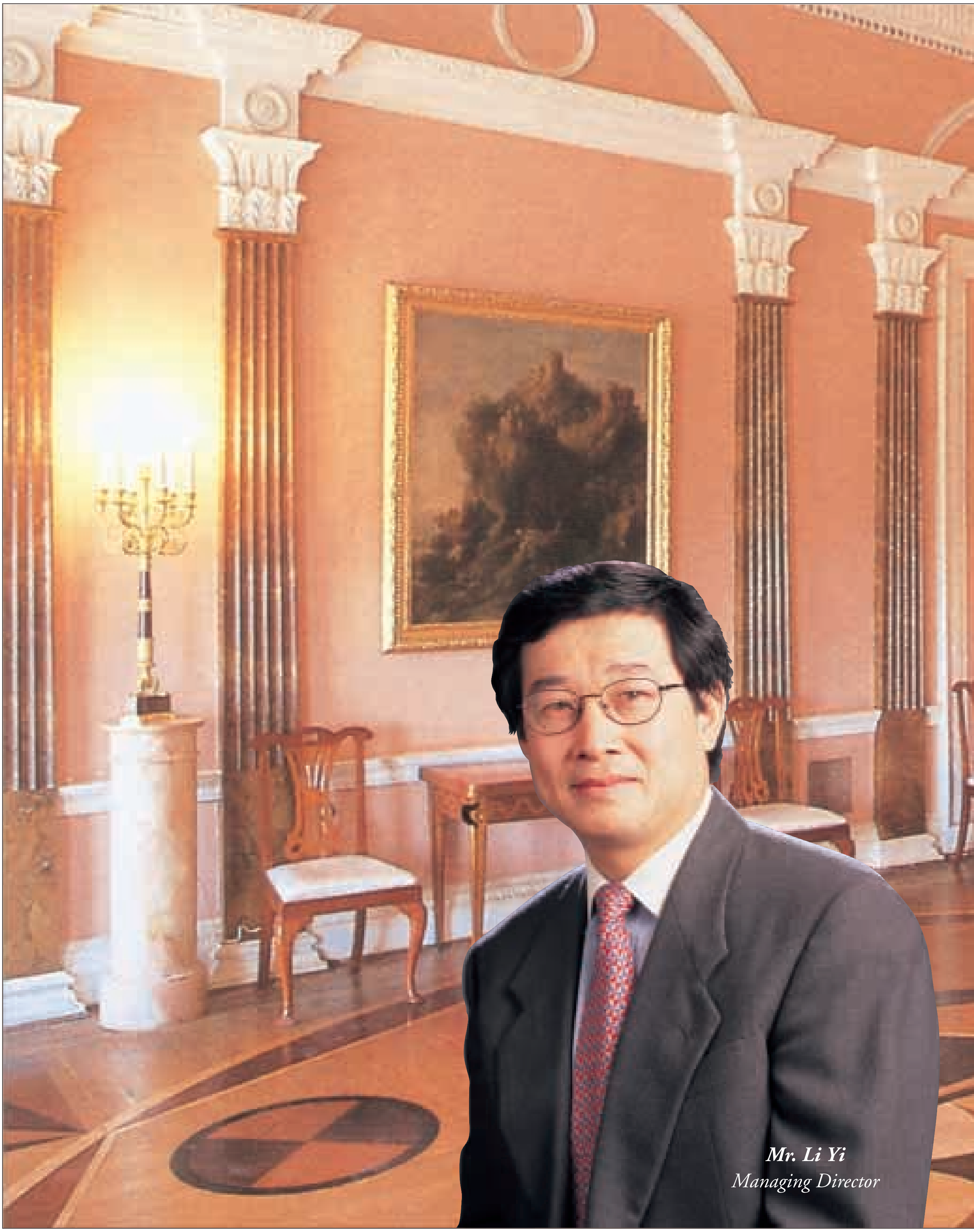


Mr. Li Yi
Managing Director

Operations Review

Summary for 2001 Performance

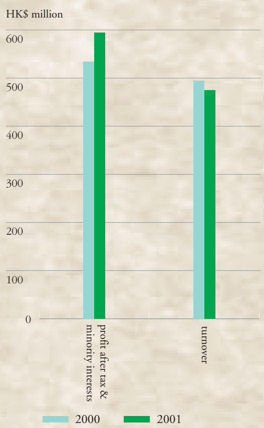
The Group is presently positioned as a transportation and infrastructure conglomerate, engaging in ports and port-related, toll road and industrial manufacturing businesses, with the ports business as core business.

The Group recorded a consolidated profit after tax and minority interests of HK$800,200,000 for the Current Year, representing a decrease of 8.9% over that of HK$878,100,000 for the previous year. The turnover for the Current Year was HK$1,206,100,000, representing a decrease of 12.7% over that of HK$1,381,900,000 for the previous year. The decrease in the consolidated profit after tax and minority interests for the Current Year was largely due to a combination of two factors: an unforeseeable natural calamity occurring in relation to the Group's Guiliu Expressway, resulting in provision of HK$100,000,000 for impairment and uncertainty over the resolution of income guarantee arrangements in relation to the Zhangzhou 324 National Highway and the Luomei Expressway in Guangdong, leading to provision of approximately HK$40,000,000 for impairment.

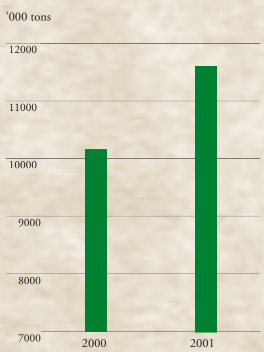
The decrease of 12.7% in turnover for the Current Year compared with the previous year was attributable to a relatively sharp decrease in turnover from the paint manufacturing business, which was in turn caused by the lower production of containers manufactured in China (hence leading to lesser use of industrial paint).

In 2001, the economy throughout China has slowed down. As a result, the container throughput growth rate of Shenzhen ports has reduced from 34% in 2000 to 27% in 2001 and the throughput of Hong Kong ports has declined by 1.1%. Facing such an unfavourable economic environment, the Group has taken proactive steps