



Report of the Directors



- The front row (From left to right):** Ms. Yau Lai Man (Independent non-executive director), Mr. Huang Liezhang (Chairman), Mr. Chan Kay Cheung (Independent non-executive director), Mr. Choi Kim-Lui (Independent non-executive director).
- The back row (From left to right):** Mr. Ng Kin Yuen (Company secretary), Mr. Li Zhijie (Executive director), Mr. Che Chiqiang (Managing director), Mr. Yang Rixiang (Executive director).

The directors present their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2005.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and jointly controlled entities are set out in notes 19 and 20 to the financial statements respectively. There were no significant changes in the principal activities of the Group during the year.

An analysis of the Group’s performance for the year by business and geographical segments is set out in note 5 to the financial statements.



Results and appropriations

The Group's results for the year ended 31st December 2005 is set out on page 35 of the annual report.

An interim dividend of HK1 cent per ordinary share was declared during the year, totalling HK\$7,500,000, which was paid on 27th October 2005. The directors recommend the payment of a final dividend of HK4 cents per ordinary share for the year, totalling HK\$30,000,000, to shareholders on the register of members on 15th May 2006.

Financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 109 of the annual report. This summary does not form part of the audited financial statements.

Property, plant and equipment and investment properties

Details of movements in the property, plant and equipment and investment properties of the Company and of the Group are set out in notes 15 and 16 to the financial statements.

Share capital

Details of the Company's share capital during the year are set out in note 24 to the financial statements.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 25 to the financial statements.

Distributable reserves

As at 31st December 2005, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$125,888,000 of which HK\$30,000,000 has been proposed as final dividend for the year.

Major customers and suppliers

During the year, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases for the year respectively.



Report of the Directors

Directors

The directors of the Company during the year were as follows:

Executive directors:

Mr. Liang Yongjiu (resigned on 2nd August 2005)
Mr. Huang Liezhang (appointed on 2nd August 2005)
Mr. Che Chiqiang
Mr. Li Zhijie
Mr. Yang Rixiang

Independent non-executive directors:

Mr. Chan Kay Cheung
Mr. Choi Kim-Lui
Ms. Yau Lai Man (appointed on 1st January 2005)

In accordance with the Articles of Association of the Company, Mr. Huang Liezhang and Mr. Yang Rixiang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

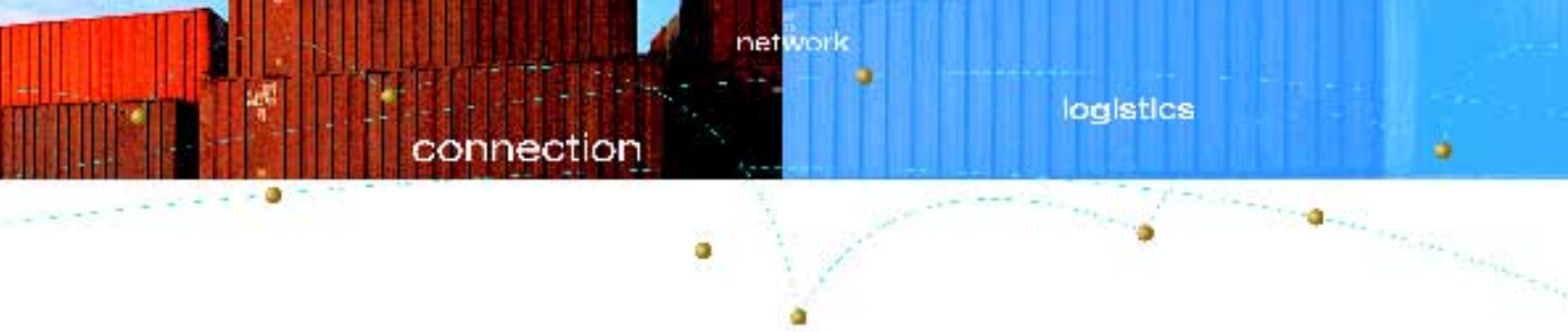
Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Directors' and senior management's biographies

