

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; and
- 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. Impact of New and Revised Statements of Standard Accounting Practice

The following recently-issued and revised Statements of Standard Accounting Practice ("SSAPs") and related Interpretations are effective for the first time in the preparation of the current year's financial statements, together with a summary of their major effects where applicable:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- 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"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that a proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this revised SSAP is detailed in note 4 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The principal impact of the SSAP on the preparation of these financial statements is that all future minimum lease payments under non-cancellable operating leases are disclosed in the note 27 to the financial statements.

2. Impact of New and Revised Statements of Standard Accounting Practice *(continued)*

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's financial statements for the year. The adoption of the SSAP has resulted in prior year adjustments, further details of which are included in note 4 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management determines whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. This SSAP has had no major impact on these financial statements.

SSAP 30 prescribes the treatment of business combinations, including the determination of the date of acquisition and the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill on acquisition. The SSAP requires the disclosure of goodwill or negative goodwill on future acquisition in the non-current assets section of the balance sheet, and that such goodwill or negative goodwill is amortised to or recognised in the profit and loss account over its estimated useful life, and has had no major impact on these financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisition in previous years which remains eliminated against reserves. The Group has adopted the transitional provisions of SSAP 30 and the Interpretation. A prior year adjustment has been applied retrospectively in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies", further details of which are included in note 4 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairment of assets, together with disclosure requirements. Interpretation 12 prescribes the application of SSAP 31 to subsequent adjustment of fair values and goodwill initially reported. The adoption of SSAP 31 and the Interpretation in conjunction with the transitional provisions of SSAP 30 have resulted in a prior year adjustment regarding the impairment of goodwill described above. The impact of this SSAP is set out in note 4 to the financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

3. Summary of Significant Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with SSAPs, 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 2001. 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.

The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint Venture Companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint ventures and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as a jointly-controlled entity if the Company does not have unilateral control, but has joint control over the joint venture company.

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, less any impairment losses. 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.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as long term assets and are stated at cost less any impairment losses.

3. Summary of Significant Accounting Policies *(continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

In prior years, goodwill arising on acquisitions was eliminated against reserves in the year of the acquisition. On the adoption of SSAP 30 and SSAP 31 in conjunction with Interpretation 13, a prior year 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", further details of which are included in note 4 to the financial statements.

On disposal of subsidiaries or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of Assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. Summary of Significant Accounting Policies *(continued)*

Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. 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.

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 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.

3. Summary of Significant Accounting Policies *(continued)*

Retirement Benefits Scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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) from the rendering of sea and road freight services, wharf cargo handling, cargo consolidation, godown storage services, when the respective services are rendered;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (c) dividends, when the shareholders' right to receive payment has been established.

The revised accounting treatment for dividends resulting from the adoption of SSAP 18 (Revised) has given rise to prior year adjustments for the Company, further details of which are set out in note 4 to the financial statements.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

The revised accounting treatment for dividends resulting from the adoption of SSAP 9 (Revised) has given rise to prior year adjustments, further details of which are included in note 4 to the financial statements.

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.

3. Summary of Significant Accounting Policies *(continued)*

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.

4. Prior Year Adjustments

Dividends

During the year, the Group adopted SSAP 9 (Revised) "Events after the balance sheet date". To comply with the revised SSAP, a prior year adjustment has been made, reclassifying the proposed final dividend for the year ended 31 December 2000 of HK\$30,000,000, which was recognised as a liability in the prior year, to the proposed final dividend account within the capital and reserves section of the balance sheet.

SSAP 18 (Revised) "Revenue" was adopted during the year. At the Company level, final dividends receivable from subsidiaries are not recognised as income in the profit and loss account until the dividends proposed by the subsidiaries have been approved by the shareholders in a general meeting. Accordingly, prior year adjustments have been made to reverse such proposed dividends from prior years retrospectively. The retained profits of the Company as at 1 January 2000 and 1 January 2001 decreased by HK\$59,000,000 and HK\$54,000,000, respectively (note 24). Accordingly, the profit of the Company for the year ended 31 December 2001 has been increased by HK\$54,000,000. The effect of this change in respect of the year ended 31 December 2000 is an increase in the profit of the Company by HK\$5,000,000.

Goodwill

In accordance with the requirements of SSAP 31 "Impairment of assets" and the transitional provisions of SSAP 30 "Business combinations", 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 the prior year has been recognised directly in the prior year's retained profits as brought forward at 1 January 2000.

