Analysis of Results

For the year ended 31 December 2001 (the "Year"), turnover of the Group was HK$492 million (2000: HK$655 million), representing a decrease of 24.9% over the corresponding period of 2000. Profit attributable to shareholders was HK$251 million (2000: HK$112 million), representing an increase of 124.1% over the corresponding period of 2000. Profit from operating activities was HK$222 million (2000: HK$159 million), representing an increase of 39.7% over the corresponding period of 2000. Basic earnings per share was HK cents 2.25 (2000: HK cents 1.12), representing an increase of 100.9% over the corresponding period of 2000. As at 31 December 2001, total assets and net asset value of the Group were HK$3.113 billion (2000: HK$3.866 billion) and HK$1.791 billion (2000: HK$1.493 billion) respectively, representing a decrease of 19.5% and an increase of 20% when compared with 31 December 2000 respectively.

During the Year, the Group completed two acquisition transactions for an aggregate of 76.8% equity interest in Shenzhen Freeway Development Company Limited ("Shenzhen Freeway"). During the period between completion of these two acquisition transactions and 31 December 2001, Shenzhen Freeway contributed a net profit of HK$81.63 million to the Group. The principal asset of Shenzhen Freeway comprised its 30.03% interest in Shenzhen Expressway Company Limited ("Shenzhen Expressway") which also contributed the main source of earnings for Shenzhen Freeway. Shenzhen Expressway is principally engaged in the operation of toll roads in the People's Republic of China ("PRC"). On 20 December 2001, the Company entered into an acquisition agreement with Shenzhen Investment Holding Corporation ("SIHC") to acquire the remaining 23.2% interest in Shenzhen Freeway. The transaction was approved by independent shareholders in a special general meeting of the Company held on 31 January 2002 and as a result Shenzhen Freeway became a wholly owned subsidiary of the Group.

Given the unsatisfactory performance and limited growth potential of Shenzhen Shentou Transportation Group Co. Ltd. ("SSTG", a 60% owned subsidiary of the Group), which was principally engaged in provision of passenger transportation services, and the fact that its business was not in line with the Group's strategy of developing logistics business, the management of the Company, after due consideration, entered into an agreement with SIHC on 20 August 2001 to dispose of the Group's entire 60% equity interest in SSTG to SIHC for a consideration of HK$656 million. The Group realised a profit of HK$53.74 million as a result of the disposal.

The disposal of SSTG and the acquisition of additional interests in Shenzhen Freeway undermined the turnover of the Group significantly. This is mainly due to the principal asset of Shenzhen Freeway is its interest in Shenzhen Expressway which is an associate of the Group. According to currently applicable accounting standards, turnover and total assets of Shenzhen Expressway are not consolidated in the financial statements of the Group. However, with its remarkable track record and stable dividend payment policy in past years, Shenzhen Expressway will provide a recurring and stable source of earnings and cash flow to the Group.

Logistics business has become the focal point of the development of Shenzhen City and the economy of China has been under continuous growth. As a result, it is expected that enormous business opportunities will emerge in the market. In order to capitalise on such opportunities, the Group established Total Logistics (Shenzhen) Co., Ltd. ("Total Logistics") in mid 2000. The Group developed Total Logistics into a modern total logistics service provider with the latest management techniques and skills. During the Year, Total Logistics recorded a turnover of HK$30 million, representing a substantial increase when compared with the turnover in 2000 of HK$2.1 million recorded after the commencement of operation in September 2000, and also contributed a net profit of HK$2.38 million (2000:

loss of HK$1.36 million) to the Group. The business of Total Logistics developed rapidly as it was able to capitalize on market information and focused on traditional logistics ancillary transportation business. It also took an active role in expanding and operating exclusive routes for ancillary transportation and solicited

support from major clients. Turnover of Total Logistics was mainly derived from airfreight and marine ancillary transportation services.

Shenzhen Airport International Express Supervision Center Co., Ltd. ("Airport Express Center"), in which Total Logistics has 50% interest, duly commenced operation during the Year and recorded a turnover of approximately HK$17 million and profit attributable to shareholders of approximately HK$5.22 million. Notwithstanding that Airport Express Center has operated for less than one year, it has obtained popular support from the market and has proven that it has a promising development potential.

