CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED

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

Stock Code : 00560

ANNUAL REPORT 2010

Contents

" Jointly Create Fortune Jointly Enjoy Achievements"

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 elevates 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".


大旺珠江物流

Corporate Information

Executive Director

Mr. Hua Honglin
(Chairman)

Mr. Yang Bangming
(Managing Director)

Mr. Zhang Daowu

Mr. Huang Shuping

Independent Non-executive Director

Mr. Chan Kay-cheung

Ms. Yau Lai Man

Mr. Chow Bing Sing

Company Secretary

Mr. Ng Kin Yuen

Executive Committee

Mr. Hua Honglin

Mr. Yang Bangming

Mr. Zhang Daowu

Mr. Huang Shuping

Audit Committee

Mr. Chan Kay-cheung

Ms. Yau Lai Man

Mr. Chow Bing Sing

Remuneration Committee

Mr. Chan Kay-cheung

Ms. Yau Lai Man

Mr. Chow Bing Sing

Mr. Yang Bangming

Auditor

PricewaterhouseCoopers

Principal Banks

Bank of China (Hong Kong)
Nanyang Commercial Bank
Bank of Communications
Bank of East Asia

Registrar

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Registered Office & Business Headquarter

22nd Floor, Chu Kong Shipping Tower
143 Connaught Road Central
Hong Kong
Tel: (852) 2581 3799
Fax: (852) 2851 0389
Website: http://www.cksd.com

Structure Of The Group

Chu Kong Shipping Development Company Limited

- The Public — 31.0%
- Chu Kong Shipping Enterprises (Holdings) Company Limited — 69.0%

Subsidiaries and associates:

- 100% Chu Kong Infrastructure Investment Limited
  - 25% Guangzhou-Foshan Expressway Ltd.
- 100% Chu Kong Infrastructure Investment (Hong Kong) Limited
- 100% Chu Kong Transhipment & Logistics Company Limited
  - 100% Chu Kong International Airfreight Company Limited
- 100% Chu Kong Transportation (H.K.) Limited
  - 100% Ever Sky Transportation Limited
  - 49% Guangdong Zhu Chuan Navigation Co., Ltd.
- 100% Chu Kong Warehouse Properties Co., Ltd.
- 100% Chu Kong River Trade Terminal Co., Ltd.
  - 75% Civet (Zhuhai Bonded Area) Logistics Company Limited
  - 50% Chu Kong Cargo Terminals (Beicun) Co., Ltd.
  - 30% Dongguan Humen Great Trade Containers Port Co., Ltd.
  - 25% Foshan Nankong Terminal Co., Ltd. (22.5% held directly by Chu Kong Shipping Development Company Limited)
  - 37.5% Foshan New Port Ltd.
  - 40% Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.
  - 50% Heshan County Hekong Associated Forwarding Co., Ltd.
  - 30% Sanshui Sangang Containers Wharf Co., Ltd.
  - 100% Chu Kong Cargo Terminals (Gaoming) Co., Ltd.
  - 100% Chu Kong Cargo Terminals (Kangzhou) Co., Ltd.
  - 90% Chu Kong Cargo Terminals (Qingyuan) Co., Ltd.
- 100% Chu Kong River Trade Terminal (Hong Kong) Company Limited
- 100% Chu Kong Container Transportation Company Limited
- 100% Chu Kong Godown Wharf & Transportation Company Limited
- 100% Chu Kong Agency Company Limited
  - 49% Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.
- 75% Chu Kong (Guangdong) International Freight Forwarding Co., Ltd.
  - 51% Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.
  - 90% Chu Kong (Guangdong) International Shipping Agency Co., Ltd.
- 100% Guangdong Zhu Chuan Logistics Services Co., Ltd.
- 80% Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd.
- 100% Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd.
- 100% Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd.
  - 100% Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd.
- 100% Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd.
  - 40% Zhaoqing City Declaration Co., Ltd.
- 100% Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd.
- 77% Zhaoqing New Port Co., Ltd.

- Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. 40%
- Chu Kong Air-sea Union Transportation Company Limited 51%
- Chu Kong Logistics (Singapore) Pte. Ltd. 60%
- Guangzhou Nansha Chu Kong Terminal Company Limited 65%

- Chu Kong Tourism Company Limited 100%
- Hong Kong International Airport Ferry Terminal Services Limited 60%
- Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd 40%
- Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd 40%

- Chu Kong Passenger Transport Company Limited 100%

Subsidiary

Jointly Controlled Entity

“ We Believe In Our Missions”

Financial Highlights

(HK$ Million)	2010	2009 (restated)	Change %
Revenue	**1,107.3**	920.3	20.3
Profit attributable to the equity holders of the Company	**136.9**	116.0	18.0
Total assets	**2,572.7**	2,643.7	(2.7)
Net assets	**1,797.8**	1,669.8	7.7

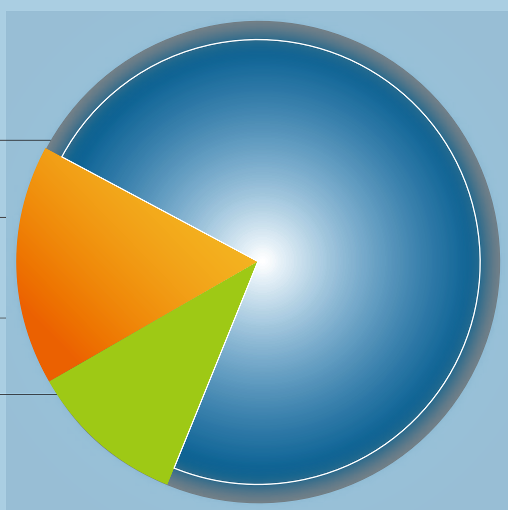
Financial Ratio			
Operating profit margin (%)	**9.0**	6.5	38.5
Current ratio	**0.9**	1.2	(25.0)
Debt ratio (%)	**30.1**	36.8	(18.2)

Distribution of the Group's revenue in 2010 by operating segments:

Cargo Transportation 73.6%

Cargo handling and storage 16.0%

Passenger Transportation 10.4%



" We Strive For Corporate Synergy"

Chairman's Statement

Mr. Hua Honglin
(Chairman)

I am pleased to announce to all our shareholders that Chu Kong Shipping Development Company Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated revenue for the year 2010 amounting to HK$1,107,290,000, up by 20.3% against 2009. Benefited by the increase in business volume as a result of the recovery of international trade and contribution from the newly acquired passenger transport business, the profit attributable to equity holders of the Company was up by 18.0% against last year to HK$136,902,000. The Board recommends a final dividend of HK4 cents per share.

During the year, the Company has achieved significant progress in areas such as acquisition of quality assets from the parent company, establishment of strategic alliances with leading enterprises in the industry and internal intensive management.

The Company acquired 100% equity interests in Chu Kong Passenger Transport Company Limited ("CKPT") held by Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), our immediate holding company, for a consideration of about HK$480.6 million. The transaction has been completed and represents a key step towards overall listing of quality assets of the immediate holding company. Through this acquisition, the Company is able to be engaged in the promising business of high-speed passenger ships to and from Guangdong, Hong Kong and Macau that can broaden the Company's income source as well as its overall revenue. Besides, the Company has made use of the commencement of operation of the Wuhan-Guangzhou high-speed railway, the Canton Fair, the Asian Games and other festival events to hold and participate in a number of business promotions and fairs, so as to enhance market reputation and improve customer sourcing network. As a result, CKPT has operated, as an agent, 22 routes in total for urban areas and for airports in Guangdong, Hong Kong and Macau, such that the share of its agency services/ sub-management services improved from 88.2% in 2009 to 90.8% in 2010 in respect of the market of routes between Guangdong and Hong Kong, and from 26.4% to 31.9% in respect of the market of routes between Hong Kong and Macau. During the year, the overall number of passengers for agency services recorded a growth of 11.1% and this passenger transportation business segment (including subsidiaries and investment in jointly controlled entities) contributed a profit of HK$66,707,000 to the Company.

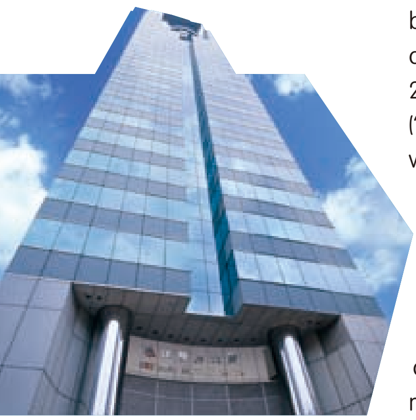
The Company has been active in seeking establishment of win-win business opportunities with transportation hub companies and major shipping companies for resource sharing and mutual complementation of strengths. In July 2010, the Company successfully entered into a strategic cooperation framework agreement with China Merchants Holdings (International) Company Limited ("CMHI"), one of the largest public terminal operators in China. The parties will jointly establish a premier integrated logistics services system as well as a feeder-carrier-linked port transport system that is core in hub and supported by the category-2 port in Pearl River Delta, which serves to augment the integrated competitiveness for both parties and to create larger value for shareholders. In December 2010, a wholly-owned subsidiary of CMHI entered into a share transfer agreement with the Company to acquire 20% equity interest in Chu Kong River Trade Terminal Co., Ltd. held by the Company to jointly develop public barge express services for feeder and carrier ports, which will be formally launched to the market in March 2011 and is expected to bring considerable growth in number of containers for the Company. The equity transfer has been completed in February 2011.

Chairman's statement

In August 2010, Guangdong Province Navigation Holdings Company Limited ("GPNHCL"), the parent company of the Company, entered into a cooperation framework agreement with COSCO Container Lines Company Limited ("COSCON"), under which GPNHCL will closely cooperate with COSCON mainly through the Company.

Along with the gradual realisation of the strategic cooperation, the integrated optimisation and expansion of the feeder-carrier-linked network of the Company with the major shipping companies will enable provision of more comprehensive and more efficient quality services to the customers and promotion of the brand of CKS from near-sea shipping lines to the global market, resulting in a win-win market situation for all parties. The cooperation will also enlarge the Group's inland rivers transport volume and terminal throughput; thereby improve its overall profit level.

The Company continuously perfects the terminal configuration that it acquired 75% equity interest in Civet (Zhuhai Bonded Area) Logistics Company Limited for a final consideration of approximately HK$88,535,000 to operate the Civet Port in Zhuhai. This acquisition has meaningful significance to the Company in improving its network coverage of inland river terminals and market share in the Zhuhai area. The Company also increased its shareholdings in Zhaoqing New Port by 20.54% to a total of 77% at a consideration of RMB26,500,000 (equivalent to approximately HK$30,628,000) and had it officially opened for foreign trade business in September 2010. In order to enhance its integrated logistics service capacity in the Zhaoqing area, the Group leased and operated a vehicle inspection centre in Zhaoqing in April 2010. In February 2011, the Group acquired 49% equity interest in Chu Kong Air-Sea Union Transportation Company Limited ("CKSA"), turning it from a jointly controlled entity into a wholly owned subsidiary of the Company. The Group will leverage on the premier geological position strength of CKSA to develop the air cargo storage and distribution businesses with a higher gross profit margin, thereby improve its income level.



Chu Kong Shipping Tower

The Company has made remarkable progress in internal resource integration as it formulated and implemented the "Hong Kong-Based Logistics Segment Resource Integration Proposal", under which our businesses were divided into three major functions, namely vessel operation, sales and customer service and terminal storage, with an aim to promote professionalised operation orderly. Through centralised management and process optimisation, the operation efficiency of the logistics businesses was enhanced and the synergy reinforced. Through perfecting the segmental marketing and management mode, the domestic port and cargo agency marketing network was integrated. Following the continued advancement of the professionalised operation strategy, we see steady improvement in both the market influence and in the market share of the logistics businesses. In 2010, the Company's container transportation volume was 919,000 TEU, representing a corresponding increase of 18.6% as well a record high. The market share of the Group in the category-2 ports in Pearl River Delta that have business relationship with the Group increased from 19.3% in 2009 to 20.3% in 2010.

Hong Kong International Airport

Year 2011 represents the first year of the State's "12th Five-year Plan" and a smooth beginning is of significance. In line with the cooperation between Guangdong, Hong Kong and Macau being promoted from regional strategy to national strategy, the cooperation domain for the three areas will be boundless and poses golden opportunities. Inland river transportation possesses characteristics like large transportation volume, less land occupied, low cost, low energy consumption, low pollution and marked social effects that conform to the State's industry policies advocating environment protection and energy

Chairman's Statement

efficient, and thus is valued highly by the State. The State Council has formulated the development planning for inland river transportation that, with a total of RMB160 billion of complementary investment funded by both the Central Government and local governments, strives to intensify inland river investment, waterway and port construction and as relevant subsidy for standardisation of ship types and construction of modernised inland river transportation system within 10 years, which will be conducive to improvement of profitability of enterprises in this industry. As a leading large-scale integrated transport services provider in the Guangdong, Hong Kong and Macau region, the Company will continue to benefit from the booming logistics and passenger flows in the region. However, we are aware of the unstable situation in North Africa and the Middle East, the impact on the global economy caused by the rise in oil prices and the adverse effects on exports of China brought about by the continued appreciation of Renminbi and the rising labour costs in the Mainland, etc.

In 2011, the Company will focus on implementation of the following key tasks: The first is to accelerate carrying out of the cooperation with CMHI, COSCON and other strategic partners to unfold more business solutions tailored to customer requirements; the second is to concentrate on operation management of the newly acquired terminals for prompt generation of effectiveness; the third is to increase the proportion of high value-added businesses, such as securing integrated logistics and contracted logistics businesses and embarking on the air cargo palletisation business in Guangzhou, etc for improving gross profit margin of the Company's principal businesses; the fourth is to strengthen cost control by shifting part of the back-office management posts in Hong Kong; the fifth is to continue study on acquisition of quality assets of the parent company and on accelerated pace in overall listing of the parent company; the sixth is to fortify building of our corporate culture to forge a better-off Chu Kong.

Finally, I would like to represent the Board of Directors to express its compliment to all customers and stakeholders for their continued support to the Group's development, and its appreciation to all staff for their dedication.

Hua Honglin
Chairman

Hong Kong, 16th March 2011

" We Target On Better Corporate Governance"

Management Discussion And Analysis

REVIEW OF OPERATIONS

Humen Port

For the year ended 31st December 2010, the Group recorded a consolidated revenue of HK$1,107,290,000 an increase of 20.3% as compared with last year. Profit attributable to the equity holders of the Company was HK$136,902,000 an increase of 18.0% as compared with last year.

As the global economy continued to stabilise in the second half of 2009, the gross domestic product (GDP) and employment market in most of the wealthy countries started to improve in 2010, but yet to recover to the level before the economic crisis. In 2010, the global economic growth rate was estimated to be 4.0% and the economic growth rate in China reached 10.3%. This was mainly due to the supporting policy measures on macro-economy promptly adopted by the PRC government. China economy not only managed to overcome the global financial crisis smoothly, but also further strengthened its influence in the global economic system. Under the PRC government's stimulus economic policy, the import and export value in the PRC increased 34.7% in 2010. The transportation market in the Guangdong and Hong Kong areas gradually improved with correspondingly higher cargo throughput. The container throughput in Hong Kong recorded an annual growth of 11.8% for the year and the container throughput at main ports in Guangdong recorded an annual growth of 22.3% for the year. Despite the current economy recovery, the global economy remained volatile due to the debt crisis in Europe. In addition, the financial stimulus policy had come to the end, together with the new policies, which suppressed the overheating economic sectors, and the tightened monetary policy, resulting a slowdown in economic growth. Any loss of momentum of China's economy would lead to a more sluggish global economy.

Hong Kong International Airport

During the year, with the continuous growth in the global economy and newly injected passenger transportation business, in addition to the increase in profit, the overall cargo throughput of the Group also recorded an increase, of which container and break bulk cargoes transportation volume recorded an increase of 18.6% and 15.0% respectively, and container and break bulk cargoes handling volume recorded an increase of 6.8% and 27.9% respectively. The market share of the Group in 30 category-2 ports in Pearl River Delta with which the Group has business relationship also continued to increase, from 19.3% of last year to 20.3%. However, due to higher international oil prices and an increase of oil consumption, the total oil cost increased by more than HK$27,706,000 or 51.0%. Among which, the oil cost increased by HK$14,959,000 over last year as a result of changes in oil prices, lowering the gross operating profit margin of the cargo transportation business of the Group for the year.

During the year, the subsidiaries engaged in freight-related business contributed 14.9% more profit to the Group as compared with last year. The profit from the Group's investment in jointly controlled entities involved in freight-related business recorded a decrease of 14.7% compared with last year. But generally, they continued to contribute profit to the Group. The passenger transportation business segment (including subsidiaries and investment in jointly controlled entities) acquired during the year contributed a profit to the Group of HK$66,707,000.

Business of the Group's jointly controlled entities was closely related to the major business operations of the Group other than expressway operation. Due to the acquisition of passenger transportation business segment bringing additional profit to the Group, but the profit of Guang-Fo Expressway significantly decreased because of the increase in depreciation in fixed assets, resulting a drop in profit attributable to the Group accordingly, share of profits less losses of jointly controlled entities of the Group in 2010 was HK$56,726,000, representing a decrease of HK$1,996,000 or 3.4% as compared with last year.

Management Discussion And Analysis

1. Cargo Transportation Business

Driven by the global economy recovery, the rise in international market demand fueled corresponding increase in exports by Mainland China's factories. On the other hand, the economy grew more rapidly in China, which led to the significant improvement on the structure of demand and indicated that domestic needs reinforced its influence in driving the economic growth. Consequently, there was a relative increase in major business operations of the Group during the year. The market share of the Group in 30 category-2 ports in Pearl River Delta with which the Group has business relationship was 20.3%, an increase of 5.2% as compared with 19.3% last year, which increase was sustaining.

I. Business Operation Indicators

Performance statistics of our major business operations are as follows:

	For the year ended 31st December		
Indicators	**2010**	2009 (restated)	Change
Cargo transportation volume			
Container transportation volume (TEU)	**919,133**	774,747	18.6%
Break bulk cargoes transportation volume (revenue tons) (Note 1)	**411,079**	357,563	15.0%
Cargo handling volume			
Container handling volume (TEU) (Note 2)	**636,518**	595,822	6.8%
Volume of break bulk cargoes handled (revenue tons) (Note 2)	**1,169,929**	914,999	27.9%
Volume of container hauling and trucking on land (TEU)	**134,425**	134,673	–0.2%

Notes:

1. From 2009 onwards, the figures used for statistic changed from weighted tons to revenue tons. So some figures from the 2009 annual report were restated to conform with the current year's presentation.

2. From November 2010 onwards, the data of Civet Port was included. If the data of the new terminal was eliminated, container handling volume and break bulk cargoes transportation volume increased by 4.1% and 27.8% respectively as compared with last year.