Notes to Financial Statements

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5. Segment Information

SSAP 26 was adopted during the year. The Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

Business Segments

The Group's operating businesses are organised and managed separately, according to the nature of services provided. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the cargo transportation segment consisted of the provision of the shipping agency, river trade cargo direct shipment and transshipment services;
- (b) the cargo handling and storage segment consisted of the provision of the wharf cargo handling, cargo consolidation and godown storage services; and
- (c) the container hauling and trucking segment consisted of the provision of container hauling and trucking services.

Inter-segment sales and transfers are transacted by reference to the selling prices that would have been used for sales made to third parties at the then prevailing market prices.

5. Segment Information *(continued)*

Business Segments *(continued)*

The following tables present revenue, result and certain asset, liability and expenditure information of the Group's business segments.

	Cargo transportation		Cargo handling and storage		Container hauling and trucking		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales – external	330,096	348,549	72,484	95,380	894	2,087	-	-	403,474	446,016
Sales – inter-segment	37	4,970	44,426	46,335	38,137	38,750	(82,600)	(90,055)	-	-
Other revenue – external	6,969	7,893	934	1,806	355	707	-	-	8,258	10,406
Other revenue – inter-segment	-	-	505	505	4,183	1,882	(4,688)	(2,387)	-	-
Total revenue	337,102	361,412	118,349	144,026	43,569	43,426	(87,288)	(92,442)	411,732	456,422
Segment results	16,764	30,278	22,610	31,993	250	587	-	-	39,624	62,858
Unallocated income									13,697	16,200
Unallocated expenses									(14,920)	(15,501)
Profit from operating activities									38,401	63,557
Finance costs									(2)	(8)
Share of profits and losses of jointly-controlled entities									27,215	39,593
Profit before tax									65,614	103,142
Tax									(10,403)	(10,503)
Net profit from ordinary activities attributable to shareholders									55,211	92,639

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5. Segment Information *(continued)*

Business Segments *(continued)*

	Cargo transportation		Cargo handling and storage		Container hauling and trucking		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	148,394	155,782	300,963	318,204	15,664	13,830	(18,480)	(18,923)	446,541	468,893
Interests in jointly-controlled entities									246,418	216,223
Unallocated assets									337,038	336,175
Total assets									1,029,997	1,021,291
Segment liabilities	102,643	105,951	13,110	12,738	9,498	8,292	(18,480)	(18,923)	106,771	108,058
Unallocated liabilities									36,178	44,554
Total liabilities									142,949	152,612
Other information:										
Capital expenditure – segment	1,721	4,931	2,522	874	21	447	–	–	4,264	6,252
Capital expenditure – unallocated									465	196
									4,729	6,448
Depreciation – segment	3,096	2,931	8,563	8,590	678	1,796	–	–	12,337	13,317
Depreciation – unallocated									893	802
									13,230	14,119
Bad debts expenses	209	638	43	189	(60)	–	–	–	192	827

Geographical Segments

Over 90% of the Group's revenue, results, assets and liabilities are derived from operations carried out in Hong Kong.

6. 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:

	2001	2000
	HK\$'000	HK\$'000
Cargo transportation	330,096	348,549
Cargo handling and storage	72,484	95,380
Container hauling and trucking	894	2,087
	403,474	446,016

7. Profit from Operating Activities

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

	2001	2000
	HK\$'000	HK\$'000
Auditors' remuneration	1,650	2,080
Depreciation	13,230	14,119
Lease payments under operating leases:		
Land and buildings	14,103	13,429
Vessels and barges	27,035	29,686
Containers	2,993	3,138
	44,131	46,253
Staff costs (including directors' remuneration – note 9):		
Salaries and allowances	73,718	72,830
Pension scheme contributions, net	2,328	1,041
	76,046	73,871
Bad debts expenses	192	827
Gain on disposal of fixed assets	(312)	(165)
Exchange gains, net	(624)	(1,396)
Interest income	(16,547)	(21,021)

The Group did not have any forfeited contributions to the pension scheme for the year. The effect of forfeited contributions on the Group's contributions to the pension scheme in the prior year was not material.

