

# Interim Report 2005



*Together, let's set out a higher, further and wider goal.*



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

The Board of Directors of Chu Kong Shipping Development Company Limited (the “Company”) is pleased to announce the interim report and condensed consolidated accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2005. 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 2005, and the consolidated balance sheet as at 30th June 2005, all of which are unaudited and condensed. Those statements together with their relevant notes are set out on pages 11 to 45 of this report.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review of Operations**

For the six months ended 30th June 2005, the Group recorded a consolidated turnover of HK\$307,985,000, a decrease of 5.8% as compared with the corresponding period last year. Profit attributable to equity holders of the Company was HK\$47,439,000, representing an increase of 10.1% as compared with the corresponding period last year.

During the period, the growth of Hong Kong container transportation has slowed down. The trading volume of river trade transportation has also decreased. The cargo handling volume of the Group recorded a drop in the first six months after tremendous growth for three consecutive years. With the existing resources have been effectively consolidated by the Group, together with the provision of better logistic solutions and service products to its customers, and the adoption of more stringent cost control measures during the period, the operating profit margin of the Group was stable in the first half of the year. Profits attributable to equity holders of the Company recorded a two-digit growth during the period as the overall investment activities has shown substantial improvement.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Review of Operations (continued)

#### 1. River trade transportation business

As mentioned above, Hong Kong container transportation recorded a drop in the first six months after tremendous growth for many consecutive years, together with the decrease of trading volume of river trade transportation, the Group's river trade transportation business recorded a drop in total. Major performance statistics of business operations are as follows:

Indicators	Six months ended		
	30th June		
	2005	2004	Change
Container transportation volume (TEU)	<b>210,028</b>	221,522	-5.2%
Import and export of shipping agencies business (voyages)	<b>9,744</b>	10,505	-7.2%
Container handling volume (TEU)	<b>114,494</b>	126,985	-9.8%
Volume of container hauling and trucking on land (TEU)	<b>63,209</b>	69,088	-8.5%
Volume of break bulk cargoes handled (tons)	<b>171,174</b>	182,999	-6.5%

#### 2. Investment business

The Group established Chu Kong Cargo Terminals (Beicun) Company Limited ("Beicun Terminals"), a jointly controlled entity, during the period. The Group holds 50% equity interest in Beicun Terminals and the Group's total investment is HK\$15,094,000. The Group had invested HK\$10,574,000 during the period.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **Review of Operations** *(continued)*

#### *2. Investment business (continued)*

Major road repairs work conducted by Guangzhou-Foshan Expressway Ltd. (“Guangfo Expressway”) had completed in September 2004, recording a 15.6% increase in the traffic volume during the first half of 2005 as compared to the corresponding period last year, contributing a significant increase in the revenue and profits for Guangfo Expressway during the period. In addition, as the State Administration of Taxation had reduced the business tax rate on toll income of expressways from 5% to 3% in June 2005, it is believed that Guangfo Expressway would be able to bring higher profit to its shareholders in the second half of the year. Foshan New Port Ltd. has been actively sourcing more type of goods for handling and new customers, trading volume grown by 25% accordingly. The Group’s share of profits in Foshan New Port Ltd. increased substantially by 86.5%.

The other jointly controlled entities held by the Group performed well during the period without any material abnormal situation.

### **Outlook**

Despite the decrease of trading volume of the Group’s river trade transportation business for the first six months of the year, owing to the fact that Hong Kong has stably developed itself as a logistic centre of the region, and the economy in the areas covered by the industry has grown steadily, the Board expects that there will be an increase in the volume of the river transportation between Guangdong and Hong Kong in the second half of the year. Despite the fact that it is possible for the recent record-breaking oil price to affect the growth of the entire economy and the Group’s profit, as the peripheral business environment is on an upward trend and the advantages brought about by the industry, the Board is cautiously optimistic about the prospects of the Group 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 2005, the Group had credit facility of HK\$25,541,000 obtained from its principal bankers, of which HK\$14,151,000 was utilised. As at 30th June 2005, the current ratio of the Group, represented by current assets to current liabilities, was 2.4 (31st December 2004: 2.0). Whereas the debt ratio of the Group, represented by total liabilities to total assets, was 15.7% (31st December 2004: 17.0%).

As at 30th June 2005, the Group's cash and bank balances amounted to HK\$313,061,000. Based on the Group's existing cash and working capital level, together with the available banking facilities, it is believed that the Group has sufficient funds to finance its future operations and investments.

As at 30th June 2005, bank deposits and cash held by the Group, of which 49% were Hong Kong dollars, were in the following denominations:

	<b>Amount</b> <i>HK\$'000</i>	<b>Percentage</b> %
HKD	153,328	49
USD	16,685	5
RMB	143,048	46
	<u>313,061</u>	<u>100</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **Liquidity and Financial Resources** *(continued)*

Currently, the ordinary operations and investments of the Group are concentrated in Guangdong and Hong Kong, with operating revenue and expenditure mainly denominated in HKD, as well as in RMB and USD. RMB revenue from Mainland China may be used for payment of expenses of the Group denominated in RMB incurred in Mainland China. HKD or USD revenue received in Mainland China may be remitted to the Group's accounts in Hong Kong through proper procedures as planned. So long as the pegged rate system in Hong Kong is maintained, it is expected that the Group will not be subject to any significant exposure associated with fluctuation in exchange rates. However, the change in the exchange rate of RMB will affect the Group's result in certain extent.

### **Pledge of Assets and Contingent Liabilities**

As at 30th June 2005, the Group has pledged its land use rights of approximately HK\$62,480,000 as collateral for its bank loan. Apart from bank loans of RMB15,000,000, the Group did not have other borrowings as at 30th June 2005.

The Group did not have any material contingent liabilities as at 30th June 2005.