Executive Directors

- **Mr. Liang Yongjiu**, aged 54, had been the chairman of the Company since June 2003 and has resigned on 2nd August 2005. He was responsible for the strategic planning and policy making of the Group. He joined Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") in 1999 and had been the managing director of CKSE. Mr. Liang started his career in the shipping industry in 1969. He was the deputy general manager of Guangdong Province Navigation Material Supply Company from 1984 to 1995, and the managing director of Guangdong Lighter Co. from 1995 to 1999. He has over 36 years of experience in marine transportation management and administration.
- **Mr. Huang Liezhang**, aged 39, has been the chairman of the Company since August 2005 and is responsible for the strategic planning and policy making of the Group. He joined CKSE since July 2005 as the managing director. Mr. Huang was graduated from Jimei University in July 1988. He studied Business Administration in the Asia International Open University (Macau) from September 2002 to August 2004 and obtained a Master degree. He is also a professional economist in the People's Republic of China (the "PRC"). Mr. Huang has engaged in the shipping industry since 1988. He acted as the deputy managing director and general manager of Guangdong Pearl River Tanker Transportation Co., Ltd. from June 1999 to July 2005. He has over 17 years of experience in shipping management and business administration.



Directors' and senior management's biographies *(Continued)*

Executive Directors *(Continued)*

- **Mr. Che Chiqiang**, aged 43, has been the managing director of the Company since September 2000 and is responsible for the strategic planning and policy making as well as the overall business operation and capital investment of the Group. He joined CKSE in 1999 after graduating from Southampton University in the United Kingdom with a master degree in international trade law. He is also a qualified lawyer in the PRC.
- **Mr. Li Zhijie**, aged 44, has been an executive director of the Company since March 2001, and is also a director and deputy general manager of CKSE. He graduated from the Shanghai Maritime University in 1987, majoring in water transportation. He joined CKSE in 1992, and had been appointed as a director and deputy general manager of Chu Kong Transhipment & Logistics Company Limited ("CKTL"), a wholly owned subsidiary of the Company, the Chairman of Guangdong Hong Kong & Macau Freight Transport Trust Company and the chairman of Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd. He has 25 years of experience in river trade transportation, inter-modal transportation and cargo forwarding business.
- **Mr. Yang Rixiang**, aged 42, has been a deputy general manager of the Company since October 2002, and has been an executive director of the Company since June 2003, and is responsible for management of the Group's jointly controlled entities and the river trade related investment appraisal work. He joined CKSE after his studies of postgraduate from Guangdong University of Foreign Studies in 1989. He holds a bachelor degree of economics. He worked at various subsidiaries of CKSE, holding the positions as manager and general manager subsequently. Mr. Yang is a qualified economist in the PRC and has over 16 years of experience in corporate management.

Independent Non-executive Directors

- **Mr. Chan Kay Cheung** *FHKIB*, aged 59, he is an executive director and deputy chief executive of The Bank of East Asia, Limited. He joined the Bank in 1965 and possesses extensive knowledge and experience in the banking industry. Mr. Chan is a fellow member of the Hong Kong Institute of Bankers, a member of the MPF Industry Schemes Committee, advisory committee member on the Admission Scheme for Mainland Talents and Professionals of Hong Kong Immigration Department, China trade advisory committee member of Hong Kong Trade Development Council and international senior economic consultant of The People's Government of Shanxi Province. He is also an independent non-executive director of China Electronics Corporation Holdings Company Limited and Four Seas Food Investment Holdings Limited.
- **Mr. Choi Kim-Lui**, aged 58, was appointed as the independent non-executive director of the Company on 8th September 2004. Mr. Choi graduated as a bachelor of social science at the University of Hong Kong in 1972 and worked as a social worker in his early career years. In 1983, he joined as the executive director for the newly established Transward Limited and New Moonraker Motor Boat Company Limited to develop motor boat, tug boat, lighter and midstream operation services. Since then, he has actively participated in the trade associations of motor boats and lighters and has served as a member in the Marine Department's Port Operation Committee, Provisional Local Vessels Advisory Committee, Immigration Department's Users' Committee, Vocational Training Council's Maritime Services Training Board and Logistics Council's S-Logistics Project Group. He was appointed by the government of Hong Kong Special Administrative Region as a Non-Official Justice of Peace in 2002.



