

Review of Operations

Ship

“With increasing passenger traffic to Macau and economic activities in the Pearl River Delta, the Group is actively exploring passenger ferry route expansion and other business development opportunities in the region.”

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Shipping

Buoyed by robust economic growth in the Pearl River Delta and increasing passenger traffic to Macau from Hong Kong and Mainland China, the Group's shipping division continued to record encouraging earnings growth in 2001.

Operating under the trade name "TurboJET", Shun Tak-China Travel Shipping Investments Ltd. ("ST-CTS"), the Group's 71%-owned joint venture with China Travel International Investment Hong Kong Limited, owns and operates high-speed passenger ferry services between Hong Kong/Kowloon and Macau, Guangzhou and Shenzhen.



ST-CTS is one of the largest high-speed ferry operators in Asia with a fleet of 31 vessels as at the end of 2001. As the only operator offering 24-hour ferry services between Hong Kong and Macau, the Group's shipping division has been the market leader in its Macau route for nearly four decades, enjoying a market share of approximately 90% in 2001 with passenger traffic of approximately 9.8 million during the year. Passenger traffic on the Shenzhen and Guangzhou routes also grew approximately 13% in 2001.

The strategic merger in June 1999 enabled ST-CTS to optimise economies of scale, improve operating efficiency, expand market share and boost earnings momentum. The enlargement of the Group's fleet after the merger offered additional flexibility in vessel deployment and sailing

schedule. This has resulted in a significant rebound in load factor.

Through optimal re-allocation of internal resources and enhancement of operating efficiency, ST-CTS continues to provide high quality services to its passengers.

Benefiting from declining fuel prices and continuing cost control measures, ST-CTS achieved significant cost savings during the year. In particular, fuel costs decreased by approximately 20% in 2001.

In July 2001, ST-CTS renewed a charter service agreement with Sociedade de Turismo e Diversões de Macau, S.A.R.L. ("STDM"). Under the agreement, two high-speed passenger ferries were chartered to STDM to operate on its behalf a low-fare passenger ferry service between Kowloon and Macau for a half-year term from July

2001. In January 2002, the agreement was further renewed for an additional year. This enables the Group to receive a stable income for the route and further promote Macau tourism.

In order to re-deploy surplus resources and explore future business development opportunities, ST-CTS strategically disposed of one of its jefoils to an Asian company at a gain during the year.

In anticipation of increasing economic activities in the Pearl River Delta region, the Group is actively exploring the expansion of new PRC routes and other regional development opportunities. On 16 April 2002, ST-CTS celebrated the launching of a new route between Shenzhen and Macau to diversify its existing ferry service between Shenzhen and Hong Kong.