



# Notes to the Accounts

## 1 Principal accounting policies

The principal accounting policies adopted in the preparation of the accounts are set out below:

### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

### (b) Consolidation

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued equity capital.

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. In the circumstances where a subsidiary over which the Company does not have unilateral control but joint control, the subsidiary is accounted for as a jointly controlled entity in accordance with the accounting policy set out in note 1(d) below.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

## 1 Principal accounting policies *(continued)*

### (b) Consolidation *(continued)*

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill and any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

### (c) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or jointly controlled entity at the date of acquisition.

Goodwill on acquisitions is recognised in the consolidated balance sheet as an intangible asset and is amortised using the straight line method over its estimated useful life. Goodwill is generally amortised over a period of 15 to 20 years.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the identifiable non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those identifiable acquired depreciable/amortisable assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the consolidated profit and loss account immediately.



# Notes to the Accounts

## 1 Principal accounting policies *(continued)*

### (d) Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill or negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

### (e) Fixed assets

#### (i) *Construction in progress*

Construction in progress represents vessels under construction and software under development which are carried at cost less any accumulated impairment losses.

Construction in progress included construction and development expenditure incurred and other direct costs attributable to the construction and development. On completion, the construction in progress is transferred to appropriate categories of other fixed assets. No depreciation is provided for construction in progress.

#### (ii) *Other fixed assets*

Other fixed assets are stated at cost or valuation less accumulated depreciation and impairment.

Land use rights are amortised based on the cost or valuation less accumulated impairment losses over the remaining period of the leases on a straight line basis.

Leasehold land is amortised based on the cost less accumulated impairment losses over the remaining period of the lease on a straight line basis.

## 1 Principal accounting policies *(continued)*

### (e) Fixed assets *(continued)*

#### (ii) Other fixed assets *(continued)*

Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Buildings	2% – 4.5%
Leasehold improvements	12% – 20%
Plant and machinery	12% – 25%
Furniture, fixtures and equipment	12% – 33.33%
Motor vehicles	12% – 33.33%
Containers	12% – 24%
Vessels and barges	12% – 12.5%

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over the expected useful lives to the Group.

### (f) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

### (g) Impairment of assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised in the profit and loss account to reduce the asset to its recoverable amount.



# Notes to the Accounts

## 1 Principal accounting policies *(continued)*

### (h) 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. Tax 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 differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

### (i) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

The balance sheets of subsidiaries and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average exchange rates. Exchange differences are dealt with as a movement in reserves.

### (j) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases.



## 1 Principal accounting policies *(continued)*

### (j) Operating leases *(continued)*

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(e) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(n) below.

Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the lease periods.

### (k) Employee benefit obligations

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) *Bonus entitlements*

The expected cost of bonus payments is recognised as a liability when the company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.



# Notes to the Accounts

## 1 Principal accounting policies *(continued)*

### (k) Employee benefit obligations *(continued)*

#### *(iii) Retirement benefit obligations*

Contributions to the retirement benefit scheme which is defined contribution in nature and available to all employees in Hong Kong are charged to the profit and loss account as incurred. Contributions to this scheme are calculated based on a fixed percentage of the employees' applicable payroll costs or fixed sums as appropriate. The assets of the scheme are held separately from the Group's.

Pursuant to the regulations of the relevant authorities in the People's Republic of China (the "PRC"), the subsidiaries of the Group in this country participate in respective government retirement benefit schemes (the "Schemes") whereby the subsidiaries are required to contribute to the Schemes to fund the retirement benefits of eligible employees. Contributions made to the Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes.

#### *(iv) Equity compensation benefits*

No compensation cost is recognised in the profit and loss account in connection with share options granted to directors and employees. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

### (l) Provision

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

## 1 **Principal accounting policies** *(continued)*

### **(m) Contingent liabilities** *(continued)*

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

### **(n) Revenue recognition**

Revenues from the rendering of services in shipping agency and river trade cargo transportation, wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking are recognised when services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Operating lease rental income is recognised on a straight line basis.

### **(o) Segment reporting**

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format.

Unallocated income and expenses represent corporate income and expenses. Segment assets consist primarily of intangible assets, fixed assets, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude tax payables. Capital expenditure comprises additions to intangible assets and fixed assets including additions resulting from acquisitions of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.



# Notes to the Accounts

## 2 Turnover, revenues and segment information

	2004 HK\$'000	2003 HK\$'000
Turnover		
Shipping agency, river trade cargo direct shipment and transhipment	<b>531,448</b>	430,096
Wharf cargo handling, cargo consolidation and godown storage	<b>81,219</b>	61,947
Container hauling and trucking	<b>1,355</b>	1,057
	<b>614,022</b>	493,100
Other revenues		
Interest income		
– loans to jointly controlled entities ( <i>note 14(c)</i> )	<b>2,714</b>	1,884
– others	<b>1,595</b>	3,245
Sundries	<b>5,467</b>	906
	<b>9,776</b>	6,035
<b>Total revenues</b>	<b>623,798</b>	499,135

The Group is principally engaged in shipping agency, river trade cargo direct shipment and transhipment, wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking.

The Group and jointly controlled entities are organised into four main business segments:

- (i) Cargo transportation – Shipping agency, river trade cargo direct shipment and transhipment
- (ii) Cargo handling and storage – Wharf cargo handling, cargo consolidation and godown storage
- (iii) Container hauling and trucking
- (iv) Expressway operation