Report of the Directors

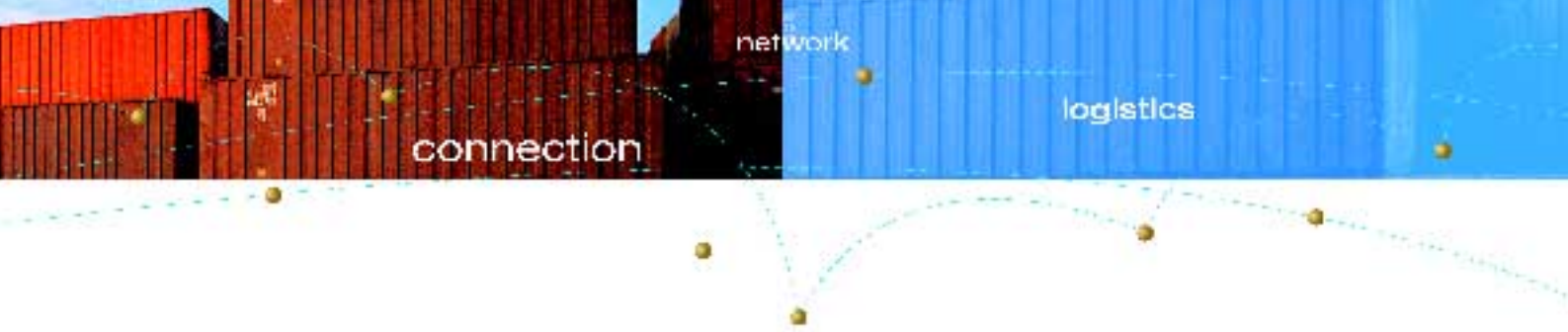
Directors' and senior management's biographies *(Continued)*

Independent Non-executive Directors *(Continued)*

- **Ms. Yau Lai Man**, aged 42, was appointed as an independent non-executive director on 1st January 2005. Ms. Yau graduated from The University of Warwick in the United Kingdom with a master degree in business administration. She is a Certified Public Accountant (Practicing) in Hong Kong and is a fellow of The Association of Chartered Certified Accountants in the United Kingdom. She has over 16 years auditing and commercial experiences. Ms. Yau presently is the financial controller of Essex Bio-Technology Limited listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Senior Management

