

Infrastructure Division

The Group's infrastructure-related investments are enjoying satisfactory growth with both Chiwan Container Terminal and Asia Airfreight Terminal showing continued improvement during the year. The Western Harbour Tunnel has started to make positive contributions to the Group whilst the management contract for the Cross Harbour Tunnel has been secured for a further two year term. The Division is expected to provide a source of good recurrent earnings for the future as the investments continue to grow and mature.

CHIWAN CONTAINER TERMINAL ("CCT")

In February 2002, Shenzhen Kaifeng Terminal changed its name to Chiwan Container Terminal. Powered by the thriving manufacturing base in the Pearl River Delta and leveraging on its new third berth and facilities, CCT made very good progress during the year with TEUs handled in 2002 increasing to 1,173,595 TEUs from 643,745 TEUs in 2001. This increase was helped by the PRC's accession to the WTO as well as increased demand from the United States. In view of the booming port business in Southern China, the management of CCT is currently considering the construction of two new berths, which when completed, will increase the total number of berths to five. The Group is confident that this will further enhance the revenue of CCT and thus bring in further income to the Group.

During the year, the Group equity accounted for its share of profit after tax amounting to HK\$49 million (2001: HK\$17 million) from this investment.

ASIA AIRFREIGHT TERMINAL ("AAT")

2002 was a record year for Asia Airfreight Terminal. In line with the Hong Kong International Airport



Western-By-Pass facility at Asia Airfreight Terminal

posting record numbers for passengers, freight and aircraft movements during the year, the annual cargo throughput for AAT has similarly reached a record of 431,416 tons in 2002, representing a growth of 18% over 2001. This cargo growth was driven by the fact that more countries are buying goods from the PRC whilst consumer demand in the mainland has continued to grow.

During the year, construction of the new terminal facility, the Western-By-Pass, was completed. The Western-By-Pass facility is designed mainly for export cargo acceptance and covers a site area of 1,700 square metres. At present, pre-packed cargos will be served from this facility. There are two mechanical



Chiwan Container Terminal, Shenzhen, PRC

lanes, one free drive lane and ball mat for moving cargo units from landside to airside direct. The Western-By-Pass facility commenced operations in January 2003. AAT is confident that it will further streamline efficiency in processing pre-packed cargos and thus improve its revenue stream.

During the year, the Group equity accounted for its share of profit after tax amounting to HK\$27 million (2001: HK\$22 million) from this investment.

WESTERN HARBOUR TUNNEL

The performance of the tunnel was in line with expectations and has started making a positive contribution to the Group during the year under review. Daily average traffic experienced a slight increase to approximately 40,000 (2001: 39,700) vehicles a day. As at 31 December 2002, the Group has equity accounted for its share of profits from the tunnel amounting to HK\$25 million (2001: HK\$12.6 million).

CROSS HARBOUR TUNNEL

Hong Kong Tunnels and Highways Management Company Limited, a joint venture company formed by the shareholders of the Western Harbour Tunnel in which the Group has a 15% interest, had previously been awarded the management, operation and maintenance contract for the Cross Harbour Tunnel up to 31 August 2002. In June 2002, the consortium successfully secured a new contract with the Government to continue rendering its management services to the tunnel for another two years, extendable for a further two years thereafter.

As at 31 December 2002, the gross asset value of the Group's infrastructure investments was approximately HK\$723 million (2001: HK\$596 million) comprising HK\$515 million (2001: HK\$427 million) and HK\$208 million (2001: HK\$169 million) of assets located in Hong Kong and the PRC, respectively.