II. Container Transportation

During the year, the economy continued to improve. The number of orders received by the foreign trade enterprises in Pearl River Delta increased and there was a significant growth in the import and export business. With great efforts and increasing number of areas for cooperation and closer relationship between Chu Kong Transhipment & Logistics Company Limited ("CKTL"), which operates our major container transportation business, and other major shipping companies, the cargo source of Connected Carrier Agreement ("CCA") of major shipping companies increased significantly, which became the key factor driving the overall container transportation volume and resulted in a year-on-year increase of 18.6% in it. In particular, the closer communication and interaction among CKTL and its major shipping company partners helped to expand and strengthen its market share. The market share in 30 category-2 ports

Management Discussion And Analysis

having business with the Group in Pearl River Delta represented an increase of 5.2% over last year. Affected by two factors in relation to the Guangzhou Asian Games and customs policy, there was a decrease in the overall volume of containers for renewable resources over the last year. Cargo source of the factory generally maintained a stable growth, among which the imports from Foshan, Shunde and Jiangmen increased significantly.

III. Break Bulk Cargoes Transportation

Chu Kong Agency Company Limited ("CKA") is responsible for our break bulk cargoes transportation business which mainly engaged in transshipment cargo. As the industry and trading relationship between Hong Kong and the Mainland China recovered and CKA paid more efforts in marketing, the break bulk cargoes transportation volume increased by 15.0%.

IV. Wharf Handling

Benefited by recovery of the global economy, the Group's core wharf business volume recorded marked growth as its container and break bulk cargoes handling volume rose by 6.8% and 27.9% respectively.

Leveraging on its capability of fast customs clearance, Chu Kong Cargo Terminals (Gaoming) Co., Ltd. vigorously explored new customers and continued to explore container cargo sources of foreign-trade export factory. It actively looked for new customers while strengthening the relationships with its existing customers, and as a result, the foreign-trade container handling volume enjoyed a significant growth of 39.0% over the last year, its profit contribution to the Group of HK$24,575,000 increased by 149.7% over last year.

Gaoming Port

Under the situation of and policy on customs clearance, the business of containers for renewable resources of Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. significantly dropped by 64.0% over last year; however, with aggressive exploration of the Yunfu market, there was a sharp increase in the stones business, and the container transportation volume only decreased by 25.5% and its profit contribution to the Group decreased by 91.6%.

Due to increasing business expansion and strengthened market exploration by Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd., the container handling volume of the company for the year increased significantly by 221.6% over last year. In addition, the company enhanced its internal management and cost control, marking a turnaround in profitability and contributed a profit attributable to the Group of HK$1,959,000.

Gaoyao Port

On 16th April 2010, the Company signed an agreement as to increase its shareholding in Zhaoqing New Port Co., Ltd. by 20.54% to 77% for RMB26,500,000 (equivalent to approximately HK$30,628,000). Despite changes of cargo source and market competition, the company's handling volume during the year was broadly similar to that for the same period of last year. Due to capitalisation of construction in progress into fixed assets, the company's loan interests and depreciation expenses increased significantly during the year, resulting in a loss of HK$21,122,000 to the Group. On 20th May 2010, as approved by the People's Government of Guangdong Province, the category-2 port of Zhaoqing New Port opened for business, it was believed that the new foreign-trade cargo business would bring additional business income to the company.

Management Discussion And Analysis

Benefited from recent improvements of the site, equipment, machines and vehicles, the operating capacity of the terminal of Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. was greatly increased. With greater efforts to explore and organise cargo sources, the operations of the terminal was satisfactory with substantial increase in cargo handling volume. Container handling volume recorded a year-on-year increase of 20.2%. The profit contributed by the company to the Group was almost the same as last year because of increased cost.

Due to the lack of maintenance of Dawang Bridge, the main bridge to the vehicle inspection centre of Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd., trailers were not allowed to use the bridge, causing substantial loss of cargo sources in the surrounding areas of Dawang. In addition, with the influence from diversion of customers to the two vehicle inspection centres in Zhaoqing, revenue of the vehicle inspection centres of Dawang declined, which brought an increase of 33.7% in the loss to the Group. The repair and maintenance of Dawang Bridge was completed in July 2010.

On 2nd August 2010, Chu Kong River Trade Terminal Co., Ltd. ("CKRTT"), a wholly-owned subsidiary of the Company, entered into an agreement with Civet Zhuhai Investment Company Limited. Pursuant to this agreement, CKRTT acquires 75% equity interest in Civet (Zhuhai Bonded Area) Logistics Company Limited ("Civet Logistics") at a consideration of RMB76,422,000 (equivalent to approximately HK$88,535,000). Upon the acquisition of Civet Port and the appointment of the management by the Group, adjustments for the direction and strategy of operation were made immediately so as to improve the customs situation at the terminal, enhance the competitiveness of the terminal and attract more new customers and shipping companies, and hence increasing the cargo handling volume.

Chu Kong Transportation (H.K.) Limited ("CKT") is responsible for the operation of the Group's Public Cargo Working Areas in Hong Kong and the break bulk cargoes handling operations in the PRC ports. Its break bulk cargoes customers are predominately small-to-medium sized enterprises. With the increase of 4.6% in the overall transshipment volume in Hong Kong and achieving the target as the integrated operator of regional shipping logistics services of the company, there was an increase of 17.7% in its break bulk cargoes handling operations.

V. Investment in Jointly Controlled Entities

Despite the global economy recovery, as continuously impacted by domestic environmental policies and the Pearl River Delta industrial upgrading, the profit attributable by some of the Group's investment entities decreased. The profit attributable to the Group contributed by Sanshui Sangang Containers Wharf Co., Ltd. amounted to HK$2,156,000, down by 34.7%. In addition, the profit contributed by Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. decreased by 94.4% due to its higher cost.

The container handling volume of Foshan New Port Ltd. increased by 23.1% and break bulk cargo handling volume decreased by 52.2%, contributing a profit of HK$15,175,000 to the Group and representing an increase of 37.5%. The container handling volume of Foshan Nankong Terminal Co., Ltd. increased by 15.0% and its break bulk cargo handling volume decreased by 50.2%,

Management Discussion And Analysis

contributing a profit of HK$6,791,000 to the Group and representing an increase of 16.9%. Chu Kong Logistics (Singapore) Pte. Ltd. contributed a profit of HK$440,000 to the Group, representing an increase of 223.0%. Guangdong Zhu Chuan Navigation Co., Ltd. recorded a profit instead of a loss as a result of the exemption of business tax and net income from disposal of old vessels.

Despite the decrease in break bulk cargo throughput, Chu Kong Air-Sea Union Transportation Company Limited ("CKSA") contributed a profit of HK$1,889,000 to the Group, representing an increase of 29.8%, due to effective cost control. On 22nd December 2010, the Company entered into an agreement with Hong Kong Air Cargo Industry Services Limited. Pursuant to the agreement, the Company had acquired its 49% equity interest in CKSA for a consideration of 49% of the audited net assets of CKSA as at 3rd February 2011. Upon the acquisition, CKSA would become a wholly-owned subsidiary of the Company.

2. Passenger Transportation Business

On 18th March 2010, the board of directors of the Company passed a resolution approving the acquisition of the entire equity interest in CKPT from the immediate holding company for a consideration of HK$480,610,000. Such acquisition was then approved by the independent shareholders on 5th May 2010. In addition to its 100% equity interest in Chu Kong Tourism Co., Ltd, CKPT also holds 60% equity interest in Hong Kong International Airport Ferry Terminal Services Ltd ("HKIAFTS"), 40% equity interest in Zhongshan-HongKong Passenger Shipping Co-op Co., Ltd ("ZHPC) and 40% equity interest in Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd ("SGPC").

I. Business Operation Indicators

Performance statistics of the major business operations are as follows:

Indicators	For the year ended 31st December Number of Passengers (in thousands)		
	2010	2009	Change
Number of passengers for agency services	**5,436**	4,891	11.1%
Number of passengers for terminal services	**5,401**	5,102	5.9%

II. Investment in Jointly Controlled Entities of CKPT

SkyPier operated by HKIAFTS was a temporary terminal in the early stage of operation which was not well facilitated. In order to provide more comprehensive services and facilities, SkyPier finished and commenced the operation of the permanent terminal on 15th December 2009. Apart from completion of the construction of the permanent terminal, a newly commenced passenger train linking directly between SkyPier and airport terminal can facilitate more transit passengers to use this terminal. Pursuant to the provisions of the contract, the permanent terminal is operated and charged in a manner and on a basis completely different from that of the temporary terminal. Therefore, the franchise fee payable by HKIAFTS to the Airport Authority Hong Kong is increased significantly during the contract term of three years, resulting in an increase in operating cost sharply. However, it is expected that the number of passengers will be increased in response to the improvement of facilities and services standard and it can also offset the increased operating cost.

Management Discussion And Analysis

During the year, the number of transit passengers using SkyPier increased comparing with last year, and HKIAFTS contributed a net share of profit after tax of HK$12,084,000 to the Group, up 9.6% in spite of a substantial increase in operating cost. The routes between Macau Taipa Temporary Ferry Terminal and the Hong Kong International Airport commenced operation on 8th May 2010 and it is expected that the number of transit passengers would continue to increase. The share of profit from the new investments in ZHPC and SGPC amounted to HK$8,269,000 and HK$4,549,000 respectively. The total share of profit for these investments amounted to HK$24,902,000.

3. Other Businesses

The expansion project of Guangzhou-Foshan Expressway was completed and commenced operation at the end of 2009 and the toll traffic volume of Guangzhou-Foshan Expressway Ltd. in 2010 increased by 17.7% comparing with last year. However, due to the expansion of Fo-Kai Expressway that connected to the Guangzhou-Foshan Expressway, the vehicles using the whole journey decreased, resulting in smaller growth in toll compared with traffic volume. Toll income recorded an increase of 13.6% over last year. However, as a result of increased depreciation charges after the expansion, the total profit dropped as compared with last year, resulting in a decrease of 70.8% in the profit attributable to the Group.

During the year, the businesses of other subsidiaries and jointly controlled entities of the Group progressed well and experienced no unusual matters.

Financial Review

Review Of Financial Results

The Group recorded a profit attributable to equity holders of the Company of HK$136,902,000 in 2010, representing an increase of HK$20,877,000 or 18.0%, as compared with last year, details of which are as follows:

	2010 HK$'000	2009 HK$'000 (restated)	Change HK$'000
Net operating profit*	**80,176**	57,303	22,873
Share of profits less losses of jointly controlled entities	**56,726**	58,722	(1,996)
Profit attributable to equity holders of the Company	**136,902**	116,025	20,877

* Net operating profit represents operating profit after finance income, finance cost, income tax expense and non-controlling interests (excluding share of profits less losses of jointly controlled entities).

Management Discussion And Analysis

The Group's share of profits less losses of jointly controlled entities for 2010 decreased by HK$1,996,000 or 3.4% from last year to HK$56,726,000. Among these: profit of the new passenger transportation business attributable to the Group was HK$24,902,000; profit of Chu Kong Air-Sea Union Transportation Company Limited attributable to the Group was HK$1,889,000, a year-on-year increase of 29.8%; profit of Foshan New Port Ltd. attributable to the Group was HK$15,175,000, a year-on-year increase of 37.5%; profit of Chu Kong Logistics (Singapore) Pte. Ltd. attributable to the Group was HK$440,000, a year-on-year increase of 223.0%; profit of Chu Kong Cargo Terminals (Beicun) Co., Ltd. attributable to the Group was HK$975,000, a year-on-year increase of 14.7%; profit of Foshan Nankong Terminal Co., Ltd. attributable to the Group was HK$6,791,000, a year-on-year increase of 16.9%; profit of Sanshui Sangang Containers Wharf Co., Ltd. attributable to the Group was HK$2,156,000, a year-on-year decrease of 34.7%; profit of Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. attributable to the Group recorded a year-on-year decrease of 94.4%; profit of Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. recorded a year-on-year decrease of 90.6%; Dongguan Humen Great Trade Containers Port Co., Ltd. recorded a loss instead of a profit; profit of Guangzhou-Foshan Expressway Ltd. attributable to the Group was HK$4,202,000, a year-on-year decrease of 70.8%.

Dividends

The Group has maintained a relatively stable dividend policy. With reference to the current cash and cash equivalents, the percentage of the profit attributable to the equity holders of the Company to the amount of dividends paid ("Dividend Coverage") was stable in 2010. The Group's Dividend Coverage in the past five years was as follows:

	Dividends per share HK$	**Total dividends** HK$'000	**Profit Attributable to equity holder of the Company** HK$'000	**Dividend Coverage**
2006	0.06	45,000	121,148	37.14%
2007	0.06	54,000	143,080	37.74%
2008	0.05	45,000	116,632	38.58%
2009 (restated)	0.035	31,500	116,025	27.15%
2010*	**0.06**	**54,000**	**136,902**	**39.44%**

* Dividends per share for 2010 included a proposed final dividend of HK$0.04 per share.

Employees

As at 31st December 2010, the Group employed 476 employees in Hong Kong and remunerated its employees according to the duty of their positions and market conditions. Other staff benefits for eligible employees include housing allowances and bonuses etc.

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 2010, the Group secured a total credit limit of HK$200,000,000 and RMB90,000,000 (equivalent to approximately HK$105,770,000) granted by bona fide banks.

Management Discussion And Analysis

As at 31st December 2010, the current ratio of the Group, represented by current assets divided by current liabilities, was 0.9 (2009 restated: 1.2) and the debt ratio, representing total liabilities divided by total assets, was 30.1% (2009 restated: 36.8%).

Gaoming Port

As at 31st December 2010, the Group's cash and cash equivalents amounted to HK$278,802,000 (2009 restated: HK$638,771,000), which represents 10.8% (2009 restated: 24.2%) of the total assets.

As at 31st December 2010, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 12.0% (2009 restated: 2.6%).

After considering its cash and cash flows 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 general development.

Pledge of Assets

As at 31st December 2010, the Group had utilised bank loan facilities amounting to HK$140,000,000 and RMB90,000,000 (equivalent to approximately HK$105,770,000) (2009: RMB39,000,000 (equivalent to approximately HK$44,293,000)), of which the portion in Hong Kong dollar was bearing floating rate and unsecured, while the portion in Renminbi was bearing floating rate and secured by certain land use rights and property, plant and equipment of Zhaoqing New Port Co., Ltd..

CKS

Currency Structure

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 bank accounts in Hong Kong through proper procedures as planned. So long as the linked exchange rate system in Hong Kong with USD is maintained, it is expected that the Group will not be subject to any significant exchange risk.

As at 31st December 2010, cash and cash equivalents held by the Group, of which 43.2% were denominated in Hong Kong dollar ("HKD"), 35.6% in Renminbi ("RMB"), 17.6% in United States dollar ("USD"), 3.6% in Macau pataca and a small amount Euro, deposited with several banks of good reputation are as follows:

	Amount HK$'000	**Percentage** %
HKD	120,372	43.2
RMB	99,324	35.6
USD	49,136	17.6
Macau pataca	9,966	3.6
EURO	4	0.0
	278,802	100.0

Management Discussion And Analysis

Capital Structure

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

Capital Commitments

Details of capital commitments of the Group and the Company are set out in note 32(a) to the financial statements.

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

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 2010, net trade receivables of the Group amounted to HK$146,312,000, an increase of 22.7% as compared with last year, 96.1% of which was aged within 3 months. The exposure to bad debts was controlled at a comfortable level.

Contingent Liabilities

Except for the potential tax liabilities for the purchase of properties at Mafang Port, as at 31st December 2010, there was no contingent liability relating to the Group. A 40% interest jointly controlled entity of the Group has contingent liabilities to a bank in relation to a provision of a financial guarantee and indemnity of US$400,000 (equivalent to approximately HK$3,120,000) to a third party in the PRC in 1994. This third party failed to perform its contractual and financial obligations to the bank in 1998. As such, court proceedings commenced by the bank demanded payment of US$400,000 against the jointly controlled entity and the Province Court imposed orders of execution of the jointly controlled entity in 1998 and 2001. However, no execution has been finally implemented.

Events After the Balance Sheet Date

On 28th July 2010, the Company entered into a strategic cooperation framework agreement with China Merchant Holdings (International) Company Limited ("CMHI"). Pursuant to the agreement, the Company had undertaken to sell 20% of its equity interest in CKRTT to CMHI. In December 2010, the Company entered into an agreement with a subsidiary of CMHI for sale of 20% equity interest in CKRTT for a consideration of HK$131,368,000.

On 22nd December 2010, the Company entered into an agreement with Hong Kong Air Cargo Industry Services Limited. Pursuant to the agreement, the Company had acquired its 49% equity interest in CKSA for a consideration of 49% of the audited net assets of CKSA as at 3rd February 2011. Upon the acquisition, CKSA would become a wholly-owned subsidiary of the Company.

On 21st February 2011, CKRTT, a non-wholly-owned subsidiary of the Group at that time, entered into an agreement in relation to the disposal of its entire equity interest (i.e. 30%) in Dongguan Humen Great Trade Containers Port Co., Ltd. for a consideration of RMB28,062,000 (equivalent to approximately HK$32,979,000). Dongguan Humen Great Trade Containers Port Co., Ltd. was established in the PRC and engaged in wharf cargo handling and godown storage.

Report Of The Directors

(Back row from left to right) :
Ms. Yau Lai Man *(Independent Non-executive Director)*, Mr. Zhang Daowu *(Executive Director)*,
Mr. Yang Bangming *(Managing Director)*, Mr. Huang Shuping *(Executive Director)*
(Front row from left to right) : Mr. Chan Kay-cheung *(Independent Non-executive Director)*,
Mr. Hua Honglin *(Chairman)*, Mr. Chow Bing Sing *(Independent Non-executive Director)*

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 2010.

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. During the year, the Company has expanded its business into passenger transport business, which is mainly the provision of vessel leasing services, agency services for principals which operate scheduled ferry services between Hong Kong and the various inland rivers and coastal ports in Pearl River Delta. Besides the passenger transport business, there were no other significant changes in the principal activities of the Group during the year.

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

Results And Appropriations

The Group's results for the year ended 31st December 2010 is set out on page 50 of the annual report. An interim dividend of HK2 cents per ordinary share was declared during the year, totalling HK$18,000,000, which was paid on 20th October 2010. 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 13th May 2011.

Financial Summary

A summary of the financial information of the Group for the last five financial years is set out on page 137 of the annual report. This summary does not form part of the audited financial statements.

Report Of The Directors

Property, Plant And Equipment And Investment Properties

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

Share Capital

Details of movement in the share capital of the Company 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 2010, 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$75,019,000 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 Bangming
Mr. Zhang Daowu
Mr. Huang Shuping

Independent Non-executive Directors:
Mr. Chan Kay-cheung
Ms. Yau Lai Man
Mr. Chow Bing Sing (appointed on 1st June 2010)
Mr. Choi Kim-Lui (resigned on 1st June 2010)

In accordance with the Articles of Association of the Company, Mr. Hua Honglin and Mr. Zhang Daowu will retire by rotation and, being eligible, Mr. Hua Honglin and Mr. Zhang Daowu will offer themselves for re-election at the forthcoming annual general meeting.

Report Of The Directors

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 43, was appointed as executive director of the Company on 6th April 2006, and chairman of the board of directors of the Company since May 2006. He is responsible for strategic planning, decision making on important matters and management of senior executives of the Group. He is a certified senior economist and accountant in the PRC. He obtained a doctoral degree in management from Sun Yat-sen University in 2008, and worked for Guangdong Province Navigation Holdings Co., Ltd. ("GPNHCL"), the Company's parent company, Chu Kong Shipping Group ("CKS") and its subsidiaries. He is also the director and vice general manager of Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), the Company's immediate holding company and has over 20 years of experience in shipping and corporate governance. Mr. Hua is currently a Guangdong Province Diligence and Strategy Advisory Expert and the vice chairman of Guangdong Ship-owners Association.

