

INTERIM DIVIDEND

The Board has recommended an interim dividend of 3.8 HK cents per share in cash for the six months ended 30th June 2003 to shareholders whose names appear on the Register of Members of the Company on 17th October 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10th October 2003 to 17th October 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Registrar, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on 9th October 2003.

REVIEW OF OPERATIONS

(1) Infrastructure Operations

Road Operation

The net turnover for the reporting period recorded a 9% growth to HK\$131,546,000, as compared with HK\$120,917,000 in the first half year 2002. The profit attributable to shareholders during the period under review recorded a 36% increase to HK\$54,234,000, compared to the adjusted profit of HK\$39,862,000 in the first half year 2002, as the combined effects of the increase in the estimated useful life of the ring road and the increased traffic flow. The increase in the useful life of the ring road is a result of successful extension of the land use right and operation period of Jin Zheng Transportation Company from 30 years to 50 years. During the period under review, the average daily traffic flow recorded an increase of 21% from 21,800 vehicles to 26,500 vehicles.

Due to the renovation of the public transportation network for the purpose of improving transportation for vehicles in Tianjin, Tianjin Municipal People's Government has terminated the collection of toll fee directly by all toll stations situated at the urban areas of Tianjin City. The Company's toll stations of the

Eastern Outer Ring Road ceased to collect toll fees directly with effect from 1st June 2003. On 20th August 2003, Jin Zheng Transportation Company entered into an Eastern Outer Ring Road Toll Collection Agency Agreement with Tianjin City Indebted Road Construction and Toll Collection Office, who was appointed as an agent to collect tolls with effect from 1st June 2003 and in return, a toll collection management fee will be paid.

Container Handling and Stevedoring Operations

The net turnover and profit attributable to shareholders of the Container Company amounted to HK\$182,753,000 and HK\$46,532,000 respectively, representing 52% and 94% increase over the comparative period in 2002. During the period, the total number of containers handled reached 673,000 TEUs, representing a growth of 22% over the comparative period in last year.

As a result of both increases in average handling fee and handling capacity, the Container Company has achieved an encouraging result in the period. With the enhanced operational efficiencies, modernized equipments and the strategic plan of the Tianjin Municipality to emphasize on logistic services, the Container Company has been able to capture the expected increasing business opportunities.

The net turnover of the Second Stevedoring Company for the period amounted to HK\$145,230,000, representing a 25% increase over the comparable period in last year. Loss attributable to shareholders for the first half year 2003 was approximately HK\$16,330,000. During the period, the total throughput increased from 4.79 million tonnes in 2002 to 7.26 million tonnes in 2003.

During the transitional period of transferring the coke loading services to Nanjiang port area in 2003, the Second Stevedoring Company is adjusting its volume mix and is restructuring the port operations. During the period, the newly introduced container handling service for the small to medium vessels recorded a throughput of 38,000 TEUs. Upon the completion of installing ancillary equipments, the new line of business is expected to synergize with the existing cargo handling business in enhancing the competitiveness of the Second Stevedoring Company.

(2) Consumer Products Operations

Winery Operations

During the period under review, net consolidated turnover and consolidated profit attributable to shareholders amounted to approximately HK\$306,661,000 and HK\$53,995,000 respectively, representing 13% and 4% decrease over the same period in last year. Sales volume was dropped to 16.1 million bottles, representing a decrease of approximately 11%. Dry red wine continued to contribute over 80% of the sales mix.

The retail markets in the Mainland were adversely affected by the outbreak of SARS and the severe price competitions in the market. To minimize the impacts on profit margin, the Company will continue to leverage the brand strength of DYNASTY and its capabilities in meeting the customers' needs.

(3) Strategic Investments

Gas Fuel Supply Operations

Following the disposal of equity interests in the corresponding period last year, profit attributable to the Group amounted to HK\$19,882,000 for the six months period 2003, representing a 7% decrease over the comparative period in 2002. As at 30th June 2003, the Group held 22.83% equity interests in Wah Sang Gas Holdings Limited.

Elevator and Escalator Operations

With better strategic planning and specialization of production among the OTIS group companies, profit attributable to shareholders amounted to HK\$19,030,000, representing a 20% increase over the comparative period in 2002.

Property Development Operations

The net turnover of the Group's 51% owned subsidiary, Tianjin Gang Ning, was about HK\$61,991,000, compared to HK\$54,409,000 over the corresponding period in 2002. During the period under review, profit attributable to the Group amounted to HK\$483,000, compared to a loss of HK\$2,059,000 recorded in the same period of last year. Up to the period end, a total number of 1,056 flats, representing approximately 57% of the total saleable areas, were sold.

Trading Operations

During the period under review, the trading group was disposed to Tsinlien in June 2003. Net turnover and loss attributable to shareholders for the five months ended 31st May 2003 amounted to HK\$67,398,000 and HK\$22,444,000 respectively, representing an 46% and 3% increase over the first half 2002. Loss for the period mainly represented the provisions made against trade debtors' balances.

PROSPECTS

The Group continued to perform well in all its business segments and maintain solid growth in the first half of 2003, against an operating environment adversely affected by the outbreak of SARS in Mainland China and Hong Kong.

Looking ahead, the Group will continue to broaden its source of income through growth in its core businesses and investments in new projects. Meanwhile, through ongoing improvements in the Group's organization, human resources and financial management, a more sensible corporate governance structure will be put in place and operational transparency will be enhanced, consummating greater protection of shareholders' interests. On the back of solid financial strengths, the Group will try to capitalize on every investment opportunity arising from China's continued economic growth to ensure sustainable growth and development in all aspects of its operations.

On behalf of the Board, I would like to express my sincere gratitude to our dedicated staff for their hard work and unfailing support.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30th June 2003, the Group's total cash on hand and total bank borrowings stood at about HK\$1,075 million and HK\$1,640 million respectively (31st December 2002: HK\$1,079 million and HK\$1,694 million respectively). The gearing ratio as measured by total bank borrowings to shareholders' funds is about 45% for the period under review.

In accordance with the Group's currency risk management and financing policies, major projects in PRC are mainly financed by a combination of Renminbi borrowings and internal resources.

EMPLOYEES AND REMUNERATION POLICIES

The Company and its subsidiary companies, together with its associated companies, had a total of approximately 8,800 employees at the end of the year, of which about 2,700 were management and technical staff, with the balance production workers.

The Group contributes to an employee pension scheme established by the Tianjin Municipal People's 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. The Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. The contributions are based on a fixed percentage of the members' salaries.

CHARGE ON ASSETS

As at 30th June 2003, the following assets have been pledged to its bankers to secure banking facilities granted to the Group:

- (i) Ring road with a net book value of HK\$1,774 million and
- (ii) Bank balances amounting to about HK\$15 million.