

## OUTLOOK

The current market environment is steadily improving as the global economy shows signs of a modest recovery following a notable economic slowdown in the second half of 2001. The momentum of the economic recovery is expected to increase in the second half of 2002 and the evolution of this new cycle of economic expansion will have a positive effect on Group operations. Furthermore, China's accession to the World Trade Organization ("WTO") and Beijing's successful bid to host the 2008 Olympic Games, create a new driving force for an increase in trade flows between China and the rest of the world. The influence of these two factors should accelerate in coming years.

As in the past, Hong Kong operations will remain the key profit contributor to the Group. During the recent period, Hong Kong suffered a drop in business activity due to the global economy downturn. However, the decline in Hong Kong may soon be offset by the positive effect of China's entry into the WTO and the ongoing expansion of the dynamic South China economy.

Operations in Mainland China are expanding at a rapid pace and will be a more significant profit contributor to the Group in the coming period. Throughput of major container ports in Mainland China reported double-digit growth rates in 2001 and this trend should be maintained, especially given China's need to modernise its port facilities with container handling capacity. This general trend will provide the Group with opportunities for expansion.

Given its strategic location across the strait from Taiwan, Xiamen Port is expecting an increase in activities due to progress of the "Three Links Policy" between China and Taiwan as well as China's accession to the WTO. In addition, after the Berth No. 13 becomes fully operational in 2002, Xiamen Port projects will be further enhanced by the synergies with other Group operations.

As the main port serving Beijing, Tianjin Port enjoys a number of trade related benefits due to activities surrounding the 2008 Olympics. Meanwhile, Tianjin Port is connected to Inland China by container block trains and the central government policy to rapidly develop Western China provides additional growth opportunities.

After an initial trial period, the inland water transportation route of Huisu between Shanghai and Suzhou is expected to become fully operational in 2002. This new business activity will allow Huisu to make a positive contribution to Group's AOP in coming periods.

In the future expansion of its business base, the Group will continue to follow prudent development policies. In so doing, the Group is exploring port and logistics opportunities in Mainland China as well as in key overseas market. This overall strategic initiative combined with the factors described above should position the Group for improved profitability and increased shareholder value.