### **Employees**

As at 30th June 2005, the Group employed 332 employees in Hong Kong and remunerated its employees according to the duty of their positions 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 Option Scheme" below.

Save as disclosed above, as at 30th June 2005, 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 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 Company's operations. Eligible participants of the schemes include any full-time employees (including executive directors) in the service of the Group.

On 10th May 2000, 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 effect.

On 14th May 2000, 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 granted under the 2002 Scheme since adoption.

## SHARE OPTION SCHEME (continued)

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

Directors	Number of granted share options			Exercise price	Date of grant	Exercise period
	At 1st January 2005	Cancelled during the period	At 30th June 2005			
Mr. Liang Yongjiu	11,000,000	-	11,000,000	0.55	29th May 2000	29th May 2000 to 28th May 2010
Mr. Che Chiqiang	10,000,000	-	10,000,000	0.52	16th October 2000	16th October 2000 to 15th October 2010
	<u>21,000,000</u>	<u>-</u>	<u>21,000,000</u>			
Senior management	8,000,000	-	8,000,000	0.55	29th May 2000	29th May 2000 to 28th May 2010
Other employees	16,000,000	(8,000,000)	8,000,000	0.55	29th May 2000	29th May 2000 to 28th May 2010
	<u>45,000,000</u>	<u>(8,000,000)</u>	<u>37,000,000</u>			

*Note:* Mr. Liang Yongjiu was resigned as a director of the Company on 2nd August 2005. The share options held by him were also cancelled on 2nd August 2005.

Apart from the share option scheme noted above, at no time during the period was the Company or its holding company 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**

As at 30th June 2005, as recorded in the register required to be kept under Section 336 of the SFO, the following shareholders have 5% or more of the Company's share capital:

### **Ordinary shares of HK\$0.1 each in the Company**

	<b>Number of shares</b>
(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 2005, 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**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the period.

## **APPOINTMENT OF NEW CHAIRMAN**

Due to personal reasons, Mr. Liang Yongjiu resigned as the Chairman of the Company with effect from 2nd August 2005. The Board appointed Mr. Huang Liezhang as the new Chairman of the Company for a term commencing from 2nd August 2005 until the next annual general meeting of the Company.

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

The interim report of the Company for the six months ended 30th June 2005 containing all the information required by paragraphs 46(1) to 46 (6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules") will be published on the SEHK's website in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from Tuesday, 4th October 2005 to Thursday, 6th October 2005, 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, 3rd October 2005 for registration. Interim dividend warrants will be despatched on or before 27th October 2005.

## **REVIEW BY AUDIT COMMITTEE**

The Company's Audit Committee has reviewed the unaudited interim accounts for 2005.

## **CORPORATE GOVERNANCE**

The Company is dedicated to maintain a high standard of corporate governance. The Board is not aware of any information that would reasonably indicate that the Group was not in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the accounting period covered by the interim report.

## **CORPORATE GOVERNANCE** *(continued)*

The Company has established the Remuneration Committee comprising mostly of the independent non-executive directors. Mr. Chan Kay Cheung, an independent non-executive director, was appointed as the Chairman, and the company secretary was appointed as secretary of the Remuneration Committee.

The Chairman and chief executive officer of the Company are different person, with written terms clearly stating their respective duties.

## **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. Huang Liezhang, Mr. Che Chiqiang, Mr. Li Zhijie and Mr. Yang Rixiang; and independent non-executive directors include Mr. Chan Kay Cheung, Mr. Choi Kim-Lui and Ms. Yau Lai Man.

By Order of the Board  
**Che Chiqiang**  
*Managing Director*

Hong Kong, 8th September 2005

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2005**

	<i>Note</i>	<b>2005</b> <b>HK\$'000</b>	Restated 2004 <i>HK\$'000</i>
Turnover	3	<b>307,985</b>	326,909
Cost of services rendered		<b>(256,401)</b>	(267,342)
		<hr/>	<hr/>
Gross profit		<b>51,584</b>	59,567
Other revenues		<b>3,862</b>	2,438
Administrative expenses		<b>(34,609)</b>	(38,076)
Other gains/(losses), net		<b>1,425</b>	(321)
		<hr/>	<hr/>
Operating profit	4	<b>22,262</b>	23,608
Finance costs	5	<b>(385)</b>	(852)
Share of profits less losses of jointly controlled entities	6	<b>29,092</b>	24,606
		<hr/>	<hr/>
Profit before income tax		<b>50,969</b>	47,362
Income tax expenses	7	<b>(3,624)</b>	(4,326)
		<hr/>	<hr/>
Profit for the period		<b>47,345</b>	43,036
		<hr/>	<hr/>
Attributable to:			
Equity holders of the Company		<b>47,439</b>	43,081
Minority interests		<b>(94)</b>	(45)
		<hr/>	<hr/>
		<b>47,345</b>	43,036
		<hr/>	<hr/>
Interim dividend	8	<b>7,500</b>	7,500
		<hr/>	<hr/>
		<b>HK cents</b>	<i>HK cents</i>
Earnings per share			
Basic	9	<b>6.32</b>	5.74
		<hr/>	<hr/>
Diluted	9	<b>6.15</b>	5.58
		<hr/>	<hr/>

