



>> INTERIM REPORT **2006** 中期報告

logistics

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connection



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

Stock Code : 0560

CHAIRMAN'S STATEMENT

For the six months ended 30th June 2006, the Group recorded a consolidated turnover of HK\$404,145,000, representing a 31.2% increase as compared with the last corresponding period. Profit attributable to equity holders of the Company amounted to HK\$56,627,000, representing an increase of 19.4% over the last corresponding figure.

OUTLOOK

On account of stably booming domestic and local economies, the Board of Directors anticipates river trade transportation volume is set to enjoy a sustainable growing track. Our Group will keep itself abreast of the prevailing macroeconomic situation and industry trend to cope with the changes in the development of the South China ports. Further efforts will be made in corporate strategic management in order to enhance the efficiency of decision making in material events. The Group will also strengthen human resources planning and team management in order to build an effective senior management team, and a relevant examining and incentive system. Through varying means of strengthened internal controls, enhanced overall operating efficiencies, extensive transportation network and upgraded service quality, the Group devotes to sustain the growth of river trade transportation business (especially container business) in order to continue to consolidate and enhance our market share in the Pearl River Delta. Leveraging on a flurry of opportunities emerging from Closer Economic Partnership Arrangement (CEPA), and through our planned strategic acquisitions of river trade terminals in the Pearl River Delta, the Group will be capable of strongly substantiating our existing river trade transportation operations, and bringing along better comprehensive profitability. The Group will actively pursue and identify other new business horizons related to our core operations in order to foster a vivid growth of our existing core business sectors. At the same time, the Group also looks into new sector of profit growth. Amid general economic growth was dampened by the stubbornly rising oil prices over the past two years, the Group's earning growth was dragged down (domestic feeder service). Notwithstanding, under the prevailing favorable external environment, the Board of Directors is confident of creating ideal shareholders' values for the second half of the year by capitalizing on the cutting edges of our business development in the industry, further consolidation of our internal resources and vivid expansion of our foreign business.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK\$0.01 (2005: HK\$0.01) per ordinary share for the year ending 31st December 2006 to the equity holders whose names appear on the Register on 16th October 2006.

RELATION WITH INVESTORS

Through different effective ways of communications between our Group and the financial organizations, investors and potential investors on managing information exchange, better understanding investors' suggestions, striving to achieve corporate value to a maximum, all of these will be the important areas that our Group continues to concern and improve on. The website of our Group will be one of the important channels to provide timely information for the market.

APPRECIATION

Finally, the Board of Directors would like to take this opportunity to extend its sincere gratitude to our customers and working partners and all our staff for their efforts and contributions to the Group, as well as all shareholders for their continuous trust and support to the Group's development.

Hua Honglin
Chairman

The Board of Directors of Chu Kong Shipping Development Company Limited (the “Company”) is pleased to announce the interim report and the unaudited consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2006. The Group’s consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 30th June 2006, and the consolidated balance sheet as at 30th June 2006, all of which form integral parts of the unaudited consolidated interim financial information. Those statements together with their selected relevant notes are set out on pages 12 to 42 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the period, economies in China and in the territory boosted steadily. Given a stable growth in cargo transportation flows between Guangdong and Hong Kong, coupled with our continued resources consolidations and strengthened marketing efforts during the first half of the year, our core river trade transportation business registered an overall growth, with a particularly vigorous increase of 45.7% for the container business. The Group took great leaps in further upgrading our market share in the industry and positioning us as an increasingly leading player in the river trade transportation industry in the Pearl River Delta. During the period, adversities arising from surging oil prices were partially offset by remarkably encouraging growth in varying major business segments of the Group. In addition, our investment business generally remained as an impressive profit contributor, and was a key attribute for a double-digit growth in profit attributable to equity holders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Review of Operations (Continued)

1. River trade transportation business

As aforesaid, in light of vividly flourishing economies in China and Hong Kong, and our internally enhanced market expansion, during the period, river trade transportation business grew in general. Performance statistics of our major business operations are as follows:

Indicators	Six months ended		
	30th June		
	2006	2005	Change
Container transportation volume (TEU)	306,070	210,028	45.7%
Import and export of shipping agencies business (voyages)	10,689	9,744	9.7%
Container handling volume (TEU)	189,759	134,263	41.3%
Volume of container hauling and trucking on land (TEU)	79,763	63,209	26.2%
Volume of break bulk cargoes handled (tons)	228,289	200,830	13.7%

