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 22nd Floor, 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 have been approved for issue by the board of directors of the Company on 17th April 2007.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these 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 financial statements of the Company and of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 following new standards, amendments to standards and interpretations are mandatory for the financial year ended 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
Amendment to HKFRS 1 and 6	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

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
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	1st November 2006
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions	1st March 2007
HK(IFRIC)-Int 12	Service Concession Arrangements	1st January 2008
HKFRS 7	Financial Instruments: Disclosures	1st January 2007
HKFRS 8	Operating Segments	1st January 2009
Amendment 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 and management does not expect substantial changes to the Group's significant accounting policies and presentation of the financial statements.

(b) Consolidation

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

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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.

2 Summary of significant accounting policies *(Continued)*

(b) Consolidation *(Continued)*

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 income.

(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 consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

(d) 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(d) Jointly controlled entities *(Continued)*

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 income.

(e) 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 or jointly controlled entity at the date of acquisition. Goodwill on acquisition of jointly controlled entities is included in interests in jointly controlled entities and is tested for impairment annually or whenever there are indicators for impairment. Separately recognised goodwill on acquisition of subsidiaries is tested for impairment annually or whenever there are indicators for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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. The Group allocated goodwill to each business segment in each country in which it operates.

(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 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 of monetary assets and liabilities denominated in foreign currencies at exchange rates ruling at the balance sheet date 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 rates ruling 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 rates ruling at the balance sheet date.

(g) Property, plant and equipment

(i) Construction in progress

Construction in progress represents warehouse, vessels and barges or other property, plant and equipment under construction which is carried at cost less any accumulated impairment losses.

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

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

(ii) Other property, plant and equipment

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

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 on leasehold land	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

Depreciation of tangible infrastructures of expressway is calculated to write off their costs on a straight-line basis over the operating period of 30 years.

Improvements are capitalised and depreciated over their expected useful lives. Major costs incurred in restoring tangible infrastructures of expressway of a jointly controlled entity to their normal working condition are charged to the income statement of the jointly controlled entity.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts of the assets and are recognised within other gains – net in the income statement.

2 Summary of significant accounting policies *(Continued)*

(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 in the consolidated financial statements. The Company's property occupied by the companies in the Group is classified as investment property in the Company's financial statements.

Investment property is situated on the leasehold land and is carried at historical cost, including related transaction costs, less depreciation and impairment losses. Depreciation of the investment property 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 and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the operating lease payments over the remaining lease term.

(j) Impairment of assets

Assets that have an indefinite useful life and are not subject to depreciation or amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or 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). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(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) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Deferred tax

Deferred 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 tax is not accounted for if it arises from initial recognition of an asset or a 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 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 tax asset is realised or the deferred tax liability is settled.

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

Deferred 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 defined contribution schemes which are available to all employees in Hong Kong. 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 schemes 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.

2 Summary of significant accounting policies *(Continued)*

(o) Employee benefits *(Continued)*

(iii) Share-based compensation

The fair value of the employee services received in exchange for the grant of the options under an equity-settled, share-based compensation plan 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 vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

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 twelve months and are measured at the amounts expected to be paid when they are settled.

(p) Revenue/income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(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.

(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 or directors, as appropriate.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and 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.

2 Summary of significant accounting policies *(Continued)*

(u) Segment reporting

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.

Unallocated income represents corporate other income and other gains – net. Unallocated expenses represent corporate general and administrative expenses. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible asset, receivables and operating cash and exclude jointly controlled entities and deferred tax assets. Segment liabilities comprise operating liabilities and exclude tax payables and deferred tax liabilities. Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights, and intangible assets, 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: market risk (including 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) Market risk – foreign exchange risk

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk primarily arising from Renminbi and United States dollar, with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in the PRC. 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 is 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.

3 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Interest rate risk

The Group's interest rate risk arises from loans to jointly controlled entities and bank balances. Certain loans to jointly controlled entities were granted at floating rates announced by the People's Bank of China and bank deposits bear interest at market deposit rates which expose the Group to cash flow interest rate risk. The Group currently does not have a hedging policy on interest rate exposure. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure if necessary.

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

(b) Fair value estimation

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

The carrying values less impairment provision (if applicable) of trade and other receivables and payables are reasonable approximation of their fair values.

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 in future financial periods are discussed below.

(i) Impairment of goodwill

The Group tests whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of significant estimates.

If the estimated gross margin at 31st December 2007 had been 10% lower than management's estimates at 31st December 2006, there would have been no impairment of goodwill.

If the estimated pre-tax discount rate applied to the discounted cash flows at 31st December 2007 had been 10% higher than management's estimates at 31st December 2006, there would have been no impairment of goodwill.

4 Critical accounting estimates and judgements *(Continued)*

(ii) Impairment of property, plant and equipment

The Group tests whether property, plant and equipment has suffered any impairment if such indicator exists. The recoverable amounts of cash generating units have been determined based on value-in-use calculations, which require the use of estimates.

If the estimated gross margin at 31st December 2007 had been 10% lower than management's estimates at 31st December 2006, there would have been no impairment of property, plant and equipment.

If the estimated pre-tax discount rate applied to the discounted cash flows at 31st December 2007 had been 10% higher than management's estimates at 31st December 2006, there would have been no impairment of property, plant and equipment.

