CKS

Chu Kong Shipping Development Company Limited

(Incorporated in Hong Kong with limited liability under Companies Ordinance)

Stock Code：0560

2007 年報 ANNUAL REPORT

2007年報
ANNUAL REPORT

Corporate Information

Executive Directors
Mr. Hua Honglin (Chairman)
Mr. Yang Rixiang
(Managing Director)
Mr. Huang Shuping

Independent Non-executive Directors
Mr. Chan Kay Cheung
Mr. Choi Kim-Lui
Ms. Yau Lai Man

Company Secretary
Mr. Ng Kin Yuen

Audit Committee
Mr. Chan Kay Cheung
Mr. Choi Kim-Lui
Ms. Yau Lai Man

Remuneration Committee
Mr. Chan Kay Cheung
Mr. Choi Kim-Lui
Ms. Yau Lai Man
Mr. Yang Rixiang

Auditor
PricewaterhouseCoopers

Principal Banks
Bank of China (Hong Kong)
Nanyang Commercial Bank
Bank of Communications

Registered Office
22nd Floor,
Chu Kong Shipping Tower
143 Connaught Road Central
Hong Kong

Registrars
Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

Business Headquarter
22nd Floor, Chu Kong Shipping Tower
143 Connaught Road Central
Hong Kong
Tel: (852) 2581 3799
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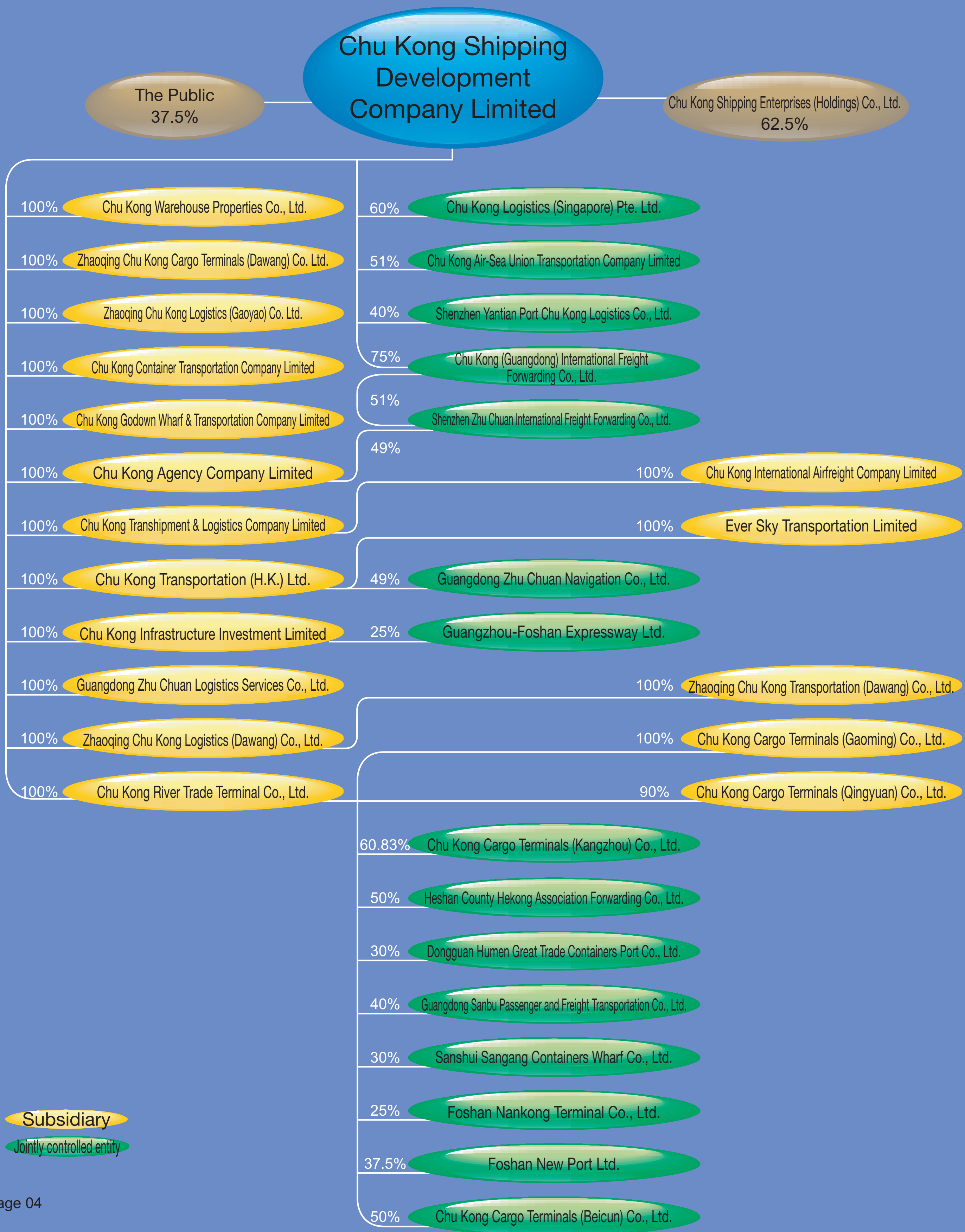
Chu Kong Shipping Development Company Limited ("CKSD") is established in Hong Kong, the international maritime centre, and provided with abundant river transportation resources in the mainland. CKSD is building a higher level platform by improving the four networks of marketing, transportation, river trade terminals and information system. It not only assists its customers to penetrate the whole market, but also elevate its marketing position for expanding its business all over the world.

We believe that CKSD will jointly create rich fortune, jointly enjoy great achievements and grasp the future with its customers on the connected big arena of "Hong Kong, Mainland and the World".

Jointly Create Fortune

Jointly Enjoy Achievements

Structure of the Group

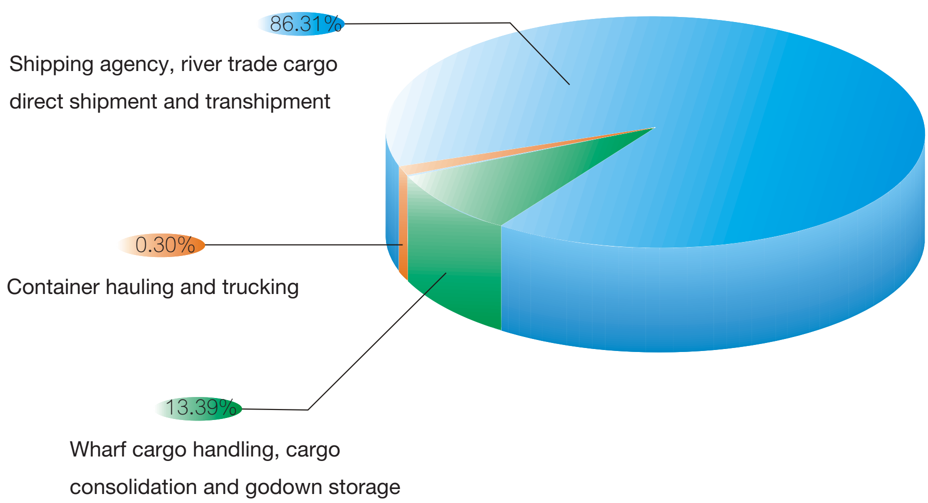


Financial Highlights

(HK$ Million)	**2007**	2006	Change %
Revenue	**870.7**	780.6	11.5
Profit attributable to the equity holders of the Company	**143.1**	121.1	18.1
Total assets	**1,912.7**	1,434.8	33.3
Net assets	**1,650.7**	1,214.0	35.9

Financial Ratio			
Operation profit margin (%)	**6.4**	5.9	0.5
Current ratio	**3.50**	2.50	0.4
Debt ratio (%)	**13.7**	15.4	(1.7)

Distribution of the Group's revenue in 2007 by business segments is set out below:



Chairman's Statement

I am pleased to announce to shareholders that Chu Kong Shipping Development Company Limited (the "Company") and its subsidiaries (the "Group) recorded a consolidated revenue for the year 2007 amounting to HK$871 million, up by 11.5% against the previous year; profit attributable to equity holders amounting to HK$143 million, 18.1% more than in the last year. We also achieved satisfactory results in our capital operation and substantial investment projects.

In 2007, the Group was confronted by the volatile global economy, amid a complex macro-economic environment with the impact of US subprime mortgage on the global economy, crude oil prices hovered at a high level and the Mainland China's macroeconomic control measures etc. By virtue of our business vision of "Honesty, Trustworthy with Excellent Quality", the Group could further develop and improve the marketing, transportation, river trade terminals and information system network for Guangdong, Hong Kong and Macau logistics markets, providing diversified value-added logistics services to our customers. In addition, our market share increased as a result of improvement in operational efficiency and higher customers' satisfaction. The Group transported a total of 820,000 TEU of foreign trade containers in 2007, representing an increase of 27.9% as compared with last year; of which the tonnage of Guangdong-Hong Kong line was 680,000 TEU, representing an increase of 9.7% as compared with last year, which outperformed the market average continuously. The business indicators such as container handling volume, break bulk cargoes handling volume etc. also achieved a rather substantial growth. This further consolidated our position in the logistics markets in Guangdong, Hong Kong and Macau region.

The Group is of the opinion that the continuous development of container transit hubs in South China will substantially change the cargo flows in Pearl River Delta – the world's processing and manufacturing base, and this provides both challenges and opportunities to our Group based in Hong Kong as the operational crucial area. Consequently, the Group has been determining to create the "Second Seaside Port" in southern China. After the signing of a "letter of intent for jointly construction of the Guangzhou Nansha river-sea union transportation wharf" with Nansha Assets Operation Co., Ltd., in March 2007, we also signed a "strategic alliance framework agreement" with Shenzhen Communications Bureau in July 2007. These two agreements built up our mainland logistics market significantly. In order to strengthen the Group's long term development in the future, we will continue to push the progress of these strategic projects forward.

The Company has also been constantly improving the network of river trade terminals in the Pearl River region. In September 2007, the Company successfully acquired the title of the assets of Gaoyao Port of Zhaoqing City in an auction. The Company will inject additional capital for the modernized development and re-construction of the port so as to become one of our crucial ports in Zhaoqing region. The construction of the ground facilities of Zhaoqing Dawang Integrated Logistics Project was commenced in October 2007 and it is anticipated that the vehicle inspection centre would be completed at the end of 2008.

In 2007, Hong Kong's stock market experienced unprecedented prosperity. With leverage of the external favourable environment and cautious deployment, the Company placed 150 million shares by the way of "Placing and Top-up" and raised approximately HK$314 million. This was the first fund raising by means of placing since the Company has been listed for 10 years. Not only did this placing raise invaluable funds for development, it also improved our equity structure, which had a proactive significance for the Company's future growth.

Taking the opportunity to celebrate the 10th anniversary of the Company's listing in Hong Kong in this year, we strengthened the promotion of our brand name by launching a series of publicity campaigns. On 18th June, a wide range of guests from political and financial sectors, business partners and customers from Guangdong, Hong Kong and Macau have been invited to attend our celebration cocktail party in Four Seasons Hotel, Hong Kong. We would like to express once again our heartfelt gratitude for their profound friendship and keen hoping upon us.

Looking forward to 2008, the US subprime storm has been escalating, which will extend from the financial to consumption domain and even more lead to economic recession. Due to the persisting high inflation rate in the Mainland China, the macroeconomic control measures will be executed by the government more forcefully with longer duration. The launch of the new "Labour Law" in the Mainland China will seriously impact the labour intensive enterprises in the Pearl River Delta region. Oil prices persisting at high level will also increase costs and expenditures of the enterprises. All these factors will affect the import and export merchandises. However, the Board of Directors and management of the Company would always be alert to the changes in the business environment and respond to these changes positively and instantly.

For 2008, we will constantly establish and consolidate the four networks of marking, transportation, river trade terminals and information system. Following the movement, transforming and upgrade of the industries in the Pearl River Delta, we will extend our services region and improve our service standard and level. Based on modern supply chain management concept, we will provide diversified one-stop integrated logistics services to the customers. We will push on merger and acquisition activities of river trade terminals as usual for facilitating the progress of the strategic projects in the container crucial ports in southern China. In short, we will fulfill our commitments to all shareholders; constantly increase corporate value so as to provide satisfactory returns to the shareholders.

This year is the 30th anniversary of the Mainland China reform and open door policy, reforms in various domains such as economic system will be more extensive and intensive and will further foster the enhancement of its economic strength. The trend of economic integration of Guangdong, Hong Kong and Macau will provide more business opportunities to the logistics sector. In accordance with our mission of "Jointly Create Fortune, Jointly Enjoy Achievements", we will be growth together with our customers, business partners and shareholders, and establish a perpetual relationship with them.

Finally, on behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders and the general public for their continuous support to the Group's development, and all our staff for their efforts and contribution to the Group.

Hua Honglin
Chairman

Hong Kong, 16th April 2008

Management Discussion and Analysis

REVIEW OF OPERATIONS

For the year ended 31st December 2007, the Group recorded a consolidated revenue of HK$870,711,000, an increase of 11.5% as compared with last year. Profit attributable to equity holders of the Company was HK$143,080,000, representing an increase of 18.1% as compared with last year.

During the year, international finance fluctuated and the crisis induced by the “subprime” in the U.S. resulted in upheaval of global capital market. Measures of macroeconomic regulation and control are brought out continuously in order to contain the growth in excessive speed. On top of that, oil price lingers on a high position, all such factors bring serious pressure to the operation of the Group. However, the Group has recorded a considerable growth by relying on the international center of processing manufacturing industry of Pearl River delta, basing on the international maritime center of Hong Kong and increasing the internal management level and operation efficiency.

The Group had placed 150 million shares in May 2007 by “Placing and Top-up”, raised additional equity funding of approximately HK$314 million and introduced world known funds as shareholders of the Company. It was the first time of employment of capital of the Company since the listing in 1997. It did not only raise precious development fund, but it also improved the shareholding structure and increased the circulation of public shares. Institutional investors’ attention and confidence to the Group were increased.

During the year, the Group overcame the difficulties of increased market competition and persistent high operating costs, and recorded a greater increase in cargo volume by enhancing the cooperation with large shipping companies and strengthening the marketing efforts, with container transportation volume, wharf container handling volume and volume of break bulk cargoes handled recording an increase of 27.9%, 9.4% and 23.2% respectively.

During the year, factors of appreciation of Renminbi, increased cost of labour force and the continuous strong oil price had certain effect on the Group’s gross profit of the year in which cost of oil had increased by HK$3,709,000.