Mr. Yang Bangming, aged 45, was appointed as managing director of the Company on 14th October 2008. He is responsible for managing the main businesses of the Group and organising executive directors to formulate corporate development strategies. He graduated as a Bachelor of Accounting from the Shanghai Maritime University (formerly Shanghai Maritime College) in 1988. He is a certified advanced accountant in the PRC. He worked in GPNHCL and its subsidiaries. He is also the director and vice general manager of CKSE and has more than 22 years of experience in shipping and corporate management.

Mr. Zhang Daowu, aged 43, was appointed as executive director of the Company on 14th October 2008. He joined CKS after graduating as a Bachelor of International Navigation from the Shanghai Maritime University (formerly Shanghai Maritime College) in 1990. He had worked for GPNHCL, CKSE and its various subsidiaries. He is also the director and vice general manager of CKSE and has over 21 years of experience in shipping and corporate management.

Mr. Huang Shuping, aged 46, was appointed as executive director of the Company on 1st November 2006. He graduated from Nanjing College of Navigation Engineering, majoring in port sea routes. He also acquired a postgraduate of economics from Guangdong Academy of Social Sciences. Mr. Huang also holds qualification certificates of marine works engineer and economist. He is also the director and vice general manager of CKSE and has over 26 years of experience in transportation.

Report Of The Directors

Independent Non-executive Directors

Mr. Chan Kay-cheung *FHKIB*, aged 64. Mr. Chan is currently a senior adviser of The Bank of East Asia, Limited, vice chairman of The Bank of East Asia (China) Limited and chairman of Shaanxi Fuping BEA Rural Bank Corporation. Mr. Chan was an executive director and deputy chief executive of The Bank of East Asia, Limited. He joined The Bank of East Asia, Limited 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, a member of Process Review Committee for oversight of Hong Kong Monetary Authority, a member of Clearing and Settlement Systems Appeals Tribunal, a member of The China Unionpay International Advisory Group and an international senior economic consultant of The People's Government of Shaanxi Province. Mr. Chan is also an independent non-executive director of Hong Kong Food Investment Holdings Limited, China Electronics Corporation Holdings Company Limited and Shui On Construction and Materials Limited. Mr. Chan was appointed as independent non-executive director of the Company in April 1998.

Mr. Choi Kim-Lui, aged 63, was appointed as independent non-executive director of the Company on 8th September 2004, and resigned on 1st June 2010. 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 47, was appointed as independent non-executive director of the Company 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 20 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").

Mr. Chow Bing Sing, aged 61, was appointed as independent non-executive director of the Company on 1st June 2010. Mr. Chow graduated as a bachelor of social sciences at the University of Hong Kong in 1974. He worked as a social worker in his early career years and later joined the aviation industry. He had held senior management positions with the Civil Aviation Department of the Government of Hong Kong and the Airport Authority Hong Kong and has over 30 years of experience in aviation and logistics sectors. Mr. Chow is not only the chartered member of the Hong Kong Chartered Institute of Logistics and Transport and the member of the Hong Kong Logistics Association but also the Chairman of the Advisory Committee of the Logistics Research Centre of the Hong Kong Polytechnic University.

Report Of The Directors

Senior Management

Mr. Zhou Xiong, aged 41, has been appointed as deputy general manager of the Company since October 2008. He joined CKS in 1992. He worked in Chu Kong Transhipment & Logistics Company Limited ("CKTL"), Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. ("CKIFF"), Chu Kong Cargo Terminals (Gaoming) Co., Ltd., and CKSE. Mr. Zhou graduated from Shanghai Maritime University (formerly Shanghai Maritime College) with a bachelor degree of international navigation. He also obtained a MBA from Sun Yat-sen University and a master degree of supply chain management from The Hong Kong Polytechnic University. Mr. Zhou has over 19 years of experience in corporate management and marketing.

Mr. Hu Jun, aged 38, has been appointed as deputy general manager of the Company since October 2008. He joined CKS in 1992. Prior to that, he had worked for Waibert Steam Ship Co., Ltd. ("Waibert"), CKTL, CKIFF and Chu Kong Agency Company Limited ("CKA"). Mr. Hu graduated from University of South Australia with a master degree in business administration. He is also the chief representative of the Guangdong Ship-owners Association, Hong Kong branch. He has over 19 years of experience in shipping management and marketing.

Mr. Lu Xin, aged 44, has been appointed as 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 (formerly Shanghai Maritime College) in 1989 with a bachelor degree of economics and obtained a postgraduate degree of accounting from the Sun Yat-sen University in 2002. He joined CKS 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 21 years of experience in accounting and financial management.

Ms. Cheung Mei Ki, Maggie, aged 44, joined the Company in 2008, and has been appointed as general manager in assurance of the Company since 2010 and is responsible for overseeing 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 Polytechnic University of Hong Kong in 2010 with a master degree of corporate governance and also graduated from The University of Strathclyde (in the United Kingdom), with a master degree in business administration in 2003. She is a Certified Public Accountant in Hong Kong, a fellow of The Association of Chartered Certified Accountants in the United Kingdom, a fellow of The Taxation Institute of Hong Kong and a Certified Tax Adviser of Hong Kong. She has over 25 years accounting and financial management experiences.

Mr. Liu Wuwei, aged 39, has been appointed as director and general manager of CKTL since July 2010. He joined CKS in 1992 and had worked for CKIFF, Chu Kong Air-Sea Union Transportation Company Limited, Chu Kong Cargo Terminals (Beicun) Co., Ltd. and CKTL. Mr. Liu graduated from University of South Australia with a master degree in business administration. He is also a qualified economist in the PRC. He has over 19 years of experience in river trade cargo shipping, river trade terminal operation management and marketing.

Mr. Ren Qisheng, aged 51, has been appointed as director and general manager of Chu Kong Passenger Transport Co., Ltd. ("CKPT") since August 2002. Mr. Ren graduated from Sun Yat-sen University, majoring in philosophy, and has over 30 years of experience in management of transportation corporation, as well as extensive experience in management of high-speed ferries in Guangdong, Hong Kong and Macau. Mr. Ren resigned from the position as general manager on 18th January 2011.

Mr. Luo Jian, aged 36, has been appointed as managing director of CKPT since January 2011. He graduated from the Wuhan University of Technology (formerly Wuhan College of Water Transportation Engineering) in 1995. He also acquired graduation certificate in accounting and a master degree in business administration in Jinan University. He joined GPNHCL in 1995 and had worked for GPNHCL, CKSE and CKPT. He is also a qualified economist in the PRC and has over 16 years of experience in navigation operation management and sales marketing.

Share Option Scheme

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company'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 2010, no ordinary shares were issuable under share options granted under the 2002 Scheme (2009: 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 the substantial shareholders 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 options do not confer rights on the holders to dividends or to vote at shareholders meeting.

As at 31st December 2010, no share options are outstanding.

Report Of The Directors

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 2010, 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 Part XV 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, any other holding companies and its subsidiaries 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 In The Shares Of The Company

As at 31st December 2010, 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$0.1 each in the Company		Number of shares
(i)	CKSE	621,210,000
(ii)	GPNHCL	621,210,000

CKSE is wholly owned by GPNHCL. Accordingly, the interests disclosed by shareholders (i) and (ii) above are in respect of the same shareholding. Save as disclosed above, as at 31st December 2010, 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.

Report Of The Directors

Directors' Interests In Competing Businesses

During the year, no director of the Company has any interest in other competing businesses.

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.

Connected Transactions

Details of connected transactions with parent company, immediate holding company, fellow subsidiaries and related entities are as follows:

(1) Master Rental Agreement

On 1st December 2009, the Company, on behalf of the Group, as a lessee entered into a rental agreement (the "Master Rental Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a lessor in respect of leasing premises to the Group to be used as warehouses, offices and car parks.

The term of the Master Rental Agreement was three years from 1st January 2010 to 31st December 2012 at the rent in respect of the leasing of the premises which was based on arm's length negotiation between the parties involved with reference to the prevailing market rental. The annual caps of the Master Rental Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$6,871,000, HK$7,298,000 and HK$7,398,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$6,116,000.

(2) Master Leasing Agreement

On 1st December 2009, the Company, on behalf of the Group, as a lessor entered into a leasing agreement (the "Master Leasing Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a lessee in respect of leasing premises to the GPNHCL Group for office use.

The term of the Master Leasing Agreement was three years from 1st January 2010 to 31st December 2012 at the rent in respect of the leasing of the premises which was based on arm's length negotiation between the parties involved with reference to the prevailing market rental. The annual caps of the Master Leasing Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$1,050,000, HK$1,070,000 and HK$1,090,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$937,000.

Report Of The Directors

(3) Master Shipping Agency Agreement

On 1st December 2009, the Company, on behalf of the Group, as a service provider entered into a shipping agency agreement (the "Master Shipping Agency Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a service recipient in respect of the provision of (a) custom duty declaration and clearance services for cargo vessels and passenger ships of the GPNHCL Group in the Pearl River Delta Region and Hong Kong; and (b) berthing and dispatching services for cargo vessels and passenger ships of the GPNHCL Group in Hong Kong.

The term of the Master Shipping Agency Agreement was three years from 1st January 2010 to 31st December 2012 at the service fees which were based on arm's length negotiation between the parties involved with reference to the costs of the above services. The annual caps of the Master Shipping Agency Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$5,200,000, HK$5,600,000 and HK$6,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$2,622,000.

(4) Master Vessels Leasing Agreement

On 1st December 2009, the Company, on behalf of the Group, as a lessor entered into a vessels leasing agreement (the "Master Vessels Leasing Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a lessee in respect of leasing cargo vessels to the GPNHCL Group.

The term of the Master Vessels Leasing Agreement was three years from 1st January 2010 to 31st December 2012 at the rent in respect of the leasing of cargo vessels which was based on the carrying capacity and the number of years of usage of each cargo vessel, the number of cargo vessels and related expenses for operating the cargo vessels. The rental was based on arm's length negotiation between the parties involved with reference to the prevailing market rental of cargo vessels and the cost of related expenses for operating the cargo vessels but other than fuel charge. The annual caps of the Master Vessels Leasing Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$3,550,000, HK$3,600,000 and HK$3,650,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$2,855,000.

(5) Master Transportation Agreement

On 1st December 2009, the Company, on behalf of the Group, as a service recipient entered into a transportation agreement (the "Master Transportation Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a service provider in respect of the provision of (a) shipping transportation services; (b) hauling and trucking services; (c) wharf cargo handling services; and (d) cargo agency services between Hong Kong and the PRC to the Group.

The term of the Master Transportation Agreement was three years from 1st January 2010 to 31st December 2012 at the services fees to be determined based on the destination of transportation, size of the cargo, weight of the cargo and the number of cargo after arm's length negotiation between the parties involved. The annual caps of the Master Transportation Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$73,100,000, HK$87,400,000 and HK$102,300,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$69,026,000.

(6) Master Vessels Rental Agreement

On 1st December 2009, the Company, on behalf of the Group, as a lessee entered into a vessels rental agreement (the "Master Vessels Rental Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a lessor in respect of (a) leasing the GPNHCL Group's cargo vessels to the Group; and (b) the provision of non-scheduled vessel space or charter vessels for transportation of cargo between the PRC and Hong Kong to the Group.

The term of the Master Vessels Rental Agreement was three years from 1st January 2010 to 31st December 2012 at the rent in respect of the leasing of cargo vessels which was determined with reference to the prevailing market rental of cargo vessels and the cost of related expenses for operating the cargo vessels but other than fuel charge, while the service fees in respect of the provision of non-scheduled vessel space or charter vessels were based on the cargo space and the destination of transportation. The rental and services fee were based on arm's length negotiation between the parties involved. The annual caps of the Master Vessels Rental Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$42,200,000, HK$47,200,000 and HK$51,200,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$19,968,000.

(7) Master Fuel Charge Agreement

On 1st December 2009, the Company, on behalf of the Group, as a purchaser entered into a fuel charge agreement (the "Master Fuel Charge Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a vendor in respect of supplying diesel and lubricants to the vessels owned or chartered by the Group in Hong Kong.

The term of the Master Fuel Charge Agreement was three years from 1st January 2010 to 31st December 2012 at the price of the diesel and lubricants which was based on arm's length negotiation between the parties involved with reference to the international oil price. The annual caps of the Master Fuel Charge Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$73,000,000, HK$78,000,000 and HK$85,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$60,628,000.

(8) Master IT Services Agreement

On 18th June 2010, CKPT, on behalf of CKPT and its subsidiaries (the "CKPT Group"), as a service recipient entered into a master IT services agreement (the "Master IT Services Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a service provider in respect of the provision of IT consultancy services; server custodian services; maintenance services; and PTMS services to CKPT.

The term of the Master IT Services Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the fee for the provision of the IT services based on the usage amount for the IT Services, and were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market price. The annual caps of the Master IT Services Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$4,400,000, HK$7,500,000 and HK$7,500,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$4,200,000.

Report Of The Directors

(9) Master Passenger Transportation Agency Services Agreement

On 18th June 2010, CKPT, on behalf of the CKPT Group, as a service provider entered into a master passenger transportation agency services agreement (the "Master Passenger Transportation Agency Services Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a service recipient in respect of appointing the CKPT Group as their exclusive agent/sub-agent in connection with their waterway passenger transport business in Hong Kong to from time to time provide the passenger transportation agency services to (a) the ferries operated and owned by the GPNHCL Group; and/or (b) the ferries operated and owned by any independent third parties in which any member of the GPNHCL Group is acting as agent (the "Relevant Ferries").

The term of the Master Passenger Transportation Agency Services Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the passenger transportation agency fee which were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market rate. The annual caps of the Master Passenger Transportation Agency Services Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$7,618,000, HK$13,871,000 and HK$15,098,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$7,427,000.

(10) Master Ferry Technical Support Agency Services Agreement

On 18th June 2010, CKPT, on behalf of the CKPT Group, as a service recipient entered into a master ferry technical support agency services agreement (the "Master Ferry Technical Support Agency Services Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a service provider in respect of the provision of the ferry technical support agency services to the Relevant Ferries from time to time.

The term of the Master Ferry Technical Support Agency Services Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the service fee for the provision of the ferry technical support agency services which were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market rate. The annual caps of the Master Ferry Technical Support Agency Services Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$3,675,000, HK$6,300,000 and HK$6,600,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$3,078,000.

(11) Master Sub-management Services Agreement

On 18th June 2010, CKPT, on behalf of the CKPT Group, as a service provider entered into a master sub-management services agreement (the "Master Sub-management Services Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a service recipient in respect of the provision of the sub-management services in connection with the operation and management of the vessels managed by the GPNHCL Group (the "Relevant Vessels") from time to time.

The term of the Master Sub-management Services Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the service fee for the provision of the sub-management services based on the number of tickets sold in connection with the Relevant Vessels, and were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the actual cost. The annual caps of the Master Sub-management Services Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$7,792,000, HK$16,800,000 and HK$17,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$6,154,000.

(12) Master CKPT Rental Agreement

On 18th June 2010, CKPT, on behalf of the CKPT Group, as a lessee entered into a master rental agreement (the "Master CKPT Rental Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a lessor in respect of leasing premises to the CKPT Group.

The term of the Master CKPT Rental Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the rent which was agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market rent. The annual caps of the Master CKPT Rental Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$2,027,000, HK$3,800,000 and HK$4,200,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$1,300,000.

(13) Master Ferry Terminal Luggage Facilities and Handling Services Agreement

On 18th June 2010, CKPT, on behalf of the CKPT Group, as a service recipient entered into a master ferry terminal luggage facilities and handling services agreement (the "Master Ferry Terminal Luggage Facilities and Handling Services Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a service provider in respect of the provision of ferry terminal luggage facilities and handling services to the CKPT Group. The provision of the ferry terminal luggage facilities includes the provision of such facilities at the relevant terminals, which allows the passengers departing from and arriving in Hong Kong at the relevant terminals to check-in and/or claim their luggage at the relevant terminals. The provision of luggage handling services include the operation, maintenance and repairing of the luggage handling system and equipment situated at the relevant terminals, and the provision of luggage handling services and berthing services to all passenger ferries using the relevant terminals.

The term of the Master Ferry Terminal Luggage Facilities and Handling Services Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the service fee for the provision of the ferry terminal luggage facilities and handling services which comprise (a) the passenger levy (which is based on the number of passengers departing from and arriving in the relevant terminals); and (b) luggage handling charges (which is based on the number of luggage handled at the relevant terminals). The passenger levy and the luggage handling charges were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing rate chargeable against other ferry service carriers for other routes at the same relevant terminals at the relevant time. The annual caps of the Master Ferry Terminal Luggage Facilities and Handling Services Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$4,558,000, HK$8,200,000 and HK$8,600,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$4,102,000.

Report Of The Directors

(14) Master Sub-baggage Handling Services Agreement

On 18th June 2010, CKPT, on behalf of the CKPT Group, as a service provider entered into a master sub-baggage handling services agreement (the "Master Sub-baggage Handling Services Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a service recipient in respect of the provision of baggage handling services direct to all ferry service carriers who stop their ferries at the relevant terminals for passengers departing from and arriving in Hong Kong at the relevant terminals to the GPNHCL Group.

The term of the Master Sub-baggage Handling Services Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the baggage handling charges which were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the amount of the handling charges received by the GPNHCL Group from all ferry service carriers. The annual caps of the Master Sub-baggage Handling Services Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$5,258,000, HK$9,900,000 and HK$10,300,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was HK$4,804,000.

The above items (1) to (4) and (8) to (14) were the continuing connected transactions subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement while items (5) to (7) were the continuing connected transactions subject to the reporting, announcement requirement and the independent shareholders' approval requirements which were approved by the independent shareholders at the Extraordinary General Meeting held on 19th January 2010.

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 in the interests of the shareholders of the Company as a whole; and (d) without exceeding the relevant cap amount disclosed in the previous announcements.

The board of directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historial Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions set out above in accordance with Listing Rule 14A.38 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

During the year, no listed securities of the Company were purchased or sold by the Company or any of its subsidiaries. The Company did not redeem any of its shares during the year.

Compliance With The Code On Corporate Governance Practice

In the opinion of the directors, the Company complied with the Code on Corporate Governance Practices (the "Code") 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.

Report Of The Directors

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 Bangming
Managing Director

Hong Kong, 29th March 2011

Corporate Governance Report

The Company maintains a high standard of corporate governance practices to safeguard the interests of its shareholders and strives to improve and enhance the corporate governance level by establishing an internal control system and enhancing accountability and transparency.

Code On Corporate Governance Practice

The Stock Exchange requires that starting from 1st January 2005, listed companies must comply with the Code as set out in Appendix 14 of the Listing Rules. The Code sets out two levels of recommendations:

– The first is Code Provisions. Listed issuers are expected to comply with, but may choose to deviate from code provisions.

– The second is Recommended Best Practices. Listed issuers are encouraged, but are not required to comply with such practices.

