

INTERNATIONAL Delivery



road



sea



air



Chu Kong Shipping Development Company Limited
(Incorporated in Hong Kong with limited liability under Companies Ordinance)

Interim Report 2003

The Board of Directors of Chu Kong Shipping Development Co., Ltd. (the “Company”) is pleased to present the interim report of the Company and its subsidiaries (the “Group”) and condensed accounts for the six months ended 30th June 2003. The Group’s consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 30th June 2003, and the consolidated balance sheet as at 30th June 2003 are all unaudited condensed accounts. Those statements together with their relevant notes are set out on pages 12 to 28 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the six months ended 30th June 2003, the Group recorded a consolidated turnover of HK\$234,832,000, an increase of 11.3% as compared with the corresponding period last year. Net profit attributable to shareholders was HK\$33,856,000, representing an increase of 11.6% as compared with the corresponding period last year.

During the period, the operating environment in Hong Kong remained suppressed, while together with the outbreak of the Severe Acute Respiratory Syndrome (“SARS”) in Hong Kong in March this year heavily struck the Hong Kong economy. All industries were badly affected by the struggling economy, and the river trade transportation business, being the core business of the Group, was inevitably disturbed. In the first half of the year, although the Group adopted measures to increase its efforts in promoting sales and reduce freight rate, and to the effect that container handling volume increased and profits from the Group’s core business decreased due to factors such as the reduced gross profit margin, the continuous drop in the number of break bulk cargoes handled and the one-off payment of long service gratuities in relation to the rationalisation of manpower. During the period, profits from the Group’s core business decreased by 7.2% when compared with the corresponding period last year. Meanwhile, the Group benefited from the stable growth of the PRC economy, and recorded satisfactory profits from its investment projects in the Mainland during the period, the total share of profits of jointly-controlled entities after tax in the first half of the year amounted to HK\$21,791,000, an increase of HK\$4,451,000 when compared with the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Operations *(Continued)*

1. River Trade Transportation

During the first half of 2003, consolidated turnover from shipping agency, river trade cargo direct shipment and transshipment businesses accounted for 86.8% of the consolidated turnover of the Group. During the period, the Group recorded a container handling volume of 155,333 TEUs, representing an increase of 26.3% from the corresponding period last year while market competition forced the reduction in freight rate, resulting in a drop in gross profit margin. The number of voyages in respect of the vessels under shipping agency business decreased by 7.7% when compared with the corresponding period last year while the volume handled by the air freight forwarding agency business slightly rose by 4.3%. During the period, income from this business increased by 13.0%, which was mainly attributable to the increase in handling volume, while the decrease of 17.4% in profits was mainly due to the reduction in rates.

In regards to the Group's business in wharf cargo handling, cargo consolidation and godown storage, the capacity during the first half of 2003 was 95,809 TEUs, an increase of 20.0% as compared with the corresponding period last year; cargo storage amounted to 24,639 CBM, representing a surge of 157.7% as compared with the corresponding period last year, mainly attributable to the increases in the number of new customers and the handling volume from existing customers. Even though the volume of break bulk cargoes handled in wharf increased by 6.7% as compared with the corresponding period last year, market competition again led to a fall in rates. Income and profits generating from this business increased by 2.8% and 33.1% respectively during the period, which was mainly attributable to the increase in business volume.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Operations *(Continued)*

1. River Trade Transportation (Continued)

During the period, the container hauling and trucking business handled 45,421 TEUs, representing a slight drop of 0.4% as compared to the corresponding period last year. The business recorded a loss of HK\$501,000, which was due to the one-off payment of long service gratuities in relation to the rationalisation of manpower of approximately HK\$1,954,000.

