Notes to the Financial Statements

1 General information

Chu Kong Shipping Development Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in shipping agency, river trade cargo direct shipment and transhipment, wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking in Hong Kong and the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 22/F, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements are presented in thousands of units of Hong Kong dollars (HK$’000), unless otherwise stated. These financial statements have been approved for issue by the board of directors of the Company on 28th March 2006.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2 Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRSs

In 2005, the Group adopted the new/revised standards and interpretations of HKFRSs below, which are relevant to its operations. The comparatives have been restated or reclassified 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	Interests 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 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKAS – Int 15	Operating Leases – Incentives

The adoption of new/revised HKASs 1, 7, 8, 10, 21, 23, 27, 31, 32, 33, 39 and HKAS – Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

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

– HKASs 7, 8, 10, 23, 27, 31, 32, 33, 39 and HKAS – Int 15 had no material effect on the Group's accounting policies.

2 Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

– HKAS 21 had no material effect on the Group's accounting policy. The functional currency of each of the Group entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity's financial statements.

(i) *HKAS 16*

The adoption of HKAS 16 has resulted in a change in accounting policy relating to the depreciation of significant components of an item of property, plant and equipment which should be determined separately. As a result, estimated useful lives of certain components within a property, plant and equipment which are subject to replacement during major overhaul have been reduced to the life cycle of the overhaul. This change in accounting policy has been applied retrospectively and comparative amounts have been restated accordingly.

In addition, the residual values and the useful lives of property, plant and equipment are required to be reviewed and adjusted, if appropriate, at each financial year end. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate prospectively. The review of the residual values and useful lives of property, plant and equipment by the directors did not have any adjustments on these estimates and accordingly the depreciation charge did not have adjustment for the year.

(ii) *HKAS 17*

The adoption of revised HKAS 17 has resulted in a change in 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.

(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"), parent company, and its related parties, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the central government of 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.

2 Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(iv) *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 represents buildings held under finance leases and is accounted for at cost less accumulated depreciation and impairment. The adoption of HKAS 40 only affected the presentation of investment properties of the Group and the Company and other disclosures.

(v) *HKFRS 2*

The adoption of HKFRS 2 has resulted in a change in 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. Since all the share options of the Company were granted before 7th November 2002 and vested before 1st January 2005, the adoption of HKFRS 2 does not have impact to the Company's 2005 financial statements.

(vi) *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 those identifiable acquired depreciable/amortisable assets.

In accordance with the provisions of HKFRS 3:

- The Group ceased amortisation of goodwill and negative goodwill from 1st January 2005;
- Accumulated amortisation of goodwill 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 as at 1st January 2005.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

The resulting effects on the consolidated financial statements are set out in notes 2(a)(vii) and 2(a)(viii) 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 HKFRS 3 which is applied prospectively after 1st January 2005.

The following is a summary of effects of adopting the new/revised HKFRSs on the consolidated financial statements:

(vii) Effects on the consolidated income statements

For the year ended 31st December 2005

	Effect of adopting			
	HKAS 16	**HKAS 17**	**HKFRS 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Decrease in cost of services rendered	–	10	–	10
Decrease in administrative expenses	–	504	–	504
Decrease in other operating expenses	–	–	1,025	1,025
(Decrease)/increase in share of profits less losses of jointly controlled entities	(363)	–	991	628
Total (decrease)/increase in profit for the year	(363)	514	2,016	2,167
(Decrease)/increase in earnings per share				
	HK cent	**HK cent**	**HK cent**	**HK cent**
Basic	(0.05)	0.07	0.27	0.29
Diluted	(0.05)	0.07	0.26	0.28

2 Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(vii) Effects on the consolidated income statements (Continued)

For the year ended 31st December 2004

	Effect of adopting			
	HKAS 16	HKAS 17	HKFRS 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Decrease in cost of services rendered	–	10	–	10
Decrease in administrative expenses	–	504	–	504
Decrease in share of profits less losses of jointly controlled activities	(1,067)	–	–	(1,067)
Total (decrease)/increase in profit for the year	(1,067)	514	–	(553)
(Decrease)/increase in earnings per share				
	HK cent	HK cent	HK cent	HK cent
Basic	(0.14)	0.07	–	(0.07)
Diluted	(0.14)	0.07	–	(0.07)

2 Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(viii) Effects on the consolidated balance sheets

As at 31st December 2005

	Effect of adopting				
	HKAS 16	HKAS 17	HKAS 40	HKFRS 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Increase/(decrease) in:					
Assets					
Property, plant and equipment	–	(278,987)	(4,921)	–	(283,908)
Investment properties	–	–	4,921	–	4,921
Leasehold land and land use rights	–	280,391	–	–	280,391
Intangible asset – goodwill	–	–	–	1,025	1,025
Jointly controlled entities	(9,083)	–	–	25,154	16,071
Total assets	(9,083)	1,404	–	26,179	18,500
Equity					
Profit for the year	(363)	514	–	2,016	2,167
Exchange reserve	(168)	–	–	–	(168)
Retained profits as at 1st January 2005	(8,552)	890	–	24,163	16,501
Total equity	(9,083)	1,404	–	26,179	18,500

2 Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(viii) Effects on the consolidated balance sheets

As at 31st December 2004

	Effect of adopting				
	HKAS 16 HK$'000	HKAS 17 HK$'000	HKAS 40 HK$'000	HKFRS 3 HK$'000	Total 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
Jointly controlled entities	(8,552)	–	–	–	(8,552)
Total assets	(8,552)	890	–	–	(7,662)
Equity					
Profit for the year	(1,067)	514	–	–	(553)
Retained profits as at 1st January 2004	(7,485)	376	–	–	(7,109)
Total equity	(8,552)	890	–	–	(7,662)

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(ix) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published which are relevant to the Group's operations and consolidated financial statements and are mandatory for the Group's accounting periods beginning on or after 1st January 2006 or later periods as follows:

	Effective for accounting periods beginning on or after
HKFRS Interpretation 4 "Determining whether an Arrangement contains a Lease"	1st January 2006
Amendments to HKAS 19 "Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures"	1st January 2006
Amendments to HKAS 39 "Financial Instruments: Recognition and Measurement":	
– Cash Flow Hedge Accounting of Forecast Intragroup Transactions	1st January 2006
– The Fair Value Option	1st January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:	
– HKAS 1 "Presentation of Financial Statements"	1st January 2006
– HKAS 27 "Consolidated and Separate Financial Statements"	1st January 2006
– HKFRS 3 "Business Combinations"	1st January 2006
Amendments to HKAS 39 "Financial Instruments: Recognition and Measurement" and HKFRS 4 "Insurance Contracts"	
– "Financial Guarantee Contracts"	1st January 2006
HKFRS 7 "Financial Instruments: Disclosures"	1st January 2007
Amendments to HKAS 1 "Presentation of Financial Statements: Capital Disclosures"	1st January 2007

The Group has not early adopted the above standards, interpretations and amendments in the consolidated financial statements for the year ended 31st December 2005. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether substantial changes to Group's accounting policies and presentation of the consolidated financial statements will be resulted.

2 Summary of significant accounting policies *(Continued)*

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital. In the circumstances where a subsidiary over which the Company does not have unilateral control but joint control, the subsidiary is accounted for as a jointly controlled entity in accordance with the accounting policy set out in note 2(e) below.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that controls ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less any provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(d) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities is included in interests in jointly controlled entities. Goodwill is tested for impairment annually or when there is impairment indicator and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

(e) Jointly controlled entities

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

Jointly controlled entities are accounted for in the consolidated financial statements using equity method of accounting and are initially recognised at cost. The Group's interests in the jointly controlled entities include goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of the post-acquisition, post-tax results of the jointly controlled entities for the year, including any impairment loss on goodwill relating to the investments in jointly controlled entities recognised for the year, is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investments.