In addition to the major developments mentioned above, the investment properties held by the Group in Shenzhen continued to generate stable rental income in 2001. During the Year, CSG Technology Holding Co., Ltd. ("CSG"), a principal associate of the Group, was being affected by the material adjustment of the high-tech industries in the year. Its profit attributable to shareholders was HK$144 million (2000: HK$179 million), representing a decrease of 19.6% over 2000. The Group shared a profit of HK$35 million (2000: HK$44.87 million). While progressively reorganising its development strategy and restructuring its business, the Group also capitalised on the opportunity brought by the active B shares market in the PRC by adjusting the shareholding in CSG and realised an investment gain of HK$46.26 million during the second and third quarters of the Year.

On the other hand, Shenzhen High-Tech Holdings Limited ("Shenzhen High-Tech"), another principal associate of the Group, recorded a profit of approximately HK$16 million (2000: loss of HK$210 million) during the Year when compared with the substantial losses recorded in 2000, thereby further improving the operating results of the Group. Moreover, Shenzhen High-Tech issued new shares by way of share placement during the Year and as a result the Group was able to realise a dilution gain of approximately HK$48 million. In late December 2001, Shenzhen Expressway issued new A shares in the PRC and the Group also realised a dilution gain of approximately HK$61 million therefrom.

With the acquisition of additional interests in Shenzhen Freeway which becomes a wholly owned subsidiary of the Group, it is expected that Shenzhen Freeway will generate sizeable and stable earnings and cash flow for the Group in 2002. Besides, Total Logistics, CSG and Hua Li Garden will also contribute continuous earnings and cash flow to the Group.

Financial Position

	2001 HK$million	2000 HK$million	Increase/ (Decrease) %
Total Assets	**3,113**	3,866	(20)
Current Assets	**478**	1,314	(64)
Current Liabilities	**(472)**	(1,374)	(66)
Net Current Assets/(Liabilities)	**6**	(60)	N/A
Net Tangible Assets	**1,945**	1,493	30
Net Assets	**1,791**	1,493	20
Net Assets per Share	**HK$0.16**	HK$0.14	14
Cash and Bank Deposits	**305**	675	(55)
Bank Loans and Other Borrowings	**888**	1,220	(27)
Convertible Bonds	**—**	514	N/A
Net Borrowings	**(444)**	(507)	(12)

During the year under review, the Group disposed of its entire 60% equity interest in SSTG, a subsidiary of the Group. The principal asset of a newly acquired subsidiary, Shenzhen Freeway, is its interest in Shenzhen Expressway which is an associate of the Group. According to currently applicable accounting standards, the Group is required to reflect its share of net asset and profit in Shenzhen Expressway in the Group's consolidated financial statements under the equity accounting method. As a result, the total assets and turnover for the year decreased when compared with 2000, which in turn undermined the Group's current assets and current liabilities. On the other hand, with the promising earnings recorded during the year, current assets were further increased and thus improved the net current asset value of the Group.

As at 31 December 2001, bank loans and other borrowings of the Group amounted to HK$888 million (2000: HK$1,220 million), of which 45.6%, 24.5% and 29.9% are due for repayment within one year, two years and three to five years respectively. These borrowings are mainly Renminbi denominated loans from banks and other institutions in the PRC with a term of one year. In general, the costs of these short-term bank loans are lower than that of long-term loans. Under normal circumstances, these bank loans may be extended on their respective maturity dates on the same terms. Approximately HK$223 million of the total borrowings of the Group are secured by investment properties and other assets of the Group, details of which are set out in notes 25 and 28 to the financial statements.

The Group had previously issued an eighteen months convertible bond with a principal amount of HK$514 million to Hutchison International Limited, a wholly owned subsidiary of Hutchison Whampoa Limited. The convertible bond bore an interest rate of 4.5% per annum and matured on 15 October 2001. Upon maturity, the Company redeemed the convertible bond in full. The redemption of the convertible bond was financed as to 95% by the Group's internal resources and the remaining balance by new bank borrowings.