## 2 Turnover, revenues and segment information *(continued)*

### Business segments

	Cargo transportation		Cargo handling and storage		Container hauling and trucking		Expressway operation		Eliminations		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales:												
- external	531,448	430,096	81,219	61,947	1,355	1,057	-	-	-	-	614,022	493,100
- intersegments	130	131	64,913	45,595	53,575	37,810	-	-	(118,618)	(83,536)	-	-
Other revenues												
- external	2,360	861	2,812	106	47	4	-	-	-	-	5,219	971
- intersegments	-	-	505	505	-	-	-	-	(505)	(505)	-	-
<b>Total</b>	<b>533,938</b>	<b>431,088</b>	<b>149,449</b>	<b>108,153</b>	<b>54,977</b>	<b>38,871</b>	<b>-</b>	<b>-</b>	<b>(119,123)</b>	<b>(84,041)</b>	<b>619,241</b>	<b>494,071</b>
Segment results	10,548	315	36,804	28,125	10,087	3,775	-	-	-	-	57,439	32,215
Unallocated income											4,557	5,064
Unallocated expenses											(12,414)	(13,082)
Operating profit											49,582	24,197
Finance costs											(1,395)	-
Share of profits less losses of jointly controlled entities	540	47	2,284	10,225	2,156	544	48,542	48,398	-	-	53,522	59,214
Profit before taxation											101,709	83,411
Taxation											(18,085)	(15,342)
Profit after taxation											83,624	68,069
Minority interests											46	-
Profit attributable to shareholders											83,670	68,069

# Notes to the Accounts

## 2 Turnover, revenues and segment information *(continued)*

### Business segments *(continued)*

	Cargo transportation		Cargo handling and storage		Container hauling and trucking		Expressway operation		Eliminations		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	212,036	168,869	489,705	344,083	39,783	18,761	-	-	(159,822)	(93,732)	581,702	437,981
Jointly controlled entities												
- allocated	20,153	2,164	116,488	147,354	15,406	13,250	182,779	178,368	-	-	334,826	341,136
- unallocated											18,081	18,053
Unallocated assets											296,972	319,589
Total assets											1,231,581	1,116,759
Segment liabilities	206,376	164,959	116,696	42,664	21,659	15,156	-	-	(159,822)	(93,732)	184,909	129,047
Unallocated liabilities											24,297	33,107
Total liabilities											209,206	162,154
Capital expenditure												
- allocated	16,688	4,125	150,108	28,548	1,107	-	-	-	-	-	167,903	32,673
- unallocated											2,345	49,639
											170,248	82,312
Depreciation and amortisation												
- allocated	2,611	2,454	14,365	6,698	337	117	-	-	-	-	17,313	9,269
- unallocated											1,688	1,143
											19,001	10,412
Non-cash income/(expenses)												
- allocated	254	(2,780)	577	1,560	164	-	-	-	-	-	995	(1,220)
- unallocated											(1)	(56)
											994	(1,276)



## 2 Turnover, revenues and segment information *(continued)*

### Geographical segments

Over 90% of the Group's revenue is derived from operations carried out in Hong Kong and customers are located in Mainland China and Hong Kong. The directors consider that it is impracticable to allocate the revenue and segment results to geographical segments.

The analysis of the Group's total assets and capital expenditure by geographical segments is as follows:

	Total assets		Capital expenditure	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	<b>706,598</b>	730,869	<b>30,655</b>	56,764
Mainland China	<b>172,076</b>	26,701	<b>139,593</b>	25,548
	<b>878,674</b>	757,570	<b>170,248</b>	82,312
Jointly controlled entities	<b>352,907</b>	359,189		
	<b>1,231,581</b>	1,116,759		

# Notes to the Accounts

## 3 Operating profit

Operating profit is stated after crediting and charging the following:

	2004 HK\$'000	2003 HK\$'000
<b>Crediting</b>		
Write-back of provision for bad and doubtful debts (net)	203	–
Negative goodwill	–	246
Gain on disposal of fixed assets	791	–
Operating lease rental income		
– land and buildings	2,534	1,360
– vessels and barges	1,800	–
– others	171	126
<b>Charging</b>		
Auditors' remuneration	1,084	1,148
Depreciation	17,976	10,412
Amortisation of goodwill ( <i>note 15</i> )	1,025	–
Loss on disposal of fixed assets	–	330
Provision for bad and doubtful debts (net)	–	946
Operating lease rental expenses		
– vessels and barges	38,911	31,704
– land and buildings	5,833	8,533
– containers	494	338
Staff costs (including directors' emoluments) ( <i>note 10</i> )	80,599	61,477

## 4 Finance costs

	2004 HK\$'000	2003 HK\$'000
Interest on bank loans	1,230	–
Interest on loan from immediate holding company	165	–
	<b>1,395</b>	–

The interest on loan from immediate holding company was charged at a rate of 6% per annum.

## 5 Share of profits less losses of jointly controlled entities

Share of profits less losses of jointly controlled entities includes the net amortisation charge of goodwill and negative goodwill of HK\$932,000 (2003: HK\$1,544,000).

## 6 Taxation

	2004 HK\$'000	2003 HK\$'000
Current taxation		
– Hong Kong profits tax	4,851	4,176
– PRC enterprise income tax	901	–
– over-provisions in prior years	(33)	(6)
Deferred taxation ( <i>note 16</i> )	1,722	776
	<b>7,441</b>	4,946
Share of taxation attributable to jointly controlled entities		
– PRC enterprise income tax	10,644	10,396
	<b>18,085</b>	15,342



# Notes to the Accounts

## 6 Taxation *(continued)*

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation of the PRC and Singapore have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries where the subsidiaries and jointly controlled entities operate.

The taxation on the profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate applicable to the Company as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	<b>101,709</b>	83,411
Calculated at a taxation rate of 17.5% (2003: 17.5%)	<b>17,799</b>	14,597
Effect of different taxation rates applicable to the subsidiaries and jointly controlled entities in the PRC	<b>876</b>	(236)
Income not subject to taxation	<b>(62,371)</b>	(49,003)
Expenses not deductible for taxation purposes	<b>61,814</b>	49,903
Increase in tax due to increase in tax rate	–	87
Other items	<b>(33)</b>	(6)
Taxation charge	<b>18,085</b>	15,342

## 7 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$18,327,000 (2003: HK\$18,846,000).



## 8 Dividends

	<b>2004</b> HK\$'000	2003 HK\$'000
Interim, paid, of HK1 cent (2003: HK1 cent) per ordinary share	<b>7,500</b>	7,500
Final, proposed, of HK2 cents (2003: HK4 cents) per ordinary share	<b>15,000</b>	30,000
	<b>22,500</b>	37,500

On 19th April 2005, the board of directors proposed a final dividend of HK2 cents per ordinary share. This proposed dividend will be reflected as an appropriation of retained profits for the year ending 31st December 2005.

