



Chu Kong Shipping Development Company Limited

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



Interim Report 中期報告



The Board of Directors of Chu Kong Shipping Development Company Limited (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 2004. 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 2004, and the consolidated balance sheet as at 30th June 2004, all of which are unaudited and condensed. 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 2004, the Group recorded a consolidated turnover of HK\$326,909,000, an increase of 39.2% as compared with the corresponding period last year. Profit attributable to shareholders was HK\$42,824,000, representing an increase of 26.5% as compared with the corresponding period last year.

During the period, the economy of Mainland China continues to grow at a steady pace while Hong Kong’s economy recovery continues. Coupled with the implementation of the Closer Economic Partnership Arrangement (“CEPA”) between Hong Kong and Mainland China, encouraging steady growth in the flow of cargo transportation between Guangdong and Hong Kong, and the Group’s continuous efforts in consolidating its resources to enhance sales in the first half of the year, the core business of the Group - river trade transportation business – recorded growth on the whole. In particular, container business achieved a substantial growth, which further increased the Group’s market share in the industry, and strengthened its leading position in the momentum river trade transportation business in the Pearl River Delta region. During the period, the Group’s investment business also recorded considerable growth.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Review of Operations (Continued)

1. River trade transportation business

As mentioned above, leveraging on the effects brought about by the continuing improvement of the external operating environment and the Group's internal efforts in strengthening its market expansion, the growth momentum of river trade transportation business of the Group continued on the whole. Major performance statistics of business operations are as follows:

Indicators	Six months ended		Change
	2004	2003	
Container transportation volume (TEU)	221,522	155,333	42.6%
Import and export of shipping agencies business (voyages)	10,505	10,228	2.7%
Container handling volume (TEU)	126,985	95,809	32.5%
Volume of container hauling and trucking on land (TEU)	69,088	45,421	52.1%
Volume of break bulk cargoes handled (tons)	182,999	222,618	-17.8%

As shown in the table above, all container related businesses recorded higher increments. In the first half of 2004, the overall container river trade transportation volume of Hong Kong increased by 12.4%, while the Group achieved a growth of 42.6%, outclassing the growth of the industry and further enhanced the Group's market share in the industry. Meanwhile, the increase in container transportation volume also generated substantial growth for the related wharf container handling, and hauling and trucking on land business. However, the Group's break bulk cargoes business was constrained by the intensified competition from other means of transportation and the macro control measures of Mainland China, which led to a decrease of 17.8% in the volume of break bulk cargoes handled.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Operations *(Continued)*

1. *River trade transportation business (Continued)*

During the period, the Group completed its acquisition of additional equity interests in Chu Kong Cargo Terminals (Gaoming) Co., Ltd. (“Gaoming Terminals”), formerly known as “Foshan Gaoming Ming Chu Transportation Co., Ltd.”, increasing its shareholdings in Gaoming Terminals from originally 50% to 99%, upon which Gaoming Terminals became a subsidiary of the Group. In the first half of 2004, Gaoming Terminals recorded a relatively high growth, of which throughput volume of port and container export volume increased by 50% and 35% respectively. Along with effective cost controls, Gaoming Terminals recorded a profit of RMB3.57 million in the first half of the year, representing an increase of 2.7 times over the corresponding period last year.

2. *Investments business*

Following the implementation of CEPA, the Group commenced its acquisitions of some river wharfs in the Pearl River Delta region and additional equity interests in those wharfs as planned. During the period, aside from the acquisition of additional equity interests in Gaoming Terminals, the Group also completed its acquisition of additional equity interests in Zhaoqing Kangzhou Chu Kong Trade Terminal Co., Ltd. (“Kangzhou Terminal”), formerly known as “Deqing Kangzhou Container Transportation Co., Ltd.” from originally 52% to 60.83%, and completed its acquisition of 75% shareholdings of Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. (“CKIFF”). During the period, the overall performance of the Group’s investment business continued to achieve a stable growth and make contributions to the Group’s profit.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Operations *(Continued)*

2. *Investments business (Continued)*

During the period, major road repairs work conducted by Guangzhou-Foshan Expressway Ltd. (“Guangfo Expressway”) has been completed, recording a 9.7% increase in the traffic volume during the first half of 2004 as compared to the corresponding period last year, ensuring revenue and profit for Guangfo Expressway during the period. The trading position of Shenzhen Yantian Port Zhujiang Logistics Company Limited (“Yantian Logistics”) maintained stable and sound with remarkable operating results as in the second half of the previous year. While the overall performance of the jointly-controlled wharfs in which the Group has shareholdings remained stable and contributed a revenue of HK\$3.07 million to the Group. Other jointly-controlled entities held by the Group recorded sound business developments during the period without significant changes.