such as acquisition of quality assets, restructuring ports operations, improving asset quality, minimizing operational risks, strengthening internal management and adopting cost measurement exercises to enhance its value. This has resulted in port revenues increasing by 8.7% in 2001 over that in 2000.

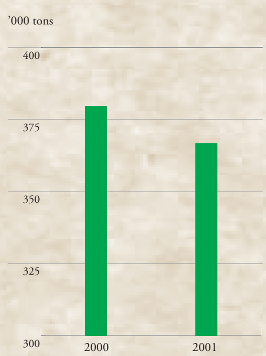
Turnover & Profit of the Company's Ports & Port-related Business



Bulk & General Cargo Throughput of CM Shekou



Cargo Throughput of AAT



Details of the operations and results of the Group's various businesses during the Current Year are as follows:

Ports and Port-related Business

The Group recorded turnover for the ports and port-related business for the Current Year of HK$474,800,000, representing a decrease of 4.0% from HK$494,500,000 in 2000. The consolidated profit after tax and minority interests for the Current Year was HK$594,000,000, representing an increase of 11.3% over that of HK$533,900,000 in the previous year.

The Group's ports and port-related business includes: container terminal services, bulk and general cargo terminal services, airport cargo handling services and Aframax oil tanker transport services. Their respective results are described below.

Port Services Business

The Group's ports business mainly comprises Modern Terminal Limited ("MTL"), Asia Airfreight Terminal Company Limited ("AAT"), western Shenzhen ports (i.e. Shekou Container Terminals Limited ("SCT"), Shenzhen Chiwan Wharf Holdings Ltd. ("Chiwan Wharf"), Chiwan Container Terminal Co., Ltd ("Chiwan Container Terminal") and Shenzhen Haixing Harbour Development Co. Ltd. ("Haixing Port") and Zhangzhou China Merchants Port Co. Ltd. ("Zhangzhou Port"). The consolidated profit after tax and minority interests of the aforementioned business for the Current Year was HK$396,400,000, representing an increase of 8.7% over that of HK$364,700,000 in 2000.

