



# 2007 中期報告

>>>> INTERIM REPORT



**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 2007, the Company and its subsidiaries (the "Group") recorded a consolidated turnover of HK\$402,269,000, representing a 0.5% decrease as compared with the prior period. Profit attributable to equity holders of the Company amounted to HK\$63,802,000, representing an increase of 12.7% over the prior period.

## **DIVIDENDS**

The Board of Directors has declared an interim dividend of HK\$0.01 (2006: HK\$0.01) per ordinary share for the year ending 31st December 2007 and a special interim dividend of HK\$0.01 (2006: nil) per ordinary share to the equity holders whose names appear on the Register on 15th October 2007.

## **REVIEW AND OUTLOOK**

During the period, the fluctuated international financial market, the US "subprime mortgage" crisis and the carry trade of Japanese Yen caused volatility in the global capital markets. Mainland China introduced macro-economic control measures to cool down the overheated economy, while crude oil prices hovered at a high level, all these factors brought great pressure on the operations of the Group. However, with the support of the world's processing and manufacturing center in the Pearl River Delta and the world's shipping hub in Hong Kong, coupled with enhanced internal management and operating efficiency, the Group still recorded considerable growth.

In May 2007, the Company successfully placed 150,000,000 shares by way of top-up placing and raised approximately HK\$313,577,000. It was the first capital change of the Company since its listing in 1997, which raised valuable funds for development, improved the shareholding structure of the Company, increased the public float of shares, and uplifted the interest and confidence of institutional investors towards the Company.

Adapting to the continuous development of containers transit hubs in South China, the Group actively promoted the river-sea union transportation port projects in Guangzhou Nansha and Shenzhen Da Chan Bay, so as to create the “Second Seaside Port”. Under the concerted efforts of the Group, a letter of intent to jointly build the Guangzhou Nansha river-sea union transportation port was entered into between the Company and Nansha Assets Operation Co., Ltd. in March this year. A strategic alliance framework agreement was signed between the Company and Shenzhen Communications Bureau. The framework agreement was beneficial to the Group’s investment and establishment of the river-sea union transportation port in Shenzhen Da Chan Bay.

Guided by the principle of maximising the shareholders’ interest, the Group continues to improve corporate governance and transparency, endeavours to enhance internal management, and facilitates the progress of strategic projects so as to provide satisfactory returns to the shareholders.

## **RELATION WITH INVESTORS**

The Company has appointed Strategic Financial Relations (China) Limited, an experienced professional financial service provider, as our investor relationship advisor to help improve the communication efficiency with our investors. The website of our Group ([www.cksd.com](http://www.cksd.com)) is 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 express its sincere gratitude to all our staff for their efforts and contributions to the Group, as well as all shareholders for their continuous trust and support to the Group’s development.

**Hua Honglin**  
*Chairman*

Hong Kong, 13th September 2007

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVIEW OF OPERATIONS**

For the six months ended 30th June 2007, the Company and its subsidiaries (the “Group”) recorded a consolidated turnover of HK\$402,269,000, representing a 0.5% decrease as compared with the prior period. Profit attributable to equity holders of the Company amounted to HK\$63,802,000, representing an increase of 12.7% over the prior period.

During the period, despite the difficulties of intense market competition and soaring operating costs, the Group recorded an increase in cargo volume by enhancing the cooperation with large shipping companies and strengthening the marketing efforts. The container transportation volume, wharf container handling volume and break bulk cargoes handling volume increased 27.0%, 15.2% and 52.3% respectively. During the period, the Group’s investment business in jointly controlled entities generally remained as an impressive profit contributor, representing an increase of 15.4% as compared with prior period, it was a key attribute for the growth in profit attributable to shareholders of the Company during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### REVIEW OF OPERATIONS (Continued)

#### 1. River trade transportation business

Benefiting from the stable economic growth in the region and further improvement of the Group's marketing network between Guangdong and Hong Kong, the Group recorded an increase in the business indicators during the period. Performance statistics of our major indicators are as follows:

Indicators	For the six months ended 30th June		Change
	2007	2006	
Container transportation volume (TEU)	<b>388,836</b>	306,070	27.0%
Import and export of shipping agencies business (voyages)	<b>9,766</b>	10,689	-8.6%
Container handling volume (TEU)	<b>218,651</b>	189,759	15.2%
Volume of container hauling and trucking on land (TEU)	<b>71,649</b>	79,763	-10.2%
Volume of break bulk cargoes handled (tons)	<b>347,687</b>	228,289	52.3%

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

### **REVIEW OF OPERATIONS** *(Continued)*

#### *2. Investment business*

Affected by the road extension project, Guangzhou-Foshan Expressway Ltd. only recorded an increase of 1.1% in traffic volume in the first half of 2007 as compared with the corresponding period of last year. As a result, toll income increased by 1.1% and profit attributable to the Group increased by 7.5%.

Foshan New Port Ltd. has been actively sourcing more types of goods for handling and the trade volume for the year grew by 16.9% accordingly. The Group's share of profit increased substantially by 89.4%. Yantian Port Zhujiang Logistics Company Limited explored integrated logistics service and expanded its customer base. As a result, the Group's share of profit increased substantially by 66.9%. Foshan Nankong Terminal Co., Ltd. has qualified as a public warehouse project last year and the trade volume for the period grew by 48.4%. Hekong Associated Forwarding Co., Ltd returned to profit in the first half of the year after reorganisation and contributed profit of HK\$276,000 to the Group. The expansion work of Chu Kong Cargo Terminals (Beicun) Co., Ltd. was completed in October 2006 and the new container handling business has commenced full operation and recorded a trade volume of 6,109 TEU for the first half of the year. Due to the impact of the custom policy, the trade volume of Sanshui Sangang Container Terminal Co., Ltd. dropped and the container handling volume recorded a significant decrease of 25.7%.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### REVIEW OF OPERATIONS *(Continued)*

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

Chu Kong Air-Sea Union Transportation Co., Ltd. (“Air-Sea Terminals”), of which 51% equity interest held by the Company, reported a significant increase in results by transforming the operating concept, exploring into new business segments and cooperating with major international logistics companies such as DHL. In the first half of 2007, Air-Sea Terminals posted a 36.7% and 7.4% growth in its break bulk handling volume and container handling volume respectively. Together with effective cost controls, profit attributable to the Group from Air-Sea Terminals increased by HK\$2,359,000.

During the period, Guangdong Zhu Chuan Navigation Co., Ltd. built two container vessels, each with a capacity of 1,600 tons, with a total cost of RMB9,600,000, and improved the loading capacity of the fleet and further enhanced the operating efficiency and overall competitiveness.

In August 2007, Zhaoqing Chu Kong Logistics (Da Wang) Co., Ltd. has obtained the approval from the People’s Government of Port Office, Guangdong Province for the operation of inspection center for outbound cargo vehicles and preliminary work has been fully commenced. In addition, Zhaoqing Chu Kong Cargo Terminals (Da Wang) Co., Ltd. has been assisting the relevant local government departments to apply for the qualification as a category-2 port.

On 30th March 2007, Zhaoqing Chu Kong Logistics (Gao Yao) Co., Ltd. acquired certain operating assets and land use rights located at Gaoyao Port by auction at a consideration of RMB12,890,000.

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

### **REVIEW OF OPERATIONS** *(Continued)*

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

On 13th March 2007, the Company entered into a “letter of intent of project cooperation for jointly construction of the Guangzhou Nansha river-sea union transportation wharf” with Nansha Assets Operation Co., Ltd., for the investment and construction of a river and sea union transportation wharf in Nansha. The wharf is situated on the west side of Nansha Development Zone Long Xue Island Trade Free Logistics Center and on the east bank of the waterway of Long Xue Island. We are negotiating details of cooperation with the relevant parties at the moment.

A “strategic alliance framework agreement” was entered into between the Company and Shenzhen Communications Bureau on 17th July 2007, under which the two parties will form a strategic alliance to invest in building a river-sea union transportation port and logistics development zone in Shenzhen Da Chan Bay and providing public feeder service, etc. We are negotiating details of cooperation with the relevant parties at the moment.

The other joint ventures of the Group performed well during the period with no abnormality.