As at 31 December 2001, the ratio of net borrowings to shareholders' equity of the Group was as follows:

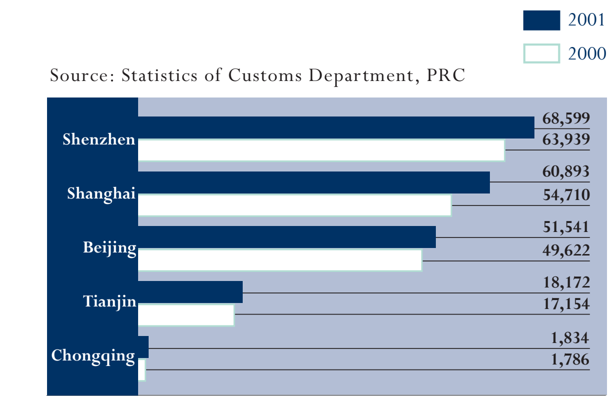
	2001 HK$million	2000 HK$million
Shareholders' Equity	**1,791**	1,493
Cash and Cash Equivalents		
Cash and Bank Balances	**305**	675
Short Term Investments in Listed Securities	**139**	38
	444	713
Total Borrowings		
Short Term Bank Loans	**129**	262
Short Term Loans and Others	**276**	330
Long Term Bank Loans	**237**	84
Other Long Term Loans	**246**	8
Fixed Rate Convertible Bonds	**—**	514
Finance Leases	**—**	22
	888	1,220
Net Borrowings	**444**	507
Ratio of Net Borrowings to Shareholders' Equity	**25%**	34%

The Group's ratio of net borrowings to shareholders' equity decreased from 34% as at 31 December 2000 to 25% as at 31 December 2001. The decrease was mainly attributable to the disposal of SSTG which had a higher level of borrowings, and the increase in shareholders' equity brought by the earnings contribution for the Year.

Currently, the Group has available cash surplus and stand-by banking facilities totalling HK$900 million, which can be applied to the Group's capital expenditure and working capital in future and is sufficient to meet the foreseeable funding requirements. Notwithstanding the strong financial position of the Group, the Group reviews its capital structure from time to time so as to provide shareholders with the highest investment returns through efficient deployment of fund raising channels.

Analysis of Operating Environment of Logistics Business in Shenzhen

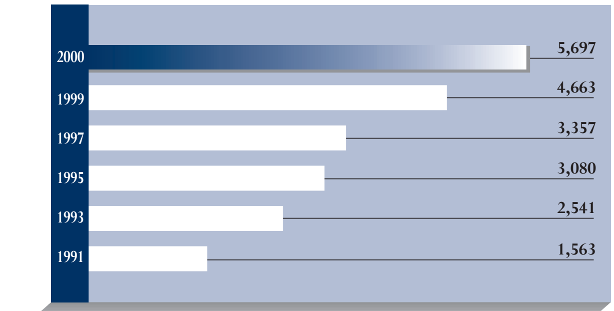
Source: Statistics of Customs Department, PRC



Comparative chart of Import and Export values of Major Cities in China

In 2001, the import and export values of Shenzhen amounted to US$68.59 billion and accounted for approximately one-seventh of the PRC. In particular, the export value amounted to US$37.48 billion in total, putting Shenzhen up at the top amongst various major cities in China for 9 consecutive years.

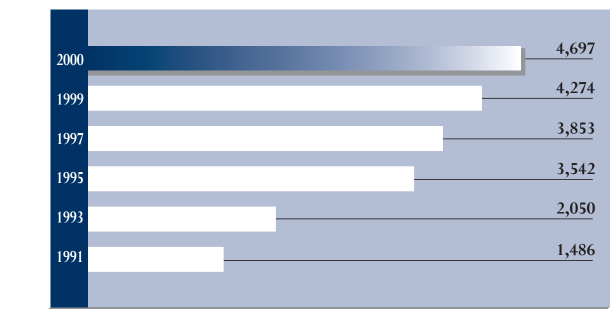
Source: Economic Yearbook of Shenzhen City



Cargo handled at Shenzhen Seaports

In 2001, seaports in Shenzhen handled 5.08 million TEUs in total, representing an increase of 27.1% over the year and making Shenzhen the 8th largest container seaport in the world as compared to the ranking of 11th in 2000. The volume of cargoes and freight traffic handled by seaports in Shenzhen continues to increase and the airport of Shenzhen is one of the four largest airports and air cargo forwarding centers in China.