As at 31 December 2001, the Group held a 22.1% interest in MTL, being its second largest shareholder. MTL is mainly engaged in the provision of container handling services. In 2001, MTL handled 3,310,000 TEU of containers, surpassing the 3,250,000 TEU of containers handled in 2000 by 1.8%. Due to MTL's relentless efforts in marketing and providing quality services, it was able to record a positive growth in 2001 despite a general decrease in Hong Kong's container throughput, thereby enlarging its market share in Hong Kong from 28.6% in 2000 to 30.7% in 2001.

For the year ended 31 December 2001, the Group held a 32.5% interest in SCT, being its largest shareholder. SCT operates container loading and unloading business, freight forwarding business, container land transportation services and barges and feeder services. During the Current Year, SCT handled a total container throughput of 750,000 TEU, an increase of 4.2% compared to the throughput of 720,000 TEU in 2000.

2001 FY & 2000/1999 FY Ports Throughput Review

Name of Ports & Terminals	2001 FY TEU (000)	YOY % Change	2000 FY TEU (000)	1999 FY TEU (000)	YOY % Change
SCT	751	4.2	720	574	25.4
Chiwan Container Terminal	644	43.0	450	350	28.7
Chiwan Wharf	253	33.1	190	132	44.8
CM Shekou	430	32.3	325	274	18.9
Haixing Port	147	20.9	122	36	236.6
Total for Western Shenzhen	2,225	23.1	1,808	1,366	32.4
MTL	3,310	1.8	3,252	2,633	23.5

In November 2001, the Group held China Nanshan Development (Group) Inc. ("CND") which had repurchased a 4.225% stake from China Resources (Holdings) Co. Ltd, the Group's interests in CND was increased by 1.257%. In December 2001, the Group also entered into a sale and purchase agreement with the Bank of China Group to acquire a 6.76% stake in CND and was its largest shareholder. CND is mainly engaged in port operation, warehousing and transportation, petroleum services and property development. The ports operated by CND ended the year with a container throughput of 897,000 TEU in 2001, representing in growth of 39.9% as compared with 641,000 TEU in 2000.

As at 31 December 2001, the Group held a 18.6% interest in China Merchants Shekou Holdings Co. Ltd ("CM Shekou"). Being the mainland listed flagship of the China Merchants Group, CM Shekou is involved in a wide range of businesses, including ports business, public utilities business such as water and power, real estate development, petroleum and chemicals business, etc. During the Current Year, the container throughput attributable to CM Shekou was 430,000 TEU, representing an increase of 32% over 325,000 TEU in 2001. Bulk and general cargo handled by CM Shekou totaled 11,610,000 tonnes in 2001, representing an increase of 14% as compared with 10,160,000 tonnes in 2000.

For the year ended 31 December 2001, the Group held a 49% interest in Zhangzhou Port, which is managed and operated by the Group. Being the nearest port in mainland China for the direct-link to Taiwan, Zhangzhou Port carries great strategic significance and economic potential. In 2001, Zhangzhou Port handled 1,068,000 tonnes of cargo, representing a significant increase of 28.3% over the previous year.

