



Notes to Financial Statements

31 December 2000

1. CORPORATE INFORMATION

The registered office of Chu Kong Shipping Development Company Limited is located at 7th Floor, Wayson Commercial Building, 28 Connaught Road West, Hong Kong.

During the year, the Group was involved in the following principal activities:

- shipping agency, river trade cargo direct shipment and transshipment
- wharf cargo handling, cargo consolidation and godown storage
- container hauling and trucking

In the opinion of the directors, the ultimate holding company is Guangdong Province Navigation Holdings Company Limited, which is incorporated in the People's Republic of China (the "PRC").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company other than a jointly-controlled entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures

A joint venture is 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.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's interests in jointly-controlled entities are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost less goodwill on acquisition and adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the jointly-controlled entities. The Group's share of post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively.

Goodwill arising on the acquisition of jointly-controlled entities, being the excess of the cost over the fair value of the Group's share of the separable net assets acquired, is eliminated against reserves in the year in which it arises. Upon disposal of such jointly-controlled entities, the relevant portion of attributable goodwill previously eliminated against reserves is accounted for in arriving at the gain or loss on disposal of the investment.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	12% – 20%
Plant and machinery	12% – 25%
Office equipment	12% – 33.33%
Furniture and fixtures	12% – 33.33%
Motor vehicles	12% – 33.33%
Containers	12%
Vessels	12% – 12.5%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are credited/charged to the profit and loss account on the straight-line basis over the lease terms.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

The books and records of the Company and its subsidiaries are maintained in Hong Kong dollars. Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas jointly-controlled entities denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution retirement benefits scheme (the "Retirement Scheme") for its employees in Hong Kong, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' relevant income from the Group and are charged to the profit and loss account as they become payable in accordance with the rules of the Retirement Scheme. When an employee leaves the Retirement Scheme before his/her interest in the employer contributions is fully vested, the relevant amount of the forfeited contribution would be allocated to other members remaining in the Retirement Scheme.

On 1 December 2000, the Retirement Scheme was terminated with all the underlying assets of the Retirement Scheme transferred to a Mandatory Provident Fund. Contributions are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the profit and loss account as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) the rendering of sea and road freight services, wharf cargo handling, cargo consolidation and godown storage services, when the respective services are rendered;
- (b) rental income, on a time proportion basis; and
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

3. TURNOVER

Turnover represents the aggregate of the net invoiced value of services rendered, but excludes intra-group transactions. Revenue from the following activities has been included in turnover:

	2000 HK\$'000	1999 HK\$'000
Shipping agency, river trade cargo direct shipment and transshipment	348,549	327,018
Wharf cargo handling, cargo consolidation and godown storage	95,380	99,867
Container hauling and trucking	2,087	4,447
	446,016	431,332



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4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2000 HK\$'000	1999 HK\$'000
Auditors' remuneration	2,080	1,880
Depreciation on fixed assets	14,119	15,047
Operating lease rentals:		
Land and buildings	13,429	11,292
Vessels and barges	29,686	25,695
Containers	3,138	4,754
Staff costs (including directors' remuneration – note 6):		
Salaries and allowances	72,830	71,545
Pension scheme contributions, net	1,041	632
	73,871	72,177
Bad debts expenses	827	2,671
Loss/(gain) on disposal of fixed assets	(165)	124
Exchange gains, net	(1,396)	(315)
Net rental income	–	(156)
Interest income	(21,021)	(18,837)

The effect of forfeited contributions on the Group's contributions to the pension scheme for the year and the amounts of forfeited contributions available to reduce contributions in future years were not material.

5. FINANCE COSTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Interest on bank overdraft	8	12



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6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	2000 HK\$'000	1999 HK\$'000
Fees:		
Executive	2,600	2,600
Independent non-executive	1,000	1,000
	3,600	3,600
Other emoluments:		
Executive		
Salaries, allowances and benefits in kind	706	706
Bonuses	113	82
Pension scheme contributions	9	6
Independent non-executive	-	-
	4,428	4,394

The remuneration of the directors fell within the following bands:

	Number of directors	
	2000	1999
Nil – HK\$1,000,000	4	7
HK\$1,000,001 – HK\$1,500,000	2	1
	6	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

In additions to the above, options to acquire in aggregate of 36,500,000 (1999: nil) shares were granted to certain directors during the year. Under the terms of the grant, the options granted on the shares of the Company are not transferable. In the absence of a readily available market value for the options on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted to the respective directors during the year. Accordingly, no value is included in directors' remuneration in respect of share options granted.