For the Group’s investment in jointly controlled entities generally maintained a considerable profit during the year, with an increase of 3.4% compared with last year, which made the profit attributable to shareholders of the Group keep growing.

1. River trade transportation business

Benefiting from a stable economic growth in areas covered by the industry and further improvement of the marketing network between Guangdong and Hong Kong, the Group recorded an increase in the results of various major business segments during the year. Performance statistics of our major business operations are as follows:

Indicators	Year ended 31st December 2007	2006	Change
Import and export of shipping agencies business (voyages)	19,222	21,237	(9.5%)
Container transportation volume (TEU)	818,607	639,975	27.9%
Break bulk cargoes transportation volume (tons)	410,627	421,091	(2.5%)
Container handling volume (TEU)	456,520	417,227	9.4%
Volume of break bulk cargoes handled (tons)	667,646	541,820	23.2%
Volume of container hauling and trucking on land (TEU)	146,279	151,592	(3.5%)

2. Investment business

Affected by the road extension project, Guangzhou-Foshan Expressway Ltd. recorded a decrease of 4.3% in traffic volume in 2007 as compared with last year. As a result, toll income decreased by 4.9% and profit attributable to the Group decreased by 10.7%.

Foshan New Port Ltd. has been actively sourcing more types of goods for handling and the container handling volume for the year grew by 17.9% accordingly. The Group's share of profit increased substantially by 70%. Shenzhen Yantian Port Chu Kong Logistics Company Limited explored integrated logistics service and expanded its customer base. As a result, the Group's share of profit increased substantially by 58.1%. Hekong Associated Forwarding Co., Ltd returned to profit after reorganisation and contributed profit of HK$744,000 to the Group. The expansion work of Chu Kong Cargo Terminals (Beicun) Co., Ltd. was completed in October 2006 and the new container handling business has commenced full operation and recorded the trade volume of 16,904 TEU

Management Discussion and Analysis

for the year and the Group's share of profit increased substantially by 66.9%. Guangdong Sanbu Passenger and Freight Transportation Co., Ltd changed the passenger transportation business mode in Oct 2007 which suffered heavy loss, resulting in a substantial decrease in loss in the year by 13.4%.

Chu Kong Air-Sea Union Transportation Co., Ltd. ("Air-Sea Terminals"), of which 51% equity interest held by the Company, reported a significant increase in results by transforming the operating concept, exploring into new business segments and cooperating with major international logistics companies. Air-Sea Terminals posted a 1.4% and 20.4% growth in its break bulk handling volume and container handling volume respectively. Together with effective cost controls, profit attributable to the Group from Air-Sea Terminals increased by HK$4,076,000.

During the year, Guangdong Zhu Chuan Navigation Co., Ltd. built four container vessels, each with a capacity of 1,600 tons, with a total cost of RMB23,352,000, and improved the loading capacity of the fleet and further enhanced the operating efficiency and overall competitiveness.

Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd. has been assisting the relevant local government departments to apply for the qualification as a category-2 port. In August 2007, Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd. has obtained the approval from the People's Government of Port Office, Guangdong Province for the operation of inspection center for outbound cargo vehicles and the construction of inspection center and port has been fully commenced on 30th October 2007. The aggregate fund invested amounted to RMB60,000,000 at the end of 2007, while the inspection center for cargo vehicles is expected to be completed at the end of 2008. This company also set up a container truck company at Dawang as the control centre to gradually provide ancillary services to our river trade terminals and freight forwarders offices located in Pearl River Delta, in order to furnish our customers with better door-to-door services.

On 30th March 2007, Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. acquired certain core assets located at Gaoyao Port by auction at a consideration of RMB12,890,000. The surplus of title to the shares of Gaoyao Port acquired by auction at a consideration of RMB32,357,000 on 26th September 2007. We would further reconstruct and expand the port and all these were advantageously for the Company in further improving the ports distribution in Xi River Basin. Zhaoqing Chu Kong Logistic (Gaoyao) Co., Ltd. acquired 40% interest of Zhaoqing City Declaration Co. (which has changed its name to Zhaoqing City Declaration Co. Ltd.) by entering a bid at a consideration of RMB2,520,000 on 22nd February 2008.

On 13th March 2007, the Company entered into a "letter of intent for jointly construction of the Guangzhou Nansha river-sea union transportation wharf" with Nansha Assets Operation Co., Ltd.. A "strategic alliance framework agreement" was also entered into between the Company and Shenzhen Communications Bureau on 17th July 2007. Under which the two parties will form a strategic alliance and we are negotiating details of cooperation with the relevant parties at the moment.

The other joint ventures of the Group performed well during the year with no abnormality.

Outlook

The Group maintained its growth in river transportation business and container business and enhanced its market share in the Pearl River Delta by stepping up internal control, enhancing the overall operation efficiency and service quality and upgrading the marketing network, transportation network and information network. We will continue to regulate the internal management, improve corporate governance and transparency, enlarge information system and develop new generation business system and centralized management platform. We will use the modernized information technology for the ongoing enhancement of the operational efficiency and cost reduction. Capitalising on the opportunities provided by CEPA policies and reduction in competition resulted from the retirement of state-owned operators, the Group purchased the river ports in the Pearl River Delta in a planned and strategic manner, thereby improving the Group's port network in the Pearl River Delta, providing substantial support for the river transportation business of the Group, and enhancing the integrated profitability of the Group.

The Group will also endeavour to develop other new businesses related to its core business in order to support the proper development of the existing core business, and will meanwhile try to identify new sources of business growth and further promote the business of "South China Public Feeder Service".

In light of the continuous development of PRC's economic and strengthened cooperation of Guangdong Province in different sectors while the economy are growing steadily in the area, the board of directors expects growth in river cargo transportation in 2008. As the external business environment is on an upward trend, together with the competitive advantages in the industry and the further consolidation of the internal resources of the Group, the board of directors of the Company is cautiously optimistic about the prospects of the Group in 2008.

Management Discussion and Analysis

Financial Review

Review of financial results

The Group recorded profit attributable to the equity holders of the Company of HK$143,080,000 in 2007, representing an increase of HK$21,932,000 or 18.1%, as compared with last year, details of which are as follows:

	2007 HK$'000	2006 HK$'000	Changes HK$'000
Net operating profit*	67,426	48,008	19,418
Share of profit after taxation of jointly controlled entities	75,654	73,140	2,514
Profit attributable to the equity holders	143,080	121,148	21,932

* Net operating profit represents operating profit after net finance income, tax expense and minority interests.

For the year ended 31st December 2007, the Group recorded net operating profit of HK$67,426,000, representing a growth of HK$19,418,000 or 40.4% over last year, mainly due to:

(1) Despite the increase of approximately HK$3,709,000 in oil cost of the main businesses, with the growth in various businesses of the Group in the year, the gross profit in 2007 is HK$122,523,000 increased by HK$6,553,000 or 5.7% over the previous year.

(2) Other gains-net increased by HK$16,817,000, or 199.7% to HK$25,238,000 as compared with last year. The increase was mainly because the Group was benefited from the appreciation of RMB to HKD during the year.

During 2007, the Group reported a share of profit after taxation of jointly controlled entities of HK$75,654,000, an increase of HK$2,514,000, or 3.4% as compared with last year. The increase was mainly due to the following:

Profit of Foshan New Port Ltd. attributable to the Group was HK$5,006,000, increased by 70% over the previous year. Profit of Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. attributable to the Group was HK$2,474,000, increased by 58.1% over the previous year. Profit of Chu Kong Cargo Terminals (Beicun) Co., Ltd. was HK$1,334,000, increased by HK$927,000 over the previous year. Profit of Chu Kong Air-Sea Union Transportation Co., Ltd. was HK$5,754,000, increased by 242.9% over the previous year. Heshan County Hekong Associated Forwarding Co., Ltd. returned to profit after the reorganization and contributed profit was HK$744,000. Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. was resulting in a substantial decrease in loss in the year by 13.4%.

Dividend

The Group has maintained a relatively stable dividend policy. With reference to the current bank balance and cash on hand, the percentage of the profit attributable to the equity holders of the Company to the amount of dividends paid ("Dividend coverage") was the same as 2006 in 2007. The Group's Dividend coverage in the past five years were as follows:

	Dividends per share HK$	Total dividends HK$'000	Profit attributable to equity holders of the Company HK$'000	Dividend coverage
2003	0.05	37,500	68,069	55.09%
2004	0.03	22,500	83,117	27.07%
2005	0.05	37,500	90,072	41.63%
2006	0.06	45,000	121,148	37.14%
2007 (Proposed)*	**0.06**	**54,000**	**143,080**	**37.74%**

* Dividend per share for 2007 included an interim dividend of HK$0.01 per share and a special dividend of HK0.01 per share.

Liquidity and Financial Resources

The Group keeps close track of its circulating capital and financial resources in an effort to maintain a solid financial position. As at 31st December 2007, the Group secured a total credit limit of HK$4,390,000 granted by bona fide banks.

As at 31st December 2007, the current ratio of the Group, represented by current assets to current liabilities, was 3.5 (2006: 2.5) and the debt ratio, represented by total liabilities to total assets, was 13.7% (2006: 15.4%).

As at 31st December 2007, the Group's bank balances and cash amounted to HK$672,643,000 (2006: HK$348,991,000), which represents 35.2% (2006: 24.3%) of the total assets.

After considering its bank balances and cash, cash flow from operating activities, as well as the credit facilities available to the Group, it is believed that the Group has sufficient capital to fund its future operations and for business expansion and development.

Management Discussion and Analysis

Capital Structure

The capital structure of the Group was constantly monitored by the Company. The use of all capital instruments, including banking facilities, by each subsidiary was under the central co-ordination and arrangement of the Company.

As at 31st December 2007, bank balances and cash held by the Group, of which 78.9% were denominated in Hong Kong dollar, 18.1% in Renminbi and 3.0% in United States dollar, were deposited with several banks of good reputation in the following denominations:

	Amount HK$'000	**Percentage** %
Hong Kong dollar	530,776	78.9
Renminbi	121,970	18.1
United States dollar	19,897	3.0
	672,643	100

Capital Commitments

Details of capital commitments of the Group and the Company are set out in note 30 to the financial statements.

The Group has sufficient financial resources, which include bank balances and cash, cash from operating activities and available banking facilities, for the payment of capital commitments.

Employees

As at 31st December 2007, the Group employed 333 employees in Hong Kong and remunerated its employees according to the duty of their positions and market condition. Other staff benefits for eligible employees include housing allowances and bonuses etc.

Financial Management and Control

The Group consistently adopted a prudent financial policy. Fund management, financing and investment activities were all undertaken and monitored by the central management of the Group.

Given the characteristics of the core business of the Group, emphasis of routine financial control is placed on the management of working capital, particularly the timely receipts of trade receivables. As at 31st December 2007, net trade receivables of the Group amounted to HK$140,208,000, an increase of 12.1% as compared with last year, 90.7% of which was aged within 3 months. The exposure to bad debts was controlled at a comfortable level.

Currently, the ordinary operations and investments of the Group are concentrated in Guangdong Province and Hong Kong, with operating revenue and expenditure mainly denominated in HKD, as well as in RMB and USD. RMB revenue from Mainland China may be used for payment of expenses of the Group denominated in RMB incurred in Mainland China. HKD or USD revenue received in Mainland China may be remitted to the Group's accounts in Hong Kong through proper procedures as planned. So long as the pegged rate system in Hong Kong with USD is maintained, it is expected that the Group will not be subject to any significant exposure associated with fluctuation in exchange rate of USD. However, the recent fluctuation of exchange rate of RMB may affect the results of the Group to a certain extent.

Report of the Directors

The directors are pleased to present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December 2007.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and jointly controlled entities are set out in notes 10 and 11 to the financial statements respectively. There were no significant changes in the principal activities of the Group during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

Results and appropriations

The Group's results for the year ended 31st December 2007 is set out on page 34 of the annual report.

An interim dividend of HK1 cent per ordinary share and a special dividend of HK1 cent per ordinary share were declared during the year, totalling HK$18,000,000, which was paid on 31st October 2007. The directors have proposed a final dividend of HK4 cents per ordinary share for the year, totalling HK$36,000,000 to shareholders on the register of members on 26th May 2008.

Financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 98 of the annual report. This summary does not form part of the audited financial statements.

Property, plant and equipment and investment properties

Details of movement in the property, plant and equipment and investment properties of the Group and the Company are set out in notes 6 and 7 to the financial statements respectively.

(From left to right): Mr. Choi Kim Lui (Independent Non-executive Director), Ms. Yau Lai Man (Independent Non-executive Director), Mr. Chan Kay Cheung (Independent Non-executive Director), Mr. Hua Honglin (Chairman), Mr. Yang Rixiang (Managing Director), Mr. Huang Shuping (Director)

Share capital

The Company placed 150,000,000 shares of the Company using "Placing and Top-up" method on 18th May 2007. Details of movement in the share capital of the Group during the year are set out in note 15 to the financial statements.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 16 to the financial statements.

Distributable reserves

As at 31st December 2007, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK$152,016,000 of which HK$36,000,000 has been proposed as final dividend for the year.

Major customers and suppliers

During the year, 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 revenue and purchases for the year respectively.

Directors

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

Executive directors:

Mr. Hua Honglin
Mr. Yang Rixiang
Mr. Li Zhijie (resigned on 8th June 2007)
Mr. Huang Shuping

Independent non-executive directors:

Mr. Chan Kay Cheung
Mr. Choi Kim-Lui
Ms. Yau Lai Man

Report of the Directors

In accordance with the Articles of Association of the Company, Mr. Hua Honglin and Mr. Choi Kim-Lui will retire by rotation and, being eligible, Mr. Hua Honglin and Mr. Choi Kim-Lui will offer himself 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 management's biographies

Executive Directors

Mr. Hua Honglin, aged 40, has been the executive director the Company since 6th April 2006, and chairman of the board of directors of the Company since 26th May 2006, responsible for strategic planning, decision making on important matters and management of senior executives of the Group. He graduated as bachelor of accounting from Shanghai Maritime University (formerly Shanghai Maritime College) in 1991 and as MBA from Zhongshan University in 2002, and is now on-job doctor of corporate governance of Zhongshan University. He is a certified senior economist and accountant in the PRC. Mr. Hua once worked for Guangdong Province Navigation Holdings Co., Ltd., CKSE and its subsidiaries, with over 17 years of experience in shipping and corporate governance.