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8. Finance Costs

	2001	Group
	HK\$'000	2000
		<i>HK\$'000</i>
Interest on bank overdrafts	2	8

9. Directors' Remuneration

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

	2001	2000
	HK\$'000	<i>HK\$'000</i>
Fees:		
Executive directors	2,600	2,600
Independent non-executive directors	1,000	1,000
	3,600	3,600
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	726	706
Bonuses	119	113
Pension scheme contributions	12	9
Independent non-executive directors	–	–
	4,457	4,428

The number of directors whose remuneration fell within the following bands is as follows:

	Number of Directors	
	2001	2000
Nil – HK\$1,000,000	5	4
HK\$1,000,001 – HK\$1,500,000	1	2
	6	6

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

10. Five Highest Paid Employees

The five highest paid employees during the year included two (2000: three) directors, details of whose remuneration are set out in note 9 above. The details of the remuneration of the remaining three (2000: two) non-director, highest paid employees are as follows:

	2001 <i>HK\$ '000</i>	Group 2000 <i>HK\$ '000</i>
Salaries, allowances and benefits in kind	2,169	1,415
Bonuses	461	288
Pension scheme contributions	35	17
	2,665	1,720

The remuneration of the above non-director, highest paid employees fell within the range of nil to HK\$1,000,000 during the year.

11. 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 year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2001 <i>HK\$ '000</i>	2000 <i>HK\$ '000</i>
Group:		
Hong Kong profits tax	4,175	6,750
Overprovision in prior year	(188)	(93)
Tax refund in respect of prior year	(403)	–
Deferred – note 22	319	(77)
	3,903	6,580
Share of tax of jointly-controlled entities:		
Mainland PRC	6,500	3,923
Tax charge for the year	10,403	10,503

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12. 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\$57,852,000 (2000 (Restated): HK\$72,890,000).

13. Dividends

	2001 HK\$'000	2000 <i>HK\$'000</i>
Interim – HK1 cent (2000: HK1 cent) per ordinary share	7,500	7,500
Proposed final – HK3 cents (2000: HK4 cents) per ordinary share	22,500	30,000
	30,000	37,500

14. 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\$55,211,000 (2000: HK\$92,639,000) and the weighted average of 750,000,000 (2000: 750,000,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$55,211,000 (2000: HK\$92,639,000) and 771,611,000 (2000: 757,401,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year, adjusted for the effects of dilutive potential ordinary shares outstanding during the year.

15. Fixed Assets

Group

	Leasehold land and buildings	Leasehold improve- ments	Plant and machinery	Office equip- ment	Furniture and fixtures	Motor vehicles	Containers	Vessels	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:									
At beginning of year	280,126	8,774	26,606	9,052	2,185	36,183	7,030	18,481	388,437
Additions	-	313	227	1,516	33	29	2,611	-	4,729
Disposals	-	(51)	-	(296)	(26)	(1,201)	(297)	(1,095)	(2,966)
At 31 December 2001	280,126	9,036	26,833	10,272	2,192	35,011	9,344	17,386	390,200
Accumulated depreciation:									
At beginning of year	20,603	4,667	25,392	5,944	1,147	32,050	2,361	12,131	104,295
Provided during the year	5,619	1,235	803	1,016	154	1,448	935	2,020	13,230
Disposals	-	(51)	-	(276)	(26)	(956)	(224)	(649)	(2,182)
At 31 December 2001	26,222	5,851	26,195	6,684	1,275	32,542	3,072	13,502	115,343
Net book value:									
At 31 December 2001	253,904	3,185	638	3,588	917	2,469	6,272	3,884	274,857
At 31 December 2000	259,523	4,107	1,214	3,108	1,038	4,133	4,669	6,350	284,142

The leasehold land and buildings are held under the following lease terms:

	Hong Kong HK\$'000	Mainland PRC HK\$'000	Total HK\$'000
At cost:			
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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15. Fixed Assets (continued)

Company

	Leasehold land and building <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At beginning of year	1,000	1,819	1,042	1,710	5,571
Additions	–	–	465	–	465
Disposals	–	–	(5)	–	(5)
At 31 December 2001	1,000	1,819	1,502	1,710	6,031
Accumulated depreciation:					
At beginning of year	48	1,160	584	644	2,436
Provided during the year	25	364	290	214	893
Disposals	–	–	(3)	–	(3)
At 31 December 2001	73	1,524	871	858	3,326
Net book value:					
At 31 December 2001	927	295	631	852	2,705
At 31 December 2000	952	659	458	1,066	3,135

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.