- **Mr. Xie Xiaohong**, aged 48, has been a deputy general manager of the Company since 2000, and is responsible for the daily operations and marketing of the Group's shipping business. He joined CKSE in 1999, and was also formerly a director and deputy general manager of CKTL. Mr. Xie graduated from the Guangdong Province Navigation School in the PRC in 1980, majoring in water transportation management, and has been engaged in shipping and port operation and management since his graduation. He was the deputy chief of the Zhaoqing Port Authorities in Guangdong Province in 1985, and the vice-chairman of Zhaoqing Port & Navigation Holding Company Limited in 1995. Mr. Xie has over 25 years of management experience in shipping and wharf operations.
- **Mr. He Weijian**, aged 33, had been the financial controller of the Company since March 2003 and resigned on 8th September 2005. He was responsible for the Group's financial management and control. He joined CKSE after his graduation from Shanghai Maritime University in the PRC in 1996 with a bachelor degree of economics, majoring in accounting. He is a qualified accountant and economist in the PRC. Mr. He has worked in the Company since 1998. He has over 10 years of experience in accounting and financial management.
- **Mr. Lu Xin**, aged 39, has been the financial controller of the Company since September 2005 and is responsible for the Group's financial management and control. He graduated from Shanghai Maritime University in 1989 with a bachelor degree of economics and obtained a postgraduate degree of accounting from the Zhongshan University in 2002. He joined CKSE in 1989 and acted as the financial manager of the Company during the period from 1996 to 1999. Mr. Lu is also a qualified accountant in the PRC. He has over 16 years of experience in accounting and financial management.
- **Mr. Hu Jun**, aged 33, has been the managing director of Chu Kong Agency Company Limited ("CKA"), a wholly owned subsidiary of the Company, since November 2005. Prior to joining CKSE in 1992, he had been worked for Waibert Steam Ship Co. Ltd., CKTL and Chu Kong (Guangdong) International Freight Forwarding Co., Ltd.. Mr. Hu graduated from University of South Australia with a Master degree in Business Administration. He is also a committee member of the local craft consulting committee in the Hong Kong Marine Department, officer of the Guangdong Shipowners Association, Hong Kong branch. He has over 14 years of experience in shipping management and marketing.



Directors' and senior management's biographies *(Continued)*

Senior Management *(Continued)*

- **Mr. Cheng Jie**, aged 36, had been the managing director of CKTL since July 2002, and was responsible for the corporate administration and policy making of CKTL. He joined CKSE in 1992 and resigned in August 2005. Mr. Cheng graduated from Shanghai Maritime University in the PRC in 1992 with a bachelor degree of international trade law. He was formerly a general manager of Waithai Trading Co., Ltd. in Thailand which was an associate of CKSE. Mr. Cheng has over 13 years of experience in river trade transport and logistics.
- **Mr. He Weiping**, aged 53, had been the managing director of CKA since 1999 and was responsible for the corporate administration and policy making of CKA. He resigned in August 2005. Mr. He started his career in the shipping industry in 1971. From 1981 to 1986, he studied at the Dalian Maritime University and received a bachelor degree of engineering. He subsequently worked as the manager of Guangdong, Hong Kong and Macau Shipping Company.
- **Mr. Huang Dabang**, aged 44, had been the managing director of Chu Kong Godown Wharf & Transportation Company Limited ("CKGWT"), a wholly owned subsidiary of the Company, since 1999, and was responsible for the corporate administration and policy making of CKGWT. He joined CKSE in 1999 and resigned in March 2005. He graduated from the Guangdong Province Navigation School in the PRC. He is also a qualified economist in the PRC. Mr. Huang has over 23 years of experience in shipping, wharf operations and container truck transportation.
- **Mr. Chen Yu**, aged 39, has been the managing director of CKTL since August 2005. He joined CKSE in 1991 and had worked for Waibert Stream Ship Co. Ltd and CKTL. Mr. Chen graduated from Shanghai Maritime University with a bachelor degree of international shipping. Mr. Chen has over 15 years of experience in river trade transport and multi-mode transport.
- **Mr. Yan Wenhai**, aged 33, has been the managing director of CKGWT since March 2005. He had worked for Chu Kong International Freight Forwarding Company Ltd., Sanshui Sangang Containers Wharf Co., Ltd., Zhongshan Port Goods Transportation United Co., Ltd. and CKGWT. Mr. Yan obtained a master degree of engineering management in University of Technology, Sydney, and has over 13 years of experience of wharf operations and container truck transportation.



Report of the Directors

Share options

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the schemes include any full-time employees (including executive directors) in the service of the Group.

