

Chairman's Statement



The year 2001 was a year full of difficulties and challenges. Amidst an unfavourable global economic environment characterized by severe competition in the industry, and that some of our new investment projects were still in the incubation stage, the Group managed to drive forward its ISO 9001: 2000 quality control management project, strengthen internal management, improve service quality and control costs and expenses, which all contributed to a profit of HK\$55,211,000 for the year.



To shareholders:

In 2001, the main businesses of the Group were the provision of river trade transportation between Hong Kong and the ports in the Pearl River Delta region as well as investment in and management of river trade cargo terminals in Guangdong and Hong Kong and toll road operation.

During the year, the downturn of the global economy, the decrease of China's export trade as well as severe competition in river trade transportation have all inevitably affected the Group's core businesses. For the year ended 31 December 2001, the Group's audited consolidated turnover was HK\$403,474,000, a 9.5% decrease as compared with last year. Audited consolidated net profit amounted to HK\$55,211,000, representing a decrease of 40.4%. Basic earnings per share was HK\$0.074. Faced with such an adverse economic and market environment, the Group still strived to drive forward its ISO 9001: 2000 quality control management project, strengthen



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internal management, improve service quality with an aim to continue to capitalize on its edge and to maintain its profit level.

In 2001, the Group recorded a 6.7% and 2.8% increase in the volume of containers and bulk cargoes handled respectively as compared with last year, while the number of arrivals and departures of vessels under agency dropped 9.3%. The volume of container hauling and trucking operations in Hong Kong maintained largely at the same level while the volume of godown storage slightly decreased by 1.6% as compared with last year.

The Group's strategic investment in toll road continued to contribute a stable income. During the year, Guangzhou-Foshan Expressway Ltd. remained one of the Group's investment projects in Mainland China which provided a higher rate of return. Several other co-operative projects of the Group in Mainland China progressed smoothly, providing stable sources and support for the Group's business development.



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Chu Kong Air-Sea Union Transportation Company Limited, a strategic investment of the Group in co-operation with Hong Kong Air Cargo Terminals Ltd., commenced operation on 28 March 2001. Since time is needed for market expansion and clientele development, such investment is still in its infancy.

It was the Company's plan upon listing to acquire the interests of joint venture cargo terminals in Mainland China from its parent company, Chu Kong Shipping Enterprises (Holdings) Co., Ltd. ("CKSE") at an appropriate time. During the year, the Group conditionally acquired from CKSE of the interests in five joint venture cargo terminals in Nanhai, Foshan, Sanbu, Sanshui and Gaoming. The acquisition will not only enhance the strength of the Group in river trade transportation, but also raise its profitability and further upgrade its market image.

Looking ahead, with the gradual revival of the global economy, the conceptualization and shaping of an economic and trade co-operation zone between



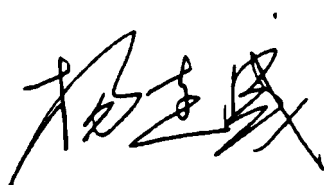
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Guangdong and Hong Kong, and the utmost support for the development of the logistics industry and re-export trade by the HKSAR government as well as business opportunities brought about by Mainland China's accession to the WTO, the Group will take initiative to adhere to its commitment for quality management, improve further its services to meet the standard of ISO 9001: 2000 and clients' requirements; tighten structural control and consolidate its existing resources, reinforce the capability in market sales with the continuous upgrading of e-network, enhance continuously the efficiency and standard for customer services and accelerate the progress of logistics operation; capitalize continuously on its extensive experience accumulated in river trade transportation between Guangdong and Hong Kong, well-established business network, abundant cash flow and strong

financial position, in order to explore vigorously investment opportunities in river trade cargo terminals, to introduce strategic shareholders who can mutually complement advantages in business and to carry forward ambitiously the diversification of investment; further strengthen its control over operating and administration costs, reduce cost and expenses, and enhance its competitiveness so as to continuously secure a dominant position for the Group in the industry.

Lastly, I would like to take this opportunity to express my sincere gratitude to all shareholders, our clients and the community at large for their trust and support. I would also like to thank our staff for their effort and contribution.

A handwritten signature in black ink, appearing to be the Chinese characters '楊連生' (Yang Liansheng).

Yang Liansheng

Chairman

Hong Kong

27 March 2002