(iii) Taxation

The Group is mainly subject to taxation in Hong Kong and the PRC. Significant judgement is required in determining the provision for taxation in Hong Kong and the PRC. 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 tax and deferred tax provisions in the period in which such determination is made.

(iv) Depreciation of property, plant and equipment

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

If the estimated residual values at 31st December 2007 had been 10% lower than management's estimates at 31st December 2006, the Group would have recognised additional depreciation charge of property, plant and equipment of HK$229,000.

(v) Trade and other receivables

The management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market situation. Management will reassess the estimations at each balance sheet date.

Notes to the Financial Statements

5 Revenue and segment information

	2006 HK$'000	2005 HK$'000
Shipping agency, river trade cargo direct shipment and transshipment	**676,614**	543,180
Wharf cargo handling, cargo consolidation and godown storage	**103,034**	81,333
Container hauling and trucking	**942**	908
	780,590	625,421

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 these financial statements.

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

5 Revenue and segment information *(Continued)*

Business segments

	Cargo transportation		Cargo handling and storage		Container hauling and trucking		Expressway operation		Eliminations		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue												
– external	**676,614**	543,180	**103,034**	81,333	**942**	908	**–**	–	**–**	–	**780,590**	625,421
– intersegments	**23**	2,846	**59,967**	54,072	**59,476**	51,928	**–**	–	**(119,466)**	(108,846)	**–**	–
Other income												
– external	**4,132**	3,230	**2,489**	2,704	**85**	–	**–**	–	**–**	–	**6,706**	5,934
– intersegments	**–**	–	**505**	505	**–**	–	**–**	–	**(505)**	(505)	**–**	–
Total	**680,769**	549,256	**165,995**	138,614	**60,503**	52,836	**–**	–	**(119,971)**	(109,351)	**787,296**	631,355
Segment results	**4,630**	7,240	**34,218**	27,759	**9,000**	9,170	**–**	–	**–**	–	**47,848**	44,169
Unallocated income											**7,213**	3,417
Unallocated expenses											**(8,692)**	(7,654)
Operating profit											**46,369**	39,932
Finance income											**9,215**	5,669
Finance costs											**–**	(444)
Share of profits less losses of jointly controlled entities	**1,045**	162	**18,096**	6,251	**1,565**	1,423	**52,434**	43,892	**–**	–	**73,140**	51,728
Profit before tax											**128,724**	96,885
Tax expense											**(7,726)**	(6,987)
Profit for the year											**120,998**	89,898

Notes to the Financial Statements

5 Revenue and segment information *(Continued)*

Business segments *(Continued)*

	Cargo transportation		Cargo handling and storage		Container hauling and trucking		Expressway operation		Eliminations		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**206,863**	214,657	**500,172**	490,364	**38,847**	51,220	**–**	–	**(37,452)**	(42,916)	**708,430**	713,325
Jointly controlled entities	**46,737**	39,117	**176,805**	136,449	**19,375**	17,139	**171,413**	162,560	**–**	–	**414,330**	355,265
Unallocated assets											**312,072**	232,857
Total assets											**1,434,832**	1,301,447
Segment liabilities	**190,456**	173,660	**31,446**	25,157	**16,781**	20,978	**–**	–	**(37,452)**	(42,916)	**201,231**	176,879
Unallocated liabilities											**19,565**	11,802
Total liabilities											**220,796**	188,681
Capital expenditure												
– allocated	**953**	3,044	**41,914**	11,149	**257**	401	**–**	–	**–**	–	**43,124**	14,594
– unallocated											**747**	938
											43,871	15,532
Depreciation and amortisation												
– allocated	**3,929**	3,886	**15,933**	14,201	**576**	564	**–**	–	**–**	–	**20,438**	18,651
– unallocated											**1,178**	1,387
											21,616	20,038
Provision for impairment of trade receivables, net	**117**	501	**95**	461	**–**	31	**–**	–	**–**	–	**212**	993

5 Revenue 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**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**822,308**	770,273	**6,282**	6,199
Mainland China	**198,194**	175,909	**37,589**	9,333
	1,020,502	946,182	**43,871**	15,532
Jointly controlled entities	**414,330**	355,265		
	1,434,832	1,301,447		

Notes to the Financial Statements

6 Property, plant and equipment

Group

	Buildings on leasehold land HK$'000	Construction in progress HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Containers HK$'000	Vessels and barges HK$'000	Total HK$'000
Cost									
At 1st January 2006	135,745	7,152	9,661	43,735	16,230	36,521	11,226	25,108	285,378
Exchange differences	2,695	65	62	633	105	284	–	31	3,875
Additions	2,663	4,559	178	4,151	745	2,894	–	–	15,190
Transfer	6,335	(8,156)	1,821	–	–	–	–	–	–
Disposals	–	–	–	(2,205)	(216)	(722)	–	–	(3,143)
At 31st December 2006	147,438	3,620	11,722	46,314	16,864	38,977	11,226	25,139	301,300
Accumulated depreciation									
At 1st January 2006	16,216	–	2,506	23,467	8,750	33,207	5,438	14,902	104,486
Exchange differences	440	–	13	215	55	171	–	7	901
Charge for the year	4,593	–	1,720	2,827	2,202	870	1,650	916	14,778
Disposals	–	–	–	(2,203)	(167)	(698)	–	–	(3,068)
At 31st December 2006	21,249	–	4,239	24,306	10,840	33,550	7,088	15,825	117,097
Net book value									
At 31st December 2006	126,189	3,620	7,483	22,008	6,024	5,427	4,138	9,314	184,203

