profit attributable to shareholders amounted to approximately HK$201 million and HK$68 million respectively, representing 67% and 15% increase over 1999.

The completion of development of Eastern Outer Ring Road further propels the Group to a faster growth. Being one of the convenient means for traffic between the outer development areas of Tianjin and diverts unnecessary traffic passing by Tianjin away from the middle and inner districts of Tianjin, the road has been awarded the Tianjin Municipal Quality Works, Road Engineering Quality Gold Medal, Tianjin Municipal level Excellent Design Award, Tianjin Municipal-level High Quality Engineering Award and National High Quality Silver Medal 2000. In January 2000, the company introduced the privileged monthly ticket which was targeted to frequent users in stabilising the toll fee income. In the fourth quarter of 2000, average daily traffic flows reached to approximately 20,000 vehicles.

For better management of toll collection system and traffic trend analysis, a computerised toll collection system was installed at the end of 2000. The directors are optimistic that the traffic flow and the toll revenue will have a stable increase in the coming years. Management of the Group will continue to work with the government bodies in solving traffic leakage problems and put effort to improve the surveillance of toll collection.

Container Handling Operation

The Container Company carried a redevelopment work of the container berths and facilities in the year, the net turnover and profit attributable to shareholders recorded a slight increase to HK$200 million and HK$38 million respectively, representing 4% and 3% increase as compared to HK$191 million and HK$37 million in 1999. At the end of December 2000, Phase I of the redevelopment work, has been substantially completed. In February 2001, the redevelopment work on Phase II was started and is expected to be completed in October 2001.

The Container Company has managed to minimise the operational disruptions caused by the redevelopment work by better utilisation of the existing resources. The container handling experienced a throughput growth of about 1.2%, from 806,060 TEUs in 1999 to 815,488 TEUs in 2000.

To capture the opportunities brought by China's accession to the World Trade Organisation (the "WTO"), the management and the staff has begun to fully prepare for the critical moment. The implementation of the renovation work to improve and expand the existing berths, upgrading of existing handling equipment and introduction of automated container loading machinery, strengthening of the administration of network sales information system, training of technical staff on effective operational flows and increasing emphasis on industrial safety and equipment maintenance have contributed to the current year's operation results.

Infrastructure Operations (continued)

Stevedoring Operation

The net turnover and profit attributable to shareholders amounted to approximately HK$260 million and HK$23 million respectively, representing 23% and 475% increase over 1999.

The Second Stevedoring Company continued to handle three types of non-containerised goods, namely, coke, general cargo and bulk grains. During the year, the total throughput increased from 8.01 million tonnages to 9.15 million tonnages, representing a 14% growth as compared to last year. The company, which has an absolute advantage in the market, took a number of measures during the year to consolidate its position and expand its customer base. By committing more resources to marketing and promotion, significant headway was made in developing new cargo resources, especially on the higher margin category — bulk grains.

As a result of the increased throughput during the year, the company was benefited from the economies of scales and resulted in reduction of fixed cost per unit.

Looking ahead, emphasis will be put on the high margin products. The company is planning to build more grain storage warehouses in order to cope with the expected increase in the business.

Other Investments

Gas Fuel Supply Operations

The Group's 30.14% owned associated company, Wah Sang Holdings, experienced a strong growth in 2000 in its principal businesses of construction of gas pipeline networks, provision of piped gas and LPG retailing and wholesaling. The company was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 16th March 2000 by way of placing and issue of new shares. Profit attributable to shareholders amounted to approximately HK$12 million for the year 2000.

Other Investments

(continued)

Elevator

and

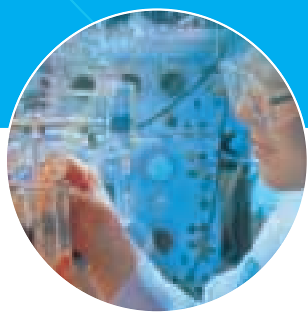
Escalator Operations

In order to consolidate the market position and to enhance the cost efficiency, the restructuring of certain Otis activities in PRC was completed in 2000. Otis Elevator (China) Investment Company Limited ("OTIS China") was set up to hold four entities in China, including Guangzhou OTIS, Tianjin OTIS, Shanghai OTIS and Beijing OTIS. The consolidated net turnover for OTIS group in 2000 amounted to about HK$1,523 million, as compared to the last year's non-consolidated net turnover of Tianjin OTIS of about HK$986 million. Profit attributable to shareholders amounted to HK$5 million in 2000 whereas HK$11 million was achieved in 1999.