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

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2 Summary of significant accounting policies *(Continued)*

(f) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(g) Property, plant and equipment

(i) Construction in progress

Construction in progress represents warehouses under construction and is carried at cost less any accumulated impairment losses.

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

(ii) Other property, plant and equipment

Other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(g) Property, plant and equipment *(Continued)*

(ii) Other property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	20 – 50 years
Leasehold improvements	5 – 8 years
Plant and machinery	4 – 8 years
Furniture, fixtures and equipment	3 – 8 years
Motor vehicles	3 – 8 years
Containers	4 – 8 years
Vessels and barges	8 – 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts of the assets and are dealt with in the income statement.

(h) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property is carried at historical cost, including related transaction costs, less depreciation and impairment losses. Depreciation of the investment properties is calculated using the straight-line method to allocate cost over their estimated lives of 50 years.

Subsequent expenditure is included to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

(i) Leasehold land and land use rights

Leasehold land and land use rights represent operating lease payments for land less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the operating lease payments for land over the remaining lease term.

2 Summary of significant accounting policies *(Continued)*

(j) Impairment of assets

Assets that have an indefinite useful life are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(n) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

(o) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

The Group operates a defined contribution scheme which is available to all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

2 Summary of significant accounting policies *(Continued)*

(o) Employee benefits *(Continued)*

(iii) *Share-based compensation*

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) *Bonus entitlements*

The Group recognises a liability and an expense for bonus when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

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

(p) Revenue/income recognition

Revenue comprises the fair value for the sale of services, net of business tax, rebates and discounts and after eliminating sales within the Group. Revenues/income are recognised as follows:

(i) Revenues from the rendering of services in shipping agency and river trade cargo direct shipment and transhipment, wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking are recognised in the accounting period in which the services are rendered.

(ii) Operating lease rental income is recognised over the periods of the respective leases on a straight-line basis.

(iii) Interest income is recognised on a time-proportion basis using the effective interest method.

(q) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(r) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(t) Contingent liabilities

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

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

(u) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as secondary reporting format for the purpose of the consolidated financial statements.

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 Summary of significant accounting policies *(Continued)*

(u) Segment reporting *(Continued)*

Unallocated income and expenses represent corporate income and expenses. Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible asset, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude tax payables. Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights, and intangible asset, including additions resulting from acquisitions through business combinations.

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

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from Renminbi and United States dollar, primarily with respect to Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The Group continuously monitors its foreign currency positions and does not consider that it has a significant exposure to risk arising from Renminbi and United States dollar.

(ii) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that provision of services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets other than bank balances and cash, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Notes to the Financial Statements

3 Financial risk management *(Continued)*

(b) Fair value estimation

Financial assets of the Group primarily include bank balances and cash, trade and other receivables. Financial liabilities of the Group include trade and other payables.

The nominal values less estimated credit adjustments of trade and other receivables and payables are assumed to approximate their fair values due to the short-term maturities of these assets and liabilities.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year are discussed below.

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(d). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 18).

(ii) Income taxes

The Group is mainly subject to income taxes in Hong Kong and Mainland China. Significant judgement is required in determining the provision for income taxes in Hong Kong and Mainland China. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for the related depreciation charges for its property, plant and equipment. Management will revise the depreciation charge where useful lives and residual values are different to previous estimate, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

5 Turnover, revenues and segment information

	2005 HK$'000	2004 HK$'000
Turnover		
Shipping agency, river trade cargo direct shipment and transhipment	**543,180**	531,448
Wharf cargo handling, cargo consolidation and godown storage	**81,333**	81,219
Container hauling and trucking	**908**	1,355
	625,421	614,022
Other revenues		
Operating lease rental income		
– Buildings	**2,781**	2,534
– Vessels and barges	**2,441**	1,800
Sundries	**1,106**	1,133
	6,328	5,467
Total revenues	**631,749**	619,489

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

(i) Cargo transportation – Shipping agency, river trade cargo direct shipment and transhipment

(ii) Cargo handling and storage – Wharf cargo handling, cargo consolidation and godown storage

(iii) Container hauling and trucking

(iv) Expressway operation

Notes to the Financial Statements

5 Turnover, revenues and segment information *(Continued)*

Business segments

	Cargo transportation		Cargo handling and storage		Container hauling andtrucking		Expressway operation		Eliminations		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
				(Restated)				(Restated)				(Restated)
Turnover												
– external	**543,180**	531,448	**81,333**	81,219	**908**	1,355	**-**	–	**-**	–	**625,421**	614,022
– intersegments	**2,846**	130	**54,072**	64,913	**51,928**	53,575	**-**	–	**(108,846)**	(118,618)	**-**	–
Other revenues												
– external	**3,230**	2,136	**2,704**	2,531	**-**	46	**-**	–	**-**	–	**5,934**	4,713
– intersegments	**-**	–	**505**	505	**-**	–	**-**	–	**(505)**	(505)	**-**	–
Total	**549,256**	533,714	**138,614**	149,168	**52,836**	54,976	**-**	–	**(109,351)**	(119,123)	**631,355**	618,735
Segment results	**8,210**	10,548	**27,857**	36,814	**9,170**	10,087	**-**	–	**-**	–	**45,237**	57,449
Unallocated revenues/ income											**9,805**	5,186
Unallocated expenses											**(9,441)**	(12,539)
Operating profit											**45,601**	50,096
Finance costs											**(444)**	(1,395)
Share of profits less losses of jointly controlled entities	**162**	414	**6,251**	770	**1,423**	2,156	**43,892**	38,471	**-**	–	**51,728**	41,811
Profit before income tax											**96,885**	90,512
Income tax expense											**(6,987)**	(7,441)
Profit for the year											**89,898**	83,071

5 Turnover, revenues and segment information *(Continued)*

Business segments *(Continued)*

	Cargo transportation		Cargo handling and storage		Container hauling andtrucking		Expressway operation		Eliminations		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment assets	**214,657**	212,036	**501,956**	489,718	**51,220**	39,783	**-**	-	**(181,000)**	(159,822)	**586,833**	581,715
Jointly controlled entities												
– allocated	**20,654**	20,153	**136,449**	116,488	**17,139**	15,406	**162,560**	174,227	**-**	-	**336,802**	326,274
– unallocated											**18,463**	18,081
Unallocated assets											**359,349**	297,849
Total assets											**1,301,447**	1,223,919
Segment liabilities	**205,888**	206,376	**113,943**	116,696	**26,457**	21,659	**-**	-	**(181,000)**	(159,822)	**165,288**	184,909
Unallocated liabilities											**23,393**	24,391
Total liabilities											**188,681**	209,300
Capital expenditure												
– allocated	**3,044**	16,688	**11,149**	150,108	**401**	1,107	**-**	-	**-**	-	**14,594**	167,903
– unallocated											**938**	2,345
											15,532	170,248
Depreciation and amortisation												
– allocated	**3,886**	2,611	**14,201**	14,355	**564**	337	**-**	-	**-**	-	**18,651**	17,303
– unallocated											**1,387**	1,184
											20,038	18,487
Reversal of/(provision for) impairment of trade receivables	**(501)**	299	**(461)**	(56)	**(31)**	(40)	**-**	-	**-**	-	**(993)**	203

5 Turnover, revenues and segment information *(Continued)*

Geographical segments

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

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

	Total assets		**Capital expenditure**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Hong Kong	**770,273**	707,488	**6,199**	30,655
Mainland China	**175,909**	172,076	**9,333**	139,593
	946,182	879,564	**15,532**	170,248
Jointly controlled entities	**355,265**	344,355		
	1,301,447	1,223,919		

6 Operating profit

Operating profit is stated after crediting and charging the following:

	2005 **HK$'000**	2004 HK$'000 (Restated)
Crediting		
Interest income#		
– loans to jointly controlled entities *(note 31(b)(v))*	**1,761**	2,714
– others	**3,908**	1,595
Exchange gains#	**5,651**	1,134
Write-back of provision for impairment of trade receivables#	**82**	314
Excess of acquirer's interest in fair value of acquiree's identifiable assets and liabilities over cost#	**246**	–
Gain on disposal of property, plant and equipment#	**192**	919
Charging		
Auditors' remuneration	**1,410**	1,084
Depreciation of property, plant and equipment	**13,582**	11,040
Depreciation of investment properties	**104**	105
Amortisation of leasehold land and land use rights	**6,352**	6,317
Amortisation of goodwill^	**–**	1,025
Loss on disposal of property, plant and equipment^	**1,787**	128
Provision for impairment of trade receivables^	**1,075**	111
Operating lease rental expenses		
– vessels and barges	**59,870**	38,911
– buildings	**5,262**	5,833
– containers	**172**	494
Employee benefit expenses (including directors' emoluments) *(note 13)*	**75,806**	80,599

\# Items included in other operating income

^ Items included in other operating expenses

Notes to the Financial Statements

7 Finance costs

	2005 HK$'000	2004 HK$'000
Interest on bank loan	**444**	1,230
Interest on loan from immediate holding company	**–**	165
	444	1,395

8 Share of profits less losses of jointly controlled entities

	2005 HK$'000	2004 HK$'000 (Restated)
Share of profits less losses before income tax	**64,959**	53,387
Impairment of goodwill	**(869)**	–
Amortisation of goodwill	**–**	(1,243)
Amortisation of negative goodwill	**–**	311
Share of PRC enterprise income tax	**(12,362)**	(10,644)
	51,728	41,811

9 Income tax expense

	2005 HK$'000	2004 HK$'000 (Restated)
Current taxation		
– Hong Kong profits tax	**5,859**	4,851
– PRC enterprise income tax	**426**	901
– Over-provisions in prior years	**(180)**	(33)
Deferred taxation *(note 21)*	**882**	1,722
	6,987	7,441

9 Income tax expense *(Continued)*

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. PRC enterprise income tax has been calculated on the estimated assessable profit for the year at the applicable rates of taxation.

The taxation on the profit before share of profits less losses of jointly controlled entities and differs from the theoretical amount that would arise using the Hong Kong profits tax rate applicable to the Company as follows:

	2005 HK$'000	2004 HK$'000 (Restated)
Profit before share of profits less losses of jointly controlled entities	**45,157**	48,701
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**7,902**	8,523
Effect of different taxation rates applicable to the subsidiaries in the PRC	**4**	(151)
Income not subject to taxation	**(51,270)**	(62,371)
Expenses not deductible for taxation purposes	**50,531**	61,473
Other items	**(180)**	(33)
Income tax expense	**6,987**	7,441

10 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$14,613,000 (2004: HK$18,831,000, as restated).

11 Dividends

	2005 HK$'000	2004 HK$'000
Interim, paid, of HK1 cent (2004: HK1 cent) per ordinary share	**7,500**	7,500
Final, proposed, of HK4 cents (2004: HK2 cents) per ordinary share	**30,000**	15,000
	37,500	22,500

11 Dividends *(Continued)*

The dividends paid during the year ended 31st December 2005 and 2004 were HK$22,500,000 (HK3 cents per share) and HK$37,500,000 (HK5 cents per share) respectively.

On 28th March 2006, the Board of Directors proposed a final dividend of HK4 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2006.

12 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 year.

	2005 **HK$'000**	2004 HK$'000 (Restated)
Profit attributable to equity holders of the Company	**90,072**	83,117
Weighted average number of ordinary shares in issue (thousands)	**750,000**	750,000
Basic earnings per share (HK cents per share)	**12.01**	11.08

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 year 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.

	2005 **HK$'000**	2004 HK$'000 (Restated)
Profit attributable to equity holders of the Company	**90,072**	83,117
Weighted average number of ordinary shares in issue (thousands)	**750,000**	750,000
Adjustments for share options (thousands)	**15,684**	21,127
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**765,684**	771,127
Diluted earnings per share (HK cents per share)	**11.76**	10.78

13 Employee benefit expenses (including directors' emoluments)

	2005 **HK$'000**	2004 HK$'000
Salaries and allowances	**72,376**	77,977
Retirement benefit costs – defined contribution plans	**2,896**	2,619
Termination benefits	**534**	3
	75,806	80,599

Contributions totalling HK$590,000 (2004: HK$397,000) were payable to the defined contribution plans as at 31st December 2005.

Details of the share options granted to the staff of the Group are set out in note 24.

14 Directors' and five highest paid individuals' emoluments

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December 2005 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits (a) HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Mr. Liang Yongjiu (b)	175	–	–	–	–	175
Mr. Huang Liezhang (c)	125	–	–	–	–	125
Mr. Che Chiqiang	250	305	371	60	12	998
Mr. Li Zhijie	250	–	–	–	–	250
Mr. Yang Rixiang	250	241	342	60	12	905
Mr. Chan Kay Cheung	250	–	–	–	–	250
Mr. Choi Kim-Lui	100	–	–	–	–	100
Ms. Yau Lai Man (d)	80	–	–	–	–	80
	1,480	546	713	120	24	2,883

14 Directors' and five highest paid individuals' emoluments *(Continued)*

(a) Directors' and senior management's emoluments *(Continued)*

The remuneration of every director for the year ended 31st December 2004 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits (a)	Employer's contribution to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Liang Yongjiu	300	–	–	–	–	300
Mr. Che Chiqiang	250	305	456	60	12	1,083
Mr. Li Zhijie	250	–	–	–	–	250
Mr. Yang Rixiang	250	241	388	60	11	950
Mr. Chan Kay Cheung	250	–	–	–	–	250
Mr. Choi Kim-Lui	30	–	–	–	–	30
Mr. Benjamin Pui-Tong Wong	250	–	–	–	–	250
	1,580	546	844	120	23	3,113

Notes:

(a) Other benefits include leave pay and staff quarter provided.

(b) Resigned on 2nd August 2005.

(c) Appointed on 2nd August 2005.

(d) Appointed on 1st January 2005.

Details of the share options granted to the directors and senior management are set out in note 24.

14 Directors' and five highest paid individuals' emoluments *(Continued)*

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year include two (2004: two) directors whose emoluments are shown above. The emoluments paid and payable to the remaining three (2004: three) highest paid individuals during the year are as follows:

	2005	2004
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**655**	904
Bonuses	**1,277**	1,201
Retirement benefit costs – defined contribution plans	**25**	32
	1,957	2,137

During the year, the emoluments of each of the three (2004: three) individuals were below HK$1,000,000.