Since 1st January 2005, the Company has implemented the Code as the principle of the Company on corporate governance, and adopted and complied with part of the recommended best practices based on the practical needs of the Company in its corporate governance. Looking forward, the Company will adopt more of the recommended best practices to further enhance the level of its corporate governance.

Tuen Mun Godown Wharf

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 or re-election of directors, appointment of auditor, share issue and repurchase and other operation and financial matters relating to the Company.

Composition Of The Board Of Directors:

The board of the Company consists of four executive directors and three independent non-executive directors. The personal biographies of the directors are set out in pages 26 and 27 of the Report of the Directors. The Directors understand that they should fulfill their duties diligently in the best interest of the Company and its shareholders.


Heshan Port

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 and capital operation of the Company. 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 accelerating modern logistics and information capabilities.

According to the recommended best practices, the chairman of the Group has held a meeting with the independent non-executive directors without other executive directors present.

Corporate Governance Report

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, who are professionals experienced in banking, finance and logistics services. 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.

Humen Port

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 and therefore his independence is confirmed.

Beicun Port

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 2010, the Directors selected and applied consistently appropriate accounting policies, made careful and reasonable judgment and estimates, and prepared the financial statements on a going concern 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. The time, agenda and related documents of the board meeting will be available to the Directors at least 7 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 2010. 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 2010, the attendance of the board members at the meetings of the board and its respective committees is as follows:

	Board meetings	Executive Committee	Audit Committee	Remuneration Committee
Mr. Hua Honglin *(Chairman of board of directors)*	4/4	12/12	N/A	N/A
Mr. Yang Bangming *(Managing director)*	4/4	12/12	N/A	2/2
Mr. Zhang Daowu *(Executive director)*	3/4	12/12	N/A	N/A
Mr. Huang Shuping *(Executive director)*	4/4	12/12	N/A	N/A
Mr. Chan Kay-cheung *(Independent non-executive director)*	4/4	N/A	2/2	2/2
Mr. Choi Kim-Lui *(Independent non-executive director, resigned on 1st June 2010)*	2/2	N/A	1/1	1/1
Ms. Yau Lai Man *(Independent non-executive director)*	3/4	N/A	1/2	1/2
Mr. Chow Bing Sing *(Independent non-executive director, appointed on 1st June 2010)*	2/2	N/A	1/1	1/1

Sub-committees Of The Board:

In order to assist the directors to perform their responsibilities, the board of directors has set up an executive committee, an audit committee and a remuneration committee, the executive committee is chaired by the chairman of the board, the audit committee and the remuneration committee are both 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 three committees are as follows:

Executive Committee:

The Executive Committee was established in 2009 to approve and enter into transactions on behalf of the Board in respect of any investment project or other day-to-day business operations within an authorised limit. The Executive Committee consists entirely of executive directors.

The committee comprises:

Mr. Hua Honglin – Chairman of the committee
Mr. Yang Bangming
Mr. Zhang Daowu
Mr. Huang Shuping

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.

Corporate Governance Report

The committee comprises:

Mr. Chan Kay-cheung – Chairman of the committee
Mr. Choi Kim-Lui (resigned on 1st June 2010)
Ms. Yau Lai Man
Mr. Chow Bing Sing (appointed on 1st June 2010)

The Audit Committee held two meetings in 2010 with an attendance rate of 83% 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;
- Internal recommendations issued by external auditor to the management and management's response;
- Appointment of external auditor for providing non-audit services to the Company;
- Audit fee proposal for 2010;
- 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.

In order to further enhance the independence in the reporting made by the external independent auditors, during some of the time for the above meetings, it was only attended by independent non-executive directors and the 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 2010 and the average attendance rate is 88%. Currently, the Remuneration Committee comprises three independent non-executive directors and one executive director.

The committee comprises:

Mr. Chan Kay-cheung – Chairman of the committee
Mr. Choi Kim-Lui (resigned on 1st June 2010)
Ms. Yau Lai Man
Mr. Chow Bing Sing (appointed on 1st June 2010)
Mr. Yang Bangming *(Executive Director)*

Functions of the Remuneration Committee include:

- To determinate 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 of the executive directors 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 2010.

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 2010.

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. The Company appointed experienced professionals with Hong Kong certified accountant qualification to act as General Manager in Assurance of the Company, who is responsible for overseeing the Group in connection with its internal control and financial reporting procedures. The Company has set up a 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 control and risk management:

- Held risk management workshops for subsidiaries in Mainland China, required the subsidiaries in Mainland China to appoint risk management officers, and strengthened their awareness of the importance of risk management;
- Conducted risk assessment for the subsidiaries in Mainland China;
- Held workshops in regards to (continuing) connected transaction for subsidiaries in Mainland China, aimed at enhancing accuracy and timeliness in recording and reporting (continuing) connected transactions;
- Conducted reviews of records and submissions made for continuing connected transactions for the subsidiaries;
- Conducted reviews of capitalisation of fixed assets and their depreciations as well as cash management for the subsidiaries.

Auditor's Remuneration

For the financial year ended 31st December 2010, the Company paid the auditor of the Company the following fees for audit and non-audit services:

	2010 HK$'000	2009 HK$'000 (restated)
Audit Services	**2,077**	1,840
Non-audit Services	**1,048**	593
	3,125	2,433

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 required to inform the shareholders in accordance with the Articles of Association of the Company and the Listing Rules. After the 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 as scheduled.

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

Corporate Governance Report

Annual general meeting is important occasions for direct dialogues between directors, senior executives and shareholders, and the Company attaches great importance to annual general meeting. 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 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. In 2010, the Company frequently met with fund managers and investment bank analysts and responded swiftly to the queries of the 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 2010.

There were no amendments to the Articles of Association in 2010.

The Company

Tuen Mun Godown Wharf

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 (together, the "Group") set out on pages 47 to 136, which comprise the consolidated and company balance sheets as at 31st December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, 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 information.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 of financial statements that give a true and fair view 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 2010, and of the Group's profit and cash flows 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 March 2011

Consolidated Balance Sheet

As At 31st December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,068,688**	786,051
Investment properties	7	**10,049**	12,175
Land use rights	8	**302,788**	210,570
Intangible assets – goodwill	9	**37,169**	31,190
Jointly controlled entities	11	**583,110**	547,612
Loan to a jointly controlled entity	11	**4,839**	9,945
Deferred income tax assets	12	**387**	517
		2,007,030	1,598,060
Current assets			
Trade and other receivables	13	**259,287**	378,271
Loans to jointly controlled entities	13	**27,629**	28,596
Cash and cash equivalents	14	**278,802**	638,771
		565,718	1,045,638
Total assets		**2,572,748**	2,643,698
EQUITY			
Share capital	15	**90,000**	90,000
Reserves	16	**1,585,568**	1,476,697
Final dividend proposed	16	**36,000**	27,000
		1,711,568	1,593,697
Non-controlling interests		**86,250**	76,060
Total equity		**1,797,818**	1,669,757
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	**54,377**	24,490
Loan from the non-controlling interest of a subsidiary	18	**3,104**	–
Long term borrowings	19	**82,266**	40,886
		139,747	65,376

Consolidated Balance Sheet

As At 31st December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Current liabilities			
Trade and other payables	17	**434,017**	873,577
Loan from immediate holding company	18	**–**	3,200
Loan from a jointly controlled entity	18	**23,504**	22,704
Income tax payables		**14,158**	5,677
Short term borrowings	19	**151,752**	–
Current portion of long term borrowings	19	**11,752**	3,407
		635,183	908,565
Total liabilities		**774,930**	973,941
Total equity and liabilities		**2,572,748**	2,643,698
Net current (liabilities)/assets		**(69,465)**	137,073
Total assets less current liabilities		**1,937,565**	1,735,133

The financial statements on page 47 to 136 were approved by the board of directors on 16th March 2011 and were signed on its behalf.

Director

Director

Balance Sheet

As At 31st December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**11,075**	9,394
Investment properties	7	**40,822**	41,278
Subsidiaries	10	**1,008,622**	503,760
Jointly controlled entities	11	**52,493**	52,493
Loan to a jointly controlled entity	11	**4,839**	9,945
		1,117,851	616,870
Current assets			
Trade and other receivables	13	**615,582**	469,689
Loans to jointly controlled entities	13	**12,068**	8,579
Cash and cash equivalents	14	**21,724**	303,523
		649,374	781,791
Total assets		**1,767,225**	1,398,661
EQUITY			
Share capital	15	**90,000**	90,000
Reserves	16	**826,781**	827,801
Final dividend proposed	16	**36,000**	27,000
Total equity		**952,781**	944,801
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	**512**	512
Current liabilities			
Trade and other payables	17	**650,428**	430,644
Loan from a jointly controlled entity	18	**23,504**	22,704
Short term borrowings	19	**140,000**	–
		813,932	453,348
Total liabilities		**814,444**	453,860
Total equity and liabilities		**1,767,225**	1,398,661
Net current (liabilities)/assets		**(164,558)**	328,443

The financial statements on page 47 to 136 were approved by the board of directors on 16th March 2011 and were signed on its behalf.

Director *Director*

Consolidated Income Statement

For The Year Ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Revenue	5	**1,107,290**	920,344
Cost of services rendered	22	**(875,078)**	(717,062)
Gross profit		**232,212**	203,282
Other income	20	**17,762**	13,326
Other gains/(losses) – net	21	**27,957**	(30)
General and administrative expenses	22	**(177,880)**	(156,341)
Operating profit		**100,051**	60,237
Finance income	23	**4,035**	9,127
Finance cost	23	**(5,031)**	(1,061)
Share of profits less losses of jointly controlled entities	24	**56,726**	58,722
Profit before income tax		**155,781**	127,025
Income tax expense	25	**(27,925)**	(14,507)
Profit for the year		**127,856**	112,518
Attributable to:			
Equity holders of the Company		**136,902**	116,025
Non-controlling interests		**(9,046)**	(3,507)
		127,856	112,518
Earnings per share (HK cents)			
Basic and diluted	28	**15.21**	12.89
Dividends	27	**54,000**	31,500

Consolidated Statement Of Comprehensive Income

For The Year Ended 31st December 2010

	2010 HK$'000	2009 HK$'000 (restated)
Profit for the year	**127,856**	112,518
Other comprehensive income:		
Currency translation differences		
– Subsidiaries	**18,133**	2,131
– Jointly controlled entities	**17,301**	464
Total comprehensive income for the year	**163,290**	115,113
Attributable to:		
Equity holders of the Company	**170,821**	117,815
Non-controlling interests	**(7,531)**	(2,702)
	163,290	115,113

Consolidated Statement Of Changes In Equity

For The Year Ended 31st December 2010

	Share capital HK$'000	Reserves HK$'000	Equity holders HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January 2010, as previously reported	90,000	1,702,025	1,792,025	76,060	1,868,085
Adoption of merger accounting	–	(198,328)	(198,328)	–	(198,328)
At 1st January 2010, as restated	90,000	1,503,697	1,593,697	76,060	1,669,757
Profit for the year	–	136,902	136,902	(9,046)	127,856
Other comprehensive income					
– Currency translation differences	–	33,919	33,919	1,515	35,434
Total comprehensive income	–	170,821	170,821	(7,531)	163,290
Transactions with owners					
Non-controlling interests arising on business combination (note 35(b)(i))	–	–	–	39,324	39,324
Changes in ownership interests in a subsidiary that do not result in change in control (note 36)	–	(6,282)	(6,282)	(24,346)	(30,628)
Capital contribution by a non-controlling interest	–	–	–	2,743	2,743
Dividend paid to the previous shareholder of a jointly controlled entity	–	(1,668)	(1,668)	–	(1,668)
2009 final dividend	–	(27,000)	(27,000)	–	(27,000)
2010 interim dividend	–	(18,000)	(18,000)	–	(18,000)
At 31st December 2010	90,000	1,621,568	1,711,568	86,250	1,797,818
At 1st January 2009, as previously reported	90,000	1,655,904	1,745,904	17,655	1,763,559
Adoption of merger accounting	–	(376,615)	(376,615)	–	(376,615)
At 1st January 2009, as restated	90,000	1,279,289	1,369,289	17,655	1,386,944
Profit for the year	–	116,025	116,025	(3,507)	112,518
Other comprehensive income					
– Currency translation differences	–	1,790	1,790	805	2,595
Total comprehensive income	–	117,815	117,815	(2,702)	115,113
Acquisition of a subsidiary (note 35(b)(ii))	–	–	–	61,107	61,107
Contribution from immediate holding company	–	170,988	170,988	–	170,988
2008 final dividend	–	(27,000)	(27,000)	–	(27,000)
2009 interim dividend	–	(4,500)	(4,500)	–	(4,500)
2009 interim dividend to immediate holding company	–	(32,895)	(32,895)	–	(32,895)
At 31st December 2009, as restated	90,000	1,503,697	1,593,697	76,060	1,669,757

Consolidated Cash Flow Statement

For The Year Ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Cash flows from operating activities			
Cash generated from operations	31	73,641	115,063
Hong Kong profits tax paid		(10,066)	(14,607)
PRC corporate income tax paid		(9,268)	(4,569)
Net cash generated from operating activities		54,307	95,887
Cash flows from investing activities			
Purchase of property, plant and equipment		(97,675)	(99,578)
Purchase of land use rights		(271)	(5,163)
Deposit for purchase of land use rights		–	(2,100)
Deposit for purchase of property, plant and equipment		–	(87,764)
Proceeds from disposal of property, plant and equipment and investment properties		13,557	1,456
Acquisition of a subsidiary	35(b)	(87,437)	(61,666)
Further acquisition of a subsidiary	36	(20,669)	–
Acquisition of CKPT		(480,610)	–
Investments in jointly controlled entities		–	(36,080)
Loans advanced to jointly controlled entities		(3,748)	(7,445)
Loan advanced from a jointly controlled entity		–	22,704
Repayments of loans advanced to jointly controlled entities		10,732	8,544
Dividends received from jointly controlled entities		22,133	71,649
Decrease/(increase) in amount due from immediate holding company		88,107	(5,045)
Interest received		4,035	9,288
Net cash used in investing activities		(551,846)	(191,200)
Cash flows from financing activities			
Dividends paid		(44,996)	(64,395)
Capital contribution by a non-controlling interest		2,743	–
Interest paid		(5,031)	(1,222)
Repayment of bank loans		(62,378)	–
Drawdown of bank loans		244,309	10,210
Net cash generated from/(used in) financing activities		134,647	(55,407)
Net decrease in cash and cash equivalents		(362,892)	(150,720)
Cash and cash equivalents at the beginning of the year		638,771	788,834
Effect of exchange rate changes		2,923	657
Cash and cash equivalents at the end of the year	14	278,802	638,771

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 transshipment, wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking and passenger ferry transportation in Hong Kong, Macau 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 March 2011.

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

(i) The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention.

As at 31st December 2010, the Group's and the Company's current liabilities exceeded their current assets by HK$69,465,000 and HK$164,558,000 respectively. Based on the cash flow forecast up to twelve months from the balance sheet date, the asset backing, the available banking facilities and the cash proceeds received upon the partial disposal of the interest in a subsidiary and the disposal of a jointly controlled entity subsequent to 31 December 2010, the Group and the Company have sufficient working capital to meet the Group's and Company's liabilities as and when the liabilities fall due and to continue their operations for the foreseeable future. The directors believe that the Group and the Company will continue as a going concern. Consequently, the directors have prepared the financial statements on a going concern basis.

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.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Reorganisation

On 5th May 2010, Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), immediate holding company of the Company, underwent a group reorganisation, pursuant to which the Company acquired 100% equity interest in Chu Kong Passenger Transport Company Limited ("CKPT") from CKSE at a consideration of HK$480,610,000 (the "Reorganisation"). Accordingly, the Company becomes the holding company of CKPT and its subsidiary (collectively the "Acquired Group"), now comprising the Group. Prior to the acquisition of CKPT by the Company, reorganisation was carried out, in which CKSE transferred 100% equity interest of Chu Kong Tourism Company Limited ("CKTC"), 40% equity interest of Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd ("ZHPC") and 40% equity interest of Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd ("SGPC") to CKPT. Accordingly, CKTC becomes the subsidiary and ZHPC and SGPC become the jointly controlled entities of CKPT.

The transactions resulting from the Reorganisation are regarded as business combinations under common control. Accordingly, the annual financial statements for the year ended 31st December 2010, including the comparative figures, have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for the Common Control Combination" issued by the HKICPA on the basis as if the Company had been the holding company of the Acquired Group throughout the periods presented or since their respective dates of incorporation, whichever is the shorter period. Details of the relevant statements of adjustments for the common control combinations on the Group's financial position as at 31st December 2010 and 2009 and the Group's results for the years then ended are set out in note 35(a).

(iii) Adoption of new HKFRSs

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2009, except that the Group has adopted the following revised standards, interpretations and amendments to standards issued by the HKICPA which are mandatory for the financial year beginning 1st January 2010.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 17 (Amendment)	Leases
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
HKFRSs Amendments	Improvements to HKFRSs*

* The Group adopted the amendments set out in improvements to HKFRSs published by the HKICPA in October 2008 and May 2009.

Notes To The Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Adoption of new HKFRSs (Continued)

Except for certain changes in presentation and disclosures as described below, the adoption of the above new HKFRSs in current year did not have any significant financial effect on the financial statement or result in any substantial changes in the Group's significant accounting policy.

HKFRS 3 (Revised), "Business Combinations", continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) at the same time. HKAS 27 (Revised) contained consequential amendments to, and HKAS 31 "Interests in joint ventures". HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the consolidated income statement.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained profits.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequent accounting for the retained interests as jointly controlled entity or financial assets.

The changes in the accounting policy in respect of the adoption of HKAS 27 (Revised) and HKFRS 3 (Revised) had been applied prospectively to the relevant transactions during the year ended 31st December 2010. There was no significant impact on the financial statements.

HKAS 17 (Amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest for which title is not expected to pass to the Group by the end of the lease term was classified as an operating lease under "Leasehold land and land use rights", and amortised over the lease term.

Notes To The Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Adoption of new HKFRSs (Continued)

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease. The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the useful lives of the assets. The land interest of the Group that is held to earn rentals and/or for capital appreciation is accounted for as investment property and is depreciated over the life of the assets.

The effect of adopting the above amendment is as below:

	31st December 2010 HK$'000	31st December 2009 HK$'000	1st January 2009 HK$'000
Group			
(a) Increase in property, plant and equipment	**180,911**	189,485	193,914
Increase in investment properties	**5,647**	7,265	7,302
Decrease in prepaid premium for land leases	**(186,558)**	(196,750)	(201,216)
(b) Increase in depreciation of property, plant and equipment	**4,352**	4,429	NA
Increase in depreciation of investment properties	**6**	37	NA
Decrease in amortisation of prepaid premium for land leases	**(4,358)**	(4,466)	NA
Company			
(a) Increase in property, plant and equipment	**3,669**	3,673	3,677
Increase in investment properties	**22,587**	22,613	22,639
Decrease in prepaid premium for land leases	**(26,256)**	(26,286)	(26,316)
(b) Increase in depreciation of property, plant and equipment	**4**	4	NA
Increase in depreciation of investment properties	**26**	26	NA
Decrease in amortisation of prepaid premium for land leases	**(30)**	(30)	NA

Notes To The Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iv) Standards, amendments and interpretations to published standards that are not yet effective for the year ended 31st December 2010 and have not been early adopted by the Group

The following new/revised standards, interpretations and amendments to existing standards which are relevant to the Group's operation, have been issued but are not effective for 2010 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKAS 32 (Amendment)	Classification of Right Issues	1st February 2010
HKFRS 7 (Amendment)	Disclosure – Transfer of Financial Assets	1st July 2011
HKFRS 9	Financial Instruments	1st January 2013
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement	1st January 2011
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010

In May 2010, the HKICPA has published Improvements to HKFRSs which set out amendments to a number of HKFRS which are effective for annual periods beginning on or after 1st July 2010 or 1st January 2011.

