

## 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") are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 34 : "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group reserves note.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas jointly-controlled entities are now translated to Hong Kong dollars at weighted average exchange rates for the year, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP on these financial statements is that consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required.

# Notes to Financial Statements

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## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. Additional disclosures are now required in respect of the Company's share option scheme, as detailed in note 23 to the financial statements. These share option scheme disclosures are similar to the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, and which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

These financial statements have been prepared in accordance with 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 2002. 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 Group does not have unilateral control, but has joint control over the joint venture company.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

#### **Joint venture companies** *(continued)*

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.

#### **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.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not exceeding 20 years. In the case of jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Impairment of assets** *(continued)*

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/amortisation), 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.

### **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.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

#### **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 exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the consolidated profit and loss account.

On consolidation, the profit and loss accounts of overseas jointly-controlled entities denominated in foreign currencies are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas jointly-controlled entities are translated to Hong Kong dollars at the weighted average rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Prior to the adoption of the revised SSAP 11 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas jointly-controlled entities were translated to Hong Kong dollars at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

#### **Employee benefits**

##### *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, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

##### *Share option scheme*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

# Notes to Financial Statements

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## 3. 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) 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.

### 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.

### 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 and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the balance sheet, cash and cash equivalent comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

## 4. SEGMENT INFORMATION

In accordance with the requirements of SSAP 26 "Segment reporting", 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 service;
- (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.

Intersegment 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.

# Notes to Financial Statements

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## 4. SEGMENT INFORMATION *(continued)*

### Business segments *(continued)*

The following tables present revenue, profit 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    |          |
|------------------------------------------------------------------|----------------------|----------|----------------------------|----------|--------------------------------|----------|-----------------|----------|-----------------|----------|
|                                                                  | 2002                 | 2001     | 2002                       | 2001     | 2002                           | 2001     | 2002            | 2001     | 2002            | 2001     |
|                                                                  | HK\$'000             | HK\$'000 | HK\$'000                   | HK\$'000 | HK\$'000                       | HK\$'000 | HK\$'000        | HK\$'000 | HK\$'000        | HK\$'000 |
| Segment revenue:                                                 |                      |          |                            |          |                                |          |                 |          |                 |          |
| Sales – external                                                 | <b>389,053</b>       | 330,096  | <b>60,508</b>              | 72,484   | <b>1,059</b>                   | 894      | -               | -        | <b>450,620</b>  | 403,474  |
| Sales – intersegment                                             | <b>13</b>            | 37       | <b>44,729</b>              | 44,426   | <b>37,001</b>                  | 38,137   | <b>(81,743)</b> | (82,600) | -               | -        |
| Other revenue – external                                         | <b>1,351</b>         | 6,969    | <b>439</b>                 | 934      | <b>55</b>                      | 355      | -               | -        | <b>1,845</b>    | 8,258    |
| Other revenue – intersegment                                     | -                    | -        | <b>504</b>                 | 505      | <b>3,342</b>                   | 4,183    | <b>(3,846)</b>  | (4,688)  | -               | -        |
| <b>Total revenue</b>                                             | <b>390,417</b>       | 337,102  | <b>106,180</b>             | 118,349  | <b>41,457</b>                  | 43,569   | <b>(85,589)</b> | (87,288) | <b>452,465</b>  | 411,732  |
| <b>Segment results</b>                                           | <b>16,328</b>        | 16,764   | <b>16,050</b>              | 22,610   | <b>59</b>                      | 250      | -               | -        | <b>32,437</b>   | 39,624   |
| Unallocated income                                               |                      |          |                            |          |                                |          |                 |          | <b>7,900</b>    | 13,697   |
| Unallocated expenses                                             |                      |          |                            |          |                                |          |                 |          | <b>(12,008)</b> | (14,920) |
| Profit from operating activities                                 |                      |          |                            |          |                                |          |                 |          | <b>28,329</b>   | 38,401   |
| Finance costs                                                    |                      |          |                            |          |                                |          |                 |          | <b>(2)</b>      | (2)      |
| Share of profits and losses of jointly-controlled entities       |                      |          |                            |          |                                |          |                 |          | <b>50,829</b>   | 27,215   |
| Profit before tax                                                |                      |          |                            |          |                                |          |                 |          | <b>79,156</b>   | 65,614   |
| Tax                                                              |                      |          |                            |          |                                |          |                 |          | <b>(15,525)</b> | (10,403) |
| Net profit from ordinary activities attributable to shareholders |                      |          |                            |          |                                |          |                 |          | <b>63,631</b>   | 55,211   |



