

Chairman's Statement

During the past year, the economy of Hong Kong was affected by high unemployment rate, continuing deflation and slowdown of the global economy. However, the Group still sustained a steady growth by exploring new business and adjusting its business strategy. On behalf of the Board of Directors, I am pleased to announce the results of the Group for the year ended 31 March 2001.

RESULTS

For the year ended 31 March 2001, the Group's consolidated turnover and profit attributable to shareholders were HK\$2,708,281,000 and HK\$82,683,000 respectively. Turnover increased by 9.3% and profit attributable to shareholders by 646%.

FINAL DIVIDENDS

The directors do not recommend any final dividend for the year ended 31 March 2001.

REVIEW OF OPERATIONS

1. TRAVEL BUSINESS

In the year under review, the travel business was able to grow further despite that many industries were in a difficult situation as the sluggish economy in Hong Kong continued. This growth was due to the reduction of air ticket fares, in turn the tour fares, as a consequence of increasing number of flights by airlines. Facing keen competition, the Group continued to lower its tour fares. Although the gross profit on its travel business was affected, it could be served as a stimulus to the growth in the number of outbound customers. Thus, the income of the Group maintained at a constant level. According to the market research report issued by AC Nielsen, the most authoritative and independent market surveyor in Asian Pacific Region, Wing On Travel, a subsidiary of the Group, ranked the first again in the number of participants for five consecutive years and stayed as a leader in the travel industry. By providing quality travel services, Wing On Travel was the only travel company being awarded the "Best Travel Agency (Hong Kong)" by TTG, the authoritative travel magazine in Asian Pacific Region.

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2. TRANSPORTATION SERVICE

The Group's transportation service continuously recorded a growth and was successful in procuring projects with high business potential. Trans-Island Limousine, a subsidiary of the Group, has contracted with more than 50 renowned hotels and 10 major airlines to provide passenger transportation services. Although the relocation of the Hong Kong International Airport from an urban area leads to an increase in operating costs, and the sluggish economy of Hong Kong and keen competition continued, hotels and airlines remain as our quality customers and guaranteed the Group with stable sources of revenue.

Trans-Island Limousine was granted an exclusive licence by Guangdong Province, Office of Foreign Trade and Economic Cooperation at the end of February 2001 to provide direct cross-border bus transportation services between Shenzhen Huangtian International Airport and Hong Kong International Airport and to urban areas in Hong Kong. The Group has also entered into an agreement with Shenzhen Huangtian International Airport authorities to extend the abovementioned license operating period to ten years in order to strive for better returns and the cross-border passenger quota from the relevant authorities. As the number of people of Hong Kong travelling or doing business in the PRC is rising in recent years, the number of connecting flights between Shenzhen Huangtian International Airport and other mainland provinces or cities has increased accordingly. The cheaper air ticket fares have also attracted numerous travellers and businessmen to fly to other provinces or cities via Shenzhen. The Group is confident that the exclusive licence shall bring about tremendous business opportunities and shall further strengthen the Group's leading position in the industry.

In addition, in order to penetrate into the PRC market, the Group has entered into an agreement in March 2001 with Comfort Group Ltd ("Comfort Group"), a company having 30 years' experience in taxi business, pursuant to which, Comfort Group acquired 25% of the equity interest in Trans-Island Limousine at a consideration of HK\$40,000,000. Comfort Group, a public company listed on the Main Board of the Singapore Exchange Securities Limited, is principally engaged in taxi business and possesses the world's largest fleet of more than 11,000 taxis. Comfort Group's other diversified businesses include vehicle repair and maintenance, inspection services, vehicle distribution, courier business, driving learning center, etc. It has 20 subsidiaries and joint venture companies in Singapore, Xiamen, Zhengzhou and Suzhou. The Group believes that the introduction of Comfort Group as a strategic investor of Trans-Island Limousine shall not only enlarge its shareholder base and corporate profile but will also bring in Comfort Group's expertise and experience in the transportation business, which will allow the Group to strive for an even more advantageous position to develop and expand into the markets of the PRC.

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3. THE PRC MARKET

In line with the blooming economy of the Mainland China, the living standard of people was gradually raised. This gives rise to the increase of travellers to Hong Kong for sightseeing or going abroad via Hong Kong. In order to absorb more mainland tourists, the Group, during the year under review, established CYTS Wing On Travel Service Company Limited ("CYTS Wing On") jointly with CYTS (Hong Kong) Limited, a Hong Kong branch of China Youth Travel Service Agency, which is the only travel company with its A shares listed on the PRC Stock Exchange. It has a wide network and client base, and has been approved to operate "Hong Kong Tours" for mainlanders. The business cooperation enables the Group to further explore the business for serving mainlanders travelling to Hong Kong and tourists from Southeast Asia transitting through Hong Kong to the mainland. After the commencement of business by CYTS Wing On, the Hong Kong inbound travel business of the travellers from the mainland recorded a growth of 12% as compared to the corresponding period of the previous year. Besides, CYTS Wing On has recorded a profit since its establishment. The Group is planning to expand its inbound business so as to enlarge its revenue bases.