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

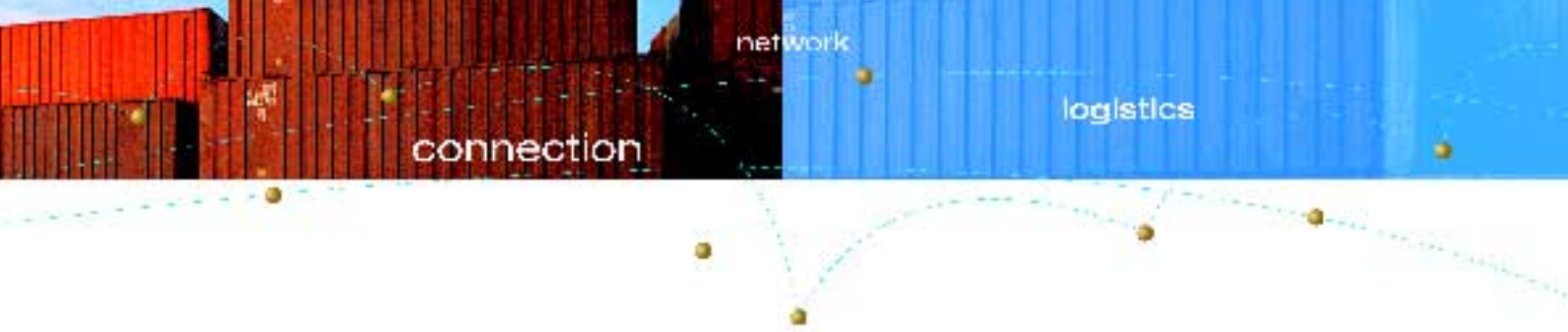
On 14th May 2002, the Company adopted a new share option scheme (the "2002 Scheme") which, unless otherwise cancelled or amended, will remain in force for 10 years from the date of adoption. No share options have been granted under the 2002 Scheme since adoption.

The maximum number of unexercised share options currently permitted to be granted is an amount equivalent, upon their exercise, to 10% of the Company's shares in issue at any time. At 31st December 2005, the number of shares issuable under share options granted under the 1997 Scheme was 18,000,000 (2004: 45,000,000) ordinary shares, which represented approximately 2.4% (2004: 6.0%) of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to an executive director or a chief executive are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$10 in total by the grantee. An option may be exercised 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) the closing price of the Company's shares on 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.



Share options *(Continued)*

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

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

	Number of share options			Exercise price	Grant date	Exercise period
	At 1st January 2005	Cancelled during the year	At 31st December 2005			
				HK\$		
Directors						
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
	21,000,000	(11,000,000)	10,000,000			
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	(16,000,000)	–	0.55	29th May 2000	29th May 2000 to 28th May 2010
	45,000,000	(27,000,000)	18,000,000			

During the year, Mr. Liang Yongjiu, Mr. Huang Dabang and Mr. He Weiping have resigned. Their options have been cancelled pursuant to the share option scheme.

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 18,000,000 (2004: 45,000,000) additional ordinary shares of the Company and additional share capital of HK\$1,800,000 (2004: HK\$4,500,000) and share premium of HK\$7,800,000 (2004: HK\$19,950,000) (before issue expenses).

Directors' and executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation

At 31st December 2005, the Company has not been notified of any interests and short positions of the directors and executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO.



Report of the Directors

Directors' and executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation *(Continued)*

Apart from the share option scheme, at no time during the year, the directors and executives (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors and executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries and its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

As at 31st December 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\$0.10 each in the Company

	Number of shares
(i) 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 31st December 2005, the Company have 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.



Directors' interests in competing businesses

During the year, Mr. Li Zhijie, director of the Company was also director of several cargo terminal joint ventures in the Pearl River Delta Region in which CKSE has interests, which compete or are likely to compete, either directly or indirectly, with the Group's business. The percentage of interests held by CKSE of the said cargo terminals is listed out as follows:

Name of entity	Percentage of interests held by CKSE
Dou Men – Hong Kong Cargo Shipping Integrated Co., Ltd.	100%
Shunde Container Terminal Co., Ltd.	16.5%
Zhongshan Port Goods Transportation United Co., Ltd.	25%
Pan Kong Cargo Transportation Co., Ltd.	25%

As the board of directors of the Company is independent from the boards of the above-mentioned companies and Mr. Li Zhijie cannot control the board of the Company, the Group is capable of carrying on its business independently of, and at arm's length from, the business of such companies.