Outlook

In light of the stable economic growth of Mainland China and Hong Kong’s ongoing economic recovery, the Board anticipates the upsurge in river trade transportation to continue in the second half of the year. Further implementation of CEPA will undoubtedly facilitate resource integrations between Hong Kong and the Pearl River Delta region, to truly become the Greater Pearl River Delta economic zone. Leveraging on this favourable external environment, the Group will expand its business pursuant to its development strategies in place. We will continue to strengthen our sales and service quality, so as to maintain stable development of our river trade transportation business, focusing on our container handling business. We will continue to capitalise on the opportunities brought by CEPA and press ahead with our planned acquisitions of river wharfs in the Pearl River Delta region. Such acquisitions will provide robust support to the Group’s existing river trade transportation business as well as increase the Group’s overall profitability. We will also actively explore other new businesses related to the Group’s core businesses while consolidating our existing businesses to support their normal operations, and pursue new sources of revenue growth at the same time. Although the recent record-breaking oil prices is likely to have impacts on the general economic growth as well as constraining the Group’s revenue growth, with the overall positive external environment and significant improvements in the Group’s own business developments, the Board believes that the Group will continue to generate remarkable returns for the shareholders in the second half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity And Financial Resources

The Group adheres to its financial policy to maintain a stable financial condition. As at 30th June 2004, the Group had available banking credit facility of HK\$12,390,000 from its principal bankers. As at 30th June 2004, the gearing ratio of the Group, represented by total liabilities to total assets, was 18.4% (31st December 2003: 14.5%).

As at 30th June 2004, the Group's cash and cash equivalents stood at HK\$237,291,000. Based on the Group's existing cash and working capital level, together with the available banking facilities, the directors believe that the Group has sufficient funds to finance its future operations and investments.

As at 30th June 2004, the Group has pledged its fixed assets of approximately HK\$64,402,000 to secure bank loans.

Employees

As at 30th June 2004, the Group employed approximately 310 employees in Hong Kong and remunerated its employees according to the nature of their jobs and market condition. Other staff benefits for eligible employees include share options, housing allowances and bonuses.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

Share options were granted to certain directors of the Company pursuant to the share option schemes of the Company. Details of the directors' interests in share options granted to the directors by the Company are set out under the section headed "Share Options" below.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

(Continued)

Save as disclosed above, as at 30th June 2004, none of the directors or chief executives of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company operates share option schemes 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 schemes include any full-time employees (including executive directors) in the service of the Group.

On 10th May 2002, the share option scheme adopted on 7th May 1997 (the “Old Scheme”) ceased to operate. The share options granted previously under this Old Scheme will remain in force and effect.

On 14th May 2002, the Company adopted a new share option scheme (the “New Scheme”) which, unless otherwise cancelled or amended, will remain in force for 10 years from the date of adoption. No share options have been granted under the New Scheme since adoption.

SHARE OPTION SCHEME (Continued)

Details of the share options outstanding under the Old Scheme are as follows:

Directors	Number of share options outstanding at the beginning and at the end of period	Exercise price (HK\$)	Grant date	Exercise period
Mr. Liang Yongjiu	11,000,000	0.55	29th May 2000	29th May 2000 to 28th May 2010
Mr. Che Chiqiang	10,000,000	0.52	16th October 2000	16th October 2000 to 15th October 2010
	<hr/>			
	21,000,000			
Senior management	8,000,000	0.55	29th May 2000	29th May 2000 to 28th May 2010
Other employees	16,000,000	0.55	29th May 2000	29th May 2000 to 28th May 2010
	<hr/>			
	<u>45,000,000</u>			

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

So far as was known to any director of the Company, as at 30th June 2004, the interests of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Ordinary shares of HK\$0.1 each in the Company

	Number of shares
(i) Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE")	562,500,000
(ii) Guangdong Province Navigation Holdings Company Limited ("GPNHCL")	562,500,000

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

Save as disclosed above, as at 30th June 2004, the Company has not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the provision of financial assistance by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 30th June 2004 required to be disclosed under Rule 13.22 of Chapter 13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) is set out below:

Proforma Combined Balance Sheet of the Affiliated Companies	
<i>as at 30th June 2004</i>	<i>HK\$ million</i>
Non-current assets	835
Current assets	158
Current liabilities	(386)
Non-current liabilities	(186)
	<hr/>
Net assets	421
	<hr/>
Share capital	238
Reserves	183
	<hr/>
Capital and reserves	421
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As at 30th June 2004, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$113 million.

APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR

The Board has agreed to appoint Mr. Choi Kim-Lui as an independent non-executive director of the Company commencing from 8th September 2004 until the date on which the Company convenes its next annual general meeting. Mr. Choi Kim-Lui was also appointed as a member of the Company’s audit committee.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE OF HONG KONG LIMITED'S WEBSITE

The interim report of the Group for the six months ended 30th June 2004 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on The Stock Exchange of Hong Kong Limited's website in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 5th October 2004 to Thursday, 7th October 2004, both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by 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 no later than 4:00 p.m. on Monday, 4th October 2004 for registration. Interim dividend warrants will be despatched on or before 27th October 2004.

REVIEW BY AUDIT COMMITTEE

The Company's audit committee has reviewed the unaudited interim accounts for 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Board is not aware of any information that would reasonably indicate that the Group was not in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules during the accounting period covered by the 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.

ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct prescribing standards and requirements no less than that required by the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Directors have complied with such code of conduct throughout the accounting period covered by the interim results.

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 to the Group's development.

DIRECTORS

As at the date of this report, the Company's executive directors include Mr. Liang Yongjiu, Mr. Che Chiqiang, Mr. Li Zhijie and Mr. Yang Rixiang; and independent non-executive Directors include Mr. Chan Kay Cheung and Mr. Benjamin Pui-Tong Wong.

By Order of the Board
Che Chiqiang
Managing Director

Hong Kong, 7th September 2004

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH JUNE 2004

		Six months ended	
		30th June	
		2004	2003
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	2	326,909	234,832
Cost of services rendered		(267,347)	(192,526)
		<hr/>	<hr/>
Gross profit		59,562	42,306
Other revenues	2	2,438	2,969
Administrative expenses		(38,328)	(30,965)
Other operating (expenses)/income, net		(321)	194
		<hr/>	<hr/>
Operating profit	3	23,351	14,504
Finance costs		(852)	–
Share of profits less losses of jointly controlled entities	4	29,938	27,716
		<hr/>	<hr/>
Profit before taxation		52,437	42,220
Taxation	5	(9,658)	(8,364)
		<hr/>	<hr/>
Profit after taxation		42,779	33,856
Minority interests		45	–
		<hr/>	<hr/>
Profit attributable to shareholders		42,824	33,856
		<hr/>	<hr/>
Interim dividend	6	7,500	7,500
		<hr/>	<hr/>
		<i>HK cent</i>	<i>HK cent</i>
Earnings per share			
Basic	7	5.7	4.5
		<hr/>	<hr/>
Diluted	7	5.5	4.5
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET*AT 30TH JUNE 2004*

		30th June 2004	31st December 2003
	<i>Note</i>	HK\$'000	HK\$'000
Non-current assets			
Goodwill		14,547	–
Fixed assets		454,583	335,110
Jointly-controlled entities		358,316	359,189
Deferred tax assets		292	295
		827,738	694,594
Current assets			
Trade receivables	8	61,475	41,398
Prepayments, deposits and other receivables		14,165	12,788
Amounts due from related companies	9	71,969	63,221
Bank balances and cash		237,291	304,758
		384,900	422,165
Current liabilities			
Trade payables	10	81,771	72,175
Other payables and accruals		28,190	34,177
Amounts due to related companies	9	86,291	53,050
Tax payable		3,895	749
Short-term bank loans, secured		7,075	–
		207,222	160,151
Net current assets		177,678	262,014
Total assets less current liabilities		1,005,416	956,608
Non-current liabilities			
Long-term bank loans, secured		14,151	–
Other loans		283	–
Deferred tax liabilities		1,998	2,003
Minority interests		3,256	2,931
		985,728	951,674
Representing:			
Share capital		75,000	75,000
Reserves		903,228	846,674
Dividends			
Final dividend proposed		–	30,000
Interim dividend declared		7,500	–
Shareholders' funds		985,728	951,674