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

15 Property, plant and equipment

Group

	Land use rights outside Hong Kong HK$'000	Leasehold land in Hong Kong HK$'000	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Containers HK$'000	Vessels and barges HK$'000	Total HK$'000
Cost											
At 1st January 2005, as previously reported	74,144	246,918	139,837	11,178	7,246	41,725	15,472	38,441	10,408	17,386	602,755
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	(74,144)	(246,918)	–	–	–	–	–	–	–	–	(321,062)
Effect of adoption of HKAS 40 *(note 2(a)(iv))*	–	–	(5,192)	–	–	–	–	–	–	–	(5,192)
At 1st January 2005, as restated	–	–	134,645	11,178	7,246	41,725	15,472	38,441	10,408	17,386	276,501
Exchange differences	–	–	1,100	–	5	256	29	47	–	–	1,437
Additions	–	–	–	8,020	2,153	269	1,870	668	1,783	769	15,532
Transfer	–	–	–	(9,289)	456	1,677	–	(1,677)	–	8,833	–
Disposals	–	–	–	(2,757)	(199)	(192)	(1,141)	(958)	(965)	(1,880)	(8,092)
At 31st December 2005	–	–	135,745	7,152	9,661	43,735	16,230	36,521	11,226	25,108	285,378
Accumulated depreciation											
At 1st January 2005, as previously reported	1,879	34,701	12,170	–	1,193	21,083	7,644	33,244	4,664	15,461	132,039
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	(1,879)	(34,701)	–	–	–	–	–	–	–	–	(36,580)
Effect of adoption of HKAS 40 *(note 2(a)(iv))*	–	–	(167)	–	–	–	–	–	–	–	(167)
At 1st January 2005, as restated	–	–	12,003	–	1,193	21,083	7,644	33,244	4,664	15,461	95,292
Exchange differences	–	–	69	–	–	41	12	6	–	–	128
Charge for the year	–	–	4,144	–	1,422	2,488	2,072	912	1,612	932	13,582
Disposals	–	–	–	–	(109)	(145)	(978)	(955)	(838)	(1,491)	(4,516)
At 31st December 2005	–	–	16,216	–	2,506	23,467	8,750	33,207	5,438	14,902	104,486
Net book value											
At 31st December 2005	–	–	119,529	7,152	7,155	20,268	7,480	3,314	5,788	10,206	180,892

15 Property, plant and equipment *(Continued)*

Group *(Continued)*

	Land use rights outside Hong Kong HK$'000	Leasehold land in Hong Kong HK$'000	Buildings HK$'000	Con-struction in progress HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Containers HK$'000	Vessels and barges HK$'000	Total HK$'000
Cost											
At 1st January 2004, as previously reported	9,114	246,918	96,302	–	3,037	25,487	12,692	36,048	8,021	17,386	455,005
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	(9,114)	(246,918)	–	–	–	–	–	–	–	–	(256,032)
Effect of adoption of HKAS 40 *(note 2(a)(iv))*	–	–	(5,192)	–	–	–	–	–	–	–	(5,192)
At 1st January 2004, as restated	–	–	91,110	–	3,037	25,487	12,692	36,048	8,021	17,386	193,781
Additions	–	–	2,810	11,178	6,098	11,490	2,311	3,399	2,466	–	39,752
Acquisition of a subsidiary *(note 27(d))*	–	–	40,725	–	–	6,901	907	527	–	–	49,060
Disposals	–	–	–	–	(1,889)	(2,153)	(438)	(1,533)	(79)	–	(6,092)
At 31st December 2004, as restated	–	–	134,645	11,178	7,246	41,725	15,472	38,441	10,408	17,386	276,501
Accumulated depreciation											
At 1st January 2004, as previously reported	–	29,749	8,265	–	2,090	21,297	6,175	33,684	3,603	15,032	119,895
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	–	(29,749)	–	–	–	–	–	–	–	–	(29,749)
Effect of adoption of HKAS 40 *(note 2(a)(iv))*	–	–	(62)	–	–	–	–	–	–	–	(62)
At 1st January 2004, as restated	–	–	8,203	–	2,090	21,297	6,175	33,684	3,603	15,032	90,084
Charge for the year	–	–	3,800	–	855	1,939	1,877	1,009	1,131	429	11,040
Disposals	–	–	–	–	(1,752)	(2,153)	(408)	(1,449)	(70)	–	(5,832)
At 31st December 2004, as restated	–	–	12,003	–	1,193	21,083	7,644	33,244	4,664	15,461	95,292
Net book value											
At 31st December 2004, as restated	–	–	122,642	11,178	6,053	20,642	7,828	5,197	5,744	1,925	181,209

Notes to the Financial Statements

15 Property, plant and equipment *(Continued)*

Company

	Leasehold land in Hong Kong HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1st January 2005, as previously reported	26,488	24,139	1,923	1,580	2,031	56,161
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	(26,488)	–	–	–	–	(26,488)
Effect of adoption of HKAS 40 *(note 2(a)(iv))*	–	(21,506)	–	–	–	(21,506)
At 1st January 2005, as restated	–	2,633	1,923	1,580	2,031	8,167
Exchange differences	–	–	1	6	12	19
Additions	–	–	286	373	279	938
At 31st December 2005	–	2,633	2,210	1,959	2,322	9,124
Accumulated depreciation						
At 1st January 2005, as previously reported	929	790	253	1,375	1,633	4,980
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	(929)	–	–	–	–	(929)
Effect of adoption of HKAS 40 *(note 2(a)(iv))*	–	(692)	–	–	–	(692)
At 1st January 2005, as restated	–	98	253	1,375	1,633	3,359
Exchange differences	–	–	1	4	7	12
Charge for the year	–	53	426	124	219	822
At 31st December 2005	–	151	680	1,503	1,859	4,193
Net book value						
At 31st December 2005	–	2,482	1,530	456	463	4,931

15 Property, plant and equipment *(Continued)*

Company *(Continued)*

	Leasehold land in Hong Kong HK$'000	Buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1st January 2004, as previously reported	26,488	24,139	1,693	1,479	1,710	55,509
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	(26,488)	–	–	–	–	(26,488)
Effect of adoption of HKAS 40 *(note 2(a)(iv))*	–	(21,506)	–	–	–	(21,506)
At 1st January 2004, as restated	–	2,633	1,693	1,479	1,710	7,515
Additions	–	–	1,923	101	321	2,345
Disposals	–	–	(1,693)	–	–	(1,693)
At 31st December 2004, as restated	–	2,633	1,923	1,580	2,031	8,167
Accumulated depreciation						
At 1st January 2004, as previously reported	394	308	1,692	1,254	1,413	5,061
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	(394)	–	–	–	–	(394)
Effect of adoption of HKAS 40 *(note 2(a)(iv))*	–	(262)	–	–	–	(262)
At 1st January 2004, as restated	–	46	1,692	1,254	1,413	4,405
Charge for the year	–	52	253	121	220	646
Disposals	–	–	(1,692)	–	–	(1,692)
At 31st December 2004, as restated	–	98	253	1,375	1,633	3,359
Net book value						
At 31st December 2004, as restated	–	2,535	1,670	205	398	4,808

Notes to the Financial Statements

16 Investment properties

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost				
At 1st January, as previously reported	**–**	–	**–**	–
Effect of adoption of HKAS 40 *(note 2(a)(iv))*	**5,192**	5,192	**21,506**	21,506
At 1st January, as restated, and at 31st December	**5,192**	5,192	**21,506**	21,506
Accumulated depreciation				
At 1st January, as previously reported	**–**	–	**–**	–
Effect of adoption of HKAS 40 *(note 2(a)(iv))*	**167**	62	**692**	262
At 1st January, as restated	**167**	62	**692**	262
Depreciation	**104**	105	**430**	430
At 31st December	**271**	167	**1,122**	692
Net book amount				
At 31st December	**4,921**	5,025	**20,384**	20,814

The Group's and the Company's interests in investment properties are held on leases of over 50 years in Hong Kong.

The fair values of the Group's and the Company's investment properties as at 31st December 2005 as estimated by the directors were HK$5,820,000 and HK$24,000,000 respectively by reference to a professional valuation made by an independent valuer on an open market basis.