6 Property, plant and equipment *(Continued)*

Group

	Buildings on leasehold land HK$'000	Construction in progress HK$'000	Leasehold improve- ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Containers HK$'000	Vessels and barges HK$'000	Total HK$'000
Cost									
At 1st January 2005	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/write-off	–	(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	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/write-off	–	–	(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

Notes to the Financial Statements

6 Property, plant and equipment *(Continued)*

Company

	Buildings on leasehold land HK$'000	Leasehold improve-ments HK$'000	Furniture, fixture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1st January 2006	2,633	2,210	1,959	2,322	9,124
Exchange differences	–	–	13	38	51
Additions	–	–	61	686	747
At 31st December 2006	2,633	2,210	2,033	3,046	9,922
Accumulated depreciation					
At 1st January 2006	151	680	1,503	1,859	4,193
Exchange differences	–	–	11	20	31
Charge for the year	53	442	114	111	720
At 31st December 2006	204	1,122	1,628	1,990	4,944
Net book value					
At 31st December 2006	2,429	1,088	405	1,056	4,978
Cost					
At 1st January 2005	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	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

7 Investment properties

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost				
At 1st January and at 31st December	**5,192**	5,192	**21,506**	21,506
Accumulated depreciation				
At 1st January	**271**	167	**1,122**	692
Charge for the year	**104**	104	**430**	430
At 31st December	**375**	271	**1,552**	1,122
Net book amount				
At 31st December	**4,817**	4,921	**19,954**	20,384

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 2006 as estimated by the directors were HK$6,010,000 (2005: HK$5,820,000) and HK$24,790,000 (2005: HK$24,000,000) respectively by reference to a professional valuation made by an independent valuer on an open market basis.

The Company's investment properties of carrying amount of HK$15,137,000 (2005: HK$15,463,000) (valuation of HK$18,780,000 (2005: HK$16,209,000)) were leased to its subsidiaries. These investment properties were classified as buildings on leasehold land in the financial statements of the Group.

Notes to the Financial Statements

8 Leasehold land and land use rights

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong				
Leases of over 50 years	**26,376**	26,406	**26,376**	26,406
Leases of between 10 to 50 years	**177,854**	182,263	**–**	–
	204,230	208,669	**26,376**	26,406
Mainland China				
Leases of between 10 to 50 years	**102,078**	71,722	**–**	–
	306,308	280,391	**26,376**	26,406
At 1st January	**280,391**	285,372	**26,406**	26,436
Exchange differences	**3,970**	1,371	**–**	–
Additions	**28,681**	–	**–**	–
Amortisation	**(6,734)**	(6,352)	**(30)**	(30)
At 31st December	**306,308**	280,391	**26,376**	26,406

The Group's and the Company's interests in leasehold land and land use rights represent prepaid operating lease payments.

9 Intangible asset – goodwill

	Group	
	2006	2005
	HK$'000	HK$'000
At 1st January	**15,677**	15,381
Exchange differences	**627**	296
At 31st December	**16,304**	15,677

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

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 2006 which are extrapolated using the key assumptions stated below.

	2006	2005
Gross margin	**63%**	51%
Growth rate	**2% – 5%**	2% – 5%
Discount rate	**6.25%**	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.

10 Subsidiaries

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted investments, at cost	**333,731**	296,980

Notes to the Financial Statements

10 Subsidiaries *(Continued)*

(a) Details of the subsidiaries as at 31st December 2006 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/ paid up capital	Interest held 2006	Interest held 2005
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%**	100%
			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	**100%**	100%
			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	**100%**	100%
			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%**	100%
			100,000 deferred shares of HK$1 each (note (b))	**100%**	100%

10 Subsidiaries *(Continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/ paid up capital	Interest held 2006	Interest held 2005
Direct subsidiaries *(Continued)*					
Chu Kong Transportation (H.K.) Limited	Hong Kong	Wharf cargo handling and transportation in Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%
			100,000 deferred shares of HK$1 each (note (b))	**100%**	100%
Chu Kong Warehouse Properties Co., Ltd.	British Virgin Islands	Property holding in Hong Kong	100 ordinary shares of US$1 each	**100%**	100%
			9,900 preferred shares of US$1 each (note (c))	**100%**	100%
Zhaoqing Chu Kong Cargo Terminals (Da Wang) Co., Ltd.	PRC	Cargo transportation and consolidation in the PRC	US$1,158,569	**100%**	–
Zhaoqing Chu Kong Logistics (Da Wang) Co., Ltd.	PRC	Provision of logistics services in the PRC	US$2,576,627	**100%**	–
Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd.	PRC	Provision of logistics services in the PRC	US$1,000,000	**100%**	–

Notes to the Financial Statements

10 Subsidiaries *(Continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/ paid up capital	Interest held 2006	Interest held 2005
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%**	100%

(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., Zhaoqing Chu Kong Cargo Terminals (Da Wang) Co., Ltd., Zhaoqing Chu Kong Logistics (Da Wang) Co., Ltd. and Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. are wholly foreign owned enterprises established in the PRC. All other subsidiaries are limited liability companies.