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7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (1999: three) directors, details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining two (1999: two) non-director, highest paid employees are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,415	1,194
Bonuses	288	210
Pension scheme contributions	17	15
	1,720	1,419

The remuneration of both non-director, highest paid employees fell within the range of Nil to HK\$1,000,000.

8. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Group	
	2000	1999
	HK\$'000	HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	6,750	7,715
Overprovision in prior year	(93)	(1,166)
Tax refund in respect of prior year	-	(1,181)
Deferred – note 19	(77)	(204)
	6,580	5,164
Share of tax of jointly-controlled entities:		
Mainland China	3,923	4,059
	10,503	9,223



Notes to Financial Statements

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9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$67,890,000 (1999: HK\$71,062,000).

10. DIVIDENDS

	2000 HK\$'000	1999 HK\$'000
Interim – 1 cent (1999: 1 cent) per ordinary share	7,500	7,500
Proposed final – 4 cents (1999: 4 cents) per ordinary share	30,000	30,000
	37,500	37,500

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$92,639,000 (1999: HK\$95,112,000) and the weighted average of 750,000,000 (1999: 750,000,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2000 is based on the net profit from ordinary activities attributable to shareholders of HK\$92,639,000 and the weighted average of 757,401,000 ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31 December 1999 has not been presented as the effects arising from the exercise of share options would have been anti-dilutive.



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12. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Containers HK\$'000	Vessels HK\$'000	Total HK\$'000
Cost:									
At beginning of year	280,126	8,515	26,601	8,872	1,498	35,591	3,998	18,481	383,682
Additions	-	259	5	456	761	662	4,305	-	6,448
Disposals	-	-	-	(276)	(74)	(70)	(1,273)	-	(1,693)
At 31 December 2000	280,126	8,774	26,606	9,052	2,185	36,183	7,030	18,481	388,437
Accumulated depreciation:									
At beginning of year	14,985	3,459	24,287	5,268	1,113	29,537	2,990	10,023	91,662
Provided during the year	5,618	1,208	1,105	922	94	2,576	488	2,108	14,119
Disposals	-	-	-	(246)	(60)	(63)	(1,117)	-	(1,486)
At 31 December 2000	20,603	4,667	25,392	5,944	1,147	32,050	2,361	12,131	104,295
Net book value:									
At 31 December 2000	259,523	4,107	1,214	3,108	1,038	4,133	4,669	6,350	284,142
At 31 December 1999	265,141	5,056	2,314	3,604	385	6,054	1,008	8,458	292,020

The leasehold land and buildings included above are analysed as follows:

	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Medium term leases	275,483	1,261	276,744
Long term leases	1,000	2,382	3,382
	276,483	3,643	280,126

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12. FIXED ASSETS (continued)

Company

	Leasehold land and building HK\$'000	Leasehold improvements HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At beginning of year	1,000	1,693	975	1,710	5,378
Additions	-	126	70	-	196
Disposals	-	-	(3)	-	(3)
At 31 December 2000	1,000	1,819	1,042	1,710	5,571
Accumulated depreciation:					
At beginning of year	23	803	380	430	1,636
Provided during the year	25	357	206	214	802
Disposals	-	-	(2)	-	(2)
At 31 December 2000	48	1,160	584	644	2,436
Net book value:					
At 31 December 2000	952	659	458	1,066	3,135
At 31 December 1999	977	890	595	1,280	3,742

The Company's leasehold land and building is a car parking space which is situated in Hong Kong and is held under a long term lease.