2. Investments

During the period, the Group completed the purchase of nine floors of G.D. Real Estate Tower in May 2003, with a total area of approximately 31,210 square feet, at a consideration of approximately HK\$49,627,000 (including related professional fees of approximately HK\$2,060,000). The newly acquired property is mainly for own use and most companies under the Group will relocate their operations to the property. Therefore, the acquisition of the property will facilitate the communications within the Group as well as enhance the overall image of the Group, thereby benefiting the Group's long-term development. It will also reduce the overall expenditure of the Group in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Operations *(Continued)*

2. Investments (Continued)

During the period, the Group completed the acquisition of additional equity interests in Foshan New Port Ltd. (“Foshan New Port”) and Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. (“Sanbu Passenger and Freight”). The Group’s proportionate interests in Foshan New Port and Sanbu Passenger and Freight increased from 25% to 37.5% and from 25% to 40% respectively. The Group will consider to further increase the proportionate shareholding interests in other jointly-controlled wharf operators only when shareholders’ long-term interests are guaranteed. During the period, the Group also completed the capital injection into Qingyuan Chu Kong Shipping Port Co., Ltd. (“Qingyuan Chu Kong”), which officially commenced its operations in April this year and developed its business as scheduled.

Due to factors such as major road repair and maintenance and the outbreak of SARS during the first half of 2003, traffic volume recorded by Guangzhou-Foshan Expressway Ltd. (“Guangfo Expressway Ltd.”) decreased by 18.9% as compared with the corresponding period last year. Nevertheless, benefiting from the adjustments in toll in July 2002, toll income of Guangfo Expressway Ltd. in the first half of the 2003 increased by 10.0% when compared with the corresponding period last year. During the period, the Group’s share of profits of Guangfo Expressway Ltd. increased by 15.8% from the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Operations *(Continued)*

2. *Investments (Continued)*

By adopting effective measures such as strengthening internal management thus improving service quality as well as improving communications with its customers, together with the cooperation of the Customs in increasing the efficiency of customs clearance, turnover of Nankong Warehouse & Consolidator Co., Ltd. (“Nankong Warehouse”) rose substantially in the first half of 2003 and recorded encouraging operating results. During the period, the Group’s share of profits of Nankong Warehouse increased by 25.8% as compared with the corresponding period last year.

During the period, Shenzhen Yantian Port Zhujiang Container Transportation Company Limited (“Yantian Container Transportation”) underwent corporate restructuring, and introduced new strategic shareholders into the company while reconstructed its business development strategies and rationalised its resources portfolio, achieving promising results. Although the company had been affected by SARS to a certain extent, the company continued to record profits. During the period, the Group’s share of profits of Yantian Container Transportation increased by HK\$900,000 as compared with the corresponding period last year. It is expected that with SARS contained, Yantian Container Transportation will continue to achieve substantial growth in the second half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook

In view of the sluggish economy and intense market competition, coupled with the impact of SARS on the Group's core business to be surfaced in the second half of the year, particularly obvious in the third quarter, the Board is cautious about the operating performance of the Group's core business in the second half of the year. On the other hand, we will see the new momentum in Hong Kong's economic recovery gaining from the recently executed "Closer Economic Partnership Arrangement". We also believe that the arrangement will generate new business opportunities for the Group's business as well. Facing such challenges and opportunities, the Group will adhere to its development strategies which include strengthening its market expansion efforts, expediting the construction and application of electronic communication networks, seeking for investment opportunities with reasonable yield, further implementing modern logistic management and operating models and proactive development of a modern logistic system, etc. The Board remains confident about the future development of the Group.

Liquidity, Financial Resources and Capital Structure

The Group adheres to its financial policy to maintain a stable financial condition. During the period, the Group had neither utilised a credit facility of HK\$19,300,000 secured from the Group's principal bankers, nor any other financial instruments. The Group financed its operations mainly by internal resources. As at 30th June 2003, the gearing ratio of the Group, represented by total liabilities to total assets, was 14.7% (as at 31st December 2002: 13.8%). The current ratio, represented by current liabilities to current assets, was 2.5 (as at 31st December 2002: 3.5).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity, Financial Resources and Capital Structure *(Continued)*

As at 30th June 2003, the Group's cash and cash equivalents stood at HK\$291,507,000, 76.6% of which was denominated in Hong Kong Dollars. During the period, the Group incurred major cash outflows of approximately HK\$49,627,000 for the acquisition of a total of nine floors of the G.D. Real Estate Tower, HK\$30,000,000 for the payment of the Company's 2002 final dividend and HK\$14,250,000 for the capital contribution in relation to its investment in Qingyuan Chu Kong.