Mr. Li Zhijie, aged 46, has been an executive director of the Company since March 2001 and resigned on 8th June 2007, 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 had been appointed as a director and deputy general manager of Chu Kong Transhipment & Logistics Company Limited ("CKTL"), a wholly owned subsidiary of the Company, the chairman of Guangdong Hong Kong & Macau Freight Transport Trust Company and the chairman of Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd. He has over 27 years of experience in river trade transportation, inter-modal transportation and cargo forwarding business.

Mr. Yang Rixiang, aged 44, was a deputy general manager of the Company since October 2002, and has been an executive director of the Company since 13th June 2003. He began to serve as managing director of the Company since 25th May 2006, responsible for managing the main businesses of the Group and organising executive directors to formulate corporate development strategies. He joined CKSE after his studies of postgraduate from Guangdong University of Foreign Studies in 1989. He holds a bachelor degree of economics. 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 18 years of experience in corporate management.

Mr. Huang Shuping, aged 43, has been executive director of the Company since 1st November 2006. He graduated from Nanjing College of Navigation Engineering, majoring in port sea routes. He also acquired a diploma as master of economics from Guangdong Academy of Social Sciences. Mr. Huang also holds qualification certificates of marine works engineer and economist. He has over 23 years of experience in transportation before joining the Company.

Independent Non-executive Directors

Mr. Chan Kay-cheung, *FHKIB*. Aged 61. Mr. Chan is the Vice Chairman of The Bank of East Asia (China) Limited. He was 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. Mr. Chan is a fellow member of the Hong Kong Institute of Bankers, advisory committee member on the Quality Migrant Admission Scheme of the Hong Kong Immigration Department and an international senior economic consultant of The People's Government of Shaanxi Province. He is also an independent non-executive director of Four Seas Food Investment Holdings Limited, China Electronics Corporation Holdings Company Limited and China Central Properties Limited. Mr. Chan was appointed director of the Company in April 1998.

Mr. Choi Kim-Lui, aged 60, was appointed as the independent non-executive director of the Company on 8th September 2004. Mr. Choi graduated as a bachelor of social science at the University of Hong Kong in 1972 and worked as a social worker in his early career years. In 1983, he joined as the executive director for the newly established Transward Limited and New Moonraker Motor Boat Company Limited to develop motor boat, tug boat, lighter and midstream operation services. Since then, he has actively participated in the trade associations of motor boats and lighters and has served as a member in the Marine Department's Port Operation Committee, Provisional Local Vessels Advisory Committee, Immigration Department's Users' Committee, Vocational Training Council's Maritime Services Training Board and Logistics Council's S-Logistics Project Group. He was appointed by the government of Hong Kong Special Administrative Region as a Non-Official Justice of Peace in 2002.

Ms. Yau Lai Man, aged 44, was appointed as an independent non-executive director on 1st January 2005. Ms. Yau graduated from The University of Warwick in the United Kingdom with a master degree in business administration. She is a Certified Public Accountant (Practicing) in Hong Kong and is a fellow of The Association of Chartered Certified Accountants in the United Kingdom. She has over 17 years auditing and commercial experiences. Ms. Yau presently is the financial controller of Essex Bio-Technology Limited listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Senior Management

Mr. Lu Xin, aged 41, has been the financial controller of the Company since September 2005 and is responsible for the Group's financial management and control. He graduated from Shanghai Maritime University in 1989 with a bachelor degree of economics and obtained a postgraduate degree of accounting from the Zhongshan University in 2002. He joined CKSE in 1989 and acted as the financial manager of the Company during the period from 1996 to 1999. Mr. Lu is also a qualified accountant in the PRC. He has over 18 years of experience in accounting and financial management.

Ms. Cheung Mei Ki, Maggie, aged 41, has been the senior assurance manager of the Company since 2008 and is responsible for oversight of the Group in connection with its internal control and financial reporting procedures etc.. Before joining the Company, she had held position in Hong Kong Air Cargo Terminals Limited. Ms. Cheung graduated from The University of Strathclyde, (the United Kingdom), with a master degree in business administration. She is a Certified Public Accountant in Hong Kong and is a fellow of The Association of Chartered Certified Accountants in the United Kingdom. She has over 22 years accounting and financial management experiences.

Mr. Hu Jun, aged 35, has been the managing director of Chu Kong Agency Company Limited ("CKA"), a subsidiary of the Company, since November 2005. Prior to joining CKSE in 1992, he had worked for Waibert Steam Ship Co. Ltd., CKTL and Chu Kong (Guangdong) International Freight Forwarding Co., Ltd.. Mr. Hu graduated from University of South Australia with a Master degree in Business Administration. He is also a committee member of the local craft consulting committee in the Hong Kong Marine Department, officer of the Guangdong Shipowners Association, Hong Kong branch. He has over 16 years of experience in shipping management and marketing.

Mr. Chen Yu, aged 41, has been the managing director of CKTL since August 2005. He joined CKSE in 1991 and had worked for Waibert Stream Ship Co., Ltd and CKTL. Mr. Chen graduated from Shanghai Maritime University with a bachelor degree of international shipping. Mr. Chen has over 17 years of experience in rive trade transport and marketing.

Mr. Yan Wenhai, aged 35, has been the managing director of Chu Kong Godown Wharf & Transportation Company Limited since March 2006. He had worked for Chu Kong (Guangdong) International Freight Forwarding Co., Ltd., Sanshui Sangang Containers Wharf Co., Ltd., Zhongshan Port Goods Transportation United Co., Ltd.. Mr. Yan obtained a master degree of engineering management in University of Technology, Sydney, and has over 15 years of experience of wharf operations and container truck transportation.

Share options

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the schemes include any full-time employees (including executive directors) in the service of the Group.

On 10th May 2002, the share option scheme adopted on 7th May 1997 (the "1997 Scheme") ceased to operate.

On 14th May 2002, the Company adopted a new share option scheme (the "2002 Scheme") which, unless otherwise cancelled or amended, will remain in force for 10 years from the date of adoption. No share options have been granted under the 2002 Scheme since adoption.

The maximum number of unexercised share options currently permitted to be granted is an amount equivalent, upon their exercise, to 10% of the Company's shares in issue at any time. At 31st December 2007, no ordinary shares were issuable under share options granted under the 2002 scheme (2006: nil). The maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to an executive director or a chief executive subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$10 in total by the grantee. An option may be exercised at any time within 10 years commencing on the date when the option is granted.

The exercise price of the share options is determined by the directors, but may not be less than the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of the offer of the share options; (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

Share of options do not confer rights on the holders to dividends or to vote at shareholders meeting.

As at 31st December 2007, no share options are outstanding.

Directors' and executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation

At 31st December 2007, the Company has not been notified of any interests and short positions of the directors and executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO.

Apart from the share option scheme, at no time during the year, the directors and executives (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors and executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries and its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Substantial shareholders' interests and short positions in the shares of the Company

As at 31st December 2007, as recorded in the register required to be kept under Section 336 of the SFO, the following shareholders have 5% or more of the Company's share capital:

Ordinary shares of HK$0.10 each in the Company		Number of shares
(i)	CKSE	562,500,000
(ii)	Guangdong Province Navigation Holdings ("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, as at 31st December 2007, the Company has not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register to be kept under Section 336 of the SFO.

Directors' interests in competing businesses

During the year, Mr. Li Zhijie, resigned as director of the Company and several cargo terminal joint ventures in the Pearl River Delta Region in which CKSE has interests. After the resignation of Mr. Li, Mr. Hua Honglin, director of the Company, succeeded Mr. Li's directorship in the entities listed below, 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 entity	Percentage of interests held by CKSE
Zhuhai Zhu Chuan Container Terminals (Doumen) Co., Ltd.	100%
Shunde Container Terminal Co., Ltd.	16.5%
Zhongshan Port Goods Transportation United Co., Ltd.	25%
Pankong 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. Li Zhijie and Mr. Hua Honglin 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.

Sufficiency of public float

Based on the information that is available to and within the knowledge of the directors of the Company, it is confirmed that there is sufficient of public float of no less than 25% of the Company's issued shares as of the date of this report.

Report of the Directors

Connected transactions

Details of connected party transactions with parent company, immediate holding company, fellow subsidiaries and related entities (which include an entity which is 49% and 51% owned by the Group and the parent company respectively, an entity which is 40% and 50% owned by the Group and the parent company respectively, an entity which is 75% and 25% owned by the Group and the parent company respectively, and an entity which is 25% and 15% owned by immediate holding company and parent company respectively) are included in the related party transactions as set out in note 32(a) to the financial statements.

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that these connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) without exceeding the relevant cap amount as prescribed in the waiver granted by the Stock Exchange.

The board of directors engaged the auditor of the Company to perform certain factual finding procedures on the above continuing connected transactions (on a sample basis, if applicable) in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their factual findings on the selected samples basis to the board of directors.

The aforesaid connected transactions have been reviewed and confirmed by our independent non-executive directors that such transactions were carried out under our ordinary activities which were reasonable and fair to the shareholders or in accordance with the terms of the relevant agreement for the connected transaction.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Purchase, redemption or sale of the Company's listed securities

The Company passed a resolution on 17th May 2007 to arrange a placing of 150 million shares at HK$2.15 per share

by means of "Placing and Top-up", the net proceeds raised was HK$314 million, the Company's issued shares increased to 900 million shares from 750 million shares. The percentage of shareholding of the majority shareholder, Chu Kong Shipping Enterprises (Holdings) Limited reduced to 62.5% from 75%.

Subsequent events

Details of the subsequent events of the Group are set out in note 33 to the financial statements.

Compliance with the Code on Corporate Governance Practice

In the opinion of the directors, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the accounting period covered by this Annual Report, except that independent non-executive directors of the Company are not appointed for specific terms. They are subject to retirement by rotation at the Company's annual general meeting in accordance with the provisions of the Company's Articles of Association.

Adoption of Model Code for Securities Transaction by Directors

The Company has adopted a code of conduct prescribing standards and requirements no less than that required by the Model Code for Securities Transactions by directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The directors have complied with such code of conduct during the accounting period covered by this Annual Report.

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 three independent non-executive directors of the Company. The Committee meets at least twice a year and has written terms of reference.

Remuneration Committee

The Company has established a remuneration committee in compliance with the Code to formulate the remuneration policy of the Company and determine the remunerations for the executive directors and senior management. The committee comprises three independent non-executive directors and one executive director of the Company. The committee meets at least twice a year and has written terms of reference.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retired and, being eligible, offer themselves for reappointment.

ON BEHALF OF THE BOARD
Yang Rixiang
Managing Director

Hong Kong
16th April 2008

Corporate Governance Report

The Company strives to improve the transparency of its corporate governance practices and maximise the return to its shareholders, and it keeps improving corporate governance by strengthening internal control and enhancing accountability and transparency.

Code on Corporate Governance Practice

The Stock Exchange of Hong Kong Limited requires that starting from 1st January 2005, listed companies must comply with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. The Code consists of two parts:

Firstly, it is required to strictly observe the Code and explain any deviation therefrom; secondly, best practices are recommended, which listed companies are encouraged to follow.

Since 1st January 2005, the Company has been implementing Code on Corporate Governance Practices and following part of the recommended best practices as needed in its corporate governance. The Company will adopt more of the recommended best practices to further improve its governance.

The board of directors

The board is responsible for establishing of the overall development strategy, operation and financial reporting of the Company, major acquisitions, substantial connected transactions, annual and interim results, proposed interim and final dividends, proposed appointment and re-election of directors, appointment of auditor, share issue and repurchase and other operation and financial matters relating to the Company.

Membership of board of directors: The board of the Company consists of three executive directors and three independent non-executive directors. The personal biographies of the directors are set out in pages 18 and 19 of the Report of the directors. The directors understand that they should fulfill their duties in the best interest of the Company and its shareholders.

Responsibilities of the chairman and managing director: The chairman and managing director of the Company are not performed by the same individual so as to ensure the accountability and independence of the policy making process of the Company. The chairman of the Group is responsible for leading the board of directors, building the management of the Company, organising to formulate the development strategies of the Company and capital operation etc,. The managing director is responsible for managing the daily business operations of the Company, implementing the development strategies formulated by the board of directors, and developing modern logistics and information capabilities.

Directors of the Company: The Company forms its board of directors based on the characteristics and uniqueness of its operations to ensure that each director possesses the required experience and managerial expertise. In order to ensure the independence of the policy making process of the board and protect the interest of its shareholders, the Company appoints three qualified independent non-executive directors, which are professionals experienced in banking, finance or navigation. The Company undertakes to give them adequate access to the information of the Company and encourage them to discuss and provide independent opinions on matters of the Company.

All independent non-executive directors and executive directors of the Company are required to retire in rotation in accordance with the Articles of Association of the Company but, being eligible, can offer themselves for re-election. According to the Code, a service term of not over nine years is one of the key factors in determining the independence of an independent non-executive director. Mr. Chan Kay Cheung has served as such independent non-executive director for over nine years, but the Company believes that Mr. Chan can independently express opinions on matters of the Company.

Directors' responsibilities for financial statements: During each financial period, the directors are responsible for the preparation of the financial statements that give a true and fair view of the state of affairs of the Group and of its results and cash flows during the relevant period. In preparing the financial statements for the year ended 31st December 2007, appropriate accounting policies are selected and applied consistently by the directors, made careful and reasonable judgements and estimates, and prepared the financial statements on an on-going basis. The directors are responsible for the filing of appropriate accounting records that reasonably and accurately disclose the financial position of the Company from time to time.

Board of directors meeting procedures: The board held regular meetings during the year to discuss the overall development strategy, operation and financial reporting of the Group. The time, agenda and related documents of the board meeting will be available to the directors at least 14 working days in advance to enable each director to fully understand the matters to be discussed and make an informed opinion. Each director has the right to seek independent professional advice in furtherance of his/her duties at the expense of the Company. No director has requested to seek professional advice as mentioned above during the year of 2007. In order to facilitate the exercise of power by the directors, the Company has already arranged suitable insurance in respect of the legal action threatened against the directors to indemnify them from the liabilities that may arise in the decision-making process of the Company.