## 4. SEGMENT INFORMATION *(continued)*

### Business segments *(continued)*

|                                          | Cargo transportation |          | Cargo handling and storage |          | Container hauling and trucking |          | Eliminations    |          | Consolidated     |           |
|------------------------------------------|----------------------|----------|----------------------------|----------|--------------------------------|----------|-----------------|----------|------------------|-----------|
|                                          | 2002                 | 2001     | 2002                       | 2001     | 2002                           | 2001     | 2002            | 2001     | 2002             | 2001      |
|                                          | HK\$'000             | HK\$'000 | HK\$'000                   | HK\$'000 | HK\$'000                       | HK\$'000 | HK\$'000        | HK\$'000 | HK\$'000         | HK\$'000  |
| Segment assets                           | <b>182,986</b>       | 148,394  | <b>303,639</b>             | 300,963  | <b>15,218</b>                  | 15,664   | <b>(26,235)</b> | (18,480) | <b>475,608</b>   | 446,541   |
| Interests in jointly-controlled entities |                      |          |                            |          |                                |          |                 |          | <b>290,946</b>   | 246,418   |
| Unallocated assets                       |                      |          |                            |          |                                |          |                 |          | <b>301,261</b>   | 337,038   |
| Total assets                             |                      |          |                            |          |                                |          |                 |          | <b>1,067,815</b> | 1,029,997 |
| Segment liabilities                      | <b>139,003</b>       | 102,643  | <b>17,469</b>              | 13,110   | <b>10,923</b>                  | 9,498    | <b>(26,235)</b> | (18,480) | <b>141,160</b>   | 106,771   |
| Unallocated liabilities                  |                      |          |                            |          |                                |          |                 |          | <b>5,976</b>     | 36,178    |
| Total liabilities                        |                      |          |                            |          |                                |          |                 |          | <b>147,136</b>   | 142,949   |
| Other information:                       |                      |          |                            |          |                                |          |                 |          |                  |           |
| Capital expenditure – segment            | <b>1,229</b>         | 1,721    | <b>20</b>                  | 2,522    | -                              | 21       | -               | -        | <b>1,249</b>     | 4,264     |
| Capital expenditure – unallocated        |                      |          |                            |          |                                |          |                 |          | <b>15</b>        | 465       |
|                                          |                      |          |                            |          |                                |          |                 |          | <b>1,264</b>     | 4,729     |
| Depreciation – segment                   | <b>2,808</b>         | 3,096    | <b>7,104</b>               | 8,563    | <b>117</b>                     | 678      | -               | -        | <b>10,029</b>    | 12,337    |
| Depreciation – unallocated               |                      |          |                            |          |                                |          |                 |          | <b>711</b>       | 893       |
|                                          |                      |          |                            |          |                                |          |                 |          | <b>10,740</b>    | 13,230    |
| Bad debt expenses                        | <b>537</b>           | 209      | <b>(6)</b>                 | 43       | -                              | (60)     | -               | -        | <b>531</b>       | 192       |

### Geographical segments

Over 90% of the Group's revenue, assets and liabilities are derived from operations carried out in Hong Kong and customers are located in the PRC which includes Hong Kong, accordingly, no further geographical segment information is presented in the financial statements.

# Notes to Financial Statements

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## 5. 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:

|                                | <b>2002</b><br><b>HK\$'000</b> | 2001<br><i>HK\$'000</i> |
|--------------------------------|--------------------------------|-------------------------|
| Cargo transportation           | <b>389,053</b>                 | 330,096                 |
| Cargo handling and storage     | <b>60,508</b>                  | 72,484                  |
| Container hauling and trucking | <b>1,059</b>                   | 894                     |
|                                | <b>450,620</b>                 | 403,474                 |

## 6. PROFIT FROM OPERATING ACTIVITIES

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

|                                                           | <b>2002</b><br><b>HK\$'000</b> | 2001<br><i>HK\$'000</i> |
|-----------------------------------------------------------|--------------------------------|-------------------------|
| Auditors' remuneration                                    | <b>1,130</b>                   | 1,650                   |
| Depreciation                                              | <b>10,740</b>                  | 13,230                  |
| Lease payments under operating leases:                    |                                |                         |
| Land and buildings                                        | <b>13,307</b>                  | 14,103                  |
| Vessels and barges                                        | <b>25,529</b>                  | 27,035                  |
| Containers                                                | <b>3,134</b>                   | 2,993                   |
|                                                           | <b>41,970</b>                  | 44,131                  |
| Staff costs (including directors' remuneration – note 8): |                                |                         |
| Salaries and allowances                                   | <b>62,589</b>                  | 73,718                  |
| Pension scheme contributions, net                         | <b>2,177</b>                   | 2,328                   |
|                                                           | <b>64,766</b>                  | 76,046                  |
| Bad debts expenses                                        | <b>531</b>                     | 192                     |
| Loss/(gain) on disposal of fixed assets                   | <b>158</b>                     | (312)                   |
| Exchange gains, net                                       | <b>(344)</b>                   | (624)                   |
| Interest income                                           | <b>(8,712)</b>                 | (16,547)                |

## 7. FINANCE COSTS

|                             | <b>2002</b>     | <b>Group</b>    |
|-----------------------------|-----------------|-----------------|
|                             | <b>HK\$'000</b> | 2001            |
|                             |                 | <i>HK\$'000</i> |
| Interest on bank overdrafts | <b>2</b>        | 2               |