Based on the Group's existing cash and working capital level, together with the available banking facilities, it is believed that the Group has sufficient funds to finance its future operation and investments.

Employees and Others

As at 30th June 2003, the Group employed approximately 300 employees in Hong Kong and remunerated its employees according to the nature of their jobs and market condition. Other staff benefits for eligible employees comprised share options, housing allowances and bonuses based on individual merits.

Provided that Hong Kong's pegged exchange rate system and the foreign exchange system of the People's Republic of China remain generally unchanged, the Group's exposure to exchange rate fluctuations is limited. During the period, no additional assets have been pledged by the Group and there was no significant contingent liabilities.

DIRECTORS' INTERESTS IN SHARE

At 30th June 2003, none of the directors of the Company or their respective associates had any personal, family, corporate or other interests in the shares of the Company or its associated corporations (within the meaning of Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register of interests referred therein.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "2002 Scheme") on 14th May 2002. As at 30th June 2003, the Company did not grant any options under the 2002 Scheme.

Meanwhile, the share option scheme adopted by the Company on 7th May 1997 (the "1997 Scheme") ceased its operation on 10th May 2002. However, options previously granted under the 1997 Scheme will remain in full force and effect. Details of the options granted to certain Directors and employees to subscribe for ordinary shares of the Company are as follows:

Name of grantee	Number of share options outstanding at the beginning and at the end of period	Exercise period of share options	Exercise price of share options (HK\$)
Mr. Liang Yongjiu	11,000,000	29th May 2000 to 28th May 2010	0.55
Mr. Che Chiqiang	10,000,000	16th October 2000 to 15th October 2010	0.52
Other employees	24,000,000	29th May 2000 to 28th May 2010	0.55
	<hr/> <u>45,000,000</u>		

SHARE OPTION SCHEME *(Continued)*

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

SUBSTANTIAL SHAREHOLDERS

At 30th June 2003, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept pursuant to section 16(1) of the SDI Ordinance:

Name	Number of shares held
(1) Chu Kong Shipping Enterprises (Holdings) Company Limited	562,500,000
(2) Guangdong Province Navigation Holdings Company Limited	562,500,000

Chu Kong Shipping Enterprises (Holdings) Company Limited is wholly-owned by Guangdong Province Navigation Holdings Company Limited. Accordingly, the interests held by parties (1) and (2) disclosed above are in respect of the same shareholding.

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

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

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

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 6th October 2003 to Wednesday, 8th October 2003, both dates inclusive, during which no transfers of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 pm on Friday, 3rd October 2003 for registration. Dividend warrants will be dispatched on or before 22nd October 2003.

REVIEW BY AUDIT COMMITTEE

The 2003 interim report has been reviewed by the Company's Audit Committee.

CODE OF BEST PRACTICE

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

APPRECIATION

Finally, the Board would like to take this opportunity to extend its sincere gratitude to all our staff for their efforts and contributions to the Group, as well as all shareholders for their continuous trust and support in the Group's development.

By Order of the Board
Che Chiqiang
Managing Director

Hong Kong, 4th September 2003

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH JUNE 2003

		(Unaudited) Six months ended 30th June	
		2003	As restated (note 1) 2002
	Note	HK\$'000	HK\$'000
Turnover	2	234,832	211,024
Cost of services rendered		<u>(192,526)</u>	<u>(169,702)</u>
Gross profit		42,306	41,322
Other revenues	2	2,969	4,337
Administrative expenses		(30,965)	(29,429)
Other operating income/(expenses), net		<u>194</u>	<u>(163)</u>
Operating profit	2, 3	14,504	16,067
Share of profits less losses of jointly-controlled entities	4	<u>27,716</u>	<u>22,900</u>
Profit before taxation		42,220	38,967
Taxation	5	<u>(8,364)</u>	<u>(8,628)</u>
Profit attributable to shareholders		<u>33,856</u>	<u>30,339</u>
Interim dividend	6	<u>7,500</u>	<u>7,500</u>
Earnings per share (cents)			
– Basic	7	<u>4.5</u>	<u>4.0</u>
– Diluted	7	<u>4.5</u>	<u>3.9</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE 2003