Corporate Governance Report

During 2007, the attendance of the board members at the meetings of the board and its respective committees is as follows:

	Board meeting	Audit Committee	Remuneration Committee
Mr. Hua Honglin *(Chairman, of board of directors)*	4/4	N/A	N/A
Mr. Yang Rixiang *(Managing director)*	4/4	N/A	2/2
Mr. Li Zhijie *(Executive director, resigned on 8th June 2007)*	N/A	N/A	N/A
Mr. Huang Shuping	4/4	N/A	N/A
Mr. Chan Kay Cheung *(Independent non-executive director)*	4/4	2/2	2/2
Mr. Choi Kim-Lui *(Independent non-executive director)*	4/4	2/2	2/2
Ms. Yau Lai Man *(Independent non-executive director)*	4/4	2/2	2/2

Sub-committees of the board: In order to assist the directors to perform their responsibilities, the board of directors has set up an audit committee and a remuneration committee, both are chaired by an independent non-executive director with written terms of reference which were discussed and approved by the board of the directors. The duties of the two committees are as follows:

Audit Committee: The Audit Committee was established in 2001 to review the Company's financial reporting, internal control, appointment of auditor and corporate governance issues and make recommendations to the board. The Audit Committee consists entirely of independent non-executive directors, who are experienced in finance, internal audit or banking, and are therefore capable of providing expert opinions on the financial operations of the Company.

The committee comprises:

Mr. Chan Kay Cheung – Chairman of the committee
Mr. Choi Kim-Lui
Ms. Yau Lai Man

The Audit Committee held two meetings in 2007 with an attendance rate of 100% to review the following matters with the Company's senior management and independent auditor:

- Accounting policies adopted by the Company for preparing financial statements;
- Draft annual report, interim report and financial statements of the Company;
- Scope of audit work of external auditor;
- Independent audit results of the Company's financial statements;
- Management letter issued by external auditor and management's response;
- Appointment of external auditor for providing non-audit services;
- Audit fee proposal for 2007;

- Internal audit function of the Company including internal audit policy, internal audit plan and internal audit reports, covering internal control and risk management;
- Connected party transactions of the Company; and
- Terms of reference of Audit Committee.

To further enhance the independence of the external independent auditor, part of the above meetings were only attended by the independent non-executive directors and independent auditor.

Remuneration Committee: The Remuneration Committee was established in 2005 and is chaired by an independent non-executive director. The Remuneration Committee met twice in 2007 and the average attendance rate is 100%. Currently, the Remuneration Committee comprises three independent non-executive directors and one executive director. The members of the Remuneration Committee are as follows:

Mr. Chan Kay Cheung – Chairman of the committee
Mr. Choi Kim-Lui
Ms. Yau Lai Man
Mr. Yang Rixiang (executive director)

Functions of the Remuneration Committee include:

- To determination and review remuneration packages of directors and senior management; and
- To work out incentive schemes such as option and other proposals to the board.

Executive Directors' Remuneration: The remuneration of the executive directors of the Company mainly includes basic salary, bonus and directors' emoluments. The Company considers various factors in determining the remuneration such as market conditions, comparable companies and time spent on the affairs of the Company.

Remuneration of independent non-executive directors: The Company pays emoluments to independent non-executive directors. The Remuneration Committee will present a proposal to the board, and the board will make decisions based on market conditions.

Directors' and Employees' Securities Transactions

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules regarding the securities transactions of the directors of the Company. The Company has had the confirmations from all directors that they have complied with the requirements of the Model Code for the year ended 31st December 2007.

The Company has also formulated written guidelines regarding the securities transactions of the employees of the Company that may expose to price-sensitive information. The requirements of the written guidelines are no less exacting than those set out in the Model Code. The Company recorded no non-compliance events during 2007.

Internal Control

The board of directors is responsible for the effective internal control system of the Company and reviewing the functions of the control system through the Audit Committee. The Board authorised the senior management to implement the said internal control system. According to the guidelines of Listing Rules, the Company appointed experienced professionals with Hong Kong certified accountant qualification to act as Senior Assurance Manager of the Company, who is responsible for oversight of the Group in connection with its internal control and financial reporting procedures. The Company set up task group and held meetings regularly to review the effectiveness of the relevant financial, operational and compliance controls as well as risk management procedures and to make further improvement.

Corporate Governance Report

In the year, the Company did the following works relating to internal monitoring:

- Recalling the listed 42 possible major risks;
- Re-assessing the listed 21 risks to which the management had given top priority; and
- Follow-up the established risk management procedure, and making corrections and improvements by controlling and monitoring risks identified.

Auditor's remuneration

For the financial year ended 31st December 2007, the Company paid the auditor the following fees for audit and non-audit services:

	2007	2006
	HK'000	HK'000
Audit Services	**1,828**	1,543
Non-audit Services	**576**	568
	2,404	2,111

Relations with shareholders

The Company guarantees the shareholders' right to know, and communicate actively with shareholders. The Company will report by circular to shareholders any information that the shareholders need to know in accordance with the articles of association of the Company and the Listing Rules. After the Hong Kong Stock Exchange cancelled the mandatory requirement of disclosing company results in Chinese and English newspapers and switched to the HKEXnews System for company result disclosure, the Company has adopted the new standard and disclosed its company results on the HKEXnews system on time.

The Company's Website, www.cksd.com, is an important channel of the Company for information disclosure.

Annual general meetings are important occasions for direct dialogues between directors, senior executives and shareholders, and the Company attaches great importance to annual general meetings. All directors (including independent non-executive directors) and senior executives will try to attend the meetings, listen to shareholders' proposals in person, and answer questions raised by shareholders concerning the development strategies and operations of the Company. The Company welcomes shareholders to attend annual general meetings in person and express their opinions to the directors and the management.

Investor Relations and Communications

The Company regards investor relations of utmost importance. The Company discloses relevant information timely under the guidelines of the Listing Rules. The Company keeps institutional investors and analysts informed of the updates of the Company, held analyst and critic luncheons and a series of roadshow works in 2007 and gives responsive feedback to small and medium investors. The Company discloses its operational data on its website on a monthly basis to provide reference for the investors.

Compliance with Listing Rules

The directors of the Company were not aware of any information which could reasonably point out that the Company did not comply with the requirements of the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the year ended 31st December 2007.

There are no amendments to the Articles of Association in 2007.

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Chu Kong Shipping Development Company Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 31 to 97, which comprise the consolidated and company balance sheets as at 31st December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2007 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 16th April 2008

Consolidated Balance Sheet

As at 31st December 2007

	Note	**2007 HK$'000**	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**254,256**	184,203
Investment properties	*7*	**4,713**	4,817
Leasehold land and land use rights	*8*	**328,756**	306,308
Intangible asset – goodwill	*9*	**17,484**	16,304
Jointly controlled entities	*11*	**407,803**	383,055
Deferred tax assets	*12*	**487**	96
		1,013,499	894,783
Current assets			
Trade and other receivables	*13*	**226,536**	191,058
Cash and bank balances	*14*	**672,643**	348,991
		899,179	540,049
Total assets		**1,912,678**	1,434,832
EQUITY			
Share capital	*15*	**90,000**	75,000
Reserves	*16*	**1,522,549**	1,099,334
Final dividend proposed	*16*	**36,000**	37,500
		1,648,549	1,211,834
Minority interests		**2,165**	2,202
Total equity		**1,650,714**	1,214,036
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	*12*	**5,392**	4,594

Consolidated Balance Sheet

As at 31st December 2007

	Note	**2007**	2006
		HK$'000	HK$'000
Current liabilities			
Trade and other payables	*17*	**252,781**	214,530
Tax payables		**3,791**	1,672
		256,572	216,202
Total liabilities		**261,964**	220,796
Total equity and liabilities		**1,912,678**	1,434,832
Net current assets		**642,607**	323,847
Total assets less current liabilities		**1,656,106**	1,218,630

On behalf of the board

Hua Honglin
Director

Yang Rixiang
Director

Balance Sheet

As at 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**4,351**	4,978
Investment properties	7	**19,524**	19,954
Leasehold land	8	**26,346**	26,376
Subsidiaries	10	**410,041**	333,731
Jointly controlled entities	11	**47,366**	51,446
		507,628	436,485
Current assets			
Other receivables, deposits and prepayments	13	**228,611**	188,346
Cash and bank balances	14	**534,827**	256,218
		763,438	444,564
Total assets		**1,271,066**	881,049
EQUITY			
Share capital	15	**90,000**	75,000
Reserves	16	**903,778**	596,266
Final dividend proposed	16	**36,000**	37,500
Total equity		**1,029,778**	708,766
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	12	**502**	492
Current liabilities			
Other payables and accruals	17	**240,786**	171,791
Total liabilities		**241,288**	172,283
Total equity and liabilities		**1,271,066**	881,049

On behalf of the board

Hua Honglin
Director

Yang Rixiang
Director

Consolidated Income Statement

For the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	5	**870,711**	780,590
Cost of services rendered	20	**(748,188)**	(664,620)
Gross profit		**122,523**	115,970
Other income	18	**12,169**	7,251
Other gains – net	19	**25,238**	8,421
General and administrative expenses	20	**(104,097)**	(85,273)
Operating profit		**55,833**	46,369
Finance income	21	**21,741**	9,215
Share of profits less losses of jointly controlled entities	22	**75,654**	73,140
Profit before tax		**153,228**	128,724
Tax expense	23	**(10,342)**	(7,726)
Profit for the year		**142,886**	120,998
Attributable to:			
Equity holders	24	**143,080**	121,148
Minority interests		**(194)**	(150)
		142,886	120,998
Dividends	25	**54,000**	45,000
Earnings per share (HK cents)	26		
Basic		**17.08**	16.15
Diluted		**17.08**	16.04

Consolidated Statement of Changes in Equity

For the year ended 31st December 2007

	Share capital HK$'000	Reserves HK$'000	Equity holders HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January 2007	75,000	1,136,834	1,211,834	2,202	1,214,036
Profit for the year	–	143,080	143,080	(194)	142,886
Income recognised directly in equity					
– currency translation differences	–	35,558	35,558	157	35,715
Total recognised income/(expenses)	–	178,638	178,638	(37)	178,601
Issue of new shares, net of share issuing expenses	15,000	298,577	313,577	–	313,577
2006 final dividend	–	(37,500)	(37,500)	–	(37,500)
2007 interim dividends	–	(18,000)	(18,000)	–	(18,000)
At 31st December 2007	90,000	1,558,549	1,648,549	2,165	1,650,714
At 1st January 2006	75,000	1,035,502	1,110,502	2,264	1,112,766
Profit for the year	–	121,148	121,148	(150)	120,998
Income recognised directly in equity					
– currency translation differences	–	17,684	17,684	88	17,772
Total recognised income/(expenses)	–	138,832	138,832	(62)	138,770
2005 final dividend	–	(30,000)	(30,000)	–	(30,000)
2006 interim dividend	–	(7,500)	(7,500)	–	(7,500)
At 31st December 2006	75,000	1,136,834	1,211,834	2,202	1,214,036

Consolidated Cash Flow Statement

For the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from operations	29	**74,333**	67,130
Hong Kong profits tax paid		**(5,923)**	(6,761)
PRC income tax paid		**(1,588)**	(1,860)
Net cash from operating activities		**66,822**	58,509
Cash flows from investing activities			
Purchase of property, plant and equipment		**(82,302)**	(15,190)
Purchase of leasehold land and land use rights		**(22,116)**	(28,681)
Proceeds from disposal of property, plant and equipment		**366**	330
Investments in jointly controlled entities		**(8,554)**	(3,964)
Loans advanced to jointly controlled entities		**(13,894)**	(12,000)
Repayments of loans from jointly controlled entities		**6,230**	1,530
Dividends received from jointly controlled entities		**76,061**	49,750
Interest received		**21,741**	9,215
Net cash (used in)/from investing activities		**(22,468)**	990
Cash flows from financing activities			
Dividends paid		**(55,500)**	(37,500)
Issue of new shares		**322,500**	–
Share issuing expenses		**(8,923)**	–
Net cash from/(used in) financing activities		**258,077**	(37,500)
Net increase in cash and bank balances		**302,431**	21,999
Cash and bank balances at the beginning of the year		**348,991**	320,891
Effect of exchange rate changes		**21,221**	6,101
Cash and bank balances at the end of the year	14	**672,643**	348,991

Notes to the Financial Statements

1 General information

Chu Kong Shipping Development Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of its registered office is 22nd Floor, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in shipping agency, river trade cargo direct shipment and transhipment, wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking in Hong Kong and the People's Republic of China (the "PRC").

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements have been approved for issue by the board of directors of the Company on 16th April 2008.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ended 31st December 2007:

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

Except for HKAS 1 (Amendment) and HKFRS 7, the adoption of the above interpretations do not have material impact to the Group's principal accounting policies or presentation of financial statements.

2 Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

HKAS 1 Amendment and HKFRS 7 introduce qualitative disclosures about risks faced and the strategies used to manage them, quantitative disclosures about the potential impacts of market risks and discussion of the capital management strategy, which are disclosed in notes 3(a) and 3(b).

The following new standards, amendments and interpretations to standards have been issued but are not effective for 2007 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 2 (Amendment)	Shared-based Payment – Vesting Conditions and Cancellation	1st January 2009
HKFRS 3 (Revised)	Business Combinations	1st July 2009
HKFRS 8	Operating Segments	1st January 2009
HKAS 1 (Revised)	Presentation of Financial Statements	1st January 2009
HKAS 23 (Revised)	Borrowing Costs	1st January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions	1st March 2007
HK(IFRIC)-Int 12	Service Concession Arrangements	1st January 2008
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1st July 2008
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1st January 2008

The Group has already commenced an assessment of related impact of adopting the above new standard, amendments to standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's principal accounting policies and presentation of the financial statements will be resulted.

2 Summary of significant accounting policies *(Continued)*

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that controls ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group‘s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less any provision for impairment. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(c) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entities are accounted for in the consolidated financial statements using equity method of accounting and are initially recognised at cost. The Group's interests in the jointly controlled entities include goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of the post-acquisition, post-tax results of the jointly controlled entities for the year, including any impairment loss on goodwill relating to the investments in jointly controlled entities recognised for the year, is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investments.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the subsidiary or jointly controlled entity acquired at the date of acquisition. Goodwill on acquisition of jointly controlled entities is included in interests in jointly controlled entities and is tested for impairment whenever there are indicators for impairment. Separately recognised goodwill on acquisition of subsidiaries is tested for impairment annually or whenever there are indicators for impairment. Goodwill is carried at cost less accumulated impairment. Impairment on goodwill is not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocated goodwill to each business segment in each country in which it operates.

2 Summary of significant accounting policies *(Continued)*

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates ruling at the balance sheet are recognised in the income statement.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the rates ruling at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates ruling at the balance sheet date.

