

A photograph of a chessboard on a wooden table. In the background, a lamp with a white shade is lit. In the foreground, a glass of whiskey is visible. The chessboard has several pieces on it, including a white king, a black knight, and a white pawn.

Chairman's Statement

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I would like to express my gratitude to shareholders and friends for their interest in and support of the Group. I am pleased to take this opportunity to review the business development of the Group in 2000 and to present a preview on future development.

For the year ended 31 December 2000, turnover of the Group was HK\$655 million (1999 : HK\$140 million), representing an increase of 368% over 1999. This year was a record high of earnings by the Company since its establishment, with profit attributable to shareholders at HK\$112 million, representing a successful recovery from losses of HK\$101 million in 1999. Basic earnings per share was HK\$1.12 cents (1999: loss of HK\$1.87 cents). As at 31 December 2000, the total assets and net asset value of the Group were HK\$3.866 billion (1999: HK\$1.103 billion) and HK\$1.493 billion (1999: HK\$775 million) respectively, representing substantial increases of 251% and 93% over 1999 respectively.



With the support of the controlling shareholder, Shenzhen Investment Holding Corporation ("SIHC"), the Group focused on rationalizing and restructuring its businesses in 2000. With the favorable geographical location and the rapid economic development of Shenzhen City, the Group has shifted its business focus to the development of total logistics and transportation ancillary services and the management of related high-tech projects in order to capture the enormous business opportunities brought about by China's upcoming entry into the World Trade Organization ("WTO") and the rapid development of information technology.

Since SIHC became the controlling shareholder of the Company in March 2000, the Group realigned the management and introduced new members to the management team, and also initiated a number of projects including regulation of management, reorganization of assets and refinement of directions for business development. Besides, Hutchison Whampoa Limited became a strategic partner of the Group. To formulate development strategies and implement related plans, a number of well-known international consultant firms were appointed as our advisors. All these measures can assist the Group to adapt to market and international practices and are beneficial to our business and operating results.

Transformation of Business

In 2000, the management of the Group focused on developing plans and solutions to implement the transformation of the Group's business.

In February 2000, SIHC injected transportation-related assets and operations to the Group. Hutchison International Limited, a wholly-owned subsidiary of Hutchison Whampoa Limited, subscribed for convertible bonds of the Company in the value of HK\$514 million in March 2000, and the proceeds provided funding for the Group's investment in logistics business. These form a solid foundation for the transformation of the Group's businesses and strategies. By progressively reorganizing existing businesses and streamlining our resources, the Group recognises that modern logistics services and related high-tech businesses are the focus of our future development.

Logistics business has become the focal point of the development of Shenzhen City and the economy of China is in the process of a transformation. As a result, it is expected that enormous business opportunities will be available in the market. In order to capture such opportunities, the Group established Total Logistics Networks (Shenzhen) Co., Ltd. ("Total Logistics") in June 2000. The Group will fully leverage on resources in logistics operations and other related areas owned by the Group and SIHC and apply modern management techniques and skills to develop Total Logistics into a modern total logistics service provider. Through Total Logistics, the Group intends to take an active role in participating in logistics operations in China and to leverage on the rapid development of the market. The establishment of Total Logistics heralds the Group's first but yet successful step towards the goal of strategic transformation.

Asset Reorganization

Since SIHC secured its position as controlling shareholder of the Company, the management has continued the restructuring of the Group's business and the improvement of quality of assets using the resources of SIHC so as to cope with the development of the modern logistics industry. In respect of

operations, the transportation resources of SIHC will be consolidated and in turn form an alliance with Total Logistics, whereby the logistics operations of SIHC will be gradually merged into the entity of Total Logistics. On the other hand, the Group will dispose of assets that are unrelated to logistics business and have limited growth potential. In 2000, the interests in certain businesses that were unrelated to logistics business or had limited growth potential were sold to SIHC or realized in the market. In addition, the Group also acquired 19.3% equity interests in Shenzhen Freeway Development Company Limited owned by SIHC. All these measures have a positive impact to the profitability of the Group and are able to create synergy for the Group's logistics operations. The Group will continue to make use of SIHC's quality assets which are related to logistics business to intensify the reorganization of the Group so as to strengthen our new core business.

Prospects

The Group will continue to consolidate its operations in 2001. Following the disposal in 2000 of assets which were unrelated to logistics business and had limited growth potential, the Group will continue to participate in the reorganization and development of logistics-related resources of SIHC according to the needs of the Company from time to time and with reference to the State's policy on the development of the transportation industry.

On the other hand, in order to enhance returns to shareholders, the management will continue to evaluate the Group's asset portfolio and will restructure its business in various aspects so as to optimize the deployment of the Group's resources.

Logistics operations of the Group were duly commenced in September 2000 and encouraging results were registered in this short period. It is expected that the Group will complete the investments in various logistics projects in the coming years, thereby establishing a business system and organization centred on airports, harbours and ground logistics services and supported with information systems.

While the Group concentrates on developing modern logistics business, it also explores high-tech business with substantial growth potential in related areas. The Group pays specific attention to opportunities brought to the high-tech investment market by the proposed second board securities market in Shenzhen, China. The development strategy of the Group coincides with the direction of industrial policies of Shenzhen, and the Shenzhen Municipal Government will provide strong support to the Company in terms of resources, funding, expertise and procedural channels.

The imminent access of China into the WTO will bring about brand new opportunities and challenges to the Group. Various sectors in the economy will be exposed to unprecedented open, international and market competition. The Group, supported by its resources in the PRC and its position in the international capital market, will establish various strategic partnership to identify business opportunities that are in line with the future development strategy of the Group. The philosophy of the Group continues to be maximizing return to our shareholders. The Group will gradually achieve a stable operating results with promising growth potential and a healthy corporate image.

Li Hei Hu

Chairman

Hong Kong, 9 April 2001