PROSPECTS

The slowdown of the global economy is expected to have an impact on the economy of Hong Kong continuously. However, the Group is still optimistic in the future of the travel industry and related business. Apart from strengthening the operation management and reinforcing stringent control over its operating costs, the Group will pool its resources and to solicit business actively in the PRC and overseas markets.

Following the formation of a joint venture company with China Youth Travel Service Agency, the Group has entered an agreement in April 2001 with Japan Air System Group ("JAS"), one of the three major airline groups in Japan, to set up a joint venture company in Hong Kong, namely Wing On JAS Nice Wing Limited ("Wing On JAS"), to further explore the Japan market and to provide quality hospitality service. Wing On JAS is the first joint venture company in Hong Kong set up by prestige local and Japanese travel organizations. Through the extensive marketing network of the joint venture partners in Hong Kong, Mainland China, Japan and the Asian Region, Wing On JAS will provide comprehensive and quality "one stop" travel services for its customers. It will host tourists from Hong Kong, Mainland China and other Asian countries visiting Japan, and to arrange for them quality meals and accommodation, transportation. It will also host for Japanese tourists visiting Hong Kong and Mainland China. Besides, with JAS's in-depth knowledge of Japan, Wing On JAS will

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be able to explore and introduce more brand new sightseeing scene for "Japan Tours" suitable for people of Hong Kong, and to provide high quality service for tourists to Japan. JAS is one of Japan's largest airlines offering more than 400 flights daily with a passenger volume of 20 million per year. It also runs retail business, department stores, restaurants, hotels, properties and cargoes transportation. Taking advantage of JAS's extensive network in Japan, the Group is expecting a substantial reduction in operating costs for its outbound tours to Japan. Wing On Travel, as a leader in the industry, has substantial market influence in all parts of the world, in Asia and, particularly, the PRC. Coupled with the tremendous resources and distinctive edge of JAS in Japan, Wing On JAS will be able to explore the market throughout Mainland China. In line with the progress of its business development, Wing On JAS will gradually enhance its investment profile and diversify its business into the areas of international cargoes transportation, trading, airline services and hotel chain. The Group anticipates that Wing On JAS will grow alongside the long term economic development in the Asia and gradually emerge as an international travel and air transportation conglomerate.

The exclusive licence to operate the shuttle bus service directly connecting Shenzhen Huangtian International Airport and Hong Kong International Airport and to Hong Kong urban areas will be one of the major development projects of the Group in the years to come. The Group expects that, following the award of the hosting right of the 2008 Olympic Games to Beijing and China's accession to the World Trade Organisation, the number of businessmen travelling to the mainland will increase significantly, and the development of the western region of China is expected to boost demand for westbound travel routes. Furthermore, Hong Kong Disneyland, to be opened in 2005, shall attract numerous visitors from all parts of China transitted at Shenzhen to Hong Kong via airport shuttle buses. Thus the volume of two way traffic shall increase significantly. In this respect, Shenzhen Huangtian International Airport shall be in the good position to meet this huge market demand in the future by means of providing cheaper air ticket fares and increasing number of flights. Besides, Trans-Island Limousine will become one of the passenger transportation companies holding the largest number of cross-border quota by acquiring the aforesaid exclusive licence. According to the relevant regulations, the cross-border passenger vehicles must have cross-border quota in order to carry passengers. This discourages the new competitors to enter into the market. Taking this competitive advantage, Trans-Island Limousine may cooperate with airline companies all over the world to launch a package of connecting air ticket plus bus ticket and the travellers from all parts of the world may order the package through an international ticket system which can provide convenience to travellers worldwide. The Group is very optimistic about the future development of this airport shuttle bus business and also believes that it will bring tremendous business opportunities and substantial profits to the Group.

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The Group believes that hosting the 2008 Olympic Games in Beijing will also create enormous business opportunities which should not be overlooked. Looking back at a number of previous Olympic Games hosted by many other cities, all of them have brought about far-reaching benefits in social and economic terms to the hosting cities as well as to the countries in which those cities are situated. It is expected that the hosting of the Olympic Games in highly populated China, which possesses enormous market potential, will generate significant momentum and stimulation to the development of all sectors within the economy of China including the travel industry. To this end, the Group has engaged a strategic shareholder, the parent company of Beijing Enterprises Holdings Limited, to jointly explore diversified business opportunities in the travel, hotel, transportation and property sectors and related business in Beijing and its neighbouring provinces and cities, it is expected that the catching up with those continuous and enormous long term business opportunities will further strengthen the solid foundation for the continuous business development of the Group.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all staff for their hard work and dedicated efforts during the year and hope that they will continue to work even harder to raise our service standards and improve the Group's performance.

I would also like to express our gratitude to the shareholders for their trust in, and support to the Board of Directors and the management of the Group.

Chan Yeuk Wai

Chairman

Hong Kong, 30 July 2001