



**Chu Kong Shipping  
Development  
Company Limited**

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



**Interim Report 2001**

## UNAUDITED INTERIM RESULTS

The Board of Directors (“the Board”) of Chu Kong Shipping Development Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2001, together with the comparative figures as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>(Unaudited)</b>	
		<b>Six months</b>	
		<b>ended 30 June</b>	
		<b>2001</b>	<b>2000</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	<b>204,075</b>	216,681
Cost of services rendered		<b>(149,599)</b>	(152,940)
Gross profit		<b>54,476</b>	63,741
Other revenue		<b>13,087</b>	11,875
Administrative expenses		<b>(37,653)</b>	(36,816)
Other operating expenses		<b>(767)</b>	(184)
PROFIT FROM OPERATING ACTIVITIES	2, 3	<b>29,143</b>	38,616
Share of profits less losses of jointly-controlled entities		<b>14,318</b>	21,516
PROFIT BEFORE TAX		<b>43,461</b>	60,132
Tax	4	<b>(7,775)</b>	(8,446)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<b>35,686</b>	51,686
Proposed interim dividends	5	<b>7,500</b>	7,500
EARNINGS PER SHARE (cents)	6		
Basic		<b>4.8</b>	6.9
Diluted		<b>4.6</b>	6.8

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED  
GAINS AND LOSSES**

	<b>(Unaudited)</b>	
	<b>Six months</b>	
	<b>ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Exchange differences on translation of the financial statements of foreign entities	<b>(815)</b>	(912)
Net losses not recognised in the profit and loss account	<b>(815)</b>	(912)
Net profit for the year attributable to shareholders	<b>35,686</b>	51,686
Total recognised gains and losses	<b><u>34,871</u></b>	<u>50,774</u>
<u>Note on prior period adjustment</u>		
Given effect as to restatement of reserves brought forward at 1 January 2000	<u>(12,594)</u>	

## CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 June 2001	(Audited, restated) 31 December 2000
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>279,569</b>	284,142
Interests in jointly-controlled entities		<b>222,807</b>	176,465
		<u><b>502,376</b></u>	<u>460,607</u>
<b>CURRENT ASSETS</b>			
Trade receivables	7	<b>45,748</b>	46,375
Prepayments, deposits and other receivables		<b>14,013</b>	16,282
Tax prepaid		–	148
Due from related companies	8	<b>36,419</b>	30,010
Cash and cash equivalents		<b>379,933</b>	426,247
		<u><b>476,113</b></u>	<u>519,062</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	9	<b>55,059</b>	58,834
Other payables and accruals		<b>18,683</b>	24,933
Tax payable		<b>4,455</b>	–
Due to related companies	8	<b>26,598</b>	27,079
		<u><b>104,795</b></u>	<u>110,846</u>
<b>NET CURRENT ASSETS</b>		<u><b>371,318</b></u>	<u>408,216</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>873,694</b>	868,823
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax		<b>144</b>	144
		<u><b>873,550</b></u>	<u>868,679</u>
<b>CAPITAL AND RESERVES</b>			
Issued share capital		<b>75,000</b>	75,000
Reserves	10	<b>791,050</b>	763,679
Proposed dividends		<b>7,500</b>	30,000
		<u><b>873,550</b></u>	<u>868,679</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)  
Six months ended  
30 June 2001  
HK\$'000

NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(13,689)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	15,128
TAX PAID	(196)
INVESTING ACTIVITIES	<u>(47,557)</u>
NET CASH OUTFLOW BEFORE FINANCE ACTIVITIES	(46,314)
FINANCING ACTIVITIES	<u>—</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(46,314)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>426,247</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>379,933</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	46,913
Time deposits with maturity of less than three months	<u>333,020</u>
	<u><u>379,933</u></u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Accounting Policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants except that the comparative amounts for the Condensed Consolidated Cash Flow Statement have not been presented as the Company has taken advantage of the transitional provision set out in the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation adopted are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2000 except that the Group has changed certain of its accounting policies following the adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

Comparative amounts in respect to the Condensed Consolidated Balance Sheet for the year ended 31 December 2000 are extracted from the Group’s annual financial statements for that year and adjusted for the treatment of proposed dividends as further explained below.

