CKS

Chairman's Statement

The year 2000 saw both challenges and opportunities. I am, however, pleased to report that, notwithstanding the average oil price being 67% higher than that of the previous year, Chu Kong Shipping Development Company Limited (the "Company", together with its subsidiaries, the "Group"), with its "large-scale operation at lower cost" and "high-flexibility" market competition strategies as well as effective cost control, was able to maintain a profit comparable to that of the previous year.

To our Shareholders:

In 2000, the Group still focused on the river trade transportation between Hong Kong and the ports in the Pearl River Delta region (the "PRD"), and the investment in and management of river trade cargo terminals and a toll road in the PRC. During the year, the main business operation of the Group was inevitably impacted by the sudden and persistent rise in global oil price. The audited consolidated turnover for the financial year ended 31 December 2000 was HK$446,016,000, representing an increase of 3.4% as compared with HK$431,332,000 in 1999, while the audited consolidated net profit was HK$92,639,000, representing a decrease of 2.6% as compared with HK$95,112,000 in 1999. Basic earnings per share amounted to HK$0.124. We have been able to maintain a level of profit comparable to that of the previous year, by capitalising on our pragmatic market positioning, flexible marketing strategy and improved control of management costs.

In 2000, the volume of containers and break bulk cargoes handled by the Group grew 6.7% and 5.6% respectively over last year. The numbers of arrivals and departures of vessels under agency arrangement dropped by 9.6%, mainly because of the enhanced loading capacity of river trade vessels from 24 TEUs to 40 TEUs, thus reducing the voyage frequency of such vessels. The volume of container hauling and trucking in Hong Kong area increased by 15.32% year over year, wharf cargo handling volume increased slightly by 0.69% and the volume of godown storage decreased by 7.5%.

Guangzhou-Foshan Expressway Ltd. ("Guangfo Expressway Ltd."), 25% of its equity interest held by the Group, was still one of the Group's investment projects in Mainland China which yielded high returns in 2000, contributing around 30% of the Group's consolidated net profit. Subsequent to the completion of the road expansion project in October 1999, an application for increasing toll rate was approved by the relevant government departments in March 2000, thereby increasing the average toll rate from RMB0.45 per kilometer to RMB0.60 per kilometer.

The Group holds a 30% equity interest in Dongguan Humen Great Trade Containers Port Co., Ltd. ("Humen Company"). As a number of cargo handling terminals in the vicinity and direct freight vehicle checkpoints were put into operation within the period, coupled with the increase in the price of oil used by cargo-handling machinery and the change in destinations of some of the import/export cargo, the port throughput and the volume of containers handled by Humen Company decreased by 27% and 3.24% respectively over the previous year, with net profit decreasd by 17.33%.

He Shan County Hekong Associated Forwarding Co., Ltd. and Deqing Kangzhou Container Transportation Company Ltd., in which the Group respectively holds 40% and 52% of equity interests, grew by 6% and 72.4% in terms of container handling volume over the previous year and continued to provide a steady source of cargo and support to the Group.

In order to explore the Group's business in the rapidly growing air transport sector, the Group acquired the entire equity interest of Chu Kong Air-Sea Union Transportation Company Limited ("Air-Sea Union") from its holding company Chu Kong Shipping Enterprises (Holdings) Company Limited in December 2000. Air-Sea Union was franchised by the Airport Authority of Hong Kong to operate the Marine Cargo Terminal ("MCT") at the Hong Kong International Airport in August 2000, providing the water transportation between Hong Kong International Airport and the PRD. Meanwhile, Hong Kong Air Cargo Industry Services Limited, a wholly owned subsidiary of Hong Kong Air Cargo Terminals Ltd., became a strategic shareholder of Air-Sea Union at offer of the Group for joint development of the MCT project. The said terminal is expected to operate at the end of March 2001.

Chairman's Statement

Since the 1990's, the shipping industry worldwide has been developing at a rate that outperforms that of the global Gross Domestic Products. In recent years, Asia made a share of more than 45% of the global container throughput. According to the statistics from the Marine Department of Hong Kong, the total container throughput in Hong Kong for the year 2000 was approximately 18,000,000 TEUs, increased by 11.7% over the previous year, of which approximately 4,300,000 TEUs were transported by river, which represented an increase of 12% over the previous year. As to the air cargo transportation, according to the statistics of the Hong Kong Civil Aviation Department, the cargo volume handled by the Hong Kong International Airport increased from approximately 1,500,000 tons to over 2,200,000 tons from 1995 to 2000. In particular, the airfreight cargo volume handled by Hong Kong topped the world in 2000. In view of the promising outlook of both river and airfreight transport, the Hong Kong Special Administrative Region government's full support to the development of the local shipping industry and logistics business, as well as the business opportunities brought about by Mainland China's accession to the World Trade Organization, the Group will take positive initiative to consolidate its existing resources, increase its investment in cargo terminals of the PRD, perfect the ancillary facilities, introduce advanced technology and gradually develop e-business so as to secure a greater market share and maintain its competitive advantage in the river transportation industry between Guangdong and Hong Kong.

Meanwhile, the Group finished mapping out the electronic network for internal administrative management and appointed specialists to design the network and commenced its trial operation. The network, together with the ISO 9001 quality assurance project which is expected to be completed in the middle of 2001, and the investment in establishing e-business cargo transportation system to be implemented in 2001, will enhance the operation management standard of the Group and its quality of service. This will enable our customers to enjoy services of higher quality in the CKS service network, thereby laying ground for developing an effective "door-to-door" one-stop service after securing more support from our customers.

Lastly, I take this opportunity to extend my gratitude to all the customers for their trust and support, as well as to all the staff of the Group for their great dedication and ceaseless efforts.

Yang Liansheng
Chairman

Hong Kong
19 March 2001