## 9 Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK83,670,000 (2003: HK\$68,069,000).

The basic earnings per share is based on 750,000,000 (2003: 750,000,000) ordinary shares in issue during the year. The diluted earnings per share is based on 750,000,000 (2003: 750,000,000) ordinary shares in issue during the year plus the weighted average number of 21,127,000 (2003: 16,570,000) ordinary shares deemed to be issued at no consideration as if all outstanding options had been exercised.

## 10 Staff costs (including directors' emoluments)

	<b>2004</b> HK\$'000	2003 HK\$'000
Salaries and allowances	<b>77,977</b>	57,256
Retirement benefit scheme contributions	<b>2,619</b>	2,250
Termination benefits	<b>3</b>	1,971
	<b>80,599</b>	61,477



# Notes to the Accounts

## 10 Staff costs (including directors' emoluments) *(continued)*

Contributions totalling HK\$397,000 (2003: HK\$426,000) were payable to the fund as at 31st December 2004.

Details of the share options granted to the staff of the Company are set out in note 20.

## 11 Directors' and senior management's emoluments

### (a) Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Fees	1,580	1,800
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	666	546
Discretionary bonuses	844	473
Retirement benefit scheme contributions	23	24
	<b>3,113</b>	<b>2,843</b>

The emoluments of the directors fell within the following bands:

	Number of directors	
	2004	2003
Emolument bands		
Nil – HK\$1,000,000	6	7
HK\$1,000,001 – HK\$1,500,000	1	–

Directors' fees include HK\$530,000 (2003: HK\$500,000) paid to independent non-executive directors.

Details of the share options granted to the directors are set out in note 20.

## 11 Directors' and senior management's emoluments *(continued)*

### (b) Senior management's emoluments

The five individuals whose emoluments were the highest in the Group for the year include two (2003: two) directors whose emoluments are shown above. The emoluments paid and payable to the remaining three (2003: three) highest paid individuals during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	904	700
Bonuses	1,201	633
Retirement benefit scheme contributions	32	34
	<b>2,137</b>	1,367

During the year, the emoluments of each of the three (2003: three) individuals were below HK\$1,000,000.

Details of the share options granted to senior management are set out in note 20.

- (c) During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the directors waived or has agreed to waive any emoluments.

# Notes to the Accounts

## 12 Fixed assets Group

	Land use rights outside Hong Kong HK\$'000	Leasehold land and buildings HK\$'000	Construction in progress HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Containers HK\$'000	Vessels and barges HK\$'000	Total HK\$'000
<b>Cost or valuation</b>										
At 1st January 2004	9,114	343,220	-	3,037	25,487	12,692	36,048	8,021	17,386	455,005
Additions	1,502	2,810	11,178	6,098	11,490	2,311	3,399	2,466	-	41,254
Acquisition of a subsidiary (note (a))	63,528	40,725	-	-	6,901	907	527	-	-	112,588
Disposals	-	-	-	(1,889)	(2,153)	(438)	(1,533)	(79)	-	(6,092)
<b>At 31st December 2004</b>	<b>74,144</b>	<b>386,755</b>	<b>11,178</b>	<b>7,246</b>	<b>41,725</b>	<b>15,472</b>	<b>38,441</b>	<b>10,408</b>	<b>17,386</b>	<b>602,755</b>
<b>Accumulated depreciation</b>										
At 1st January 2004	-	38,014	-	2,090	21,297	6,175	33,684	3,603	15,032	119,895
Charge for the year	1,879	8,857	-	855	1,939	1,877	1,009	1,131	429	17,976
Disposals	-	-	-	(1,752)	(2,153)	(408)	(1,449)	(70)	-	(5,832)
<b>At 31st December 2004</b>	<b>1,879</b>	<b>46,871</b>	<b>-</b>	<b>1,193</b>	<b>21,083</b>	<b>7,644</b>	<b>33,244</b>	<b>4,664</b>	<b>15,461</b>	<b>132,039</b>
<b>Net book value</b>										
<b>At 31st December 2004</b>	<b>72,265</b>	<b>339,884</b>	<b>11,178</b>	<b>6,053</b>	<b>20,642</b>	<b>7,828</b>	<b>5,197</b>	<b>5,744</b>	<b>1,925</b>	<b>470,716</b>
At 31st December 2003	9,114	305,206	-	947	4,190	6,517	2,364	4,418	2,354	335,110

The analysis of the cost or valuation as at 31st December 2004 of the above assets is as follows:

	Land use rights outside Hong Kong HK\$'000	Leasehold land and buildings HK\$'000	Construction in progress HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Containers HK\$'000	Vessels and barges HK\$'000	Total HK\$'000
<b>Cost or valuation</b>										
At cost	10,616	386,755	11,178	7,246	41,725	15,472	38,441	10,408	17,386	539,227
At directors' valuation (note (a))	63,528	-	-	-	-	-	-	-	-	63,528
	74,144	386,755	11,178	7,246	41,725	15,472	38,441	10,408	17,386	602,755

All the fixed assets as at 31st December 2003 are stated at cost.

## 12 Fixed assets (continued)

### Company

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1st January 2004	50,627	1,693	1,479	1,710	55,509
Additions	–	1,923	101	321	2,345
Disposals	–	(1,693)	–	–	(1,693)
<b>At 31st December 2004</b>	<b>50,627</b>	<b>1,923</b>	<b>1,580</b>	<b>2,031</b>	<b>56,161</b>
<b>Accumulated depreciation</b>					
At 1st January 2004	702	1,692	1,254	1,413	5,061
Charge for the year	1,017	253	121	220	1,611
Disposals	–	(1,692)	–	–	(1,692)
<b>At 31st December 2004</b>	<b>1,719</b>	<b>253</b>	<b>1,375</b>	<b>1,633</b>	<b>4,980</b>
<b>Net book value</b>					
<b>At 31st December 2004</b>	<b>48,908</b>	<b>1,670</b>	<b>205</b>	<b>398</b>	<b>51,181</b>
At 31st December 2003	49,925	1	225	297	50,448

- (a) The land use right of a subsidiary in the PRC was carried at directors' valuation by reference to a valuation carried out by a PRC valuer for the purpose of the acquisition of the subsidiary by the Group (note 22(b)). The revaluation surplus has been dealt with in the accounts of revaluation reserve of HK\$21,230,000, goodwill of HK\$20,805,000 and minority interest of HK\$425,000 respectively as at 1st January 2004.