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 30TH JUNE 2005**

		As at 30th June 2005 <i>HK\$'000</i>	Restated As at 31st December 2004 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	<i>10</i>	<b>178,356</b>	181,209
Investment properties	<i>10</i>	<b>4,973</b>	5,025
Leasehold land and land use rights	<i>10</i>	<b>282,205</b>	285,372
Goodwill	<i>10</i>	<b>15,381</b>	15,381
Interests in jointly controlled entities		<b>322,856</b>	328,858
Deferred tax assets		<b>163</b>	124
		<b>803,934</b>	815,969
Current assets			
Loan receivables from jointly controlled entities		<b>39,311</b>	24,049
Trade and other receivables	<i>11</i>	<b>123,609</b>	130,938
Bank balances and cash		<b>313,061</b>	261,515
		<b>475,981</b>	416,502
Total assets		<b>1,279,915</b>	1,232,471
<b>EQUITY</b>			
Share capital		<b>75,000</b>	75,000
Other reserves	<i>12</i>	<b>527,990</b>	527,990
Retained profits			
– Final dividend proposed		–	15,000
– others		<b>473,576</b>	401,974
Shareholders' funds		<b>1,076,566</b>	1,019,964
Minority interests		<b>2,300</b>	3,207
Total equity		<b>1,078,866</b>	1,023,171

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

AS AT 30TH JUNE 2005

		As at 30th June 2005 HK\$'000	Restated As at 31st December 2004 HK\$'000
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred tax liabilities		<u>3,625</u>	<u>3,554</u>
Current liabilities			
Trade and other payables	13	<u>178,666</u>	189,275
Tax payable		<u>4,607</u>	2,320
Short-term bank loans, secured		<u>14,151</u>	<u>14,151</u>
		<u>197,424</u>	<u>205,746</u>
Total liabilities		<u>201,049</u>	<u>209,300</u>
Total equity and liabilities		<u>1,279,915</u>	<u>1,232,471</u>
Net current assets		<u>278,557</u>	<u>210,756</u>
Total assets less current liabilities		<u>1,082,491</u>	<u>1,026,725</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**  
*FOR THE SIX MONTHS ENDED 30TH JUNE 2005*

	Attributable to equity holders of the Company				Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Minority interests HK\$'000	
At 1st January 2005, as previously reported	75,000	527,990	416,084	3,207	1,022,281
Effect of adoption of HKAS 17	-	-	890	-	890
Opening adjustment for adoption of HKFRS 3	-	-	24,163	-	24,163
	<u>75,000</u>	<u>527,990</u>	<u>441,137</u>	<u>3,207</u>	<u>1,047,334</u>
At 1st January 2005, as restated	75,000	527,990	441,137	3,207	1,047,334
Profit for the period	-	-	47,439	(94)	47,345
Acquisition of additional equity interest in a subsidiary	-	-	-	(813)	(813)
2004 final dividend	-	-	(15,000)	-	(15,000)
	<u>75,000</u>	<u>527,990</u>	<u>473,576</u>	<u>2,300</u>	<u>1,078,866</u>
At 30th June 2005	<u>75,000</u>	<u>527,990</u>	<u>473,576</u>	<u>2,300</u>	<u>1,078,866</u>
At 1st January 2004, as previously reported	75,000	503,856	372,818	2,506	954,180
Effect of adoption of HKAS 17	-	-	376	-	376
	<u>75,000</u>	<u>503,856</u>	<u>373,194</u>	<u>2,506</u>	<u>954,556</u>
At 1st January 2004, as restated	75,000	503,856	373,194	2,506	954,556
Revaluation arising from the initial recognition of net assets acquired in a business combination	-	21,230	-	-	21,230
Profit for the period, as restated	-	-	43,081	(45)	43,036
2003 final dividend	-	-	(30,000)	-	(30,000)
Acquisition of a subsidiary	-	-	-	747	747
	<u>75,000</u>	<u>525,086</u>	<u>386,275</u>	<u>3,208</u>	<u>989,569</u>
At 30th June 2004	<u>75,000</u>	<u>525,086</u>	<u>386,275</u>	<u>3,208</u>	<u>989,569</u>

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2005**

	<b>2005</b>	2004
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash from operating activities	<b>22,333</b>	12,017
Net cash from/(used in) investing activities	<b>44,213</b>	(49,484)
Net cash used in financing activities	<b>(15,000)</b>	(30,000)
Net increase/(decrease) in cash and cash equivalents	<b>51,546</b>	(67,467)
Cash and cash equivalents at 1st January	<b>261,515</b>	304,758
Cash and cash equivalents at 30th June	<b>313,061</b>	237,291
Analysis of balances of cash and cash equivalents:		
Bank balances and cash at 30th June	<b>313,061</b>	237,291



## **NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

### **1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the 2004 annual financial statements except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRS”) and HKASs (collectively the “new HKFRSs”) which are effective for accounting periods commencing on or after 1st January 2005.

The condensed consolidated financial information has been prepared in accordance with those new HKFRSs and interpretations issued and effective as at the time of preparing this information. The new HKFRSs and interpretations that will be applicable at 31st December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this condensed consolidated financial information.

The changes to the Group’s principal accounting policies and the effect of adopting these new policies are set out in note 2 below.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

### 2. CHANGES IN PRINCIPAL ACCOUNTING POLICIES

In 2005, the Group adopted the new HKFRSs below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The following is a summary of material changes in principal accounting policies of the Group or presentation of financial statements as a result of the adoption of the new HKFRSs:

(i) **HKAS 1**

The adoption of HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly controlled entities and other disclosures.

## **NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** *(Continued)*

### **2. CHANGES IN PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

#### **(ii) HKAS 17**

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights were accounted for at cost less accumulated depreciation and impairment. This accounting policy has been adopted retrospectively and comparative amounts have been restated accordingly. The resulting effect on the condensed consolidated financial information is set out in notes 2(a) and (b) below.

#### **(iii) HKAS 24**

The adoption of HKAS 24 has affected the identification of related parties and some other related party disclosures. Related parties include Guangdong Province Navigation Holdings Company Limited (“GPNHCL”) and its related parties, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the central government of the People’s Republic of China (the “PRC”) (collectively the “PRC government”), other entities and corporations in which the Company is able to control or exercise significant influence, key management personnel of the Company and group companies of GPNHCL as well as their close family members.