### Prior period adjustments

With the exception of SSAP 9 (revised), SSAP 30 and SSAP 31, the adoption of the above standards has had no material effect on amounts reported in prior years.

In accordance with SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability in

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Accounting Policies (continued)

the balance sheet. The change in accounting policy has been applied retrospectively so that the proposed final dividend amounting to HK\$30,000,000 previously recorded as a current liability as at 31 December 2000 has been restated and shown under capital and reserves in the balance sheet.

In accordance with the requirements of SSAP 31 and the transitional provisions of SSAP 30, an adjustment has been made concerning the impairment of goodwill arising prior to the adoption of SSAP 30 which was eliminated against retained profits. The adjustment, which represents a change in accounting policy, has been applied retrospectively in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". Accordingly, goodwill in the amount of HK\$12,594,000 which was impaired in prior periods has been recognised directly in the prior periods' retained profits as brought forward at 1 January 2000.

### 2. Segmental Information

The Group is principally engaged in river trade transportation between Hong Kong and the ports in the Pearl River Delta region.

An analysis of the Group's turnover and contribution to profit from operating activities for the period by principal activity and geographical area of operations is as follows:

#### Turnover

	<b>(Unaudited)</b>	
	<b>Six months</b>	
	<b>ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
By principal activity:		
Shipping agency, river trade cargo direct shipment and transhipment	<b>164,630</b>	165,614
Wharf cargo handling, cargo consolidation and godown storage	<b>38,952</b>	49,741
Container hauling and trucking	<b>493</b>	1,326
	<b><u>204,075</u></b>	<b><u>216,681</u></b>
By geographical area:		
The People's Republic of China (the "PRC"):		
Hong Kong	<b>193,909</b>	206,515
Elsewhere	<b>10,166</b>	10,166
	<b><u>204,075</u></b>	<b><u>216,681</u></b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Segmental Information (continued)

#### Contribution to profit from operating activities

	(Unaudited) Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
By principal activity:		
Shipping agency, river trade cargo direct shipment and transhipment	17,497	21,853
Wharf cargo handling, cargo consolidation and godown storage	11,552	16,856
Container hauling and trucking	155	328
	<u>29,204</u>	<u>39,037</u>
Corporate expenses	(61)	(421)
	<u><u>29,143</u></u>	<u><u>38,616</u></u>
By geographical area:		
The PRC:		
Hong Kong	27,951	37,126
Elsewhere	1,192	1,490
	<u><u>29,143</u></u>	<u><u>38,616</u></u>

### 3. Profit From Operating Activities

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

	(Unaudited) Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Depreciation on fixed assets	6,801	7,060
Gain on disposal of fixed assets	(318)	(5)
Interest income	(9,533)	(10,190)



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 4. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on assessable profits in elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	<b>(Unaudited)</b>	
	<b>Six months</b>	
	<b>ended 30 June</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Group:		
Hong Kong	<b>4,799</b>	6,420
Share of tax of jointly-controlled entities:		
Mainland China	<b>2,976</b>	2,026
Tax charge for the period	<b><u>7,775</u></b>	<u>8,446</u>

### 5. Interim Dividends

The Board is pleased to declare an interim dividend of HK\$0.01 (2000: HK\$0.01) per ordinary share for the six months ended 30 June 2001 to shareholders whose names appear on the Register of Members on 8 October 2001.

### 6. Earnings Per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$35,686,000 (2000: HK\$51,686,000) and the weighted average of 750,000,000 (2000: 750,000,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended 30 June 2001 is based on the net profit from ordinary activities attributable to shareholders of HK\$35,686,000 (2000: HK\$51,686,000) and 774,239,000 (2000: 762,713,000) ordinary shares, being the weighted average number of ordinary shares in issue during the period, adjusted for the effects of dilutive potential ordinary shares outstanding during the period.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 7. Trade Receivables

The aged analysis for the Group's trade receivables is as follows:

	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>30 June 2001</b>		<b>31 December 2000</b>	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within three months	<b>39,700</b>	<b>80</b>	42,013	86
Within four to six months	<b>2,825</b>	<b>6</b>	3,581	7
Within seven months				
to one year	<b>4,194</b>	<b>9</b>	1,041	2
Over one year	<b>2,650</b>	<b>5</b>	2,594	5
	<u>49,369</u>	<u>100</u>	49,229	<u>100</u>
Provision	<u>(3,621)</u>		<u>(2,854)</u>	
	<u><b>45,748</b></u>		<u>46,375</u>	

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

### 8. Due From/To Related Companies

These represent balances with the Company's immediate holding company, Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), 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.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

**9. Trade Payables**

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

	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>30 June 2001</b>		<b>31 December 2000</b>	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within three months	<b>50,836</b>	<b>92</b>	55,047	93
Within four to six months	<b>2,215</b>	<b>4</b>	2,301	4
Within seven months				
to one year	<b>1,477</b>	<b>3</b>	962	2
Over one year	<b>531</b>	<b>1</b>	524	1
	<u><b>55,059</b></u>	<u><b>100</b></u>	<u>58,834</u>	<u>100</u>

**10. Reserves**

	<b>Share premium</b>	<b>Exchange fluctuation reserve</b>	<b>Enterprise expansion and reserve funds</b>	<b>Retained profits</b>	<b>Total</b>
At 31 December 2000	489,185	(1,073)	10,220	265,347	763,679
Exchange realignments	–	(815)	–	–	(815)
Profit for the period	–	–	–	35,686	35,686
Interim dividends	–	–	–	(7,500)	(7,500)
	<u>489,185</u>	<u>(1,888)</u>	<u>10,220</u>	<u>293,533</u>	<u>791,050</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 11. Related Party Transactions

During the period, the Group had the following transactions with CKSE and its subsidiaries, fellow subsidiaries, associates and jointly-controlled entities:

		<b>(Unaudited)</b>	
		<b>Six months</b>	
		<b>ended 30 June</b>	
		<b>2001</b>	2000
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Office rental expenses paid	<i>(a)</i>	<b>2,267</b>	2,267
Warehouse rental expenses paid	<i>(b)</i>	<b>2,500</b>	2,500
Vessel rental expenses paid	<i>(c)</i>	<b>3,480</b>	2,401
Fuel charges paid	<i>(d)</i>	<b>2,092</b>	1,268
Marine supplies expenses paid	<i>(e)</i>	<b>95</b>	122
Crew hire charges paid	<i>(f)</i>	<b>410</b>	454
Staff hire charges paid	<i>(g)</i>	<b>327</b>	398
Shipping agency, river trade cargo direct shipment and transhipment income received	<i>(h)</i>	<b>4,241</b>	3,591
Shipping agency, river trade cargo direct shipment and transhipment expenses paid	<i>(i)</i>	<b>12,740</b>	13,703
Wharf cargo handling, cargo consolidation and godown storage expenses paid	<i>(j)</i>	<b>11,715</b>	10,074

*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.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 11. Related Party Transactions *(continued)*

- (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 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.
- (j) 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\$12,492,000 (2000: HK\$11,962,000) included in notes (h), (i) and (j) 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review of Results and Operations**

The consolidated turnover of the Group for the six months ended 30 June 2001 amounted to HK\$204,075,000, down by 5.8% as compared with the corresponding period last year. Net profit attributable to shareholders was HK\$35,686,000, approximately representing a 31% decrease as compared with the corresponding period last year.

During the period, various activities of the Group experienced unprecedented challenges and difficulties. River trade transportation was affected by the economic slowdown in the US, Japan and elsewhere, and a sharp decrease of growth rate (January to May 2001: 2.3%; corresponding period last year: 16.2%) in container handling volume in Hong Kong. Another unfavourable factor adversely affecting river trade transportation is the increasing competition within the sector, which results in a gradual slide in freight rate and the decrease in revenue exceeding that in costs. Under such circumstances, gross profit from the Group's core businesses decreased by 14.5% as compared with the corresponding period last year. The performances of the Group's investments varied considerably for the first half of 2001 and its share of profit of those investments after tax decreased HK\$8,148,000 as compared with the corresponding period last year.