# Notes to the Accounts

## 12 Fixed assets (continued)

(b) The net book values of leasehold land and buildings are analysed as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
In Hong Kong, held on:				
Leases of over 50 years	<b>48,908</b>	49,925	<b>48,908</b>	49,925
Leases of between 10 to 50 years	<b>233,279</b>	238,798	–	–
	<b>282,187</b>	288,723	<b>48,908</b>	49,925
Outside Hong Kong, held on:				
Leases of over 50 years	<b>1,981</b>	2,033	–	–
Leases of between 10 to 50 years	<b>55,716</b>	14,450	–	–
	<b>57,697</b>	16,483	–	–
	<b>339,884</b>	305,206	<b>48,908</b>	49,925

(c) The net book value of fixed assets pledged as security for the bank loan of the Group amounted to HK\$63,336,000 (2003: Nil).

## 13 Subsidiaries

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted investments, at cost	296,980	296,980
Amount due from a subsidiary (note (b))	18,452	18,452
	<b>315,432</b>	<b>315,432</b>

(a) Details of the subsidiaries as at 31st December 2004 are as follows:

Name	Place of establishment/ operation	Principal activities	Particulars of issued/paid up capital	Interest held	
				2004	2003
<b>Direct subsidiaries</b>					
Chu Kong Agency Company Limited	Hong Kong	Shipping agency and freight forwarding agency	100 ordinary shares of HK\$1 each 100,000 deferred shares of HK\$1 each (note (c))	100%	100%
Chu Kong Container Transportation Company Limited	Hong Kong	Container and cargo transportation and towing	100 ordinary shares of HK\$1 each 10,000 deferred shares of HK\$1 each (note (c))	100%	100%
Chu Kong Godown Wharf & Transportation Company Limited	Hong Kong	Godown and wharf operations	100 ordinary shares of HK\$1 each 1,000,000 deferred shares of HK\$1 each (note (c))	100%	100%

# Notes to the Accounts

## 13 Subsidiaries (continued)

Name	Place of establishment/ operation	Principal activities	Particulars of issued/paid up capital	Interest held	
				2004	2003
<b>Direct subsidiaries (continued)</b>					
Chu Kong Infrastructure Investment Limited	British Virgin Islands/PRC	Investment holding	2 ordinary shares of US\$1 each	100%	100%
Chu Kong River Trade Terminal Co., Ltd.	British Virgin Islands/PRC	Investment holding	2 ordinary shares of US\$1 each	100%	100%
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transhipment and transportation	100 ordinary shares of HK\$1 each 100,000 deferred shares of HK\$1 each (note (c))	100%	100%
Chu Kong Transportation (H.K.) Limited	Hong Kong	Wharf cargo handling and transportation	100 ordinary shares of HK\$1 each 100,000 deferred shares of HK\$1 each (note (c))	100%	100%
Chu Kong Warehouse Properties Company Limited	British Virgin Islands/ Hong Kong	Property holding	100 ordinary shares of US\$1 each 9,900 preferred shares of US\$1 each (note (d))	100%	100%
<b>Indirect subsidiaries</b>					
Chu Kong International Airfreight Company Limited	Hong Kong	Freight forwarding	10,000 ordinary shares of HK\$1 each	100%	100%
Ever Sky Transportation Limited	Hong Kong	Wharf cargo handling	10,000 ordinary shares of HK\$1 each	100%	100%
Chu Kong Cargo Terminals (Qingyuan) Co., Ltd. (formerly Qingyuan Chu Kong Shipping Port Co., Ltd.)	PRC	Wharf cargo handling	RMB27,460,000	90%	90%
Chu Kong Cargo Terminals (Gaoming) Co., Ltd. (formerly Foshan Gaoming Ming Chu Transportation Co., Ltd.)	PRC	Cargo transportation and consolidation	RMB31,112,720	99%	–
<i>(notes 14(a) and 22(b))</i>					

### 13 Subsidiaries *(continued)*

- (b) The amount is unsecured, interest free and not repayable within the next twelve months from the balance sheet date.
- (c) The holders of the deferred shares of respective subsidiaries are entitled to minimal rights as to dividends and returns of capital, but are not entitled to share the subsidiary's profits, to attend or vote at any general meeting of the subsidiary or to have the rights which are vested in the holding of the ordinary shares.
- (d) The holders of the preferred shares have a non-cumulative preferential right to the profit of the subsidiary at 8% of the nominal amount of the share capital of that subsidiary, but are not entitled to receive notice of or to attend or vote at any meeting of members or directors.
- (e) Chu Kong Cargo Terminals (Qingyuan) Co., Ltd. ("Qingyuan Terminals") and Chu Kong Cargo Terminals (Gaoming) Co., Ltd ("Gaoming Terminals") are sino-foreign equity joint ventures established in the PRC. All other subsidiaries are limited liability companies in Hong Kong.

### 14 Jointly controlled entities

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted investments, at cost	–	–	<b>32,666</b>	15,060
Share of net assets	<b>247,451</b>	248,519	–	–
Unamortised goodwill and negative goodwill	<b>14,861</b>	23,068	–	–
Loans to jointly controlled entities <i>(note (c))</i>	<b>90,595</b>	87,602	<b>28,810</b>	28,810
Less: Provision	–	–	<b>(12,100)</b>	(12,100)
	<b>352,907</b>	359,189	<b>49,376</b>	31,770



# Notes to the Accounts

## 14 Jointly controlled entities *(continued)*

(a) Details of the jointly controlled entities as at 31st December 2004 are as follows:

Name	Place of establishment/ operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing	
			2004	2003
<b>Direct jointly controlled entities</b>				
Shenzhen Yantian Port Zhujiang Logistics Company Limited	PRC	Container transportation and repairs	40%	40%
Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. ("CKIFF") <i>(note (d))</i>	PRC	Shipping agency and freight forwarding agency	75%/60%/75%	–
Chu Kong Air-Sea Union Transportation Company Limited <i>(note (e))</i>	Hong Kong	Operation and management of a marine cargo terminal	51%/60%/51%	51%/60%/51%
Chu Kong Logistics (Singapore) Pte. Ltd.	Singapore	Shipping agency and freight forwarding agency	60%	–
<b>Indirect jointly controlled entities</b>				
Chu Kong Cargo Terminals (Kongzhou) Co., Ltd. (formerly Deqing Kangzhou Container Transportation Co., Ltd.)	PRC	Wharf cargo handling and godown storage	60.83%/60%/60.83%	52%/60%/52%
Dongguan Humen Great Trade Containers Port Co., Ltd.	PRC	Wharf cargo handling and godown storage	30%/29%/30%	30%/29%/30%
Foshan New Port Ltd.	PRC	Cargo transportation and consolidation	37.5%/40%/37.5%	37.5%/40%/37.5%
Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.	PRC	Cargo and passenger transportation	40%/43%/40%	40%/43%/40%

## 14 Jointly controlled entities (continued)

Name	Place of establishment/ operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing	
			2004	2003
<b>Indirect jointly controlled entities (continued)</b>				
Guangdong Zhu Chuan Navigation Co., Ltd.	PRC	Cargo transportation	49%/40%/49%	49%/40%/49%
Guangzhou-Foshan Expressway Ltd. (note (f))	PRC	Operation of an expressway	25%/40%/25%	25%/40%/25%
He Shan County Hekong Associated Forwarding Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	49%/50%/49%	49%/50%/49%
Foshan Nankong Terminal Co., Ltd (formerly Nankong Warehouse & Consolidator Co., Ltd.)	PRC	Cargo transportation and consolidation	25%	25%
Sanshui Sangang Containers Wharf Co., Ltd.	PRC	Cargo transportation and consolidation	30%/25%/30%	30%/25%/30%
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.	PRC	Freight forwarding agency	87%/40%/87%	49%/40%/49%
Chu Kong Cargo Terminals (Gaoming) Co., Ltd. (notes 13(a) and 22(b))	PRC	Cargo transportation and consolidation	–	50%

- (b) Except for Chu Kong Logistics (Singapore) Pte. Ltd and Chu Kong Air-Sea Union Transportation Company Limited, which are limited liability companies in Singapore and Hong Kong respectively, all other jointly controlled entities are sino-foreign equity joint ventures in the PRC.
- (c) The loans to the jointly controlled entities by the Group are unsecured, not repayable within the next twelve months from the balance sheet date and interest free except for loans of HK\$61,596,000 (2003: HK\$58,653,000) which bear interest at rates ranging from 4.9% to 9.0% per annum (2003: 4.9% to 9.0% per annum).

The loans to a jointly controlled entity by the Company is unsecured, interest free and not repayable within the next twelve months from the balance sheet date.

# Notes to the Accounts

## 14 Jointly controlled entities *(continued)*

- (d) During the year, the Group acquired 75% of the equity interest in CKIFF from the ultimate holding company at a consideration of approximately HK\$16,048,000.
- (e) Chu Kong Air-Sea Union Transportation Company Limited is a subsidiary of the Company as defined by section 2(4) of the Hong Kong Companies Ordinance but the Company does not have unilateral control but joint control over it. Accordingly, it is accounted for as a jointly controlled entity in accordance with Statement of Standard Accounting Practice No. 21 “Accounting for interests in joint ventures” in the consolidated accounts of the Group.
- (f) A summary of the financial information of Guangzhou-Foshan Expressway Ltd., a significant jointly controlled entity of the Group, prepared based on its PRC audited accounts, after making appropriate adjustments to conform to the Group’s accounting policies is set out as follows:

	2004 HK\$'000	2003 HK\$'000
Results for the year:		
Turnover	<b>290,318</b>	261,708
Profit before taxation	<b>194,168</b>	193,593
Taxation	<b>(36,009)</b>	(33,279)
Profit after taxation	<b>158,159</b>	160,314
Group’s share of results	<b>39,540</b>	40,079
Net assets:		
Non-current assets	<b>736,210</b>	707,894
Current assets	<b>37,364</b>	46,150
Current liabilities	<b>(204,945)</b>	(224,841)
Non-current liabilities	<b>(102,618)</b>	(85,964)
	<b>466,011</b>	443,239
Group’s share of net assets	<b>116,503</b>	110,810

## 15 Intangible assets – goodwill

	Group	
	2004 HK\$'000	2003 HK\$'000
Cost		
Additions during the year and at 31st December 2004	<b>16,406</b>	–
Accumulated amortisation		
Charge for the year and at 31st December 2004	<b>(1,025)</b>	–
Net book value		
At 31st December 2004	<b>15,381</b>	–

## 16 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movements on the net deferred tax liabilities are as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1st January	<b>1,708</b>	932	<b>251</b>	142
Charged/(credited) to profit and loss account ( <i>note 6</i> )	<b>1,722</b>	776	<b>(135)</b>	109
At 31st December	<b>3,430</b>	1,708	<b>116</b>	251

# Notes to the Accounts

## 16 Deferred taxation *(continued)*

The deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) are as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Deferred tax assets				
– provision for doubtful debts	(217)	(255)	–	–
– tax losses	(43)	(231)	–	–
– accelerated accounting depreciation	–	(26)	–	–
– others	(33)	(200)	–	–
	(293)	(712)	–	–
Deferred tax liabilities				
– accelerated tax depreciation	3,723	2,420	116	251
	3,430	1,708	116	251

## 16 Deferred taxation *(continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the Group's and the Company's balance sheets:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	(124)	(295)	–	–
Deferred tax liabilities	3,554	2,003	116	251
	<b>3,430</b>	1,708	<b>116</b>	251
The amounts shown in the balance sheet include the following:				
Deferred tax assets to be recovered after more than 12 months	(124)	(260)	–	–
Deferred tax liabilities to be settled after more than 12 months	2,646	1,827	100	185