		(Unaudited) 30th June 2003 HK\$'000	As restated (note 1) 31st December 2002 HK\$'000
Non-current assets			
Fixed assets		312,765	265,040
Interests in jointly-controlled entities		367,636	290,946
Deferred tax assets		1,409	536
		<u>681,810</u>	<u>556,522</u>
Current assets			
Accounts receivable	8	34,570	41,362
Prepayments, deposits and other receivables		16,574	12,930
Amount due from immediate holding company	9	770	6,142
Amounts due from fellow subsidiaries	9	46,965	52,494
Amounts due from jointly-controlled entities	9	10,687	22,116
Pledged deposits		655	630
Bank balances and cash		291,628	376,155
		<u>401,849</u>	<u>511,829</u>
Current liabilities			
Accounts payable	10	60,834	62,812
Other payables and accruals		24,341	22,318
Tax payable		3,074	63
Amount due to immediate holding company	9	5,268	6,438
Amounts due to fellow subsidiaries	9	1,162	202
Amounts due to jointly-controlled entities	9	50,903	44,992
Amounts due to other related companies	9	12,188	9,848
Bank overdrafts		121	-
		<u>157,891</u>	<u>146,673</u>
Net current assets		<u>243,958</u>	<u>365,156</u>
Total assets less current liabilities		925,768	921,678
Non-current liabilities			
Deferred tax liabilities		1,702	1,468
Net assets		<u>924,066</u>	<u>920,210</u>
Share capital		75,000	75,000
Reserves		841,566	815,210
Dividends		7,500	30,000
Shareholders' funds		<u>924,066</u>	<u>920,210</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2003

	Share capital HK\$'000	(Unaudited) Reserves (including interim dividend) HK\$'000	Total HK\$'000
At 1st January 2003, as previously reported	75,000	845,679	920,679
Change in accounting policy for deferred taxation <i>(note 1(a))</i>	–	(469)	(469)
At 1st January 2003, as restated	75,000	845,210	920,210
Profit for the period	–	33,856	33,856
2002 final dividend paid <i>(note 6(a))</i>	–	(30,000)	(30,000)
At 30th June 2003	75,000	849,066	924,066
Representing:			
2003 interim dividend <i>(note 6(b))</i>		7,500	
Reserves		841,566	
At 30th June 2003		849,066	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

	Share capital	(Unaudited) Reserves (including interim dividend)	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January 2002, as previously reported	75,000	812,048	887,048
Change in accounting policy for deferred taxation <i>(note 1(a))</i>	—	(555)	(555)
	<hr/>	<hr/>	<hr/>
At 1st January 2002, as restated	75,000	811,493	886,493
Profit for the period, as restated	—	30,339	30,339
2001 final dividend paid <i>(note 6(a))</i>	—	(22,500)	(22,500)
	<hr/>	<hr/>	<hr/>
At 30th June 2002	<u>75,000</u>	<u>819,332</u>	<u>894,332</u>
 Representing:			
2002 interim dividend <i>(note 6(b))</i>		7,500	
Reserves		<u>811,832</u>	
At 30th June 2002		<u>819,332</u>	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2003

