



The front row (From left to right): Mr. Chan Kay Cheung (Non-executive Director), Mr. Yang Liansheng (Chairman), Mr. Benjamin Pui-Tong Wong (Non-executive Director).

The back row (From left to right): Mr. Ng Kin Yuen (Company Secretary), Mr. Liang Yongjiu (Vice Chairman), Mr. Li Zhijie (Executive Director), Mr. Che Chiqiang (Managing Director).

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2002.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and jointly-controlled entities are set out in notes 15 and 16, respectively, to the financial statements. There were no significant changes in the principal activities of the Group during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2002 and the state of affairs of the Company and of the Group at 31 December 2002 are set out on pages 29 to 61 of the annual report.

An interim dividend of HK1 cent per ordinary share was paid during the year. The directors recommend the payment of a final dividend of HK4 cents per ordinary share in respect of the year to shareholders on the register of members on 13 May 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within capital and reserves in the balance sheet.

Financial Summary

A summary of the financial information of the Group for the last five financial years is set out on page 62 of the annual report. This summary does not form part of the audited financial statements.

Fixed Assets

Details of movements in the fixed assets of the Company and of the Group are set out in note 14 to the financial statements.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 22 and 23 to the financial statements, respectively.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 24 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 December 2002, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$170,867,000, of which HK\$30,000,000 has been proposed as a final dividend for the year.

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 for the year, respectively.

Directors

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

Executive directors:

Mr. Yang Liansheng

Mr. Liang Yongjiu

Mr. Che Chiqiang

Mr. Li Zhijie

Independent non-executive directors:

Mr. Benjamin Pui-Tong Wong

Mr. Chan Kay Cheung

In accordance with the bye-laws of the Company, Messrs. Liang Yongjiu 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 56, 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 the 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 People's Republic of China (the "PRC") in 1967. He has over 25 years of experience in the communications industry.

Directors' and Senior Managers' Biographies *(continued)*

Executive Directors *(continued)*

Mr. Liang Yongjiu, aged 51, 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 33 years of experience in marine transportation management and administration.

Mr. Che Chiqiang, aged 40, 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 the United Kingdom with a master's degree in international trade law. He is also a qualified lawyer in the PRC.

Mr. Li Zhijie, aged 41, has been an Executive Director of the Company since March 2001, and is also a director and deputy general manager of CKSE. He graduated from the Shanghai Maritime University in 1987, majoring in water transportation. He joined CKSE in 1992, and has been appointed as a director and deputy general manager of Chu Kong Transhipment & Logistics Company Limited ("CKTL"), one of the Company's wholly-owned subsidiaries, the legal representative of Guangdong Hong Kong & Macau Freight Transport Trust Company, and the chairman of Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd. since that year. He has 22 years of experience in river trade transportation, inter-model transportation and cargo forwarding business.

Independent Non-executive Directors

Mr. Benjamin Pui-Tong Wong, aged 68, is a director of John Swire & Sons (H.K.) Ltd. and a number of other companies in the Swire Group. He has served for 45 years in the shipping and marine related industries. He is also a member of the committee of the Port & Maritime Board of Hong Kong.

Mr. Chan Kay Cheung, aged 56, 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 an independent non-executive director of Four Sea eFood Holdings Limited and Winsan (China) Investment Group Company Limited.

Directors' and Senior Managers' Biographies *(continued)*

Senior Management

Mr. Xie Xiaohong, aged 45, 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 CKTL. Mr. Xie graduated from the Guangdong Province Navigation School in the PRC in 1980, majoring in water transportation management, and has been engaged in shipping and port operation and management since his graduation. He was the deputy chief of the 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 22 years of management experience in shipping and wharf operations.

Mr. Yang Rixiang, aged 39, has been a deputy general manager of the Company since October 2002, and is responsible for management of the Group's jointly-controlled entities and the river trade related investment appraisal work. He joined CKSE after his graduation from Guangdong University of Foreign Studies in 1989 with a bachelor of economics degree. He worked at various subsidiaries of CKSE, holding the positions as manager and general manager subsequently. Mr. Yang is a qualified economist in the PRC and has over 13 years of experience in corporate management.