# Notes to the Accounts

## 17 Trade and other receivables

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Trade receivables from: <i>(note (a))</i>				
– third parties	60,718	41,398	–	–
– fellow subsidiaries	200	44,035	–	–
– jointly controlled entities	29,640	36	–	–
– other related companies	46	1,989	–	–
	<b>90,604</b>	87,458	–	–
Other receivables from: <i>(note (b))</i>				
– immediate holding company	3,891	5,858	–	–
– fellow subsidiaries	271	8,314	–	–
– subsidiaries	–	–	260,642	197,788
– jointly controlled entities	28,027	2,441	–	–
– other related companies	166	548	–	–
	<b>32,355</b>	17,161	<b>260,642</b>	197,788
Deposits and prepayments	7,979	12,788	891	490
	<b>130,938</b>	117,407	<b>261,533</b>	198,278

## 17 Trade and other receivables *(continued)*

(a) The ageing analysis of the trade receivables is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within 3 months	<b>86,441</b>	79,611
4 to 6 months	<b>2,433</b>	6,312
7 to 12 months	<b>1,395</b>	1,152
Over 12 months	<b>3,260</b>	3,758
	<b>93,529</b>	90,833
<i>Less: Provision for doubtful debts</i>	<b>(2,925)</b>	(3,375)
	<b>90,604</b>	87,458

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

(b) The other receivables due from related companies are unsecured, interest free and have no fixed terms of repayment.



# Notes to the Accounts

## 18 Trade and other payables

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Trade payables to: <i>(note (a))</i>				
– third parties	97,050	72,175	–	–
– immediate holding company	10,000	5,000	–	–
– fellow subsidiaries	1,729	907	–	–
– jointly controlled entities	15,791	15,681	–	–
– other related companies	5,738	3,338	–	–
	<b>130,308</b>	97,101	–	–
Other payables due to: <i>(note (b))</i>				
– immediate holding company	11,178	7,096	1,077	623
– fellow subsidiaries	540	152	–	–
– a subsidiary	–	–	11,179	11,211
– jointly controlled entities	11,862	16,200	–	–
– other related companies	6,248	4,676	–	–
	<b>29,828</b>	28,124	<b>12,256</b>	11,834
Other payables and accruals	<b>29,045</b>	34,177	<b>5,886</b>	4,898
	<b>189,181</b>	159,402	<b>18,142</b>	16,732

## 18 Trade and other payables *(continued)*

(a) The ageing analysis of the trade payables is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within 3 months	<b>99,243</b>	75,412
4 to 6 months	<b>18,808</b>	11,010
7 to 12 months	<b>3,189</b>	10,077
Over 12 months	<b>9,068</b>	602
	<b>130,308</b>	97,101

(b) The other payables due to related companies are unsecured, interest-free and have no fixed terms of repayment.

## 19 Secured bank loan

The bank loan of the Group was secured by certain fixed assets (note 12).



# Notes to the Accounts

## 20 Share capital

	<b>2004</b>	2003
	<b>HK\$'000</b>	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

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 employee (including executive directors) in the service of the Group.

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

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

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 at any time within 10 years commencing on the date when the option is granted.

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



## 20 Share capital *(continued)*

Details of the share options outstanding and granted under the 1997 Scheme are as follows:

	Number of share options outstanding				At 31st December 2004	Exercise price HK\$	Grant date	Exercise period	Vested percentage	
	At 1st January 2004	Granted during the year	Exercised during the year	Lapsed during the year					2004	2003
	<b>Directors</b>									
Mr. Liang Yongjiu	11,000,000	-	-	-	11,000,000	0.55	29th May 2000	29th May 2000 to 28th May 2010	100%	100%
Mr. Che Chiqiang	10,000,000	-	-	-	10,000,000	0.52	16th October 2000	16th October 2000 to 15th October 2010	100%	100%
	21,000,000	-	-	-	21,000,000					
Senior management	8,000,000	-	-	-	8,000,000	0.55	29th May 2000	29th May 2000 to 28th May 2010	100%	100%
Other employees	16,000,000	-	-	-	16,000,000	0.55	29th May 2000	29th May 2000 to 28th May 2010	100%	100%
	45,000,000	-	-	-	45,000,000					

# Notes to the Accounts

## 21 Reserves

### Group

	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2003	489,185	(415)	-	14,147	342,293	845,210
Share of capital reserve of a jointly controlled entity	-	-	895	-	-	895
Profit attributable to shareholders	-	-	-	-	68,069	68,069
Transfer of reserves	-	-	-	44	(44)	-
2002 final dividend	-	-	-	-	(30,000)	(30,000)
2003 interim dividend	-	-	-	-	(7,500)	(7,500)
<b>At 31st December 2003</b>	<b>489,185</b>	<b>(415)</b>	<b>895</b>	<b>14,191</b>	<b>372,818</b>	<b>876,674</b>
Representing:						
2003 final dividend proposed	-	-	-	-	30,000	30,000
Others	489,185	(415)	895	14,191	342,818	846,674
	489,185	(415)	895	14,191	372,818	876,674
Retained by:						
Company and subsidiaries	489,185	(415)	-	-	245,537	734,307
Jointly controlled entities	-	-	895	14,191	127,281	142,367
<b>At 31st December 2003</b>	<b>489,185</b>	<b>(415)</b>	<b>895</b>	<b>14,191</b>	<b>372,818</b>	<b>876,674</b>

## 21 Reserves (continued)

### Group

	Share premium HK\$'000	Exchange reserve HK\$'000	Revaluation reserve HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2004	489,185	(415)	-	895	14,191	372,818	876,674
Surplus on revaluation of land of a subsidiary	-	-	21,230	-	-	-	21,230
Profit attributable to shareholders	-	-	-	-	-	83,670	83,670
Transfer of reserves	-	-	-	-	2,904	(2,904)	-
2003 final dividend	-	-	-	-	-	(30,000)	(30,000)
2004 interim dividend	-	-	-	-	-	(7,500)	(7,500)
<b>At 31st December 2004</b>	<b>489,185</b>	<b>(415)</b>	<b>21,230</b>	<b>895</b>	<b>17,095</b>	<b>416,084</b>	<b>944,074</b>
Representing:							
2004 final dividend proposed	-	-	-	-	-	15,000	15,000
Others	489,185	(415)	21,230	895	17,095	401,084	929,074
	489,185	(415)	21,230	895	17,095	416,084	944,074
Retained by:							
Company and subsidiaries	489,185	(415)	21,230	895	731	265,076	776,702
Jointly controlled entities	-	-	-	-	16,364	151,008	167,372
<b>At 31st December 2004</b>	<b>489,185</b>	<b>(415)</b>	<b>21,230</b>	<b>895</b>	<b>17,095</b>	<b>416,084</b>	<b>944,074</b>

