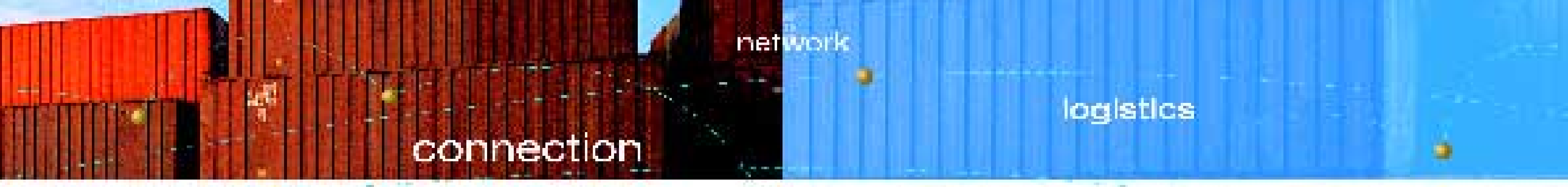
Management Discussion and Analysis

Review of Operations

For the year ended 31st December 2005, the Group recorded a consolidated turnover of HK$625,421,000, an increase of 1.9% as compared with last year. Profit attributable to equity holders of the Company was HK$90,072,000, representing an increase of 8.4% as compared with last year.

The cargo handling volume of the Group continued to record growth for the year after tremendous growth for three consecutive years, of which container transportation volume and wharf container handling volume recorded an increase of 5.2% and 1.7% respectively. During the year, the Group further consolidated its existing resources, provided better logistics solutions and service products to its customers and adopted more stringent cost control measures. Nevertheless, the price of the petroleum remained stubbornly high during the year, which had a material adverse effect to the operating costs of the Group. The increase in oil cost has resulted in a slight drop in the operating profit margin of the Group for the year.

During the year, the overall investment activities of the Group continued to record satisfactory profit, an increase of 23.7% as compared with last year. The profit attributable to the equity holders of the Company for the year is able to record growth.



1. **River trade transportation business**

With the Group's extensive container transportation network between Guangdong and Hong Kong, together with further efforts made by the Group in expanding its market during the year and the steady growth in the economy in which the Group operates, the river trade container transportation volume and handling volume recorded growth for the year. Performance statistics of major business operations are as follows:

Indicators	Year ended 31st December 2005	2004	Change
Container transportation volume (TEU)	**477,436**	453,774	5.2%
Import and export of shipping agencies business (voyages)	**20,785**	21,479	-3.2%
Container handling volume (TEU)	**318,667**	313,288	1.7%
Volume of container hauling and trucking on land (TEU)	**136,579**	144,662	-5.6%
Volume of break bulk cargoes handled (tons)	**438,835**	437,514	0.3%

2. **Investment business**

The Group established Chu Kong Cargo Terminals (Beicun) Company Limited ("Beicun Terminals"), a jointly controlled entity, during the year. The Group has invested approximately HK$15,281,000 and holds 50% equity interests in Beicun Terminals. It is planned that the expansion work of Beicun Terminals will be completed and will commence full operation in May 2006.

During the year, the Group acquired 1% equity interest in Chu Kong Cargo Terminals (Gaoming) Co., Ltd. ("Cargo Terminals (Gaoming)"), at total considerations of approximately HK$5,067,000. Cargo Terminals (Gaoming) became a wholly owned subsidiary of the Group.

Major road repairs work conducted by Guangzhou-Foshan Expressway Ltd. ("Guangfo Expressway") had been completed in September 2004, recording a 13.6% increase in the traffic volume in 2005 as compared to last year, and provided a secure source of revenue and profit growth for Guangfo Expressway during the year. In addition, following reduction of business tax rate on toll income of expressways by the State Administration of Taxation from 5% to 3% in June 2005, the business tax of Guangfo Expressway for the year reduced by RMB4,250,000. The share of profit of Guangfo Expressway attributable to the Group increased by 14.1%.