## 8. DIRECTORS' REMUNERATION

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

|                                           | <b>2002</b>     | 2001            |
|-------------------------------------------|-----------------|-----------------|
|                                           | <b>HK\$'000</b> | <i>HK\$'000</i> |
| Fees:                                     |                 |                 |
| Executive directors                       | <b>1,300</b>    | 2,600           |
| Independent non-executive directors       | <b>500</b>      | 1,000           |
|                                           | <b>1,800</b>    | 3,600           |
| Other emoluments:                         |                 |                 |
| Executive directors:                      |                 |                 |
| Salaries, allowances and benefits in kind | <b>304</b>      | 726             |
| Bonuses                                   | <b>309</b>      | 119             |
| Pension scheme contributions              | <b>12</b>       | 12              |
| Independent non-executive directors       | –               | –               |
|                                           | <b>2,425</b>    | 4,457           |

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

|                               | <b>Number of directors</b> |      |
|-------------------------------|----------------------------|------|
|                               | <b>2002</b>                | 2001 |
| Nil – HK\$1,000,000           | <b>6</b>                   | 5    |
| HK\$1,000,001 – HK\$1,500,000 | –                          | 1    |
|                               | <b>6</b>                   | 6    |

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

# Notes to Financial Statements

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## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2001: two) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining three (2001: three) non-director, highest paid employees are as follows:

|                                           | <b>2002</b>     | <b>Group</b>    |
|-------------------------------------------|-----------------|-----------------|
|                                           | <b>HK\$'000</b> | 2001            |
|                                           |                 | <i>HK\$'000</i> |
| Salaries, allowances and benefits in kind | <b>1,017</b>    | 2,169           |
| Bonuses                                   | <b>445</b>      | 461             |
| Pension scheme contributions              | <b>34</b>       | 35              |
|                                           | <b>1,496</b>    | 2,665           |

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

## 10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 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.

|                                              | <b>2002</b>     | 2001            |
|----------------------------------------------|-----------------|-----------------|
|                                              | <b>HK\$'000</b> | <i>HK\$'000</i> |
| Group:                                       |                 |                 |
| Hong Kong profits tax                        | <b>4,121</b>    | 4,175           |
| Overprovision in prior year                  | <b>(60)</b>     | (188)           |
| Tax refund in respect of prior year          | –               | (403)           |
| Deferred – <i>note 21</i>                    | –               | 319             |
|                                              | <b>4,061</b>    | 3,903           |
| Share of tax of jointly-controlled entities: |                 |                 |
| Mainland PRC                                 | <b>11,464</b>   | 6,500           |
| Tax charge for the year                      | <b>15,525</b>   | 10,403          |

## 11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company was HK\$19,517,000 (2001: HK\$57,852,000).

## 12. DIVIDENDS

|                                                                 | <b>2002</b><br><b>HK\$'000</b> | 2001<br><i>HK\$'000</i> |
|-----------------------------------------------------------------|--------------------------------|-------------------------|
| Interim – HK1 cent (2001: HK1 cent) per ordinary share          | <b>7,500</b>                   | 7,500                   |
| Proposed final – HK4 cents (2001: HK3 cents) per ordinary share | <b>30,000</b>                  | 22,500                  |
|                                                                 | <b>37,500</b>                  | 30,000                  |

## 13. 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\$63,631,000 (2001: HK\$55,211,000) and the weighted average of 750,000,000 (2001: 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\$63,631,000 (2001: HK\$55,211,000) and 765,889,000 (2001: 771,611,000) 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.

## 14. FIXED ASSETS

### Group

|                            | Leasehold<br>land and<br>buildings<br><i>HK\$'000</i> | Leasehold<br>improve-<br>ments<br><i>HK\$'000</i> | Plant and<br>machinery<br><i>HK\$'000</i> | Office<br>equipment<br><i>HK\$'000</i> | Furniture<br>and<br>fixtures<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Containers<br><i>HK\$'000</i> | Vessels<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|----------------------------|-------------------------------------------------------|---------------------------------------------------|-------------------------------------------|----------------------------------------|-------------------------------------------------|--------------------------------------|-------------------------------|----------------------------|--------------------------|
| Cost:                      |                                                       |                                                   |                                           |                                        |                                                 |                                      |                               |                            |                          |
| At beginning of year       | 280,126                                               | 9,036                                             | 26,833                                    | 10,272                                 | 2,192                                           | 35,011                               | 9,344                         | 17,386                     | 390,200                  |
| Additions                  | -                                                     | 301                                               | -                                         | 765                                    | 11                                              | 163                                  | 24                            | -                          | 1,264                    |
| Disposals                  | -                                                     | -                                                 | (190)                                     | (439)                                  | (25)                                            | (87)                                 | (1,673)                       | -                          | (2,414)                  |
| <b>At 31 December 2002</b> | <b>280,126</b>                                        | <b>9,337</b>                                      | <b>26,643</b>                             | <b>10,598</b>                          | <b>2,178</b>                                    | <b>35,087</b>                        | <b>7,695</b>                  | <b>17,386</b>              | <b>389,050</b>           |
| Accumulated depreciation:  |                                                       |                                                   |                                           |                                        |                                                 |                                      |                               |                            |                          |
| At beginning of year       | 26,222                                                | 5,851                                             | 26,195                                    | 6,684                                  | 1,275                                           | 32,542                               | 3,072                         | 13,502                     | 115,343                  |
| Provided during the year   | 5,618                                                 | 970                                               | 374                                       | 927                                    | 163                                             | 732                                  | 1,022                         | 934                        | 10,740                   |
| Disposals                  | -                                                     | -                                                 | (190)                                     | (274)                                  | (23)                                            | (87)                                 | (1,499)                       | -                          | (2,073)                  |
| <b>At 31 December 2002</b> | <b>31,840</b>                                         | <b>6,821</b>                                      | <b>26,379</b>                             | <b>7,337</b>                           | <b>1,415</b>                                    | <b>33,187</b>                        | <b>2,595</b>                  | <b>14,436</b>              | <b>124,010</b>           |
| Net book value:            |                                                       |                                                   |                                           |                                        |                                                 |                                      |                               |                            |                          |
| <b>At 31 December 2002</b> | <b>248,286</b>                                        | <b>2,516</b>                                      | <b>264</b>                                | <b>3,261</b>                           | <b>763</b>                                      | <b>1,900</b>                         | <b>5,100</b>                  | <b>2,950</b>               | <b>265,040</b>           |
| At 31 December 2001        | 253,904                                               | 3,185                                             | 638                                       | 3,588                                  | 917                                             | 2,469                                | 6,272                         | 3,884                      | 274,857                  |