In accordance with the PRC regulations, subsidiaries and jointly controlled entities in the PRC are required to transfer part of their profit after taxation to the enterprise expansion and reserve funds. The quantum of the transfers are subject to the approval of the board of directors of these subsidiaries and jointly controlled entities in accordance with their respective joint venture agreements. The funds are required to be retained in the accounts of respective subsidiaries and jointly controlled entities for specific purposes.

# Notes to the Accounts

## 21 Reserves (continued)

### Company

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2003	489,185	170,725	659,910
Profit for the year	–	18,846	18,846
2002 final dividend	–	(30,000)	(30,000)
2003 interim dividend	–	(7,500)	(7,500)
<b>At 31st December 2003</b>	<b>489,185</b>	<b>152,071</b>	<b>641,256</b>
Representing:			
2003 final dividend proposed	–	30,000	30,000
Others	489,185	122,071	611,256
<b>At 31st December 2003</b>	<b>489,185</b>	<b>152,071</b>	<b>641,256</b>
At 1st January 2004	489,185	152,071	641,256
Profit for the year	–	18,327	18,327
2003 final dividend	–	(30,000)	(30,000)
2004 interim dividend	–	(7,500)	(7,500)
<b>At 31st December 2004</b>	<b>489,185</b>	<b>132,898</b>	<b>622,083</b>
Representing:			
2004 final dividend proposed	–	15,000	15,000
Others	489,185	117,898	607,083
<b>At 31st December 2004</b>	<b>489,185</b>	<b>132,898</b>	<b>622,083</b>

## 22 Notes to the consolidated cash flow statement

### (a) Reconciliation of operating profit to cash generated from operations

	2004 HK\$'000	2003 HK\$'000
Operating profit	49,582	24,197
Depreciation	17,976	10,412
Negative goodwill	–	(246)
Amortisation of goodwill	1,025	–
(Gain)/loss on disposal of fixed assets	(791)	330
Interest income	(4,309)	(5,129)
Operating profit before working capital changes	63,483	29,564
(Increase)/decrease in trade receivables and other receivables	(9,032)	20,933
Increase in trade payables and other payables	30,221	3,582
Cash generated from operations	84,672	54,079



# Notes to the Accounts

## 22 Notes to the consolidated cash flow statement *(continued)*

### (b) Acquisition of subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets acquired		
Fixed assets	<b>112,588</b>	25,548
Trade receivables	<b>5,174</b>	302
Prepayments, deposits and other receivables	<b>259</b>	296
Bank balances and cash	<b>3,981</b>	555
Trade payables	<b>(6,515)</b>	(559)
Other payables and accruals	<b>(3,779)</b>	(75)
Amounts due to related companies	<b>(1,005)</b>	(28)
Loan from immediate holding company	<b>(6,604)</b>	–
Tax payable	–	(28)
Bank loans	<b>(21,226)</b>	–
Shareholders' loans	–	(519)
Minority interests	<b>(747)</b>	(2,931)
	<b>82,126</b>	22,561
<i>Less:</i> Share of net assets held by the Group	<b>(41,928)</b>	–
Goodwill/(negative goodwill)	<b>16,406</b>	(246)
Consideration satisfied by cash	<b>56,604</b>	22,315
Amount paid	<b>56,604</b>	13,767
Amount payable	–	8,548
Total consideration	<b>56,604</b>	22,315

## 22 Notes to the consolidated cash flow statement *(continued)*

### (b) Acquisition of subsidiaries *(continued)*

Analysis of the net cash outflow on acquisition of subsidiaries:

	2004 HK\$'000	2003 HK\$'000
Net cash outflow in respect of the acquisition of a subsidiary during the year:		
Cash consideration paid	56,604	13,767
Bank balances and cash acquired	(3,981)	(555)
	52,623	13,212
Net cash outflow in respect of the acquisition of a subsidiary in the prior year:		
Cash consideration paid	8,548	–
Total	61,171	13,212

The subsidiary acquired during the year contributed HK\$15,557,000 (2003: Nil) to the Group's net cash from operating activities, utilised HK\$10,526,000 (2003: Nil) for investing activities and paid HK\$1,968,000 (2003: Nil) for financing activities.

During the year, the Group acquired an additional 49% of the equity interest in a then jointly controlled entity, Gaoming Terminals from its joint venture partner at a consideration of approximately HK\$56,604,000. Upon completion of the acquisition, Gaoming Terminals became a 99% owned subsidiary of the Group in 2004.

In 2003, the Group acquired 90% equity interest in Qingyuan Terminals from its joint venture partner at total considerations of approximately HK\$22,315,000.

# Notes to the Accounts

## 22 Notes to the consolidated cash flow statement (continued)

(c) Analysis of changes in financing during the year

	Loan from immediate holding company		Secured bank loan		Minority interests	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	-	-	-	-	2,931	-
Acquisition of a subsidiary (note 22(b))	6,604	-	21,226	-	747	2,931
Minority interests' share of profits less losses of subsidiaries	-	-	-	-	(46)	-
Cash outflows	(6,604)	-	(7,075)	-	(331)	-
At 31st December	-	-	14,151	-	3,301	2,931

The minority interests include a loan from a minority shareholder of HK\$94,000 (2003: HK\$425,000) which is unsecured, interest free and has no fixed terms of repayment.