17 Leasehold land and land use rights

The Group's and the Company's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong, held on:				
Leases of over 50 years	**26,406**	26,436	**26,406**	26,436
Leases of between 10 to 50 years	**182,263**	186,671	**–**	–
	208,669	213,107	**26,406**	26,436
Outside Hong Kong, held on:				
Leases of between 10 to 50 years	**71,722**	72,265	**–**	–
	280,391	285,372	**26,406**	26,436

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January, as previously reported	**–**	–	**–**	–
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	**285,372**	226,659	**26,436**	26,466
At 1st January, as restated	**285,372**	226,659	**26,436**	26,466
Exchange differences	**1,371**	–	**–**	–
Additions	**–**	1,502	**–**	–
Acquisition of a subsidiary *(note 27(d))*	**–**	63,528	**–**	–
Amortisation of prepaid operating lease payments	**(6,352)**	(6,317)	**(30)**	(30)
At 31st December	**280,391**	285,372	**26,406**	26,436

Notes to the Financial Statements

18 Intangible asset – goodwill

	HK$'000
Year ended 31st December 2004	
Additions	16,406
Amortisation expense	(1,025)
Closing net book amount	15,381
At 31st December 2004	
Cost	16,406
Accumulated amortisation	(1,025)
Net book amount	15,381
Year ended 31st December 2005	
Opening net book amount	15,381
Exchange differences	296
Closing net book amount	15,677
At 31st December 2005	
Carrying amount	15,677

The amount represents goodwill arising from the acquisition of Chu Kong Cargo Terminals (Gaoming) Co., Ltd. which was amortised over 18 years on a straight-line basis prior to 1st January 2005 (note 2(a)(vi)). The amortisation of goodwill for the year ended 31st December 2004 was included in "Other operating expenses" in the consolidated income statement.

As explained in note 2(a)(vi), with effect from 1st January 2005 the Group no longer amortises goodwill. In accordance with the provisions of HKFRS 3, the accumulated amortisation of goodwill as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill as at 1st January 2005.

Impairment test for goodwill

Goodwill is allocated to the Group's cash generating units (CGU) identified according to country of operation and business segment. The goodwill is allocated to the cargo handling and storage segment in the PRC.

18 Intangible asset – goodwill *(Continued)*

Impairment test for goodwill *(Continued)*

The recoverable amount of the goodwill is determined based on value-in-use calculation. This calculation uses cash flow projections based on actual financial results for the year ended 31st December 2005 and are extrapolated using the key assumptions stated below.

Key assumptions used for value-in-use calculation:

Gross margin	51%
Growth rate	2% – 5%
Discount rate	5.5%

Management determined budgeted gross margin and growth rate based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflects specific risks related to the cargo handling and storage segment in the PRC.

19 Subsidiaries

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted investments, at cost	**296,980**	296,980

Notes to the Financial Statements

19 Subsidiaries

(a) Details of the subsidiaries as at 31st December 2005 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2005	Interest held 2004
Direct subsidiaries					
Chu Kong Agency Company Limited	Hong Kong	Shipping agency and freight forwarding agency in Hong Kong	100 ordinary shares of HK$1 each 100,000 deferred shares of HK$1 each *(note (b))*	**100%**	100%
Chu Kong Container Transportation Company Limited	Hong Kong	Container and cargo transportation and towing in Hong Kong	100 ordinary shares of HK$1 each 10,000 deferred shares of HK$1 each *(note (b))*	**100%**	100%
Chu Kong Godown Wharf & Transportation Company Limited	Hong Kong	Godown and wharf operations in Hong Kong	100 ordinary shares of HK$1 each 1,000,000 deferred shares of HK$1 each *(note (b))*	**100%**	100%
Chu Kong Infrastructure Investment Limited	British Virgin Islands	Investment holding in the PRC	2 ordinary shares of US$1 each	**100%**	100%
Chu Kong River Trade Terminal Co., Ltd.	British Virgin Islands	Investment holding in the PRC	2 ordinary shares of US$1 each	**100%**	100%
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transhipment and transportation in Hong Kong	100 ordinary shares of HK$1 each 100,000 deferred shares of HK$1 each *(note (b))*	**100%**	100%
Chu Kong Transportation (H.K.) Limited	Hong Kong	Wharf cargo handling and transportation in Hong Kong	100 ordinary shares of HK$1 each 100,000 deferred shares of HK$1 each *(note (b))*	**100%**	100%

19 Subsidiaries *(Continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2005	Interest held 2004
Direct subsidiaries *(Continued)*					
Chu Kong Warehouse Properties Co., Ltd.	British Virgin Islands	Property holding in Hong Kong	100 ordinary shares of US$1 each 9,900 preferred shares of US$1 each *(note (c))*	**100%**	100%
Indirect subsidiaries					
Chu Kong International Airfreight Company Limited	Hong Kong	Freight forwarding in Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%
Ever Sky Transportation Limited	Hong Kong	Wharf cargo handling in Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%
Chu Kong Cargo Terminals (Qingyuan) Co., Ltd	PRC	Wharf cargo handling in the PRC	RMB27,460,000	**90%**	90%
Chu Kong Cargo Terminals (Gaoming) Co., Ltd.	PRC	Cargo transportation and consolidation in the PRC	RMB35,882,720	**100%**	99%

(b) The holders of the deferred shares of respective subsidiaries are entitled to minimal rights as to dividends and returns of capital, but are not entitled to share the subsidiary's profits, to attend or vote at any general meeting of the subsidiary or to have the rights which are vested in the holding of the ordinary shares.

(c) The holders of the preferred shares have a non-cumulative preferential right to the profit of the subsidiary at 8% of the nominal amount of the share capital of that subsidiary, but are not entitled to receive notice of or to attend or vote at any meeting of members or directors.

(d) Chu Kong Cargo Terminals (Qingyuan) Co., Ltd is a sino-foreign equity joint venture and Chu Kong Cargo Terminals (Gaoming) Co., Ltd is a wholly foreign owned enterprise established in the PRC. All other subsidiaries are limited liability companies.

Notes to the Financial Statements

20 Jointly controlled entities

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Unlisted investments, at cost	**–**	–	**32,666**	32,666
Share of net assets	**291,156**	260,608	**–**	–
Goodwill	**16,762**	17,315	**–**	–
Negative goodwill *(note 2(a)(vi))*	**–**	(24,163)	**–**	–
Loans to jointly controlled entities *(note (c))*	**28,810**	59,038	**28,810**	28,810
Less: Provision for impairment	**–**	–	**(12,100)**	(12,100)
	336,728	312,798	**49,376**	49,376

(a) Details of the jointly controlled entities as at 31st December 2005 are as follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/profit sharing 2005	2004
Direct jointly controlled entities				
Shenzhen Yantian Port Zhujiang Logistics Co., Ltd.	PRC	Container transportation and repairs	40%	40%
Chu Kong (Guangdong) International Freight Forwarding Co., Ltd.	PRC	Shipping agency and freight forwarding agency	75%/60%/75%	75%/60%/75%
Chu Kong Air-Sea Union Transportation Company Limited	Hong Kong	Operation and management of a marine cargo terminal	51%/60%/51%	51%/60%/51%
Chu Kong Logistics (Singapore) Pte Ltd.	Singapore	Shipping agency and freight forwarding agency	60%	60%

20 Jointly controlled entities *(Continued)*

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/profit sharing 2005	2004
Indirect jointly controlled entities				
Chu Kong Cargo Terminals (Beicun) Co., Ltd	PRC	Wharf cargo handling and godown storage	50%	50%
Chu Kong Cargo Terminals (Kangzhou) Co., Ltd	PRC	Wharf cargo handling and godown storage	60.83%/60%/ 60.83%	60.83%/60%/ 60.83%
Dongguan Humen Great Trade Containers Port Co., Ltd.	PRC	Wharf cargo handling and godown storage	30%/29%/30%	30%/29%/30%
Foshan New Port Ltd.	PRC	Cargo transportation and consolidation	37.5%/40%/ 37.5%	37.5%/40%/ 37.5%
Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.	PRC	Cargo and passenger transportation	40%/43%/40%	40%/43%/40%
Guangdong Zhu Chuan Navigation Co., Ltd.	PRC	Cargo transportation	49%/40%/49%	49%/40%/49%
Guangzhou-Foshan Expressway Ltd.	PRC	Operation of an expressway	25%/40%/25%	25%/40%/25%
He Shan County Hekong Associated Forwarding Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	49%/50%/49%	49%/50%/49%
Foshan Nankong Terminal Co., Ltd	PRC	Cargo transportation and consolidation	25%	25%
Sanshui Sangang Containers Wharf Co., Ltd.	PRC	Cargo transportation and consolidation	30%/25%/30%	30%/25%/30%
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.	PRC	Freight forwarding agency	49%/40%/49%	49%/40%/49%

Notes to the Financial Statements

20 Jointly controlled entities *(Continued)*

(b) Except for Chu Kong Logistics (Singapore) Pte. Ltd and Chu Kong Air-Sea Union Transportation Company Limited, which are limited liability companies in Singapore and Hong Kong respectively, all other jointly controlled entities are sino-foreign equity joint ventures in the PRC.