Mr. Yang Wei, aged 36, had been a deputy general manager of the Company since 2001 until his resignation on 28 February 2003, and was responsible for the investment and development planning of the Group. He joined the Company in 2000. Mr. Yang graduated from the Changsha Communications University in the PRC in 1989 with a bachelor's degree majoring in transportation management. He is a qualified economist in the PRC and gained a master of business administration degree from the South China University of Technology in 1998. He has over 14 years of experience in shipping enterprise administration, business development planning and investment analysis.

Mr. He Weijian, aged 30, has been the financial controller of the Company since March 2003, and is responsible for the Group's financial management and control. He joined CKSE after his graduation from Shanghai Maritime University in the PRC in 1996 with a bachelor of economics degree, majoring in accounting. He is a qualified accountant and economist in the PRC. Mr. He has worked in the Company since 1998. He has over 7 years of experience in accounting and financial management.

Directors' and Senior Managers' Biographies *(continued)*

Senior Management *(continued)*

Mr. Qiang Wei, aged 32, had been the financial controller of the Company since 2000 until his resignation on 31 August 2002. Mr. Qiang was responsible for the Group's financial management and control. He joined CKSE after his graduation from Shanghai Maritime University in the PRC in 1993 with a bachelor of economics degree. He has 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 10 years of experience in accounting and financial management.

Mr. Cheng Jie, aged 33, has been the managing director of CKTL since July 2002, and is responsible for the corporate administration and policy making of CKTL. He joined CKSE in 1992. Mr. Cheng graduated from Shanghai Maritime University in the PRC in 1992 with a bachelor degree in international trade law. He was formerly a general manager of Waithai Trading Co., Ltd. in Thailand, which is an associated company of CKSE. Mr. Cheng has over 10 years of experience in river trade transport and logistics.

Mr. He Weiping, aged 50, 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 a member of the Hong Kong Local Shipping Consulting Committee.

Mr. Huang Dabang, aged 41, 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 the PRC. Mr. Huang has over 21 years of experience in shipping, wharf operations and container truck transportation in the PRC.

Directors' Interests in Shares

None of the directors or their associates had any personal, family, corporate or other interests 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").

The interests of the directors in the share options of the Company are separately disclosed in note 23 to the financial statements.

Share Option Scheme

Due to the adoption during the year of Statement of Standard Accounting Practice 34 "Employee benefits", disclosures relating to the Company's share option scheme have been moved to note 23 to the financial statements.

Directors' Rights to Acquire Shares or Debentures

Apart from the share option scheme noted above, 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.

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.

Substantial Shareholders

As at 31 December 2002, 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:

| | 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.

Directors' Interests in Competing Businesses

During the year, Mr. Liang Yongjiu and Mr. Li Zhijie, directors of the Company were also directors 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 interests held by CKSE of the said cargo terminals is listed out as follows:

| Name of joint venture | Percentage of interests held by CKSE |
|---|---|
| Huadu Port Goods Transportation United 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% |
| Pan Kong Cargo Transportation Co., Ltd. | 25% |

As the board of directors of the Company is independent from the boards of the above-mentioned companies and Mr. Liang Yongjiu and Mr. Li Zhijie 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 29 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.

Post Balance Sheet Event

Details of the significant post balance sheet event of the Group are set out in note 30 to the financial statements.

Compliance with the Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report, except that independent non-executive directors of the Company are not appointed for specific terms as required by Paragraph 7 of the Code 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.

Audit Committee

The Company has an audit committee (the “Committee”) which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee comprises the two independent non-executive directors of the Company. The Committee meets at least twice a year and has written terms of reference.

Auditors

Ernst & Young retire. The accounts have been audited by Ernst & Young.

ON BEHALF OF THE BOARD

Che Chiqiang

Director

Hong Kong

9 April 2003