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## 14. FIXED ASSETS *(continued)*

### Group *(continued)*

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

|                    | <b>Hong Kong</b><br><i>HK\$'000</i> | <b>Mainland<br/>PRC</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|--------------------|-------------------------------------|--------------------------------------------|---------------------------------|
| At cost:           |                                     |                                            |                                 |
| Medium term leases | 275,483                             | 1,261                                      | 276,744                         |
| Long term leases   | 1,000                               | 2,382                                      | 3,382                           |
|                    | <b>276,483</b>                      | <b>3,643</b>                               | <b>280,126</b>                  |

### Company

|                            | <b>Leasehold<br/>land and<br/>building</b><br><i>HK\$'000</i> | <b>Leasehold<br/>improvements</b><br><i>HK\$'000</i> | <b>Office<br/>equipment</b><br><i>HK\$'000</i> | <b>Motor<br/>vehicles</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|----------------------------|---------------------------------------------------------------|------------------------------------------------------|------------------------------------------------|----------------------------------------------|---------------------------------|
| Cost:                      |                                                               |                                                      |                                                |                                              |                                 |
| At beginning of year       | 1,000                                                         | 1,819                                                | 1,502                                          | 1,710                                        | 6,031                           |
| Additions                  | -                                                             | -                                                    | 15                                             | -                                            | 15                              |
| <b>At 31 December 2002</b> | <b>1,000</b>                                                  | <b>1,819</b>                                         | <b>1,517</b>                                   | <b>1,710</b>                                 | <b>6,046</b>                    |
| Accumulated depreciation:  |                                                               |                                                      |                                                |                                              |                                 |
| At beginning of year       | 73                                                            | 1,524                                                | 871                                            | 858                                          | 3,326                           |
| Provided during the year   | 25                                                            | 228                                                  | 244                                            | 214                                          | 711                             |
| <b>At 31 December 2002</b> | <b>98</b>                                                     | <b>1,752</b>                                         | <b>1,115</b>                                   | <b>1,072</b>                                 | <b>4,037</b>                    |
| Net book value:            |                                                               |                                                      |                                                |                                              |                                 |
| <b>At 31 December 2002</b> | <b>902</b>                                                    | <b>67</b>                                            | <b>402</b>                                     | <b>638</b>                                   | <b>2,009</b>                    |
| At 31 December 2001        | 927                                                           | 295                                                  | 631                                            | 852                                          | 2,705                           |

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.

## 15. INVESTMENTS IN SUBSIDIARIES

|                          | Company          |                  |
|--------------------------|------------------|------------------|
|                          | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Unlisted shares, at cost | <b>296,980</b>   | 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/<br>operations   | Nominal value<br>of issued and<br>fully-paid<br>share capital | Percentage<br>of equity<br>interest<br>attributable to<br>the Company |      | Principal activities                                |
|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------|------|-----------------------------------------------------|
|                                                                                                                                                |                                         |                                                               | 2002                                                                  | 2001 |                                                     |
| Chu Kong Agency<br>Company Limited                                                                                                             | Hong Kong                               | Ordinary HK\$100<br>*Deferred HK\$100,000                     | <b>100</b>                                                            | 100  | Shipping agency and<br>freight forwarding<br>agency |
| Chu Kong Container<br>Transportation<br>Company Limited                                                                                        | Hong Kong                               | Ordinary HK\$100<br>*Deferred HK\$10,000                      | <b>100</b>                                                            | 100  | Container and cargo<br>transportation and<br>towing |
| Chu Kong Godown<br>Wharf & Transportation<br>Company Limited                                                                                   | Hong Kong                               | Ordinary HK\$100<br>*Deferred HK\$1,000,000                   | <b>100</b>                                                            | 100  | Godown and<br>wharf operations                      |
| Chu Kong<br>Infrastructure<br>Investment Limited                                                                                               | British Virgin<br>Islands/<br>Hong Kong | Ordinary US\$2                                                | <b>100</b>                                                            | 100  | Investment holding                                  |
| Chu Kong International<br>Airfreight Company<br>Limited @                                                                                      | Hong Kong                               | Ordinary HK\$10,000                                           | <b>100</b>                                                            | 100  | Freight forwarding                                  |
| Chu Kong River<br>Trade Terminal Co., Ltd.                                                                                                     | British Virgin<br>Islands/<br>Hong Kong | Ordinary US\$2                                                | <b>100</b>                                                            | 100  | Investment holding                                  |
| Chu Kong Transhipment<br>& Logistics Company<br>Limited (formerly<br>known as Chu Kong<br>Transhipment &<br>Transportation Company<br>Limited) | Hong Kong                               | Ordinary HK\$100<br>*Deferred HK\$100,000                     | <b>100</b>                                                            | 100  | Transhipment and<br>transportation                  |