#### **(iv) HKASs 32 and 39**

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets/liabilities at fair value through profit and loss.

## **NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** *(Continued)*

### **2. CHANGES IN PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

#### **(v) HKAS 40**

The adoption of HKAS 40 has resulted in a change in accounting policy relating to the reclassification of properties that is held for long-term rental yield or for capital appreciation or both and that is not occupied by the Group from property, plant and equipment to investment property. Investment property is accounted for at cost less accumulated depreciation and impairment.

#### **(vi) HKFRS 2**

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective on 1st January 2005, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

#### **(vii) HKFRS 3, HKAS 36 and HKAS 38**

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill/negative goodwill. Until 31st December 2004:

- Goodwill was amortised on a straight line basis over a period ranging from 15 to 20 years and assessed for an indication of impairment at each balance sheet date; and
- Negative goodwill was amortised over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

### 2. CHANGES IN PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (vii) HKFRS 3, HKAS 36 and HKAS 38 *(Continued)*

In accordance with the provisions of HKFRS 3:

- The Group ceased amortisation of goodwill from 1st January 2005;
- Accumulated amortisation as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
- From 1st January 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment; and
- Negative goodwill as at 1st January 2005 has been derecognised and credited to the equity.

The Group has reassessed the carrying value of goodwill in accordance with the provisions of HKAS 38. No adjustment was resulted from this assessment.

The resulting effect on the condensed consolidated financial information is set out in notes 2(a) and (b) below.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis.
- HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st January 2005; and
- HKFRS 3 – prospectively after the adoption date.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

### 2. CHANGES IN PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The following is a summary of effect of adopting the new HKFRSs on the unaudited condensed consolidated financial information:

#### (a) Effect on the unaudited consolidated income statement

##### For the six months ended 30th June 2005

	Effect of adopting		Total
	HKAS 17	HKFRS 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease in cost of services rendered	5	–	5
Decrease in administrative expenses	252	–	252
Increase in other gains, net	–	513	513
Increase in share of profits less losses of jointly controlled entities	–	495	495
	<b>257</b>	<b>1,008</b>	<b>1,265</b>
Increase in :			
Basic earnings per share (HK cents)	<b>0.03</b>	<b>0.14</b>	<b>0.17</b>
Diluted earnings per share (HK cents)	<b>0.03</b>	<b>0.13</b>	<b>0.16</b>

##### For the six months ended 30th June 2004

	Effect of adopting		Total
	HKAS 17	HKFRS 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease in cost of services rendered	5	–	5
Decrease in administrative expenses	252	–	252
	<b>257</b>	<b>–</b>	<b>257</b>
Increase in :			
Basic earnings per share (HK cents)	<b>0.03</b>	<b>–</b>	<b>0.03</b>
Diluted earnings per share (HK cents)	<b>0.03</b>	<b>–</b>	<b>0.03</b>

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION** *(Continued)*

**2. CHANGES IN PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

**(b) Effect on the unaudited consolidated balance sheet**

**As at 30th June 2005**

	Effect of adopting			Total HK\$'000
	HKAS 17 HK\$'000	HKAS 40 HK\$'000	HKFRS 3# HK\$'000	
Increase/(decrease) in :				
Assets				
Property, plant and equipment	(281,058)	(4,973)	-	(286,031)
Investment properties	-	4,973	-	4,973
Leasehold land and land use rights	282,205	-	-	282,205
Goodwill	-	-	513	513
Interests in jointly controlled entities	-	-	24,658	24,658
Total assets	<u>1,147</u>	<u>-</u>	<u>25,171</u>	<u>26,318</u>
Equity				
Profit for the period	257	-	1,008	1,265
Retained profits as at 1st January 2005	<u>890</u>	<u>-</u>	<u>24,163</u>	<u>25,053</u>
Total equity	<u>1,147</u>	<u>-</u>	<u>25,171</u>	<u>26,318</u>

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 2. CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (b) Effect on the unaudited consolidated balance sheet (Continued)

As at 31st December 2004

	Effect of adopting			Total HK\$'000
	HKAS 17 HK\$'000	HKAS 40 HK\$'000	HKFRS 3# HK\$'000	
Increase/(decrease) in :				
Assets				
Property, plant and equipment	(284,482)	(5,025)	–	(289,507)
Investment properties	–	5,025	–	5,025
Leasehold land and land use rights	285,372	–	–	285,372
	<u>890</u>	<u>–</u>	<u>–</u>	<u>890</u>
Total assets	<u>890</u>	<u>–</u>	<u>–</u>	<u>890</u>
Equity				
Profit for the year	514	–	–	514
Retained profits as at 1st January 2004	376	–	–	376
	<u>890</u>	<u>–</u>	<u>–</u>	<u>890</u>
Total equity	<u>890</u>	<u>–</u>	<u>–</u>	<u>890</u>

# *HKFRS 3 only applies prospectively after the adoption date. The negative goodwill of HK\$24,163,000 as at 1st January 2005 was derecognised and credited to opening equity as at 1st January 2005.*

### 3. SEGMENT INFORMATION

#### Business segments

The Group and its 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



## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 3. SEGMENT INFORMATION (Continued)