11 Jointly controlled entities

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investments, at cost	**–**	–	**32,666**	32,666
Share of net assets	**338,343**	291,156	**–**	–
Goodwill	**17,432**	16,762	**–**	–
Loan to a jointly controlled entity (note (c))	**27,280**	28,810	**27,280**	28,810
Less: Provision for impairment	**–**	–	**(8,500)**	(12,100)
	383,055	336,728	**51,446**	49,376

(a) Details of the jointly controlled entities as at 31st December 2006 are as follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing	
			2006	2005
Direct jointly controlled entities				
Shenzhen Yantian Port Chu Kong 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%

Notes to the Financial Statements

11 Jointly controlled entities *(Continued)*

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing	
			2006	2005
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	**60.8%/60%/60.8%**	60.8%/60%/60.8%
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%
Foshan Nankong Cargo Terminal Co., Ltd.	PRC	Cargo transportation and consolidation	**25%**	25%
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	**50%/50%/50%**	49%/50%/49%
Heshan Port Construction & Development General Company#	PRC	Investment holding	**50%/60%/50%**	–
Heshan Shipping Company#	PRC	Vessel leasing	**50%/60%/50%**	–

11 Jointly controlled entities *(Continued)*

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing 2006	2005
Indirect jointly controlled entities *(Continued)*				
Heshan Port Storage & Transportation Company#	PRC	Cargo transportation and godown storage	**50%/60%/50%**	–
Heshan Port Loading Co., Ltd#	PRC	Wharf cargo handling	**50%/60%/50%**	–
Heshan Port Declaration Company#	PRC	Custom declaration services	**50%/60%/50%**	–
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%

\# The English names of these companies are for identification purpose only.

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

(c) The loan to a jointly controlled entity by the Group and the Company is unsecured, interest free and not repayable within twelve months from the balance sheet date.

Notes to the Financial Statements

11 Jointly controlled entities *(Continued)*

(d) The following amounts represented the aggregate of the Group's share of the revenues, expenses, results, assets and liabilities of its jointly controlled entities, which are prepared based on their unaudited management financial statements, after making appropriate adjustments to conform to the Group's accounting policies:

	2006	2005
	HK$'000	HK$'000
Results for the year:		
Revenue	**241,181**	197,337
Operating expenses	**(154,425)**	(132,378)
Profit before tax	**86,756**	64,959
Tax expense	**(14,057)**	(12,362)
Profit for the year	**72,699**	52,597
Assets		
Non-current assets	**317,571**	293,978
Current assets	**216,747**	176,872
	534,318	470,850
Liabilities		
Non-current liabilities	**48,194**	50,269
Current liabilities	**147,781**	129,425
	195,975	179,694
Net assets	**338,343**	291,156

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 2006 and 2005.

12 Deferred taxation

Deferred tax assets and liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**4,312**	3,430	**388**	116
Charged to income statement	**186**	882	**104**	272
At 31st December	**4,498**	4,312	**492**	388

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets				
– Provision for impairment	**–**	(220)	**–**	–
– Tax losses	**(177)**	(70)	**–**	–
	(177)	(290)	**–**	–
Deferred tax liabilities				
– Accelerated tax depreciation	**4,675**	4,602	**492**	388
	4,498	4,312	**492**	388

Notes to the Financial Statements

12 Deferred taxation *(Continued)*

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

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets:				
To be recovered after more than 12 months	**(96)**	(182)	**–**	–
Deferred tax liabilities:				
To be settled after more than 12 months	**4,594**	4,355	**492**	388
To be settled within 12 months	**–**	139	**–**	–
	4,594	4,494	**492**	388
	4,498	4,312	**492**	388

13 Trade and other receivables

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(note (a))*:				
– third parties	**78,216**	73,720	**–**	–
– fellow subsidiaries	**400**	400	**–**	–
– jointly controlled entities	**46,051**	39,652	**–**	–
– other related companies	**54**	105	**–**	–
– other state-owned enterprises	**408**	1,333	**–**	–
	125,129	115,210	**–**	–
Other receivables *(note (b))*:				
– immediate holding company	**1,967**	782	**122**	12
– fellow subsidiaries	**2,531**	3,545	**–**	–
– subsidiaries	**–**	–	**181,656**	273,159
– jointly controlled entities	**17,402**	16,894	**723**	–
– other related companies	**504**	456	**–**	–
	22,404	21,677	**182,501**	273,171
Loans to jointly controlled entities *(note (c))*	**31,275**	18,537	**5,000**	–
Deposits and prepayments	**12,250**	6,341	**845**	1,096
	191,058	161,765	**188,346**	274,267

13 Trade and other receivables *(Continued)*

(a) The normal credit periods granted by the Group to customers on open account range from seven days to three months from the date of invoice. The ageing analysis of the trade receivables is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within 3 months	**117,348**	108,445
4 to 6 months	**7,004**	6,038
7 to 12 months	**537**	429
Over 12 months	**3,855**	3,916
	128,744	118,828
Less: Provision for impairment	**(3,615)**	(3,618)
	125,129	115,210

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:

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong dollar	**122,486**	116,017
Renminbi	**6,258**	1,948
United States dollar	**–**	863
	128,744	118,828

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

(c) The loans to jointly controlled entities are unsecured and have no fixed terms of repayment. Except for an amount of HK$23,117,000 (2005: HK$10,692,000) which bears interest at the floating rate announced by the People's Bank of China or 4.68% per annum (2005: floating rate announced by the People's Bank of China), the remaining loans to jointly controlled entities are interest free.