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13. INTERESTS IN SUBSIDIARIES

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	296,980	296,980
Due from subsidiaries	158,552	146,444
Due to subsidiaries	(6,551)	(5,464)
	448,981	437,960

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ operations	Nominal value of issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
Chu Kong Agency Company Limited	Hong Kong	Ordinary HK\$100 *Deferred HK\$100,000	100	100	Shipping agency and freight forwarding agency
Chu Kong Container Transportation Company Limited	Hong Kong	Ordinary HK\$100 *Deferred HK\$10,000	100	100	Container and cargo transportation and towing
Chu Kong Godown Wharf & Transportation Company Limited	Hong Kong	Ordinary HK\$100 *Deferred HK\$1,000,000	100	100	Operation of godown and wharf
Chu Kong Infrastructure Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US\$2	100	100	Investment holding



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13. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ operations	Nominal value of issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
Chu Kong River Trade Terminal Co., Ltd.	British Virgin Islands/ Hong Kong	Ordinary US\$2	100	100	Investment holding
Chu Kong Transshipment & Transportation Company Limited	Hong Kong	Ordinary HK\$100 *Deferred HK\$100,000	100	100	Transshipment and transportation
Chu Kong Transportation (H.K.) Limited	Hong Kong	Ordinary HK\$100 *Deferred HK\$100,000	100	100	Wharf cargo handling and transportation
Chu Kong Warehouse Properties Co. Ltd.	British Virgin Islands/ Hong Kong	Ordinary US\$100 *Preferred US\$9,900	100	100	Property holding
Ever Sky Transportation Limited	Hong Kong	Ordinary HK\$10,000	100	100	Wharf cargo handling

Except for Ever Sky Transportation Limited, all the above subsidiaries are directly held by the Company.

* The holders of the deferred shares are entitled to minimum rights as to dividends and return of capital, and are not entitled to share in the Company's profit or to attend or vote at any general meeting of the Company, rights which are vested in the ordinary shares.

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



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14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	-	-	15,060	-
Share of net assets	154,188	125,630	-	-
Capital contributions paid in advance	24,991	22,727	-	-
Loans to jointly-controlled entities	37,044	35,789	1,255	-
Due from jointly-controlled entities	1,864	274	45	-
Due to jointly-controlled entities	(41,622)	(31,350)	-	-
	176,465	153,070	16,360	-

The capital contributions paid to Guangzhou-Foshan Expressway Ltd. of HK\$22,727,000 and He Shan County Hekong Associated Forwarding Co., Ltd. of HK\$2,264,000 have been accounted for as advance payments because the capital verification and registration procedures for the increase in the registered capital of the respective entity have not been completed as at 31 December 2000.

The balances with the jointly-controlled entities are unsecured and interest-free.



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14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ operations	Percentage of equity interest attributable to the Group		Percentage of voting power held		Principal activities
			2000	1999	2000	1999	
Chu Kong Air-Sea Union Transportation Company Limited	Corporate	Hong Kong	51	-	60	-	Operation and management of a marine cargo terminal
Deqing Kangzhou Container Transportation Company Ltd.	Corporate	PRC	52	52	60	60	Wharf cargo handling and godown storage
Dongguan Humen Great Trade Containers Port Co., Ltd.	Corporate	PRC	30	30	28.6	28.6	Wharf cargo handling and godown storage
Guangdong Zhu Chuan Navigation Co., Ltd.	Corporate	PRC	49	-	40	-	Cargo transportation
Guangzhou-Foshan Expressway Ltd.	Corporate	PRC	25	25	40	40	Operation of expressway
He Shan County Hekong Associated Forwarding Co., Ltd.	Corporate	PRC	40	40	50	50	Wharf cargo handling, godown storage and river trade cargo transportation



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14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Name	Business structure	Place of incorporation/ operations	Percentage of equity interest attributable to the Group		Percentage of voting power held		Principal activities
			2000	1999	2000	1999	
Shenzhen Yantian Port Zhujiang Container Transportation Company Limited	Corporate	PRC	40	-	40	-	Container transportation and repair
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.	Corporate	PRC	49	49	40	40	Freight forwarding agency

Chu Kong Air-Sea Union Transportation Company Limited and Shenzhen Yantian Port Zhujiang Container Transportation Company Limited are directly held by the Company.

Pursuant to the respective joint venture agreements, the Group is entitled to its equity share in the profits and losses of the jointly-controlled entities during the tenures of the joint ventures.