	(Unaudited)	
	Six months ended	
	30th June	
	2003	2002
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	45,132	(24,395)
Net cash used in investing activities	(99,780)	(21,242)
Net cash used in financing activities	(30,000)	(22,500)
Decrease in cash and cash equivalents	(84,648)	(68,137)
Cash and cash equivalents at 1st January	376,155	401,206
Cash and cash equivalents at 30th June	<u>291,507</u>	<u>333,069</u>
Analysis of balances of cash and cash equivalents at 30th June:		
Bank balances and cash	291,628	333,069
Bank overdrafts	(121)	-
	<u>291,507</u>	<u>333,069</u>

NOTES TO THE UNAUDITED CONDENSED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

These condensed accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2002 except that the Group has adopted SSAP 12 (revised) “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group’s accounting policies and the effect of adopting this new policy are set out below:

(a) **Deferred taxation**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly-controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE UNAUDITED CONDENSED ACCOUNTS *(Continued)*

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

(a) Deferred taxation *(Continued)*

In prior years, deferred taxation was accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the unaudited condensed consolidated statement of changes in equity, opening reserves at 1st January 2002 and 2003 have been reduced by HK\$555,000 and HK\$469,000 respectively, which represent the additional net deferred tax liabilities required to be provided for under the new policy. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st December 2002 by HK\$536,000 and HK\$1,005,000 respectively. The profit for the six months ended 30th June 2002 has been increased by HK\$74,000.

(b) Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

NOTES TO THE UNAUDITED CONDENSED ACCOUNTS
(Continued)

2. SEGMENT INFORMATION

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

An analysis of the Group's revenues and results for the period by business segment is as follows:

	(Unaudited)				Group HK\$'000
	6 months ended 30th June 2003				
	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Container handling and trucking HK\$'000	Intersegment eliminations HK\$'000	
Turnover	203,898	52,328	18,037	(39,431)	<u>234,832</u>
Other revenues					
– Allocated	314	317	–	(252)	379
– Unallocated					<u>2,590</u>
					<u>2,969</u>
Total revenues					<u>237,801</u>
Segment results	4,916	13,515	(501)		17,930
Unallocated expenses less income					<u>(3,426)</u>
Operating profit					14,504
Share of profits less losses of jointly- controlled entities					<u>27,716</u>
Profit before taxation					42,220
Taxation					<u>(8,364)</u>
Profit attributable to shareholders					<u>33,856</u>

NOTES TO THE UNAUDITED CONDENSED ACCOUNTS
(Continued)

2. SEGMENT INFORMATION (Continued)

	(Unaudited)				
	6 months ended 30th June 2002				
	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Container handling and trucking HK\$'000	Intersegment eliminations HK\$'000	Group HK\$'000
Turnover	180,381	50,901	17,311	(37,569)	<u>211,024</u>
Other revenues					
– Allocated	702	414	2,109	(2,345)	880
– Unallocated					<u>3,457</u>
					<u>4,337</u>
Total revenues					<u>215,361</u>
Segment results	5,950	10,155	1,840		17,945
Unallocated expenses less income					<u>(1,878)</u>
Operating profit					16,067
Share of profits less losses of jointly- controlled entities					<u>22,900</u>
Profit before taxation					38,967
Taxation					<u>(8,628)</u>
Profit attributable to shareholders					<u>30,339</u>

Over 90% of the Group's turnover and contribution to operating profit for the six months ended 30th June 2003 and 2002 were derived from operations carried out in Hong Kong.

NOTES TO THE UNAUDITED CONDENSED ACCOUNTS
(Continued)

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	(Unaudited)	
	Six months ended	
	30th June	
	2003	2002
	HK\$'000	HK\$'000
Crediting		
Gain on disposal of fixed assets	805	20
Interest income	<u>2,810</u>	<u>4,252</u>
Charging		
Depreciation	<u>5,015</u>	<u>5,562</u>

4. SHARE OF PROFITS LESS LOSSES OF JOINTLY-CONTROLLED ENTITIES

	(Unaudited)	
	Six months ended	
	30th June	
	2003	2002
	HK\$'000	HK\$'000
Share of profits less losses	28,436	23,645
Amortisation of goodwill	(780)	(745)
Amortisation of negative goodwill	<u>60</u>	<u>—</u>
	<u>27,716</u>	<u>22,900</u>

