

Performance

The Group reported a net profit of HK\$63.9 million for the year ended 31 December 2001. Earnings per share were HK\$0.33 against HK\$0.31 for 2000, representing an increase of 6.5%. The increase in consolidated profit was primarily attributable to the profit contribution from the Group's investment in Western Harbour Tunnel and the auto-toll operation.

Final Dividend

A fourth and final dividend of HK\$0.05 per share has been proposed and, if approved by the Shareholders, will result in total dividends of HK\$0.2 per share for the year, the same as for 2000. Total dividends paid and proposed for the year will be HK\$38.6 million.

Business Review and Outlook

During 2001, the Hong Kong economy suffered from the double blow of internal economic restructuring after the Asian financial turmoil and deterioration in the global economy led by the U.S. recession. The slowdown, however, was accentuated by the tragic events of 11 September. The pace of economic recovery became sluggish and consumer sentiment worsened significantly under the adverse market environment. Despite the protracted economic slowdown, we are pleased that the Group was still able to achieve satisfactory results in the past financial year.

The immediate outlook for the Hong Kong economy in 2002 is still challenging due to uncertainties in the global economic environment. Although the consensus is that the U.S. should start to recover in the second half of 2002, all the domestic statistical measures are expected to remain weak for the year. The expected further deterioration in the local labour market will continue to dampen consumer confidence and spending.

Autopass - 70% owned and Autotoll - effectively 35% owned

The main asset of Autopass is its 50% stake in Autotoll Limited, which provides electronic toll clearing facilities in Hong Kong covering ten different toll roads and tunnels. The company recorded healthy growth in the number of subscribers with a figure close to 182,000 at the end of the current year.

Three additional lanes were installed during the year and there are forty-five auto-toll lanes in operation at present. In response to the new challenges of the IT era, the company will continue to explore new business opportunities with modern technology for transport management.

Hong Kong School of Motoring - 70% owned

Though the turnover of the driving training school was adversely affected by the continuous shrinking of the market size and keener market competition, the profit margin was maintained at the previous year's level through the launching of various cost rationalization exercises. Despite the continued weakness of the market and intense price competition, the management has committed to meet the challenges ahead. In addition, the company will continue to enhance its brand image and value by improving the service quality, product development and diversification in order to uphold its market leading position, and prepare for the resilience of the driving school market once the economy recovers.

Western Harbour Tunnel ("WHT") - 37% owned

The infrastructure of this HK\$7 billion tunnel has been under-utilised since its opening on 30 April 1997 because of the toll difference among other cross-harbour tunnels and the limitation on the approach roads leading to and from this tunnel. The first toll increase in December 2000 has generated additional toll income despite traffic volumes being negatively affected. As the driving public gradually realized the benefit of using the WHT, the market share had recovered to around 17% at the end of 2001.

Due to the rapid economic expansion in the Pearl River Delta area and the increased integration of the local economy with that of its hinterland, the WHT is expected to benefit from its linkage with other major infrastructure, which is being built or being developed to serve the western region of the territory. Moreover, the strategic development of a new commercial, residential and cultural focal point on the West Kowloon Reclamation will stimulate its utilization in the longer term. In 2002, we expect a steady contribution from this franchise as a result of lower interest expenses after massive rate cuts in the previous year.

Hong Kong Tunnels & Highways Management - 37% owned

This company has managed the busiest cross-harbour tunnel at Hunghom since 1 September 1999 under a Management Operation Maintenance (MOM) Contract for two years. This Contract had been extended by the Government for further one year to 31 August 2002. The Government has called for tenders for a new MOM Contract and the company has submitted a bid.

Looking Forward

We have very clear objectives and plans to move forward. We have confidence in delivering attractive and sustainable returns for the years to come through our active management and dedicated staff. Looking forward to 2002, whilst the economy of Hong Kong still remains on a slow recovery path, the Group will continue to focus on enhancing the value of its investments and seek opportunities for synergistic growth.

Staff

I would like to take this opportunity to extend my gratitude and sincere appreciation to all the Directors and staff for all their dedicated hard work and contributions to the Group throughout the year.

Cheung Chung Kiu

Chairman

Hong Kong, 12 April 2002