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## 15. INVESTMENTS IN SUBSIDIARIES *(continued)*

| Name                                   | Place of incorporation/<br>operations | Nominal value of issued and fully-paid share capital | Percentage of equity interest attributable to the Company |      | Principal activities                    |
|----------------------------------------|---------------------------------------|------------------------------------------------------|-----------------------------------------------------------|------|-----------------------------------------|
|                                        |                                       |                                                      | 2002                                                      | 2001 |                                         |
| Chu Kong Transportation (H.K.) Limited | Hong Kong                             | Ordinary HK\$100<br>*Deferred HK\$100,000            | 100                                                       | 100  | Wharf cargo handling and transportation |
| Chu Kong Warehouse Properties Co. Ltd. | British Virgin Islands/<br>Hong Kong  | Ordinary US\$100<br>#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 minimal rights as to dividends and returns of capital, but are not entitled to share the company's profit or to attend or vote at any general meeting of the company, and 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 profit at 8% of the nominal amount of the company's share capital, but are not entitled to receive notice of or to attend or vote at any meeting of members or directors.

## 16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

|                                      | Group            |                  | Company          |                  |
|--------------------------------------|------------------|------------------|------------------|------------------|
|                                      | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Unlisted shares, at cost             | –                | –                | 15,060           | 15,060           |
| Share of net assets                  | 198,325          | 164,271          | –                | –                |
| Goodwill on acquisitions             | 26,535           | –                | –                | –                |
| Loans to jointly-controlled entities | 66,086           | 82,147           | 20,310           | 16,435           |
|                                      | <b>290,946</b>   | 246,418          | <b>35,370</b>    | 31,495           |

During the year, goodwill arising on the acquisition of jointly-controlled entities amounting to HK\$28,096,000 was recognised in the consolidated balance sheet as part of the Group's interests in jointly-controlled entities. The goodwill is amortised on the straight-line basis over its estimated useful life which is 18 years. During the year, amortisation of goodwill amounting to HK\$1,561,000 was charged to the profit and loss account.

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.



## 16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

The loans to the jointly-controlled entities are unsecured, not repayable within the next 12 months and interest-free except for the amount of HK\$31,132,000 (2001: HK\$35,849,000 and HK\$6,630,000) which bears interest at rates ranging from 5.85% to 9% per annum (2001: 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                                |
|----------------------------------------------------------------|--------------------|-----------------------------------------------------|---------------------------------------------------------|------|---------------------------------|------|-----------------------------------------------------|
|                                                                |                    |                                                     | 2002                                                    | 2001 | 2002                            | 2001 |                                                     |
| 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   | 29                              | 29   | Wharf cargo handling and godown storage             |
| Foshan New Port Ltd.                                           | Corporate          | PRC                                                 | 25                                                      | –    | 40                              | –    | Cargo transportation and consolidation              |
| Gaoming Ming Chu Transportation Co., Ltd.                      | Corporate          | PRC                                                 | 25                                                      | –    | 50                              | –    | Cargo transportation and consolidation              |
| Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. | Corporate          | PRC                                                 | 25                                                      | –    | 43                              | –    | Cargo and passenger transportation                  |
| Guangdong Zhu Chuan Navigation Co., Ltd.                       | Corporate          | PRC                                                 | 49                                                      | 49   | 40                              | 40   | Cargo transportation                                |
| Guangzhou-Foshan Expressway Ltd.                               | Corporate          | PRC                                                 | 25                                                      | 25   | 40                              | 40   | Operation of an expressway                          |