Source: Economics Yearbook of Shenzhen City



Shenzhen Freight Traffic

Total Logistics benefits from the favourable development condition of the import and export trading sector in Shenzhen. In connection with modernized logistics services provided to the international trading sector, Total Logistics is equipped with unparalleled geographical dominance and also enjoys immense market potential. As a comprehensive provider of modernized logistics services based in Shenzhen, an increase in cargo volume handled by seaports is certainly beneficial to Total Logistics in the development of both international logistics business and comprehensive logistics business complementary to seaports. The continuous annual growth in freight traffic of Shenzhen provides a constant demand for local logistics services. Total Logistics' infrastructure for logistics services and capability in providing comprehensive services are gradually improving. In addition, the demand for freight traffic of Shenzhen City and nearby areas is also increasing. All these factors will surely provide promising market prospects to various specialized and comprehensive logistics services of Total Logistics.

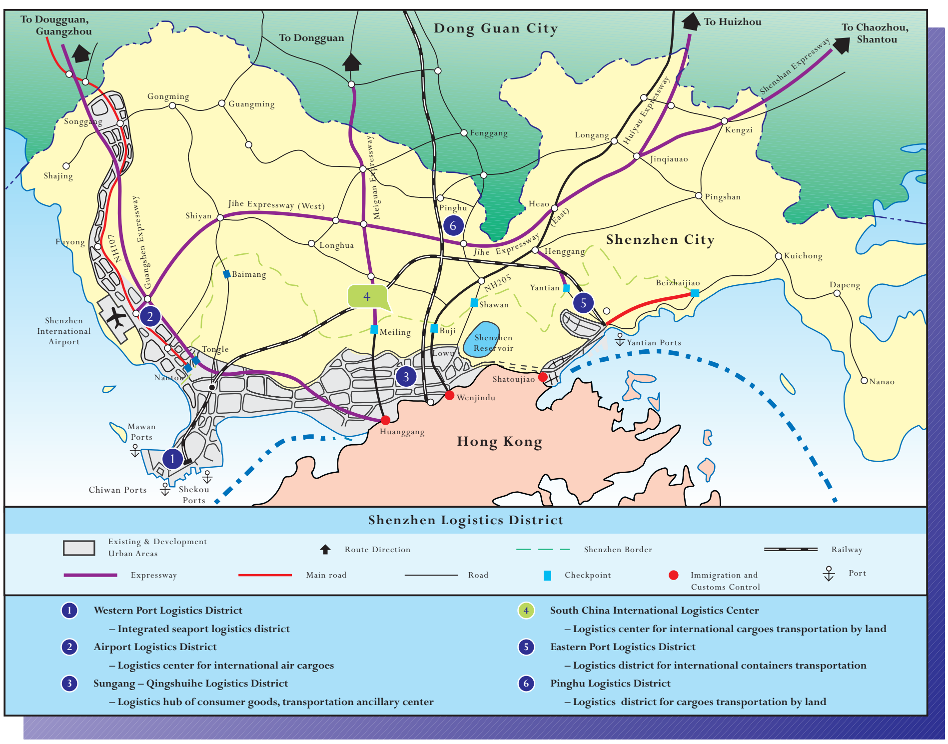
Fundamental Conditions for the Development of Logistics Business in Shenzhen City

- With the general strategic goal of developing Shenzhen City into the first modernized socialist model city, the pace for the development of modern logistics business increased to make it an emerging pillar industry in the national economy;

- The development of the logistics market is totally dependent on the 3-dimension transportation network comprising of sea, land and air traffic, based on the rapid development of seaports and airports, supported by a modernized logistics services system and implemented with the application of information technologies;

- Assistance is provided to certain comprehensive logistics enterprises by putting more effort in the development of third party logistics business so as to set up a socialized, specialized and systematic mechanism for logistics business;

- In order to develop Shenzhen City into a modern regional logistics center, there are policies and measures in place to reduce the logistics costs of business enterprises, improve the quality of logistics services and recruit and train competent logistics personnel;



- Development is focused on twenty-two projects within the six major logistics districts in Shenzhen City with expected total investment amount of RMB23 billion. In Shenzhen Special Economic Zone ("Special Zone"), modernized logistics districts include Western Port Logistics District, Eastern Port Logistics District and Sungang-Qingshuihe Logistics District which form the inner circle within the Special Zone, and Airport Logistics District, Pinghu Logistics District and South China International Logistics Center which form the outer circle of the Special Zone.