## 23 Contingent liabilities

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Counter-guarantees to banks in respect of bank guarantees provided to third parties	2,290	1,450	–	–
Corporate guarantee for banking facilities granted to subsidiaries	–	–	8,600	17,600
	<b>2,290</b>	1,450	<b>8,600</b>	17,600

## 24 Commitments

### (a) Capital commitments

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Contracted but not provided for				
– Investments	15,660	16,048	–	16,048
– Fixed assets	2,473	4,976	–	4,476
	<b>18,133</b>	21,024	–	20,524
Authorised but not contracted for	–	–	–	–
	<b>18,133</b>	21,024	–	20,524

# Notes to the Accounts

## 24 Commitments *(continued)*

### (a) Capital commitments *(continued)*

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Contracted but not provided for	–	17,403
Authorised but not contracted for	<b>67,489</b>	3,870
	<b>67,489</b>	21,273

### (b) Commitments under operating leases

The future aggregate minimum lease payables under non-cancellable operating leases are payable as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Land and buildings:				
Not later than one year	<b>5,113</b>	5,709	<b>113</b>	–
Later than one year and not later than five years	<b>5,000</b>	12,263	–	–
	<b>10,113</b>	17,972	<b>113</b>	–
Vessels and barges:				
Not later than one year	<b>17,343</b>	13,438	–	–
Later than one year and not later than five years	–	500	–	–
	<b>17,343</b>	13,938	–	–
	<b>27,456</b>	31,910	<b>113</b>	–



## 25 Future operating lease arrangements

The future aggregate minimum lease receipts under non-cancellable operating leases are receivable as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Land and buildings:				
Not later than one year	2,740	2,200	460	–
Later than one year and not later than five years	1,094	3,040	334	–
	<b>3,834</b>	5,240	<b>794</b>	–
Vessels and barges:				
Not later than one year	–	1,800	–	–
Others:				
Not later than one year	133	110	–	–
Later than one year and not later than five years	264	–	–	–
	<b>397</b>	110	–	–
	<b>4,231</b>	7,150	<b>794</b>	–

## 26 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 year:

# Notes to the Accounts

## 26 Related party transactions (continued)

- (a) Transactions with ultimate holding company, immediate holding company, fellow subsidiaries and related entities (which include an entity which is 49% and 51% owned by the Group and the ultimate holding company respectively, an entity which is 40% and 50% owned by the Group and the ultimate holding company respectively, an entity which is 75% and 25% owned by the Group and the ultimate holding company respectively and another entity which is 25% and 15% owned by immediate holding company and ultimate holding company respectively):

		<b>Group</b>	
	<i>Note</i>	<b>2004 HK\$'000</b>	2003 HK\$'000
<b>Revenues:</b>			
Shipping agency, river trade cargo direct shipment and transshipment income	<i>(i)</i>		
– fellow subsidiaries		<b>2,436</b>	950
– related entities		<b>173</b>	319
<b>Expenses:</b>			
Shipping agency, river trade cargo direct shipment and transshipment expenses	<i>(i)</i>		
– a fellow subsidiary		–	(12,112)
– related entities		<b>(17,593)</b>	(614)
Wharf cargo handling, cargo transportation and godown storage expenses	<i>(i)</i>		
– a related entity		<b>(177)</b>	–
Fuel charges	<i>(iii)</i>		
– a fellow subsidiary		<b>(12,725)</b>	(5,182)
Vessel rental expenses	<i>(ii)</i>		
– a fellow subsidiary		<b>(960)</b>	(2,562)
– related entities		<b>(13,338)</b>	(10,535)
Warehouse rental expenses	<i>(iv)</i>		
– immediate holding company		<b>(5,000)</b>	(5,000)
Office rental expenses	<i>(ii)</i>		
– immediate holding company		<b>(488)</b>	(2,047)
– a fellow subsidiary		<b>(42)</b>	(877)
– a related entity		<b>(11)</b>	–
Crew hire charges	<i>(ii)</i>		
– a related entity		<b>(551)</b>	(591)
Staff hire charges	<i>(ii)</i>		
– fellow subsidiaries		–	(232)
– a related entity		<b>(404)</b>	–
Marine supplies expenses	<i>(iii)</i>		
– a fellow subsidiary		<b>(44)</b>	(18)
Vessel repairs and maintenance expenses	<i>(iii)</i>		
– fellow subsidiaries		<b>(87)</b>	(233)
Loan interest expense	<i>(v)</i>		
– immediate holding company		<b>(165)</b>	–
Acquisition of a jointly controlled entity (note 14(d))			
– ultimate holding company		<b>(16,048)</b>	–
Interchange of use of properties	<i>(vi)</i>		
– immediate holding company		–	–



## 26 Related party transactions *(continued)*

(b) Transactions with other related entities:

	<i>Note</i>	<b>Group</b>	
		<b>2004</b> HK\$'000	2003 HK\$'000
<b>Revenues:</b>			
Shipping agency, river trade cargo direct shipment and transhipment income	<i>(i)</i>		
– a jointly controlled entity of the immediate holding company		<b>5,457</b>	3,971
– jointly controlled entities of the Group		<b>7,225</b>	6,432
<b>Expenses:</b>			
Shipping agency, river trade cargo direct shipment and transhipment expenses	<i>(ii)</i>		
– jointly controlled entities of the immediate holding company		<b>(17,493)</b>	(7,498)
– jointly controlled entities of the Group		<b>(14,057)</b>	(13,508)
Wharf cargo handling, cargo consolidation and godown storage expenses	<i>(ii)</i>		
– a jointly controlled entity of the immediate holding company		<b>(12,423)</b>	(11,684)
– jointly controlled entities of the Group		<b>(20,297)</b>	(20,186)





# Notes to the Accounts

## 26 Related party transactions *(continued)*

*Notes:*

- (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 the immediate holding company and the rental was charged by the immediate holding company at HK\$5,000,000 for the year ended 31st December 2004 (2003: HK\$5,000,000).
- (v) The interest on loan from the immediate holding company was charged at a rate of 6% per annum.
- (vi) During the year, the Company and the immediate holding company have interchanged the use of certain own floors of Chu Kong Shipping Tower free of charge.

## 27 Ultimate holding company

The directors regard Guangdong Province Navigation Holdings Company Limited, a company incorporated in the PRC, as being the ultimate holding company.

## 28 Approval of accounts

The accounts were approved by the board of directors on 19th April 2005.