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

NOTES TO THE UNAUDITED CONDENSED ACCOUNTS
(Continued)

5. TAXATION (Continued)

The amount of taxation charged to the unaudited consolidated profit and loss account represents:

	(Unaudited)	
	Six months ended	
	30th June	
	As restated	
	(note 1)	
	2003	2002
	HK\$'000	HK\$'000
Current taxation – Hong Kong profits tax	3,078	3,142
Share of taxation attributable to jointly-controlled entities	5,925	5,560
Deferred taxation	(639)	(74)
	<u>8,364</u>	<u>8,628</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	(Unaudited)	
	Six months ended	
	30th June	
	2003	2002
	HK\$'000	HK\$'000
Profit before taxation	<u>42,220</u>	<u>38,967</u>
Calculated at a taxation rate of 17.5% (2002: 16%)	7,388	6,235
Effect of change in the Hong Kong profits tax rate	87	–
Effect of different tax rates applicable to jointly-controlled entities operating outside Hong Kong	1,075	1,896
Net effect of (non-taxable income)/ non-deductible expenses	(186)	497
Taxation charge	<u>8,364</u>	<u>8,628</u>

NOTES TO THE UNAUDITED CONDENSED ACCOUNTS
(Continued)

6. DIVIDENDS

	(Unaudited)	
	Six months ended	
	30th June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, of HK\$0.01 (2002: HK\$0.01) per ordinary share	<u>7,500</u>	<u>7,500</u>

- (a) At a meeting held on 9th April 2003 the directors proposed a final dividend of HK\$0.04 (2002: HK\$0.03) per ordinary share for the year ended 31st December 2002, which was paid on 18th June 2003 and has been reflected as an appropriation of reserves for the six months ended 30th June 2003.
- (b) At a meeting held on 4th September 2003 the directors declared an interim dividend of HK\$0.01 (2002: HK\$0.01) per ordinary share for the year ending 31st December 2003. This dividend is not reflected as an appropriation of reserves for period ended 30th June 2003.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$33,856,000 (2002: HK\$30,339,000, as restated) and 750,000,000 (2002: 750,000,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$33,856,000 (2002: HK\$30,339,000, as restated) and 759,044,000 (2002: 772,857,000) ordinary shares, being the weighted average number of ordinary shares in issue during the period, adjusted for the effects of dilutive potential ordinary shares.

NOTES TO THE UNAUDITED CONDENSED ACCOUNTS
(Continued)

8. ACCOUNTS RECEIVABLES

The ageing analysis of the Group's accounts receivables is as follows:

	(Unaudited)		(Audited)	
	30th June 2003		31st December 2002	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within 3 months	29,546	79	35,576	80
4 to 6 months	2,918	8	3,474	8
7 to 12 months	1,215	3	1,617	4
Over 12 months	3,930	10	3,784	8
	37,609	100	44,451	100
<i>Less: Provision for doubtful debts</i>	(3,039)		(3,089)	
	34,570		41,362	

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

9. AMOUNTS DUE FROM/TO IMMEDIATE HOLDING COMPANY, FELLOW SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND OTHER RELATED COMPANIES

Trade balances with immediate holding company, fellow subsidiaries, jointly-controlled entities and other related companies are unsecured, interest-free and repayable in accordance with normal trading terms. Non-trade balances with immediate holding company, fellow subsidiaries, jointly-controlled entities and other related companies are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE UNAUDITED CONDENSED ACCOUNTS
(Continued)

10. ACCOUNTS PAYABLES

The ageing analysis of the Group's accounts payables is as follows:

	(Unaudited)		(Audited)	
	30th June 2003		31st December 2002	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within 3 months	56,994	94	58,184	93
4 to 6 months	1,109	2	1,984	3
7 to 12 months	1,163	2	1,166	2
Over 12 months	1,568	2	1,478	2
	60,834	100	62,812	100

11. ACQUISITIONS

(a) Acquisitions of further interests in jointly-controlled entities

During the period, the Group further acquired 12.5% and 15% respectively of the equity interests in two jointly-controlled entities, namely, Foshan New Port Limited and Guangdong Sanbu Passenger and Freight Transportation Company Limited at considerations of HK\$2,193,000 and HK\$6,981,000 respectively payable in cash.

