

## Chairman's Statement



### **Dear Shareholders:**

The Group reported an audited consolidated turnover of HK\$450,620,000 for the year ended 31 December 2002, up 11.7% from last year. The audited consolidated net profit of the Group amounted to HK\$63,631,000, up 15.2% compared to the previous year and basic earnings per share were HK8.5 cents. The better-than-expected results are mainly attributable to continued improvement in the core business since the second half of last year; strong profit growth derived from jointly-controlled entities and stringent cost control and trade receivables management.

Despite the prolonged economic doldrums and uncertainties over the US-Iraq crisis, Hong Kong still reported an increase in both export and entrepot trade in 2002. As the major river trade transportation service provider between Guangdong and Hong Kong, the Group saw solid improvement in its core business since the second half of last year, recording a 15.5% increase in container transportation volume and a 5.9% increase in wharf container handling volume, and an increase of 5.1% in container hauling and trucking volume in Hong Kong, as

compared to last year. The Board of Directors expects that, since the manufacturing industry in the PRC still enjoys competitive edge in terms of lower costs, the river trade transportation service between Guangdong and Hong Kong will be further benefitted from an increase in trade as a result of China's entry into the WTO.

The strategic investment in the toll road projects has continued to generate stable returns for the Group. Guangzhou-Foshan Expressway Ltd ("Guangfo Expressway Ltd"), in which the Group has 25% interest, reported a 1.96% increase in traffic volume in 2002 over the last year to reach 28,780,991 vehicles, due to a steady increase in the number of vehicles owned in Mainland China. During the year, Guangfo Expressway Ltd posted stable growth in profit, of which, profit attributable to the Group increased by 25.1% to HK\$34,033,000. The increase in net profit is mainly attributable to a rise in traffic volume and change in toll rate on vehicles effective from 1 July 2002.

Besides strategic investment in toll road, the Group also invests in and manages of several river trade terminals in the Pearl River Delta (the "PRD") region. During the year,

performance of these terminals remained steady. The five jointly-controlled terminals acquired by the Group recently contributed HK\$5,190,000 of profit to the Group during the year, which was in line with our expectation at the time of acquisition. The amortization of goodwill arising from the acquisition was deducted from the attributable profit.

With an aim to consolidating its cargo transportation network in the PRD region, the Group took another step in setting up a new jointly-controlled entity, Qingyuan Chu Kong Shipping Port Co., Ltd., in November 2002 with an investment of HK\$14,245,000 through its wholly-owned subsidiary, Chu Kong River Trade Terminal Co., Ltd.. The move follows the successful acquisitions of interests in five river trade terminals in Gaoming, Sanshui, Nanhai, Foshan and Sanbu from its parent company. The Group holds a 55% stake in this new joint venture in partnership with Qingyuan City Qingyuan Port Company Limited. By now, the Group has acquired interests in nine river trade cargo terminals in the PRD region, thus further strengthening its dominant position in the river trade transportation business between Guangdong and Hong Kong.

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The newly launched air cargo transportation business also had a prosperous year. Chu Kong Air-Sea Union Transportation Company Limited ("Air-Sea Union"), in which the Group holds 51% of interest, achieved initial progress in business. As a provider of air cargo transportation service between the Hong Kong International Airport and the PRD region, Air-Sea Union posted a sharp increase in wharf cargo handling volume over the previous year. The airfreight forwarding business, which was launched in the second half of last year, reported 1,548 tonnes of air cargo shipments and generated a satisfactory profit contribution to the Group.

During the year, the Group reviewed the internal workflow of its operating system and took positive moves in reviewing and upgrading the current computer networks in an attempt to achieve information sharing among its subsidiaries engaged in cargo transportation, external cargo transportation companies, its business associates as well as clients. Such initiatives have also enhanced work efficiency, reduced costs and provided more flexibility for human resources deployment. The already limited manpower tied to routine operation has

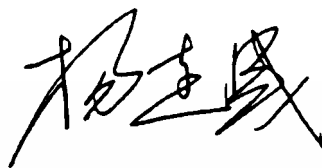
thus been relieved for customer service, an area that generates profit for the Group. And this also helped in promoting the Company's image. The new system is now in the final stage of testing and is expected to raise significantly the standard of customer service and provide more flexible services for the market.

The Group's efforts in obtaining ISO9001: 2000 accreditation came to fruit during the year. The Company and four wholly-owned subsidiaries, namely Chu Kong Transshipment & Logistics Company Limited, Chu Kong Agency Company Limited, Chu Kong Transportation (H.K.) Limited and Chu Kong Godown Wharf & Transportation Company Limited, were awarded ISO9001:2000 Quality Control Certification by The British Standards Institution in February 2002, and passed the first re-inspection of quality control system following the award. The quality management accreditation has raised the Group's management standard and quality of service.

Looking to the future, against the backdrop of intense competition and a squeeze in profit margin in the river trade transportation operation between Hong Kong and

Guangdong, the management will explore into the management and business models of modern logistics to search for new source of profit growth. The Group plans to expand its business scope to develop the CKS logistics system in an attempt to provide more value-added services to its clients with the support of its traditional transportation service, taking advantage of the Group's sound reputation in the industry, strong capital and client resources, and its established facilities in the PRD region. The Group also aims at developing the supply chain management and CKS logistics system to generate new profits. Meanwhile, the Group will, complying with the ISO 9001: 2000 requirements and with the support of latest information technology, streamline its internal workflow, emphasize scientific decision-making system, upgrade work efficiency and procure more rapid response to customers requirement. The Group will also practise service quality control through quantified targets and keep on raising its service standard.

Finally I would like to extend my sincere gratitude to all shareholders, clients and the community for their staunch trust and support, as well as to all our staff for their efforts and contributions to the Group.



**Yang Liansheng**

*Chairman*

Hong Kong

9 April 2003