16. Investments in Subsidiaries

	Company	
	2001 <i>HK\$ '000</i>	2000 <i>HK\$ '000</i>
Unlisted shares, at cost	296,980	296,980

The amounts due from/to 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
			2001	2000	
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	Godown and wharf operations
Chu Kong International Airfreight Company Limited @	Hong Kong	Ordinary HK\$10,000	100	-	Freight forwarding
Chu Kong Infrastructure Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US\$2	100	100	Investment holding
Chu Kong River Trade Terminal Co., Ltd.	British Virgin Islands/ Hong Kong	Ordinary US\$2	100	100	Investment holding

Notes to Financial Statements

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16. Investments 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
			2001	2000	
Chu Kong Transhipment & Transportation Company Limited	Hong Kong	Ordinary HK\$100 *Deferred HK\$100,000	100	100	Transhipment 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 Chu Kong International Airfreight Company Limited and 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 returns of capital, but are not entitled to share in the company's profits or to attend or vote at any general meeting of the company, rights which are vested in the holding of the ordinary shares.*

The holders of the preferred shares have a non-cumulative preferential right to the company's profits 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.

17. Interests In Jointly-Controlled Entities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	–	–	15,060	15,060
Share of net assets	164,271	154,188	–	–
Capital contributions paid in advance	–	24,991	–	–
Loans to jointly-controlled entities	82,147	37,044	16,435	1,255
	246,418	216,223	31,495	16,315

The amounts due from/to the jointly-controlled entities included in the current assets and current liabilities, respectively, are unsecured, interest-free and have no fixed terms of repayment.

The loans to the jointly-controlled entities are unsecured, not repayable within the next twelve months and interest-free except for the amounts of HK\$35,849,000 and HK\$6,630,000 which bear interest at rates ranging from 5.85% to 9% and HIBOR plus 0.75% per annum, respectively.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity interest attributable to the Group		Percentage of voting power held		Principal activities
			2001	2000	2001	2000	
Chu Kong Air-Sea Union Transportation Company Limited *	Corporate	Hong Kong	51	51	60	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	49	40	40	Cargo transportation

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17. Interests In Jointly-Controlled Entities *(continued)*

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity interest attributable to the Group		Percentage of voting power held		Principal activities
			2001	2000	2001	2000	
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
Shenzhen Yantian Port Zhujiang Container Transportation Company Limited *	Corporate	PRC	40	40	40	40	Container transportation and repair
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.	Corporate	PRC	49	49	40	40	Freight forwarding agency

* Other than Chu Kong Air-Sea Union Transportation Company Limited and Shenzhen Yantian Port Zhujiang Container Transportation Company Limited which are directly held by the Company, all the other companies were indirectly 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:

	2001 HK\$ '000	2000 HK\$ '000
Turnover	217,017	225,043
Operating profit	131,947	143,291
Tax	(23,159)	(11,045)
Profit after tax	108,788	132,246

17. Interests In Jointly-Controlled Entities *(continued)*

(b) Net Tangible Assets at 31 December:

	2001 HK\$ '000	2000 HK\$ '000
Fixed assets	569,152	583,436
Construction in progress	86,220	10,797
Current assets	48,931	37,854
Current liabilities	(172,657)	(229,277)
Non-current interest-bearing liabilities	(106,651)	(54,717)
	424,995	348,093

18. Trade Receivables

The aged analysis of the Group's trade receivables as at the balance sheet date, based on invoice date, is as follows:

	2001 HK\$ '000	2000 HK\$ '000
Within 3 months	40,648	42,013
Within 4 to 6 months	4,393	3,581
Within 7 months to 1 year	824	1,041
Over 1 year	2,358	2,594
	48,223	49,229
Less: Provision	(2,846)	(2,854)
	45,377	46,375

The normal credit period granted by the Group is one to three months from the date of recognition of sale. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable.

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19. Balances with Related Companies

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Due from Related Companies				
Due from the immediate holding company	6,253	13,999	–	–
Due from fellow subsidiaries	27,755	15,987	–	–
Due from other related companies	24	24	24	24
	34,032	30,010	24	24
Due to Related Companies				
Due to the immediate holding company	–	–	(281)	(38)
Due to fellow subsidiaries	(758)	(1,213)	–	–
Due to other related companies	(28,933)	(25,866)	–	–
	(29,691)	(27,079)	(281)	(38)

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.