2 Summary of significant accounting policies *(Continued)*

(g) Property, plant and equipment

(i) Construction in progress

Construction in progress represents warehouse, vessels and barges or other property, plant and equipment under construction which is carried at cost less any accumulated impairment losses.

Construction in progress includes construction expenditure incurred and other direct costs attributable to the construction. On completion, the construction in progress is transferred to appropriate categories of property, plant and equipment. No depreciation is provided for construction in progress.

(ii) Other property, plant and equipment

Other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Depreciation of tangible infrastructures of expressway is calculated to write off their costs on a straight-line basis over the operating period of 30 years. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings on leasehold land	20-50 years
Leasehold improvements	5-8 years
Plant and machinery	4-8 years
Furniture, fixtures and equipment	3-8 years
Motor vehicles	3-8 years
Containers	4-8 years
Vessels and barges	8-15 years

Major costs incurred in restoring tangible infrastructures of expressway to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

2 Summary of significant accounting policies *(Continued)*

(g) Property, plant and equipment *(Continued)*

(ii) Other property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts of the assets and are recognised within other gains-net in the income statement.

(h) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property in the financial statements.

Investment property is situated on the leasehold land and is carried at historical cost, including related transaction costs, less depreciation and impairment. Depreciation of the investment property is calculated using the straight-line method to allocate cost over their estimated lives of 50 years.

Subsequent expenditure is included to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

(i) Leasehold land and land use rights

Leasehold land and land use rights represent operating lease payments for land and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the operating lease payments over the remaining lease term.

2 Summary of significant accounting policies *(Continued)*

(j) Impairment of assets

Assets that have an indefinite useful life and are not subject to depreciation or amortisation are tested for impairment annually and/or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "other gains – net". When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against other gains – net in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2 Summary of significant accounting policies *(Continued)*

(m) Share capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(n) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Current income tax and deferred tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit obligations

The contributions to defined contribution schemes are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The fair value of the employee services received in exchange for the grant of the options under an equity-settled, share-based compensation plan is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) Bonus entitlements

The Group recognises a liability and an expense for bonus when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2 Summary of significant accounting policies *(Continued)*

(q) Revenue/income recognition

Revenue comprises the fair value of the consideration for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and other revenue reducing factors.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Revenues from the rendering of services in shipping agency and river trade cargo direct shipment and transhipment, wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking are recognised in the financial period in which the services are rendered.

(ii) Operating lease rental income is recognised over the periods of the respective leases on a straight-line basis.

(iii) Interest income is recognised on a time-proportion basis using the effective interest method.

(r) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

(s) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders or directors, as appropriate.

2 Summary of significant accounting policies *(Continued)*

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to financial statements. When a change in probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(v) Segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk primarily arising from Renminbi and United States dollar, with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in the PRC. The Group continuously monitors its foreign currency positions and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises.

At 31st December 2007, if Hong Kong dollar had weakened or strengthened by 5% against the Renminbi with all other variables held constant, profit after tax for the year would have been HK$12,998,000 (2006: HK$10,853,000) higher or lower, mainly as a result of foreign exchange gains on translation of trade and other receivables, amounts and loans due from jointly controlled entities, cash and bank balances and trade and other payables denominated in Renminbi.

(ii) Credit risk

The carrying amounts of bank balances, trade and other receivables and loans to jointly controlled entities represent the Group's maximum exposure to credit risk in relation to financial assets.

For financial institutions, only independently rated parties with good rating are accepted and a substantial portion of the Group's bank balances and deposits were placed with state owned banks.

There is no concentration of credit risk with respect to trade and other receivables as the Group has a large number of customers which are internationally dispersed. No individual third party customers accounted for more than 10% of the Group's revenue. The Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and generally does not require collateral on trade receivables.

With respect to the loans to jointly controlled entities, the Group monitors the credibility of jointly controlled entities continuously.

The Group has policies in place to ensure that provision of services is made to customers with an appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions.

No other financial assets carry a significant exposure to credit risk.

Notes to the Financial Statements

3 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by maintaining available committed credit lines.

As at 31st December 2007 and 2006, the Group's and the Company's financial liabilities will be settled within 1 year based on the remaining period at the balance sheet date to the contractual maturity date. Amounts due within twelve months equal their carrying amounts, as the impact of discounting is not significant.

(iv) Interest rate risk

The Group's loans to jointly controlled entities and bank balances bear interest at floating rates which expose the Group to cash flow interest rate risk. The Group currently does not have a hedging policy on interest rate exposure. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure if necessary.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise debt.

With zero gearing ratio, the principal source of capital of the Group has been and is expected to be, cash flows from operations.

(c) Fair value estimation

The carrying values less impairment (if applicable) of trade and other receivables and payables are reasonable approximation of their fair values.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future financial periods are discussed below.

(i) Taxation

The Group is subject to taxation in Hong Kong and the PRC. Significant judgement is required in determining the provision for taxation in Hong Kong and the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax and deferred tax provisions in the period in which such determination is made.

(ii) Impairment of property, plant and equipment

The Group tests whether property, plant and equipment has suffered any impairment if such indicator exists. The recoverable amounts of cash generating units have been determined based on value-in-use calculations, which require the use of estimates.

If the estimated gross margin at 31st December 2007 and the estimated pre-tax discount rate applied to the discounted cash flows at 31st December 2007 had been 10% lower and higher than management's estimates at 31st December 2007 respectively, there would have been no impairment of property, plant and equipment.

Notes to the Financial Statements

4 Critical accounting estimates and judgements *(Continued)*

(iii) Depreciation of property, plant and equipment

Management determines the estimated residual values and useful lives for the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of machinery and equipment of similar nature and functions. Management will revise the depreciation charge where residual values and useful lives are different to previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

If the estimated residual values at 31st December 2007 had been 10% lower than management's estimates at 31st December 2007, the depreciation charge of property, plant and equipment would be HK$291,000 higher.

(iv) Trade and other receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market situation. Management will reassess the estimations at each balance sheet date.

(v) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of significant estimates.

5 Revenue and segment information

	2007	2006
	HK$'000	HK$'000
Shipping agency, river trade cargo direct shipment and transhipment	**751,554**	676,614
Wharf cargo handling, cargo consolidation and godown storage	**116,563**	103,034
Container hauling and trucking	**2,594**	942
	870,711	780,590

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as secondary reporting format for the purpose of these financial statements.

The Group and jointly controlled entities are organised into four main business segments:

(i) Cargo transportation – Shipping agency, river trade cargo direct shipment and transhipment

(ii) Cargo handling and storage – Wharf cargo handling, cargo consolidation and godown storage

(iii) Container hauling and trucking

(iv) Expressway operation

Unallocated income represents corporate other income and other gains – net. Unallocated expenses represent corporate general and administrative expenses. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible asset, receivables and operating cash and exclude jointly controlled entities and deferred tax assets. Segment liabilities comprise operating liabilities and exclude tax payables and deferred tax liabilities. Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible asset, including additions resulting from acquisitions through business combinations.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

Notes to the Financial Statements

5 Revenue and segment information *(Continued)*

Business segments

	Cargo transportation		Cargo handling and storage		Container hauling and trucking		Expressway operation		Eliminations		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue												
– external	**751,554**	676,614	**116,563**	103,034	**2,594**	942	**-**	–	**-**	–	**870,711**	780,590
– intersegments	**73**	23	**70,557**	59,967	**55,685**	59,476	**-**	–	**(126,315)**	(119,466)	**-**	–
Other income												
– external	**5,467**	4,132	**5,973**	2,489	**-**	85	**-**	–	**-**	–	**11,440**	6,706
– intersegments	**-**	–	**505**	505	**-**	–	**-**	–	**(505)**	(505)	**-**	–
Total	**757,094**	680,769	**193,598**	165,995	**58,279**	60,503	**-**	–	**(126,820)**	(119,971)	**882,151**	787,296
Segment results	**2,361**	4,630	**38,471**	34,218	**6,806**	9,000	**-**	–	**-**	–	**47,638**	47,848
Unallocated income											**22,226**	7,213
Unallocated expenses											**(14,031)**	(8,692)
Operating profit											**55,833**	46,369
Finance income											**21,741**	9,215
Share of profits less losses of jointly controlled entities	**1,465**	1,045	**24,887**	18,096	**2,474**	1,565	**46,828**	52,434	**-**	–	**75,654**	73,140
Profit before tax											**153,228**	128,724
Tax expense											**(10,342)**	(7,726)
Profit for the year											**142,886**	120,998

5 Revenue and segment information *(Continued)*

Business segments *(Continued)*

	Cargo transportation		Cargo handling and storage		Container hauling and trucking		Expressway operation		Eliminations		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**245,475**	206,863	**613,380**	500,172	**39,835**	38,847	**–**	–	**(33,313)**	(37,452)	**865,377**	708,430
Jointly controlled entities	**62,621**	46,737	**193,051**	176,805	**20,819**	19,375	**176,053**	171,413	**–**	–	**452,544**	414,330
Unallocated assets											**594,757**	312,072
Total assets											**1,912,678**	1,434,832
Segment liabilities	**226,584**	190,456	**33,104**	31,446	**11,134**	16,781	**–**	–	**(33,313)**	(37,452)	**237,509**	201,231
Unallocated liabilities											**24,455**	19,565
Total liabilities											**261,964**	220,796
Capital expenditure												
– allocated	**6,254**	953	**91,418**	41,914	**6,619**	257	**–**	–	**–**	–	**104,291**	43,124
– unallocated											**127**	747
											104,418	43,871
Depreciation and amortisation												
– allocated	**4,307**	3,929	**18,722**	15,933	**1,059**	576	**–**	–	**–**	–	**24,088**	20,438
– unallocated											**1,308**	1,178
											25,396	21,616
Provision for impairment of trade receivables, net	**2,379**	117	**–**	95	**–**	–	**–**	–	**–**	–	**2,379**	212

Notes to the Financial Statements

5 Revenue and segment information *(Continued)*

Geographical segments

Over 90% of the Group's revenue is derived from operations carried out in Hong Kong and customers are located in the Mainland China and Hong Kong. The directors consider that it is impracticable to allocate the revenue and segment results to geographical segments.

The analysis of the Group's total assets and capital expenditure by geographical segments is as follows:

	Total assets		Capital expenditure	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,169,173**	822,308	**16,201**	6,282
Mainland China	**290,961**	198,194	**88,217**	37,589
	1,460,134	1,020,502	**104,418**	43,871
Jointly controlled entities	**452,544**	414,330		
	1,912,678	1,434,832		

6 Property, plant and equipment

Group

	Buildings on leasehold land HK$'000	Construction in progress HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Containers HK$'000	Vessels and barges HK$'000	Total HK$'000
Cost									
At 1st January 2007	147,438	3,620	11,722	46,314	16,864	38,977	11,226	25,139	301,300
Exchange differences	5,261	246	122	1,124	220	372	–	60	7,405
Additions	25,240	27,106	1,731	9,333	313	11,198	5,446	1,935	82,302
Transfer	–	(345)	345	–	–	–	–	–	–
Disposals/write-off	–	–	(67)	(534)	(733)	(1,364)	(31)	–	(2,729)
At 31st December 2007	177,939	30,627	13,853	56,237	16,664	49,183	16,641	27,134	388,278
Accumulated depreciation									
At 1st January 2007	21,249	–	4,239	24,306	10,840	33,550	7,088	15,825	117,097
Exchange differences	783	–	50	417	143	93	–	24	1,510
Charge for the year	5,017	–	2,422	3,505	2,024	1,790	2,388	916	18,062
Disposals/write-off	–	–	(61)	(534)	(688)	(1,336)	(28)	–	(2,647)
At 31st December 2007	27,049	–	6,650	27,694	12,319	34,097	9,448	16,765	134,022
Net book value									
At 31st December 2007	150,890	30,627	7,203	28,543	4,345	15,086	7,193	10,369	254,256

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Notes to the Financial Statements

6 Property, plant and equipment *(Continued)*

Group

	Buildings on leasehold land HK$'000	Construction in progress HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Containers HK$'000	Vessels and barges HK$'000	Total HK$'000
Cost									
At 1st January 2006	135,745	7,152	9,661	43,735	16,230	36,521	11,226	25,108	285,378
Exchange differences	2,695	65	62	633	105	284	–	31	3,875
Additions	2,663	4,559	178	4,151	745	2,894	–	–	15,190
Transfer	6,335	(8,156)	1,821	–	–	–	–	–	–
Disposals	–	–	–	(2,205)	(216)	(722)	–	–	(3,143)
At 31st December 2006	147,438	3,620	11,722	46,314	16,864	38,977	11,226	25,139	301,300
Accumulated depreciation									
At 1st January 2006	16,216	–	2,506	23,467	8,750	33,207	5,438	14,902	104,486
Exchange differences	440	–	13	215	55	171	–	7	901
Charge for the year	4,593	–	1,720	2,827	2,202	870	1,650	916	14,778
Disposals	–	–	–	(2,203)	(167)	(698)	–	–	(3,068)
At 31st December 2006	21,249	–	4,239	24,306	10,840	33,550	7,088	15,825	117,097
Net book value									
At 31st December 2006	126,189	3,620	7,483	22,008	6,024	5,427	4,138	9,314	184,203

6 Property, plant and equipment *(Continued)*

Company

	Buildings on leasehold land HK$'000	Leasehold improve-ments HK$'000	Furniture, fixture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1st January 2007	2,633	2,210	2,033	3,046	9,922
Exchange differences	–	–	27	75	102
Additions	–	97	30	–	127
At 31st December 2007	2,633	2,307	2,090	3,121	10,151
Accumulated depreciation					
At 1st January 2007	204	1,122	1,628	1,990	4,944
Exchange differences	–	–	15	35	50
Charge for the year	53	447	113	193	806
At 31st December 2007	257	1,569	1,756	2,218	5,800
Net book value					
At 31st December 2007	2,376	738	334	903	4,351
Cost					
At 1st January 2006	2,633	2,210	1,959	2,322	9,124
Exchange differences	–	–	13	38	51
Additions	–	–	61	686	747
At 31st December 2006	2,633	2,210	2,033	3,046	9,922
Accumulated depreciation					
At 1st January 2006	151	680	1,503	1,859	4,193
Exchange differences	–	–	11	20	31
Charge for the year	53	442	114	111	720
At 31st December 2006	204	1,122	1,628	1,990	4,944
Net book value					
At 31st December 2006	2,429	1,088	405	1,056	4,978

7 Investment properties

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost				
At 1st January and at 31st December	**5,192**	5,192	**21,506**	21,506
Accumulated depreciation				
At 1st January	**375**	271	**1,552**	1,122
Charge for the year	**104**	104	**430**	430
At 31st December	**479**	375	**1,982**	1,552
Net book amount				
At 31st December	**4,713**	4,817	**19,524**	19,954

The Group's and the Company's interests in investment properties are held on leases of over 50 years in Hong Kong.

