

OPERATIONAL REVIEW

The Group's principal activities include port and cargo handling operations which encompass the geographic regions of North China, East China and South China. The highest level of activity is registered in the South China ports of Hong Kong and Xiamen. The inland river ports of Nanjing and Suzhou on the Yangtze River are the focus of the Group's operations on the Eastern Coast of China. Meanwhile, the Port of Tianjin serves the industrialized northern hinterland. The following is a brief review of operations. However, as the Group only acquired the interest in the Hong Kong and Tianjin port assets in March 2000, comparative financial figures for these projects for the 1999 Period are not available.

Hong Kong

CSX World Terminals Hong Kong Ltd. ("CSX"), formerly Sea-Land Orient Terminals Ltd., the operator of Container Terminal No. 3, reported an AOP of HK\$97.6 million. During the period, CSX handled some 943,000 Twenty-foot Equivalent Units ("TEUs"), a 14% increase over the 1999 Period. This was primarily due to strong growth in the Hong Kong container handling business in 2000.

The AOP of ATL Logistics Centre Hong Kong Ltd. ("ATL"), formerly Asia Terminals Ltd., amounted to HK\$84.8 million. At December 2000, the ATL occupancy rate was 94.2%. Due to a limited supply of quality warehouse space and the Hong Kong economic recovery, the rental market is expected to remain buoyant. In addition, ATL made an early loan repayment resulting in decreased interest expenses.

Asia Container Terminals Ltd. ("ACT") is one of three joint-developers of Container Terminal No. 9 ("CT 9"). The construction of CT 9 started in May 2000. Due to a berth-swap between a joint-developer and ACT under a joint development agreement, ACT will commence operations at Container Terminal No. 8 West in second half 2003.

Tianjin

Sea-Land Orient (Tianjin) Container Terminals Co., Ltd. reported an AOP of HK\$8.8 million. Throughput grew to 381,000 TEUs, a 33% increase over the 1999 Period. This was due to the growth in the PRC market and the addition of a major new customer.

Xiamen

Xiamen Xiang Yu Quay Co., Ltd. ("Xiangyu"), operator of Berth No. 12 container terminal in Xiamen Port, achieved an AOP of HK\$4.5 million. This is a substantial improvement from an AOL of HK\$100,000 over the 1999 Period. The result was powered by a rise in volume throughput with Xiangyu handling 90,000 TEUs, a rise of 63% compared to the 1999 Period. This was mainly accomplished by a growth in the cargo base and the addition of new customers.

The commissioning of container-handling equipment was completed for Xiamen Xiangyu Free Trade Zone Huijian Quay Co. Ltd., ("Huijian") operator of Berths No.13 and No. 14. The construction of the Berth No.14 quay is underway with completion expected in early 2001.

Xiamen New World Xiangyu Warehouse & Processing Zone Ltd. continued its efforts to develop a regional logistics centre. Construction work on the centre should commence this year.

Xiamen Xinyuan Container Terminal Co., Ltd. turned a profit in the interim period, reporting an AOP of HK\$400,000, compared to an AOL of HK\$400,000 in the 1999 Period. The improvement was mainly due to a change in business strategy that enhanced capacity utilization.

Nanjing

The AOL of Nanjing Huining Wharfs Co., Ltd. was HK\$8.6 million, a 13.6% reduction over the 1999 Period. This was mainly due to a 39% rise in turnover for the period.

Suzhou

The trucking operations of Suzhou Huisu International Container Freight Wharfs Co., Ltd. ("Huisu") reported an AOL of HK\$600,000 this period, a slight increase over the 1999 Period. The unfavorable result was caused by higher uncontrollable operating costs, such as oil prices. Huisu is focused on the opportunity arising from development of the water transportation business between Shanghai and Suzhou, which is based on the Shanghai development plan. The Group believes Huisu is ready to become a profitable business and has increased its equity stake in Huisu by 20% to 75%.