14 Cash and bank balances

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**100,798**	135,264	**17,565**	7,251
Short-term bank deposits	**248,193**	185,627	**238,653**	122,174
	348,991	320,891	**256,218**	129,425

The effective interest rate on short-term bank deposits is 3.3% (2005: 2.8%) per annum. These deposits have an average maturity of 35 days (2005: 60 days).

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

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong dollar	**148,634**	185,563
Renminbi	**164,544**	105,826
United States dollar	**35,813**	29,502
	348,991	320,891

Cash and bank balances denominated in Renminbi are held by the Group with bank accounts operating in the PRC where exchange controls apply.

Notes to the Financial Statements

15 Share capital

	2006 HK$'000	2005 HK$'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 years ended 31st December 2006 and 2005.

Share options

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

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

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

15 Share capital *(Continued)*

Share options *(Continued)*

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

	Number of share options outstanding							
	At 1st January 2006	Cancelled during the year	At 31st December 2006	Exercise price HK$	Grant date	Exercise period	Vested percentage 2006	2005
Director								
Mr. Che Chiqiang	10,000,000	(10,000,000)	–	0.52	16th October 2000	16th October 2000 to 15th October 2010	N/A	100%
Senior management	8,000,000	(8,000,000)	–	0.55	29th May 2000	29th May 2000 to 28th May 2010	N/A	100%
	18,000,000	(18,000,000)	–					

Note: Following the resignations of a director, Mr. Che Chiqiang, and a senior management member, share options of 10,000,000 and 8,000,000 were cancelled on 29th May 2006 and 30th September 2006 respectively.

Notes to the Financial Statements

16 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 2006	**489,185**	**6,940**	**21,230**	**895**	**19,501**	**497,751**	**1,035,502**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**121,148**	**121,148**
Currency translation differences							
– subsidiaries	**–**	**7,726**	**–**	**–**	**–**	**–**	**7,726**
– jointly controlled entities	**–**	**9,958**	**–**	**–**	**–**	**–**	**9,958**
Transfer of reserves	**–**	**–**	**–**	**–**	**2,150**	**(2,150)**	**–**
2005 final dividend	**–**	**–**	**–**	**–**	**–**	**(30,000)**	**(30,000)**
2006 interim dividend	**–**	**–**	**–**	**–**	**–**	**(7,500)**	**(7,500)**
At 31st December 2006	**489,185**	**24,624**	**21,230**	**895**	**21,651**	**579,249**	**1,136,834**
Representing:							
Others							**1,099,334**
2006 final dividend proposed							**37,500**
							1,136,834
At 1st January 2005	489,185	(415)	21,230	895	17,095	432,585	960,575
Profit for the year	–	–	–	–	–	90,072	90,072
Currency translation differences							
– subsidiaries	–	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

16 Reserves *(Continued)*

Group *(Continued)*

In accordance with the PRC regulations, subsidiaries and jointly controlled entities in the PRC are required to transfer part of their profit after 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.

Company

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2006	**489,185**	**125,888**	**615,073**
Profit for the year	**–**	**56,193**	**56,193**
2005 final dividend	**–**	**(30,000)**	**(30,000)**
2006 interim dividend	**–**	**(7,500)**	**(7,500)**
At 31st December 2006	**489,185**	**144,581**	**633,766**
Representing:			
Others			**596,266**
2006 final dividend proposed			**37,500**
			633,766
At 1st January 2005	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
			615,073

17 Trade and other payables

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (notes (a), (b) and (c)):				
– third parties	**107,766**	103,373	**–**	–
– immediate holding company	**2,500**	2,500	**–**	–
– fellow subsidiaries	**14,791**	3,688	**–**	–
– jointly controlled entities	**17,304**	16,303	**–**	–
– other related companies	**749**	637	**–**	–
– other state-owned enterprises	**2,703**	3,696	**–**	–
	145,813	130,197	**–**	–
Other payables (note (c)):				
– immediate holding company	**1,887**	6,334	**–**	–
– fellow subsidiaries	**5,319**	2,913	**–**	–
– a subsidiary	**–**	–	**168,061**	107,041
– jointly controlled entities	**7,002**	11,889	**–**	–
– other related companies	**1,000**	1,166	**–**	–
– a state-owned enterprise	**8,764**	–	**–**	–
– key management	**1,292**	1,480	**1,292**	1,480
	25,264	23,782	**169,353**	108,521
Accruals	**43,453**	27,585	**2,438**	2,787
	214,530	181,564	**171,791**	111,308


17 Trade and other payables *(Continued)*

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

	Group	
	2006	2005
	HK$'000	HK$'000
Within 3 months	**106,633**	103,169
4 to 6 months	**27,283**	22,515
7 to 12 months	**6,443**	294
Over 12 months	**5,454**	4,219
	145,813	130,197

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

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong dollar	**123,292**	106,254
Renminbi	**16,811**	16,796
United States dollar	**5,710**	7,147
	145,813	130,197

(c) The trade and other payables due to related parties are unsecured and interest free. Trading balances have similar terms of settlement as those of third party payables whereas other balances have no fixed terms of repayment.