The fair values of the Group's and the Company's investment properties were HK$7,240,000 (2006: HK$6,010,000) and HK$29,860,000 (2006: HK$24,790,000) respectively by reference to a professional valuation conducted by an independent valuer on an open market basis.

The Company's investment properties of carrying amount of HK$14,811,000 (2006: HK$15,137,000) (valuation of HK$22,620,000 (2006: HK$18,780,000)) were leased to its subsidiaries. These investment properties were classified as buildings on leasehold land in the financial statements of the Group.

8 Leasehold land and land use rights

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong				
Leases of over 50 years	**26,346**	26,376	**26,346**	26,376
Leases of between 10 to 50 years	**173,445**	177,854	**–**	–
	199,791	204,230	**26,346**	26,376
Mainland China				
Leases of between 10 to 50 years	**128,965**	102,078	**–**	–
	328,756	306,308	**26,346**	26,376
At 1st January	**306,308**	280,391	**26,376**	26,406
Exchange differences	**7,562**	3,970	**–**	–
Additions	**22,116**	28,681	**–**	–
Amortisation	**(7,230)**	(6,734)	**(30)**	(30)
At 31st December	**328,756**	306,308	**26,346**	26,376

The Group's and the Company's interests in leasehold land and land use rights represent prepaid operating lease payments.

Notes to the Financial Statements

9 Intangible asset – goodwill

	Group	
	2007	2006
	HK$'000	HK$'000
At 1st January	**16,304**	15,677
Exchange differences	**1,180**	627
At 31st December	**17,484**	16,304

The goodwill is allocated to the cargo handling and storage segment in the PRC.

The recoverable amount of the goodwill is determined based on value-in-use calculation. This calculation uses cash flow projections based on actual financial results for the year ended 31st December 2007 which are extrapolated using the key assumptions stated below.

	2007	2006
Gross margin	**58%**	63%
Growth rate	**2%**	2%-5%
Discount rate	**7.47%**	6.25%

Management determined budgeted gross margin and growth rate based on past performance and its expectations for the market development. The discount rate used is before taxation and reflects specific risks related to the cargo handling and storage segment in the PRC.

10 Subsidiaries

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted investments, at cost	**410,041**	333,731

10 Subsidiaries *(Continued)*

(a) Details of the subsidiaries as at 31st December 2007 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2007	Interest held 2006
Direct subsidiaries					
Chu Kong Agency Company Limited	Hong Kong	Shipping agency and freight forwarding agency in Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%
			100,000 deferred shares of HK$1 each (note (b))	**100%**	100%
Chu Kong Container Transportation Company Limited	Hong Kong	Container and cargo transportation and towing in Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%
			10,000 deferred shares of HK$1 each (note (b))	**100%**	100%
Chu Kong Godown Wharf & Transportation Company Limited	Hong Kong	Godown and wharf operations in Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%
			1,000,000 deferred shares of HK$1 each (note (b))	**100%**	100%
Chu Kong Infrastructure Investment Limited	British Virgin Islands	Investment holding in the PRC	2 ordinary shares of US$1 each	**100%**	100%
Chu Kong River Trade Terminal Co., Ltd.	British Virgin Islands	Investment holding in the PRC	2 ordinary shares of US$1 each	**100%**	100%
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transhipment and transportation in Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%
			100,000 deferred shares of HK$1 each (note (b))	**100%**	100%

Notes to the Financial Statements

10 Subsidiaries *(Continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2007	Interest held 2006
Direct subsidiaries *(Continued)*					
Chu Kong Transportation (H.K.) Limited	Hong Kong	Wharf cargo handling and transportation in Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%
			100,000 deferred shares of HK$1 each (note (b))	**100%**	100%
Chu Kong Warehouse Properties Co., Ltd.	British Virgin Islands	Property holding in Hong Kong	100 ordinary shares of US$1 each	**100%**	100%
			9,900 preferred shares of US$1 each (note (c))	**100%**	100%
Guangdong Zhu Zhuan Logistics Services Co., Ltd.	PRC	Provision of logistics services	RMB10,000,000	**100%**	–
Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd.	PRC	Cargo transportation and consolidation in the PRC	US$3,620,000	**100%**	100%
Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd.	PRC	Provision of logistics services	US$3,620,000	**100%**	100%
Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd.	PRC	Provision of logistics services	US$6,000,000	**100%**	100%

10 Subsidiaries *(Continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2007	Interest held 2006
Indirect subsidiaries					
Chu Kong International Airfreight Company Limited	Hong Kong	Freight forwarding in Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%
Ever Sky Transportation Limited	Hong Kong	Wharf cargo handling in Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%
Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd.	PRC	Cargo transportation in the PRC	RMB1,800,000	**100%**	–
Chu Kong Cargo Terminals (Qingyuan) Co., Ltd.	PRC	Wharf cargo handling in the PRC	RMB27,460,000	**90%**	90%
Chu Kong Cargo Terminals (Gaoming) Co., Ltd.	PRC	Cargo transportation and consolidation in the PRC	RMB43,300,000	**100%**	100%

(b) The holders of the deferred shares of respective subsidiaries are entitled to minimal rights as to dividends and returns of capital, but are not entitled to share the subsidiary's profits, to attend or vote at any general meeting of the subsidiary or to have the rights which are vested in the holding of the ordinary shares.

(c) The holders of the preferred shares have a non-cumulative preferential right to the profit of the subsidiary at 8% of the nominal amount of the share capital of that subsidiary, but are not entitled to receive notice of or to attend or vote at any meeting of members or directors.

(d) Chu Kong Cargo Terminals (Qingyuan) Co., Ltd. is a sino-foreign equity joint venture and Chu Kong Cargo Terminals (Gaoming) Co., Ltd., Guangdong Chu Zhuan Logistics Services Co., Ltd, Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd., Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd. and Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. are wholly foreign owned enterprises established in the PRC. Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd. is a wholly owned enterprise established in the PRC. All other subsidiaries are limited liability companies.

11 Jointly controlled entities

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investments, at cost	**–**	–	**32,666**	32,666
Share of net assets	**365,859**	338,343	**–**	–
Goodwill	**18,744**	17,432	**–**	–
Loan to a jointly controlled entity (note (c))	**23,200**	27,280	**23,200**	27,280
Less: Provision for impairment	**–**	–	**(8,500)**	(8,500)
	407,803	383,055	**47,366**	51,446

(a) Details of the jointly controlled entities as at 31st December 2007 are as follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing	
			2007	2006
Direct jointly controlled entities				
Shenzhen Yantian Port Chu Kong Logistics Co., Ltd.	PRC	Container transportation and repairs	**40%**	40%
Chu Kong (Guangdong) International Freight Forwarding Co., Ltd.	PRC	Shipping agency and freight forwarding agency	**75%/60%/75%**	75%/60%/75%
Chu Kong Air-Sea Union Transportation Company Limited	Hong Kong	Operation and management of a marine cargo terminal	**51%/60%/51%**	51%/60%/51%
Chu Kong Logistics (Singapore) Pte Ltd.	Singapore	Shipping agency and freight forwarding agency	**60%**	60%

11 Jointly controlled entities *(Continued)*

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing 2007	2006
Indirect jointly controlled entities				
Chu Kong Cargo Terminals (Beicun) Co., Ltd.	PRC	Wharf cargo handling and godown storage	**50%**	50%
Chu Kong Cargo Terminals (Kangzhou) Co., Ltd.	PRC	Wharf cargo handling and godown storage	**60.8%/60%/60.8%**	60.8%/60%/60.8%
Dongguan Humen Great Trade Containers Port Co., Ltd.	PRC	Wharf cargo handling and godown storage	**30%/29%/30%**	30%/29%/30%
Foshan New Port Ltd.	PRC	Cargo transportation and consolidation	**37.5%/40%/37.5%**	37.5%/40%/37.5%
Foshan Nankong Cargo Terminal Co., Ltd.	PRC	Cargo transportation and consolidation	**25%**	25%
Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.	PRC	Cargo and passenger transportation	**40%/43%/40%**	40%/43%/40%
Guangdong Zhu Chuan Navigation Co., Ltd.	PRC	Cargo transportation	**49%/40%/49%**	49%/40%/49%
Guangzhou-Foshan Expressway Ltd.	PRC	Operation of an expressway	**25%/40%/25%**	25%/40%/25%
Heshan County Hekong Associated Forwarding Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	**50%**	50%
Heshan Port Construction & Development General Company #	PRC	Investment holding	**50%/60%/50%**	50%/60%/50%

11 Jointly controlled entities *(Continued)*

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing	
			2007	2006
Heshan Shipping Company#	PRC	Vessel leasing	**50%/60%/50%**	50%/60%/50%
Heshan Port Storage & Transportation Company#	PRC	Cargo transportation and godown storage	**50%/60%/50%**	50%/60%/50%
Heshan Port Loading Co., Ltd.#	PRC	Wharf cargo handling	**50%/60%/50%**	50%/60%/50%
Heshan Port Declaration Company#	PRC	Custom declaration services	**50%/60%/50%**	50%/60%/50%
Sanshui Sangang Containers Wharf Co., Ltd.	PRC	Cargo transportation and consolidation	**30%/25%/30%**	30%/25%/30%
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.	PRC	Freight forwarding agency	**49%/40%/49%**	49%/40%/49%

The English names of these companies are for identification purpose only.

(b) Except for Chu Kong Logistics (Singapore) Pte Ltd. and Chu Kong Air-Sea Union Transportation Company Limited, which are limited liability companies incorporated in Singapore and Hong Kong respectively, and Guangzhou-Foshan Expressway Ltd. and Chu Kong Cargo Terminals (Beicun) Co., Ltd., which are co-operative joint ventures in the PRC, all other jointly controlled entities are sino-foreign equity joint ventures in the PRC.

(c) The loan to a jointly controlled entity by the Group and the Company is unsecured, interest free and not repayable within twelve months from the balance sheet date.

11 Jointly controlled entities *(Continued)*

(d) The following amounts represented the aggregate of the Group's share of the revenues, expenses, results, assets and liabilities of its jointly controlled entities, which are prepared based on their unaudited management financial statements, after making appropriate adjustments to conform to the Group's accounting policies:

	2007	2006
	HK$'000	HK$'000
Results for the year:		
Revenue	**266,613**	241,181
Operating expenses	**(172,227)**	(154,425)
Profit before tax	**94,386**	86,756
Tax expense	**(18,732)**	(14,057)
Profit for the year	**75,654**	72,699
Assets		
Non-current assets	**364,922**	317,571
Current assets	**263,579**	216,747
	628,501	534,318
Liabilities		
Non-current liabilities	**51,816**	48,194
Current liabilities	**210,826**	147,781
	262,642	195,975
Net assets	**365,859**	338,343

There were no significant contingent liabilities relating to the Group's interests in the joint ventures and no significant contingent liabilities of the joint ventures themselves as at 31st December 2007 and 2006.

12 Deferred taxation

Deferred tax assets and liabilities are calculated in full on temporary differences under the liability method using the taxation rate enacted or substantially enacted at the balance sheet date.

The movements on the net deferred tax liabilities are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**4,498**	4,312	**492**	388
Charged to income statement	**407**	186	**10**	104
At 31st December	**4,905**	4,498	**502**	492

The deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets				
– Tax losses	**(487)**	(177)	**–**	–
Deferred tax liabilities				
– Accelerated tax depreciation	**5,392**	4,675	**502**	492
	4,905	4,498	**502**	492

12 Deferred taxation *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets				
– To be recovered after more than 12 months	**(483)**	(96)	**–**	–
– To be recovered within 12 months	**(4)**	–	**–**	–
	(487)	(96)	**–**	–
Deferred tax liabilities				
– To be settled after more than 12 months	**4,813**	4,047	**488**	480
– To be settled within 12 months	**579**	547	**14**	12
	5,392	4,594	**502**	492
	4,905	4,498	**502**	492

13 Trade and other receivables

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(note (a))*:				
– third parties	**75,465**	78,216	**–**	–
– fellow subsidiaries	**400**	400	**–**	–
– jointly controlled entities	**63,993**	46,051	**–**	–
– other related companies	**33**	54	**–**	–
– other state-owned enterprises	**317**	408	**–**	–
	140,208	125,129	**–**	–
Other receivables *(note (b))*:				
– third parties	**3,398**	–	**3,398**	–
– immediate holding company	**2,774**	1,967	**–**	122
– fellow subsidiaries	**1,628**	2,531	**–**	–
– subsidiaries	**–**	–	**213,717**	181,656
– jointly controlled entities	**25,804**	17,402	**1,439**	723
– other related companies	**243**	504	**–**	–
	33,847	22,404	**218,554**	182,501
Loans to jointly controlled entities *(note (c))*	**44,741**	31,275	**9,232**	5,000
Deposits and prepayments	**7,740**	12,250	**825**	845
	226,536	191,058	**228,611**	188,346

13 Trade and other receivables *(Continued)*

(a) The normal credit periods granted by the Group to customers on open account range from seven days to three months from the date of invoice. The ageing analysis of the trade receivables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 3 months	**130,803**	117,348
4 to 6 months	**9,002**	7,004
7 to 12 months	**2,712**	537
Over 12 months	**1,750**	3,855
	144,267	128,744
Less: Provision for impairment	**(4,059)**	(3,615)
	140,208	125,129

Trade receivables that are less than three months past due are not considered impaired, as of 31st December 2007, trade receivables of HK$3,333,000 (2006: HK$3,237,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007	2006
	HK$'000	HK$'000
Up to 3 months	**2,300**	3,098
3 to 6 months	**986**	111
Over 6 months	**47**	28
	3,333	3,237

13 Trade and other receivables *(Continued)*

As of 31st December 2007, trade receivables of HK$4,059,000 (2006: HK$3,615,000) were impaired. The amount of the provision was HK$4,059,000 as of 31st December 2007 (2006: HK$3,615,000). The individually impaired receivables mainly relate to independent customers, which are in unexpected difficult economic situations or defaulted payments. It was assessed that a portion of the receivables is expected to be recovered. The ageing analysis of these trade receivables is as follows:

	2007 **HK$'000**	2006 HK$'000
3 to 6 months	**2,098**	–
6 to 12 months	**211**	62
Over 12 months	**1,750**	3,553
	4,059	3,615

Movements on the Group's provision for impairment of trade receivables are as follows:

	2007 **HK$'000**	2006 HK$'000
At 1st January	**3,615**	3,618
Provision for impairment *(note 19)*	**2,379**	212
Written off during the year as uncollectible	**(1,935)**	(215)
At 31st December	**4,059**	3,615

The creation and release of provision for impaired receivables have been included in "other gains – net" in the income statement (note 19). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of trade and other receivables. The Group does not hold any collateral as security.