(c) The loans to the jointly controlled entities by the Group are unsecured, not repayable within the next twelve months from the balance sheet date and interest free (2004: interest free except for a loan of HK$30,228,000 which bore interest at 4.9% per annum).

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

(d) The following amounts represented the Group's proportionate share of the turnover, expenses, results, assets and liabilities of its jointly controlled entities, which are prepared based on their unaudited management accounts, after making appropriate adjustments by the directors of the Company to conform to the Group's significant accounting policies:

	2005 HK$'000	2004 HK$'000
Results for the year:		
Turnover	**197,337**	175,161
Operating expenses	**(132,378)**	(121,774)
Profit before income tax	**64,959**	53,387
Income tax expense	**(12,362)**	(10,644)
Profit for the year	**52,597**	42,743
Assets		
Non-current assets	**293,978**	293,462
Current assets	**176,872**	166,124
	470,850	459,586
Liabilities		
Current liabilities	**129,425**	125,155
Non-current liabilities	**50,269**	73,823
	179,694	198,978
	291,156	260,608

There were no contingent liabilities relating to the Group's interests in the joint ventures, and no significant contingent liabilities of the joint ventures themselves as at 31st December 2005 and 2004.

21 Deferred income tax

Deferred income tax assets and liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

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

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**3,430**	1,708	**116**	251
Charged/(credited) to income statement *(note 9)*	**882**	1,722	**272**	(135)
At 31st December	**4,312**	3,430	**388**	116

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

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income tax assets				
– Provision for impairment	**(220)**	(217)	**–**	–
– Tax losses	**(70)**	(43)	**–**	–
– Others	**–**	(33)	**–**	–
	(290)	(293)	**–**	–
Deferred income tax liabilities				
– Accelerated tax depreciation	**4,602**	3,723	**388**	116
	4,312	3,430	**388**	116

21 Deferred income tax *(Continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income tax assets:				
Deferred income tax assets to be recovered after more than 12 months	**(182)**	(124)	**–**	–
Deferred income tax liabilities:				
Deferred income tax liabilities to be settled after more than 12 months	**4,355**	2,646	**388**	100
Deferred income tax liabilities to be settled within 12 months	**139**	908	**–**	16
	4,494	3,554	**388**	116
	4,312	3,430	**388**	116

22 Trade and other receivables

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Trade receivables from *(note (a))*:				
– third parties	**73,720**	59,790	**–**	–
– fellow subsidiaries	**400**	200	**–**	–
– jointly controlled entities	**39,652**	29,640	**–**	–
– other related companies	**105**	46	**–**	–
– other state-owned enterprises	**1,333**	928	**–**	–
	115,210	90,604	**–**	–
Other receivables from *(note (b))*:				
– immediate holding company	**782**	3,891	**12**	–
– fellow subsidiaries	**3,545**	271	**–**	–
– subsidiaries	**–**	–	**273,159**	279,094
– jointly controlled entities	**16,894**	28,027	**–**	–
– other related companies	**456**	166	**–**	–
	21,677	32,355	**273,171**	279,094
Loans to jointly controlled entities *(note (c))*	**18,537**	31,557	**–**	–
Deposits and prepayments	**6,341**	7,979	**1,096**	891
	161,765	162,495	**274,267**	279,985

Notes to the Financial Statements

22 Trade and other receivables *(Continued)*

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

	Group	
	2005	2004
	HK$'000	HK$'000
Within 3 months	**108,445**	86,441
4 to 6 months	**6,038**	2,433
7 to 12 months	**429**	1,395
Over 12 months	**3,916**	3,260
	118,828	93,529
Less: Provision for impairment	**(3,618)**	(2,925)
	115,210	90,604

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers internationally dispersed.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2005	2004
	HK$'000	HK$'000
Hong Kong dollar	**116,017**	92,677
Renminbi	**1,948**	776
United States dollar	**863**	76
	118,828	93,529

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

(c) Except for amounts of HK$10,692,000 (2004: HK$23,860,000) which borne interest at 5.2% per annum (2004: 5.2% to 9%), the loans to jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

23 Bank balances and cash

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**135,264**	124,684	**7,251**	6,140
Short-term bank deposits	**185,627**	136,831	**122,174**	32,855
	320,891	261,515	**129,425**	38,995

The effective interest rate on short-term bank deposits was 2.8% (2004: 1.2%) per annum. These deposits have an average maturity of 60 days (2004: 52 days).

The carrying amounts of the Group's bank balances and cash are denominated in the following currencies:

	2005	2004
	HK$'000	HK$'000
Hong Kong dollar	**185,563**	120,124
Renminbi	**105,826**	112,713
United States dollar	**29,502**	28,678
	320,891	261,515

Bank balances and cash of HK$105,826,000 (2004: HK$112,713,000) are held by the Group with bank accounts operating in Mainland China where exchange controls apply.

24 Share capital

	2005	2004
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
750,000,000 ordinary shares of HK$0.10 each	**75,000**	75,000

There was no movement in share capital of the Company for the two years ended 31st December 2005 and 2004.

24 Share capital *(Continued)*

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

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

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

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$10 in total by the grantee. An option may be exercised at any time within 10 years commencing on the date when the option is granted.

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

24 Share capital *(Continued)*

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

	Number of share options						Vested percentage	
	At 1st January 2005	**Cancelled during the year**	**At 31st December 2005**	**Exercise price** HK$	**Grant date**	**Exercise period**	**2005**	2004
Directors								
Mr. Liang Yongjiu	11,000,000	(11,000,000)	–	0.55	29th May 2000	29th May 2000 to 28th May 2010	100%	100%
Mr. Che Chiqiang	10,000,000	–	10,000,000	0.52	16th October 2000	16th October 2000 to 15th October 2010	100%	100%
	21,000,000	(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	100%	100%
Other employees	16,000,000	(16,000,000)	–	0.55	29th May 2000	29th May 2000 to 28th May 2010	100%	100%
	45,000,000	(27,000,000)	18,000,000					

Note: Following the resignations of a director, Mr. Liang Yongjiu, and two employees, share options of 11,000,000 and 16,000,000 were cancelled on 2nd August 2005, 3rd March 2005 and 31st October 2005 respectively.