As noted from the above table, container related operations posted more robust growth. During the first half of 2006, a 18.7% growth was reported in river container transportation volume by the territory on a whole, contrasting a 45.7% growth posted by the Group on an individual basis. With a substantial excess of our organic growth over the industry growth, the Group further forged towards a greater market share in the industry. At the same time, the increasing container transportation volume was also a driving momentum for an enormous increase in the related container wharf handling volume as well as land hauling and trucking volume. The shipping agency business engaged by our Group, Chu Kong Agency Company Limited's new deep sea shipping agency business, has an increase of 9.7% voyages in the import and export of shipping agencies business, with a profit growth of 11.9%.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Operations *(Continued)*

1. River trade transportation business (Continued)

Our Group's break bulk cargoes handled business was principally conducted through Chu Kong Transportation (H.K.) Limited, and came up against the adverse circumstance of the unfavourable break bulk cargoes handled market in Hong Kong, yet it utilized the limited resources, focused on the change of the market structure, and carried out a series of adjustments, which enhanced the quality of services and increased the variety of services, thus enlarging and widening the transportation chain. Together with the stable base of existing customers, the new customer base was expanded. In the first half of the year, because of the increase in the profit growth of the volume of break bulk cargoes, a significant increase of 41.3% was recorded.

2. Investment business

Chu Kong Air-Sea Union Transportation Co., Ltd. ("Air-Sea Terminals"), 51% shareholding of which is held by the Group, explored into new business segments by delivering stronger marketing efforts. During the first half of 2006, Air-Sea Terminals posted a 31% and 58% growth in its break bulk handling volume and container handling volume respectively. Together with effective cost controls, Air-Sea Terminals achieved a marked improvement in its operating results, and as a result, profit attributable to the Group from Air-Sea Terminals increased by HK\$1.28 million. Sanshui Sangang Containers Wharf Co., Ltd. ("Sanshui Sangang") reported a significant growth of 137% in its container handling volume through active steps in structuring cargo sources and widening new customer profile. Accordingly, profit attributable to the Group from Sanshui Sangang soared by 128%. Given that the infrastructure work of Chu Kong Cargo Terminals (Beicun) Company Limited's newly constructed container wharf, invested by our Group, was completed. The new business relevant to container handling is expected to begin in September.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Operations *(Continued)*

2. Investment business (Continued)

During the period, the Group formed two companies, namely Zhao Qing Chu Kong Logistics (Da Wang) Co., Ltd. and Zhao Qing Chu Kong Cargo Terminals (Da Wang) Co., Ltd. The Group made a capital investment of HK\$29,000,000, and currently the relevant corporate registration procedures have been completed. During the period, the Group acquired the equity interest of transportation business (other than passenger transportation and duty free businesses) of He Shan Port Construction & Development General Company. At present, various legal procedures are still underway.

The other joint ventures held by the Group maintained satisfactory performance during the period, without any material derivations.

Liquidity and Financial Resources

The Group adheres to its financial policy to maintain a stable financial condition. As at 30th June 2006, the Group had credit facility of HK\$11,390,000 obtained from its principal bankers. As at 30th June 2006, the current ratio of the Group, represented by current assets to current liabilities, was 2.3 (31st December 2005: 2.6). Whereas the debt ratio of the Group, represented by total liabilities to total assets, was 16.8% (31st December 2005: 14.5%).

As at 30th June 2006, the Group's cash and bank balances amounted to HK\$339,496,000. Based on the Group's existing cash and working capital level, together with the available banking facilities, it is believed that the Group has sufficient funds to finance its future operations and investments.

Employees

As at 30th June 2006, the Group employed 318 employees in Hong Kong and remunerated its employees according to the duty of their positions and market condition. Other staff benefits for eligible employees include share options, housing allowances and bonuses.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

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

Save as disclosed above, as at 30th June 2006, none of the directors or chief executives of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

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

On 10th May 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 effect.

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

SHARE OPTION SCHEME (Continued)

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

Directors	Number of granted share options			Exercise price	Date of grant	Exercise period
	At 1st January 2006	Cancelled during the period	At 30th June 2006			
Mr. Che Chiqiang	10,000,000	(10,000,000)	-	0.52	16th October 2000	16th October 2000 to 15th October 2010
Senior management	8,000,000	-	8,000,000	0.55	29th May 2000	29th May 2000 to 28th May 2010
	<u>18,000,000</u>	<u>(10,000,000)</u>	<u>8,000,000</u>			

Note: Mr. Che Chiqiang was resigned as a director of the Company on 29th May 2006. The share options held by him were also cancelled on 29th May 2006.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 30th June 2006, as recorded in the register required to be kept under Section 336 of the SFO, the following shareholders have 5% or more of the Company's share capital:

Ordinary shares of HK\$0.1 each in the Company

	Number of shares
(i) CKSE	562,500,000
(ii) GPNHCL	562,500,000

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

Save as disclosed above, as at 30th June 2006, the Company has not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register to be kept under Section 336 of the SFO.