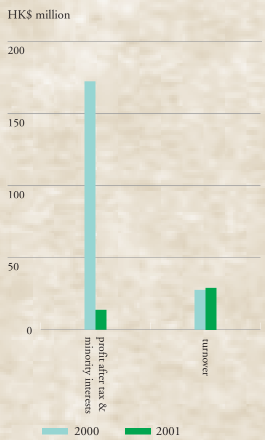
For the year ended 31 December 2001, the Group held a 20% interest in AAT. AAT is one of the two exclusive licensees appointed by the Hong Kong Airport Authority to handle airfreight cargo terminal services at the Hong Kong International Airport. AAT provides carriers with services including customs management and clearance, physical goods handling, document preparation, and special cargo handling services. AAT now accounts for approximately 18.7% of the total airfreight cargo handled by the two licensees in Hong Kong. Cargo handled by AAT during the Current Year amounted to 367,000 tonnes, representing a decrease of 3.5% compared to 380,000 tonnes in 2000. The fall in cargo handled was mainly due to the slowdown of the US economy.

Shipping Business

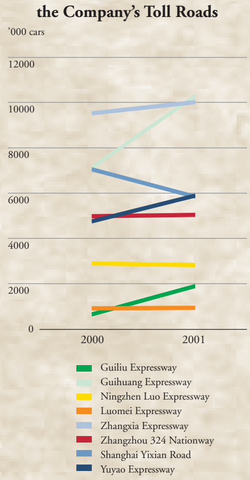
The Group operates its shipping business through Ming Wah Universal (Bermuda) Co. Ltd ("Ming Wah Bermuda"). With the completion of the privatization of Ming Wah Bermuda in June 2001, the Group now holds a 100% interest in Ming Wah Bermuda as at 31 December 2001. Ming Wah Bermuda operates 7 Aframax oil tankers with a total tonnage of 660,000 tonnes.

The turnover for the Group's shipping business was HK$474,800,000 for the Current Year, representing a decrease of 4% from HK$494,500,000 of the previous year. The consolidated profit after tax and minority interests was HK$197,700,000, representing an increase of 16.9% from HK$169,200,000 of the previous year. The slight decrease in turnover was mainly due to better market conditions for the oil tanker shipping industry in 2000 (which provided a higher basis for comparison) and decreased chartering capacity due to the dry docking of three Aframax tankers in the Current Year. As for the increase in consolidated profit after tax and minority interests, they are attributable to lower operating costs due to more efficient cost control measures, lower interest rates and increase in the Group's equity (and hence economic) interest upon the completion of the privatization of Ming Wah Bermuda in June 2001.

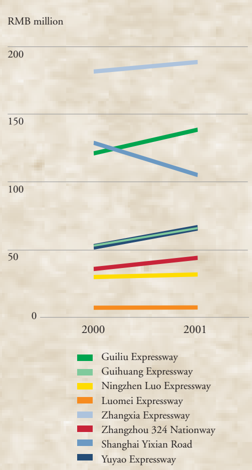
Turnover & Profit of the Company's Toll Road Business



Traffic Flow of the Company's Toll Roads



Turnover of the Company's Toll Roads



Toll Road Business

The Group currently holds interests in eight toll roads and a number of bridges in China with a total mileage of 482 kilometers. In 2000, the Group reached agreements with its PRC joint venture partners with respect to the Guiliu Expressway and the Guihuang Expressway for the elimination of certain income guarantee arrangements, and in return the duration of the said joint ventures was extended and the distributable profit sharing arrangement was revised to be more favourable to the Group. As a result of these developments, the risks associated with toll road investments have been substantially reduced. The Group is presently in discussions with its PRC joint venture partners to resolve the income guarantee arrangements in relation to the Zhangxia Expressway and the Zhangzhou 324 National Highway. The guaranteed income from these two toll roads amounted to an aggregate of US$8,100,000 annually. As such guarantees have been discouraged by the Chinese government, this issue will need to be resolved quickly in order to reduce the commercial risk from these toll road operations. The Company will issue a press announcement in accordance with the Listing Rules once such negotiations have been concluded.