The planning for logistics districts proposed by Shenzhen City provides a solid foundation for the development of logistics business in Shenzhen City. In particular, the Airport Logistics District is vital for Total Logistics in the development of comprehensive logistics services backed by air freight. Total Logistics has participated in the establishment and operation of Shenzhen Airport International Express Supervision Center Co., Ltd., an integral and functional unit of the Airport Logistics District. The establishment of Airport Logistics District, East Port Logistics District and West Port Logistics District will significantly foster the development of international logistics services by Total Logistics.

Optimising Assets of the Group and Focussing on the Development of Logistics Business

During the Year, the Group has committed to consolidation and optimization of its assets. In addition to the disposal of the entire 60% interest in SSTG, the Group also increased its shareholding in Shenzhen Freeway by phases and Shenzhen Freeway has become a wholly owned subsidiary of the Group, which will provide the Group with a reliable and stable source of earnings and cash flow in years ahead. Moreover, the management of the Group approved the Group's participation in intelligent logistics business in the EDI area through the acquisition of a 39% interest in Shenzhen Container Transportation EDI Co., Ltd. by Total Logistics, thereby putting the Group in a leading role in the development of electronic logistics business. The consolidation of assets mentioned above has brought about remarkable outcome and reflected in the annual result for the year. Meanwhile, the Group further expanded its operation in modernized logistics business by endorsing an investment in the proposed "South China International Logistics Center" which will serve as an additional source of income.

Looking ahead, the Group will, through its subsidiaries, take an active role in capitalizing on advantages and foundations for the development of logistics business in Shenzhen City. With full support from SIHC, the Group will also optimize and strengthen its own logistics business.

Total Logistics (Shenzhen) Co., Ltd. ("Total Logistics")

Total Logistics recorded satisfactory results during the Year. Turnover increased significantly from HK$2.1 million for the period between commencement of operation in September 2000 and December 2000 to HK$30 million in 2001. Its results exceeded the break-even position forecasted by management and recorded an annual profit of HK$2.38 million (2000: losses of HK$1.36 million). The turnover of Total Logistics was mainly derived from agency services of ancillary transportation of cargoes, of which 82%, 16% and 2% were by air, sea and land respectively. During the Year, revenue from the core business of Total Logistics increased steadily, and coped with the stringent control measures on direct and operating costs, Total Logistics was able to generate satisfactory results than expected.

During the year under review, Total Logistics successfully explored and expanded the markets of air and sea transportation and achieved sound economic efficiency. With respect to the expansion of its operations, the focal point of Total Logistics included the commencement of agency services for air cargo transportation between Shenzhen and Chicago. The agency services commenced in April 2001 and the accumulated tonnage for the Year was 6,900 tons, representing 1.31 times of the contracted tonnage. In October 2001, Total Logistics commenced marine transportation ancillary service between Shenzhen and Hong Kong. Since the commencement of operations, the average loading rate has exceeded 50%. On the other hand, Total Logistics was also capable of securing major clients during the year. It acted as the sole and exclusive agent for the land transportation of certain projects of Siemens Communications. Other major customers included Legend Computers and Taitai Pharmaceutical Industry which commenced service in 2002.

In addition to the development of modernized logistics business, Total Logistics is also engaged in the development of a series of self-developed logistics information software systems. "TotalLogisticsStar" is the flagship product and comprises a third party logistics management system, warehousing management system, delivery center management system, transportation management system, total tracking service networks and eBusiness system. The third party logistics management system was awarded "Merit of eBusiness Solution" by

Shenzhen City whereas "TotalLogisticsStar" was accredited as a new and advanced technology project in Shenzhen City. It is expected that "TotalLogisticsStar" will provide a new income source for Total Logistics in 2002.