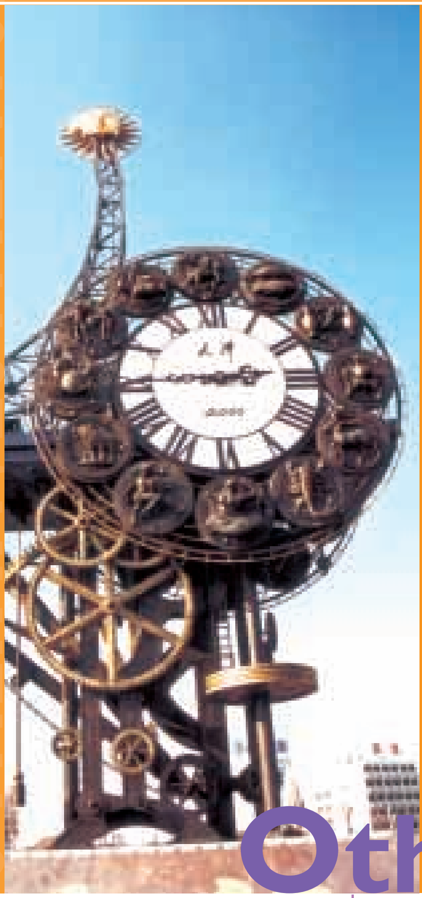
Other Investments (continued)

Bio-pharmaceuticals

Operations



During the year, the Group has set up China Walfen Medical Limited, a joint venture with Walfen Scientific L.L.C. of the U.S., to develop a patented medicine, "M-Lexidronate", for treatment of bone cancer. The management of joint venture is consisted of well-experienced professionals in the medical field. Application to the State Drug Administration for new drug licence has been submitted and the product, "M-Lexidronate", is expected to be introduced to the market in year 2002. To date, preliminary preparation work for setting up of manufacturing facility for biomedical materials and developing sales and distribution network have been carried out.



Other Investments (continued)

Residential Property Operations

Tianjin Gang Ning Real Estate Development Co., Ltd., a 51% owned subsidiary, launched a pre-sale in the second quarter of 2000. Net turnover was approximately HK$26 million and loss attributable to shareholders was about HK$2 million.

Other Investments (continued)

Trading Operations

The net turnover increased by about 56% to HK$344 million as compared to HK$220 million in 1999. Loss attributable to shareholders was approximately HK$9 million, a slight decrease in loss as compared to loss of HK$10 million in 1999.

Computer Software Operations

GraphOn China Limited is a high-tech enterprise jointly invested by the Group and GraphOn Corporation, a US company listed on the NASDAQ. It aims at developing and marketing a computer software "Bridges" in Greater China region. Loss attributable to the Group was mainly resulted from the expenditures incurred on initial set-up.

ASSET SWAP WITH TSINLIEN GROUP COMPANY LIMITED

Pursuant to the Asset Swap Agreement entered into on 25th May 2000 between Tsinlien Group Company Limited ("Tsinlien"), the parent company of the Company, and the Company whereby they agreed to swap 100% equity interests in Dongya for the land use right of parcels of land located in Tianjin Hi-Technology Industry Park. The value of the land transferred to the Group was approximately HK$84 million. The Group recorded a gain on the disposal of Dongya of HK$7.9 million.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31st December 2000, the Group had cash and bank deposits of HK$1,296 million (1999: HK$1,213 million).

The Group's consolidated net debt rose from last year's HK$795 million to HK$1,561 million, translating into a higher gearing at about 50%. For borrowing seasonality, the Group aims to finance its business with liabilities appropriate to their cash flows, employing limited or non-recourse project finance when it is available.

Maturity Profile

To manage the risks associated with the everchanging market environment, the Group pursues a funding strategy of substantially matching the terms of its debt with the terms of its investment.

Interest Rate Profile

The Group's total debts are on a floating rate basis, the expected decrease in market interest rates assists the Group to reduce the interest rate exposure.

Currency Profile

It is the Group's financial policy to limit the currency risk by financing operations locally. As the banking market in the PRC has developed, it has become increasingly feasible to arrange RMB financing in large size. Eastern Outer Ring Road project as well as the Gang Ning property development project are largely financed by RMB borrowings.

Interest Cover

The operating profit before financing/interest expenses for the year 2000 was 3.7 compared to approximately 5.7 in 1999, mainly due to the combining effects of increase in market interest rates and debt financing amount in year 2000.

OPTION FOR SUBSCRIPTION OF 120,000,000 NEW SHARES

On 30th March 2001, the Company entered into an agreement whereby the Company has agreed to grant to a third party an option for subscription of 120,000,000 new shares of the Company at a price of HK$2.00 per share during the period from April 2001 to March 2002. The maximum consideration payable by the grantee to the Company for granting the option is HK$1.2 million.

The option shares represent approximately 19.9% of the Company's existing total issued share capital and approximately 16.6% of the issued share capital when the option is fully exercised.

It is intended that the net proceeds from the granting of the option of not more than HK$1.2 million and the subscription of approximately HK$238 million will be used for general working capital and no specific use for such capital has been identified as yet.

USE OF PROCEEDS

During the year, the Company has fully utilised the proceeds received from the initial public offer of the Company's shares as follows:

	HK$ million	**Purposes**
Container Company	200	Upgrading of container berth facilities
Jin Zheng Transportation Company	50	Redevelopment of Eastern Outer Ring Road

EMPLOYEE AND REMUNERATION POLICIES

The Company and its subsidiary companies, together with its associated companies and jointly controlled entities, had a total of approximately 9,000 employees at the end of the year, of which about 2,600 were management and technical staff, with the balance production workers.

The Group contributes to an employee pension scheme established by the Tianjin Municipal Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in the People's Republic of China.