



Chairman's Statement



I am pleased to announce to shareholders that Chu Kong Shipping Development Company Limited (the "Company") and its subsidiaries (the "Group") scored satisfactory results in 2006. By implementing measures such as stepping up efforts to develop its main business markets, improving management and operation efficiency of its river ports in the Pearl River Delta and strengthening internal fleet cost control, the Group recorded audited revenue of HK\$780,590,000 in 2006, up by 24.8% against the previous year. Profits attributable to the equity holders were HK\$121,148,000, 34.5% more than in the previous year and the basic earning per share was 16.15 Hong Kong cents.

In 2006, the Mainland economy grew steadily, with GDP growth at 10.7% and foreign trade amount up by 23.8% year on year. Guangdong Province, the principal operating base of the Group, recorded 14.1% growth in GDP and 23.2% growth in foreign trade. Hong Kong also reported stable economic growth. The stable economic growth and booming foreign trade of Guangdong and Hong Kong have present the Group's logistics business with huge room for development. Heeding market trends and conditions, the management of the Group implemented a series of policies to enhance market share and operational efficiency and those policies produced good results. River container transportation volume of the Group in Guangdong and Hong Kong reached 619,826 TEU in 2006, up by 29.8%

against 2005 and exceeding by far the average market growth rate during the year. Its dock container handling volume reached 405,688 TEU, up by 27.3% year on year, while the bulk handling volume reached 543,626 tons, up by 20.4% year on year. These encouraging statistics are proof of the Group's growing share in the river transportation market in Guangdong and Hong Kong and its strengthened leadership in the sector.

In recent years, taking advantage of the Closer Economic Partnership Arrangement between Hong Kong and Chinese Mainland (CEPA) and state-owned assets in Mainland China retiring from market competition, the Group has purchased and invested in certain new river ports in the Pearl River Delta region to create a more extensive river port network. Such moves have been effectively brought about in marked increase in the handling capacity and profit of Chu Kong Cargo Terminals (Gaoming) Co., Ltd. ("Gaoming Terminal"), Foshan New Port Limited and Foshan Nankong Terminal Co., Ltd.. Expansion work was completed in 2006 to boost the containerised cargo handling facilities of Chu Kong Cargo Terminals (Beicun) Co., Ltd. leading to advancement of related business of the port. The Group also won the bid to operate Gaoyao Port in Zhaoqing, an important stepping stone for it to expand market share in Zhaoqing. The Group will continue to acquire well-developed river ports in the Mainland to expand its river port network and consolidate its leadership in the Pearl River Delta river transportation market.

The Group is optimistic about its river port operations and related investment in the Pearl River Delta region. Operation of river ports will continue to give impetus for growth to the Group in the future. In the past, limited in scale and poorly operated, river ports were generally inefficient lagging far behind large container terminals. To improve the efficiency and effectiveness the Group invests heavily in upgrading both the hard and software of the port and hiring experienced management personnel to help it improve operational efficiency and marketing and service quality. This strategy has been effective and the performance delivered by Gaoming Terminal mentioned above is evidence. The Group thinks that river ports will be able to



deliver much better performance with improved management. The Group will strive to improve the overall operational efficiency of its river ports by promoting them under a unified brand and running them using a set of consistent operational procedures and with the aid of advanced IT technologies.

Enjoying unique geographical, political and operational advantages, Hong Kong will continue to be a crucial port in the region in the foreseeable future. However, the Group has noticed the emergence of large container terminals in Southern China and is aware of their probable impact on Hong Kong's position as an international Navigation centre. Hong Kong will inevitably lose some of its business to rapidly growing container hubs such as Yantian in Shenzhen, Da Chan Bay in Shenzhen and Nansha in Guangzhou. In that light, the Group has been modifying its business structure and through endeavors including adding transportation tributaries and forming joint ventures to invest in river-sea union port operation to gain foothold in the Nansha and Da Chan Bay major container hubs. These initiatives tie in closely with the Group's strategic development direction and are crucial to fostering growth of the Group in the future, thus command the Group's full attention and effort. Stepping into 2007, the Group has started to see the results of those initiatives. On 13 March 2007, the Company and Guangzhou Nansha Asset Operating Co., Ltd. signed a letter of intent to jointly build and operate the Nansha river-sea union transportation port. The project will be a priority for the Company in future .

Human resources are the Group's most valuable resources. Its success today is largely the fruit of hard work of top talents in the shipping industry on its staff. Fully aware of the importance of human resources for a logistics service enterprise, the Group will continue to recruit high-calibre professionals and provide training and incentives to facilitate and encourage excellent staff performance and development.

The Group will also speed up IT development to optimize its logistics operation. It will upgrade the IT technology of its subsidiaries into a functional division of the Group to be

staffed by experienced IT professionals. The division will use the most advanced IT technologies to develop a new generation logistics information system that can enhance the Group's competitiveness.

There are uncertainties in the macro economy in 2007, such as possible slow down of the US economy, possible regional conflicts arising Iran's insistence on developing nuclear power leading to oil price fluctuation that would in turn affect production cost of the Group; and the macroeconomic control policy of the PRC government and appreciation of the Renminbi possibly affecting exports and demand for transportation support. Should these uncertainties become reality in 2007, they would pose huge pressure on the operations of the Group. However, the Group is still confident that with the huge Mainland market thriving and at the concerted efforts of its management team and employees, it will be able to present satisfactory results to shareholders in the coming years.

2007 is the 10th anniversary of the Company's listing in Hong Kong. Thanks to the substantial support and care from shareholders and the society, the Group has survived testing times in the past decade including the Asia Financial Crisis and the SARS crisis and kept on growing and delivering ever-better results. On behalf of the Company, I would like to thank shareholders and all those who have supported the Company and the Group in the past decade. The entire staff of the Group will exert its best efforts to increase investment returns for shareholders. Through joint efforts, we shall continue to create value and share an ever brighter future!

Hua Honglin
Chairman

Hong Kong
17th April 2007