Sufficiency of public float

Based on the information that is publicly available to and within the knowledge of the directors of the Company, it is confirmed that there is sufficient public float of no less than 25% of the Company's issued shares as of the date of this report.

Connected transactions

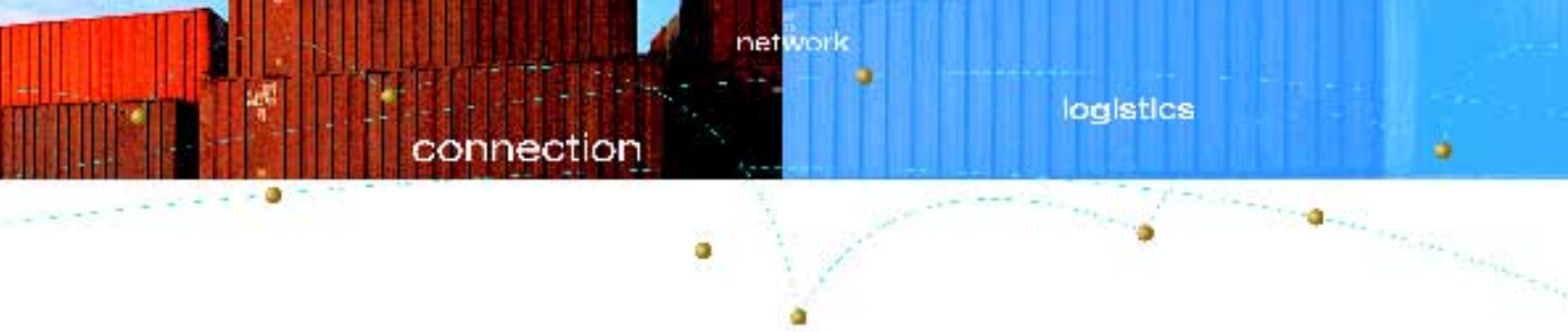
During the year ended 31st December 2005, the Group had entered into the following continuing connected transactions ("Transactions"):

- (a) Chu Kong Transshipment & Logistics Company Limited ("CKTL"), a wholly owned subsidiary of the Company, with Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. ("CKIFF"), a jointly controlled entity jointly held by the Group and GPNHCL, in respect of the transactions regarding provision of staff hire of HK\$228,000 by CKIFF (the "Staff Hire Transactions") as described in the waiver letter issued by the Stock Exchange to the Company dated 11 June 1997;
- (b) Chu Kong Agency Company Limited ("CKA"), a wholly owned subsidiary of the Company, with Pan Kong Cargo Transportation Company Limited ("Pan Kong"), a jointly controlled entity jointly held by CKSE and GPNHCL, in respect of the transactions regarding provision of shipping agency, river trade cargo direct shipment and transshipment services of HK\$185,000 to Pan Kong (the "Pan Kong Services Transactions") as described in the waiver letter issued by the Stock Exchange to the Company dated 11 June 1997;