Notes to the Financial Statements

25 Reserves

Group

	Share premium HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2005, as previously reported	489,185	(415)	21,230	895	17,095	416,084	944,074
Effect of adoption of HKAS 16 *(note 2(a)(i))*	–	–	–	–	–	(8,552)	(8,552)
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	–	–	–	–	–	890	890
	489,185	(415)	21,230	895	17,095	408,422	936,412
Opening adjustment for adoption of HKFRS 3 *(note 2(a)(vi))*	–	–	–	–	–	24,163	24,163
At 1st January 2005, as restated	489,185	(415)	21,230	895	17,095	432,585	960,575
Profit attributable to equity holders of the Company	–	–	–	–	–	90,072	90,072
Currency translation differences							
– Group	–	3,119	–	–	–	–	3,119
– jointly controlled entities	–	4,236	–	–	–	–	4,236
Transfer of reserves	–	–	–	–	2,406	(2,406)	–
2004 final dividend	–	–	–	–	–	(15,000)	(15,000)
2005 interim dividend	–	–	–	–	–	(7,500)	(7,500)
At 31st December 2005	489,185	6,940	21,230	895	19,501	497,751	1,035,502
Representing:							
Others							1,005,502
2005 final dividend proposed							30,000
							1,035,502

25 Reserves *(Continued)*

	Share premium HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2004, as previously reported	489,185	(415)	–	895	14,191	372,818	876,674
Effect of adoption of HKAS 16 *(note 2(a)(i))*	–	–	–	–	–	(7,485)	(7,485)
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	–	–	–	–	–	376	376
At 1st January 2004, as restated	489,185	(415)	–	895	14,191	365,709	869,565
Revaluation arising from the initial recognition of net assets acquired in a business combination	–	–	21,230	–	–	–	21,230
Profit attributable to equity holders of the Company, as restated	–	–	–	–	–	83,117	83,117
Transfer of reserves	–	–	–	–	2,904	(2,904)	–
2003 final dividend	–	–	–	–	–	(30,000)	(30,000)
2004 interim dividend	–	–	–	–	–	(7,500)	(7,500)
At 31st December 2004, as restated	489,185	(415)	21,230	895	17,095	408,422	936,412
Representing:							
Others							921,412
2004 final dividend proposed							15,000
							936,412

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

Notes to the Financial Statements

25 Reserves *(Continued)*

Company

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2005, as previously reported	489,185	132,898	622,083
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	–	877	877
At 1st January 2005, as restated	489,185	133,775	622,960
Profit for the year	–	14,613	14,613
2004 final dividend	–	(15,000)	(15,000)
2005 interim dividend	–	(7,500)	(7,500)
At 31st December 2005	489,185	125,888	615,073
Representing:			
Others			585,073
2005 final dividend proposed			30,000
At 31st December 2005			615,073
At 1st January 2004, as previously reported	489,185	152,071	641,256
Effect of adoption of HKAS 17 *(note 2(a)(ii))*	–	373	373
At 1st January 2004, as restated	489,185	152,444	641,629
Profit for the year, as restated	–	18,831	18,831
2003 final dividend	–	(30,000)	(30,000)
2004 interim dividend	–	(7,500)	(7,500)
At 31st December 2004, as restated	489,185	133,775	622,960
Representing:			
Others			607,960
2004 final dividend proposed			15,000
At 31st December 2004, as restated			622,960

26 Trade and other payables

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Trade payables to *(note (a))*:				
– third parties	**103,373**	91,583	**–**	–
– immediate holding company	**2,500**	10,000	**–**	–
– fellow subsidiaries	**3,688**	1,729	**–**	–
– jointly controlled entities	**16,303**	15,791	**–**	–
– other related companies	**637**	5,738	**–**	–
– other state-owned enterprises	**3,696**	5,467	**–**	–
	130,197	130,308	**–**	–
Other payables due to *(note (b))*:				
– immediate holding company	**6,334**	11,178	**–**	1,077
– fellow subsidiaries	**2,913**	540	**–**	–
– a subsidiary	**–**	–	**107,041**	11,179
– jointly controlled entities	**11,889**	11,862	**–**	–
– other related companies	**1,166**	6,248	**–**	–
	22,302	29,828	**107,041**	12,256
Other payable and accruals	**27,585**	26,509	**2,787**	3,256
Other payable to key management	**1,480**	2,630	**1,480**	2,630
	29,065	29,139	**4,267**	5,886
	181,564	189,275	**111,308**	18,142

Notes to the Financial Statements

26 Trade and other payables *(Continued)*

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

	Group	
	2005	2004
	HK$'000	HK$'000
Within 3 months	**103,169**	99,243
4 to 6 months	**22,515**	18,808
7 to 12 months	**294**	3,189
Over 12 months	**4,219**	9,068
	130,197	130,308

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	Group	
	2005	2004
	HK$'000	HK$'000
Hong Kong dollar	**106,254**	113,338
Renminbi	**16,796**	13,825
United States dollar	**7,147**	3,145
	130,197	130,308

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

27 Notes to the consolidated cash flow statement

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

	2005 HK$'000	2004 HK$'000 (Restated)
Operating profit	**45,601**	50,096
Depreciation	**13,686**	11,145
Amortisation of leasehold land and land use rights	**6,352**	6,317
Excess of acquirer's interest in fair value of acquiree's identifiable assets and liabilities over cost	**(246)**	–
Amortisation of goodwill	**–**	1,025
Loss/(gain) on disposal of property, plant and equipment, net	**1,595**	(791)
Interest income	**(5,669)**	(4,309)
Operating profit before working capital changes	**61,319**	63,483
Increase in trade and other receivables	**(12,622)**	(9,032)
(Decrease)/increase in trade and other payables	**(7,711)**	29,890
Cash generated from operations	**40,986**	84,341

(b) Major non-cash transaction

During the year, the Group acquired an additional 0.13% equity interest of Chu Kong Cargo Terminals (Gaoming) Co., Ltd ("Gaoming Terminals") through capital injection in the form of property, plant and equipment of HK$4,500,000 into Gaoming Terminals.

27 Notes to the consolidated cash flow statement *(Continued)*

(c) Purchase of additional equity interest in a subsidiary

	2005 HK$'000
Minority interests	**813**
Excess of acquirer's interest in fair value of acquiree's identifiable assets and liabilities over cost	**(246)**
	567
Satisfied by:	
Cash	**567**

During the year, the Group further acquired the remaining 0.87% equity interest of Gaoming Terminals from its joint venture partner at a cash consideration of approximately HK$567,000. Upon completion, Gaoming Terminals became a wholly owned subsidiary of the Group in 2005.

27 Notes to the consolidated cash flow statement *(Continued)*

(d) Acquisition of a subsidiary

Analysis of the net cash outflow on acquisition of a subsidiary:

	2004 HK$'000
Net assets acquired:	
Property, plant and equipment	49,060
Land use rights	63,528
Trade receivables	5,174
Prepayments, deposits and other receivables	259
Bank balances and cash	3,981
Trade payables	(6,515)
Other payables and accruals	(3,779)
Amounts due to related companies	(1,005)
Loan from immediate holding company	(6,604)
Short-term bank loans	(21,226)
Minority interests	(747)
	82,126
Less: Share of net assets held by the Group	(41,928)
Goodwill	16,406
Consideration satisfied by cash	56,604
Net cash outflow during 2004 in respect of the acquisition of a subsidiary:	
Cash consideration paid	56,604
Bank balances and cash acquired	(3,981)
	52,623
Net cash outflow during 2004 in respect of the acquisition of another subsidiary in 2003:	
Cash consideration paid	8,548
Total	61,171

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

In 2003, the Group acquired Chu Kong Cargo Terminals (Qingyuan) Co., Ltd from its joint venture partner at a total consideration of approximately HK$22,315,000 of which HK$8,548,000 was paid in 2004.

