

Letter to Fellow Shareholders



Mr. Horace YAO Yee Cheong, Chairman & Group Chief Executive Officer

Dear Fellow Shareholders:

In 2001, Dransfield Holdings Limited ("DHL") has continued to leverage its core capabilities in marketing and distributing consumer goods to build its logistics and food & beverage businesses.

The Victorison Tradeport, our multi-function bonded logistics centre in the Futian Free Trade Zone, is now in its third year of operation and building its customer base. Our services have been accepted by a number of multi-national companies who need and appreciate state-of-the-art logistics services. As China enters the WTO and foreign companies seek to enter China's domestic market, significant opportunities lie ahead for Dransfield to act as an intermediary.

The food & beverage business, through our Redruth Brewery, has picked up momentum building a host of "niche" premium brands, many of which have received international awards. The company has succeeded in building recognition for its Redruth brands in Hong Kong and a number of Asian countries and is currently developing markets in the rest of Asia.

During the fiscal year, significant equity in DHL's affiliated paper and investment company, DF China

Technology Inc. ("DFCT"), was distributed to DHL shareholders. The intent of the share distribution was inline with Dransfield's strategy of focusing on its core capabilities and to allow DHL shareholders to participate directly in DFCT's upside. To continue to tap into DFCT's e-commerce expertise, DHL maintains a minority investment in DFCT.

DFCT's businesses include a vertically integrated recycled hygienic paper business and an investment in Tianjin 3D Image Technique CO. Ltd. DFCT's investment in Tianjin 3D will enable Dransfield to engage in e-commerce without having to invest significant amounts of its own capital.

In line with our strategy to focus on our core, DHL has disposed of its investment in its apparel business and will continue to take actions to dispose of its non-core assets in order to focus on our core businesses. And, in light of potential market risks, the management has conservatively made significant provisions against our investments in Yixing and Shenyang, without compromising the operations' profitability.

In this fiscal year, the company has also successfully relocated its back-office operations to China to take advantage of lower operating costs and well-educated labor markets. These efforts have allowed us to achieve further cost-savings in pursuit of our commitment to become profitable in the long-term.

Finally, though our property investments are providing over a 11% yield which is more than sufficient to cover interest payments on our mortgage, it does not produce sufficient free cash flows to pay off the principal. And since property investing is not part of our core businesses, we are aggressively attempting to dispose of our properties and restructure the debt on any



shortfall in order to allow the group to carry on the businesses that we believe would provide the most attractive shareholder returns, such as logistics and trading. With the restructuring of our debt and successful capital injection, we expect the group's revenue and profit to multiply.

A bright yet challenging future

Despite short-term uncertainty, China's imminent entry into the WTO creates significant medium and long-term opportunities for Dransfield. China's entry into the WTO and the opening of wholesale and distribution industries create unique challenges for foreign companies seeking to enter China and Chinese manufacturers seeking to expand overseas. Dransfield's expertise and credibility in handling consumer markets and supply-chain management uniquely positions Dransfield to act as an intermediary and generate significant shareholder value.

Dransfield's commitment to helping China's economic development is long-term. Dransfield continues to recruit, train, and promote young and deserving individuals to develop first-class executives critical to the company's long-term success. In so doing, it is my pleasure to announce the appointment of Cheung Kam Wa, a native from Beijing with a law background and a rich experience in the consumer goods industry, as the COO of Victorison Logistics and Executive Director of DHL. Her energy and rich experience operating in China will be valuable to our logistics business and the group overall. The company is committed to continue to lower the average age of its senior management team and actively seek high quality people from China.

Our objectives and commitments are:

1. At the Victorison Tradeport, to continue to increase our customer base and develop

additional services to satisfy the ever-growing demands of customers who are increasingly looking to outsource their supply-chain.

2. To focus management and financial resources away from our other investments to unlock shareholder value from the investments and allow the Group to realize the full potential of its core businesses. Specifically, for the food and beverage division, we will seek to either join forces with others or exit Yixing and Shenyang. And for DFCT, to expand distribution of finished tissue paper products in Southern China while developing overseas markets.

In a most difficult year, your management expresses its deepest gratitude to our shareholders as well as the rest of Dransfield's team, our suppliers and customers, for your steadfast confidence in Dransfield's future. To demonstrate our commitment and belief in Dransfield's future prospects, the company's executive directors have all taken between a 25-70% cut in cash remuneration received. I, in particular, have extended non-interest-bearing loans to the company.

With its core capabilities in logistics and brand building, its growing core businesses, and committed team, Dransfield Holdings Limited is well positioned to benefit from the vast opportunities ahead. Encouraged by your support, we recommit ourselves to building Dransfield into a premier consumer goods and logistics company.

Horace YAO Yee Cheong

Chairman and Chief Executive Officer

Hong Kong, 5 September 2001