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

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

APPOINTMENT OF NEW CHAIRMAN

Due to personal reasons, Mr. Huang Liezhang resigned as the Chairman of the Company with effect from 29th May 2006. The Board of Directors appointed Mr. Hua Honglin as the new Chairman of the Company for a term commencing from 29th May 2006 until the next annual general meeting of the Company.

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

The interim report of the Company for the six months ended 30th June 2006 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules") will be published on the SEHK's website in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 17th October 2006 to Thursday, 19th October 2006, both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Share Registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, no later than 4:00 p.m. on Monday, 16th October 2006 for registration. Interim dividend will be payable on or before 31st October 2006.

REVIEW BY AUDIT COMMITTEE

The Company's Audit Committee has reviewed the unaudited consolidated interim financial information for the six months ended 30th June 2006.

CORPORATE GOVERNANCE

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

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

CORPORATE GOVERNANCE (*Continued*)

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

Under the demand of our Company's business development and the request of enhancing corporate governance of the Stock Exchange, a relevant all-rounded system was established.

ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

DIRECTORS

As at the date of this announcement, the Company's executive directors include Mr. Hua Honglin, Mr. Li Zhijie and Mr. Yang Rixiang; and independent non-executive directors include Mr. Chan Kay Cheung, Mr. Choi Kim-Lui and Ms. Yau Lai Man.

By Order of the Board
Yang Rixiang
Managing Director

Hong Kong, 14th September 2006

UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	<i>Note</i>	2006 HK\$'000	2005 <i>HK\$'000</i>
Turnover	4	404,145	307,985
Cost of services rendered		<u>(343,692)</u>	<u>(256,401)</u>
Gross profit		60,453	51,584
Other gains		6,885	5,519
Administrative expenses		(39,014)	(35,531)
Other operating income		597	690
Other operating expenses		<u>(39)</u>	<u>–</u>
Operating profit	5	28,882	22,262
Finance costs		–	(385)
Share of profits less losses of jointly controlled entities	6	<u>31,872</u>	<u>29,092</u>
Profit before income tax		60,754	50,969
Income tax expense	7	<u>(4,225)</u>	<u>(3,624)</u>
Profit for the period		<u>56,529</u>	<u>47,345</u>
Attributable to:			
Equity holders		56,627	47,439
Minority interests		<u>(98)</u>	<u>(94)</u>
		<u>56,529</u>	<u>47,345</u>
Interim dividend	8	<u>7,500</u>	<u>7,500</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u>7.55</u>	<u>6.32</u>
Diluted	9	<u>7.47</u>	<u>6.15</u>

UNAUDITED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE 2006

		As at 30th June 2006	As at 31st December 2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	10	184,049	180,892
Investment properties	10	4,869	4,921
Leasehold land and land use rights	10	277,893	280,391
Intangible assets – goodwill	10	15,829	15,677
Jointly controlled entities		372,286	336,728
Deferred income tax assets		228	182
		855,154	818,791
		855,154	818,791
Current assets			
Trade and other receivables	11	179,510	161,765
Bank balances and cash		339,496	320,891
		519,006	482,656
		519,006	482,656
Total assets		1,374,160	1,301,447
EQUITY			
Share capital	12	75,000	75,000
Reserves		1,058,478	1,005,502
Final dividend proposed		–	30,000
Interim dividend declared		7,500	–
		1,140,978	1,110,502
Minority interests		2,166	2,264
		1,143,144	1,112,766
Total equity		1,143,144	1,112,766

UNAUDITED CONSOLIDATED BALANCE SHEET (*Continued*)
 AT 30TH JUNE 2006

	As at 30th June 2006	As at 31st December 2005
<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	4,616	4,494
Current liabilities		
Trade and other payables	220,606	181,564
Income tax liabilities	5,794	2,623
	226,400	184,187
Total liabilities	231,016	188,681
Total equity and liabilities	1,374,160	1,301,447
Net current assets	292,606	298,469
Total assets less current liabilities	1,147,760	1,117,260