A summary of the results for the year and the net tangible assets as at the balance sheet date of the material jointly-controlled entity of the Group, Guangzhou-Foshan Expressway Ltd. is set out below:

(a) Results for the year:

	2000 HK\$'000	1999 HK\$'000
Turnover	225,043	197,450
Operating profit	143,291	142,714
Tax	(11,045)	(12,152)
Profit after tax	132,246	130,562



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14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

(b) Net tangible assets at 31 December:

	2000 HK\$'000	1999 HK\$'000
Fixed assets	583,436	621,026
Construction in progress	10,797	5,864
Current assets	37,854	29,854
Current liabilities	(229,277)	(249,709)
Non-current interest-bearing liabilities	(54,717)	(54,474)
	348,093	352,561

15. TRADE RECEIVABLES

The aging analysis of the Group's trade receivables is as follows:

	2000		1999	
	HK\$'000	Percentage	HK\$'000	Percentage
Within three months	42,013	86	44,080	84
Within four to six months	3,581	7	4,127	8
Within seven months to one year	1,041	2	2,182	4
Over one year	2,594	5	1,810	4
	49,229	100	52,199	100
Provision	(2,854)		(4,000)	
Total after provision	46,375		48,199	

The normal credit period granted by the Group is one to three months from the date of recognition of sale.



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16. BALANCES WITH RELATED COMPANIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Due from related companies				
Due from the immediate holding company	13,999	8,160	-	-
Due from fellow subsidiaries	15,987	12,585	-	-
Due from other related companies	24	654	24	197
	30,010	21,399	24	197
Due to related companies				
Due to the immediate holding company	-	-	(38)	(851)
Due to fellow subsidiaries	(1,213)	(8,517)	-	-
Due to other related companies	(25,866)	(14,675)	-	-
	(27,079)	(23,192)	(38)	(851)

These represent balances with the Company's immediate holding company, Chu Kong Shipping Enterprises (Holdings) Company Limited, and its subsidiaries, fellow subsidiaries, associates and jointly-controlled entities. The balances are unsecured, interest-free and are repayable in accordance with normal trading terms.



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17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Cash and bank balances	47,352	61,538	9,015	21,361
Time deposits	378,895	329,078	251,498	230,864
	426,247	390,616	260,513	252,225

18. TRADE PAYABLES

The aging analysis of the Group's trade payables is as follows:

	2000		1999	
	HK\$'000	Percentage	HK\$'000	Percentage
Within three months	55,047	93	48,007	93
Within four to six months	2,301	4	1,705	3
Within seven months to one year	962	2	1,182	2
Over one year	524	1	774	2
	58,834	100	51,668	100

19. DEFERRED TAX

	Group	
	2000 HK\$'000	1999 HK\$'000
Balance at beginning of year	221	425
Credit for the year – note 8	(77)	(204)
At 31 December	144	221



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19. DEFERRED TAX (continued)

The principal components of the Group's deferred tax liabilities/(assets) are as follows:

	2000 HK\$'000	1999 HK\$'000
Accelerated depreciation allowances	1,018	1,434
Initial contribution to a provident fund	(874)	(1,213)
	144	221

There are no significant potential deferred tax liabilities of the Group and the Company for which provision has not been made.

20. SHARE CAPITAL

Shares

	Company	
	2000 HK\$'000	1999 HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
<i>Issued and fully paid:</i>		
750,000,000 ordinary shares of HK\$0.10 each	75,000	75,000



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20. SHARE CAPITAL (continued)

Share options

A share option scheme ("the Scheme") was approved by the shareholders of the Company on 7 May 1997. Under the Scheme, the directors may, at their discretion, invite full time employees of the Company and its subsidiaries, including executive directors, to take up options to subscribe for shares in the Company, at a price not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the option granted to a grantee, or the nominal value of the Company's shares, whichever is higher. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the issued capital of the Company, excluding any shares issued upon the exercise of options, from time to time. An option may be exercised under the Scheme at any time during a period not exceeding ten years after the date when the option is granted and expiring on the last day of such period.

At the beginning of the year, the Company had 8,500,000 outstanding share options. Such options are exercisable at a price of HK\$1.55 per share during the period from 11 December 1997 to 10 December 2007.

On 29 May 2000, 66,500,000 share options were granted to certain directors and employees. Such options are exercisable at a price of HK\$0.55 per share during the period from 29 May 2000 to 28 May 2010.

