INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

MEGA-iAdvantage in Chai Wan commenced operation in February 2001.

INFORMATION TECHNOLOGY

The year under review was a challenging one for **SUNeVision Holdings Limited**. Despite the generally unfavourable global and local business climate, particularly in the technology sector, SUNeVision maintained its position as a leading Internet infrastructure and enabling solutions provider in Asia. The company was able to report healthy double-digit growth for each quarter during the year, largely due to a prudent management approach to ensuring cost efficiency and high productivity. Revenue for the year under review was HK$198 million, an increase of 194 per cent compared with the previous year.

The year was also notable in that gross margins turned positive in the second quarter of 2001 for the first time since the company's IPO in March 2000. Operating expenditures have continued to fall as a result of tight cost controls. Losses for the year under review were HK$171 million, largely due to heavy startup costs and one-off charges. The company is financially strong with net cash and marketable bonds of HK$1,870 million.

In February 2001, the 350,000 square-foot MEGA-iAdvantage in Chai Wan officially began operations, providing first class co-location facilities to telecom and other operators. With the recent closure of a major client in Hong Kong, iAdvantage has already made efforts to lease the space vacated by that company, and has had some initial success in retaining some of its former clients. Leasing at the other data centres was satisfactory. In addition, iAdvantage further strengthened its competitive position in the industry by forming strategic alliances with leading international solution providers. SUNeVision's Super e-Technology, Super e-Network, Super-Office, SuperHome, SuperStreets, Red-Dots and venture capital unit made steady progress throughout the year.

Looking forward, SUNeVision will continue to manage its operating and capital expenditures tightly while seeking to improve operating efficiencies. The company recognizes the need to review its business operations on an ongoing basis to ensure that it has a sustainable business model over the longer term. The information technology shakeout is by no means over, and the company will continue to face challenges in the near term. However, the Group is confident in the long-term prospects for SUNeVision and the industry. Sound business sense on the part of an excellent management team will continue to shape strategy at SUNeVision. The Group owned about 84.3 per cent of SUNeVision as at 30th June 2001.

TELECOMMUNICATIONS

SmarTone Telecommunications Holdings Limited continued to compete in a challenging market environment during the year, as the company set out to build a critical mass of customers and further strengthen its position in the market. SmarTone broadened its customer base to 980,000, representing an increase of 13 per cent as compared to 867,000 in June 2000. The company's loss attributable to shareholders for the year ended 30th June 2001 was HK$284 million, representing a decrease in loss of 22 per cent as compared to the previous year.

As the highly competitive mobile communications market continues to evolve in the new millennium, SmarTone appointed Douglas Li as CEO in July 2001. Mr. Li was SmarTone's founding CEO at its inception in 1992 and served until 1996. Mr. Li will lead SmarTone forward in its commitment to offering superior service to its customers, and to realize its long-term vision of being a leading wireless player in Hong Kong.

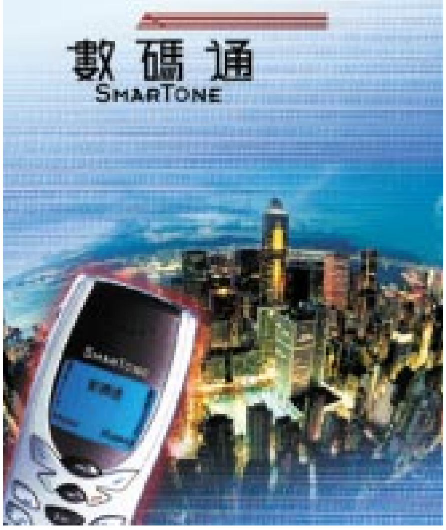
During the period under review, SmarTone launched a number of consumer-oriented services, providing its customers with mobile applications that combine broad appeal and user convenience. In November 2000, SmarTone teamed up with Standard Chartered Bank to launch mobile banking services and it further extended the service to a broader customer base by partnering with HSBC and Hang Seng Bank. In February 2001, SmarTone launched a mobile betting service which offers a comprehensive range of bets with an easy-to-use application so customers can place bets any time, anywhere.

In August 2001, SmarTone also introduced its General Packet Radio Service (2.5G), allowing customers to enjoy mobile data service with data speeds reaching over 50kbps.

Following the successful acquisition of a licence to operate a GSM network in Macau in October 2000, SmarTone rapidly built up its network and launched its service in August 2001. A flagship store was opened in the central shopping area of Macau, providing a one-stop service to Macau's residents, as well as SmarTone's Hong Kong customers visiting Macau.