#### Business segments (Continued)

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

	Six months ended 30th June 2005					
	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Container hauling and trucking HK\$'000	Expressway operation HK\$'000	Eliminations HK\$'000	Total HK\$'000
Turnover						
- external	271,435	36,142	408	-	-	307,985
- intersegments	1	28,728	23,961	-	(52,690)	-
Other revenues						
- external	284	349	49	-	-	682
- intersegments	-	253	-	-	(253)	-
Total	<u>271,720</u>	<u>65,472</u>	<u>24,418</u>	<u>-</u>	<u>(52,943)</u>	<u>308,667</u>
Segment results	5,658	12,988	3,826	-	-	22,472
Unallocated income						3,180
Unallocated expenses						(3,390)
Operating profit						22,262
Finance costs						(385)
Share of profits less losses of jointly controlled entities	(183)	5,259	646	23,370	-	29,092
Profit before income tax						50,969
Income tax expenses						(3,624)
Profit for the period						<u>47,345</u>
Capital expenditure						
- allocated	1,677	1,596	306	-	-	3,579
- unallocated						560
						<u>4,139</u>
Amortisation and depreciation						
- allocated	1,952	7,034	233	-	-	9,219
- unallocated						400
						<u>9,619</u>

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (Continued)**

**3. SEGMENT INFORMATION (Continued)**

**Business segments (Continued)**

	Six months ended 30th June 2004 (Restated)					
	Cargo transportation HK\$'000	Cargo hauling and storage HK\$'000	Container handling and trucking HK\$'000	Expressway operation HK\$'000	Eliminations HK\$'000	Total HK\$'000
Turnover						
– external	285,068	41,203	638	–	–	326,909
– intersegments	70	31,541	25,524	–	(57,135)	–
Other revenues						
– external	609	21	1	–	–	631
– intersegments	–	253	–	–	(253)	–
	<u>285,747</u>	<u>73,018</u>	<u>26,163</u>	<u>–</u>	<u>(57,388)</u>	<u>327,540</u>
Segment results	5,215	17,261	3,976	–	–	26,452
Unallocated income						1,807
Unallocated expenses						<u>(4,651)</u>
Operating profit						23,608
Finance costs						(852)
Share of profits less losses of jointly controlled entities	124	3,073	1,288	20,121	–	<u>24,606</u>
Profit before income tax						47,362
Income tax expenses						<u>(4,326)</u>
Profit for the period						<u>43,036</u>
Capital expenditure						
– allocated	4,993	136,007	–	–	–	141,000
– unallocated						<u>2,271</u>
						<u>143,271</u>
Amortisation and depreciation						
– allocated	1,190	7,092	237		–	8,519
– unallocated						<u>215</u>
						<u>8,734</u>

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 3. SEGMENT INFORMATION (Continued)

#### Business segments (Continued)

An analysis of the Group's assets and liabilities by business segments is as follows:

As at 30th June 2005							
	Cargo transportation <i>HKS'000</i>	Cargo handling and storage <i>HKS'000</i>	Container hauling and trucking <i>HKS'000</i>	Expressway operation <i>HKS'000</i>	Unallocated <i>HKS'000</i>	Elimination <i>HKS'000</i>	Group <i>HKS'000</i>
Assets	199,465	481,039	48,012	-	332,736	(143,504)	917,748
Jointly controlled entities	20,244	131,489	16,052	176,574	17,808	-	362,167
Total assets	<u>219,709</u>	<u>612,528</u>	<u>64,064</u>	<u>176,574</u>	<u>350,544</u>	<u>(143,504)</u>	<u>1,279,915</u>
Total liabilities	<u>189,341</u>	<u>102,801</u>	<u>26,052</u>	<u>-</u>	<u>26,359</u>	<u>(143,504)</u>	<u>201,049</u>
As at 31st December 2004 (Restated)							
	Cargo transportation <i>HKS'000</i>	Cargo handling and storage <i>HKS'000</i>	Container hauling and trucking <i>HKS'000</i>	Expressway operation <i>HKS'000</i>	Unallocated <i>HKS'000</i>	Elimination <i>HKS'000</i>	Group <i>HKS'000</i>
Assets	212,036	489,718	39,783	-	297,849	(159,822)	879,564
Jointly controlled entities	20,153	116,488	15,406	182,779	18,081	-	352,907
Total assets	<u>232,189</u>	<u>606,206</u>	<u>55,189</u>	<u>182,779</u>	<u>315,930</u>	<u>(159,822)</u>	<u>1,232,471</u>
Total liabilities	<u>206,376</u>	<u>116,696</u>	<u>21,659</u>	<u>-</u>	<u>24,391</u>	<u>(159,822)</u>	<u>209,300</u>

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** *(Continued)*

**3. 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	
	As at 30th June 2005 <i>HK\$'000</i>	As at 31st December 2004 <i>HK\$'000</i>	Six months ended 30th June 2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong	<b>752,041</b>	707,488	<b>2,292</b>	7,744
Mainland China	<b>165,707</b>	172,076	<b>1,847</b>	135,527
	<b>917,748</b>	879,564	<b>4,139</b>	143,271
Jointly controlled entities	<b>362,167</b>	352,907		
	<b>1,279,915</b>	1,232,471		

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION** *(Continued)*

**4. OPERATING PROFIT**

Operating profit is stated after crediting and charging the following:

	<b>Six months ended 30th June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Crediting</b>		
Gain on disposal of property, plant and equipment	<b>1,160</b>	13
Interest income	<b>3,172</b>	1,578
	<b><u>3,172</u></b>	<b><u>1,578</u></b>
<b>Charging</b>		
Amortisation of goodwill	–	469
Depreciation of property, plant and equipment and investment properties	<b>6,452</b>	5,115
Amortisation of leasehold land and land use rights	<b>3,167</b>	3,150
	<b><u>3,167</u></b>	<b><u>3,150</u></b>

**5. FINANCE COSTS**

	<b>Six months ended 30th June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans	<b>385</b>	852
	<b><u>385</u></b>	<b><u>852</u></b>