Report of the Directors

Connected transactions *(Continued)*

- (c) CKTL with CKIFF, in respect of the transactions regarding provision of shipping agency, river trade cargo direct shipment and transshipment services of HK\$17,342,000 by CKIFF (the “CKIFF Services Transactions”) as described in the waiver letter issued by the Stock Exchange to the Company dated 15 March 2004;
- (d) Chu Kong Godown Wharf & Transportation Company Limited, a wholly owned subsidiary of the Company, with CKSE in respect of the transactions regarding leasing of a warehouse of HK\$5,000,000 from CKSE (the “Warehouse Leasing Transactions”) as described in the announcement of the Company dated 11 June 2004;
- (e) CKA with Chu Kong Passenger Transport Company Limited (“CKPT”), a wholly owned subsidiary of CKSE, in respect of the transactions regarding provision of custom duty declaration and clearance, berthing and dispatching services of HK\$2,400,000 to CKPT (the “CKPT Services Transactions”) as described in the announcement of the Company dated 11 June 2004;
- (f) the Group with Guangdong Zhu Chuan Navigation Company Limited (“GZCN”), a jointly controlled entity jointly held by the Group and GPNHCL, in respect of the transactions regarding leasing of vessels of HK\$15,963,000 from GZCN (the “GZCN Vessel Leasing Transactions”) as described in the circular of the Company dated 5 July 2004;
- (g) the Group with Sun Kong Petroleum Co., Ltd. (“Sun Kong”), a wholly owned subsidiary of CKSE, in respect of the transactions regarding supply of fuel of HK\$28,409,000 by Sun Kong (the “Fuel Supply Transactions”) as described in the circular of the Company dated 5 July 2004;
- (h) CKTL with Guangdong Sanbu Passenger and Freight Transportation Company Limited (“GSPFT”), a jointly controlled entity jointly held by the Group and Guangdong Zhu Jiang Shipping Co., Ltd., a wholly owned subsidiary of GPNHCL, in respect of the transactions regarding leasing of vessels and an office from GSPFT (the “GSPFT Vessels and Office Leasing Transactions”) and provision of shipping transportation and wharf cargo handling services of HK\$2,919,000 by GSPFT (the “GSPFT Services Transactions”) described in the announcement of the Company dated 2 December 2004;
- (i) the Group with Dou Men - Hong Kong Cargo Shipping Integrated Co., Ltd. (“Dou Men”), a wholly owned subsidiary of CKSE, in respect of the transactions regarding leasing of vessels of HK\$422,000 to Dou Men (the “Dou Men Vessels Leasing Transactions”) as described in the announcement dated 3 November 2005;
- (j) the Group with Dou Men, in respect of the transactions regarding provision of wharf cargo handling services of HK\$164,000 to Dou Men (the “Wharf Cargo Handling Transactions”) as described in the announcement dated 3 November 2005; and
- (k) the Group with Dou Men in respect of the transactions regarding provision of shipping transportation, container hauling and trucking and wharf cargo handling services of HK\$3,569,000 by Dou Men (the “Dou Men Services Transactions”) as described in the circular of the Company dated 22 November 2005.



Connected transactions *(Continued)*

Pursuant to Rule 14A.37 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), the independent non-executive directors of the Company have reviewed the Transactions and confirmed that the Transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the equity holders of the Company as a whole.

For the purposes of the compliance with certain requirements of those connected transactions under waivers granted by the Stock Exchange to the Company and the Rule 14A.38 of the Listing Rules, the auditors of the Company have performed certain agreed-upon procedures on the above Transactions for the year ended 31st December 2005 in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants and reported that:

- (a) The Transactions had been approved by the board of directors of the Company;
- (b) The Staff Hire Transactions had been entered into in accordance with the terms of the agreement governing the transactions;
- (c) The Pan Kong Services Transactions (for the samples selected) had been conducted on terms no less favourable than terms available to independent third parties;
- (d) The CKIFF Services Transactions (for the samples selected) had been entered into in accordance with the terms of the agreements governing the transactions and the aggregate monetary value of the transactions did not exceed 3% of the audited book value of the net tangible assets of the Group as disclosed in the audited consolidated financial statements for the year ended 31st December 2004;