(b) Acquisition of a property

During the period, the Group acquired a property for own use at a consideration of HK\$49,627,000.

NOTES TO THE UNAUDITED CONDENSED ACCOUNTS

(Continued)

12. CAPITAL COMMITMENT

At 30th June 2003, the Group had no capital commitment. At 31st December 2002, the Group's capital commitments were as follows:

	(Unaudited) 30th June 2003 HK\$'000	(Audited) 31st December 2002 HK\$'000
Capital commitment, contracted but not provided for, in respect of		
– capital contributions to a jointly-controlled entity	–	14,245
– purchases of fixed assets	–	520
	<u>–</u>	<u>14,765</u>

The Group's shares of capital commitments of the jointly-controlled entities themselves not included in the above are as follows:

	(Unaudited) 30th June 2003 HK\$'000	(Audited) 31st December 2002 HK\$'000
Authorised but not contracted for	–	27,745
Contracted but not provided for	–	4,365
	<u>–</u>	<u>32,110</u>

NOTES TO THE UNAUDITED CONDENSED ACCOUNTS
(Continued)

13. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out with the Company's immediate holding company, its subsidiaries other than the Group, its jointly-controlled entities and the Company's jointly-controlled entities, in the normal course of the Group's business are as follows:

		(Unaudited)	
		Six months ended	
		30th June	
		2003	2002
	Note	HK\$'000	HK\$'000
Office rental expenses paid	(a)	1,721	1,646
Warehouse rental expenses paid	(b)	2,500	2,500
Vessel rental expenses paid	(c)	4,882	3,000
Fuel charges paid	(d)	2,011	1,034
Marine supplies expenses paid	(e)	107	191
Crew hire charges paid	(f)	316	415
Staff hire charges paid	(f)	221	302
Shipping agency, river trade cargo direct shipment and transhipment expenses paid	(g)	15,640	15,470
Wharf cargo handling, cargo consolidation and godown storage expenses paid	(h)	17,228	13,036
Shipping agency, river trade cargo direct shipment and transhipment income received	(i)	6,335	5,137
Loan interest income received	(j)	738	740

- (a) Office rentals were charged according to the terms of the related lease agreements.
- (b) Warehouse rentals were charged at HK\$5 million per annum.
- (c) Vessel rentals were charged according to the terms of the related lease agreements.
- (d) Fuel charges were determined with reference to market rates.

NOTES TO THE UNAUDITED CONDENSED ACCOUNTS

(Continued)

13. RELATED PARTY TRANSACTIONS *(Continued)*

- (e) Marine supplies expenses were charged on a cost-plus basis.
- (f) Crew and staff hire charges were determined at a fixed rate per month for each crew or staff member.
- (g) Shipping agency expenses were charged at fixed rates on the transportation cost; river trade cargo direct shipment and transshipment expenses were determined based on published prices and market conditions.
- (h) Wharf cargo handling, cargo consolidation and godown storage expenses were determined based on published prices and market conditions.
- (i) Shipping agency income from a goods transportation company was charged at fixed rates on the transportation cost; shipping agency income from a passenger transportation company was charged at HK\$200,000 per month; river trade cargo direct shipment and transshipment income was determined based on published prices and market conditions.
- (j) Loan interest was charged on the outstanding loan balances at rates ranging from 4.9% to 5.5% per annum.

14. SUBSEQUENT EVENT

On 23rd July 2003, the Group entered into an agreement with its ultimate holding company for the purchase of 75% equity interest in Chu Kong (Guangdong) International Freight Forwarding Company Limited at a consideration of approximately HK\$16,048,000 payable in cash.