The Group will adopt the above new and revised standards, interpretations and amendments to existing standards as and when they became effective.

The Group has already commenced an assessment of the related impact to the Group of adopting the above new/revised standards, interpretations and amendments to standards to the Group but it is not yet in a position to state whether they will have a significant impact on its results of operations and financial position.

(b) Merger accounting for common control combinations

The financial statements incorporate the financial statement items of the combining entities in which the common control combination occurs on the basis that they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

2 Summary of significant accounting policies (Continued)

(b) Merger accounting for common control combinations (Continued)

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the financial statements are presented on the basis that the entities had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(c) Consolidation

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

Subsidiaries are all entities (including special purpose 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Notes To The Financial Statements

2 Summary of significant accounting policies (Continued)

(c) Consolidation (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Changes in Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company.

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.

(d) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies (Continued)

(e) 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.

Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities' includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the 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 amount of the investment. When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the 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.

Dilution gains and losses arising in investments in jointly controlled entities are recognised in the income statement.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (note 2(n)). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

(f) 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 as part of the investment cost 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 and identified according to operating segment.

Notes To The Financial Statements

2 Summary of significant accounting policies (Continued)

(g) 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 functional and presentation currency of the Group and the Company is Hong Kong dollar.

(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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement. All other foreign exchange gains and losses are presented 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 consolidated 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 shareholder's equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated 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.

(h) 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, borrowing costs 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.

Notes To The Financial Statements

2 Summary of significant accounting policies (Continued)

(h) Property, plant and equipment (Continued)

(ii) Other property, plant and equipment

Leasehold land classified as finance lease and all 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.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20 – 50 years
Leasehold land classified as finance lease	Shorter of remaining lease term of 38 – 999 years or useful life
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

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.

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.

Vessel repairs and survey costs are charged as operating expenses as they are incurred. Vessel component costs include the cost of major components which are usually replaced or renewed at dry-dockings. Dry-docking costs of vessel and the costs incurred in replacing or renewing the separate assets (dry-docking costs) are capitalised and depreciated over the period to the next estimated dry-dock date.

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/(losses) – net, in the income statement.

Notes To The Financial Statements

2 Summary of significant accounting policies (Continued)

(i) 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 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.

(j) Land use rights

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.

(k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

(l) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

(m) Impairment of investments in subsidiaries, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to depreciation/amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries and jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries and jointly controlled entities in the period the dividend is declared or if the carrying amount of the investment exceeds the carrying amount of the investee's net assets.

2 Summary of significant accounting policies (Continued)

(n) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- It becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Notes To The Financial Statements

2 Summary of significant accounting policies (Continued)

(o) Share capital

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

(p) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(q) Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity, respectively.

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, its 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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 income 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income 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 difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (Continued)

(r) 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) 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.

(s) 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, and after eliminating sales within the Group.

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 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) Cargo transportation

Revenues from the rendering of services in river trade cargo direct shipment and transhipment are recognised in the financial period in which the services are rendered.

(ii) Cargo handling and storage

Revenues from the rendering of services in river trade 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.

(iii) Passenger transportation agency service

Revenues from passenger transportation agency services are recognised based on net agency fee upon departure of ferries at terminals.

Notes To The Financial Statements

2 Summary of significant accounting policies (Continued)

(s) Revenue/income recognition (Continued)

(iv) Ferry terminal operation service

Revenues from ferry terminal operation service are recognised based on net ferry terminal operation service fee upon departure of ferries at terminals.

(v) Management service

Revenues from management service are recognised when the service is rendered.

(vi) Charter-hire of ferry

The Group is engaged in the charter hire business for a customer of a related company. Charter income is recognised on a straight-line basis over the period of each lease.

(vii) Advertising service

The Group provides advertising services to customers to advertise at terminals and ferries. Revenue is recognised upon provision of services.

(viii) Travel agency service

Revenue from travel agency services is recognised upon provision of services.

(ix) Interest income

Interest income is recognised using the effective interest method.

(x) Dividend income

Dividend income is recognised when the right to receive payment is established.

(t) 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 consolidated income statement on a straight-line basis over the period of the lease.

(u) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(v) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's and Company'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)

(w) 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.

(x) 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.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of Directors of the Company that makes strategic decisions.

(z) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the financial period in which they are incurred.

Notes To The Financial Statements

2 Summary of significant accounting policies (Continued)

(aa) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables include trade and other receivables excluding deposits and prepayments (note 13), loans to jointly controlled entities (notes 11 and 13) and cash and cash equivalents (note 14).

(b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in the statements of comprehensive income; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statements of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statements of comprehensive income when the Group's right to receive payment is established.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity 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.

The actual foreign exchange risk faced by the Group therefore primarily arises from non-functional currency bank balances, receivable and payable balances. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

At 31st December 2010, if Hong Kong dollar had weakened or strengthened by 5% against the Renminbi with all other variables held constant, profit after income tax for the year would have been HK$1,577,000 (2009 restated: HK$2,051,000) higher or lower, mainly as a result of foreign exchange gains on translation of bank balances, receivable and payable balances denominated in Renminbi.

At 31st December 2010, if Hong Kong dollar had weakened or strengthened by 5% against the United States dollar with all other variables held constant, profit after income tax for the year would have been HK$1,287,000 (2009 restated: HK$2,664,000) higher or lower, mainly as a result of foreign exchange gains on translation of bank balances, receivable and payable balances in United States dollar.

(ii) Interest rate risk

The Group's loans to jointly controlled entities, bank balances and bank borrowings 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.

At 31st December 2010, if interest rates on financial assets had been 50 basis points higher or lower with all other variables held constant, profit after income tax for the year would have been $591,000 (2009 restated: HK$1,851,000) higher or lower, mainly as a result of higher or lower finance income from floating rate loans to jointly controlled entities and bank balance.

As 31st December 2010, if interest rates on financial liabilities had been 50 basis points higher or lower with all other variables held constant, profit after income tax for the year would have been $1,362,000 (2009 restated: HK318,000) higher or lower mainly as a result of higher or lower finance cost from floating rate bank borrowings.

Notes To The Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) 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 banks and financial institutions, a substantial portion of the Group's bank balances and deposits were placed with state owned banks. Management considers the credit risk is low.

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.

Loans to jointly controlled entities are granted taken into account their financial position, past experience and other factors. 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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

The table below analyses the Group's financial liabilities which will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000	**Between 1 and 2 years** HK$'000	**Between 2 and 5 years** HK$'000	**Over 5 years** HK$'000
Group				
At 31st December 2010				
Bank borrowings	154,196	13,190	47,048	55,940
Loan from the non-controlling interest of a subsidiary	–	3,104	–	–
Loan from a jointly controlled entity	24,033	–	–	–
Trade and other payables	434,017	–	–	–
At 31st December 2009 (restated)				
Bank borrowings	26,803	7,219	–	36,096
Loan from immediate holding company	3,200	–	–	–
Trade and other payables	873,577	–	–	–
Company				
At 31st December 2010				
Bank borrowings	141,820	–	–	–
Loan from a jointly controlled entity	24,033	–	–	–
Trade and other payables	650,428	–	–	–
At 31st December 2009				
Loan from a jointly controlled entity	23,215	–	–	–
Trade and other payables	430,644	–	–	–

As 31st December 2010, the Group's and the Company's net current liabilities amounted to $69,465,000 and HK$164,558,000 respectively. The directors of the Company believe that the Group and the Company will have sufficient financial resources to satisfy their working capital requirements, payments of liabilities as and when they fall due and its future capital commitments. The directors closely monitor the cash flow forecasts of the Group's and the Company's liquidity position.

Notes To The Financial Statements

3 Financial risk management (Continued)

(b) Capital risk management

Capital represents the total equity as shown in the consolidated balance sheet.

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. The optimal capital structure of the Group is to maintain a net cash position.

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.

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 provision (if applicable) of trade and other receivables, cash and cash equivalents, trade and other and payables loans from/to jointly controlled entities and bank borrowings with maturities less than 12 months from the end of the reporting period are reasonable approximation of their fair values.

Fair value of long-term borrowings are estimated using the estimated future payments discounted at market interest rates.

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) 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 (note 9).

(ii) Income taxes

The Group is mainly subject to income taxes in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes 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 income tax and deferred income tax provisions in the period in which such determination is made.

4 Critical accounting estimates and judgements (Continued)

(iii) Provision for 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.

(iv) Fair values of assets and liabilities acquired during business combinations and common control combination

During the acquisitions of Acquired Group (note 35(a)) and Civet (Zhuhai Bonded Area) Logistics Company Limited (note 35(b)(i)), management estimated the fair values of assets and liabilities acquired with the assistance of an independent valuer. Accordingly, certain assets including properties and ferries were revalued upward and intangible assets were identified. Significant judgement is required in determining the fair values of these assets and their respective useful lives.

Management determined the estimated useful lives and related depreciation/amortisation charges for these assets. This estimate is based on management's past experience in the shipping industry.

Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, or it will write-off or write-down if there are any impairment indicators.

5 Revenue and segment information

Turnover consists of sale from cargo transportation, cargo handling and storage, and passenger transportation.

	2010 HK$'000	2009 HK$'000 (restated)
Cargo transportation	**814,586**	679,445
Cargo handling and storage	**177,279**	136,369
Passenger transportation	**115,425**	104,530
	1,107,290	920,344

The chief operating decision-maker has been identified as the board of directors of the Company, which reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Notes To The Financial Statements

5 Revenue and segment information (Continued)

The board of directors of the Company considers the business from service perspectives and assesses the performance of the Group and its jointly controlled entities which are organised into four main businesses:

(i) Cargo transportation – Shipping agency, river trade cargo direct shipment and transshipment and container handling and trucking.

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

(iii) Passenger transportation – Passenger transportation agency services, travel agency operation and passenger carrier service

(iv) Corporate and other businesses – Investment holding expressway operation and other business.

The board of directors of the Company assesses the performance of the operating segments based on their segment profit before income tax expense, which is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out on terms equivalent to those that prevail with third parties. The revenue from external parties reported to the board of directors of the Company is measured in a manner consistent with that in the consolidated income statement.

After the organisational restructuring and acquisition of companies which are engaged in passenger transportation business, the information provided to the chief operating decision-maker has changed to better reflect how the Group's businesses are managed. The segment information for 2009 has been restated accordingly.

Notes To The Financial Statements

5 Revenue and segment information (Continued)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Corporate and other businesses HK$'000	Total HK$'000
Year ended 31st December 2010					
Total revenue	820,991	241,637	115,425	–	1,178,053
Inter-segment revenue	(6,405)	(64,358)	–	–	(70,763)
Revenue (from external customers)	814,586	177,279	115,425	–	1,107,290
Segment profit before income tax expense	16,156	51,375	74,997	13,253	155,781
Income tax expense	(3,318)	(12,464)	(8,290)	(3,853)	(27,925)
Segment profit after income tax expense	12,838	38,911	66,707	9,400	127,856
Segment profit before income tax expense included:					
Share of profits less losses of jointly controlled entities	532	26,846	24,902	4,446	56,726
Finance income	1,796	477	286	1,476	4,035
Finance cost	–	(4,520)	–	(511)	(5,031)
Depreciation and amortisation	(9,030)	(44,867)	(307)	(770)	(54,974)

Notes To The Financial Statements

5 Revenue and segment information (Continued)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Corporate and other businesses HK$'000	Total HK$'000
Year ended 31st December 2009 (restated)					
Total revenue	728,123	193,496	106,930	–	1,028,549
Inter-segment revenue	(51,078)	(57,127)	–	–	(108,205)
Revenue (from external customers)	677,045	136,369	106,930	–	920,344
Segment profit before income tax expense	12,733	54,700	45,611	13,981	127,025
Income tax (expense)/credit	(2,686)	(6,654)	(5,417)	250	(14,507)
Segment profit after income tax (expense)/credit	10,047	48,046	40,194	14,231	112,518
Segment profit before income tax (expense)/credit included:					
Share of profits less losses of jointly controlled entities	1,782	31,319	11,927	13,694	58,722
Finance income	1,580	4,637	12	2,898	9,127
Finance cost	–	(698)	–	(363)	(1,061)
Depreciation and amortisation	(7,053)	(27,500)	(913)	(966)	(36,432)

Notes To The Financial Statements

5 Revenue and segment information (Continued)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Corporate and other businesses HK$'000	Inter segment elimination HK$'000	Total HK$'000
As at 31st December 2010						
Total segment assets	467,157	1,600,984	423,349	721,643	(640,385)	2,572,748
Total segment assets include:						
Jointly controlled entities and loan to a jointly controlled entity	24,485	196,698	235,558	131,208	–	587,949
Addition to non-current assets (excluding deferred income tax assets)	11,616	406,432	413	1,992	–	420,453
Total segment liabilities	(348,705)	(525,469)	(69,856)	(471,285)	640,385	(774,930)

Notes To The Financial Statements

5 Revenue and segment information (Continued)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Corporate and other businesses HK$'000	Inter segment elimination HK$'000	Total HK$'000
As at 31st December 2009 (restated)						
Total segment assets	468,490	1,351,276	367,285	945,703	(489,056)	2,643,698
Total segment assets include:						
Jointly controlled entities and loan to a jointly controlled entity	26,315	200,123	201,311	129,808	–	557,557
Addition to non-current assets (excluding deferred income tax assets)	3,662	370,339	170,988	–	–	544,989
Total segment liabilities	(357,886)	(413,332)	(85,003)	(606,776)	489,056	(973,941)

Notes To The Financial Statements

5 Revenue and segment information (Continued)

Geographical analysis

Over 90% of the Group's revenue is derived from operations carried out in Mainland China and Hong Kong and customers are located in Mainland China and Hong Kong. Revenue and segment results by geographical locations are not presented as the information is not available.

The analysis of the Group's non-current assets by geographical location is as follows:

	2010 **HK$'000**	2009 HK$'000 (restated)
Non current assets excluding jointly controlled entities and deferred income tax assets		
Hong Kong	**312,173**	303,256
Mainland China	**1,106,521**	736,730
	1,418,694	1,039,986
Jointly controlled entities including loan to a jointly controlled entity		
Hong Kong	**47,455**	38,584
Singapore	**1,682**	1,206
Mainland China	**538,812**	517,767
	587,949	557,557
Deferred income tax assets	**387**	517
	2,007,030	1,598,060

Notes To The Financial Statements

6 Property, plant and equipment

Group

	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements 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, as restated for merger accounting	360,043	150,400	20,928	118,447	26,599	57,835	16,811	24,338	775,401
Effect of adoption of HKAS 17 (Amendment)	246,703	–	–	–	–	–	–	–	246,703
At 1st January 2010, as restated	606,746	150,400	20,928	118,447	26,599	57,835	16,811	24,338	1,022,104
Exchange differences	13,236	3,420	275	2,061	465	847	–	–	20,304
Additions	77,174	53,399	2,127	22,883	2,794	16,635	–	–	175,012
Transfer	138,753	(157,479)	–	17,932	794	–	–	–	–
Acquisition of a subsidiary (note 35(b)(i))	123,353	9,281	–	11,327	5,249	1,083	–	–	150,293
Disposals/write-off	(7,082)	–	(2,177)	(2,828)	(122)	(9,776)	(1,008)	–	(22,993)
At 31st December 2010	952,180	59,021	21,153	169,822	35,779	66,624	15,803	24,338	1,344,720
Accumulated depreciation									
At 1st January, as restated for merger accounting	42,040	–	14,264	39,139	16,265	35,517	13,698	17,912	178,835
Effect of adoption of HKAS 17 (Amendment)	57,218	–	–	–	–	–	–	–	57,218
At 1st January 2010, as restated	99,258	–	14,264	39,139	16,265	35,517	13,698	17,912	236,053
Exchange differences	1,104	–	119	1,085	176	380	–	–	2,864
Charge for the year	22,754	–	2,699	13,028	3,308	5,796	1,269	777	49,631
Disposals/write-off	(1,626)	–	(564)	(237)	(95)	(8,986)	(1,008)	–	(12,516)
	121,490	–	16,518	53,015	19,654	32,707	13,959	18,689	276,032
Net book value									
At 31st December 2010	830,690	59,021	4,635	116,807	16,125	33,917	1,844	5,649	1,068,688

Notes To The Financial Statements

6 Property, plant and equipment (Continued)

Group

	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements 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 2009, as restated	205,352	103,632	16,859	69,429	21,716	57,078	16,512	24,338	514,916
Effect of adoption of HKAS 17 (Amendment)	246,703	–	–	–	–	–	–	–	246,703
At 1st January 2009, as restated	452,055	103,632	16,859	69,429	21,716	57,078	16,512	24,338	761,619
Exchange differences	367	308	6	108	233	54	–	–	1,076
Additions	10,620	55,159	702	22,365	6,389	4,031	312	–	99,578
Transfer	136,885	(153,265)	3,361	13,019	–	–	–	–	–
Transfer from investment properties (note 7)	6,819	–	–	–	–	–	–	–	6,819
Acquisition of a subsidiary (note 35(b)(ii))	–	144,566	–	15,631	134	779	–	–	161,110
Disposals/write-off	–	–	–	(2,105)	(1,873)	(4,107)	(13)	–	(8,098)
At 31st December 2009	606,746	150,400	20,928	118,447	26,599	57,835	16,811	24,338	1,022,104
Accumulated depreciation									
At 1st January 2009, as restated	33,604	–	11,519	32,667	16,040	35,597	11,870	17,136	158,433
Effect of adoption of HKAS 17 (Amendment)	52,789	–	–	–	–	–	–	–	52,789
At 1st January 2009, as restated	86,393	–	11,519	32,667	16,040	35,597	11,870	17,136	211,222
Exchange differences	35	–	2	20	4	10	–	–	71
Charge for the year	12,830	–	2,743	7,574	2,075	3,846	1,841	776	31,685
Disposals/write-off	–	–	–	(1,122)	(1,854)	(3,936)	(13)	–	(6,925)
At 31st December 2009	99,258	–	14,264	39,139	16,265	35,517	13,698	17,912	236,053
Net book value									
At 31st December 2009, as restated	507,488	150,400	6,664	79,308	10,334	22,318	3,113	6,426	786,051

Notes To The Financial Statements

6 Property, plant and equipment (Continued)

Company

	Land and Buildings HK$'000	Construction in progress HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1st January 2010, as previously reported	2,633	2,646	2,307	2,139	3,204	12,929
Effect of adoption of HKAS 17 (Amendment)	3,705	–	–	–	–	3,705
At 1st January 2010, as restated	6,338	2,646	2,307	2,139	3,204	16,634
Exchange differences	–	–	2	13	40	55
Additions	–	1,990	–	–	–	1,990
At 31st December 2010	6,338	4,636	2,309	2,152	3,244	18,679
Accumulated depreciation						
At 1st January 2010, as previously reported	362	–	2,240	1,999	2,606	7,207
Effect of adoption of HKAS 17 (Amendment)	32	–	–	–	–	32
At 1st January 2010, as restated	394	–	2,240	1,999	2,606	7,239
Exchange differences	–	–	3	12	35	50
Charge for the year	57	–	34	88	136	315
At 31st December 2010	451	–	2,277	2,099	2,777	7,604
Net book value						
At 31st December 2010	5,887	4,636	32	53	467	11,075

6 Property, plant and equipment (Continued)

Company

	Land and Buildings HK$'000	Construction in progress HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1st January 2009, as previously reported	2,633	237	2,307	2,116	3,180	10,473
Effect of adoption of HKAS 17 (Amendment)	3,705	–	–	–	–	3,705
At 1st January 2009, as restated	6,338	237	2,307	2,116	3,180	14,178
Exchange differences	–	–	–	23	24	47
Additions	–	2,409	–	–	–	2,409
At 31st December 2009, as restated	6,338	2,646	2,307	2,139	3,204	16,634
Accumulated depreciation						
At 1st January 2009, as previously reported	309	–	2,031	1,894	2,463	6,697
Effect of adoption of HKAS 17 (Amendment)	28	–	–	–	–	28
At 1st January 2009, as restated	337	–	2,031	1,894	2,463	6,725
Exchange differences	–	–	–	1	2	3
Charge for the year	57	–	209	104	142	512
At 31st December 2009, as restated	394	–	2,240	1,999	2,607	7,240
Net book value						
At 31st December 2009, as restated	5,944	2,646	67	140	597	9,394

Notes To The Financial Statements

6 Property, plant and equipment (Continued)

Depreciation of HK$37,828,000 (2009 restated: HK$22,180,000) and HK$11,803,000 (2009 restated: HK$9,505,000) have been included in cost of services rendered and general and administrative expenses respectively.