The Group's turnover for the toll roads business was HK$29,200,000 for the Current Year, representing an increase of 5.9% compared to HK$27,600,000 in 2000. The consolidated profit after tax and minority interests for the Current Year was HK$13,800,000, representing a decrease of 92.0% compared to HK$172,100,000 in 2000. The decrease in profits is mainly attributable to the provision for impairment on toll roads in the amount of HK$140,000,000 and the guaranteed income of US$8,100,000 that has not been accounted for. Putting aside the provision for impairment and the outstanding guaranteed income, the Group would have recorded an increase in profits by 12% in the Current Year.

By repossessing management rights, appointing senior management staff to the various toll roads to provide direct supervision, employing additional professionals specialising in the management of toll roads and introducing professional management, there is a visible improvement in management efficiency and economic benefits together with steady growth in traffic flow and revenue. The Group is optimistic in relation to future earnings growth in this area.

Industrial Manufacturing Business

The turnover of the Group's industrial manufacturing operations (only including the Group's paint manufacturing business) for the Current Year was HK$674,500,000, representing a decrease of 18.8% from HK$830,800,000 in 2000. The consolidated profit after tax and minority interests was HK$191,900,000, representing a decrease of 3.6% from HK$199,200,000 in 2000.

The industrial manufacturing business of the Group comprises paint manufacturing business and container manufacturing business, which are described below.

Paint Manufacturing Business

The turnover of the Group's paint manufacturing business for the Current Year was HK$674,500,000, representing a decrease of 18.8% from HK$830,800,000 in the previous year. The consolidated profit after tax and minority interests was HK$48,800,000, representing a decrease of 24.4% from HK$64,500,000 in 2000. As the Group's paint manufacturing business mainly comprises the manufacture and sale of container paint, the fall in turnover and profit was mainly due to a drop in demand for container paint as a result of lower container production in China.

The Group sold 38,500,000 liters of paint in 2001, a decrease of 23% from 50,000,000 liters in 2000. The reduction was due to a decrease in sales of shipping container paint. However, as the quality of the Group's shipping container paint has already achieved market recognition in China, the Group's shipping container paint remained the market leader, accounting for 32% of the domestic market. The sales of other paint, namely, marine paint, industrial paint and construction paint, all recorded positive growth over last year, of which the growth of marine paint reached 40% over the previous year. With the global economy improving, the expected improvement in the demand for containers and expected increase in the sales of paint other than shipping container paint, together with the implementation of cost control measures like central purchasing, it is believed that the paint manufacturing business of the Group will enjoy favourable profit growth.

Container Manufacturing Business

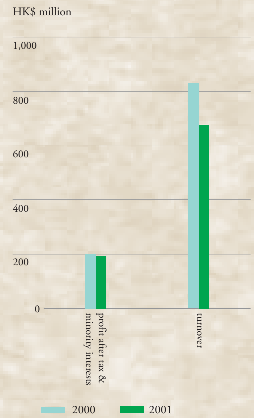
The Group's container manufacturing business recorded a consolidated profit after tax and minority interests of HK$143,100,000 for the Current Year, representing an increase of 16.3% from HK$123,100,000 in 2000.

As at 31 December 2001, the Group held a 27.3% interest in China International Marine Containers (Group) Ltd. ("CIMC"). CIMC is and has been the world's largest container manufacturer for a few years running. A total of 450,000 TEU of containers were sold during the Current Year, representing a decrease of 35.8% from 700,000 TEU in 2000. This decrease was due to the economic slowdown in the US with a resultant slowing of the growth of the imports and exports businesses in China, leading to a lesser demand for containers. However, as some sales contracts were secured in 2000 when container prices were relatively high, through effective cost control and an expansion of market share in refrigerated containers and other special purpose containers which command higher prices, the Group's container manufacturing business was still able to record considerable profit growth in the Current Year despite the unfavourable market climate.