On 16 October 2000, 18,000,000 share options were granted to a director and an employee. Such options are exercisable at a price of HK\$0.52 per share during the period from 16 October 2000 to 15 October 2010.

No share options were exercised during the year. A total of 18,000,000 share options lapsed upon the resignation of a director and an employee during the year. Therefore, the Company had 75,000,000 outstanding share options at the balance sheet date. The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 75,000,000 additional ordinary shares and would generate cash proceeds, before the related issue expenses, of approximately HK\$47,710,000 for the Company.



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21. RESERVES

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Enterprise expansion and reserve funds HK\$'000 (Note)	Retained profits HK\$'000	Total HK\$'000
Group					
At 1 January 1999	489,185	380	5,825	157,990	653,380
Transfer to enterprise expansion and reserve funds of jointly-controlled entities	-	-	2,233	(2,233)	-
Exchange realignments	-	(600)	-	-	(600)
Profit for the year	-	-	-	95,112	95,112
Dividends	-	-	-	(37,500)	(37,500)
At 31 December 1999 and at 1 January 2000	489,185	(220)	8,058	213,369	710,392
Goodwill arising on acquisition of a jointly-controlled entity	-	-	-	(999)	(999)
Transfer to enterprise expansion and reserve funds of jointly-controlled entities	-	-	2,162	(2,162)	-
Exchange realignments	-	(853)	-	-	(853)
Profit for the year	-	-	-	92,639	92,639
Dividends	-	-	-	(37,500)	(37,500)
At 31 December 2000	489,185	(1,073)	10,220	265,347	763,679
Retained by:					
Company and its subsidiaries	489,185	(1,073)	-	243,454	731,566
Jointly-controlled entities	-	-	10,220	21,893	32,113
	489,185	(1,073)	10,220	265,347	763,679

Note: In accordance with the financial regulations applicable in Mainland China, jointly-controlled entities in Mainland China are required to transfer part of their profits after tax to the enterprise expansion and reserve funds, which are non-distributable, before profit distributions to joint venture partners. The quanta of the transfers are subject to the approval of the board of directors of these jointly-controlled entities in accordance with their respective joint venture agreements.



Notes to Financial Statements

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21. RESERVES (continued)

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company			
At 1 January 1999	489,185	121,046	610,231
Profit for the year	-	71,062	71,062
Dividends	-	(37,500)	(37,500)
At 31 December 1999 and at 1 January 2000	489,185	154,608	643,793
Profit for the year	-	67,890	67,890
Dividends	-	(37,500)	(37,500)
At 31 December 2000	489,185	184,998	674,183

22. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit from operating activities to net cash inflow from operating activities:

	2000 HK\$'000	1999 HK\$'000
Profit from operating activities	63,557	61,623
Loss/(gain) on disposal of fixed assets	(165)	124
Interest income	(21,021)	(18,837)
Depreciation	14,119	15,047
Decrease/(increase) in amounts due from jointly-controlled entities	(1,590)	291
Increase/(decrease) in amounts due to jointly-controlled entities	10,272	(394)
Decrease/(increase) in trade receivables	1,824	(4,180)
Increase in prepayments, deposits and other receivables	(4,263)	(4,213)
Decrease/(increase) in amounts due from related companies	(8,611)	1,686
Increase in trade payables	7,166	13,685
Decrease in other payables and accruals	(1,598)	(13,331)
Increase in amounts due to related companies	3,887	8,987
Net cash inflow from operating activities	63,577	60,488



Notes to Financial Statements

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23. COMMITMENTS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
(a) Capital commitments contracted for in respect of:				
Loan to a jointly-controlled entity	14,550	-	14,550	-
Capital contributions to jointly-controlled entities established in Mainland China	-	33,377	-	15,027
Purchases of fixed assets	-	994	-	-
	14,550	34,371	14,550	15,027

(b) Annual commitments payable in the following year under non-cancellable operating leases in respect of:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Land and buildings expiring:				
Within one year	2,095	3,318	158	502
In the second to fifth years, inclusive	7,762	2,580	877	877
After five years	5,000	5,126	-	-
	14,857	11,024	1,035	1,379
Vessels and barges expiring:				
Within one year	1,904	19,830	-	-
In the second to fifth years, inclusive	614	-	-	-
After five years	3,237	2,820	-	-
	5,755	22,650	-	-
	20,612	33,674	1,035	1,379

(c) The Group's share of capital commitments of the jointly-controlled entities contracted for is approximately HK\$46,932,000 (1999: nil).