Notes to the Financial Statements

18 Other income

	2006 HK$'000	2005 HK$'000
Rental income	**2,642**	2,781
Vessel sub-leasing income	**3,577**	2,441
Others	**1,032**	1,106
	7,251	6,328

19 Other gains – net

	2006 HK$'000	2005 HK$'000
Excess of acquirer's interest in fair value of acquiree's identifiable assets and liabilities over cost of acquisition of a subsidiary	**–**	246
Exchange gains, net	**8,378**	5,651
Gain/(loss) on disposal/write-off of property, plant and equipment	**255**	(1,595)
Provision for impairment of trade receivables, net	**(212)**	(993)
	8,421	3,309

20 Costs and expenses by nature

	2006 HK$'000	2005 HK$'000
Amortisation of leasehold land and land use rights	**6,734**	6,352
Auditors' remuneration	**1,775**	1,410
Costs of cargo transportation, handling, storage, container hauling and trucking	**523,170**	411,623
Depreciation of property, plant and equipment	**14,778**	13,582
Depreciation of investment properties	**104**	104
Operating lease rental expenses		
– vessels and barges	**84,903**	59,870
– buildings	**6,758**	5,262
– containers	**595**	172
Staff costs (including directors' emoluments) *(note 27)*	**86,222**	75,806
Others	**24,854**	20,945
Total cost of services rendered and general and administrative expenses	**749,893**	595,126

21 Net finance income

	2006 HK$'000	2005 HK$'000
Interest income on short-term bank deposits and bank balances	**8,278**	3,908
Interest income on loans to jointly controlled entities	**937**	1,761
	9,215	5,669
Interest expense on bank loan	**–**	(444)
Net finance income	**9,215**	5,225

Notes to the Financial Statements

22 Share of profits less losses of jointly controlled entities

	2006	2005
	HK$'000	HK$'000
Share of profits less losses before tax	**86,756**	64,959
Impairment of goodwill	**–**	(869)
Excess of fair value of net assets acquired over the cost of acquisition of jointly controlled entities	**441**	
Share of tax	**(14,057)**	(12,362)
	73,140	51,728

23 Tax expense

	2006	2005
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**5,892**	5,859
– PRC enterprise income tax	**1,996**	426
– Over-provisions in prior years	**(348)**	(180)
Deferred tax *(note 12)*	**186**	882
	7,726	6,987

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 applicable rates of taxation.

Share of tax of jointly controlled entities for the year has been included in the income statement as share of profits less losses of jointly controlled entities (note 22).

23 Tax expense *(Continued)*

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

	2006 **HK$'000**	2005 HK$'000
Profit before share of profits less losses of jointly controlled entities and tax expense	**55,584**	45,157
Calculated at a tax rate of 17.5% (2005: 17.5%)	**9,727**	7,902
Effect of different tax rates applicable to the subsidiaries in the PRC	**(235)**	4
Income not subject to taxation	**(66,386)**	(51,270)
Expenses not deductible for taxation purposes	**64,968**	50,531
Others	**(348)**	(180)
Tax expense	**7,726**	6,987

24 Profit attributable to equity holders

The profit attributable to equity holders is dealt with in the financial statements of the Company to the extent of HK$56,193,000 (2005: HK$14,613,000).

25 Dividends

	2006 **HK$'000**	2005 HK$'000
Interim, paid, of HK1 cent (2005: HK1 cent) per ordinary share	**7,500**	7,500
Final, proposed, of HK5 cents (2005: HK4 cents) per ordinary share	**37,500**	30,000
	45,000	37,500

The dividends paid during the years ended 31st December 2006 and 2005 were HK$37,500,000 (HK5 cents per ordinary share) and HK$22,500,000 (HK3 cents per ordinary share) respectively.

On 17th April 2007, the board of directors proposed a final dividend of HK5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the financial statements of the Group and the Company, but will be reflected as an appropriation of retained profits for the year ending 31st December 2007.

Notes to the Financial Statements

26 Earnings per share

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

	2006	2005
Profit attributable to equity holders (HK$'000)	**121,148**	90,072
Weighted average number of ordinary shares in issue (thousands)	**750,000**	750,000
Basic earnings per share (HK cents)	**16.15**	12.01

Diluted earnings per share is calculated based on the profit attributable to equity holders 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.

	2006	2005
Profit attributable to equity holders (HK$'000)	**121,148**	90,072
Weighted average number of ordinary shares in issue (thousands)	**750,000**	750,000
Adjustments for share options (thousands)	**5,139**	15,684
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**755,139**	765,684
Diluted earnings per share (HK cents)	**16.04**	11.76

27 Employee benefit expenses (including directors' emoluments)

	2006 HK$'000	2005 HK$'000
Salaries and allowances	**83,509**	72,376
Retirement benefit costs – defined contribution plans *(note (a))*	**2,700**	2,896
Termination benefits	**13**	534
	86,222	75,806

(a) The Group operates defined contribution schemes which are 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 schemes are held separately from those of the Group in independently administered funds. The Group has no further payment obligations once the contributions have been paid.