During the Year, Total Logistics entered into a co-operation agreement with Guangzhou City Vehicle Transportation Company (廣州市長途汽車運輸公司 "GCVTC") in respect of the proposed establishment of Guangzhou Changyun Total Logistics Co., Ltd. The total investment of Guangzhou Changyun Total Logistics Co., Ltd. will be RMB6 million and each of Total Logistics and GCVTC shall contribute 50% of the total investment. The company is mainly engaged in the provision of warehousing and land delivery services targetting clients in the Pearl Delta Region. At the same time, in order to develop logistics business with intelligent transportation functions, Total Logistics also acquired 39% interest in Shenzhen Container Transportation EDI Co., Ltd. in March 2002 for a consideration of HK$5.34 million. Besides, Total Logistics intends to co-operate with Shenzhen Science & Industry Park Company Limited to establish a logistics center in the new and advanced technology industry district. The site area of the proposed development is approximately 10,500 square meters and the plan is now under careful consideration.

The Airport Express Center commenced operations at the end of the second quarter of 2001 and recorded a turnover of HK$17 million and profit attributable to shareholders of HK$5.22 million for the Year. The daily cargo handling volume of Airport Express Center increased from less than 35 tons during the trial period to over 200 tons currently and the daily highest cargo handling record exceeded 300 tons. As a result, revenue from handling fees increased substantially. The monthly handling volume in December 2001 was close to 8,000 tons which was a new record for the express cargo handling volume of the Customs Department of Shenzhen City. The express cargo handling volume of Shenzhen City and nearby areas is the second largest in China and the handling volume by Airport Express Center is approximately 60% higher than that of the previous Huanggang express center. This facilitates the expansion of the client base of the Airport Express Center and will increase the express cargo handling volume. China's entry into the WTO will bring about changes in the policy of customs clearing, cargo examination and

quarantine. Airport Express Center will take appropriate measures to capitalize on opportunities and deal with challenges so as to further strengthen the coordination between itself and customs units to foster a better environment for customs clearing. Clients of Airport Express Center are able to enjoy a "one-stop service" while

Airport Express Center is capable of maintaining and enhancing its competitiveness via a 3-dimensional transportation network comprising of sea, land and air transportation and the frequent scheduled flights provided by Shenzhen Airport.

Shenzhen Freeway Development Company Limited ("Shenzhen Freeway")

During the Year, the Group completed the acquisitions of 19.3% and 57.5% interests in Shenzhen Freeway in March and October respectively, from which earnings of HK$81.63 million were derived by the Group. In order to strengthen the Group's investment in quality infrastructure typed logistics assets, the Group entered into an agreement with SIHC on 20 December 2001 to acquire the remaining 23.2% interests in Shenzhen Freeway for a consideration of RMB350 million (equivalent to approximately HK$330 million). The transaction was approved by independent shareholders in a special general meeting of the Company held on 31 January 2002. Upon completion of the transaction, Shenzhen Freeway became a wholly owned subsidiary of the Group and the Group will be able to further optimize and enhance its core logistics business which will generate continuous and stable earnings and cashflow.

The principal asset of Shenzhen Freeway is its 30.03% interest in Shenzhen Expressway Company Limited ("Shenzhen Expressway") whose H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange of the PRC respectively. During the Year, turnover of Shenzhen Expressway was HK$462 million (2000: HK$397 million), representing an increase of 16.4%. Profit attributable to shareholders was HK$397 million (2000: HK$342 million), representing an increase of 16.1%. The growth rate of the aggregate traffic volume and toll income of the toll roads of Shenzhen Expressway in 2001 was satisfactory. Both of Meiguan Expressway and Jihe Expressway were able to attain the budgetted annual toll income one

month ahead from the year end date. Meanwhile, the traffic volume of the new Yanba Expressway (Section A) during the peak travelling season in summer also exceeded the budgetted level. In 2001, the traffic volume of Liguang toll station, the junction of Meiguan Expressway and Guanzhen Expressway, increased by 100% when compared with 2000. In addition, Shenzhen Expressway worked together with relevant authorities to remove illegal entrances along the toll roads, thereby increasing the traffic volume steadily while stopping the loss of toll income. In order to solicit higher traffic volume, the western section of Jihe Expressway adjusted toll rates and remarkable results were produced. Yanba Expressway (Section A) has passed all review and approval procedures performed by the Communications Bureau of Guangdong Province and attained a record high grading in the quality appraisal of road works in Guangdong Province.