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## 16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

| Name                                                                      | Business structure | Place of incorporation/<br>registration and operations | Percentage of equity interest attributable to the Group |      | Percentage of voting power held |      | Principal activities                                                      |
|---------------------------------------------------------------------------|--------------------|--------------------------------------------------------|---------------------------------------------------------|------|---------------------------------|------|---------------------------------------------------------------------------|
|                                                                           |                    |                                                        | 2002                                                    | 2001 | 2002                            | 2001 |                                                                           |
| He Shan County Hekong Associated Forwarding Co. Ltd.                      | Corporate          | PRC                                                    | <b>40</b>                                               | 40   | <b>50</b>                       | 50   | Wharf cargo handling, godown storage and river trade cargo transportation |
| Nankong Warehouse & Consolidator Co., Ltd.                                | Corporate          | PRC                                                    | <b>25</b>                                               | –    | <b>25</b>                       | –    | Cargo transportation and consolidation                                    |
| Sanshui Sangang Containers Wharf Co., Ltd.                                | Corporate          | PRC                                                    | <b>30</b>                                               | –    | <b>25</b>                       | –    | Cargo transportation and consolidation                                    |
| Shenzhen Yantian Port Zhujiang Container Transportation Company Limited * | Corporate          | PRC                                                    | <b>40</b>                                               | 40   | <b>40</b>                       | 40   | Container transportation and repairs                                      |
| Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.             | Corporate          | PRC                                                    | <b>49</b>                                               | 49   | <b>40</b>                       | 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 are 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 tenure of the joint ventures.

## 16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

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:

|                  | <b>2002</b><br><i>HK\$'000</i> | 2001<br><i>HK\$'000</i> |
|------------------|--------------------------------|-------------------------|
| Turnover         | <b>257,126</b>                 | 217,017                 |
| Operating profit | <b>174,743</b>                 | 131,947                 |
| Tax              | <b>(38,609)</b>                | (23,159)                |
| Profit after tax | <b>136,134</b>                 | 108,788                 |

(b) Net tangible assets at 31 December:

|                                          | <b>2002</b><br><i>HK\$'000</i> | 2001<br><i>HK\$'000</i> |
|------------------------------------------|--------------------------------|-------------------------|
| Fixed assets                             | <b>632,020</b>                 | 569,152                 |
| Construction in progress                 | <b>48,585</b>                  | 86,220                  |
| Current assets                           | <b>53,522</b>                  | 48,931                  |
| Current liabilities                      | <b>(230,196)</b>               | (172,657)               |
| Non-current interest-bearing liabilities | <b>(60,790)</b>                | (106,651)               |
|                                          | <b>443,141</b>                 | 424,995                 |

## 17. TRADE RECEIVABLES

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

|                           | <b>2002</b><br><i>HK\$'000</i> | 2001<br><i>HK\$'000</i> |
|---------------------------|--------------------------------|-------------------------|
| Within 3 months           | <b>35,576</b>                  | 40,648                  |
| Within 4 to 6 months      | <b>3,474</b>                   | 4,393                   |
| Within 7 months to 1 year | <b>1,617</b>                   | 824                     |
| Over 1 year               | <b>3,784</b>                   | 2,358                   |
|                           | <b>44,451</b>                  | 48,223                  |
| Less: Provision           | <b>(3,089)</b>                 | (2,846)                 |
|                           | <b>41,362</b>                  | 45,377                  |

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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## 18. BALANCES WITH RELATED COMPANIES

|                                        | Group            |                  | Company          |                  |
|----------------------------------------|------------------|------------------|------------------|------------------|
|                                        | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| <b>Due from related companies</b>      |                  |                  |                  |                  |
| Due from the immediate holding company | 6,142            | 6,253            | -                | -                |
| Due from fellow subsidiaries           | 52,494           | 27,755           | -                | -                |
| Due from other related companies       | -                | 24               | -                | 24               |
|                                        | <b>58,636</b>    | 34,032           | -                | 24               |
| <b>Due to related companies</b>        |                  |                  |                  |                  |
| Due to the immediate holding company   | (6,438)          | -                | (420)            | (281)            |
| Due to fellow subsidiaries             | (202)            | (758)            | -                | -                |
| Due to other related companies         | (9,848)          | (28,933)         | -                | -                |
|                                        | <b>(16,488)</b>  | (29,691)         | <b>(420)</b>     | (281)            |

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.

## 19. CASH AND CASH EQUIVALENTS

|                        | Group            |                  | Company          |                  |
|------------------------|------------------|------------------|------------------|------------------|
|                        | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Cash and bank balances | 67,058           | 34,699           | 3,837            | 5,815            |
| Time deposits          | 309,097          | 366,507          | 216,657          | 279,238          |
|                        | <b>376,155</b>   | 401,206          | <b>220,494</b>   | 285,053          |

## 20. TRADE PAYABLES

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

|                           | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---------------------------|------------------|------------------|
| Within 3 months           | 58,184           | 53,905           |
| Within 4 to 6 months      | 1,984            | 1,213            |
| Within 7 months to 1 year | 1,166            | 956              |
| Over 1 year               | 1,478            | 716              |
|                           | <b>62,812</b>    | 56,790           |

## 21. DEFERRED TAX

|                               | <b>2002</b>     | <b>Group</b>     |
|-------------------------------|-----------------|------------------|
|                               | <b>HK\$'000</b> | 2001<br>HK\$'000 |
| Balance at beginning of year  | <b>463</b>      | 144              |
| Charge for the year – note 10 | –               | 319              |
| At end of year                | <b>463</b>      | 463              |

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

|                                           | <b>2002</b>     | 2001     |
|-------------------------------------------|-----------------|----------|
|                                           | <b>HK\$'000</b> | HK\$'000 |
| Accelerated depreciation allowances       | <b>820</b>      | 1,220    |
| Initial contributions to a provident fund | <b>(357)</b>    | (757)    |
|                                           | <b>463</b>      | 463      |

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

## 22. SHARE CAPITAL

### Shares

|                                                | <b>2002</b>     | <b>Company</b>   |
|------------------------------------------------|-----------------|------------------|
|                                                | <b>HK\$'000</b> | 2001<br>HK\$'000 |
| Authorised:                                    |                 |                  |
| 2,000,000,000 ordinary shares of HK\$0.10 each | <b>200,000</b>  | 200,000          |
| Issued and fully paid:                         |                 |                  |
| 750,000,000 ordinary shares of HK\$0.10 each   | <b>75,000</b>   | 75,000           |

### Share options

Details of the Company's share option scheme are included in note 23 to the financial statements.