### **EMPLOYEES**

As at 30th June 2007, the Company employed 328 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 housing allowances, retirement benefits and bonuses.



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

On 18th May 2007, the Company approved the placing of 150,000,000 shares at HK\$2.15 per share by way of top-up placing and raised net proceeds approximately of HK\$313,577,000. The shares in issue of the Company increased from 750,000,000 shares to 900,000,000 shares. The shareholding of Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), the majority shareholder, reduced to 62.5% from 75%.

Apart from the top-up placement noted above, 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.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group keeps close track of its working capital and financial resources in an effort to maintain a solid financial position. As at 30th June 2007, the Group secured a total credit limit of HK\$4,090,000 granted by bona fide banks.

As at 30th June 2007, the current ratio of the Group, represented by current assets to current liabilities, was 3.63 (31st December 2006: 2.50) and the debt ratio, represented by total liabilities to total assets, was 13.7% (31st December 2006: 15.4%).

As at 30th June 2007, the Group's bank balances and cash amounted to HK\$628,343,000 (31st December 2006: HK\$348,991,000), which represents 34.7% (31st December 2006: 24.3%) of the total assets.

Taking into account its bank balances and cash, cash flow from operating activities, as well as the credit facilities available to the Group, it is believed that the Group has sufficient capital to fund its future operations and for business expansion and future development.

**DIRECTORS' AND EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

At 30th June 2007, the Company has not been notified of any interests and short positions of the directors and executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO.

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

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

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY**

As at 30th June 2007, as recorded in the register required to be kept under Section 336 of the SFO, the following shareholders have 5% or more of the Company's share capital:

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

	<b>Number of shares</b>
(i) CKSE	562,500,000
(ii) Guangdong Province Navigation Holdings Company Limited ("GPNHCL")	562,500,000

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

Save as disclosed above, as at 30th June 2007, 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.

## **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 2007 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 websites of the SEHK and the Company ([www.cksd.com](http://www.cksd.com)) in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from Tuesday, 16th October 2007 to Thursday, 18th October 2007, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend and special 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, 15th October 2007 for registration. Interim dividend and special interim dividend will be payable on or before 30th October 2007.

## **REVIEW BY AUDIT COMMITTEE**

The Company's Audit Committee and the Company's independent auditor, PricewaterhouseCoopers, have reviewed the unaudited interim financial information for the six months ended 30th June 2007.

## **CORPORATE GOVERNANCE**

The Company is dedicated to maintain a high standard of corporate governance. In the opinion of the directors, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the accounting period covered by this interim report, except that independent non-executive directors of the Company are not appointed for specific terms. They are subject to retirement by rotation at the Company's annual general meeting in accordance with the provisions of the Company's Articles of Association.

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

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

## **ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

### **DIRECTORS**

As at the date of this announcement, the Company's executive directors include Mr. Hua Honglin, Mr. Yang Rixiang and Mr. Huang Shuping; 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, 13th September 2007

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF  
CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED**  
*(incorporated in Hong Kong with limited liability)*

**INTRODUCTION**

We have reviewed the interim financial information of Chu Kong Shipping Development Company Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 15 to 42, which comprises the consolidated balance sheet as at 30 June 2007 and the related consolidated statements of income, changes in equity and cash flows for the six months then ended, and other explanatory notes (the “Interim Financial Information”). The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKAS 34”). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with HKAS 34.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 13th September 2007

**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2007**

		2007	2006
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	4	<b>402,269</b>	404,145
Cost of services rendered	5	<b>(342,553)</b>	(343,692)
Gross profit		<b>59,716</b>	60,453
Other income		<b>3,064</b>	597
Other gains – net	6	<b>10,169</b>	2,812
General and administrative expenses	5	<b>(47,439)</b>	(39,014)
Operating profit		<b>25,510</b>	24,848
Finance income		<b>6,627</b>	4,034
Share of profits less losses of jointly controlled entities	7	<b>36,789</b>	31,872
Profit before tax		<b>68,926</b>	60,754
Income tax expense	8	<b>(5,225)</b>	(4,225)
Profit for the period		<b>63,701</b>	56,529
<b>Attributable to:</b>			
Equity holders		<b>63,802</b>	56,627
Minority interests		<b>(101)</b>	(98)
		<b>63,701</b>	56,529
<b>Dividends</b>	9		
Interim		<b>9,000</b>	7,500
Special interim		<b>9,000</b>	–
		<b>18,000</b>	7,500
<b>Earnings per share (HK cents)</b>	10		
Basic		<b>8.23</b>	7.55
Diluted		<b>8.23</b>	7.47