SmarTone participated in the 3G auction that took place in September 2001 and was provisionally awarded a 3G licence in Hong Kong. This enhances SmarTone's position as a major wireless player in Hong Kong. The company foresees that 3G has attractive business potential and it is committed to providing the people of Hong Kong a world class 3G mobile broadband multimedia service. SmarTone firmly believes that 3G will take the company to a new level of success, as creating long-term value for its customers and shareholders.

SmarTone enjoys a strong balance sheet and is well positioned to take advantage of opportunities that may arise. The Group remains confident in the long-term prospects for SmarTone and is fully supportive of its vision. The Group will continue to hold its stake in SmarTone, 28.2 per cent as at 30th June 2001, as a long-term strategic investment.



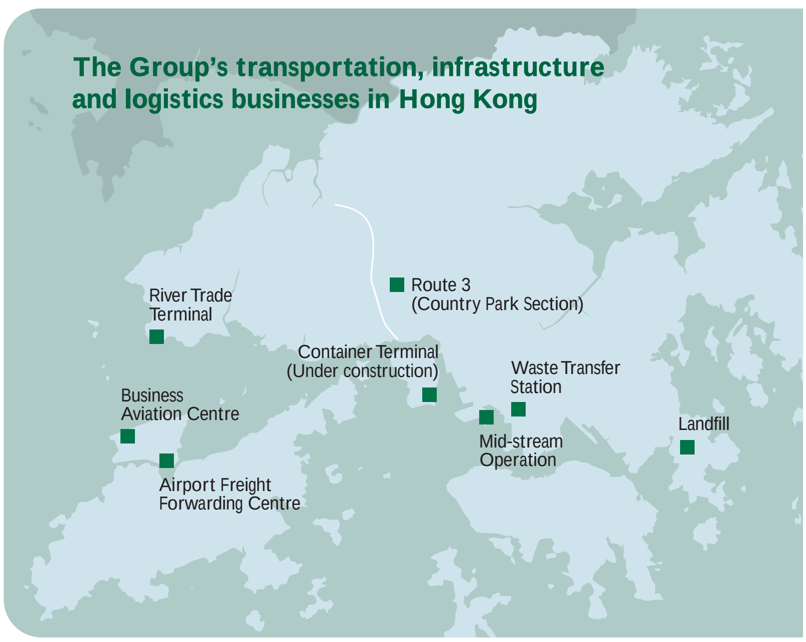
SmarTone's position strengthened further during the year, with its customer base growing to 980,000.

TRANSPORTATION, INFRASTRUCTURE AND LOGISTICS

KMB had a good year in 2000, with net profit increasing 15.7 per cent.

FRANCHISED BUS OPERATION

The Kowloon Motor Bus Holdings Limited (KMB), in which the Group has a 34 per cent interest, is publicly listed in Hong Kong. Its main business is to provide franchised bus services covering Kowloon and the New Territories. The company reported a net profit of HK$855 million for the year ended 31st December 2000, an increase of 15.7 per cent compared to the previous year. For the six months ended 30th June 2001, the company reported a net profit of HK$885 million, 143 per cent higher than last year. The strong results were due to continued growth of its core business, and a deemed profit arising from the spin-off of a subsidiary, amounting to HK$320 million. During the year, KMB continued to upgrade its fleet and install environmental protection facilities. The company also put emphasis on developing co-operative arrangements with other transport operators to provide more flexible services and wider coverage. The company aims to maintain its market-leading position in the franchised bus business in Hong Kong while seeking business diversification opportunities in the bus transportation industry in Hong Kong and Mainland China. RoadShow Holdings Limited, a 73.3 per cent subsidiary of the company, was successfully listed on The Hong Kong Stock Exchange in June 2001 raising HK$534 million. RoadShow is engaged in on-board multi-media, transit network media sales and merchandizing.



TOLL ROAD

The **Route 3 (Country Park Section) Company Limited** built and now operates the north-south road link between Yuen Long and Ting Kau. The company is 50 per cent owned by the Group. The 10.1-kilometre route consists of the 3.8-kilometre Tai Lam Tunnel and the 6.3-kilometre Yuen Long Approach Road.

Since it opened to the public in May 1998, Route 3 (CPS) has provided a quick and direct link between the northern New Territories and major urban areas, as well as the new airport. This has helped alleviate traffic congestion along the Tuen Mun and Tolo highways and improved cross-border traffic by offering the most efficient route for goods vehicles travelling from the border to the container terminals in Kwai Chung. The toll from the Tai Lam Tunnel was increased in April 2001 while traffic volume remained stable. Toll revenue from Route 3 (CPS) has been increasing since it began operations and the toll road is already generating positive cash flows.