## 23. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, these detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of Directors, as their disclosure is also a requirement of the Listing Rules.

## 23. SHARE OPTION SCHEME *(continued)*

On 10 May 2002, the share option scheme of the Company adopted on 7 May 1997 ceased to operate and a new share option scheme (the "Scheme") has been adopted on 14 May 2002 to comply with the new requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. The options granted under the old scheme will remain in force and effect.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any full-time employee (including executive directors) in the service of the Group. The Scheme became effective on 14 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the Company's shares in issue at any time. At 31 December 2002, the number of shares issuable under share options granted under the Scheme was 59,000,000, which represented approximately 7.9% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

## 23. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the old scheme during the year:

| Grantee                | Date of grant    | Exercise price<br>HK\$ | Exercisable period                      | Number of share options |                                 |                           |
|------------------------|------------------|------------------------|-----------------------------------------|-------------------------|---------------------------------|---------------------------|
|                        |                  |                        |                                         | At<br>1 January<br>2002 | Cancelled<br>during<br>the year | At<br>31 December<br>2002 |
| <b>Director</b>        |                  |                        |                                         |                         |                                 |                           |
| Mr. Yang Liansheng     | 11 December 1997 | 1.55                   | 11 December 1997<br>to 10 December 2007 | 7,000,000               | -                               | <b>7,000,000</b>          |
|                        | 29 May 2000      | 0.55                   | 29 May 2000<br>to 28 May 2010           | 7,000,000               | -                               | <b>7,000,000</b>          |
| Mr. Liang Yongjiu      | 29 May 2000      | 0.55                   | 29 May 2000<br>to 28 May 2010           | 11,000,000              | -                               | <b>11,000,000</b>         |
| Mr. Che Chiqiang       | 16 October 2000  | 0.52                   | 16 October 2000<br>to 15 October 2010   | 10,000,000              | -                               | <b>10,000,000</b>         |
| <b>Other employees</b> | 29 May 2000      | 0.55                   | 29 May 2000<br>to 28 May 2010           | 32,000,000              | (8,000,000)                     | <b>24,000,000</b>         |
|                        | 16 October 2000  | 0.52                   | 16 October 2000<br>to 15 October 2010   | 8,000,000               | (8,000,000)                     | -                         |
|                        |                  |                        |                                         | 75,000,000              | (16,000,000)                    | <b>59,000,000</b>         |

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

The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 59,000,000 additional ordinary shares of the Company and additional share capital of HK\$5,900,000 and share premium of HK\$33,250,000 (before issue expenses).

## 24. RESERVES

### (a) Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The revised SSAP 11 was adopted during the year, as explained in note 2 and under the heading "Foreign currencies" in note 3 to the financial statements. As a result, the profit and loss accounts of overseas jointly-controlled entities are now translated to Hong Kong dollars at the weighted average exchange rates for the year, rather than at the exchange rates at the balance sheet date, as was previously the case. This change in accounting policy has had no significant effect on these financial statements.

# Notes To Financial Statements

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## 24. RESERVES (continued)

### (b) Company

|                                           | Note | Share<br>premium<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------------------|------|------------------------------|---------------------------------|-------------------|
| At 1 January 2001                         |      | 489,185                      | 130,998                         | 620,183           |
| Profit for the year                       |      | –                            | 57,852                          | 57,852            |
| Interim 2001 dividend                     | 12   | –                            | (7,500)                         | (7,500)           |
| Proposed final 2001 dividend              | 12   | –                            | (22,500)                        | (22,500)          |
| At 31 December 2001<br>and 1 January 2002 |      | 489,185                      | 158,850                         | 648,035           |
| Profit for the year                       |      | –                            | 19,517                          | 19,517            |
| Interim 2002 dividend                     | 12   | –                            | (7,500)                         | (7,500)           |
| Proposed final 2002 dividend              | 12   | –                            | (30,000)                        | (30,000)          |
| <b>At 31 December 2002</b>                |      | <b>489,185</b>               | <b>140,867</b>                  | <b>630,052</b>    |

## 25. COMMITMENTS

|                                                                                                 | Group            |                  | Company          |                  |
|-------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                                 | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| (a) Capital commitments in respect of:                                                          |                  |                  |                  |                  |
| Capital contributions to a<br>jointly-controlled entity<br>established in the<br>Mainland PRC # | 14,245           | 52,280           | –                | –                |
| Purchases of fixed assets                                                                       | 520              | 3,500            | –                | –                |
|                                                                                                 | <b>14,765</b>    | 55,780           | –                | –                |

# During the year, the Group entered into a conditional joint venture agreement (the "Agreement") with an independent third party for the investment in a Sino-foreign equity joint venture (the "Joint Venture") at a consideration of RMB15,100,000 (equivalent to HK\$14,245,000). The principal activity of the Joint Venture is the provision of cargo transportation and consolidation services in the Pearl River Delta region.