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	Share capital HK\$'000	Attributable to equity holders of the Company						Total reserves HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
		Share premium HK\$'000	Revaluation reserve HK\$'000	Exchange reserves HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000				
At 1st January 2006	75,000	489,185	21,230	6,940	895	19,501	497,751	1,035,502	1,110,502	2,264	1,112,766
Income recognised directly in equity											
– currency translation differences											
– Subsidiaries	-	-	-	1,626	-	-	-	1,626	1,626	-	1,626
– Jointly controlled entities	-	-	-	2,223	-	-	-	2,223	2,223	-	2,223
Profit for the period	-	-	-	-	-	-	56,627	56,627	56,627	(98)	56,529
2005 final dividend	-	-	-	-	-	-	(30,000)	(30,000)	(30,000)	-	(30,000)
At 30th June 2006	75,000	489,185	21,230	10,789	895	19,501	524,378	1,065,978	1,140,978	2,166	1,143,144
Representing:											
Capital, reserves and minority interests	75,000	489,185	21,230	10,789	895	19,501	516,878	1,058,478	1,133,478	2,166	1,135,644
Interim dividend declared	-	-	-	-	-	-	7,500	7,500	7,500	-	7,500
	75,000	489,185	21,230	10,789	895	19,501	524,378	1,065,978	1,140,978	2,166	1,143,144
At 1st January 2005	75,000	489,185	21,230	(415)	895	17,095	432,585	960,575	1,035,575	3,207	1,038,782
Profit for the period	-	-	-	-	-	-	47,439	47,439	47,439	(94)	47,345
Acquisition of additional equity interest in a subsidiary	-	-	-	-	-	-	-	-	-	(813)	(813)
2004 final dividend	-	-	-	-	-	-	(15,000)	(15,000)	(15,000)	-	(15,000)
At 30th June 2005	75,000	489,185	21,230	(415)	895	17,095	465,024	993,014	1,068,014	2,300	1,070,314
Representing:											
Capital, reserves and minority interests	75,000	489,185	21,230	(415)	895	17,095	457,524	985,514	1,060,514	2,300	1,062,814
Interim dividend declared	-	-	-	-	-	-	7,500	7,500	7,500	-	7,500
	75,000	489,185	21,230	(415)	895	17,095	465,024	993,014	1,068,014	2,300	1,070,314

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	45,298	22,333
Net cash from investing activities	2,576	44,213
Net cash used in financing activities	(30,000)	(15,000)
Net increase in bank balances and cash	17,874	51,546
Bank balances and cash at 1st January	320,891	261,515
Effect of exchange rate changes	731	–
Bank balances and cash at 30th June	<u>339,496</u>	<u>313,061</u>

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 transshipment, 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.

This consolidated interim financial information has been approved for issue by the board of directors of the Company on 14th September 2006.

2. BASIS OF PREPARATION

This unaudited consolidated interim financial information for the six months ended 30th June 2006 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This consolidated interim financial information should be read in conjunction with the 2005 annual financial statements.

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

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with those of the 2005 annual financial statements, as described in the annual financial statements for the year ended 31st December 2005.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31st December 2006:

HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”

HK(IFRIC)-Int 5 “Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”

HK(IFRIC)-Int 6 “Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment”

Amendment to HKAS 19 “Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures”

Amendment to HKAS 21 “Net Investment in a Foreign Operation”

Amendment to HKAS 39 “Financial Instruments: Recognition and Measurement”

- Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- The Fair Value Option

Amendment to HKAS 39 and HKFRS 4 Amendment “Financial Guarantee Contracts”

Amendments as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:

- HKAS 1 “Presentation of Financial Statements”
- HKAS 27 “Consolidated and Separate Financial Statements”
- HKFRS 3 “Business Combinations”

Amendment to HKAS 39 “Financial Instruments: Recognition and Measurement” and HKFRS 4 “Insurance Contracts”: – “Financial Guarantee Contracts”

HKFRS 6 “Exploration for and Evaluation of Mineral Resources”

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The adoption of the above new standards, amendments to standards and interpretations did not have material impact to the Group's principal accounting policies or presentation of financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted by the Group:

	Effective for accounting periods beginning on or after
HK(IFRIC)-Int 7 "Applying the Restatement Approach under HKAS 29"	1st March 2006
HK(IFRIC)-Int 8 "Scope of HKFRS 2"	1st May 2006
HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives"	1st June 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 already commenced an assessment of the related impact of adopting the above new standards, amendments to standards and interpretations to the Group but is not yet in a position to state whether substantial changes to Group's principal accounting policies and presentation of the financial statements will be resulted.