20. Cash and Cash Equivalents

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	34,699	47,352	5,815	9,015
Time deposits	366,507	378,895	279,238	251,498
	401,206	426,247	285,053	260,513

21. Trade Payables

The aged analysis of the Group's trade payables as at the balance sheet date, based on invoice date, is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Within 3 months	53,905	55,047
Within 4 to 6 months	1,213	2,301
Within 7 months to 1 year	956	962
Over 1 year	716	524
	56,790	58,834

22. Deferred Tax

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Balance at beginning of year	144	221
Charge/(credit) for the year – note 11	319	(77)
At end of year	463	144

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Accelerated depreciation allowances	1,220	1,018
Initial contributions to a provident fund	(757)	(874)
	463	144

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

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23. Share Capital

Shares

	Company	
	2007 HK\$'000	2006 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
750,000,000 ordinary shares of HK\$0.10 each	75,000	75,000

Share Options

The Company operates a share option scheme (the "Scheme"), further details of which are also set out under the heading "Share option scheme" in the Report of the Directors.

At the beginning of the year, there were 75,000,000 options outstanding under the Scheme. Such options are exercisable at a price from HK\$0.52 to HK\$1.55 per share during the period from 11 December 1997 to 15 October 2010.

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.

No share options were granted, exercised, cancelled or lapsed during the year.

24. Reserves

	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Enterprise expansion and reserve funds <i>HK\$'000</i> <i>(Note (a))</i>	Retained profits <i>HK\$'000</i> <i>(Note (b))</i>	Total <i>HK\$'000</i>
Group					
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
Interim 2000 dividend (note 13)	-	-	-	(7,500)	(7,500)
Proposed final 2000 dividend (note 13)	-	-	-	(30,000)	(30,000)
At 31 December 2000 and at 1 January 2001	489,185	(1,073)	10,220	265,347	763,679
Transfer to enterprise expansion and reserve funds of jointly-controlled entities	-	-	1,782	(1,782)	-
Exchange realignments	-	658	-	-	658
Profit for the year	-	-	-	55,211	55,211
Interim 2001 dividend (note 13)	-	-	-	(7,500)	(7,500)
Proposed final 2001 dividend (note 13)	-	-	-	(22,500)	(22,500)
At 31 December 2001	489,185	(415)	12,002	288,776	789,548

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24. Reserves (continued)

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Enterprise expansion and reserve funds HK\$'000 <i>(Note (a))</i>	Retained profits HK\$'000 <i>(Note (b))</i>	Total HK\$'000
Group (continued)					
Retained by:					
Company and its subsidiaries	489,185	(415)	–	247,950	736,720
Jointly-controlled entities	–	–	12,002	40,826	52,828
At 31 December 2001	489,185	(415)	12,002	288,776	789,548
Retained by:					
Company and its subsidiaries	489,185	(1,073)	–	243,454	731,566
Jointly-controlled entities	–	–	10,220	21,893	32,113
At 31 December 2000	489,185	(1,073)	10,220	265,347	763,679

Notes:

- (a) In accordance with the financial regulations applicable in the Mainland PRC, jointly-controlled entities in the Mainland PRC 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.
- (b) Goodwill in the amount of HK\$12,594,000 which was impaired in prior year has been recognised directly in the prior year's retained profits as brought forward at 1 January 2000. As a result, the opening balance of the retained profits as at 1 January 2000 remained the same as previously reported, further details of which are included in note 4 to the financial statements.

24. Reserves (continued)

	Share premium <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company			
At 1 January 2000			
As previously stated	489,185	154,608	643,793
Prior year adjustment (note 4)	–	(59,000)	(59,000)
As restated	489,185	95,608	584,793
Profit for the year (as restated)	–	72,890	72,890
Interim 2000 dividend (note 13)	–	(7,500)	(7,500)
Proposed final 2000 dividend (note 13)	–	(30,000)	(30,000)
At 31 December 2000	489,185	130,998	620,183
At 1 January 2001			
As previously stated	489,185	184,998	674,183
Prior year adjustment (note 4)	–	(54,000)	(54,000)
As restated	489,185	130,998	620,183
Profit for the year (note 4)	–	57,852	57,852
Interim 2001 dividend (note 13)	–	(7,500)	(7,500)
Proposed final 2001 dividend (note 13)	–	(22,500)	(22,500)
At 31 December 2001	489,185	158,850	648,035

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25. Note to the Consolidated Cash Flow Statement

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

	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	38,401	63,557
Gain on disposal of fixed assets	(312)	(165)
Interest income	(16,547)	(21,021)
Depreciation	13,230	14,119
Decrease in trade receivables	998	1,824
Decrease/(increase) in prepayments, deposits and other receivables	760	(4,263)
Increase in amounts due from related companies	(4,022)	(8,611)
Increase in amounts due from jointly-controlled entities	(7,490)	(1,590)
Increase/(decrease) in trade payables	(2,044)	7,166
Decrease in other payables and accruals	(4,050)	(1,598)
Increase in amounts due to related companies	2,612	3,887
Increase/(decrease) in amounts due to jointly-controlled entities	(6,500)	10,272
Net cash inflow from operating activities	15,036	63,577