Subsequent to the balance sheet date, the Joint Venture has obtained the approval documents issued by the relevant government authorities in the Mainland PRC and accordingly, on 18 March 2003, the Group injected RMB10,000,000 to the Joint Venture and the remaining balance of RMB5,100,000 is payable before 24 June 2003.



## 25. COMMITMENTS *(continued)*

- (b) The Group's share of capital commitments of a jointly-controlled entity which are not included in the above were as follows:

|                                    | Group            |                  |
|------------------------------------|------------------|------------------|
|                                    | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Authorised, but not contracted for | 27,745           | –                |
| Contracted, but not provided for   | 4,365            | 24,149           |
|                                    | <b>32,110</b>    | 24,149           |

## 26. OPERATING LEASE ARRANGEMENTS

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          |                  |
|-----------------------------------------|------------------|------------------|------------------|------------------|
|                                         | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Land and buildings falling due:         |                  |                  |                  |                  |
| Within one year                         | 8,185            | 11,953           | 1,058            | 992              |
| In the second to fifth years, inclusive | 19,596           | 23,732           | 597              | –                |
|                                         | <b>27,781</b>    | 35,685           | <b>1,655</b>     | 992              |
| Vessels and barges falling due:         |                  |                  |                  |                  |
| Within one year                         | 11,576           | 5,532            | –                | –                |
| In the second to fifth years, inclusive | 3,602            | 7,944            | –                | –                |
| After five years                        | –                | 241              | –                | –                |
|                                         | <b>15,178</b>    | 13,717           | –                | –                |
|                                         | <b>42,959</b>    | 49,402           | <b>1,655</b>     | 992              |

## 27. PLEDGE OF ASSETS

As at 31 December 2002, a bank guarantee of HK\$576,000 given in lieu of a property rental deposit was secured by the pledge of a deposit placed with a bank by the Group amounting to HK\$630,000.

## 28. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2002.

The Company has given corporate guarantees in favour of banks to the extent of HK\$19,300,000 (2001: HK\$17,500,000) in respect of banking facilities granted to certain of its subsidiaries.

# Notes To Financial Statements

31 December 2002

## 29. 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 16 and 18 to the financial statements, respectively. Interest income of HK\$2,176,000 (2001: HK\$1,915,000 and HK\$119,000) was charged to the jointly-controlled entities for the loans of HK\$31,132,000 (2001: HK\$35,849,000 and HK\$6,630,000) to the jointly-controlled entities at rates ranging from 5.85% to 9% per annum (2001: 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 its jointly-controlled entities, and CKSE and its subsidiaries, fellow subsidiaries, associates and jointly-controlled entities:

|                                                                                      | Notes | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|--------------------------------------------------------------------------------------|-------|------------------|------------------|
| Office rental expenses paid                                                          | (a)   | 4,452            | 4,472            |
| Warehouse rental expenses paid                                                       | (b)   | 5,000            | 5,000            |
| Vessel rental expenses paid                                                          | (c)   | 9,482            | 5,299            |
| Fuel charges paid                                                                    | (d)   | 2,367            | 1,726            |
| Marine supplies expenses paid                                                        | (e)   | 201              | 356              |
| Crew hire charges paid                                                               | (f)   | 877              | 855              |
| Staff hire charges paid                                                              | (g)   | 607              | 1,444            |
| Shipping agency, river trade cargo direct shipment and transshipment income received | (h)   | 4,068            | 7,980            |
| Shipping agency, river trade cargo direct shipment and transshipment expenses paid   | (i)   | 27,500           | 30,646           |
| Wharf cargo handling, cargo consolidation and godown storage expenses paid           | (j)   | 24,678           | 23,780           |

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.

## **29. 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\$10,610,000 (2001: HK\$13,462,000) included in notes (h), (i), and (j) above with related companies also constituted connected transactions as defined in the Listing Rules. 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.

## **30. POST BALANCE SHEET EVENT**

Subsequent to the balance sheet date, on 21 March 2003, the Company together with its immediate holding company, CKSE entered into a sale and purchase agreement with an independent third party to acquire certain office premises in an office tower situated in Hong Kong (the "Properties") for a total cash consideration of approximately HK\$106 million, of which approximately 45% of the Properties which are specifically identified units to be acquired by the Group and the rest to be acquired by CKSE. The Group's portion of the total consideration is approximately HK\$47.6 million. This transaction is scheduled to be completed on or before 20 May 2003.

## **31. COMPARATIVE AMOUNTS**

As further explained in note 2 to the financial statements, due to the adoption of the revised SSAP 1 and SSAP 15 during the current year, the presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

## **32. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 9 April 2003.