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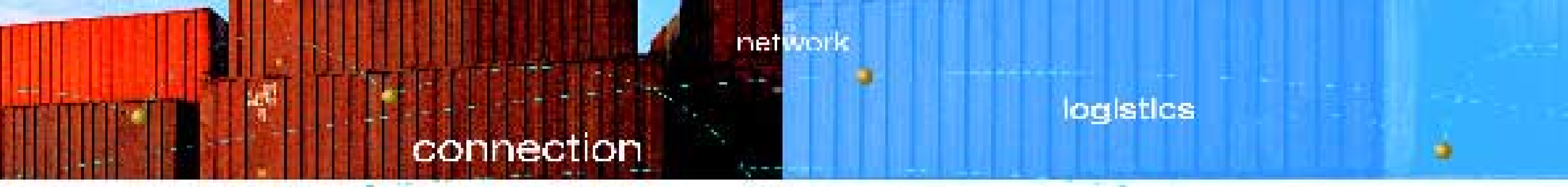
Foshan New Port Limited ("Foshan New Port") has been actively sourcing more type of goods for handling and new customers, trading volume for the year grew by 24% accordingly. The Group's share of profit increased substantially by 71.9%. In addition, Foshan NanKong Terminal Co., Ltd. ("Foshan NanKong") has been actively identifying new sources of cargoes in the second half of the year, which offset the effect caused by the drop of volume of break bulk cargoes handled in the first half of the year. Profit attributable to the Group increased by 82.5%.

On 16th January 2006, the Group entered into Development Agreement on Da Wang Chu Kong Port and Logistics Industry Sites with Management Committee of Guangdong Province Zhaoqing High Technology Industry Development Zone, pursuant to which the Group will purchase a piece of land with an area of 400mu at a consideration of RMB29,000,000. The Group will establish two companies which will engage in wharf godown storage and transportation.

On 18th January 2006, the Group acquired the shares of transportation business (other than passenger transportation and duty free businesses) of He Shan Port Construction & Development General Company at a consideration of approximately RMB10,200,000, which included 1% share of He Shan County Hekong Associated Forwarding Co., Ltd and 50% shares in each of HeShan Shipping Company, HeShan Port Declare Company, HeShan Port Store & Transportation Company and HeShan Port Loading Co., Ltd.

The other joint ventures held by the Group performed well during the year with no abnormality.



Outlook

With the increase in the cargo transportation volume of the Group for the year, the position of Hong Kong as a logistics centre of the region remained stable, coupled with the steady growth in the economy in the Pearl River Delta where the Group operates, the board of directors of the Company expects that river trade transportation between Guangdong and Hong Kong will continue to increase in 2006. The price of the petroleum remains stubbornly high may have an impact on the overall economic growth in the region and reduce the profitability of the Group. In addition, the fluctuation in RMB will also affect the results of the Group to a certain extent. Closer Economic Partnership Arrangement (CEPA) and the restructuring of state-owned shares carried out by certain local governmental authorities in the Pearl River Delta will provide opportunities for the Group to strengthen its existing investment project and establish its new logistics base.

As the external business environment is on an upward trend, together with the competitive advantages in the industry and the further consolidation of the internal resources of the Group, the board of directors of the Company is cautiously optimistic about the prospects of the Group in 2006.

Management Discussion and Analysis

Financial Review

Review of financial results

The Group recorded considerable growth in trading volume this year. However, the sustained high oil price has resulted in a slight decrease in the net operating profit of the Group's core business.

The Group recorded profit attributable to the equity holders of the Company of HK$90,072,000 in 2005, representing an increase of HK$6,955,000, or 8.4%, as compared with last year, details of which are as follows:

	2005 HK$'000	2004 HK$'000 (Restated)	Changes HK$'000
Net operating profit*	**38,344**	41,306	(2,962)
Share of profit after taxation of jointly controlled entities	**51,728**	41,811	9,917
Profit attributable to the equity holders of the Company	**90,072**	83,117	6,955