Property, plant and equipment of the Group with net book value amounting to HK$29,666,000 (2009 restated: HK$13,915,000) have been pledged for the bank loans of the Group.

Certain land use rights (note 8) and buildings of the Group with net book value totalling HK$88,187,000 (2009: HK$nil) were in the process of obtaining ownership certificate. This process may be subject to tax liabilities in respect of the deemed appreciation in the value of land and buildings. A building of the Group with net book value of HK$4,370,000 (2009 restated: HK$4,458,000) was in the process of obtaining ownership certificate.

The Group's interests in land represent leasehold land situated in Hong Kong and their net book values are analysed as follow:

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000 (restated)
Leases of over 50 years	**20,611**	20,633	**3,669**	3,673
Leases of between 10 to 50 years	**160,300**	168,852	**–**	–
	180,911	189,485	**3,669**	3,673

Notes To The Financial Statements

7 Investment properties

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Cost				
At 1st January				
– as reported	**–**	–	**21,506**	21,506
– as restated for merger accounting	**5,712**	12,531	**–**	–
Effect of adoption of HKAS17 (Amendment)	**7,764**	7,764	**22,783**	22,783
At 1st January, as restated	**13,476**	20,295	**44,289**	44,289
Transfer to property, plant and equipment (note 6)	**–**	(6,819)	**–**	–
Disposal	**(2,587)**	–	**–**	–
At 31st December	**10,889**	13,476	**44,289**	44,289
Accumulated depreciation				
At 1st January	**802**	691	**2,842**	2,412
Effect of adoption of HKAS17 (Amendment)	**499**	462	**170**	144
At 1st January, as restated	**1,301**	1,153	**3,012**	2,556
Charge for the year	**110**	148	**455**	455
Disposal	**(571)**	–	**–**	–
At 31st December	**840**	1,301	**3,467**	3,011
Net book amount				
At 31st December	**10,049**	12,175	**40,822**	41,278

Notes To The Financial Statements

7 Investment properties (Continued)

The fair values of the Group's and the Company's investment properties were HK$55,840,000 (2009 restated: HK$46,360,000) and HK$221,750,000 (2009 restated: HK$180,000,000) respectively by reference to a professional valuation conducted by an independent valuer on an open market value basis.

The Company's investment properties of carrying amount of HK$30,773,000 (2009 restated: HK$31,118,000) (fair value of HK$165,910,000 (2009: HK$134,660,000)) were leased to its subsidiaries. These investment properties were classified as land and buildings in the financial statements of the Group.

The net book value of leasehold land included in the carrying amount of investment properties of the Group and the Company are analysed as follow:

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000 (restated)
Leases of over 50 years	**5,647**	5,653	**22,587**	22,613
Leases of between 10 to 50 years	**–**	1,612	**–**	–
	5,647	7,265	**22,587**	22,613

8 Land use rights

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Mainland China				
Leases of between 10 to 50 years	**302,788**	210,570	**–**	–
At 1st January				
– as reported	**–**	–	**26,286**	26,316
– as restated for merger accounting	**407,320**	349,378	**–**	–
Effect of adoption of HKAS 17 (Amendment)	**(196,750)**	(201,216)	**(26,286)**	(26,316)
At 1st January, as restated	**210,570**	148,162	**–**	–
Exchange differences	**7,167**	334	**–**	–
Additions	**13,751**	5,163	**–**	–
Acquisition of a subsidiary (note 35(b))	**76,533**	61,510	**–**	–
Amortisation	**(5,233)**	(4,599)	**–**	–
At 31 December	**302,788**	210,570	**–**	–

Land use rights of the Group with net book value amounting to HK$61,479,000 (2009 restated: HK$60,667,000) have been pledged for the bank loans of the Group.

Notes To The Financial Statements

9 Intangible assets – goodwill

	Group	
	2010	2009
	HK$'000	HK$'000
At 1st January	**31,190**	18,438
Acquisition of a subsidiary (note 35(b))	**4,864**	12,752
Exchange differences	**1,115**	–
At 31st December	**37,169**	31,190

Goodwill arose from the acquisitions of Chu Kong Cargo Terminals (Gaoming) Co., Ltd., Zhaoqing New Port Co., Ltd. and Civet (Zhuhai Bonded Area) Logistics Company Limited in 2004, 2009 and 2010 respectively.

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 2010 which are extrapolated using the key assumptions stated below.

Chu Kong Cargo Terminals (Gaoming) Co., Ltd.

	2010	2009
Growth rates of revenue		
– Year 2010	**–**	18%
– Year 2011	**(4%)**	2%
– After year 2011	**2%**	2%
Gross margin	**40%**	40%
Discount rate	**10%**	10%

Zhaoqing New Port Co., Ltd.

	2010	2009
Growth rates of revenue		
– Year 2010	**–**	54%
– Year 2011	**162%**	40%
– Year 2012	**62%**	35%
– Years 2013 to 2015	**10 – 30%**	20 – 30%
– After year 2015	**3%**	5%
Gross margin	**47%**	43%
Discount rate	**10%**	10%

Notes To The Financial Statements

9 Intangible assets – goodwill (Continued)

Management determined budgeted gross margin and growth rates based on past performance and the expectations for the market development. The discount rate used is before income tax and reflects related specific risks.

For Civet (Zhuhai Bonded Area) Logistics Company Limited, no goodwill impairment assessment has been performed. The directors are of the opinion that the recoverable amount of its fair value less costs to sell should be higher than or equal to the carrying amount as the company was acquired in October 2010.

10 Subsidiaries

	Company	
	2010 HK$'000	2009 HK$'000
Unlisted investments, at cost	**1,121,622**	610,260
Less: Provision for impairment	**(113,000)**	(106,500)
	1,008,622	503,760

(a) Details of the principal subsidiaries as at 31st December 2010 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2010	Interest held 2009
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 (Guangdong) International Freight Forwarding Co., Ltd.	PRC	Shipping agency and freight forwarding agency in the PRC	RMB22,660,000	75%@	75%@
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%

Notes To The Financial Statements

10 Subsidiaries (Continued)

(a) Details of the principal subsidiaries as at 31st December 2010 are as follows (Continued):

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2010	Interest held 2009
Direct subsidiaries (Continued)					
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. (note 39(a))	British Virgin Islands	Investment holding in the PRC	100 ordinary shares of US$1 each	100%	100%
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transshipment 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 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%
Chu Kong Passenger Transport Company Limited	Hong Kong	Provision of agency services and management of ships in Hong Kong	300,000 ordinary shares of HK$1 each	100%	100%
Chu Kong Infrastructure Investment (Hong Kong) Limited	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK$1 each	100%	100%
Chu Kong River Trade Terminal (Hong Kong) Company Limited	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK$1 each	100%	100%

Notes To The Financial Statements

10 Subsidiaries (Continued)

(a) Details of the principal subsidiaries as at 31st December 2010 are as follows (Continued):

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2010	Interest held 2009
Direct subsidiaries (Continued)					
Guangdong Zhu Chuan Logistics Services Co., Ltd. #	PRC	Provision of logistics services in the PRC	RMB10,000,000	100%	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 in the PRC	US$3,620,000	100%	100%
Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. #	PRC	Provision of logistics services in the PRC	US$6,000,000	100%	100%
Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd. ##	PRC	Cargo handling and transportation in the PRC	RMB50,000,000	80%	80%
Zhaoqing New Port Co., Ltd. (note 36) ##	PRC	Cargo handling and transportation in the PRC	RMB101,288,600	77%	56.46%
Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. #	PRC	Cargo handling and transportation in the PRC	US$4,000,000	100%	100%
Civet (Zhuhai Bonded Area) Logistics Company Limited (note 35(b)(i)) ##	PRC	Cargo handling and transportation in the PRC	HK$66,000,000	75%	–

Notes To The Financial Statements

10 Subsidiaries (Continued)

(a) Details of the principal subsidiaries as at 31st December 2010 are as follows (Continued):

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2010	Interest held 2009
Indirect subsidiaries					
Chu Kong Tourism Company Limited	Hong Kong	Tour operations and provision of advertising services in Hong Kong	2,000,000 ordinary shares of HK$1 each	100%	100%
Chu Kong International Airfreight Company Limited	Hong Kong	Freight forwarding agency 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%	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%
Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. #	PRC	Cargo handling and transportation in the PRC	RMB11,200,000	100%	100%
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd. ##	PRC	Freight forwarding agency in the PRC	US$1,000,000	87.25%@	87.25%@
Chu Kong (Guangdong) International Shipping Agency Co., Ltd. ##	PRC	Shipping agency in the PRC	RMB3,000,000	67.5%	67.5%

@ The Group holds 100% voting right in the subsidiary with effect from 1st January 2009.
# Wholly owned enterprise established in the PRC
Equity joint venture established in the PRC
All other subsidiaries without # or ## are limited liability companies

10 Subsidiaries (Continued)

(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.

11 Jointly controlled entities

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Unlisted investments, at cost	**–**	–	**52,493**	52,493
Share of net assets	**553,550**	519,046	**–**	–
Goodwill	**29,560**	28,566	**–**	–
	583,110	547,612	**52,493**	52,493
Loan to a jointly controlled entity (note (b))	**4,839**	9,945	**4,839**	9,945

Notes To The Financial Statements

11 Jointly controlled entities (Continued)

(a) Details of the principal jointly controlled entities as at 31st December 2010 are as follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing 2010	2009
Direct jointly controlled entities				
Shenzhen Yantian Port Chu Kong Logistics Co., Ltd.	PRC	Container transportation and repairs	40%	40%
Chu Kong Air-Sea Union Transportation Company Limited ^ (note 39(b))	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%
Indirect jointly controlled entities				
Chu Kong Cargo Terminals (Beicun) Co., Ltd.^^	PRC	Wharf cargo handling and godown storage	50%	50%
Dongguan Humen Great Trade Containers Port Co., Ltd. (note 39(c))	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 Terminal Co., Ltd.	PRC	Cargo transportation and consolidation	47.5%##	47.5%##
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%

Notes To The Financial Statements

11 Jointly controlled entities (Continued)

(a) Details of the principal jointly controlled entities as at 31st December 2010 are as follows (Continued):

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing 2010	2009
Indirect jointly controlled entities (Continued)				
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%
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%
Zhaoqing City Declaration Co., Ltd. #^	PRC	Custom declaration services	40%	40%
Hong Kong International Airport Ferry Terminal Services Limited	Hong Kong	Ferry linkage services between the Hong Kong International Airport and Pearl River Delta	60%	60%

Notes To The Financial Statements

11 Jointly controlled entities (Continued)

(a) Details of the principal jointly controlled entities as at 31st December 2010 are as follows (Continued):

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing 2010	2009
Indirect jointly controlled entities (Continued)				
Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd #	PRC	Passenger carrier	40%/50%/40%	40%/50%/40%
Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd #	PRC	Passenger carrier	40%/50%/40%	40%/50%/40%

\# The English names of these companies are the translation of the Chinese names for identification purpose only.

\#\# 22.5% of this jointly controlled entity is directly held by the Company.

^ Limited liability companies incorporated in Singapore, Hong Kong and the PRC.

^^ Co-operative joint ventures in the PRC

All other jointly controlled entities without "^" or "^^" are Sino-foreign equity joint ventures in the PRC.

(b) 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)

(c) The following amounts represented the aggregate of the Group's share of the 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:

	2010 HK$'000	2009 HK$'000 (restated)
Results for the year:		
Revenue	441,938	300,733
Operating expenses	(371,928)	(226,628)
Profit before income tax expense	70,010	74,105
Income tax expense	(13,284)	(15,383)
Profit for the year	56,726	58,722
Assets		
Non-current assets	591,005	584,126
Current assets	314,201	332,693
	905,206	916,819
Liabilities		
Non-current liabilities	60,260	105,470
Current liabilities	291,396	292,303
	351,656	397,773
Net assets	553,550	519,046

Except as disclosed in note 38, there were no contingent liabilities relating to the Group's interests in the jointly controlled entities and no significant contingent liabilities of the jointly controlled entities themselves as at 31st December 2010 and 2009.

Notes To The Financial Statements

12 Deferred income tax

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

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Deferred income tax assets:				
To be recovered after more than 12 months	**(135)**	(106)	**–**	–
To be recovered within 12 months	**(252)**	(411)	**–**	–
	(387)	(517)	**–**	–
Deferred income tax liabilities:				
To be settled after more than 12 months	**52,165**	21,872	**512**	512
To be settled within 12 months	**2,212**	2,618	**–**	–
	54,377	24,490	**512**	512
	53,990	23,973	**512**	512

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

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
At 1st January	**23,973**	11,907	**512**	469
Charged/(credited) to income statement (note 25)	**2,274**	(372)	**–**	43
Transfer to current income tax payables	**(2,164)**	(2,893)	**–**	–
Acquisition of a subsidiary (note 35(b))	**29,901**	15,305	**–**	–
Exchange difference	**6**	26	**–**	–
At 31st December	**53,990**	23,973	**512**	512

12 Deferred income tax (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group

Deferred income tax assets	**Tax losses** HK$'000	**Accelerated accounting depreciation** HK$'000 (restated)	**Total** HK$'000
At 1st January 2009 (restated)	(420)	(321)	(741)
Charged/(credited) to income statement	94	(30)	64
At 31st December 2009 (restated)	(326)	(351)	(677)
Charged/(credited) to income statement	3	(36)	(33)
At 31st December 2010	(323)	(387)	(710)

Notes To The Financial Statements

12 Deferred income tax (Continued)

	Group			Company
Deferred income tax liabilities	**Accelerated tax depreciation**	**Undistributed profits of PRC enterprises**	**Total**	
	HK$'000	HK$'000 (restated)	HK$'000 (restated)	HK$'000
At 1st January 2009	6,148	6,500	12,648	469
Charged/(credited) to income statement	(144)	(292)	(436)	43
Transfer to current income tax payables	–	(2,893)	(2,893)	–
Acquisition of a subsidiary (note 35(b)(ii))	15,305	–	15,305	–
Exchange differences	26	–	26	–
At 31st December 2009	21,335	3,315	24,650	512
(Credited)/charged to income statement	(1,368)	3,675	2,307	–
Transfer to current income tax payables	–	(2,164)	(2,164)	–
Acquisition of a subsidiary (note 35(b)(i))	29,901	–	29,901	–
Exchange differences	6	–	6	–
At 31st December 2010	49,874	4,826	54,700	512

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2010, the Group and the Company have unrecognised tax losses of HK$99,775,000 (2009: HK$61,054,000) and HK$34,197,000 (2009: HK$27,055,000) respectively to carry forward. These tax losses have no expiry dates except for the tax losses of HK$63,618,000 (2009: HK$33,990,000) of the Group which will expire on various dates through 2013 (2009: 2012).

Notes To The Financial Statements

13 Trade and other receivables and loans to jointly controlled entities

	Group		Company	
	2010 **HK$'000**	2009 HK$'000 (restated)	**2010** **HK$'000**	2009 HK$'000
Trade receivables (note (a)):				
– third parties	**147,311**	120,755	**–**	–
– fellow subsidiaries	**5**	772	**–**	–
– jointly controlled entities	**979**	737	**–**	–
– other related companies	**2,167**	1,113	**–**	–
	150,462	123,377	**–**	–
Less: provision for impairment of trade receivables – third parties	**(4,150)**	(4,122)	**–**	–
Trade receivables, net	**146,312**	119,255	**–**	–
Other receivables (note (b)):				
– third parties	**–**	–	**821**	803
– immediate holding company	**5,529**	93,702	**–**	–
– subsidiaries	**–**	–	**519,623**	378,028
– jointly controlled entities	**32,602**	11,110	**352**	129
– other related companies	**337**	152	**–**	–
	38,468	104,964	**520,796**	378,960
Deposits and prepayments (note (c))	**74,507**	154,052	**94,786**	90,729
Total trade and other receivables	**259,287**	378,271	**615,582**	469,689
Loans to jointly controlled entities (note (d))	**27,629**	28,596	**12,068**	8,579

Notes To The Financial Statements

13 Trade and other receivables and loans to jointly controlled entities (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	
	2010	2009
	HK$'000	HK$'000
		(restated)
Within 3 months	**144,608**	117,453
4 to 6 months	**1,422**	841
7 to 12 months	**104**	834
Over 12 months	**4,328**	4,249
	150,462	123,377
Less: Provision for impairment	**(4,150)**	(4,122)
	146,312	119,255

Trade receivables that are less than three months past due are not considered impaired. As of 31st December 2010, trade receivables of HK$1,704,000 (2009 restated: HK$1,802,000) were past due but not impaired. Fully performing receivables and balances that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of past due but not impaired trade receivables is as follows:

	2010	2009
	HK$'000	HK$'000
		(restated)
Up to 3 months	**1,422**	841
4 to 6 months	**97**	833
Over 6 months	**185**	128
	1,704	1,802

13 Trade and other receivables and loans to jointly controlled entities (Continued)

As of 31st December 2010, trade receivables of HK$4,150,000 (2009 restated: HK$4,122,000) were impaired and have been fully provided for. The individually impaired receivables mainly relate to independent customers, which are in unexpected difficult economic situations or have defaulted payments. The ageing of these receivables is as follows:

	2010 HK$'000	2009 HK$'000 (restated)
7 to 12 months	**7**	1
Over 12 months	**4,143**	4,121
	4,150	4,122

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

	2010 HK$'000	2009 HK$'000 (restated)
At 1st January	**4,122**	3,897
(Write-back of provision for)/provision for impairment (note 21)	**(69)**	321
Written off during the year as uncollectible	**–**	(96)
Exchange differences	**97**	–
At 31st December	**4,150**	4,122

The creation and release of provision for impaired receivables have been included in "other gains/(losses) – net" in the consolidated income statement (note 21). 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 each class of receivables mentioned above. The Group does not hold any collateral as security.

