



I am pleased to present the 2001 annual report and audited accounts for the year ended 31st December 2001 of the Group. Each of the Group's operations made solid development during the year. Profit attributable to shareholders and earnings per share were HK\$173,837,000 and HK27.1 cents respectively, representing respective increases of 15% and 8% over last year. The board of directors propose the payment of a final dividend of HK2.5 cents per share at the forthcoming annual general meeting.

REVIEW FOR THE YEAR

The Group's two core businesses, infrastructure operations and consumer products, have registered healthy results. Meanwhile, the operations of associated companies and strategic investments have also achieved better performance during the year. Although global economy has continued to slow down during last year, the Group was a beneficiary of the sustained growth of the PRC's economy and its recent efforts in diversifying its operations and adhering to the stable infrastructure and consumer products operations as the operational strategies of development focus.

CHAIRMAN'S STATEMENT

During the year, the Group undertook planned and systematic realignments of its existing businesses. Through upgrading technology and strengthening corporate management of the core operations, the Group's comprehensive competitiveness has been enhanced with better progress in businesses. Substantial realignments were also conducted at the non-core operations. Albeit these realignments and restructuring had caused temporary losses and downturns in individual operations, they laid a sound foundation for the Group's future development.

Infrastructure operations

In 2001, the Group completed the redevelopment project of the container berths of which the throughput and technology had been upgraded. Equipped with the latest large-scale 60 metres extendable loading bridge, the container berths can now handle the largest of the sixth generation container vessels. Loading capacity of the redeveloped container berths has increased from 0.8 million TEUs to 1.6 million TEUs. The Container Company has recorded a profit of HK\$48 million for the year, up by 26% over last year.

Following the growth of the Tianjin Port's container operation and the overall planning of the Tianjin Port's "Transportation of northern coal to the south", the Group has made substantial re-adjustments to the Second Stevedoring Company's business, by shifting its focus from loading and unloading of coal and bulk cargoes to loading and storage of high value-added environmental friendly bulk grains and business development of the second and third generation container berths, in order to complement with the future development of the Tianjin Port. Although its business was slightly affected by the redevelopment project, the Second Stevedoring Company still recorded a profit of HK\$9 million.

Road operation registered a profit of HK\$54 million, down by 22% over last year, due to increases in road maintenance costs and finance costs. As the foundation to the Group's development, the Group will continue to strengthen its road operations. Given the robust development trend of the Tianjin Port and the New Coastal Area, strengthening and expanding the road operations will certainly bring more revenues to the Group.

Consumer products

Turnover of winery operations, which contributed 36% to the Group's turnover, representing an increase of 9% over last year. Although it has to encounter stiff operating conditions of the wine industry as well as competitions from imported wines following China's accession to WTO, winery operations still recorded a profit of HK\$68 million for the year, up by 10% over last year. As living standards of the people, in particular, urban dwellers in large to medium-sized coastal cities, continue to improve, people are gradually became habitual to drinking clarets. Dynasty is committed to introduce new products to cater for consumers' diversified tastes in order to sustain its leading position in the claret market. Dynasty placed particular emphasis in establishing and managing its quality control system. Subsequent to the international and local attestations of ISO14001 in Environment Management System, the Group has also obtained the local attestation of ISO10012 in Product Measurement and Testing System. In terms of production technology, our research and development in winemaking techniques of high-end clarets and raw material equipment monitoring system has been awarded the Second Prize of the 2001 State Science and Technology Advancement Award. It was the only award-winning wine amongst products in the nationwide light industry category. Its product quality has not only reached international standard but also realised the three-in-one combination of cultivation techniques, winemaking skills and innovative equipment.

During the year, the Group invested in a Sino-foreign joint venture established to engage in the processing and sales of dairy products. The joint venture will aggressively explore the dairy market in northern PRC by capitalising the image of the Group's 'Haihe' brand name in that area.

Associated companies

The Group's associated companies recorded better growth during the year. Net profit of Wah Sang Holdings and Otis China of HK\$32 million and HK\$19 million respectively, representing significant growths of 1.7 times and 2.8 times respectively over last year, were within expectations. In addition, the Group made an exceptional gain of HK\$50 million derived from reducing its shareholdings in Wah Sang Gas.

Strategic investments

The Group will continue to adhere to its fundamental concept of incubating strategic investment projects with high technology content and high growth potential. Businesses of medical appliances and bio-pharmaceutical materials of China Walfan Medical are getting into shape with insignificant amounts of revenue derived from product sales and technology cooperation. Performance of the Hua Yuan New Century City property development project was within the Group's expectation and initiated a profit contribution to the Group. With construction of roads and maturing development of small residential estates, the Group will further boost its development in this aspect. As to its trading operations, the Group made timely and selective contractions of those businesses that had negligible profits or even losses.

CORPORATE MANAGEMENT

Last year, the Group revamped its corporate management by enhancing its overall quality standard through recruiting a number of senior and middle level management who possess professional expertise and practical experience as well as continually perfecting and enhancing its rules and regulations. All these have laid a solid foundation for the Group's future development.

PROSPECTS

2002 will still be a year of challenges for the Group. We will fully leverage the advantages of Tianjin as the most important port in northern PRC, proactively capitalise its premier industrial foundation in resources and its potential for high economic growth, and select projects that match the Group's requirements. The Group's operation mode will gradually become a well-defined operation framework comprising a combination of stable and continual growing of existing operations and new core operations with high growth and returns. These should provide the Group a sound and growing solid foundation in surmounting future challenges.

The Group will continue to maintain steady and healthy cash flows as well as sound monetary funds. These will facilitate the Group's ability to capture opportunities in expanding core operations that fulfil our requirements as well as in materialising investment opportunities without any difficulties at will.

The Group will further expand its core operations over which it has specialties by way of mergers and acquisitions, spin-offs and restructurings and invest in investment projects, such as bio-pharmaceutical and airport logistics that satisfy our investment criteria, after conducting risk assessments. We believe that the Group's well delineated development strategies will surely create value and bring lucrative returns to shareholders.

At the onset of the Year of the Horse, the Group is fully confident of its future development. I am pleased to take this opportunity in expressing my whole-hearted appreciation to the Directors and the staff as a whole for their diligence and dedications over the year.

Wang Guang Hao
Chairman

Hong Kong SAR, 24th April 2002