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

4. SEGMENT INFORMATION

(a) Business segments

At 30th June 2006, the Group and its jointly controlled entities are organised into four main business segments:

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

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

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

(i) Revenues and results

	Six months ended 30th June 2006					
	Cargo transportation <i>HK\$'000</i>	Cargo hauling and storage <i>HK\$'000</i>	Container handling and trucking <i>HK\$'000</i>	Expressway operation <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover						
– external	363,740	40,007	398	–	–	404,145
– intersegments	11	35,812	30,543	–	(66,366)	–
Other revenues						
– external	50	143	–	–	–	193
– intersegments	–	253	–	–	(253)	–
Total	363,801	76,215	30,941	–	(66,619)	404,338
Segment results	4,264	20,466	3,700	–	–	28,430
Unallocated income/gains						5,325
Unallocated expenses						(4,873)
Operating profit						28,882
Share of profits less losses of jointly controlled entities	(59)	7,359	572	24,000	–	31,872
Profit before income tax						60,754
Income tax expense						(4,225)
Profit for the period						56,529
Capital expenditure						
– allocated	740	8,810	266	–	–	9,816
– unallocated						9
						9,825
Amortisation and depreciation						
– allocated	1,970	7,123	289	–	–	9,382
– unallocated						493
						9,875

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

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Six months ended 30th June 2005					
	Cargo transportation <i>HKS'000</i>	Cargo hauling and storage <i>HKS'000</i>	Container handling and trucking <i>HKS'000</i>	Expressway operation <i>HKS'000</i>	Eliminations <i>HKS'000</i>	Total <i>HKS'000</i>
Turnover						
– external	271,435	36,142	408	–	–	307,985
– intersegments	1	28,728	23,961	–	(52,690)	–
Other revenues						
– external	–	283	–	–	–	283
– intersegments	–	253	–	–	(253)	–
Total	271,436	65,406	24,369	–	(52,943)	308,268
Segment results	5,658	12,988	3,826	–	–	22,472
Unallocated income/gains						3,180
Unallocated expenses						(3,390)
Operating profit						22,262
Finance costs						(385)
Share of profits less losses of jointly controlled entities	(183)	5,259	646	23,370	–	29,092
Profit before income tax						50,969
Income tax expense						(3,624)
Profit for the period						47,345
Capital expenditure						
– allocated	1,677	1,596	306	–	–	3,579
– unallocated						560
						4,139
Amortisation and depreciation						
– allocated	1,952	7,034	233	–	–	9,219
– unallocated						400
						9,619

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

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

(ii) Assets and liabilities

	As at 30th June 2006						
	Cargo transportation <i>HK\$'000</i>	Cargo handling and storage <i>HK\$'000</i>	Containers hauling and trucking <i>HK\$'000</i>	Expressway operation <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets	238,535	522,890	43,814	–	351,262	(174,063)	982,438
Jointly controlled entities	21,812	163,562	17,886	170,146	18,316	–	391,722
Total assets	<u>260,347</u>	<u>686,452</u>	<u>61,700</u>	<u>170,146</u>	<u>369,578</u>	<u>(174,063)</u>	<u>1,374,160</u>
Total liabilities	<u>230,222</u>	<u>113,782</u>	<u>26,522</u>	<u>–</u>	<u>34,553</u>	<u>(174,063)</u>	<u>231,016</u>
	As at 31st December 2005						
	Cargo transportation <i>HK\$'000</i>	Cargo handling and storage <i>HK\$'000</i>	Containers hauling and trucking <i>HK\$'000</i>	Expressway operation <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets	214,657	501,956	51,220	–	359,349	(181,000)	946,182
Jointly controlled entities	20,654	136,449	17,139	162,560	18,463	–	355,265
Total assets	<u>235,311</u>	<u>638,405</u>	<u>68,359</u>	<u>162,560</u>	<u>377,812</u>	<u>(181,000)</u>	<u>1,301,447</u>
Total liabilities	<u>205,888</u>	<u>113,943</u>	<u>26,457</u>	<u>–</u>	<u>23,393</u>	<u>(181,000)</u>	<u>188,681</u>

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

4. SEGMENT INFORMATION (*Continued*)

(b) Geographical segments

	<u>Total assets</u>		<u>Capital expenditure</u>	
	<u>As at 30th June 2006 HK\$'000</u>	<u>As at 31st December 2005 HK\$'000</u>	<u>Six months ended 30th June 2006 HK\$'000</u>	<u>2005 HK\$'000</u>
Hong Kong	<u>775,422</u>	<u>770,273</u>	<u>2,503</u>	<u>2,292</u>
Mainland China	<u>207,016</u>	<u>175,909</u>	<u>7,322</u>	<u>1,847</u>
	<u>982,438</u>	<u>946,182</u>	<u>9,825</u>	<u>4,139</u>
Jointly controlled entities	<u>391,722</u>	<u>355,265</u>		
	<u>1,374,160</u>	<u>1,301,447</u>		

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.