In December 2001, Shenzhen Expressway issued Renminbi-denominated ordinary shares (A shares) which are listed on the Shanghai Stock Exchange at an issue price representing 1.6 times of its net asset value per share and raised a net proceeds of approximately RMB604 million (equivalent to approximately HK$570 million). The listing of A shares not only strengthened the shareholder structure and organization structure of Shenzhen Expressway but also generated a dilution gain of HK$61 million to the Group.

The year 2002 is a year full of opportunities and challenges for Shenzhen Expressway. While it will enjoy the country's economic growth which creates more pressing demands for highway transportation and the continual increase of private vehicles in Shenzhen which creates a steady demand for use of its toll roads, Shenzhen Expressway faces the challenges of increase in enterprise income tax and unification of toll rates on different classification of vehicles of expressways for Guangdong Province. Faced with the ever changing domestic and global economic environment, Shenzhen Expressway will further strengthen its internal management and enhance its corporate governance structure so as to enchance its competitiveness. It will strive to achieve better results and produce higher economic and social results, through strengthening its financial management and cost control, actively developing road projects with high returns and optimising investment portfolio.

Shenzhen High-Tech Holdings Limited ("Shenzhen High-Tech")

For the Year, turnover of Shenzhen High-Tech was HK$157 million (2000: HK$27.15 million), representing an increase of 478% over that of 2000. Its profit attributable to shareholders was HK$16 million (2000: loss of HK$210 million), and HK$3.5 million of which was attributable to the Group (2000: loss of HK$55 million). The successful return from a loss position to profitability of Shenzhen High-Tech during the Year was mainly attributable to the profit contribution by a newly acquired wholly owned subsidiary, Dawning Information Industry Company Limited ("Dawning"), and the fact that Shenzhen High-Tech was not required to make further provision for impairment in respect of its assets portfolio during the Year.

Shenzhen High-Tech completed the acquisition of the entire interest in Dawning for a total consideration of RMB215,000,000 (equivalent to approximately HK$201,000,000) in June 2001. Dawning formally became the core business operations of and contributed major turnover and profit to Shenzhen High-Tech. As a pioneer and leader in the development of high performance computer industry in the PRC, Dawning is the only domestic UNIX/RISC server manufacturer, and is also the only domestic system integrator based on high-end servers with its own established brand name. During the year under review, Dawning made great progress in building up its sales channels, with about thirty domestic offices and over six hundred agencies established throughout domestic major cities and provinces.

The construction of Dawning Mansion in Shenzhen invested by Dawning has already been completed and is presently under interior decoration. Dawning Mansion covers a total area of approximately twenty-five thousand square meters and it is expected that Dawning Mansion will be put into use in August 2002. Dawning plans to maintain the building for its own use as the R&D center and offices, and for the data center and exchange center jointly operated with the Shenzhen Telecommunication Bureau. The remaining areas available for lease have all been let out.

Shenzhen High-Tech endeavours to implement the pragmatism policy in its efforts to identify investment opportunities, with a view to extend its revenue streams and maximize investment returns to shareholders.

During the year, Shenzhen High-Tech completed a placement of 750 million new shares, raising net proceeds of approximately HK$190 million, and the financial position of Shenzhen High-Tech has been greatly improved as a result. Together with the issue of 517 million new shares as part of the acquisition consideration for Dawning during the year, Shenzhen High-Tech's net asset value per share has been significantly increased and as a result, the Group was able to realise a dilution gain of approximately HK$48 million.

CSG Technology Holding Co., Ltd. ("CSG")

For the Year, turnover of CSG was HK$963 million (2000: HK$1,097 million), representing a decrease of 12.2% over that of 2000. Profit attributable to shareholders was HK$144 million (2000: HK$179 million), a decrease of 19.6%. The Group shared a profit of HK$35 million (2000: HK$44.87 million), representing a decrease of 22% over that of 2000.