13 Trade and other receivables *(Continued)*

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
Hong Kong dollar	**133,546**	122,486
Renminbi	**10,721**	6,258
	144,267	128,744

The trade receivables due from related parties are unsecured, interest free and have no similar terms of repayment as third party receivables.

(b) The other receivables due from related parties are unsecured, interest free and have no fixed terms of repayment.

(c) The loans to jointly controlled entities are unsecured and have no fixed terms of repayment. Except for an amount of HK$33,684,000 (2006: HK$23,117,000) which bears interest at the floating rate announced by the People's Bank of China or 4.68% or 4% per annum (2006: floating rate announced by the People's Bank of China or 4.68% per annum), the remaining loans to jointly controlled entities are interest free.

14 Cash and bank balances

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**227,696**	100,798	**91,422**	17,565
Short-term bank deposits	**444,947**	248,193	**443,405**	238,653
	672,643	348,991	**534,827**	256,218

The effective interest rate on short-term bank deposits is 4% (2006: 3.3%) per annum. These deposits have an average maturity of 40 days (2006: 35 days).

Notes to the Financial Statements

14 Cash and bank balances *(Continued)*

The carrying amounts of the Group's cash and bank balances are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong dollar	**530,776**	148,634
Renminbi	**121,970**	164,544
United States dollar	**19,897**	35,813
	672,643	348,991

Cash and bank balances denominated in Renminbi are held by the Group with bank accounts operating in the PRC where exchange controls apply.

15 Share capital

	2007	2006
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1st January	**75,000**	75,000
Issue of new shares	**15,000**	–
At 31st December	**90,000**	75,000

15 Share capital *(Continued)*

On 18th May 2007, 150,000,000 ordinary shares were placed by Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), the immediate holding company, at a placing price of HK$2.15 per ordinary share. On 31st May 2007, same number of new ordinary shares was subscribed by CKSE at a subscription price of HK$2.15 per ordinary share. The net proceeds of the subscription will be used for the investments of river transportation related assets and working capital.

Share options

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the schemes include any full-time employees (including executive directors) in the service of the Group.

On 10th May 2002, the share option scheme adopted on 7th May 1997 (the "1997 Scheme") ceased to operate. The share options granted previously under the 1997 Scheme will remain in force and effective. The share options granted under the 1997 Scheme were cancelled in 2006 following the resignation of a director, Mr. Che Chiqiang, and a senior management member.

On 14th May 2002, the Company adopted a new share option scheme (the "2002 Scheme") which, unless otherwise cancelled or amended, will remain in force for 10 years from the date of adoption. No share options have been issued under the 2002 Scheme since its adoption.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$10 in total by the grantee. An option may be exercised at any time within 10 years commencing on the date when the option is granted.

The exercise price of the share options is determined by the directors, but may not be less than the higher of (i) closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of the share options; (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

Notes to the Financial Statements

16 Reserves

Group

	Share premium HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2007	489,185	24,624	21,230	895	21,651	579,249	1,136,834
Issue of new shares, net of share issuing expenses	298,577	–	–	–	–	–	298,577
Profit for the year	–	–	–	–	–	143,080	143,080
Currency translation differences							
– subsidiaries	–	15,285	–	–	–	–	15,285
– jointly controlled entities	–	20,273	–	–	–	–	20,273
Transfer of reserves	–	–	–	–	3,060	(3,060)	–
2006 final dividend	–	–	–	–	–	(37,500)	(37,500)
2007 interim dividends	–	–	–	–	–	(18,000)	(18,000)
At 31st December 2007	787,762	60,182	21,230	895	24,711	663,769	1,558,549
Representing:							
Others							1,522,549
2007 final dividend proposed							36,000
							1,558,549

16 Reserves *(Continued)*

Group *(Continued)*

	Share premium HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2006	489,185	6,940	21,230	895	19,501	497,751	1,035,502
Profit for the year	–	–	–	–	–	121,148	121,148
Currency translation differences							
– subsidiaries	–	7,726	–	–	–	–	7,726
– jointly controlled entities	–	9,958	–	–	–	–	9,958
Transfer of reserves	–	–	–	–	2,150	(2,150)	–
2005 final dividend	–	–	–	–	–	(30,000)	(30,000)
2006 interim dividend	–	–	–	–	–	(7,500)	(7,500)
At 31st December 2006	489,185	24,624	21,230	895	21,651	579,249	1,136,834
Representing:							
Others							1,099,334
2006 final dividend proposed							37,500
							1,136,834

In accordance with the PRC regulations, subsidiaries and jointly controlled entities in the PRC are required to transfer part of their profit after tax to the enterprise expansion and reserve funds. The quantum of the transfers are subject to the approval of the board of directors of these subsidiaries and jointly controlled entities in accordance with their respective joint venture agreements. The funds are required to be retained in the financial statements of respective subsidiaries and jointly controlled entities for specific purposes.

Notes to the Financial Statements

16 Reserves *(Continued)*

Company

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2007	**489,185**	**144,581**	**633,766**
Issue of new shares, net of share issuing expenses	**298,577**	**–**	**298,577**
Profit for the year	**–**	**62,935**	**62,935**
2006 final dividend	**–**	**(37,500)**	**(37,500)**
2007 interim dividends	**–**	**(18,000)**	**(18,000)**
At 31st December 2007	**787,762**	**152,016**	**939,778**
Representing:			
Others			903,778
2007 final dividend proposed			36,000
			939,778
At 1st January 2006	489,185	125,888	615,073
Profit for the year	–	56,193	56,193
2005 final dividend	–	(30,000)	(30,000)
2006 interim dividend	–	(7,500)	(7,500)
At 31st December 2006	489,185	144,581	633,766
Representing:			
Others			596,266
2006 final dividend proposed			37,500
			633,766

17 Trade and other payables

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (notes (a), (b) and (c)):				
– third parties	**143,888**	107,766	**–**	–
– immediate holding company	**1,250**	2,500	**–**	–
– fellow subsidiaries	**11,525**	14,791	**–**	–
– jointly controlled entities	**12,858**	17,304	**–**	–
– other related companies	**365**	749	**–**	–
– other state-owned enterprises	**1,128**	2,703	**–**	–
	171,014	145,813	**–**	–
Other payables (note (c)):				
– immediate holding company	**4,281**	1,887	**2,263**	–
– fellow subsidiaries	**5,293**	5,319	**–**	–
– a subsidiary	**–**	–	**230,419**	168,061
– jointly controlled entities	**9,486**	7,002	**–**	–
– other related companies	**81**	1,000	**–**	–
– a state-owned enterprise	**–**	8,764	**–**	–
– key management	**1,250**	1,292	**1,250**	1,292
	20,391	25,264	**233,932**	169,353
Accruals	**61,376**	43,453	**6,854**	2,438
	252,781	214,530	**240,786**	171,791

17 Trade and other payables *(Continued)*

(a) The ageing analysis of the trade payables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 3 months	**127,683**	106,633
4 to 6 months	**32,686**	27,283
7 to 12 months	**3,937**	6,443
Over 12 months	**6,708**	5,454
	171,014	145,813

(b) The carrying amounts of the Group's trade payables are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong dollar	**135,150**	123,292
Renminbi	**31,398**	16,811
United States dollar	**4,466**	5,710
	171,014	145,813

(c) Trade and other payables due to related parties are unsecured and interest free. Trading balances have similar terms of settlement as those of third party payables whereas other balances have no fixed terms of repayment.

18 Other income

	2007 HK$'000	2006 HK$'000
Property rental income	**6,031**	2,642
Vessel sub-leasing income	**5,363**	3,577
Others	**775**	1,032
	12,169	7,251

19 Other gains – net

	2007 HK$'000	2006 HK$'000
Exchange gains, net	**22,493**	8,378
Gain on disposal of property, plant and equipment	**284**	255
Gain on acquisition of a loan receivable	**3,898**	–
Provision for trade receivables, net *(note 13)*	**(2,379)**	(212)
Others	**942**	–
	25,238	8,421

Notes to the Financial Statements

20 Costs and expenses by nature

	2007 HK$'000	2006 HK$'000
Amortisation of leasehold land and land use rights	**7,230**	6,734
Auditor's remuneration		
– audit services	**1,828**	1,543
– non-audit services	**576**	568
Costs of cargo transportation, handling, storage, container hauling and trucking	**620,369**	523,170
Depreciation of property, plant and equipment	**18,062**	14,778
Depreciation of investment properties	**104**	104
Operating lease rental expenses		
– vessels and barges	**75,192**	84,903
– buildings	**8,527**	6,758
– containers	**752**	595
Staff costs (including directors' emoluments) *(note 27)*	**87,191**	86,222
Others	**32,454**	24,518
Total cost of services rendered and general and administrative expenses	**852,285**	749,893

21 Finance income

	2007 HK$'000	2006 HK$'000
Interest income on short-term bank deposits and bank balances	**20,382**	8,278
Interest income on loans to jointly controlled entities	**1,359**	937
	21,741	9,215

22 Share of profits less losses of jointly controlled entities

	2007 HK$'000	2006 HK$'000
Share of profits less losses before tax	**94,386**	86,756
Share of tax	**(18,732)**	(14,057)
Excess of fair value of net assets acquired over the cost of acquisition of jointly controlled entities	**–**	441
	75,654	73,140

23 Tax expense

	2007 HK$'000	2006 HK$'000
Current income tax		
– Hong Kong profits tax	**6,082**	5,892
– PRC enterprise income tax	**1,967**	1,996
– Under/(over)-provisions in prior years	**1,886**	(348)
Deferred tax *(note 12)*	**407**	186
	10,342	7,726

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. PRC enterprise income tax has been calculated on the estimated assessable profit for the year at the income tax rate of the PRC entities in the range from 7.5% to 33%.

Share of tax of jointly controlled entities for the year has been included in the income statement as share of profits less losses of jointly controlled entities (note 22).

23 Tax expense *(Continued)*

The taxation on the Group's profit before share of profits less losses of jointly controlled entities and tax expense differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2007 HK$'000	2006 HK$'000
Profit before share of profits less losses of jointly controlled entities and tax expense	**77,574**	55,584
Calculated at a tax rate of 17.5% (2006: 17.5%)	**13,575**	9,727
Effect of different tax rates applicable to the subsidiaries in the PRC	**(500)**	(235)
Income not subject to taxation	**(82,311)**	(66,386)
Expenses not deductible for taxation purposes	**74,438**	64,107
Tax loss not recognised	**3,100**	861
Under/(over) provision in prior years	**1,886**	(348)
Others	**154**	–
Tax expense	**10,342**	7,726

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law") which provides certain grandfathering provisions and concessions which are set out as below:

– All domestic invested enterprises and foreign invested enterprises will be subject to a standard corporate income tax rate of 25% with effect from 1st January 2008. Corporate income tax rate below 25% will be gradually accelerated to 25% in a period of 5 years starting from 1st January 2008;

– Unused tax holidays are allowed to be carried forward to 2008 and beyond until their expiration. However, if the entity has not yet commenced its tax holiday due to loss position, the tax holiday is deemed to commence from 1st January 2008; and

– Dividend arising from profit of foreign invested enterprises earned after 1st January 2008 attributable to foreign investor is subject to corporate withholding income tax at tax rates ranging from 5% to 10%.

24 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$62,935,000 (2006: HK$56,193,000).

25 Dividends

	2007 HK$'000	2006 HK$'000
Interim, paid, of HK1 cent (2006: HK1 cent) per ordinary share	**9,000**	7,500
Special interim, paid, of HK1 cent (2006: nil) per ordinary share	**9,000**	–
Final, proposed, of HK4 cents (2006: HK5 cents) per ordinary share	**36,000**	37,500
	54,000	45,000

The dividends paid during the years ended 31st December 2007 and 2006 were HK$55,500,000 (HK7 cents per share) and HK$37,500,000 (HK5 cents per share) respectively.

On 16th April 2008, the Board of Directors proposed a final dividend of HK4 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2008.

26 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**143,080**	121,148
Weighted average number of ordinary shares in issue ('000)	**837,500**	750,000
Basic earnings per share (HK cents)	**17.08**	16.15

The diluted earning per share for the year ended 31st December 2007 equals to the basic earning per share as there are no potential dilutive ordinary shares in issue during the year.

In 2006, diluted earning per share was calculated based on the profit attributable to equity holders of HK$121,148,000 and 750,000,000 ordinary shares in issue during the year after adjusting for 5,139,000 ordinary shares deemed to be issued at no consideration as if all outstanding share options granted by the Company had been exercised.

Notes to the Financial Statements

27 Employee benefit expenses (including directors' emoluments)

	2007 **HK$'000**	2006 HK$'000
Salaries and allowances	**83,671**	83,509
Retirement benefit costs – defined contribution plans *(note)*	**3,520**	2,700
Termination benefits	**–**	13
	87,191	86,222

Note:

The Group operates defined contribution schemes which are available to all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the income statement as incurred. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group has no further payment obligations once the contributions have been paid.

Pursuant to the regulations of the relevant authorities in the PRC, the subsidiaries of the Group in this country participate in respective government retirement benefit schemes (the "Schemes") whereby the subsidiaries are required to contribute to the Schemes to fund the retirement benefits of eligible employees. Contributions made to the Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire retirement benefit obligations payable to the retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes.

Contributions totalling HK$662,000 (2006: HK$792,000) were payable to the defined contribution plans as at 31st December 2007.