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION** *(Continued)*

**6. SHARE OF PROFITS LESS LOSSES OF JOINTLY CONTROLLED  
ENTITIES**

	<b>Six months ended 30th June</b>	
	<b>2005</b>	2004
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Share of profits less losses	<b>35,183</b>	30,387
Amortisation of goodwill	–	(666)
Amortisation of negative goodwill	–	217
Share of PRC enterprise income tax	<b>(6,091)</b>	(5,332)
	<b><u>29,092</u></b>	<u>24,606</u>

**7. INCOME TAX EXPENSES**

	<b>Six months ended 30th June</b>	
	<b>2005</b>	2004
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	<b>3,131</b>	4,054
PRC enterprise income tax	<b>461</b>	274
Deferred taxation	<b>32</b>	(2)
	<b><u>3,624</u></b>	<u>4,326</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. PRC enterprise income tax has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions where the subsidiaries operate.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (Continued)**

**7. INCOME TAX EXPENSES (Continued)**

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:

	<b>Six months ended 30th June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Profit before share of profits less losses of jointly controlled entities and income tax	<b>21,877</b>	22,756
Calculated at a taxation rate of 17.5%	<b>3,828</b>	3,982
Effect of different taxation rates applicable to the subsidiaries in the PRC	<b>208</b>	17
Net effect of (non-taxable income)/ non-deductible expenses	<b>(412)</b>	327
Income tax expenses	<b>3,624</b>	4,326

**8. INTERIM DIVIDEND**

	<b>Six months ended 30th June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Interim, of HK\$0.01 (2004: HK\$0.01) per ordinary share	<b>7,500</b>	7,500

- (a) On 8th September 2005, the directors declared an interim dividend of HK\$0.01 (2004: HK\$0.01) per ordinary share for the year ending 31st December 2005. This proposed dividend is not reflected as a dividend payable in this condensed financial information, but will be reflected as an appropriation of retained profits for the year ending 31st December 2005.
- (b) On 19th April 2005, the directors proposed a final dividend of HK\$0.02 per ordinary share for the year ended 31st December 2004, which was paid on 23rd June 2005 and has been reflected as an appropriation of retained profits for the year ending 31st December 2005.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION** *(Continued)*

**9. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended 30th June</b>	
	<b>2005</b>	2004
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit for the period	<b><u>47,439</u></b>	<u>43,081</u>
Weighted average number of ordinary shares in issue (thousands)	<b><u>750,000</u></b>	<u>750,000</u>
Basic earnings per share (HK cents)	<b><u>6.32</u></b>	<u>5.74</u>

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no consideration as if all outstanding share options granted by the Company had been exercised.

	<b>Six months ended 30th June</b>	
	<b>2005</b>	2004
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit for the period	<b><u>47,439</u></b>	<u>43,081</u>
Weighted average number of ordinary shares in issue (thousands)	<b>750,000</b>	750,000
Adjustments for share options (thousands)	<b><u>21,240</u></b>	<u>22,150</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b><u>771,240</u></b>	<u>772,150</u>
Diluted earnings per share (HK cents)	<b><u>6.15</u></b>	<u>5.58</u>



**NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (Continued)**

**10. CAPITAL EXPENDITURE**

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold land and land use rights <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>
Net book amount as at 1st January 2005, as previously reported	470,716	-	-	15,381
Effect of adopting HKAS 17	(284,482)	-	285,372	-
Effect of adopting HKAS 40	(5,025)	5,025	-	-
	<u>181,209</u>	<u>5,025</u>	<u>285,372</u>	<u>15,381</u>
Net book amount as at 1st January 2005, as restated	181,209	5,025	285,372	15,381
Additions	4,139	-	-	-
Disposals	(592)	-	-	-
Depreciation/amortisation charge ( <i>note 4</i> )	(6,400)	(52)	(3,167)	-
	<u>178,356</u>	<u>4,973</u>	<u>282,205</u>	<u>15,381</u>
Net book amount as at 30th June 2005	<u>178,356</u>	<u>4,973</u>	<u>282,205</u>	<u>15,381</u>
Net book amount as at 1st January 2004, as previously reported	335,110	-	-	-
Effect of adopting HKAS 17	(227,785)	-	228,161	-
	<u>107,325</u>	<u>-</u>	<u>228,161</u>	<u>-</u>
Net book amount as at 1st January 2004, as restated	107,325	-	228,161	-
Acquisition of a subsidiary	49,060	-	63,528	15,016
Additions	15,667	-	-	-
Disposals	(260)	-	-	-
Depreciation/amortisation charge ( <i>note 4</i> )	(5,115)	-	(3,150)	(469)
	<u>166,677</u>	<u>-</u>	<u>288,539</u>	<u>14,547</u>
Net book amount as at 30th June 2004	<u>166,677</u>	<u>-</u>	<u>288,539</u>	<u>14,547</u>

As at 30th June 2005, the net book value of land use rights pledged as security for the bank loan of the Group amounted to HK\$62,480,000 (31st December 2004: HK\$63,336,000).

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION** *(Continued)*

**11. TRADE AND OTHER RECEIVABLES**

	As at <b>30th June</b> <b>2005</b> <i>HK\$'000</i>	As at 31st December 2004 <i>HK\$'000</i>
Trade receivables from: <i>(note (a))</i>		
– third party	<b>70,925</b>	60,248
– fellow subsidiaries	<b>200</b>	200
– jointly controlled entities	<b>27,619</b>	29,640
– other related companies	<b>29</b>	46
– other state-owned enterprises	<b>1,217</b>	470
	<hr/> <b>99,990</b> <hr/>	<hr/> 90,604 <hr/>
Other receivables from: <i>(note (b))</i>		
– immediate holding company	<b>4,067</b>	3,891
– fellow subsidiaries	<b>267</b>	271
– jointly controlled entities	<b>9,225</b>	28,027
– other related companies	<b>520</b>	166
	<hr/> <b>14,079</b> <hr/>	<hr/> 32,355 <hr/>
Deposits and prepayments	<hr/> <b>9,540</b> <hr/>	<hr/> 7,979 <hr/>
	<hr/> <b>123,609</b> <hr/>	<hr/> 130,938 <hr/>