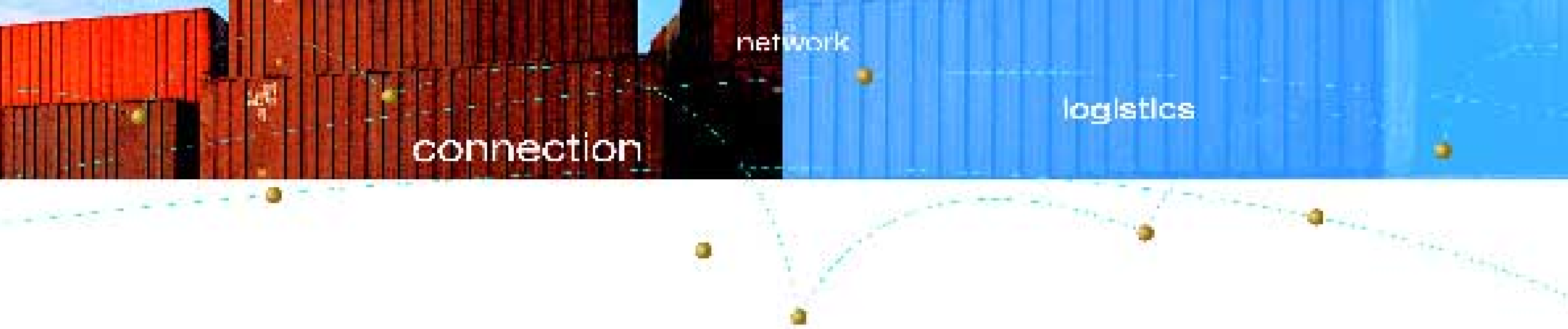
* *Net operating profit represents operating profit after finance costs, taxation and minority interests.*

For the year ended 31st December 2005, the Group recorded net operating profit of HK$38,344,000, a decrease of HK$2,962,000, or 7.2% over last year. The decrease in net operating profit was mainly due to:

(1) gross profit of the core business decreased by HK$10,187,000, or 8.9% to HK$103,733,000 as compared with last year. The decrease was mainly due to the sustained high oil price resulting in approximately HK$9,200,000 increase in the oil costs for the core business; and

(2) Other operating income increased by HK$5,164,000, or 77.4% to HK$11,840,000 as compared with last year. The increase was mainly because the Group was benefited from the appreciation of RMB to HKD during the year.

During 2005, the Group reported a share of profit after taxation of jointly controlled entities of HK$51,728,000, an increase of HK$9,917,000, or 23.7% as compared with last



year. The increase was mainly due to the combined effect of the following:

(1) Guangfo Expressway recorded a higher traffic flow with reduced business tax rate during the year. The Group's share of profit reached HK$43,892,000, an increase of 14.1% compared with last year;

(2) The Group's share of profit in Foshan New Port is HK$4,011,000, an increase of 71.9% compared with last year. The Group's share of profit in Foshan Nankong is HK$4,672,000, an increase of 82.5% compared with last year; and

(3) The Group's share of profit in Shenzhen Yantian Port Zhujiang Logistics Company Limited and Dongguan Humen Great Trade Containers Port Company Limited decreased by HK$733,000 and HK$478,000 to HK$1,423,000 and HK$1,284,000 respectively as compared with last year.

Dividend

The Group has maintained a relatively stable dividend policy. The percentage of the profit attributable to the equity holders of the Company to the amount of dividends paid ("Dividend coverage") increased in 2005. The Group's Dividend coverage in the past five years were as follows:

	Dividends per share HK$	Total dividends HK$'000	Profit attributable to equity holders of the Company HK$'000	Dividend coverage
2001	0.04	30,000	55,211	54.34%
2002	0.05	37,500	63,717	58.85%
2003	0.05	37,500	68,069	55.09%
2004, as restated	0.03	22,500	83,117*	27.07%*
2005 (proposed)	0.05	37,500	90,072	41.63%

* 2004 figures have been restated following the adoption of new/revised Hong Kong Financial Reporting Standards implemented in 2005. There is no restatement for figures prior to 2004.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31st December 2005, total equity of the Group is HK$1,112,766,000, an increase of HK$98,147,000 as compared with last year, as a result of the profit for the year and the effect of the adoption of new/revised standards and interpretations of HKFRSs for the year. The Group obtained a credit facility of HK$11,390,000 from its bankers, of which HK$1,990,000 was utilised.