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	Share capital	Reserves	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January 2004	75,000	876,674	951,674
Profit for the period	–	42,824	42,824
Surplus on revaluation of land of a jointly-controlled entity	–	21,230	21,230
2003 final dividend paid (<i>note 6(b)</i>)	–	(30,000)	(30,000)
	<hr/>	<hr/>	<hr/>
At 30th June 2004	<u>75,000</u>	<u>910,728</u>	<u>985,728</u>
At 1st January 2003	75,000	845,210	920,210
Profit for the period	–	33,856	33,856
2002 final dividend paid (<i>note 6(b)</i>)	–	(30,000)	(30,000)
	<hr/>	<hr/>	<hr/>
At 30th June 2003	<u>75,000</u>	<u>849,066</u>	<u>924,066</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	12,017	45,132
Net cash used in investing activities	(49,484)	(99,780)
Net cash used in financing activities	(30,000)	(30,000)
Net decrease in cash and cash equivalents	(67,467)	(84,648)
Cash and cash equivalents at 1st January	304,758	376,155
Cash and cash equivalents at 30th June	<u>237,291</u>	<u>291,507</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	237,291	291,628
Bank overdrafts	–	(121)
	<u>237,291</u>	<u>291,507</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2003.

2. SEGMENT INFORMATION

The Group is principally engaged in shipping agency, river trade cargo direct shipment and transshipment, wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking in the Pearl River Delta region.

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

	Cargo transportation <i>HK\$'000</i>	Cargo handling and storage <i>HK\$'000</i>	Container hauling and trucking <i>HK\$'000</i>	Expressway operation <i>HK\$'000</i>	Intersegment eliminations <i>HK\$'000</i>	Group <i>HK\$'000</i>
Six months ended 30th June 2004						
Turnover	285,138	72,744	26,162	-	(57,135)	<u>326,909</u>
Other revenues						
- Allocated	609	274	1	-	(253)	631
- Unallocated						1,807
						<u>2,438</u>
Total revenues						<u>329,347</u>
Segment results	5,215	17,256	3,976	-	-	26,447
Unallocated expenses less income						<u>(3,096)</u>
Operating profit						23,351
Finance costs						(852)
Share of profits less losses of jointly-controlled entities						
- Allocated	323	3,811	1,288	24,660	-	30,082
- Unallocated						(144)
Profit before taxation						52,437
Taxation						<u>(9,658)</u>
Profit after taxation						42,779
Minority interests						45
Profit attributable to shareholders						<u>42,824</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS *(Continued)*

2. SEGMENT INFORMATION *(Continued)*

	Cargo transportation <i>HK\$'000</i>	Cargo handling and storage <i>HK\$'000</i>	Container hauling and trucking <i>HK\$'000</i>	Expressway operation <i>HK\$'000</i>	Intersegment eliminations <i>HK\$'000</i>	Group <i>HK\$'000</i>
Six months ended 30th June 2003						
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						
- Allocated	(152)	4,672	170	23,102	-	27,792
- Unallocated						<u>(76)</u>
Profit before taxation						42,220
Taxation						<u>(8,364)</u>
Profit attributable to shareholders						<u>33,856</u>

An analysis of the Group's turnover and contribution to operating profit for the period by geographical segments is as follows:

	Turnover		Operating profit	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong	315,738	234,832	19,891	14,504
Mainland China	11,171	-	3,460	-
	<u>326,909</u>	<u>234,832</u>	<u>23,351</u>	<u>14,504</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS *(Continued)*

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Gain on disposal of fixed assets	13	805
Interest income	<u>1,578</u>	<u>2,810</u>
Charging		
Amortisation of goodwill	469	–
Depreciation and amortisation of fixed assets	<u>8,522</u>	<u>5,015</u>

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

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of profits less losses	30,387	28,436
Amortisation of goodwill	(666)	(780)
Amortisation of negative goodwill	<u>217</u>	<u>60</u>
	<u>29,938</u>	<u>27,716</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS *(Continued)*

5. TAXATION

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	4,054	3,078
PRC income tax	274	–
Share of taxation attributable to jointly-controlled entities		
PRC income tax	5,332	5,925
Deferred taxation	(2)	(639)
	<u>9,658</u>	<u>8,364</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Enterprise income tax of the People's Republic of China (the "PRC") has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions where the entities operate.