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 11. TRADE AND OTHER RECEIVABLES (Continued)

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

	As at 30th June 2005 <i>HK\$'000</i>	As at 31st December 2004 <i>HK\$'000</i>
Within 3 months	96,803	86,441
4 to 6 months	2,369	2,433
7 to 12 months	740	1,395
Over 12 months	<u>2,684</u>	<u>3,260</u>
	<b>102,596</b>	<b>93,529</b>
<i>Less:</i> Provision for impairment of receivables	<u>(2,606)</u>	<u>(2,925)</u>
	<b><u>99,990</u></b>	<b><u>90,604</u></b>

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.

### 12. OTHER RESERVES

	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	PRC statutory reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2005 and 30th June 2005	<u>489,185</u>	<u>(415)</u>	<u>21,230</u>	<u>895</u>	<u>17,095</u>	<u>527,990</u>
At 1st January 2004	489,185	(415)	-	895	14,191	503,856
Revaluation arising from the initial recognition of net assets acquired in a business combination	<u>-</u>	<u>-</u>	<u>21,230</u>	<u>-</u>	<u>-</u>	<u>21,230</u>
At 30th June 2004	489,185	(415)	21,230	895	14,191	525,086
Transfer of reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,904</u>	<u>2,904</u>
At 31st December 2004	<u>489,185</u>	<u>(415)</u>	<u>21,230</u>	<u>895</u>	<u>17,095</u>	<u>527,990</u>

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (Continued)**

**13. TRADE AND OTHER PAYABLES**

	As at 30th June 2005 HK\$'000	As at 31st December 2004 HK\$'000
Trade payables to <i>(note (a))</i> :		
– third parties	90,689	90,923
– immediate holding company	12,500	10,000
– fellow subsidiaries	3,359	1,729
– jointly controlled entities	12,125	15,791
– other related companies	7,226	5,738
– other state-owned enterprises	5,898	6,127
	<u>131,797</u>	<u>130,308</u>
Other payables to <i>(note (b))</i> :		
– immediate holding company	12,823	11,178
– fellow subsidiaries	157	540
– jointly controlled entities	6,640	11,862
– other related companies	6,784	6,248
	<u>26,404</u>	<u>29,828</u>
Other payables and accruals	19,725	26,509
Other payable to key management <i>(note (b))</i>	740	2,630
	<u>20,465</u>	<u>29,139</u>
	<u>178,666</u>	<u>189,275</u>

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** *(Continued)*

**13. TRADE AND OTHER PAYABLES** *(Continued)*

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

	As at <b>30th June</b> <b>2005</b> <i>HK\$'000</i>	As at 31st December 2004 <i>HK\$'000</i>
Within 3 months	<b>97,048</b>	99,243
4 to 6 months	<b>16,445</b>	18,808
7 to 12 months	<b>7,490</b>	3,189
Over 12 months	<b>10,814</b>	9,068
	<u><b>131,797</b></u>	<u>130,308</u>

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

**14. CAPITAL COMMITMENTS**

	As at <b>30th June</b> <b>2005</b> <i>HK\$'000</i>	As at 31st December 2004 <i>HK\$'000</i>
Contracted but not provided for in respect of:		
– investment	<b>4,528</b>	15,660
– property, plant and equipment	<b>2,136</b>	2,473
	<u><b>6,664</b></u>	<u>18,133</u>
Authorised but not contracted for in respect of:		
– property, plant and equipment	<b>8,060</b>	–
	<u><b>14,724</b></u>	<u>18,133</u>

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** *(Continued)*

**14. CAPITAL COMMITMENTS** *(Continued)*

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

	As at <b>30th June</b> <b>2005</b> <i>HK\$'000</i>	As at 31st December 2004 <i>HK\$'000</i>
Contracted but not provided for	<b>233</b>	–
Authorised but not contracted for	<b>69,240</b>	67,489
	<b>69,473</b>	67,489

**15. ACQUISITIONS**

**(a) Acquisition of additional equity interest in a subsidiary**

During the period, the Group acquired an additional 1% equity interest in Chu Kong Cargo Terminals (Gaoming) Co., Ltd, a 99% owned subsidiary of the Group, at a total consideration of approximately HK\$5,066,000.

**(b) Set up of a jointly controlled entity**

During the period, the Group established Chu Kong Cargo Terminals (Beicun) Co. Ltd., a 50% owned jointly controlled entity, by making capital investment of HK\$10,574,000.

## **NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** *(Continued)*

### **16. RELATED PARTY TRANSACTIONS**

The Group is controlled by Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”), which owns 75% of the Company’s shares.

CKSE is wholly owned by GPNHCL, the parent company of the Group, which is a state-owned enterprise controlled by the PRC government. In accordance with HKAS 24 “Related Party Disclosures” issued by the HKICPA, other state-owned enterprises and their subsidiaries (other than GPNHCL group companies), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include GPNHCL and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and GPNHCL as well as their close family members.

