

## **BUSINESS REVIEW**

During the period under review, the overall performance of the Group remains satisfactory. Consolidated turnover for the six months ended 30th June, 2001 was US\$85,530,000, representing an increase of 11.2% over the corresponding period of last year. Consolidated profit after taxation and minority interests was US\$3,588,000, improved by 69.2% over 2000.

The positive results were mainly attributable to the good performance of the Group's container depot business. The mid-stream operation also recorded healthy improvement while the container manufacturing business remained stable.

Progressing into the new millennium, the business environment remains competitive. Good results achieved by the Group has proven its business strategies, including its expansion into the People's Republic of China (the "PRC") and to other countries in the Asian region, effective cost control policies as well as the Group's commitment to business development and effective profit enhancement implemented in the past few years.

### **Container Manufacturing Operations**

Container manufacturing remained the Group's core business, accounting for 78.6% of its total turnover. For the six months ended 30th June, 2001, the downturn of the U.S. economy depressed prices and slowed down new orders. Average selling prices for dry freight containers reduced by approximately 5% as compared with the same period last year. However, the cost of raw materials; in particular, the price of steel and plywood also dropped by approximately 5-6%, which compensated the decrease in selling prices and enabled the Group to maintain its overall profit margins. For the first half of 2001, the Group's container manufacturing operations recorded consolidated turnover of US\$67,242,000, 8.0% more than the same period of last year. Profit before taxation and minority interests was US\$2,668,000, 57.6% higher than last year.

On 6th February, 2001, the Company entered into a joint venture agreement to acquire 40% equity interest in Shunde Shun An Da Pacific Container Co., Ltd. ("SSPC"), which mainly produces ISO dry freight containers and 45-foot/48-foot specialised containers. After four months' operation, SSPC began to contribute positively to the Group with monthly production capacity currently at around 11,000 twenty-foot equivalent units ("TEUs"). The addition of SSPC not only is in line with the Group's strategy to increase its production capacity and to capture a larger market share, it also extends the Group's manufacturing network to the Southern PRC to capture the market demand in that region. The Group believes that the inclusion of SSPC will further strengthen the competitiveness and market position of its container manufacturing business in the PRC and the global markets.

## **BUSINESS REVIEW** *(Continued)*

### **Container Manufacturing Operations** *(Continued)*

At the same time, Shanghai Reeferco Container Co., Ltd. (“Shanghai Reeferco”), specialising in the production of environment friendly Chlorofluorocarbon free refrigerated containers (“reefers”), has reported growth in both turnover and profit. After upgrading Shanghai Reeferco’s production facilities and processes by entering into a technical collaboration agreement with Hyundai Mobis Company Limited in October 2000, the factory’s efficiencies are greatly improved with daily production capacity increased from 12 units to 28 units. During the period under review, Shanghai Reeferco produced 5,502 TEUs.

### **Container Depot Operations**

During the first half of 2001, the Group’s container depot operations continued to perform well and achieved significant results. It recorded consolidated turnover of US\$12,316,000 and a consolidated profit before taxation and minority interests of US\$2,281,000, 28.3% and 86.3% more than the corresponding period in 2000 respectively.

During the period under review, the container throughput handled by the PRC’s major ports along the coastline remained strong with double-digit growth rates. Shanghai, Qingdao, Ningbo and Xiamen were amongst the busiest ports in the PRC and they collectively achieved a growth rate of 19.9%. With a comprehensive container depot network along these coastal ports, the Group’s PRC container depots benefited from this growth. On the other hand, the declining cargo throughput in Hong Kong increased the empty container storage business of the Group’s container depots in Hong Kong.

In line with the Group’s strategy to extend its depot network coverage into other Asian countries, the Group entered into a shareholders’ agreement on 12th February, 2001 with Pacific International Lines (Private) Ltd., Eastern Maritime (Thailand) Ltd. and a private investor to establish a new container depot, Singamas Falcon Logistics Co., Ltd. (“Singamas Falcon”) in Bangkok, Thailand. Witnessing the economic recovery in Thailand and increasing container throughput in the Asia Pacific region, the Group believes that trade activities in the area will grow over time. The management expects Singamas Falcon will bring satisfactory contributions to the Group after its commencement of commercial operations in August.

### **Mid-stream Operation**

During the first half of the year, the mid-stream operation achieved satisfactory results with a turnover of US\$5,972,000 as compared to last year’s US\$5,062,000 and registered a profit before taxation of US\$953,000, increased by 22.5% from 2000. It is expected that the Group’s mid-stream operation will continue to perform well in the future.