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24. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date.

The Company has given corporate guarantees in favour of banks to the extent of HK\$19.5 million (1999: HK\$25.5 million) in respect of banking facilities granted to certain of its subsidiaries.

25. CORPORATE AFFILIATION AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Guangdong Province Navigation Holdings Company Limited, a company incorporated in the PRC, which is considered by the directors to be the Company's ultimate holding company.

During the year, the Company acquired from Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), the immediate holding company of the Company, its entire interest in Chu Kong Air-Sea Union Transportation Company Limited ("Air-Sea Union"). The acquisition consideration was HK\$2, representing the par value of the ordinary share capital of Air-Sea Union transferred by CKSE to the Company. Air-Sea Union is accounted for as the Group's jointly-controlled entity which details are set out in note 14 to the financial statements.

Details of the terms and balances with the Group's jointly-controlled entities and related companies are set out in notes 14 and 16 to the financial statements, respectively.

In addition to the above, during the year, the Group had the following transactions with CKSE and its subsidiaries, fellow subsidiaries, associates and jointly-controlled entities:

	<i>Notes</i>	2000 HK\$'000	1999 HK\$'000
Office rental expenses paid	<i>(a)</i>	4,534	4,504
Warehouse rental expenses paid	<i>(b)</i>	5,000	5,000
Vessel rental expenses paid	<i>(c)</i>	3,900	4,091
Fuel charges paid	<i>(d)</i>	2,265	1,997
Marine supplies expenses paid	<i>(e)</i>	348	226
Crew hire charges paid	<i>(f)</i>	864	950
Staff hire charges paid	<i>(g)</i>	818	726
Shipping agency, river trade cargo direct shipment and transhipment income received	<i>(h)</i>	7,369	8,395
Wharf cargo handling, cargo consolidation and godown storage income received	<i>(i)</i>	3	2,930
Container hauling and trucking income received	<i>(j)</i>	-	1,141
Shipping agency, river trade cargo direct shipment and transhipment expenses paid	<i>(k)</i>	26,177	31,489
Wharf cargo handling, cargo consolidation and godown storage expenses paid	<i>(l)</i>	20,002	21,555



Notes to Financial Statements

31 December 2000

25. CORPORATE AFFILIATION AND RELATED PARTY TRANSACTIONS (continued)

Notes:

- (a) The office rentals were charged according to the terms of the related lease agreements.
- (b) The warehouse rentals were charged at HK\$5 million per annum.
- (c) The vessel rentals were charged according to the terms of the related lease agreements.
- (d) The fuel charges were determined with reference to the then market rates.
- (e) The marine supplies expenses were charged on a cost-plus basis.
- (f) The crew hire charges were determined at a fixed rate per month for each crew member.
- (g) The staff hire charges were determined at a fixed rate per month for each staff member.
- (h) The shipping agency income from a goods transportation company was charged at fixed rates on the transportation cost; shipping agency income from a passenger transportation company was charged at HK\$200,000 per month; river trade cargo direct shipment and transshipment income was determined based on published prices and market conditions.
- (i) The wharf cargo handling, cargo consolidation and godown storage income was determined based on published prices and market conditions.
- (j) The container hauling and trucking income was determined based on the then published prices and market conditions.
- (k) The shipping agency expenses were charged at fixed rates on the transportation cost; river trade cargo direct shipment and transshipment expenses were determined based on published prices and market conditions.
- (l) The wharf cargo handling, cargo consolidation and godown storage expenses were determined based on published prices and market conditions.

Apart from the connected transactions set out in notes (a), (b), (c), (d), (e), (f) and (g) above, the transactions amounted to HK\$24,927,000 (1999: HK\$29,517,000) included in notes (h), (i), (j), (k) and (l) above with related companies also constituted connected transactions as defined in the Listing Rules. A conditional waiver from strict compliance with the connected transaction requirements as set out in Chapter 14 of the Listing Rules has been obtained. The directors, including the independent non-executive directors of the Company, have reviewed and confirmed that these transactions were conducted in the ordinary and usual course of the Group's business.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 19 March 2001.