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:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	<u>52,437</u>	<u>42,220</u>
Calculated at a taxation rate of 17.5%	9,176	7,388
Effect of change in the Hong Kong profits tax rate	–	87
Effect of different taxation rates applicable to the entities in the PRC	111	1,075
Net effect of non-deductible expenses/ (non-taxable income)	<u>371</u>	<u>(186)</u>
Taxation charge	<u>9,658</u>	<u>8,364</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS *(Continued)*

6. DIVIDENDS

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, of HK\$0.01 (2003: HK\$0.01) per ordinary share	<u>7,500</u>	<u>7,500</u>

- (a) At a meeting held on 7th September 2004 the Directors declared an interim dividend of HK\$0.01 (2003: HK\$0.01) per ordinary share for the year ending 31st December 2004. This interim dividend is not reflected as an appropriation of reserves for period ended 30th June 2004.
- (b) At a meeting held on 14th April 2004 the Directors proposed a final dividend of HK\$0.04 (2003: HK\$0.04) per ordinary share for the year ended 31st December 2003, which was paid on 22nd June 2004 and has been reflected as an appropriation of reserves for the six months ended 30th June 2004.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$42,824,000 (2003: HK\$33,856,000).

The basic earnings per share is based on 750,000,000 (2003: 750,000,000) ordinary shares in issue during the period. The diluted earnings per share is based on 750,000,000 (2003: 750,000,000) ordinary shares in issue during the period plus the weighted average number of 22,150,000 (2003: 9,044,000) ordinary shares deemed to be issued at no consideration as if all outstanding options had been exercised.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS *(Continued)*

8. TRADE RECEIVABLES

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

	30th June 2004		31st December 2003	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within 3 months	55,651	87	34,409	77
4 to 6 months	3,839	6	5,557	13
7 to 12 months	2,050	3	1,049	2
Over 12 months	2,810	4	3,461	8
	64,350	100	44,476	100
<i>Less: Provision for doubtful debts</i>	(2,875)		(3,078)	
	61,475		41,398	

The normal credit periods granted by the Group to customers on open accounts range from one to three months from the date of invoice.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS *(Continued)*

9. BALANCES WITH RELATED COMPANIES

	30th June	31st December
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from:		
– immediate holding company	5,491	5,858
– fellow subsidiaries	4,629	52,349
– jointly-controlled entities	61,849	2,477
– other related companies	–	2,537
	71,969	63,221
Amounts due to:		
– immediate holding company	18,602	12,096
– fellow subsidiaries	1,392	1,059
– ultimate holding company	16,048	–
– jointly-controlled entities	38,539	31,881
– other related companies	11,710	8,014
	86,291	53,050

These balances are unsecured, interest free and have no fixed terms of repayment.

10. TRADE PAYABLES

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

	30th June 2004		31st December 2003	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within 3 months	75,489	92	61,933	86
4 to 6 months	1,076	1	6,175	8
7 to 12 months	456	1	3,465	5
Over 12 months	4,750	6	602	1
	81,771	100	72,175	100

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS *(Continued)*

11. ACQUISITIONS

(a) Acquisitions of interests in jointly-controlled entities

During the period, the Group acquired an additional 8.83% of the equity interest in a jointly-controlled entity, Zhaoqing Kangzhou Chu Kong Trade Terminal Co., Ltd (“Kangzhou Terminal”) (formerly Deqing Kangzhou Container Transportation Company Limited), from another joint venturer at a consideration of approximately HK\$755,000 payable in cash. Following the acquisition, Kangzhou Terminal became a 60.83% owned jointly-controlled entity.

During the period, the Group acquired 75% of the equity interest in Chu Kong (Guangdong) International Freight Forwarding Co., Ltd (“CKIFF”), from Guangdong Province Navigation Holdings Company Limited, the ultimate holding company, at a consideration of approximately HK\$16,048,000 payable in cash. Following the acquisition, CKIFF became a jointly-controlled entity of the Group.