#### **1. River Trade Transportation**

Shipping agency, river trade cargo direct shipment and transshipment are the main focus of the Group's core businesses. The consolidated turnover from these businesses for the first half of 2001 accounted for 80.7% of the Group's consolidated turnover. During the period, the Group recorded a container handling capacity of 115,637 TEUs, representing an increase of 7.5% over the corresponding period last year. However, keen competition resulted in a drop of approximately 10% in freight rate, which in turn led to gross profit ratio decreased 1.4 percentage point. The number of voyages in respect of the vessels under the agency dropped by 8% as compared with that of last year while revenue from shipping agency recorded a 5% increase due to an increase in tonnage.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **1. River Trade Transportation** *(continued)*

As for wharf cargo handling, cargo consolidation and godown storage, the Group handled 75,918 TEUs during the first half of 2001, a decrease of 21% as compared with the corresponding period last year; cargo storage of 26,560CBM, an increase of 13% as compared with the corresponding period last year. The satisfactory growth in general and break bulk cargo led to a 15% increase in handling volume. Due to the decreases in wharf handling rates and volume, turnover and contribution to profit from operating activities arising from the business dropped by 21.7% and 31.5% respectively as compared with the corresponding period last year.

Turnover and contribution to profit from operating activities arising from container hauling and trucking account for a small portion of the Group's core businesses. During the period, the Group recorded an inland container hauling and trucking capacity of 44,679 TEUs, a 7% decrease as compared with the corresponding period last year.

### **2. Investments**

During the first half of 2001, the performance of Guangzhou-Foshan Expressway Ltd. ("Guangfo Expressway Ltd.") was repeatedly impacted by bad weather, resulting in a 5.9% decrease in traffic volume. And with the expiry of its tax preferential period, the income tax rate it was subject to increased from 7.5% to 15%. The Group's share of the profit of Guangfo Expressway Ltd. dropped by 10.9% as compared with the corresponding period last year.

Dongguan Humen Great Trade Containers Port Co., Ltd. ("Humen Company"), affected by cut-throat competition in price by nearby private cargo terminals and a change in local policies, recorded a slight increase in handling volume of containers but a significant decrease in bulk cargo handling. Turnover was down 11% as compared with the corresponding period last year. The Group's share of the profit of Humen Company dropped by 37.3% as compared with the corresponding period last year.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **2. Investments** *(continued)*

With its newly built cargo terminal coming into operation, He Shan County Hekong Associated Forwarding Co., Ltd. has significantly improved its operating environment and quality of services, which has helped it win new customers. Its cargo handling volume during the first half of 2001 increased by 10% as compared with the corresponding period last year and its net profit improved significantly.

Chu Kong Air-Sea Union Transportation Company Limited (“Air-Sea Union”) commenced operation on 28 March 2001. As air freight transportation has been affected by the sluggish economy, Air-Sea Union has found it more difficult to expand its business than it was expected. It has operated in a tough situation. The Group’s share of the loss of Air-Sea Union for the first half year was HK\$3,230,000.

### **Liquidity and Financial Resources**

The Group consistently adopted its financial policy so as to maintain a stable financial condition. As at 30 June 2001, since bank facilities of the Group had not been utilised, its debt ratio was 10.7% on the basis of total liabilities (current liabilities and non-current liabilities) over total assets (as at 31 December 2000: 11.3%).

As at 30 June 2001, the aggregate of the Group’s bank deposits and cash balance amounted to HK\$379,933,000, 82% of which was denominated in Hong Kong dollars. During the period, final dividends of the Company for the year of 2000 amounting to HK\$30,000,000 were distributed. Besides, the shareholders’ loan of HK\$14,550,000 to Air-Sea Union has been made.

Based on the Group’s cash balance, operating capital and unutilised bank facilities, it is believed that the Group has sufficient funds to meet the need for operation and investment in future.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **Employees and Others**

As at 30 June 2001, the Group employed approximately 300 employees. They were remunerated according to the nature of job and market condition. Other employer benefits available for eligible employees included share options, housing allowances and bonuses based on individual merits.