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

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended	
	30th June	
	2006	2005
	HK\$'000	HK\$'000
Crediting		
Gain on disposal of property, plant and equipment	176	1,160
Exchange gains	2,675	922
Interest income	<u>4,034</u>	<u>3,172</u>
Charging		
Depreciation of property, plant and equipment and investment properties	6,690	6,452
Amortisation of leasehold land and land use rights	<u>3,185</u>	<u>3,167</u>

6. SHARE OF PROFITS LESS LOSSES OF JOINTLY CONTROLLED ENTITIES

	Six months ended	
	30th June	
	2006	2005
	HK\$'000	HK\$'000
Share of profits less losses	38,656	35,183
Share of PRC enterprise income tax	<u>(6,784)</u>	<u>(6,091)</u>
	<u>31,872</u>	<u>29,092</u>

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

7. INCOME TAX EXPENSE

	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	3,518	3,131
PRC enterprise income tax	631	461
Deferred taxation	76	32
	4,225	3,624

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. PRC enterprise income tax has been calculated on the estimated assessable profit for the period at the applicable rates of taxation.

Share of income tax of jointly controlled entities for the period has been included in the income statement as share of profit less losses of jointly controlled entities.

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

	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Profit before share of profits less losses of jointly controlled entities and income tax	28,882	21,877
Calculated at a taxation rate of 17.5% (2005: 17.5%)	5,054	3,828
Effect of different taxation rates applicable to the subsidiaries in the PRC	18	208
Income not subject to taxation	(37,435)	(31,792)
Expenses not deductible for taxation purposes	36,588	31,380
Income tax expense	4,225	3,624

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

8. INTERIM DIVIDEND

	Six months ended	
	30th June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, of HK\$0.01 (2005: HK\$0.01) per ordinary share	<u>7,500</u>	<u>7,500</u>

- (a) On 14th September 2006, the board of directors declared an interim dividend of HK\$0.01 (2005: HK\$0.01) per ordinary share for the six months ended 30th June 2006. This proposed dividend is not reflected as dividend payable in this consolidated interim financial information, but will be reflected as an appropriation of retained profits for the year ending 31st December 2006.
- (b) On 28th March 2006, the board of directors proposed a final dividend of HK\$0.04 per ordinary share for the year ended 31st December 2005, which was paid on 8th June 2006 and has been reflected as an appropriation of retained profits for the year ending 31st December 2006.

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

9. EARNINGS PER SHARE

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

	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	<u>56,627</u>	<u>47,439</u>
Weighted average number of ordinary shares in issue (thousands)	<u>750,000</u>	<u>750,000</u>
Basic earnings per share (HK cents per share)	<u>7.55</u>	<u>6.32</u>

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

	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	<u>56,627</u>	<u>47,439</u>
Weighted average number of ordinary shares in issue (thousands)	750,000	750,000
Adjustments for share options (thousands)	<u>8,315</u>	<u>21,240</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>758,315</u>	<u>771,240</u>
Diluted earnings per share (HK cents per share)	<u>7.47</u>	<u>6.15</u>

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

10. CAPITAL EXPENDITURE

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold land and land use rights <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>
Six months ended 30th June 2006				
Opening net book amount	180,892	4,921	280,391	15,677
Exchange differences	622	-	687	152
Additions	9,825	-	-	-
Disposals	(652)	-	-	-
Depreciation/amortisation charge	(6,638)	(52)	(3,185)	-
Closing net book amount	<u>184,049</u>	<u>4,869</u>	<u>277,893</u>	<u>15,829</u>
Six months ended 30th June 2005				
Opening net book amount	181,209	5,025	285,372	15,381
Additions	4,139	-	-	-
Disposals	(592)	-	-	-
Depreciation/amortisation charge	(6,400)	(52)	(3,167)	-
Closing net book amount	<u>178,356</u>	<u>4,973</u>	<u>282,205</u>	<u>15,381</u>

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

11. TRADE AND OTHER RECEIVABLES

	As at 30th June 2006 <i>HK\$'000</i>	As at 31st December 2005 <i>HK\$'000</i>
Trade receivables from (<i>note (a)</i>):		
– third parties	79,344	73,720
– fellow subsidiaries	471	400
– jointly controlled entities	49,745	39,652
– other related companies	12	105
– other state-owned enterprises	1,598	1,333
	<hr/> 131,170 <hr/>	<hr/> 115,210 <hr/>
Other receivables due from (<i>note (b)</i>):		
– immediate holding company	3,509	782
– fellow subsidiaries	1,250	3,545
– jointly controlled entities	18,392	16,894
– other related companies	589	456
	<hr/> 23,740 <hr/>	<hr/> 21,677 <hr/>
Loans to jointly controlled entities (<i>note (c)</i>)	<hr/> 19,436 <hr/>	<hr/> 18,537 <hr/>
Deposits and prepayments	<hr/> 5,164 <hr/>	<hr/> 6,341 <hr/>
	<hr/> 179,510 <hr/>	<hr/> 161,765 <hr/>