Report of the Directors

Connected transactions *(Continued)*

- (e) The Warehouse Leasing Transactions, CKPT Services Transactions, GZCN Vessel Leasing Transactions, Fuel Supply Transactions, GSPFT Vessels and Office Leasing Transactions, GSPFT Services Transactions, Dou Men Vessels Leasing Transactions, Wharf Cargo Handling Transactions and Dou Men Services Transactions had been entered into as follows:
- (i) For each type of the Transactions (for the samples selected) involving provision of services by the Group (i.e. CKPT Services Transactions, Dou Men Vessels Leasing Transactions and Wharf Cargo Handling Transactions), the pricing of the Transactions are in accordance with the pricing policies of the Group;
 - (ii) The Transactions (for the samples selected) have been entered into in accordance with the relevant agreements or the quotation provided by the service providers/suppliers (if the terms are not specified in the agreements), governing the Transactions; and
 - (iii) Except for Wharf Cargo Handling Services Transactions (with accumulated amount of HK\$164,000 and cap amount of HK\$50,000 for the period from 30th October 2005 to 31st December 2005), the accumulated amount of each type of these Transactions did not exceed the corresponding cap amounts.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Purchase, redemption or sale of the Company's listed securities

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

Subsequent events

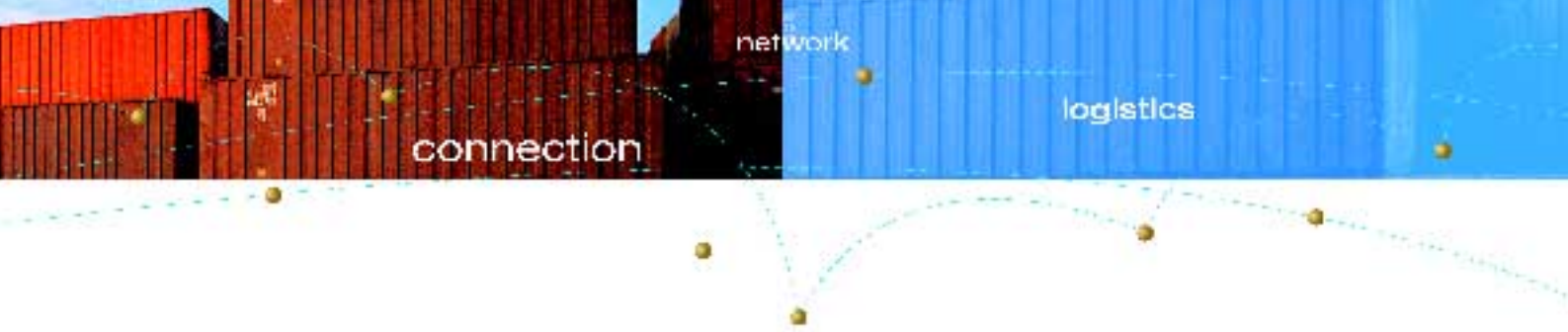
Details of the subsequent events of the Group are set out in note 32 to the financial statements.

Compliance with the Code on Corporate Governance Practice

In the opinion of the directors, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, during the accounting period covered by this Annual Report, except that independent non-executive directors of the Company are not appointed for specific terms. They are subject to retirement by rotation at the Company's annual general meeting in accordance with the provisions of the Company's Articles of Association. Further information is set out in the Corporate Governance Report on pages 30 to 33 of this Annual Report.

Adoption of Model Code for Securities Transaction 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 ("Model Code") as set out in Appendix 10 to the Listing Rules. The directors have complied with such code of conduct during the accounting period covered by this Annual Report.



Audit committee

The Company has an audit committee (the “Committee”) which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee comprises three independent non-executive directors of the Company. The Committee meets at least twice a year and has written terms of reference.

Remuneration Committee

The Company has established a remuneration committee in compliance with the Code to formulate the remuneration policy of the Company and determine the remunerations for the executive directors and senior management. The committee comprises three independent non-executive directors and one executive director of the Company. The committee meets at least twice a year and has written terms of reference.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

ON BEHALF OF THE BOARD

Che Chiqiang

Managing Director

Hong Kong, 28th March 2006