28 Directors' and five highest paid individuals' emoluments

(a) Directors' emoluments

The remuneration of every director is set out below:

Name of director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefits (a) HK$'000	Employer's contributions to retirement benefit scheme HK$'000	Total HK$'000
2007						
Mr. Hua Honglin	**300**	**304**	**563**	**60**	**12**	**1,239**
Mr. Huang Shuping	**250**	**241**	**398**	**60**	**12**	**961**
Mr. Yang Rixiang	**250**	**271**	**560**	**60**	**12**	**1,153**
Mr. Li Zhijie (b)	**–**	**–**	**–**	**–**	**–**	**–**
Mr. Chan Kay Cheung	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Choi Kim Lui	**100**	**–**	**–**	**–**	**–**	**100**
Ms. Yau Lai Man	**100**	**–**	**–**	**–**	**–**	**100**
	1,250	**816**	**1,521**	**180**	**36**	**3,803**
2006						
Mr. Hua Honglin	225	178	208	35	7	653
Mr. Huang Liezhang (c)	75	–	–	–	–	75
Mr. Huang Shuping (d)	42	69	87	20	3	221
Mr. Che Chiqiang (c)	–	70	235	15	3	323
Mr. Yang Rixiang	250	260	407	60	12	989
Mr. Li Zhijie (b)	250	–	–	–	–	250
Mr. Chan Kay Cheung	250	–	–	–	–	250
Mr. Choi Kim Lui	100	–	–	–	–	100
Ms. Yau Lai Man	100	–	–	–	–	100
	1,292	577	937	130	25	2,961

(a) Other benefits include leave pay and staff quarter provided.

(b) Resigned on 8th June 2007

(c) Resigned on 29th May 2006

(d) Appointed on 1st November 2006

No share options were granted to the directors and senior management as at 31st December 2007 and 2006.

28 Directors' and five highest paid individuals' emoluments *(Continued)*

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year include three (2006: two) Directors whose emoluments are shown above. The emoluments to the remaining two (2006: three) highest paid individuals during the year are as follows:

	2007 HK$'000	2006 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**584**	788
Bonuses	**1,043**	1,089
Retirement benefit costs – defined contribution plans	**24**	32
	1,651	1,909

During the year, the emoluments of each of the two (2006: three) individuals were below HK$1,000,000.

(c) During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors waived or has agreed to waive any emoluments.

29 Note to consolidated cash flow statement

Reconciliation of operating profit to cash generated from operations

	2007 HK$'000	2006 HK$'000
Operating profit	**55,833**	46,369
Amortisation of leasehold land and land use rights	**7,230**	6,734
Depreciation	**18,166**	14,882
Exchange gains, net	**(22,493)**	(8,378)
Gain on disposal/write-off of property, plant and equipment	**(284)**	(255)
Provision for impairment of trade receivables, net	**2,379**	212
Operating profit before working capital changes	**60,831**	59,564
Increase in trade and other receivables	**(24,749)**	(16,636)
Increase in trade and other payables	**38,251**	24,202
Cash generated from operations	**74,333**	67,130

30 Commitments

(a) Capital commitments

	Group		Company	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Contracted but not provided for				
Property, plant and equipment	**203,230**	2,226	**–**	–
Authorised but not contracted for				
Investments in jointly controlled entities	**858**	756	**858**	756
Property, plant and equipment	**23,441**	–	**–**	–
	227,529	2,982	**858**	756

30 Commitments *(Continued)*

(a) Capital commitments *(Continued)*

The Group's share of capital commitments of the jointly controlled entities themselves not included in the above is as follows:

	2007 **HK$'000**	2006 HK$'000
Contracted but not provided for	**4,650**	4,575
Authorised but not contracted for	**67,081**	83,595
	71,731	88,170

(b) Commitments under operating leases

The future aggregate minimum lease payables under non-cancellable operating leases are payable as follows:

	Group		**Company**	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000
Buildings:				
Not later than one year	**5,204**	5,146	**122**	138
Later than one year and not later than five years	**5,017**	10,122	**–**	122
	10,221	15,268	**122**	260
Vessels and barges:				
Not later than one year	**12,963**	13,377	**–**	–
Later than one year and not later than five years	**–**	36	**–**	–
	12,963	13,413	**–**	–
Others:				
Not later than one year	**54**	1,125	**–**	–
	23,238	29,806	**122**	260

31 Future operating lease arrangements

The future aggregate minimum lease receipts under non-cancellable operating leases are receivable as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings:				
Not later than one year	**10,045**	5,953	**337**	505
Later than one year and not later than five years	**11,086**	9,871	**–**	337
	21,131	15,824	**337**	842
Others:				
Not later than one year	**–**	127	**–**	–
	21,131	15,951	**337**	842

32 Related party transactions

The Group is controlled by Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), which owns 62.5% (2006: 75%) of the Company's ordinary shares. The parent company of the Group is Guangdong Province Navigation Holdings Company Limited ("GPNHCL"), a state-owned enterprise established in the PRC.

CKSE is wholly owned by GPNHCL, which is a state-owned enterprise controlled by the PRC government. In accordance with HKAS 24 "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants, other state-owned enterprises and their subsidiaries (other than GPNHCL group companies), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include GPNHCL and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and GPNHCL as well as their close family members.

For the purpose of the related party transaction disclosures, the Group has identified, to the extent practicable, those corporate customers and suppliers which are state-owned enterprises. It should be noted, however, that a material portion of the business activities of the Group and its jointly controlled entities are conducted in the PRC and the influence of the PRC government in the Chinese economy is pervasive. In this regard, the PRC government indirectly holds interests in many companies. Due to the vast volume and the pervasiveness of these transactions, there is no practicable way to track such transactions and ensure the completeness of certain disclosures. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

Notes to the Financial Statements

32 Related party transactions *(Continued)*

(a) Transactions with parent company, immediate holding company, fellow subsidiaries and related entities (which include an entity which is 49% and 51% owned by the Group and the parent company respectively, an entity which is 40% and 50% owned by the Group and the parent company respectively, an entity which is 75% and 25% owned by the Group and the parent company respectively, and an entity which is 25% and 15% owned by immediate holding company and parent company respectively):

	Note	**2007 HK$'000**	2006 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment			
and transhipment income	*(i)*		
– fellow subsidiaries		**2,400**	2,400
– related entities		**596**	626
Vessel rental income			
– a fellow subsidiary	*(ii)*	**5,363**	3,577
Expenses:			
Shipping agency, river trade cargo direct shipment and			
transhipment expenses	*(i)*		
– a fellow subsidiary		**(11,057)**	(18,247)
– related entities		**(20,134)**	(19,404)
Wharf cargo handling, cargo transportation and			
godown storage expenses	*(i)*		
– a fellow subsidiary		**(12,230)**	(11,130)
– related entities		**(2,331)**	(1,313)
Fuel charges	*(iii)*		
– a fellow subsidiary		**(44,606)**	(44,119)
Vessel rental expenses	*(ii)*		
– a fellow subsidiary		**–**	(564)
– related entities		**(20,774)**	(18,978)
Warehouse rental expenses	*(iv)*		
– immediate holding company		**(5,000)**	(5,000)
Office rental expenses	*(ii)*		
– immediate holding company		**(239)**	(258)
– a related entity		**(11)**	(11)
Staff hire charges	*(ii)*		
– a related entity		**–**	(126)

32 Related party transactions *(Continued)*

(b) Transactions with other related parties:

	Note	**2007 HK$'000**	2006 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transhipment income	*(i)*		
– jointly controlled entities of the Group		**1,518**	3,361
– other state-owned enterprises		**942**	905
Loan interest income	*(v)*		
– jointly controlled entities of the Group		**1,359**	937
Bank interest income	*(vi)*		
– state-owned banks		**18,337**	7,285
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses	*(ii)*		
– jointly controlled entities of the immediate holding company		**(10,334)**	(11,712)
– jointly controlled entities of the Group		**(9,283)**	(9,494)
– other state-owned enterprises		**(2,896)**	(2,106)
Wharf cargo handling, cargo consolidation and godown storage expenses	*(ii)*		
– jointly controlled entities of the Group		**(33,117)**	(29,157)
Investment:			
Acquisition of equity interest in jointly controlled entities from a state-owned enterprise	*(vii)*	**–**	12,764

Notes to the Financial Statements

32 Related party transactions *(Continued)*

Notes:

(i) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties or as mutually agreed between the Group and the respective related parties.

(ii) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties.

(iii) These transactions were conducted at terms as mutually agreed between the Group and the respective related parties.

(iv) The Group leased a warehouse from its immediate holding company and the rental was charged by the immediate holding company at HK$5,000,000 for the year ended 31st December 2007 (2006: HK$5,000,000).

(v) Loan interest was charged to jointly controlled entities at rates announced by the People's Bank of China, 4% or 4.68% per annum (2006: rates announced by the People's Bank of China or 4.68% per annum).

(vi) Bank interest income was received from state-owned banks at rates ranging from 1.7% to 5.7% (2006: 1.7% to 5.2%) per annum.

(vii) On 18th January 2006, the Group, together with its immediate holding company and a third party, entered into a sale and purchase agreement with a state-owned enterprise, to acquire (1) further 1% of equity interest in Heshan County Hekong Associated Forwarding Co., Ltd.; and (2) 50% equity interests in Heshan Port Construction & Development General Company and its subsidiaries for a cash consideration of HK$12,764,000.

(viii) During the year, the Company and the immediate holding company have interchanged the use of certain own floors of Chu Kong Shipping Tower without any income or charges for such interchanging arrangement (2006: nil).

(c) During the year, a jointly controlled entity of the Group has received service income of HK$2,174,000 (2006: HK$821,000) from a fellow subsidiary of the Group in relation to the provision of shipping agency, river trade cargo direct shipment and transhipment services. The transactions were conducted at terms pursuant to agreements as entered into between the jointly controlled entity and the respective related party.

(d) Key management compensation

	2007	2006
	HK$'000	HK$'000
Salaries and allowances	**5,506**	4,631
Fees	**1,250**	1,292
Retirement benefit scheme contributions	**81**	79
	6,837	6,002

32 Related party transactions *(Continued)*

(e) Loans to jointly controlled entities

	2007 HK$'000	2006 HK$'000
At 1st January	**58,555**	47,347
Exchange differences	**1,722**	738
Loans advanced	**13,894**	12,000
Loans repayments received	**(6,230)**	(1,530)
At 31st December	**67,941**	58,555
Analysed into:		
Current (included in trade and other receivables)	**44,741**	31,275
Non-current (included in jointly controlled entities)	**23,200**	27,280
	67,941	58,555

(f) Balances with state-owned banks are as follows:

	2007 HK$'000	2006 HK$'000
Bank balances and deposits	**562,392**	304,438

The balances and deposits were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern. The interest rates are set at prevailing market rates.

33 Post balance sheet event

On 22nd February 2008, Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd., a wholly owned subsidiary of the Group acquired 40% interest of Zhaoqing City Declaration Co., Ltd. (which is formerly known as Zhaoqing City Declaration Co.) at a consideration of RMB2,520,000. The transfer of ownership of the equity interest to the Group is in progress as at the date of the approval of these financial statements.

Five Year Financial Summary

Results

	2007 **HK$'000**	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
Revenue	**870,711**	780,590	625,421	614,022	493,100
Operating profit	**55,833**	46,369	39,932	45,787	19,068
Finance income	**21,741**	9,215	5,669	4,309	5,129
Finance cost	**–**	–	(444)	(1,395)	–
Net finance income	**21,741**	9,215	5,225	2,914	5,129
Share of profits less losses of jointly controlled entities	**75,654**	73,140	51,728	41,811	59,214
Profit before tax	**153,228**	128,724	96,885	90,512	83,411
Tax expense	**(10,342)**	(7,726)	(6,987)	(7,441)	(15,342)
Profit for the year	**142,886**	120,998	89,898	83,071	68,069
Attributable to:					
Equity holders of the Company	**143,080**	121,148	90,072	83,117	68,069
Minority interests	**(194)**	(150)	(174)	(46)	–
	142,886	120,998	89,898	83,071	68,069
Basic earnings per share (HK cents)	**17.1**	16.2	12.0	11.1	9.1
Dividends (HK$'000)	**54,000**	45,000	37,500	22,500	37,500
Dividend per share (HK cents)	**6**	6	5	3	5

Assets and liabilities

	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
Non-current assets	**1,013,499**	894,783	818,791	799,909	694,594
Current assets	**899,179**	540,049	482,656	424,010	422,165
Total assets	**1,912,678**	1,434,832	1,301,447	1,223,919	1,116,759
Current liabilities	**256,572**	216,202	184,187	205,746	160,151
Non-current liabilities	**5,392**	4,594	4,494	3,554	2,003
Total liabilities	**261,964**	220,796	188,681	209,300	162,154
Total equity	**1,650,714**	1,214,036	1,112,766	1,014,619	954,605

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED ("the Company") will be held at 18th Floor, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong on 30th May 2008 at 10 a.m. for the following purposes:-

1. To receive and consider the audited consolidated financial statements of the Company and the reports of the Directors and the auditors of the Company for the year ended 31st December 2007.

2. To declare a final dividend for the year ended 31st December 2007.

3. To re-elect Directors in place of those retiring and to authorize the Directors to fix the remuneration of Directors.

4. To re-appoint auditors and to authorize the Directors to fix their remuneration,

As special business, to consider and, if thought fit, pass with or without amendments, the following ordinary resolutions:-

5. (A) "**THAT**"

(1) subject to paragraph (3) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities convertible into shares of the Company (the "Shares") and other rights to subscribe for any Shares) which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;

(2) the approval of paragraph (1) of this resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities convertible into Shares and other rights to subscribe for any Shares) which would or might require the exercise of such powers after the end of the Relevant Period;

(3) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (1) of this resolution, other than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of Shares as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iii) an issue of Shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of the subsidiaries of Shares or rights to subscribe for Shares, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and

(4) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means the allotment, issue or grant of Shares pursuant to any offer of Shares open for a period fixed by the Directors to the holders of Shares whose names appear on the register of member of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company)."

(B) "**THAT**:

(1) subject to paragraph (2) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") or any other stock exchange in any territory applicable to the Company, subject to and in accordance with all applicable law and/or the requirements of the rules governing the listing of securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(2) the aggregate nominal amount of the Shares which may be purchased by the Company pursuant to the approval in paragraph (1) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

(3) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:-

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting."

(C) "**THAT** subject to the passing of ordinary resolutions Nos. 5(A) and 5(B) set out in the Notice convening this meeting being duly passed, the general mandate granted to the Directors to allot, issue and deal with additional Shares pursuant to ordinary resolution No.5(A) set out in the Notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares repurchased by the Company under the authority granted pursuant to ordinary resolution No.5(B) set out in the Notice convening this meeting, provided that such amount of Shares shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said resolution."

6. To transact any other business.

By Order of the Board
Ng Kin Yuen
Company Secretary

Hong Kong
21st April 2008

Registered Office:
22nd Floor, Chu Kong Shipping Tower,
143 Connaught Road Central,
Hong Kong.