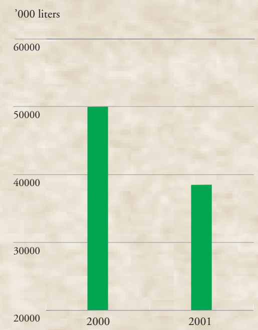
Outlook and Prospects

Looking forward, it is expected that the economy of Hong Kong will recover gradually and the mainland's economy will maintain its strong growth momentum. In particular, China's hosting of the 2008 Olympic Games and its entry into the WTO will stimulate domestic consumption and a positive development of China's economy, hence offering promising business opportunities for the different businesses of the Group. Although the Group's ports will inevitably be influenced by the lesser growth in imports and exports in China and Hong Kong due to the slowdown of the US economy, the impact is minimal as the capacity of the ports currently under the Group's operation are basically full, whereas new ports currently under construction will not come into the market until one to two years later. Directors of the Group expect that the throughput growth rate of domestic ports for the coming year will be similar to that of the Current Year. This is principally because the low average containerisation rate in China compared to the global average presents significant growth potential. The Group will continue to pursue its present business focus - transportation infrastructure business based on ports and port-related business in order to eventually establish a nationwide network of ports business.

Turnover & Profit of the Company's Industrial Manufacturing Business



Paint Sales Quantity of the Company's Paints Manufacturing Business



As for its ports strategy, the Group will dedicate its resources mainly to the western Shenzhen ports and consolidate its operations. The Group will expedite the development of the Zhangzhou Port and seek opportunities to invest in Eastern China and Northern China. The present status of the operations of various ports in western Shenzhen is described below.

In March 2001, the Group entered into an agreement with the China Everbright Group to acquire a 23.9% stake in the Singapore-listed China Everbright Pacific Limited. China Everbright Pacific Limited has now been renamed as China Merchants (Pacific) Limited. Through this acquisition, the Group indirectly controls a 33% interest in Haixing Port, which operates Berths No.1 to 4 in the Mawan area. This will further the Group's western Shenzhen port strategy.

In November 2001, the Group entered into sale and purchase agreements with China Merchants Shekou Industrial Zone Company Limited and Top Chief Company Limited, respectively to acquire 100% of CM Port. CM Port operates Shekou Port which is situated in the western Shenzhen zone.

As discussed above, in 2001, the Group increased its shareholding in CND, which operates two ports, namely, Chiwan Wharf and Chiwan Container Terminal.

In October 2001, the Group entered into a joint venture agreement with Chiwan Wharf to establish Shenzhen Cyber-Harbour Network Co. Ltd. The joint venture company was established in early 2002, with a mandate to devise and construct an electronic data exchange platform for ports and container terminals to satisfy the needs of different users including ports, shipping companies and the respective shipping authorities, and to complement the customs clearance system for the western Shenzhen ports.

The preparatory works for development of Shekou Container Terminals Phase II, with the China Merchants Group as its major shareholder, and Shekou Container Terminals Phase III, with the Group as its major shareholder, have been completed. The Group targets to complete these two projects as soon as practicable once the joint venture arrangements are finalised and the necessary PRC regulatory approvals are granted. With the completion of these two projects, the Group's total container handling capacity will be greatly enhanced.

The Group has experienced initial success in restructuring its western Shenzhen ports. In relation to the other port investments of the Group, a sale and purchase agreement was entered into with China Merchants Transportation Holdings Company Limited in November 2001 for the acquisition of its subsidiary, CM Container, and the transfer of shares of the said company was completed in early 2002. CM Container, located in Tsing Yi Island, Hong Kong, provides midstream operation and related services.

In respect of toll roads, the Group is currently under negotiations with its PRC joint venture partners to resolve the income guarantee issues with respect to the Zhangxia Expressway and the Zhangzhou 324 National Highway with a view to reaching a favourable resolution. The toll road business of the Group is expected to record a healthy growth after these issues have been resolved.

Management and the entire staff of the Group will continue to use their best efforts to leverage on the strength and presence of the Group in Hong Kong, China and overseas. The Group's business focus is clear and we will continue to enhance management and control of existing projects and to actively explore new project opportunities so as to obtain better returns for shareholders.