



## Report of the Directors



The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

### **Principal activities**

The principal activities of the Company and the Group have not changed during the year. The principal activity of the Company is investment holding. The principal activities of the subsidiaries and jointly-controlled entities are set out in notes 13 and 14, respectively, to the financial statements.

## Report of the Directors

### Segmental information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations is as follows:

	Turnover	
	2000 HK\$'000	1999 HK\$'000
By principal activity:		
Shipping agency, river trade cargo direct shipment and transhipment	348,549	327,018
Wharf cargo handling, cargo consolidation and godown storage	95,380	99,867
Container hauling and trucking	2,087	4,447
	<u>446,016</u>	<u>431,332</u>
By geographical area:		
The People's Republic of China (the "PRC"):		
Hong Kong	427,743	414,101
Elsewhere	18,273	17,231
	<u>446,016</u>	<u>431,332</u>
	<b>Contribution to profit from operating activities</b>	
	2000	1999
	HK\$'000	HK\$'000
By principal activity:		
Shipping agency, river trade cargo direct shipment and transhipment	34,097	35,413
Wharf cargo handling, cargo consolidation and godown storage	29,074	28,827
Container hauling and trucking	587	1,107
	<u>63,758</u>	<u>65,347</u>
Corporate expenses	(201)	(3,724)
	<u>63,557</u>	<u>61,623</u>
By geographical area:		
The PRC:		
Hong Kong	61,823	59,682
Elsewhere	1,734	1,941
	<u>63,557</u>	<u>61,623</u>



## Report of the Directors

### Results and dividends

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and of the Group at 31 December 2000 are set out on pages 29 to 58 of the annual report.

An interim dividend of HK\$0.01 per share was paid during the year.

The directors recommend the payment of a final dividend of HK\$0.04 per share payable on 8 May 2001 in respect of the year to shareholders on the register of members on 18 April 2001. This recommendation has been incorporated in the financial statements.

### Financial summary

A summary of the financial information of the Group for the last five financial years is set out on pages 59 to 60 of the annual report.

### Fixed assets

Details of movements in the fixed assets of the Company and of the Group are set out in note 12 to the financial statements.

### Subsidiaries and jointly-controlled entities

Particulars of the Company's subsidiaries and jointly-controlled entities are set out in notes 13 and 14 to the financial statements, respectively.

### Reserves

Details of movements in the reserves of the Company and of the Group are set out in note 21 to the financial statements.

### Distributable reserves

As at 31 December 2000, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$184,998,000.

### Major customers and suppliers

In the year under review, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.



## Report of the Directors

### Directors

The directors of the Company during the year were as follows:

#### *Executive directors:*

Mr. Yang Liansheng  
Mr. Liang Yongjiu  
Mr. Che Chiqiang (appointed on 18 September 2000)  
Mr. Fang Guoru (resigned on 18 September 2000)

#### *Independent non-executive directors:*

Mr. Benjamin Pui-Tong Wong  
Mr. Chan Kay Cheung

In accordance with the bye-laws of the Company, Messrs. Yang Liansheng and Benjamin Pui-Tong Wong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

### Directors' and senior managers' biographies

#### *Executive Directors*

Mr. Yang Liansheng, aged 54, Chairman, is responsible for the strategic planning and policy making of the Group. He has been the chairman and a legal representative of Guangdong Province Navigation Holdings Company Limited ("GPNHCL") since August 1997 and chairman of Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") since September 1997. He was the deputy director of the office of the Marine Safety Command Headquarters of the Guangdong Provincial Government from 1988 to 1991 and the division chief of the Communication Division of the Economic Committee of the Guangdong Provincial Government from 1991 to 1997. He graduated from the Dalian Maritime Naval Ships Institute in the PRC in 1967. He has over 23 years of experience in the communications industry.

Mr. Liang Yongjiu, aged 49, has been the Vice Chairman of the Company since September 2000 and is responsible for the strategic planning and policy making of the Group. He joined CKSE in 1999 and is currently the managing director of CKSE. Mr. Liang started his career in the shipping industry in 1969. He was the deputy general manager of Guangdong Province Navigation Material Supply Company from 1984 to 1995 and the managing director of Guangdong Lighter Co. from 1995 to 1999. He has over 31 years of experience in marine transportation management and administration.



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### Directors' and senior managers' biographies (continued)

#### *Executive Directors (continued)*

Mr. Che Chiqiang, aged 38, has been the Managing Director of the Company since September 2000 and is responsible for the strategic planning and policy making, as well as the overall business operation and capital investment of the Group. He joined CKSE in 1999 after graduating from Southampton University in Britain with a master's degree in international trade law. He is also a qualified lawyer in the PRC.