2001 was a difficult and challenging year for CSG. The turnover and profit of CSG were undermined by the global depression of economy, particularly the material adjustment of the high-tech industries. While developing its high-tech products in recent years, CSG has put the same level of emphasis on its conventional products. As a result, CSG was able to attain satisfactory results through the sales of its conventional products during the year despite the profit margin of its high-tech products has diminished. In connection with the technological aspect, CSG's successful rate in the production of ultra thin floating glass is among the highest in China. With tremendous efforts from CSG, it was still able to secure a leading position in manufacturing components of monitors and electronic parts and components. Turnover of CSG for the year decreased by 12.2% which is mainly attributable to the substantial decline in annual sales of its high-tech products when compared with last year. On the other hand, the sales of conventional glass products, including floating glass, laminated glass, glass for motor vehicles and spectacle glass, increased significantly when compared with last year. With this change in product mix in turnover, the operating results of CSG remained stable as a result. The decrease in profit attributable to shareholders was mainly due to the sharp decrease in sales and margin of its high-tech products.

There will be challenges and various construction projects for CSG in 2002. The continuous global economic depression worsens the general operating environment. Nevertheless, CSG invests much resource in construction projects in 2002, whereby the trial run of the third production line for glass with electricity conductor coating has been completed. Meanwhile, CSG intends to establish a production plant based in northern China to secure a strategic position in the market. CSG will also strengthen its product development and research team, enhance its capability in technological services, market research and competition analysis in order to facilitate its business development.

Following the appointment of Mr. Chen Chao, the Vice Chairman and Chief Executive of the Company, as the chairman of the board of directors of CSG in May 2001, the Group enhanced its influence on CSG and thus further strengthened its interests in CSG.

In February 2001, trading restrictions in the B shares market of the PRC were relaxed so that local citizens having their own foreign currencies were allowed to participate in the trading of B shares. The Group capitalised on this opportunity by adjusting the shareholding in CSG through the market and realised an investment gain of HK$46.26 million.

Shenzhen Shentou Transportation Group Co. Ltd. ("SSTG")

For the Year, turnover of SSTG was HK$440 million (2000: HK$558 million), profit attributable to shareholders was HK$2.79 million (2000: HK$3.10 million). The principal activity of SSTG is the provision of passenger transportation services within Shenzhen City and its neighbouring cities. Turnover of SSTG during the year increased slightly which was mainly attributable to the introduction of additional routes. However, due to the soaring price level of petroleum and diversion of passenger base resulting from keen competition, the operating cost of SSTG continued to increase in the first half of the year. In addition, major bus stations have been moved out of the crowded Luohu Railway Station and Guangzhou Hanjin Station, which seriously affected the core business and profitability of SSTG. After due consideration by the management, the Group entered into an agreement with SIHC on 20 August 2001 to dispose of the Group's entire 60% interest in SSTG to SIHC. The reasons for the disposal are that the business of SSTG is not in line with the logistics business of the Group and that its current profitability and growth potential are relatively limited. The Group realised a gain of HK$53.74 million as a result of the disposal.

Hua Li Garden, Shenzhen

For the Year, the net rental income of Hua Li Garden, a major investment property held by the Group, was HK$18 million (2000: HK$16.57 million), representing an increase of approximately 8%. The investment property is leased to a leading chain department store group in Shenzhen under a long-term lease. This provides a stable and continuous rental income to the Group.

EMPLOYEES

As at 31 December 2001, the total number of employees of the Group was 210, comprising 20 employees in Hong Kong, the majority of whom were management and finance personnel, and 190 employees in the PRC, 150 of whom served in the logistics operation and the remaining served in the investment business and in property management. The employees' remuneration packages are determined by their respective qualification, experience and performance, and also by reference to market terms. The remuneration packages of Hong Kong staff include salary payments, year end bonus, medical subsidies, hospitalisation scheme and Mandatory Provident Fund retirement benefit scheme. The remuneration packages of PRC staff include salary payments, year end bonus and retirement funds, etc.

The Company has established a share option scheme whereby employees of the Group may be granted options to acquire shares in the Company. The Group provides its employees with professional training programmes focusing on information technology, Listing Rules and business related programmes and invites industry professionals to deliver training to its employees.