For the purpose of the related party transaction disclosures, the Group has identified to the extent practicable, its customers and suppliers as to whether they are state-owned enterprises. It should be noted that a material portion of the business activities of the Group and its jointly controlled entities are conducted in the PRC. Due to the vast volume and the pervasiveness of these transactions, there is no practicable way to track such transactions and ensure the completeness of certain disclosures. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** *(Continued)*

**16. RELATED PARTY TRANSACTIONS** *(Continued)*

In addition to those disclosed elsewhere in the financial information, the following is a summary of significant 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 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 ultimate holding company respectively and another entity which is 25% and 15% owned by immediate holding company and ultimate holding company respectively):

		<b>Six months ended</b>	
		<b>30th June</b>	
	<i>Note</i>	<b>2005</b>	2004
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	<i>(i)</i>		
– fellow subsidiaries		<b>1,228</b>	1,239
– related entities		<b>467</b>	80
		<b>—————</b>	<b>—————</b>
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	<i>(i)</i>		
– related entities		<b>(9,250)</b>	(6,360)
Wharf cargo handling, cargo transportation and godown storage expenses	<i>(iii)</i>		
– related entities		<b>(280)</b>	–
		<b>—————</b>	<b>—————</b>



**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** *(Continued)*

**16. RELATED PARTY TRANSACTIONS** *(Continued)*

- (a) Transactions with 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 ultimate holding company respectively and another entity which is 25% and 15% owned by immediate holding company and ultimate holding company respectively): *(Continued)*

		<b>Six months ended</b>	
		<b>30th June</b>	
		<b>2005</b>	<b>2004</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Expenses:			
Fuel charges	<i>(iii)</i>		
– a fellow subsidiary		<b>(12,167)</b>	(4,874)
Vessel rental expenses	<i>(ii)</i>		
– a fellow subsidiary		<b>(480)</b>	(480)
– related entities		<b>(7,906)</b>	(5,882)
Warehouse rental expenses	<i>(iv)</i>		
– immediate holding company		<b>(2,500)</b>	(2,500)
Office rental expenses	<i>(ii)</i>		
– immediate holding company		–	(234)
– a related entity		<b>(6)</b>	–
Crew hire charges	<i>(ii)</i>		
– a related entity		–	(275)
Staff hire charges	<i>(ii)</i>		
– a related entity		<b>(144)</b>	(94)
Vessel repairs and maintenance expenses	<i>(iii)</i>		
– fellow subsidiaries		<b>(45)</b>	(52)
Loan interest expenses	<i>(v)</i>		
– immediate holding company		–	(165)
Interchange of use of properties	<i>(ix)</i>		
– immediate holding company		–	–

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (Continued)**

**16. RELATED PARTY TRANSACTIONS (Continued)**

(b) Transactions with other related entities:

		<b>Six months ended 30th June</b>	
	<i>Note</i>	<b>2005 HK\$'000</b>	<b>2004 HK\$'000</b>
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– a jointly controlled entity of the immediate holding company		<b>1,592</b>	2,967
– jointly controlled entities of the Group		<b>2,548</b>	3,749
– other state-owned enterprises		<b>1,328</b>	673
Loan interest income	(vi)		
– jointly controlled entities of the Group		<b>1,458</b>	805
Bank interest income	(vii)		
– state-owned banks		<b>459</b>	100
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– jointly controlled entities of the immediate holding company		<b>(9,609)</b>	(5,765)
– jointly controlled entities of the Group		<b>(4,035)</b>	(9,205)
– other state-owned enterprises		<b>(5,128)</b>	(9,117)

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (Continued)**

**16. RELATED PARTY TRANSACTIONS (Continued)**

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

		<b>Six months ended 30th June</b>	
	<i>Note</i>	<b>2005 HK\$'000</b>	<b>2004 HK\$'000</b>
Expenses:			
Wharf cargo handling, cargo consolidation and godown storage expenses	<i>(i)</i>		
– a jointly controlled entity of the immediate holding company		<b>(11,251)</b>	(10,241)
– jointly controlled entities of the Group		<b>(8,214)</b>	(9,745)
– other state-owned enterprises		<b>(1,759)</b>	(809)
Vessel rental expenses	<i>(i)</i>		
– other state-owned enterprises		<b>(2,223)</b>	(3,581)
Bank loan interest expenses	<i>(viii)</i>		
– a state-owned bank		<b>(385)</b>	(660)

- (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 2005 (2004: HK\$2,500,000).

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** *(Continued)*

**16. RELATED PARTY TRANSACTIONS** *(Continued)*

- (v) The interest on loan from immediate holding company was charged at a rate of 6% per annum.
- (vi) Loan interest was charged to jointly controlled entities at rates ranging from 4.9% to 5.2% per annum (2004: 4.9% to 9.0% per annum).
- (vii) Bank interest income was received from state-owned banks at rates ranging from 0% to 3.3% per annum (2004: 0% to 0.9% per annum).
- (viii) The interest on loan from a state-owned bank was charged at a rate of 5.5% per annum (2004: rates ranging from 5.5% to 6.6% per annum).
- (ix) During the period, the Company and the immediate holding company have interchanged the use of certain own floors of Chu Kong Shipping Tower free of charge.
- (c) Key management compensation

	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Salaries and allowances	<b>2,112</b>	2,197
Fees	<b>740</b>	775
Retirement benefit scheme contributions	<b>38</b>	40
	<b>2,890</b>	3,012

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (Continued)**

**16. RELATED PARTY TRANSACTIONS (Continued)**

(d) Loans to jointly controlled entities

	As at <b>30th June</b> <b>2005</b> <i>HK\$'000</i>	As at 31st December 2004 <i>HK\$'000</i>
Beginning of the period/year	<b>90,595</b>	87,602
Loans advanced	–	2,993
Loan repayments received	<b>(51,284)</b>	–
End of the period/year	<b><u>39,311</u></b>	<b><u>90,595</u></b>

(e) Balances with state-owned banks are as follows:

	As at <b>30th June</b> <b>2005</b> <i>HK\$'000</i>	As at 31st December 2004 <i>HK\$'000</i>
Bank deposits	<b>130,330</b>	111,301
Short-term bank loans	<b><u>14,151</u></b>	<b><u>14,151</u></b>