The trade receivables due from related parties are unsecured, interest free and have similar terms of repayment as third party receivables.

Notes To The Financial Statements

13 Trade and other receivables and loans to jointly controlled entities (Continued)

(b) The other receivables due from related parties are interest free, unsecured and are repayable on demand.

(c) Deposits and prepayments of the Group included the prepayments for purchase of land use right and property, plant and equipment amounting to HK$35,278,000 (2009: HK$121,764,000).

(d) Loans to jointly controlled entities of the Group and Company are repayable on demand or within 12 months. Loans of the Group aggregating HK$8,951,000 (2009: HK$13,629,000) bear interest at the floating rate announced by the People's Bank of China (2009: floating rate announced by the People's Bank of China), of which HK$2,350,000 (2009: HK$4,543,000) is secured by property, plant and equipment of a jointly controlled entity. The balance also includes a loan to a jointly controlled entity of the Group and the Company amounting to HK$3,878,000 (2009: nil) which is secured and bears interest rate of 5.56% per annum. The remaining loans to jointly controlled entities of the Group and the Company are unsecured and interest free. Loans to jointly controlled entities are mainly denominated in Renminbi.

(e) The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Hong Kong dollar	**198,027**	208,988	**275,264**	117,168
Renminbi	**55,327**	164,396	**209,614**	214,999
United States dollar	**5,933**	4,887	**130,704**	137,522
	259,287	378,271	**615,582**	469,689

(f) The carrying amounts of trade and other receivables approximate their fair values.

Notes To The Financial Statements

14 Cash and cash equivalents

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Cash at bank and in hand	**172,917**	282,278	**16,724**	9,993
Short-term bank deposits	**105,885**	356,493	**5,000**	293,530
	278,802	638,771	**21,724**	303,523

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Hong Kong dollar	**120,372**	390,552	**15,943**	290,546
Renminbi	**99,324**	144,267	**143**	158
United States dollar	**49,136**	93,942	**5,638**	12,819
Macau pataca	**9,966**	10,000	**–**	–
Euro	**4**	10	**–**	–
	278,802	638,771	**21,724**	303,523

Cash and cash equivalents denominated in Renminbi are held by the Group with banks operating in the PRC where exchange controls apply.

Notes To The Financial Statements

15 Share capital

	2010 HK$'000	2009 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
900,000,000 ordinary shares of HK$0.10 each	**90,000**	90,000

Share option schemes

The Company operates share option scheme 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 scheme include any full-time employees (including executive directors) in the service of the Group.

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) the 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 2010, as previously reported	787,762	94,916	23,009	895	30,500	764,943	1,702,025
Adoption of merger accounting	–	–	–	179,052	(478,310)	100,930	(198,328)
At 1st January 2010, as restated	787,762	94,916	23,009	179,947	(447,810)	865,873	1,503,697
Profit for the year	–	–	–	–	–	136,902	136,902
Currency translation differences							
– subsidiaries	–	16,618	–	–	–	–	16,618
– jointly controlled entities	–	17,301	–	–	–	–	17,301
Transfer of reserves	–	–	–	–	1,360	(1,360)	–
Change in ownership interests in a subsidiary that does not result in change in control (note 36)	–	–	–	(6,282)	–	–	(6,282)
2009 final dividend	–	–	–	–	–	(27,000)	(27,000)
2010 interim dividend	–	–	–	–	–	(18,000)	(18,000)
Dividend paid to the former shareholder of a jointly controlled entity	–	–	–	(1,668)	–	–	(1,668)
At 31st December 2010	787,762	128,835	23,009	171,997	(446,450)	956,415	1,621,568
Representing:							
Others							1,585,568
2010 final dividend proposed							36,000
							1,621,568

Notes To The Financial Statements

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 2009, as previously reported	787,762	93,126	23,009	895	28,817	722,295	1,655,904
Adoption of merger accounting	–	–	–	8,064	(478,310)	93,631	(376,615)
At 1st January 2009, as restated	787,762	93,126	23,009	8,959	(449,493)	815,926	1,279,289
Profit for the year	–	–	–	–	–	116,025	116,025
Currency translation differences							
– subsidiaries	–	1,326	–	–	–	–	1,326
– jointly controlled entities	–	464	–	–	–	–	464
Transfer of reserves	–	–	–	–	1,683	(1,683)	–
Contribution from immediate holding company	–	–	–	170,988	–	–	170,988
2008 final dividend	–	–	–	–	–	(27,000)	(27,000)
2009 interim dividend	–	–	–	–	–	(4,500)	(4,500)
2009 interim dividend to immediate holding company	–	–	–	–	–	(32,895)	(32,895)
At 31st December 2009, as restated	787,762	94,916	23,009	179,947	(447,810)	865,873	1,503,697
Representing:							
Others							1,476,697
2009 final dividend proposed							27,000
							1,503,697

16 Reserves (Continued)

Group (Continued)

(a) Capital reserve

The capital reserve mainly represents a capital contribution made by CKSE during the Reorganisation in 2009 (note 2(a)(ii)). CKSE transferred its interests in CKTC at a consideration of HK$1 and ZHPC and SGPC at nil consideration to the Group. Accordingly, the fair value of the net assets of CKTC, ZHPC and SGPC transferred to CKPT were accounted for as capital contributions.

(b) Other reserves

The balance comprises the statutory reserve of HK$31,860,000 (2009 restated: HK$30,500,000) and merger reserve of HK$478,310,000 (2009 restated: HK$478,310,000).

(i) Statutory reserve

In accordance with the PRC regulations, subsidiaries and jointly controlled entities in the PRC are required to transfer part of their profit after income 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 the respective subsidiaries and jointly controlled entities for specific purposes.

(ii) Merger reserve

As stated in note 2(a)(ii), the acquisition of CKPT was regarded as a business combination under common control. Upon the completion of the acquisition, a merger reserve, being the difference between the consideration made by the Company and the net assets value of CKPT as at completion date, was recognised.

Notes To The Financial Statements

16 Reserves (Continued)

Company

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2010	787,762	67,039	854,801
Profit for the year	–	52,980	52,980
2009 final dividend	–	(27,000)	(27,000)
2010 interim dividend	–	(18,000)	(18,000)
At 31st December 2010	787,762	75,019	862,781
Representing:			
Others			826,781
2010 final dividend proposed			36,000
			862,781
At 1st January 2009	787,762	61,576	849,338
Profit for the year	–	36,963	36,963
2008 final dividend	–	(27,000)	(27,000)
2009 interim dividend	–	(4,500)	(4,500)
At 31st December 2009	787,762	67,039	854,801
Representing:			
Others			827,801
2009 final dividend proposed			27,000
			854,801

Notes To The Financial Statements

17 Trade and other payables

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Trade payables (notes (a) and (c)):				
– third parties	**195,089**	175,712	**–**	–
– immediate holding company	**1,369**	1,369	**–**	–
– fellow subsidiaries	**14,692**	14,582	**–**	–
– jointly controlled entities	**27,897**	31,081	**–**	–
– other related companies	**6,782**	5,502	**–**	–
	245,829	228,246	**–**	–
Other payables (note (c)):				
– third parties	**172**	168	**40,117**	168
– immediate holding company	**14**	482,362	**–**	533
– fellow subsidiaries	**82**	26,240	**–**	–
– subsidiaries	**–**	–	**603,085**	421,478
– jointly controlled entities	**18,206**	14,316	**12**	–
– other related companies	**432**	1,074	**–**	–
– owner of the non-controlling interest in a subsidiary	**15,244**	–	**–**	–
– key management	**1,658**	2,563	**1,658**	2,563
	35,808	526,723	**644,872**	424,742
Accruals	**152,380**	118,608	**5,556**	5,902
	434,017	873,577	**650,428**	430,644

Notes To The Financial Statements

17 Trade and other payables (Continued)

(a) The ageing analysis of the Group's trade payables by invoice date is as follows:

	Group	
	2010 HK$'000	2009 HK$'000 (restated)
Within 3 months	**241,724**	189,525
4 to 6 months	**200**	31,778
7 to 12 months	**123**	5,630
Over 12 months	**3,782**	1,313
	245,829	228,246

(b) The carrying amounts of trade and other payables are denominated in the following currencies:

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Hong Kong dollar	**341,850**	737,722	**650,405**	430,617
Renminbi	**90,912**	132,453	**23**	27
United States dollar	**1,255**	3,402	**–**	–
	434,017	873,577	**650,428**	430,644

(c) The 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 are repayable on demand.

(d) The carrying amounts of trade and other payables approximate their fair values.

Notes To The Financial Statements

18 Loans from immediate holding company, a jointly controlled entity and the non-controlling interest of a subsidiary – Group and Company

The loan from immediate holding company of the Group is unsecured, interest free, repayable on demand and denominated in Hong Kong dollar.

The loan from a jointly controlled entity of the Group and Company is unsecured, interest bearing at 2.25% per annum, repayable on demand and denominated in Renminbi.

The loan from the non-controlling interest of a subsidiary is unsecured, interest free, and not repayable with 12 months from the balance sheet date.

19 Borrowings

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Secured, short term bank loan	**11,752**	–	**–**	–
Unsecured, short term bank loan	**140,000**	–	**140,000**	–
	151,752	–	**140,000**	–
Secured, long term bank loans	**94,018**	44,293	**–**	–
	245,770	44,293	**140,000**	–

The maturity of the long term bank loans is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Repayable within one year	**11,752**	3,407
Repayable within one to two years	**11,752**	6,814
Repayable within two to five years	**35,257**	–
Repayable after five years	**35,257**	34,072
	94,018	44,293
Current portion included in current liabilities	**(11,752)**	(3,407)
	82,266	40,886

Notes To The Financial Statements

19 Borrowings (Continued)

The secured bank loans are secured by certain land use rights and property, plant and equipment of the Group (note 6 and note 8), denominated in Renminbi and bearing interest at the floating rate announced by the People's Bank of China. The unsecured bank loan is denominated in Hong Kong dollar and bears interest at 1.3% per annum.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are within one year.

20 Other income

	2010 HK$'000	2009 HK$'000 (restated)
Property rental income	**9,534**	7,164
Subsidies from the PRC government	**7,148**	2,320
Others	**1,080**	3,842
	17,762	13,326

21 Other gains/(losses) – net

	2010 HK$'000	2009 HK$'000 (restated)
Exchange gains/(losses), net	**8,620**	(305)
Gains on disposal of property, plant and equipment	**1,064**	283
Write-back of provision/(provision) for impairment of trade receivables, net (note 13)	**69**	(321)
Write-back of other payables (note)	**16,744**	–
Others	**1,460**	313
	27,957	(30)

Note:

The amount represented provision for service charges payables to a fellow subsidiary in previous years. No billing had been received from the fellow subsidiary and the provision was written back accordingly.

22 Costs and expenses by nature

	2010 HK$'000	2009 HK$'000 (restated)
Amortisation of land use rights	**5,233**	4,599
Auditor's remuneration		
– audit services	**2,077**	1,840
– non-audit services	**1,048**	593
Costs of passenger transportation, cargo transportation, handling, storage, container hauling and trucking	**570,971**	493,580
Depreciation of property, plant and equipment	**49,631**	31,685
Depreciation of investment properties	**110**	148
Operating lease rental expenses		
– vessels and barges	**102,178**	92,472
– buildings	**15,364**	13,447
Staff costs (including directors' emoluments) (note 29)	**198,393**	166,625
Others	**107,953**	68,414
Total cost of services rendered and general and administrative expenses	**1,052,958**	873,403

23 Finance income and cost

	2010 HK$'000	2009 HK$'000 (restated)
Finance income		
Interest income on short-term bank deposits and bank balances	**3,225**	8,421
Interest income on loans to jointly controlled entities	**810**	706
	4,035	9,127
Finance cost		
Interest expense on bank borrowings	**(5,567)**	(2,801)
Interest expense on loan from a jointly controlled entity	**(511)**	(363)
Less: amounts capitalised on qualifying assets	**1,047**	2,103
	(5,031)	(1,061)

Notes To The Financial Statements

24 Share of profits less losses of jointly controlled entities

	2010 HK$'000	2009 HK$'000 (restated)
Share of profits less losses before income tax	**70,010**	74,105
Share of income tax	**(13,284)**	(15,383)
	56,726	58,722

25 Income tax expense

	2010 HK$'000	2009 HK$'000 (restated)
Current income tax		
– Hong Kong profits tax	**14,838**	11,050
– PRC corporate income tax	**9,007**	4,569
– Under/(over) provision in prior years	**1,806**	(740)
Deferred income tax expense/(credit) (note 12)	**2,274**	(372)
	27,925	14,507

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. PRC corporate income tax has been calculated on the estimated assessable profit for the year of the PRC entities at the income tax rate in the range from 22% to 25% (2009: 20% to 25%).

Share of income tax of jointly controlled entities for the year has been included in the consolidated income statement as share of profits less losses of jointly controlled entities (note 24).

25 Income tax expense (Continued)

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

	2010 HK$'000	2009 HK$'000 (restated)
Profit before share of profits less losses of jointly controlled entities and income tax expense	99,055	68,303
Calculated at a tax rate of 16.5% (2009: 16.5%)	16,344	11,270
Effect of different tax rates applicable to the subsidiaries in the PRC	(508)	–
Income not subject to income tax	(80,421)	(61,085)
Expenses not deductible for income tax purposes	77,922	59,825
Tax losses not recognised	10,069	5,425
Under/(over) provision in prior years	1,806	(740)
Temporary differences not recognised	523	61
Other temporary difference	(1,186)	(204)
Utilisation of previously unrecognised tax loss	(436)	(113)
Withholding income tax on undistributed profits of PRC enterprises	3,675	(195)
Others	137	263
Income tax expense	27,925	14,507

26 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company includes a profit of HK$52,980,000 (2009: HK$36,963,000) which is dealt with in the financial statements of the Company.

27 Dividends

	2010 HK$'000	2009 HK$'000
Interim, paid, of HK2 cents (2009: HK0.5 cents) per ordinary share	18,000	4,500
Final, proposed, of HK4 cents (2009: HK3 cents) per ordinary share	36,000	27,000
	54,000	31,500

The dividends paid during the years ended 31st December 2010 and 2009 were HK$45,000,000 (HK5 cents per share) and HK$31,500,000 (HK3.5 cents per share) respectively.

Notes To The Financial Statements

27 Dividends (Continued)

On 16th March 2011, 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 2011.

28 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.

	2010	2009 (restated)
Profit attributable to equity holders of the Company (HK$'000)	**136,902**	116,025
Weighted average number of ordinary shares in issue ('000)	**900,000**	900,000
Basic earnings per share (HK cents)	**15.21**	12.89

The diluted earnings per share for the years ended 31st December 2010 and 2009 are equal to the basic earnings per share as there are no potential dilutive ordinary shares in issue during both years.

29 Employee benefit expenses (including directors' emoluments)

	2010 HK$'000	2009 HK$'000 (restated)
Salaries and allowances	**189,652**	158,594
Retirement benefit costs – defined contribution plans (note)	**8,741**	8,031
	198,393	166,625

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 consolidated 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.

Notes To The Financial Statements

29 Employee benefit expenses (including directors' emoluments) (Continued)

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$460,000 (2009: HK$568,000) were payable to the defined contribution plans as at 31st December 2010.

30 Directors' and five highest paid individuals' emoluments

(a) Directors' and senior management's emoluments

The remuneration of each director is set out below:

Name of director	Fees	Salaries	Discretionary bonuses	Other benefits (note (i))	Employer's contributions to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010						
Mr. Hua Honglin	**300**	**–**	**–**	**–**	**–**	**300**
Mr. Yang Bangming	**250**	**304**	**742**	**–**	**12**	**1,308**
Mr. Zhang Daowu	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Huang Shuping	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Chan Kay-cheung	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Choi Kim-Lui	**42**	**–**	**–**	**–**	**–**	**42**
Ms. Yau Lai Man	**100**	**–**	**–**	**–**	**–**	**100**
Mr. Chow Bing Sing	**58**	**–**	**–**	**–**	**–**	**58**
	1,500	**304**	**742**	**–**	**12**	**2,558**
2009						
Mr. Hua Honglin	300	–	–	–	–	300
Mr. Yang Bangming	250	304	695	96	12	1,357
Mr. Zhang Daowu	250	–	–	–	–	250
Mr. Huang Shuping	250	–	–	–	–	250
Mr. Chan Kay-cheung	250	–	–	–	–	250
Mr. Choi Kim-Lui	100	–	–	–	–	100
Ms. Yau Lai Man	100	–	–	–	–	100
	1,500	304	695	96	12	2,607

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

Notes To The Financial Statements

30 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 one (2009: one) director whose emoluments are shown above. The emoluments to the remaining four (2009: four) highest paid individuals during the year are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**955**	966
Bonuses	**2,379**	2,005
Retirement benefit costs – defined contribution plans	**238**	46
	3,572	3,017

During the year, the emoluments of four (2009: four) highest paid individuals were below HK$1,000,000 each.

(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. No share options were granted to the directors and senior management as at 31st December 2010 and 2009.

31 Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to cash generated from operations

	2010 HK$'000	2009 HK$'000 (restated)
Operating profit	**100,051**	60,237
Amortisation of land use rights	**5,233**	4,599
Depreciation of property, plant and equipment and investment properties	**49,741**	31,833
Exchange (gain)/loss, net	**(8,620)**	305
Gains on disposal of property, plant and equipment	**(1,064)**	(283)
(Write-back of provision)/provision for impairment of trade receivables, net	**(69)**	321
Write back of other payables	**(16,744)**	–
Operating profit before working capital changes	**128,528**	97,012
(Increase)/decrease in trade and other receivables	**(49,413)**	8,813
(Decrease)/increase in trade and other payables	**(5,474)**	9,238
Cash generated from operations	**73,641**	115,063

31 Note to consolidated cash flow statement (Continued)

(b) It includes an non-cash transaction of additions of property, plant and equipment of HK$77,337,000 (2009: nil) and land use rights of HK$13,480,000 (2009: nil), which were transferred from prepayments.

32 Commitments

(a) Capital commitments

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Contracted but not provided for				
– Investment in a subsidiary (note (i))	**–**	–	**1,396**	–
– Investment in a jointly controlled entity (note (ii))	**89,795**	92,277	**89,795**	92,277
– Land use right	**47,260**	53,151	**–**	–
– Property, plant and equipment	**20,355**	69,888	**416**	861
	157,410	215,316	**91,607**	93,138
Authorised but not contracted for				
– Property, plant and equipment	**26,689**	7,234	**–**	–
	184,099	222,550	**91,607**	93,138

(i) The balance represents commitment to acquire 49% shareholding interest in CKSA as disclosed in note 39(b).