The Group's current information has not changed materially from the information disclosed in the most recent published annual report, including exposure to fluctuations in exchange rates, charge on group assets, contingent liabilities, etc.

### **Outlook**

In view of the keen competition in river trade transportation, the Board forecasts that the extremely adverse business environment will remain unchanged in the near future. To stem the continuous decline in profit, the Group will devote every effort to supervising its jointly-controlled entities and exploring new streams of profit, in addition to improving the profitability of its core businesses by the following ways:

- to integrate its cargo networks so as to make it more versatile for assisting the Group in cargo arrangement, thus further strengthening and expanding the marketing networks on the basis of resources sharing;
- to speed up the construction of an electronic network to handle cargo transportation so as to enhance operation efficiency fundamentally, rationalise personnel and create favorable conditions for economies of scale and the quality services;
- to fully review the Group's cost control and efficiency so as to reduce unnecessary expenses, avoid the abuse of internal resources and maintain profit growth;

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **Outlook** *(continued)*

- to effect quality management across-the-board through internal control over its system, working procedures and implementation so as to meet the requirements of the ISO9001 certification under way;
- to improve effective control over human resources in terms of remuneration, training, screening and position competition so as to enhance the Group's competitiveness in face of the existing social environment of a knowledge-based economy where competition is actually the one among talents;
- to identify terminals or highway infrastructure projects of high returns and strategic partners who can increase the Group's capitalisation so as to develop new streams of profit.

The Board believes that the Group is certainly able to overcome the present hardship and create handsome returns for its shareholders if it will actively adopt practicable measures, confront its weakness and constantly improve its competitiveness, on top of its rich experience and well-developed business relationship and network in the industry.

### **DIRECTORS' INTERESTS IN SHARE CAPITAL**

At 30 June 2001, none of the directors of the Company or their respective associates had any personal, family, corporate or other interest in the share capital of the Company or any of its associated corporations (within the meaning of Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance")) which had been entered in the register kept by the Company pursuant to section 29 of the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 7 May 1997, the Board may, at their absolute discretion, grant options to full time employees and executive directors of the Company or any of its subsidiaries to subscribe for shares in the Company.

Pursuant to the Scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

Name of director	Number of share options outstanding at beginning and at end of period	Exercise period of share options	Exercise price of share options <i>HK\$</i>
Mr. Yang Liansheng	7,000,000	11 December 1997 to 10 December 2007	1.55
	7,000,000	29 May 2000 to 28 May 2010	0.55
Mr. Liang Yongjiu	11,000,000	29 May 2000 to 28 May 2010	0.55
Mr. Che Chiqiang	10,000,000	16 October 2000 to 15 October 2010	0.52
	<hr style="width: 20%; margin: 0 auto;"/> 35,000,000 <hr style="width: 20%; margin: 0 auto;"/>		

Apart from the foregoing, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

At 30 June 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 16(1) of the SDI Ordinance:

<b>Name</b>	<b>Number of shares</b>
(a) CKSE	562,500,000
(b) Guangdong Province Navigation Holdings Company Limited (“GPNHCL”)	562,500,000

CKSE is wholly-owned by GPNHCL. Accordingly, the interests disclosed by parties (a) and (b) above are in respect of the same shareholding.

Saved as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under section 16(1) of the SDI Ordinance.

## **PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the period.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Monday, 8 October 2001 to Wednesday, 10 October 2001, both dates inclusive, during which period no transfers of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Friday, 5 October 2001. Cheques for interim dividends will be despatched on or before 30 October 2001.

## **REVIEW BY AUDIT COMMITTEE**

The 2001 interim report has been reviewed by the Company's Audit Committee which comprises two independent non-executive directors.

## **CODE OF BEST PRACTICE**

The Board is not aware of any information that would reasonably indicate that the Company is not, or was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules for any part of the accounting period covered by the interim report, save that the non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's bye-laws.

## **APPRECIATION**

Finally, the Board would like to extend its sincere gratitude to all shareholders for their continuous trust and support, as well as to all staff of the Group for their endless efforts and contributions to the achievements of the Group.

By order of the Board  
**Che Chiqiang**  
*Director*

Hong Kong, 28 August 2001