

Chairman's Statement



For the year ended 31st December 2003, the Group's consolidated turnover amounted to HK\$493,100,000, an increase of 9.4% as compared with last year. Consolidated net profit was HK\$68,069,000, representing an increase of 6.8% as compared with last year. The basic earnings per share were HK9.08 cents. During 2003, the Group's business was inevitably and badly affected by the outbreak of the Severe Acute Respiratory Syndrome ("SARS") and the war between the US and Iraq. However, we still managed to achieve satisfactory operating results despite this difficult economic environment, mainly due to the increased efforts in expanding the market of our core business, which boosted sales significantly. Moreover, the profit contribution of the investment projects in the PRC and the management's effective cost control measures and close supervision on accounts receivable all lent support to the outstanding results.



Although the economic recovery proceeded at a slower pace because of the outbreak of SARS in the first half of last year, the global economy did improve throughout this year. Coupled with the adoption of a series of policies by central government promoting the economic recovery of Hong Kong, the export and re-export trade volume of Hong Kong rose. The Group reacted promptly by putting more efforts in market expansion, which resulted in a significant growth of its core business. The number of transported containers reached a historical high in 2003, amounting to 337,825 TEU, representing an increase of 24.21%. The handling volume of containers in its wharf increased by 18.37% as compared with last year. Moreover, the Group recorded a growth in container hauling and trucking volume in Hong Kong by 1.7% as compared with last year. Cargo storage rose by 162.87%. Nevertheless, profit from the Group's core business decreased as our clients squeezed the price in order to transfer the burden of cost due to the impact of SARS and a one-off payment of long service payments was made in relation to the rationalisation of manpower. However, the trend of the decline in profit was under effective control. Since the Pearl River Delta has gradually developed into the world's processing and

manufacturing base, the Group, as a major provider of river trade transportation services in the region, has enormous room for business development.

Guangzhou-Foshan Expressway Ltd. ("Guangfo Expressway"), in which the Group holds 25% interest, suffered from the SARS epidemic as people travelled less. This, together with major road repairs and maintenance, led to a drop of 12.4% in traffic volume when compared with last year. Nevertheless, benefiting from the adjustments in toll rate on vehicles in July 2002, profit attributable to the Group still increased by HK\$3,973,000. We are confident that Guangfo Expressway will continue to contribute steady investment returns to the Group in the future when the number of vehicle owners in the PRC increases, regional economy grows gradually and the quality of roads improves drastically after major repairs and maintenance.

The Group invests in and operates 9 river trade terminals in the Pearl River Delta. In addition to providing strong support to the Group's core business, the trade terminal earned steady income. The business generated an aggregate attributable profit of HK\$11,900,000 for the Group during the year.

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In order to establish a better transportation network in the Pearl River Delta region, the Group further acquired and increased equity interests in 5 trade terminal operators in Foshan, Heshan, Gaoming, Sanbu and Qingyuan in 2003. The Group will continue to invest or increase its interest in wharf projects with growth potential, renovate the facilities of certain wharfs to match the modernised logistics arrangement, so as to consolidate its leading position in the river trade transportation business between Guangdong and Hong Kong and to prepare for the transformation from a traditional river trade transportation corporation into a comprehensive modern logistics service provider.

Shenzhen Yantian Port Zhujiang Logistics Company Limited ("Yantian Logistics") (formerly known as Shenzhen Yantian Port Zhujiang Transportation Company Limited) in which the Group holds 40% interest, is operating more effectively after adjusting the scope of its core business. Though it was adversely affected by the SARS epidemic in the first half of the year, profit attributable to the Group increased by HK\$1,511,000 as compared with last year. It is expected that Yantian Logistics will make substantial profit contribution to the Group in 2004.

Chu Kong Transhipment & Logistics Company Limited ("CKTL"), a member company of the Group, reviewed the process of its cargo transportation and offered certain major customers comprehensive logistics services on a trial basis. The company thus accumulated operating experience and received overwhelming responses from its customers. The Group believes that the experience will be useful in transforming our core business from traditional transportation services into modernised logistics services.

In 2003, the Group continued to upgrade and fine-tune the existing information system, to develop the information platform system and financial system which cater for the need of the Group's business so as to enhance the Group's working efficiency and save management cost.

In 2003, the Group acquired 9 floors of the former G. D. Real Estate Tower. The building was renamed as Chu Kong Shipping Tower. The property is mainly for own use. The acquisition of the property helps to enhance the overall image of the Group and reduce the total expenditure in the long run.



Looking forward, opportunities and challenges co-exist. The strong growth in the export and import trade and the implementation of the Closer Economic Partnership Arrangement between Hong Kong and Mainland will both give new impetus to the business development of the Group. However, since the price competition within the river trade transportation industry is still intense, the profit situation did not improve thoroughly. The Group is cautiously optimistic about its future operation. The Group aims at establishing a modern logistics operating system by fully capitalising on its regional network in Guangdong and Hong Kong, its established brand name and financial strength. With the assistance of modern information technology, a comprehensive logistics service network will be established to satisfy the needs of its customers in Guangdong and Hong Kong. The Group will keep on recruiting competent personnel for its business development and customer service departments in order to improve the quality of its existing services. The Group will adhere to ISO9001:2000 management system to make further improvements. Internal scientific management and cost control will be implemented through a modern information platform, so as to increase the overall efficiency, reinforce the linkage

with investors and make prompt responses to investors' needs. Finally, I would like to take this opportunity to express our deep gratitude to our shareholders, customers and different sectors of the community for their trust and support. I would also like to extend my sincere appreciation to all the dedicated staff of the Group.

Liang Yongjiu

Chairman

Hong Kong

14th April 2004