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.

Contributions totalling HK$792,000 (2005: HK$590,000) were payable to the defined contribution plans as at 31st December 2006.

(b) Details of the share options granted to the staff of the Group are set out in note 15.

Notes to the Financial Statements

28 Directors' and five highest paid individuals' emoluments

(a) Directors' and senior management's emoluments

The remuneration of every director is set out below:

Name of director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefits (a) HK$'000	Employer's contributions to retirement benefit scheme HK$'000	Total HK$'000
2006						
Mr. Hua Honglin (b)	**225**	**178**	**208**	**35**	**7**	**653**
Mr. Huang Liezhang (c)	**75**	**–**	**–**	**–**	**–**	**75**
Mr. Che Chiqiang (c)	**–**	**70**	**235**	**15**	**3**	**323**
Mr. Li Zhijie	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Yang Rixiang	**250**	**260**	**407**	**60**	**12**	**989**
Mr. Huang Shuping (d)	**42**	**69**	**87**	**20**	**3**	**221**
Mr. Chan Kay Cheung	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Choi Kim-Lui	**100**	**–**	**–**	**–**	**–**	**100**
Ms. Yau Lai Man	**100**	**–**	**–**	**–**	**–**	**100**
	1,292	**577**	**937**	**130**	**25**	**2,961**
2005						
Mr. Liang Yongjiu	175	–	–	–	–	175
Mr. Huang Liezhang	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	80	–	–	–	–	80
	1,480	546	713	120	24	2,883

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

(b) Appointed on 6th April 2006

(c) Resigned on 29th May 2006

(d) Appointed on 1st November 2006

Details of the share options granted to the directors and senior management are set out in note 15.

28 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 (2005: two) directors whose emoluments are shown above. The emoluments paid and payable to the remaining three (2005: three) highest paid individuals during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**788**	655
Bonuses	**1,089**	1,277
Retirement benefit costs – defined contribution plans	**32**	25
	1,909	1,957

During the year, the emoluments of each of the three (2005: 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.

Notes to the Financial Statements

29 Note to consolidated cash flow statement

Reconciliation of operating profit to cash generated from operations

	2006 HK$'000	2005 HK$'000
Operating profit	**46,369**	39,932
Depreciation	**14,882**	13,686
Amortisation of leasehold land and land use rights	**6,734**	6,352
Excess of acquirer's interest in fair value of acquiree's identifiable assets and liabilities over cost of acquisition	**–**	(246)
(Gain)/loss on disposal/write-off of property, plant and equipment	**(255)**	1,595
Exchange gains, net	**(8,378)**	(5,651)
Operating profit before working capital changes	**59,352**	55,668
Increase in trade and other receivables	**(16,424)**	(12,622)
Increase/(decrease) in trade and other payables	**24,202**	(7,711)
Cash generated from operations	**67,130**	35,335

30 Commitments

(a) Capital commitments

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Contracted but not provided for				
– Property, plant and equipment	**2,226**	5,080	**–**	–
Authorised but not contracted for				
– Land use rights	**–**	27,885	**–**	27,885
– Investments in jointly controlled entities	**756**	11,200	**756**	11,200
	756	39,085	**756**	39,085
	2,982	44,165	**756**	39,085

30 Commitments *(Continued)*

(a) Capital commitments *(Continued)*

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

	2006 **HK$'000**	2005 HK$'000
Contracted but not provided for	**4,575**	6,800
Authorised but not contracted for	**83,595**	80,322
	88,170	87,122

(b) Commitments under operating leases

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

	Group		**Company**	
	2006 **HK$'000**	2005 HK$'000	**2006** **HK$'000**	2005 HK$'000
Buildings:				
Not later than one year	**5,146**	5,133	**138**	133
Later than one year and not later than five years	**10,122**	255	**122**	255
	15,268	5,388	**260**	388
Vessels and barges:				
Not later than one year	**13,377**	8,446	**–**	–
Later than one year and not later than five years	**36**	180	**–**	–
	13,413	8,626	**–**	–
Others:				
Not later than one year	**1,125**	–	**–**	–
	29,806	14,014	**260**	388

Notes to the Financial Statements

31 Future operating lease arrangements

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings:				
Not later than one year	**5,953**	1,109	**505**	349
Later than one year and not later than five years	**9,871**	–	**337**	–
	15,824	1,109	**842**	349
Others:				
Not later than one year	**127**	138	**–**	–
Later than one year and not later than five years	**–**	127	**–**	–
	127	265	**–**	–
	15,951	1,374	**842**	349

32 Related party transactions

The Group is controlled by Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), which owns 75% of the Company's ordinary shares. 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 Hong Kong Institute of Certified Public Accountants, 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 and its jointly controlled entities are 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 the Financial Statements

32 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 an entity which is 25% and 15% owned by immediate holding company and parent company respectively):