As at 31st December 2005, the current ratio of the Group, represented by current assets to current liabilities, was 2.6 (2004: 2.1, as restated) and the debt ratio, represented by total liabilities to total assets, was 14.5% (2004: 17.1%, as restated).

As at 31st December 2005, the Group's bank balances and cash amount to HK$320,891,000 (2004: HK$261,515,000), which represents 24.7% (2004: 21.4%) of the total assets.

After considering its bank balances and cash, cash flow from operating activities, as well as the credit facilities available to the Group, it is believed that the Group has sufficient capital to fund its future operations and for business expansion and development.

Capital Structure

The capital structure of the Group was constantly monitored by the Company. The use of all capital instruments, including banking facilities, by each subsidiary was under the central co-ordination and arrangement of the Company.

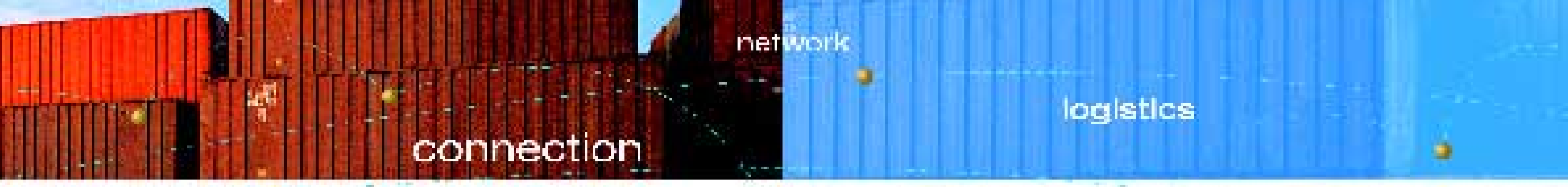
As at 31st December 2005, bank balances and cash held by the Group, of which 58% were denominated in Hong Kong dollar, were deposited with several banks of good reputation in the following denominations:

	Amount HK$'000	**Percentage** %
Hong Kong dollar	185,563	58
Renminbi	105,826	33
United States dollar	29,502	9
	320,891	100

Financial Management and Control

The Group consistently adopted a prudent financial policy. Fund management, financing and investment activities were all undertaken and monitored by the central management of the Group.

Given the characteristics of the core business of the Group, emphasis of routine financial control is placed on the management of working capital, particularly the timely receipts of trade receivables. As at 31st December 2005, net trade receivables of the Group amounted to HK$115,210,000, an increase of 27.2% as compared with last year, 91.3% of which was aged within 3 months. The exposure to bad debts was controlled at a comfortable level.



Currently, the ordinary operations and investments of the Group are concentrated in Guangdong Province and Hong Kong, with operating revenue and expenditure mainly denominated in HKD, as well as in RMB and USD. RMB revenue from Mainland China may be used for payment of expenses of the Group denominated in RMB incurred in Mainland China. HKD or USD revenue received in Mainland China may be remitted to the Group's accounts in Hong Kong through proper procedures as planned. So long as the pegged rate system in Hong Kong with USD is maintained, it is expected that the Group will not be subject to any significant exposure associated with fluctuation in exchange rate of USD. However, the exchange rate of RMB may affect the results of the Group to a certain extent.

As at 31st December 2005, the counter guarantees to banks in respect of bank guarantees provided to third parties by the Group amounted to HK$1,990,000 (2004: HK$2,290,000).

Capital Commitments

Details of capital commitments of the Group and the Company are set out in note 29 to the financial statements.

The Group has sufficient financial resources, which include bank balances and cash, cash from operating activities and available banking facilities, for the payment of capital commitments.

Employees

As at 31st December 2005, the Group employed 321 employees in Hong Kong and remunerated its employees according to the duty of their positions and market condition. Other staff benefits for eligible employees include share options, housing allowances, retirement benefits and bonuses.