26. Commitments

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(a) Capital commitments in respect of:				
Loan to a jointly-controlled entity	–	14,550	–	14,550
Capital contributions to jointly-controlled entities established in the Mainland PRC #	52,280	–	–	–
Purchases of fixed assets	3,500	–	–	–
	55,780	14,550	–	14,550

During the year, the Group entered into five conditional sale and purchase agreements (the "Agreements") with CKSE for the purchase of CKSE's entire equity interests in the registered capital of five Sino-foreign equity joint ventures (the "Joint Ventures") at a consideration of HK\$52,280,000. The Joint Ventures are principally engaged in the provision of container terminal operation services for cargo transportation in the Pearl River Delta region. As at the balance sheet date and up to the issuance date of these financial statements, the conditions as specified in the Agreements have not yet been fulfilled, and accordingly, the said transaction has not been completed.

(b) The Group's share of capital commitments of the jointly-controlled entities contracted for is approximately HK\$24,149,000 (2000: HK\$46,932,000).

27. Operating Lease Arrangement

The Group leases certain of its land and buildings, and vessels and barges under operating lease arrangements.

At the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases in respect of the following:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000 (Restated)	2001 HK\$'000	2000 HK\$'000 (Restated)
Land and buildings falling due:				
Within one year	11,953	12,882	992	1,035
In the second to fifth years, inclusive	23,732	26,812	–	439
After five years	–	6,050	–	–
	35,685	45,744	992	1,474
Vessels and barges falling due:				
Within one year	5,532	5,160	–	–
In the second to fifth years, inclusive	7,944	12,949	–	–
After five years	241	5,169	–	–
	13,717	23,278	–	–
	49,402	69,022	992	1,474

28. Pledge of Assets

As at 31 December 2001, a bank guarantee of HK\$576,000 given in lieu of property rental deposit and a guarantee for payment to certain suppliers were secured by the pledge of deposits placed with banks by the Group amounted to HK\$1,181,000.

29. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2001.

The Company has given corporate guarantees in favour of banks to the extent of HK\$17,500,000 (2000: HK\$19,500,000) in respect of banking facilities granted to certain of its subsidiaries.

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30. 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.

Details of the terms and balances with the Group's jointly-controlled entities and related companies are set out in notes 17 and 19 to the financial statements, respectively. Interest income of HK\$1,915,000 and HK\$119,000 were charged to the jointly-controlled entities for the loans of HK\$35,849,000 and HK\$6,630,000 to the jointly-controlled entities at rates ranging from 5.85% to 9% and HIBOR plus 0.75% per annum, 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:

	Notes	2007 HK\$ '000	2006 HK\$ '000
Office rental expenses paid	(a)	4,472	4,534
Warehouse rental expenses paid	(b)	5,000	5,000
Vessel rental expenses paid	(c)	5,299	3,900
Fuel charges paid	(d)	1,726	2,265
Marine supplies expenses paid	(e)	356	348
Crew hire charges paid	(f)	855	864
Staff hire charges paid	(g)	1,444	818
Shipping agency, river trade cargo direct shipment and transshipment income received	(h)	7,980	7,369
Shipping agency, river trade cargo direct shipment and transshipment expenses paid	(i)	30,646	26,177
Wharf cargo handling, cargo consolidation and godown storage expenses paid	(j)	23,780	20,002

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 prevailing 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; the shipping agency income from a passenger transportation company was charged at HK\$200,000 per month; the river trade cargo direct shipment and transshipment income was determined based on the prevailing published prices and market conditions.

30. Corporate Affiliation and Related Party Transactions *(continued)*

Notes: (continued)

- (i) The shipping agency expenses were charged at fixed rates on the transportation cost; the river trade cargo direct shipment and transshipment expenses were determined based on the prevailing published prices and market conditions.
- (j) The wharf cargo handling, cargo consolidation and godown storage expenses were determined based on the prevailing published prices and market conditions.

Apart from the connected transactions set out in notes (a) to (g) above, transactions amounting to HK\$13,462,000 (2000: HK\$24,927,000) 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.

31. Comparative Amounts

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation. Further details of which are set out in the preceding notes to these financial statements.

32. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2002.