	Note	2006 HK$'000	2005 HK$'000
Revenue:			
Shipping agency, river trade cargo direct shipment and transhipment income	*(i)*		
– fellow subsidiaries		**2,400**	2,458
– related entities		**626**	1,113
Vessel rental income			
– a fellow subsidiary	*(ii)*	**3,577**	422
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses	*(i)*		
– a fellow subsidiary		**(18,247)**	(2,241)
– related entities		**(19,404)**	(17,739)
Wharf cargo handling, cargo transportation and godown storage expenses	*(i)*		
– a fellow subsidiary		**(11,130)**	(1,328)
– a related entity		**(1,313)**	(1,003)
Fuel charges	*(iii)*		
– a fellow subsidiary		**(44,119)**	(28,409)
Vessel rental expenses	*(ii)*		
– a fellow subsidiary		**(564)**	(480)
– related entities		**(18,978)**	(17,498)
Warehouse rental expenses	*(iv)*		
– immediate holding company		**(5,000)**	(5,000)
Office rental expenses	*(ii)*		
– immediate holding company		**(258)**	(251)
– a related entity		**(11)**	(11)
Staff hire charges	*(ii)*		
– a related entity		**(126)**	(228)
Marine supplies expenses	*(iii)*		
– a fellow subsidiary		**–**	(46)
Vessel repairs and maintenance expenses	*(iii)*		
– a fellow subsidiary		**–**	(2)

32 Related party transactions *(Continued)*

(b) Transactions with other related parties:

	Note	2006 HK$'000	2005 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transhipment income	*(i)*		
– a jointly controlled entity of the immediate holding company		–	2,036
– jointly controlled entities of the Group		**3,361**	1,139
– other state-owned enterprises		**905**	2,034
Loan interest income	*(v)*		
– jointly controlled entities of the Group		**937**	1,761
Bank interest income	*(vi)*		
– state-owned banks		**7,285**	2,753
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses	*(ii)*		
– jointly controlled entities of the immediate holding company		**(11,712)**	(26,544)
– jointly controlled entities of the Group		**(9,494)**	(10,084)
– other state-owned enterprises		**(2,106)**	(1,899)
Wharf cargo handling, cargo consolidation and godown storage expenses	*(ii)*		
– jointly controlled entities of the immediate holding company		–	(10,196)
– jointly controlled entities of the Group		**(29,157)**	(20,689)
– other state-owned enterprises		–	(3,260)
Bank loan interest expenses	*(vii)*		
– a state-owned enterprise		–	(444)
Investment:			
Acquisition of equity interest in jointly controlled entities from a state-owned enterprise	*(viii)*	**12,764**	–

32 Related party transactions *(Continued)*

Notes:

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

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

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

(iv) The Group leased a warehouse from its immediate holding company and the rental was charged by the immediate holding company at HK$5,000,000 for the year ended 31st December 2006 (2005: HK$5,000,000).

(v) Loan interest was charged to jointly controlled entities at rates announced by the People's Bank of China or 4.68% per annum (2005: rates announced by the People's Bank of China).

(vi) Bank interest income was received from state-owned banks at rates ranging from 1.7% to 5.2% (2005: 1.3% to 4.2%) 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) On 18th January 2006, the Group, together with its immediate holding company and a third party, entered into a sale and purchase agreement with a state-owned enterprise, to acquire (1) further 1% equity interest in He Shan County Hekong Associated Forwarding Co., Ltd.; and (2) 50% equity interests in Heshan Port Construction & Development General Company and its subsidiaries for a cash consideration of HK$12,764,000.

(ix) During the year, the Company and the immediate holding company have interchanged the use of certain own floors of Chu Kong Shipping Tower without any income or charges (2005: nil) for such interchanging arrangement.

(c) During the year, a jointly controlled entity of the Group has received service income of HK$821,000 (2005: HK$164,000) from a fellow subsidiary of the Group in relation to the provision of shipping agency, river trade cargo direct shipment and transhipment services. The transactions were conducted at terms pursuant to agreements as entered into between the jointly controlled entity and the respective related party.

32 Related party transactions *(Continued)*

(d) Key management compensation

	2006	2005
	HK$'000	HK$'000
Salaries and allowances	**4,631**	5,401
Fees	**1,292**	1,480
Retirement benefit scheme contributions	**79**	90
Termination benefits	**–**	16
	6,002	6,987

(e) Loans to jointly controlled entities

	2006	2005
	HK$'000	HK$'000
At 1st January	**47,347**	90,595
Exchange differences	**738**	1,131
Loans advanced	**12,000**	–
Loan repayments received	**(1,530)**	(44,379)
At 31st December	**58,555**	47,347
Analysed into:		
Current (included in trade and other receivables)	**31,275**	18,537
Non-current (included in jointly controlled entities)	**27,280**	28,810
	58,555	47,347

Notes to the Financial Statements

32 Related party transactions *(Continued)*

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

	2006	2005
	HK$'000	HK$'000
Bank balances and deposits	**304,438**	208,249

The balances and 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.

33 Events after the balance sheet date

(a) On 30th March 2007, the Group acquired certain assets and land use right located at the Gaoyao Port, the PRC, at a consideration of RMB12,890,000 for the operation of cargo handling business. The transfer of legal title of the assets is in progress as at the date of approval of these financial statements.

(b) On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the new "CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises from 33% to 25% and increases the corporate income tax rate for foreign invested enterprises from 15% to 24% to 25% with effect from 1st January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date of approval of these financial statements, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact, if any, to the carrying value of deferred tax assets and liabilities as at 31st December 2006. The Group will continue to evaluate the impact as more detailed regulations are announced.