Mr. Fang Guoru, aged 34, was the Managing Director of the Company since December 1999 until his resignation on 18 September 2000. He was responsible for the Group's strategic planning and policy making as well as corporate financial management and control. He joined CKSE after graduating in 1990 from the Shanghai Maritime University in the PRC with a Bachelor of Economics degree. In the past 11 years, he had worked in various positions and places in the Group and CKSE. Mr. Fang is a qualified accountant in the PRC and has over 11 years of experience in shipping administration and financial management.

#### *Independent Non-Executive Directors*

Mr. Benjamin Pui-Tong Wong, aged 66, is a director of John Swire & Sons (H.K.) Ltd. and a number of other companies in the Swire Group. He has served for 43 years in the shipping and marine related industries. He is also a member of the Port & Maritime Board of Hong Kong.

Mr. Chan Kay Cheung, aged 54, is an executive director and deputy chief executive of The Bank of East Asia, Limited. He joined the Bank in 1965 and possesses extensive knowledge and experience in the banking industry. He is a fellow member of the Hong Kong Institute of Bankers and a member of the MPF Industry Schemes Committee. He is also a director of Four Sea eFood Holdings Limited and Winsan (China) Investment Group Company Limited.

#### *Senior Management*

Mr. Xie Xiaohong, aged 43, has been a Deputy General Manager of the Company since 2000 and is responsible for the daily operations and marketing of the Group's shipping business. He joined CKSE in 1999 and was also formerly a director and deputy general manager of Chu Kong Transshipment & Transportation Company Limited ("CKTT"), one of the Company's wholly-owned subsidiaries. Mr. Xie graduated in 1980 from the Guangdong Province Navigation School in the PRC, majoring in water transportation management, and has been engaged in shipping and port operation and management after his graduation. He was the deputy chief of Zhaoqing Port Authorities in Guangdong Province in 1985 and the Vice Chairman of Zhaoqing Port & Navigation Holding Company Limited in 1995. Mr. Xie has over 20 years of management experience in shipping and wharf operation.

Mr. Yang Wei, aged 34, has been a Deputy General Manager of the Company since 2001 and is responsible for the investment and development planning of the Group. He joined the Company in 2000. Mr. Yang graduated in 1989 from the Changsha Communications University in the PRC with a bachelor degree, majoring in transportation management. He is a qualified economist in the PRC and holds a master of business administration degree from South China University of Technology in 1998. He has over 12 years of experience in shipping enterprise administration, business development planning and investment analysis.



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### Directors' and senior managers' biographies (continued)

#### *Senior Management (continued)*

Mr. Qiang Wei, aged 30, has been a Financial Controller of the Company since 2000 and is responsible for the Group's financial management and control. He joined CKSE after his graduation in 1993 from the Shanghai Maritime University in the PRC with a bachelor of economic degree. He had worked at various subsidiaries of CKSE in the PRC, Thailand and Hong Kong and was formerly a deputy manager of the financial department of CKSE in 1999. Mr. Qiang is a qualified accountant in the PRC and also a member of the Chinese Institution of Certified Public Accountants. He has over 8 years of experience in accounting and financial management.

Mr. Lu Youbang, aged 34, has been the managing director of CKTT since 1999 and is responsible for the corporate administration and policy making of CKTT. He joined CKSE after graduating from the Shanghai Maritime University in the PRC with a Master's degree in Economics in 1993. He is also a qualified economist in the PRC and a member of the China Maritime Law Association. Mr. Lu has over 8 years of experience in shipping agencies, multi-model transportation of containers, wharf operations and river trade transportation.

Mr. He Weiping, aged 48, has been the managing director of Chu Kong Agency Company Limited ("CKA"), one of the Company's wholly-owned subsidiaries, since 1999 and is responsible for the corporate administration and policy making of CKA. Mr. He started his career in the shipping industry in 1971. From 1981 to 1986, he studied at the Dalian Maritime University and received a Bachelor of Engineering degree. He subsequently worked as the manager of Guangdong, Hong Kong and Macau Shipping Company. Mr. He is now a member of the Hong Kong Local Shipping Consulting Committee.

Mr. Huang Dabang, aged 39, has been the managing director of Chu Kong Godown Wharf & Transportation Company Limited ("CKGWT"), one of the Company's wholly-owned subsidiaries, since 1999 and is responsible for the corporate administration and policy making of CKGWT. He joined CKSE in 1999. He graduated from the Guangdong Province Navigation School in the PRC. He is also a qualified economist in China. Mr. Huang has over 19 years of experience in shipping, wharf operations and container truck transportation in the PRC.