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

11. 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:

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Within 3 months	124,014	108,445
4 to 6 months	6,631	6,038
7 to 12 months	384	429
Over 12 months	3,514	3,916
	134,543	118,828
<i>Less: Provision for impairment</i>	(3,373)	(3,618)
	<u>131,170</u>	<u>115,210</u>

- (b) The other receivables due from related parties are unsecured, interest free and have no fixed terms of repayment.
- (c) Except for an amount of HK\$10,793,000 (31st December 2005: HK\$10,692,000) which bears interest at the floating rate announced by the People's Bank of China (31st December 2005: floating rate announced by the People's Bank of China), the loans to jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

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

12. SHARE CAPITAL

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
<i>Issued:</i>		
750,000,000 ordinary shares of HK\$0.10 each	<u>75,000</u>	<u>75,000</u>

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

13. TRADE AND OTHER PAYABLES

	As at 30th June 2006 <i>HK\$'000</i>	As at 31st December 2005 <i>HK\$'000</i>
Trade payables to (<i>note (a)</i>):		
– third parties	128,715	103,373
– immediate holding company	5,000	2,500
– fellow subsidiaries	7,556	3,688
– jointly controlled entities	11,864	16,303
– other related companies	980	637
– other state-owned enterprises	2,087	3,696
	<u>156,202</u>	<u>130,197</u>
Other payables due to (<i>note (b)</i>):		
– immediate holding company	6,074	6,334
– fellow subsidiaries	9,241	2,913
– jointly controlled entities	10,645	11,889
– other related companies	–	1,166
	<u>25,960</u>	<u>22,302</u>
Other payables and accruals	37,819	27,585
Other payable to key management (<i>note (b)</i>)	625	1,480
	<u>38,444</u>	<u>29,065</u>
	<u>220,606</u>	<u>181,564</u>

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

13. TRADE AND OTHER PAYABLES (Continued)

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

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Within 3 months	129,437	103,169
4 to 6 months	19,201	22,515
7 to 12 months	2,783	294
Over 12 months	4,781	4,219
	<u>156,202</u>	<u>130,197</u>

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

14. CAPITAL COMMITMENTS

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Contracted but not provided for in respect of:		
– Property, plant and equipment	1,235	5,080
Authorised but not contracted for in respect of:		
– Land use rights	28,155	27,885
– Property, plant and equipment	21,400	–
– Investments in jointly controlled entities	696	11,200
	<u>50,251</u>	<u>39,085</u>
	<u>51,486</u>	<u>44,165</u>

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

14. CAPITAL COMMITMENTS (Continued)

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

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Contracted but not provided for	7,626	6,800
Authorised but not contracted for	92,832	80,322
	<u>100,458</u>	<u>87,122</u>

15. ACQUISITIONS AND INVESTMENTS

(a) Acquisition of additional equity interests in jointly controlled entities

On 18th January 2006, the Group, together with its immediate holding company and a third party (the "Joint Purchasers"), entered into a sale and purchase agreement (the "Agreement") with a state-owned enterprise (the "Seller"), to further acquire 1% equity interest in "He Shan County He Kong Associated Forwarding Co., Ltd". and 50% equity interests in "Heshan Shipping Company, Heshan Port Store & Transportation Company, Heshan Port Loading Co., Ltd., and Heshan Port Declare Company" for a cash consideration of HK\$9.8 million (subject to adjustments, if any, arising from the valuation report on the Completion Date).

The total consideration estimated by the directors, based on available information to date, amounts to HK\$13.5 million.

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

15. ACQUISITIONS AND INVESTMENTS *(Continued)*

(b) Establishment of two wholly owned subsidiaries

During the period, the Group established two wholly owned subsidiaries in the PRC, namely Zhaoqing Chu Kong Cargo Terminals (Da Wang) Co., Ltd and Zhaoqing Chu Kong Logistics (Da Wang) Co., Ltd, by making a total capital investment of approximately HK\$56.5 million. As of 30th June 2006, the Group has injected a total capital of HK\$29.0 million.

The names of certain of the above companies are direct translation only as there are no official English names.

16. RELATED PARTY TRANSACTIONS

The Group is controlled by Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”), which owns 75% of the Company’s shares. The remaining 25% of the shares are widely held.

CKSE is wholly owned by Guangdong Province Navigation Holdings Company Limited (“GPNHCL”), the parent company of the Group, which is a state-owned enterprise controlled by the PRC government. In accordance with HKAS 24 “Related Party Disclosures” issued by the HKICPA, other state-owned enterprises and their subsidiaries (other than GPNHCL group companies), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include GPNHCL and its subsidiaries, 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.

