

## OPERATIONAL REVIEW

The Group's principal activities include container handling, cargo handling, storage and road freight services. Group operations are spread across strategic locations in Mainland China including the North, East and South regions of the country. Though such projects have steadily increased their share of Group profits, Hong Kong operations continue to be the key profit contributors.

### Hong Kong

CSX World Terminals Hong Kong Limited ("CSXHK"), the operator of Container Terminal No. 3, reported lower throughput due to the global economic slowdown. Nonetheless, CSXHK achieved an AOP of HK\$87.5 million due to stringent cost controls, a 10% drop from 2000 period.

ATL Logistics Centre Hong Kong Limited ("ATL") achieved an AOP of HK\$87.4 million, a 3% increase compared to the 2000 period. In late 2001, ATL arranged a refinancing facility at better terms.

ACT holds an interest in two CT9 berths and upon completion in 2003 these two berths will be swapped for two berths at Container Terminal No. 8 West. During this period, the Group entered into a share subscription agreement of Pacific Owner Limited, a wholly owned subsidiary of the Group, to rationalise the shareholdings between the Group and CSXHK in ACT. After the transaction, CSXHK holds 29.5% equity interest in ACT and has become the single largest shareholder. The Group received HK\$242 million as the consideration and provided HK\$90 million as loss on partial disposal as a result of the transaction.

### Xiamen

Xiamen Xiang Yu Quay Co., Ltd. ("Xiangyu"), operator of the container terminal Berth No. 12 in Xiamen Port, achieved an AOP of HK\$11.8 million, a 158% increase over the 2000 period. During this period, the number of containers handled rose to 141,000 TEUs representing a 57% increase over the 2000 period. The expansion of the business was accomplished due to an increase in the volume of activity generated by existing customers and the addition of new customers.

Adjacent to Berth No. 12, Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. ("Huijian") is the operator of container terminal Berths No. 13 and 14 in Xiamen Port. Berth No. 13 is expected to be fully operational in the first half of 2002 and the construction of civil works for the container yard of Berth No. 14 should be completed in 2002.

Xiamen Xinyuan Container Terminal Co., Ltd. reported an AOP of HK\$300,000, a slight decrease over the 2000 period. The Phase II development plan is now under review.

The development plan of WPZ is undergoing evaluation and the Group intends to transform the project into a regional logistics centre to extend business coverage. Due to delay in the implementation of this project, some HK\$75 million was provided for WPZ.

### Tianjin

CSX Orient (Tianjin) Container Terminals Co., Ltd. (formerly known as Sea-Land Orient (Tianjin) Container Terminals Co., Ltd.), operator of four container berths and one coal berth in Xingang of Tianjin, recorded an AOP of HK\$10.2 million. Throughput grew to 453,000 TEUs, a 19% increase over the 2000 period. Growth was mainly driven by developments in the Mainland China market and the addition of new customers.

### Nanjing

The AOL of Nanjing Huining Wharfs Co., Ltd. ("Huining") was HK\$4.5 million, a 48% reduction in AOL over the 2000 period. This was mainly due to an improvement in the collection of debt. Effective 24 December 2001, the Group assigned the sole operation and management right of Huining to Nanjing Port Authority in return of consideration of RMB18 million.

**Suzhou**

Suzhou Huisu International Container Freight Wharfs Co., Ltd. ("Huisu"), reported an AOL of HK\$751,000 during this period, a slight increase compared to an AOL of HK\$600,000 in the 2000 period. Following an increase in the Group's equity stake, management has focused on turning Huisu into a profitable operation. In addition, inland river operations commenced on a trial basis in December 2001.

