

Chairman's Statement

PROFIT AND DIVIDEND FOR THE YEAR

I am pleased to present the 2002 annual report of the Group. The audited consolidated profit attributable to shareholders and earnings per share for the year ended 31st December 2002 were HK\$185,839,000 and 27.4 HK cents respectively, representing respective increases of 7% and 1% over last year. The board of directors propose the payment of a final dividend of 3.3 HK cents per share at the forthcoming general meeting.

Since the listing of the Group in 1997, the Group has been proactive in expanding its business activities, capitalising on development opportunities, and sustaining profitability as well as distributing a stable dividend.

OPERATIONAL STRATEGY

In 2002, Hong Kong was still mired in its economic downturn with severe competition amongst different sectors and industries. However, the Group has actively capitalised on sound opportunities derived from the buoyant development of the PRC economy. The Group, as planned, has strategically carried out and completed the restructuring and realignments of some of its business operations. During the year, the Group decided to spin-off the listing of its road operation, which is currently under progress. The redevelopment of container berths has been completed with obvious enhancements in efficiency by attaining a handling capacity of 1.14 million TEUs, representing a 27% growth over last year. The transformation work of terminals undertaken by Second Stevedoring Company, though affected the profit for the year, is expected to deliver promising returns once operation commences in 2003. In response to insatiable consumer demands, winery operation has maintained the auspicious trend of growth. During the year, Tiangong made investment in Ningxia Autonomous Region by establishing Ningxia Tiangong Yuma Winery Co., Ltd., to ensure stable supply of high-quality unprocessed wine. In addition, the associated companies and other investments of the Group have all achieved satisfactory results during the year. All of the above have reflected the success of the Group's strategies in solidifying its core



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businesses, decamping its non-core businesses as well as bolstering enterprise management, which laid a foundation for its future development.

CORPORATE GOVERNANCE

As regards corporate governance, the Board believe that a scientific framework of organization and management structure and, a sound human resource system both constitute the essential foundation for a prosperous business development. To sustain its leading position for the Group, the management also has to be visionary and determined, possessing a strategic insight for long-term development. Above all, ongoing enhancement of the level of management quality and corporate governance are keys to success for progressive development for the Group.

INVESTOR RELATIONSHIPS

In terms of investor relations, the Group is gradually developing channels for stable and frequent communications with its shareholders, fund managers, analysts and the media, so as to enhance its transparency by introducing management philosophies and business updates. In addition, the Group will release information in a timely manner through its website so as to facilitate access of company information for investors, enhancing their understanding of the Group.

SOCIAL RESPONSIBILITY

The Group is also devoted to taking up social responsibility. In response to the community call in Hong Kong, the Group has participated in the "One Company One Job" scheme in which the Group has contributed its share of efforts to the creation of jobs opportunities.

PROSPECTS

It is anticipated that the PRC economy will sustain its steady growth in 2003, which would give rise to enormous business opportunities for the development of core businesses of the Group such as road, container and consumer product operations. Despite ongoing fluctuations in global politics

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and economy, as well as with the numerous uncertainties faced by Hong Kong, the Directors do believe that the Group will leverage on the accession of PRC into WTO as well as the more stringent demand for industry regulations and stability and transparency in policies, to sustain a continuous growth in profitability, which will bring shareholders a promising returns.

The Board is fully confident of the future development of the Group. Last but not least, the Board is pleased to take this opportunity in expressing whole-hearted appreciation to the Directors and the staff as a whole for their diligence and dedications over the year.

By Order of the Board
Wang Guang Hao
Chairman

Hong Kong SAR, 23rd April 2003