(b) Acquisition of a subsidiary

During the period, the Group acquired an additional 49% of the equity interest in a jointly-controlled entity, Chu Kong Cargo Terminals (Gaoming) Co., Ltd (“Gaoming Terminals”) (formerly Foshan Gaoming Ming Chu Transportation Co., Ltd), from another joint venturer at a net consideration of approximately HK\$48,392,000 payable in cash. Following the acquisition, Gaoming Terminals became a 99% owned subsidiary of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS *(Continued)*

12. CAPITAL COMMITMENTS

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Contracted but not provided for in respect of:		
– investment	1,989	16,048
– fixed assets	2,942	4,976
	4,931	21,024
Authorised but not contracted for in respect of:		
– fixed assets	776	–
	5,707	21,024

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

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Contracted but not provided for	15,550	17,403
Authorised but not contracted for	1,960	3,870
	17,510	21,273

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS *(Continued)*

13. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the accounts, the following is a summary of related party transactions which, in the opinion of the Directors, were carried out in the normal course of the Group's business during the period:

- (a) Transactions with immediate holding company, fellow subsidiaries and related entities (which include an entity directly owned as to 49% by the Group and indirectly owned as to 51% by the ultimate holding company and another entity which is 25% and 15% owned by immediate holding company and ultimate holding company respectively):

		Six months ended 30th June	
		2004	2003
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	<i>(i)</i>		
– fellow subsidiaries		1,239	1,238
– a related entity		80	72
		<u>1,319</u>	<u>1,310</u>
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	<i>(i)</i>		
– a fellow subsidiary		–	(4,720)
– a related entity		(14)	–
Vessel rental expenses	<i>(ii)</i>		
– a related entity		(5,882)	(4,882)
Office rental expenses	<i>(ii)</i>		
– immediate holding company		(234)	(1,374)
– fellow subsidiaries		–	(347)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS *(Continued)*

13. RELATED PARTY TRANSACTIONS *(Continued)*

- (a) Transactions with immediate holding company, fellow subsidiaries and related entities (which include an entity directly owned as to 49% by the Group and indirectly owned as to 51% by the ultimate holding company and another entity which is 25% and 15% owned by immediate holding company and ultimate holding company respectively): *(Continued)*

		Six months ended 30th June	
		2004	2003
<i>Note</i>		HK\$'000	<i>HK\$'000</i>
Expenses: <i>(Continued)</i>			
	Crew hire charges		
	– a related entity	(275)	(316)
	Staff hire charges		
	– a fellow subsidiary	–	(221)
	Fuel charges		
	– a fellow subsidiary	(4,874)	(2,011)
	Marine supplies expenses		
	– fellow subsidiaries	(4)	(107)
	Vessel repairs and maintenance expenses		
	– fellow subsidiaries	(52)	–
	Warehouse rental expenses		
	– immediate holding company	(2,500)	(2,500)
	Loan interest expenses		
	– immediate holding company	(165)	–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS (*Continued*)

13. RELATED PARTY TRANSACTIONS (*Continued*)

(b) Transactions with other related entities:

		Six months ended 30th June	
	<i>Note</i>	2004 HK\$'000	2003 HK\$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	<i>(i)</i>		
– jointly-controlled entities of the immediate holding company		2,967	1,248
– jointly-controlled entities of the Group		3,749	3,777
Loan interest income	<i>(vi)</i>		
– a jointly-controlled entity of the Group		805	738
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	<i>(ii)</i>		
– jointly-controlled entities of the immediate holding company		(5,765)	(4,639)
– jointly-controlled entities of the Group		(15,551)	(6,281)
Wharf cargo handling, cargo consolidation and godown storage expenses	<i>(ii)</i>		
– jointly-controlled entities of the immediate holding company		(10,241)	(6,687)
– jointly-controlled entities of the Group		(9,745)	(10,541)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS *(Continued)*

13. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with other related entities: *(Continued)*

		Six months ended 30th June	
		2004	2003
<i>Note</i>		HK\$'000	HK\$'000
Expenses: <i>(Continued)</i>			
	Staff hire charges		
	– a jointly-controlled entity		
	of the Group	(94)	–

- (i) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties or as mutually agreed between the Group and the respective related parties.
- (ii) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties.
- (iii) These transactions were conducted at terms as mutually agreed between the Group and the respective related parties.
- (iv) The Group leased a warehouse from its immediate holding company and the rental was charged by the immediate holding company at HK\$2,500,000 for the six months ended 30th June 2004 (2003: HK\$2,500,000).
- (v) Loan interest was charged by immediate holding company at the rate of 6% per annum.
- (vi) Loan interest was charged to a jointly-controlled entity at rates ranging from 4.9% to 5.5% per annum.