27 Notes to the consolidated cash flow statement *(Continued)*

(e) Analysis of changes in financing during the year

	Loan from immediate holding company		Secured bank loan		Minority interests	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1st January	**–**	–	**14,151**	–	**3,207**	2,506
Exchange differences	**–**	–	**–**	–	**44**	–
Acquisition of additional equity interest in a subsidiary	**–**	–	**–**	–	**(813)**	–
Acquisition of a subsidiary *(note 27(d))*	**–**	6,604	**–**	21,226	**–**	747
Minority interests' share of profits less losses of subsidiaries	**–**	–	**–**	–	**(174)**	(46)
Cash outflows	**–**	(6,604)	**(14,151)**	(7,075)	**–**	–
At 31st December	**–**	–	**–**	14,151	**2,264**	3,207

28 Contingent liabilities

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Counter-guarantees to banks in respect of bank guarantees provided to third parties	**1,990**	2,290	**–**	–
Corporate guarantee for banking facilities granted to subsidiaries	**–**	–	**8,600**	8,600
	1,990	2,290	**8,600**	8,600

29 Commitments

(a) Capital commitments

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted but not provided for				
– Investment in a jointly controlled entity	**–**	15,660	**–**	–
– Property, plant and equipment	**5,080**	2,473	**–**	–
	5,080	18,133	**–**	–
Authorised but not contracted for				
– Land use rights	**27,885**	–	**27,885**	–
– Investments in jointly controlled entities	**11,200**	–	**11,200**	–
	39,085	–	**39,085**	–
	44,165	18,133	**39,085**	–

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

	2005	2004
	HK$'000	HK$'000
Contracted but not provided for	**6,800**	–
Authorised but not contracted for	**80,322**	67,489
	87,122	67,489

Notes to the Financial Statements

29 Commitments *(Continued)*

(b) Commitments under operating leases

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

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings:				
Not later than one year	**5,133**	5,113	**133**	113
Later than one year and not later than five years	**255**	5,000	**255**	–
	5,388	10,113	**388**	113
Vessels and barges:				
Not later than one year	**8,446**	17,343	**–**	–
Later than one year and not later than five years	**180**	–	**–**	–
	8,626	17,343	**–**	–
	14,014	27,456	**388**	113

30 Future operating lease arrangements

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

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings:				
Not later than one year	**1,109**	2,740	**349**	460
Later than one year and not later than five years	**–**	1,094	**–**	334
	1,109	3,834	**349**	794
Others:				
Not later than one year	**138**	133	**–**	–
Later than one year and not later than five years	**127**	264	**–**	–
	265	397	**–**	–
	1,374	4,231	**349**	794

31 Related party transactions

The Group is controlled by Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), the immediate holding company, which owns 75% of the Company's shares. The remaining 25% of the shares are widely held. The parent company of the Group is Guangdong Province Navigation Holdings Company Limited ("GPNHCL"), a state-owned enterprise established in the PRC.

CKSE is wholly owned by GPNHCL, 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, those corporate customers and suppliers which are state-owned enterprises. It should be noted, however, that a material portion of the business activities of the Group is conducted in the PRC and the influence of the PRC government in the Chinese economy is pervasive. In this regard, the PRC government indirectly holds interests in many companies. 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.

31 Related party transactions *(Continued)*

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

	Note	2005 HK$'000	2004 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transhipment income	*(i)*		
– fellow subsidiaries		**2,880**	2,436
– related entities		**1,113**	173
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses	*(i)*		
– a fellow subsidiary		**(2,241)**	–
– related entities		**(17,739)**	(17,593)
Wharf cargo handling, cargo transportation and godown storage expenses	*(i)*		
– a fellow subsidiary		**(1,328)**	–
– a related entity		**(1,003)**	(177)
Fuel charges	*(iii)*		
– a fellow subsidiary		**(28,409)**	(12,725)
Vessel rental expenses	*(ii)*		
– a fellow subsidiary		**(480)**	(960)
– related entities		**(17,498)**	(13,338)
Warehouse rental expenses	*(iv)*		
– immediate holding company		**(5,000)**	(5,000)

Notes to the Financial Statements

31 Related party transactions *(Continued)*

	Note	2005 HK$'000	2004 HK$'000
Office rental expenses	*(ii)*		
– immediate holding company		**(251)**	(488)
– a fellow subsidiary		**–**	(42)
– a related entity		**(11)**	(11)
Crew hire charges	*(ii)*		
– a related entity		**–**	(551)
Staff hire charges	*(ii)*		
– a related company		**(228)**	(404)
Marine supplies expenses	*(iii)*		
– a fellow subsidiary		**(46)**	(44)
Vessel repairs and maintenance expenses	*(iii)*		
– fellow subsidiaries		**(2)**	(87)
Loan interest expense	*(viii)*		
– immediate holding company		**–**	(165)
Acquisition of a jointly controlled entity	*(ix)*		
– parent company		**–**	16,048

31 Related party transactions *(Continued)*

(b) Transactions with other related entities:

	Note	2005 HK$'000	2004 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transhipment income	*(i)*		
– a jointly controlled entity of the immediate holding company		**2,036**	5,457
– jointly controlled entities of the Group		**1,139**	799
– other state-owned enterprises		**2,034**	2,136
Loan interest income	*(v)*		
– jointly controlled entities of the Group		**1,761**	2,714
Bank interest income	*(vi)*		
– state-owned banks		**2,753**	1,614
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses	*(i)*		
– jointly controlled entities of the immediate holding company		**(26,544)**	(17,493)
– jointly controlled entities of the Group		**(10,084)**	(14,057)
– other state-owned enterprises		**(1,899)**	(1,710)
Wharf cargo handling, cargo consolidation and godown storage expenses	*(i)*		
– a jointly controlled entity of the immediate holding company		**(10,196)**	(12,423)
– jointly controlled entities of the Group		**(20,689)**	(20,297)
– other state-owned enterprises		**(3,260)**	(2,111)
Bank loan interest expenses	*(vii)*		
– a state-owned bank		**(444)**	(1,230)

Notes to the Financial Statements

31 Related party transactions *(Continued)*

(i) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties or as mutually agreed between the Group and the respective related parties.

(ii) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties.

(iii) These transactions were conducted at terms as mutually agreed between the Group and the respective related parties.

(iv) The Group leased a warehouse from the immediate holding company and the rental was charged by the immediate holding company at HK$5,000,000 for the year ended 31st December 2005 (2004: HK$5,000,000).

(v) Loan interest was charged to jointly controlled entities at rates ranging from 4.9% to 5.2% (2004: 4% to 9%) per annum.

(vi) Bank interest income was received from state-owned banks at rates ranging from 1.3% to 4.2% (2004: 0.8% to 1.9%) per annum.

(vii) The interest on loan from a state-owned bank was charged at a rate of 5.5% (2004: 5.5%) per annum.

(viii) In the prior year, the interest on loan from the immediate holding company was charged at a rate of 6% per annum.

(ix) In 2004, the Group acquired 75% of the equity interest in Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. from the parent company at a consideration of approximately HK$16,048,000.

(x) During the year, the Company and the immediate holding company have interchanged the use of certain own floors of Chu Kong Shipping Tower free of charge (2004: free of charge).

31 Related party transactions *(Continued)*

(c) Key management compensation

	2005	2004
	HK$'000	HK$'000
Salaries and allowances	**5,401**	4,817
Fees	**1,480**	1,580
Retirement benefit scheme contributions	**90**	78
Termination benefits	**16**	–
	6,987	6,475

(d) Loans to jointly controlled entities

	2005	2004
	HK$'000	HK$'000
Beginning of the year	**90,595**	87,602
Exchange differences	**1,131**	–
Loans advanced during the year	**–**	2,993
Loans repayments received	**(44,379)**	–
End of the year	**47,347**	90,595

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

	2005	2004
	HK$'000	HK$'000
Bank balances and deposits	**208,249**	126,174
Short-term bank loans	**–**	(14,151)

The deposits and loans were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern. The interest rates are set prevailing market rates.

32 Events after the balance sheet date

On 16th January 2006, the Group entered into an agreement to acquire two land use rights in Zhaoqing for a total consideration of HK$27,885,000 for the development of wharf godown storage and transportation business. The acquisition is still subject to approval from the Zhaoqing government as of the date of approval of these financial statements.

On 18th January 2006, the Group entered into an agreement with the joint venture partner of He Shan County Hekong Associated Forwarding Co., Ltd. (“He Shan County”), a 49% owned jointly controlled entity of the Group, to further acquire 1% equity interest of He Shan Country and 50% equity interests in each of the four companies at He Shan for a total consideration of HK$9,808,000.