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

16. RELATED PARTY TRANSACTIONS (Continued)

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

- (a) Transactions with 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):

		Six months ended	
		30th June	
		2006	2005
	<i>Note</i>	HK\$'000	HK\$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transhipment income	<i>(i)</i>		
– fellow subsidiaries		2,697	1,228
– related entities		403	467
		<u> </u>	<u> </u>
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses	<i>(i)</i>		
– a fellow subsidiary		(6,185)	–
– related entities		(8,612)	(9,250)
Wharf cargo handling, cargo transportation and godown storage expenses	<i>(i)</i>		
– a fellow subsidiary		(4,301)	–
– a related entity		(10)	(280)

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

16. 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):
(*Continued*)

		Six months ended	
		30th June	
		2006	2005
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Expenses:			
Fuel charges	<i>(iii)</i>		
– a fellow subsidiary		(19,528)	(12,167)
Vessel rental expenses	<i>(ii)</i>		
– a fellow subsidiary		–	(480)
– related entities		(9,070)	(7,906)
Warehouse rental expenses	<i>(iv)</i>		
– immediate holding company		(2,500)	(2,500)
Office rental expenses	<i>(ii)</i>		
– a related entity		(6)	(6)
Staff hire charges	<i>(ii)</i>		
– a related entity		(89)	(144)
Vessel repairs and maintenance expenses	<i>(iii)</i>		
– fellow subsidiaries		–	(45)
		_____	_____

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

16. RELATED PARTY TRANSACTIONS (*Continued*)

(b) Transactions with other related entities

		Six months ended 30th June	
	<i>Note</i>	2006 HK\$'000	2005 HK\$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– a jointly controlled entity of the immediate holding company		–	1,592
– jointly controlled entities of the Group		1,653	2,548
– other state-owned enterprises		1,119	1,328
Loan interest income	(v)		
– jointly controlled entities of the Group		426	1,458
Bank interest income	(vi)		
– state-owned banks		2,642	459
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– a jointly controlled entity of the immediate holding company		–	(9,609)
– jointly controlled entities of the Group		(4,468)	(4,035)
– other state-owned enterprises		(1,074)	(794)

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

16. RELATED PARTY TRANSACTIONS (*Continued*)

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

	Note	Six months ended 30th June	
		2006 HK\$'000	2005 HK\$'000
Expenses:			
Wharf cargo handling, cargo consolidation and godown storage expenses	(i)		
– jointly controlled entities of the immediate holding company		(5,332)	(11,251)
– jointly controlled entities of the Group		(13,314)	(8,214)
– other state-owned enterprises		–	(1,759)
Bank loan interest expenses	(vii)		
– a state-owned enterprise		–	(385)

- (i) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties or as mutually agreed between the Group and the respective related parties.
- (ii) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties.
- (iii) These transactions were conducted at terms as mutually agreed between the Group and the respective related parties.
- (iv) The Group leased a warehouse from its immediate holding company and the rental was charged by the immediate holding company at HK\$2,500,000 for the six months ended 30th June 2006 (2005: HK\$2,500,000).

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

16. RELATED PARTY TRANSACTIONS (*Continued*)

(v) Loan interest was charged to jointly controlled entities at rates announced by the People's Bank of China (2005: rates announced by the People's Bank of China).

(vi) Bank interest income was received from other state-owned banks at rates ranging from 1.7% to 5.0% (2005: 0.8% to 3.3%) per annum.

(vii) The interest on loan from a state-owned bank was charged at a rate of 5.5% per annum in 2005.

(viii) During the period, the Company and the immediate holding company have interchanged the use of certain own floors of Chu Kong Shipping Tower free of charge (2005: free of charge).

(c) Key management compensation

	Six months ended	
	30th June	
	2006	2005
	HK\$'000	HK\$'000
Salaries and allowances	1,768	2,112
Fees	688	740
Retirement benefit scheme contributions	37	38
	<hr/> 2,493 <hr/>	<hr/> 2,890 <hr/>

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

16. RELATED PARTY TRANSACTIONS (*Continued*)

(d) Loans to jointly controlled entities

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Beginning of the period/year	47,347	90,595
Exchange differences	236	1,131
Loans advanced during the period/year	6,488	–
Loans repayments received	–	(44,379)
	<u>54,071</u>	<u>47,347</u>
End of the period/year	54,071	47,347
Analysed into:		
Current (included in trade and other receivables)	18,392	18,537
Non-current (included in jointly controlled entities)	35,679	28,810
	<u>54,071</u>	<u>47,347</u>

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

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Bank balances and deposits	<u>259,921</u>	<u>208,249</u>

The deposits 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 at prevailing market rates.