(ii) The balance represents the outstanding investment in jointly controlled entity, Guangzhou Nansha Chu Kong Terminal Company Limited.

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

	2010 HK$'000	2009 HK$'000
Contracted but not provided for	**13,839**	23,726
Authorised but not contracted for	**–**	1,953
	13,839	25,679

Notes To The Financial Statements

32 Commitments (Continued)

(b) Commitments under operating leases

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

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Land and buildings:				
Not later than one year	**9,112**	9,393	**84**	258
Later than one year and not later than five years	**5,624**	15,901	**144**	192
	14,736	25,294	**228**	450
Vessels and barges:				
Not later than one year	**3,621**	5,563	**–**	–
Later than one year and not later than five years	**791**	–	**–**	–
	4,412	5,563	**–**	–
	19,148	30,857	**228**	450

33 Future operating lease arrangements

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

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	**2010 HK$'000**	2009 HK$'000
Land and buildings:				
Not later than one year	**8,147**	11,237	**937**	937
Later than one year and not later than five years	**989**	5,975	**–**	–
	9,136	17,212	**937**	937

34 Related party transactions

The directors of the Group regard Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") as immediate holding company, which owns 69.0% (2009: 68.7%) 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. GPNHCL itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include GPNHCL and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, 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 years 2010 and 2009, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the underlying agreements, based on market prices or as mutually agreed.

.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in the financial statements, the following is a summary of the significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

Notes To The Financial Statements

34 Related party transactions (Continued)

Significant transactions with immediate holding company, fellow subsidiaries, jointly controlled entities and related companies:

(a) Transactions with related parties

	Note	2010 HK$'000	2009 HK$'000 (restated)
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income			
– fellow subsidiaries	(i)	**1,726**	1,477
– jointly controlled entities		**18,193**	12,709
– other related companies		**211**	240
Passenger transportation agency fees	(i)		
– fellow subsidiaries		**2,366**	1,575
– jointly controlled entities		**7,591**	7,014
– other related companies		**3,442**	2,453
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		**5,676**	5,164
– jointly controlled entities		**20,713**	19,258
– other related companies		**11,186**	10,852
Management service fees	(iv)		
– a fellow subsidiary		**13,294**	8,459
– jointly controlled entities		**3,173**	2,639
Vessel rental income	(iii)		
– other related company		**2,644**	2,617
Office rental income	(iii)		
– a fellow subsidiary		**937**	937
Loan interest income	(v)		
– jointly controlled entities		**810**	706
Proceeds from disposal of property, plant and equipment	(vi)		
– immediate holding company		**7,473**	–

Notes To The Financial Statements

34 Related party transactions (Continued)

(a) Transactions with related parties (Continued)

	Note	2010 HK$'000	2009 HK$'000 (restated)
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(ii)		
– fellow subsidiaries		**14,645**	13,787
– jointly controlled entities		**26,282**	22,286
Wharf cargo handling, cargo transportation and godown storage expenses			
– fellow subsidiaries	(ii)	**14,752**	11,869
– jointly controlled entities	(i)	**42,544**	40,734
– other related companies	(ii)	**86**	89
Agency fee expenses	(iii)		
– fellow subsidiaries		**334**	70
– jointly controlled entities		**1,615**	341
– other related companies		**110**	25
Ferry terminal operation services fee	(iii)		
– a fellow subsidiary		**5,729**	4,639
Luggage handling fee	(vii)		
– other related companies		**7,465**	6,491
Fuel charges	(ii)		
– a fellow subsidiary		**60,628**	39,557
Vessel rental expenses	(iii)		
– jointly controlled entities		**21,182**	25,347
– other related companies		**–**	7,700
Warehouse rental expenses	(viii)		
– immediate holding company		**5,000**	5,000
Office rental expenses	(ii)		
– immediate holding company		**3,417**	2,028
Staff quarter rental expenses	(iii)		
– immediate holding company		**2,266**	1,157
Loan interest expenses	(ix)		
– a jointly controlled entity		**511**	363
Management fee expense	(x)		
– immediate holding company		**7,200**	7,320

Notes To The Financial Statements

34 Related party transactions (Continued)

(a) Transactions with related parties (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 as mutually agreed between the Group and the respective related parties.

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

(iv) Management service fees were charged based on the actual costs incurred for the service provided.

(v) Loan interest was charged to jointly controlled entities at floating rates announced by the People's Bank of China.

(vi) Land and building with a carrying amount of HK$7,473,000 of CKPT were sold to immediate holding company at its carrying amount and no gain or loss was recognised.

(vii) Luggage handling fee was charged at HK$3.3 per item of luggage at China Ferry Terminal, Tsim Sha Tsui by an associate of immediate holding company as set out in the respective agreement governing these transactions.

(viii) The Group leased a warehouse from immediate holding company and rental was charged by immediate holding company.

(ix) Loan interest was charged by a jointly controlled entity at 2.25% per annum pursuant to the agreement entered into between the Group and the jointly controlled entity.

(x) Management fee expenses were charged at HK$600,000 per month for IT services by immediate holding company as set out in the respective agreement governing these transactions.

(xi) During the year, the Company and 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.

Notes To The Financial Statements

34 Related party transactions (Continued)

(b) Key management compensation

	2010 HK$'000	2009 HK$'000 (restated)
Salaries and allowances	6,017	4,796
Directors' fees	1,500	1,500
Retirement benefit scheme contributions	86	70
	7,603	6,366

(c) Loans to jointly controlled entities

	2010 HK$'000	2009 HK$'000 (restated)
At 1st January	38,541	39,605
Exchange differences	911	35
Loans advanced	3,748	7,445
Loans repayments received	(10,732)	(8,544)
At 31st December	32,468	38,541
Analysed into:		
Current	27,629	28,596
Non-current	4,839	9,945
	32,468	38,541

Notes To The Financial Statements

35 Business combinations

(a) Business combination under common control

Statements of adjustments for common control combinations of the Acquired Group on the consolidated balance sheets as at 31 December 2010 and 2009 and the Group's result for the years then ended are as follows:

	The Group before the Acquired Group HK$'000	**Acquired Group** HK$'000	Notes	**Adjustments** HK$'000	**Total** HK$'000
Year ended 31st December 2010					
Revenue	994,265	115,425	(i)	(2,400)	1,107,290
Profit before income tax	80,784	74,997		–	155,781
Income tax expense	(19,635)	(8,290)		–	(27,925)
Profit for the year	61,149	66,707		–	127,856
As at 31st December 2010					
ASSETS					
Non-current assets	2,252,393	235,247	(ii)	(480,610)	2,007,030
Current assets	497,716	188,102	(iii)	(120,100)	565,718
Total assets	2,750,109	423,349		(600,710)	2,572,748
EQUITY					
Share capital	90,000	300	(ii)	(300)	90,000
Reserves	1,712,685	353,193	(ii)	(480,310)	1,585,568
Final dividend proposed	36,000	–		–	36,000
	1,838,685	353,493		(480,610)	1,711,568
Non-controlling interests	86,250	–		–	86,250
Total equity	1,924,935	353,493		(480,610)	1,797,818
LIABILITIES					
Non-current liabilities	139,747	–		–	139,747
Current liabilities	685,427	69,856	(iii)	(120,100)	635,183
Total liabilities	825,174	69,856		(120,100)	774,930
Total equity and liabilities	2,750,109	423,349		(600,710)	2,572,748

Notes To The Financial Statements

35 Business combinations (Continued)

(a) Business combination under common control (Continued)

	As previously reported HK$'000	Acquired Group HK$'000	Notes	Adjustments HK$'000	As restated HK$'000
Year ended 31st December 2009					
Revenue	815,814	106,930	(i)	(2,400)	920,344
Profit before income tax	81,414	45,611		–	127,025
Income tax expense	(9,090)	(5,417)		–	(14,507)
Profit for the year	72,324	40,194		–	112,518
As at 31st December 2009					
ASSETS					
Non-current assets	1,388,633	209,427		–	1,598,060
Current assets	901,108	157,858	(iii)	(13,328)	1,045,638
Total assets	2,289,741	367,285		(13,328)	2,643,698
EQUITY					
Share capital	90,000	300	(ii)	(300)	90,000
Reserves	1,675,025	281,982	(ii)	(480,310)	1,476,697
Final dividend proposed	27,000	–		–	27,000
	1,792,025	282,282		(480,610)	1,593,697
Non-controlling interests	76,060	–		–	76,060
Total equity	1,868,085	282,282		(480,610)	1,669,757
LIABILITIES					
Non-current liabilities	65,376	–		–	65,376
Current liabilities	356,280	85,003	(iii)	467,282	908,565
Total liabilities	421,656	85,003		467,282	973,941
Total equity and liabilities	2,289,741	367,285		(13,328)	2,643,698

Notes To The Financial Statements

35 Business combinations (Continued)

(a) Business combination under common control (continued)

Notes:

(i) Adjustments to eliminate the inter-group transactions for the years ended 31st December 2010 and 2009.

(ii) Adjustments to eliminate the investment costs and share capital of the Acquired Group against reserves.

(iii) Adjustments to eliminate the inter-group balances as at 31st December 2010 and 2009 and recognise purchase consideration payable for the acquisition of the Acquired Group.

No other significant adjustments were made to the net assets and net profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

(b) Business combination under acquisition method of accounting

(i) Acquisition in 2010

On 14th October 2010, the Group acquired 75% equity interest in Civet (Zhuhai Bonded Area) Logistics Company Limited ("Civet"), a cargo handling and transportation company operating in the PRC, at a cash consideration of HK$88,535,000. There is no contingent consideration payable.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	88,535
Less: Fair value of net assets acquired shown as below	(83,671)
Goodwill arising on acquisition recognised as intangible assets (note 9)	4,864

The goodwill is attributable to the anticipated profitability of the business acquired, which operates in the cargo handling and storage segment.

The assets and liabilities as at the date of acquisition are as follows:

	Acquiree's carrying amounts HK$'000	**Fair values** HK$'000
Property, plant and equipment	101,756	150,293
Land use rights	5,466	76,533
Trade and other receivables	4,295	4,295
Cash and cash equivalents	1,098	1,098
Trade and other payables	(61,695)	(61,695)
Bank loan	(17,628)	(17,628)
Deferred income tax liabilities	–	(29,901)
	33,292	122,995
Non-controlling interests (note)		(39,324)
Net assets acquired		83,671

35 Business combinations (Continued)

(b) Business combination under acquisition method of accounting (Continued)

(i) Acquisition in 2010 (Continued)

Note:

According to the Equity Transfer Agreement, the acquisition excluded construction in progress and respective land use right of HK$11,434,000 which was not revalued in the asset revaluation exercise. As such, the share of net assets of Civet by the non-controlling interest was increased by the relevant share amounting to HK$8,576,000. The amount should increase the interest held by the non-controlling interest.

The acquired business contributed revenue of HK$2,736,000 and net loss of HK$2,249,000 to the Group for the period from acquisition to 31st December 2010. If the acquisition had occurred on 1st January 2010, revenue and profit for the year ended 31st December 2010 of the Group would have been increased by HK$12,184,000 and decreased by HK$3,743,000 respectively.

The analysis of net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	HK$'000
Cash consideration	88,535
Cash and cash equivalents acquired	(1,098)
Net cash outflow on acquisition in 2010	87,437

(ii) Acquisition in 2009

On 26th March 2009, the Group acquired 56.46% equity interest in Zhaoqing New Port Co., Ltd. ("ZQNP"), a cargo handling and transportation company operating in the PRC, at a cash consideration of HK$91,993,000. There is no contingent consideration payable.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– cash paid in 2009	64,993
– prepaid consideration in 2008	27,000
	91,993
Fair value of net assets acquired shown as below	(79,241)
Goodwill arising on acquisition recognised as intangible assets (note 9)	12,752

The goodwill is attributable to the anticipated profitability of the business acquired, which operates in the cargo handling and storage segment.

Notes To The Financial Statements

35 Business combinations (Continued)

(b) Business combination under acquisition method of accounting (Continued)

(ii) Acquisition in 2009 (Continued)

The assets and liabilities as at the date of acquisition are as follows:

	Acquiree's carrying amounts HK$'000	**Fair values** HK$'000
Property, plant and equipment	143,781	161,110
Land use rights	17,620	61,510
Trade and other receivables	1,966	1,966
Inventories	631	631
Cash and cash equivalents	3,327	3,327
Trade and other payables	(38,874)	(38,874)
Secured bank loan	(34,017)	(34,017)
Deferred income tax liabilities	–	(15,305)
	94,434	140,348
Non-controlling interests		(61,107)
Net assets acquired		79,241

The acquired business contributed revenue of HK$10,200,000 and net loss of HK$10,258,000 to the Group for the period from acquisition to 31st December 2009. If the acquisition had occurred on 1st January 2009, revenue and profit for the year ended 31st December 2009 of the Group would have been increased by HK$12,436,000 and decreased by HK$12,430,000 respectively.

The analysis of net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	HK$'000
Cash consideration	91,993
Less: prepaid consideration in 2008	(27,000)
	64,993
Cash and cash equivalents acquired	(3,327)
Net cash outflow on acquisition in 2009	61,666

36 Transaction with non-controlling interests

On 22nd July 2010, the Group acquired an additional 20.54% equity interest in ZQNP which was originally acquired in March 2009, at a cash consideration of HK$30,628,000. The carrying amount of net assets in ZQNP on the date of acquisition was HK$118,530,000. The Group recognised a decrease in non-controlling interest by HK$24,346,000. The effect of changes in the ownership interest of ZQNP on the attributable to owners of the Company during the year is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests acquired	24,346
Less: Consideration paid to non-controlling interests	
– Cash paid in 2010	(20,669)
– Prepaid consideration in 2009	(9,959)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(6,282)

There were no transactions with non-controlling interests in 2009.

37 Comparative figures

The Group has applied merger accounting to account for the purchase of the equity interests in the Acquired Group during the period, on the basis that the business combinations had occurred from the beginning of the earliest financial years presented.

The adoption of merger accounting stated above and the adoption of HKAS 17 (Amendment) have resulted in changes to the presentation of certain items and comparative figures have been restated accordingly.

38 Contingent liabilities

Except as disclosed in note 6 to the financial statements, as at 31st December 2010, there was no contingent liability relating to the Group. A 40% interest jointly controlled entity of the Group has contingent liabilities to a bank in relation to a provision of a financial guarantee and indemnity of US$400,000 (equivalent to approximately HK$3,120,000) to a third party in the PRC in 1994. This third party failed to perform its contractual and financial obligations to the bank in 1998. As such, court proceedings commenced by the bank demanded payment of US$400,000 against the jointly controlled entity and the Provincial Court of Guangdong Province, the PRC imposed orders of execution of the jointly controlled entity in 1998 and 2001. However, no execution has been finally implemented.

The directors of the Company are of the opinion that the potential liabilities to be settled are remote as at 31st December 2010.

Notes To The Financial Statements

39 Events after the balance sheet date

(a) Undertaking of partial disposal of a subsidiary

On 28th July 2010, the Company entered into a strategic cooperation framework agreement (the "Agreement") with China Merchant Holdings (International) Company Limited ("CMHI"). In December 2010, the Company entered into an agreement with a subsidiary of CMHI for the sale of 20% of its equity interest in Chu Kong River Trade Terminal Co., Ltd. ("CKRTT"), a wholly-owned subsidiary of the Company. The selling price of HK$131,368,000 has been determined with reference to the appraised value issued by the valuer as recommended and recognised by the Company and CMHI. The transaction was completed in February 2011.

(b) Acquisition of an additional interest of a company which was originally classified as a jointly controlled entity

On 22nd December 2010, the Group entered into a sale and purchase agreement with other joint venture partner of CKSA. The Group acquired 49% shareholding in CKSA from the other joint venture partner at an initial consideration, subject to adjustment, of HK$1,396,000. The initial consideration will be adjusted with reference to the final audited results of CKSA, subject to a cap of HK$5,000,000. The transaction was completed in February 2011.

(c) Disposal of a jointly controlled entity

On 21st February 2011, the Group entered into a provisional sale and purchase agreement with a third party to dispose of 30% equity interest in Dongguan Humen Great Trade Containers Port Co., Ltd. at a consideration of HK$32,979,000. The transaction is expected to be completed by the first half of year 2011.

Five-Year Financial Summary

Results

	2010 HK$'000	2009 HK$'000 (restated)	2008 HK$'000	2007 HK$'000	2006 HK$'000
Revenue	**1,107,290**	920,344	948,692	870,711	780,590
Operating profit	**100,051**	60,237	54,381	55,833	46,369
Finance income	**4,035**	9,127	15,095	21,741	9,215
Finance cost	**(5,031)**	(1,061)	–	–	–
Net finance income	**(996)**	8,066	15,095	21,741	9,215
Share of profits less losses of jointly controlled entities	**56,726**	58,722	62,305	75,654	73,140
Profit before income tax	**155,781**	127,025	131,781	153,228	128,724
Income tax expense	**(27,925)**	(14,507)	(15,242)	(10,342)	(7,726)
Profit for the year	**127,856**	112,518	116,539	142,886	120,998
Attributable to:					
Equity holders of the Company	**136,902**	116,025	116,632	143,080	121,148
Non-controlling interests	**(9,046)**	(3,507)	(93)	(194)	(150)
	127,856	112,518	116,539	142,886	120,998
Basic earnings per share (HK cents)	**15.21**	12.89	13.0	17.1	16.2
Dividends (HK$'000)	**54,000**	31,500	45,000	54,000	45,000
Dividend per share (HK cents)	**6**	3.5	5	6	6

Assets And Liabilities

	2010 HK$'000	2009 HK$'000 (restated)	2008 HK$'000	2007 HK$'000	2006 HK$'000
Non-current assets	**2,007,030**	1,598,060	1,069,194	1,013,499	894,783
Current assets	**565,718**	1,045,638	981,802	899,179	540,049
Total assets	**2,572,748**	2,643,698	2,050,996	1,912,678	1,434,832
Non-current liabilities	**139,747**	65,376	12,488	5,392	4,594
Current liabilities	**635,183**	908,565	274,949	256,572	216,202
Total liabilities	**774,930**	973,941	287,437	261,964	220,796
Total equity	**1,797,818**	1,669,757	1,763,559	1,650,714	1,214,036

Notes:

(a) The financial information for the years ended 31st December 2009 and 2010 were extracted from the 2010 financial statements.

(b) The financial information for the years ended 31st December 2006, 2007 and 2008 were extracted from the Five-Year Financial Summary in 2009 Annual Report and no retrospective adjustments for the common control combination for the year of 2010 and the adoption of HKAS 17 (Amendment) were made on the financial information of these three years.

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 **26/F., Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong** on 19th May 2011 at 10 a.m. for the following purposes:

1. To receive and consider the audited financial statements of the Company and the reports of the Directors and the auditors of the Company for the year ended 31st December 2010.

2. To declare a final dividend for the year ended 31st December 2010.

3. To re-elect Directors 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

Notice Of Annual General Meeting

(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 5% 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

(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;

Notice Of Annual General Meeting

(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 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 5% 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
29th March 2011

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

CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED

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

Tel: (852) 2581 3799
Fax: (852) 2851 0389

www.cksd.com