Mr. Cao Jian, aged 33, has been the managing director of Chu Kong Air-Sea Union Transportation Company Limited ("CKSA"), one of the Company's jointly-controlled entities and is responsible for the corporate administration and policy making of CKSA. He joined CKSE after his graduation from Shanghai Maritime University in the PRC with a master's degree in shipping management in 1994. He is also a qualified economist in the PRC. Mr. Cao has over 7 years of experience in ocean shipping practice, ship chartering, multi-model transportation, wharf management as well as river cargo transportation.

### Directors' interests in shares

None of the directors or their associates had any personal, family, corporate or other interest in the share capital of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

## Report of the Directors

### Directors' rights to acquire shares

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 7 May 1997, the board of directors may, at their absolute discretion, grant options to full time employees and executive directors of the Company or any of its subsidiaries to subscribe for shares in the Company. Details of the Scheme are set out in note 20 to the financial statements.

Pursuant to the Scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

Name of director	Number of share options outstanding at beginning of year	Number of share options granted during the year	Number of share options lapsed during the year	Number of share options outstanding at end of year	Exercise period of share options	Exercise price of share options HK\$
Mr. Yang Liansheng	7,000,000	-	-	7,000,000	11 December 1997 to 10 December 2007	1.55
	-	7,000,000	-	7,000,000	29 May 2000 to 28 May 2010	0.55
Mr. Liang Yongjiu	-	11,000,000	-	11,000,000	29 May 2000 to 28 May 2010	0.55
Mr. Che Chiqiang	-	10,000,000	-	10,000,000	16 October 2000 to 15 October 2010	0.52
Mr. Fang Guoru	1,500,000	-	(1,500,000)	-	11 December 1997 to 10 December 2007	1.55
	-	8,500,000	(8,500,000)	-	29 May 2000 to 28 May 2010	0.55
	<u>8,500,000</u>	<u>36,500,000</u>	<u>(10,000,000)</u>	<u>35,000,000</u>		

The share options previously granted to Mr. Fang Guoru lapsed upon his resignation.

Further details of the Scheme are set out in note 20 to the financial statements.

Apart from the foregoing, at no time during the year was the Company or any of its holding companies and subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



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### Directors' interests in contracts

No director had a material beneficial interest in any contract of significance in relation to the business of the Group to which the Company or any of its holding companies and subsidiaries was a party during the year.

### Emoluments of directors and the five highest paid individuals

Details of the directors emoluments and of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

### Substantial shareholders

At 31 December 2000, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares
(i) CKSE	562,500,000
(ii) GPNHCL	562,500,000

CKSE is wholly-owned by GPNHCL. Accordingly, the interests disclosed by parties (i) and (ii) above are in respect of the same shareholding.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

### Interests in competing businesses

At 31 December 2000, Mr. Liang Yongjiu, a director of the Company and also director of several cargo terminal joint ventures in the Pearl River Delta Region in which CKSE has interests, which compete or are likely to compete, either directly or indirectly, with the Group's business. The percentage of interest held by CKSE of the said cargo terminals is listed out as follows:

Name of joint venture	Percentage of interest held by CKSE
Huadu Port Goods Transportation United Co., Ltd.	25%
Nan Kong Warehouse & Consolidator Co., Ltd.	25%
Dou Men-Hong Kong Cargo Shipping Integrated Co., Ltd.	25%
Shunde Container Terminal Co., Ltd.	16.5%
Zhongshan Port Goods Transportation United Co., Ltd.	25%
Gaoming County Ming Chu Transportation Co., Ltd.	25%
Pan Kong Cargo Transportation Co., Ltd.	25%
Foshan New Port Ltd.	25%
Sanshui San Gang Containers Wharf Co., Ltd.	30%





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### Interests in competing businesses (continued)

As the board of directors of the Company is independent from the boards of the above mentioned companies and the above director cannot control the board of the Company, the Group is capable of carrying on its business independently of, and at arm's length from the business of such companies.

### Connected transactions

Details of connected transactions between the Group and its holding company, CKSE, and the subsidiaries, fellow subsidiaries, associates and jointly-controlled entities of CKSE, are set out in note 25 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that those transactions were conducted in the ordinary and usual course of the Group's business and are fair and reasonable so far as the Company's shareholders are concerned, or in accordance with the terms of the agreements governing the transactions.

### Purchase, redemption or sale of the Company's listed securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### Compliance with the Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Code") throughout the accounting period covered by the annual report, except that independent non-executive directors of the Company are not appointed for specific terms because they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the provisions of the Company's articles of association. In addition, the Company did not have an established audit committee throughout the accounting period covered by the annual report. Subsequent to the balance sheet date, on 1 January 2001, the Company established an audit committee in accordance with the Code. The audit committee comprised of Messrs. Benjamin Pui-Tong Wong and Chan Kay Cheung, independent non-executive directors of the Company.

### Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Che Chiqiang**  
*Director*

Hong Kong  
19 March 2001