Top: Toll revenue from Route 3 (CPS) has been increasing since it began operations in 1998.

Left: Wilson Parking is the largest parking operator in Hong Kong.

TRANSPORT INFRASTRUCTURE MANAGEMENT

The **Wilson Group**, a wholly owned subsidiary of the Group, oversees parking, tunnel, bridge, tollway and other transport-related management businesses. It was established in July 1998 following Wilson Parking's diversification into these business areas. The Wilson Group employs a total of around 4,000 staff.

The Wilson Group, through its wholly-owned subsidiaries, Wilson Parking (Hong Kong) Limited and Mack & Co. Carpark Management, manages more than 240 car parks with over 67,000 parking bays. Wilson Parking is the largest parking operator in Hong Kong and is ISO-9002-certified. It is re-equipping its access control systems to link car parks to an operations support centre in order to turn its operations cashierless in two years' time.

Through a wholly-owned subsidiary, the Wilson Group has been managing and maintaining the Shing Mun and Tseung Kwan O tunnels under a six-year contract which commenced in June 2000. In addition, its 66.67 per cent owned Tsing Ma Management Limited renewed its management-operation-maintenance contract for the Tsing Ma Control Area for six years with effect from May 2001. Wilson Tunnel Management Limited, another wholly-owned subsidiary of the Wilson Group, manages the Route 3 (CPS).

In September 2001, the Wilson Group began managing public transport interchange facilities at the Olympic and Kowloon stations on the Tung Chung Line through a wholly-owned subsidiary.

In October 2000, the Wilson Group acquired an additional 25 per cent share in Autotoll Limited, making it a 50 per cent shareholder in the only electronic toll collection operator for all ten tolled tunnels and expressways in Hong Kong.

The Wilson Group has a 30 per cent interest in the Hong Kong School of Motoring Limited. The school has been operating successfully for the past 18 years. As the major provider of off-street driver training facilities in Hong Kong, it currently operates three centres in Shatin, Wong Chuk Hang and Yuen Long.

PORT BUSINESS

Asia Container Terminals Limited is 28.5 per cent owned by the Group. It participates in the development of two berths at Container Terminal 9 on Tsing Yi Island. Construction of the berths began in mid 2000 and will be completed in stages, with the first stage to commence operation in August 2003. Upon completion, it will exchange its two berths there for two existing berths at Container Terminal 8. Project financing is already in place.

The Group has a 33 per cent interest in the **River Trade Terminal**, which occupies a 65-hectare site in Tuen Mun with 3,000 metres of quayfront and 60 berths, providing a unique range of containerized and breakbulk cargo handling and storage services for river trade between the Pearl River Delta and Hong Kong. Business has been growing gradually since operations began.

The Group holds a 50 per cent interest in both **Hoi Kong Container Services Company Limited** and **Faith & Safe Transportation Company Limited**, two market leaders in the mid-stream industry in Hong Kong. Business during the year was satisfactory for the companies.

AIR TRANSPORT

The **Airport Freight Forwarding Centre Company Limited** (AFFC) became a wholly-owned subsidiary of the Group during the year under review. AFFC operates the only premium freight forwarding and logistics centre at the Hong Kong International Airport. Its strategic airport location and accessibility to the Pearl River Delta region with the Hong Kong International Airport Marine Cargo Terminal and Route 3 have made it an important transport hub for out-bound air cargo from southern China.

AFFC's facilities and services allow tenants to meet the needs of global trade.

AFFC has been in operation since 1998. It comprises 1.3 million square feet of cargo handling space and 175,000 square feet of premium quality office space, offering flexible leasing terms and competitive rates for its airport location. Tenants include logistics companies, freight forwarders and other businesses requiring superior access to the Hong Kong airport's various cargo, maintenance, commercial, passenger and support services. AFFC's advanced facilities and supply-chain management capabilities enable tenants to cope with all the demands of global trade in the information age.

The Group's **Hong Kong Business Aviation Centre Limited** is a franchise at the Hong Kong International Airport that serves all business aircraft flying in and out of Hong Kong. The facilities, located in the southwest corner of the Chek Lap Kok reclamation, include a dedicated apron for aircraft parking, an executive terminal and a 23,800 square-foot hangar, all built to the highest international standards.

Since commencing business in 1998, there has been a steady growth in the number of aircraft movements. The franchise is now in its third year of operation, generating positive cash flows, and profitability is anticipated in the near future. The Group owns 35 per cent of the franchise.