## UNAUDITED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2007

		As at <b>30th June</b> <b>2007</b> <i>HK\$'000</i>	As at 31st December 2006 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>199,913</b>	184,203
Investment properties	<i>11</i>	<b>4,765</b>	4,817
Leasehold land and land use rights	<i>11</i>	<b>305,493</b>	306,308
Intangible assets – goodwill	<i>11</i>	<b>16,722</b>	16,304
Jointly controlled entities		<b>408,464</b>	383,055
Deferred tax assets		<b>96</b>	96
		<hr/> <b>935,453</b> <hr/>	<hr/> 894,783 <hr/>
<b>Current assets</b>			
Trade and other receivables	<i>12</i>	<b>248,646</b>	191,058
Cash and bank balances		<b>628,343</b>	348,991
		<hr/> <b>876,989</b> <hr/>	<hr/> 540,049 <hr/>
<b>Total assets</b>		<hr/> <b>1,812,442</b> <hr/>	<hr/> 1,434,832 <hr/>

		<b>As at 30th June 2007 HK\$'000</b>	As at 31st December 2006 HK\$'000
<b>EQUITY</b>			
Share capital	13	<b>90,000</b>	75,000
Reserves		<b>1,472,612</b>	1,099,334
Final dividend proposed		–	37,500
		<b>1,562,612</b>	1,211,834
Minority interests		<b>2,101</b>	2,202
<b>Total equity</b>		<b>1,564,713</b>	1,214,036
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>5,858</b>	4,594
<b>Current liabilities</b>			
Trade and other payables	14	<b>237,563</b>	214,530
Tax payable		<b>4,308</b>	1,672
		<b>241,871</b>	216,202
<b>Total liabilities</b>		<b>247,729</b>	220,796
<b>Total equity and liabilities</b>		<b>1,812,442</b>	1,434,832
<b>Net current assets</b>		<b>635,118</b>	323,847
<b>Total assets less current liabilities</b>		<b>1,570,571</b>	1,218,630

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*FOR THE SIX MONTHS ENDED 30TH JUNE 2007*

	<b>Share capital</b>	<b>Reserves</b>	<b>Equity holders</b>	<b>Minority interests</b>	<b>Total equity</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1st January 2007	75,000	1,136,834	1,211,834	2,202	1,214,036
Issue of new shares, net of share issuing expenses	15,000	298,577	313,577	–	313,577
Income recognised directly in equity – currency translation differences					
– Subsidiaries	–	4,569	4,569	–	4,569
– Jointly controlled entities	–	6,330	6,330	–	6,330
Profit for the period	–	63,802	63,802	(101)	63,701
2006 final dividend	–	(37,500)	(37,500)	–	(37,500)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June 2007	<b>90,000</b>	<b>1,472,612</b>	<b>1,562,612</b>	<b>2,101</b>	<b>1,564,713</b>
At 1st January 2006	75,000	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
– Jointly controlled entities	–	2,223	2,223	–	2,223
Profit for the period	–	56,627	56,627	(98)	56,529
2005 final dividend	–	(30,000)	(30,000)	–	(30,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June 2006	<b>75,000</b>	<b>1,065,978</b>	<b>1,140,978</b>	<b>2,166</b>	<b>1,143,144</b>

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
*FOR THE SIX MONTHS ENDED 30TH JUNE 2007*

	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Net cash from operating activities	<b>22,933</b>	45,298
Net cash (used in)/from investing activities	<b>(24,050)</b>	2,576
Net cash from/(used in) financing activities	<b>276,077</b>	(30,000)
	<hr/>	<hr/>
Net increase in cash and bank balances	<b>274,960</b>	17,874
Cash and bank balances at 1st January	<b>348,991</b>	320,891
Effect of exchange rate changes	<b>4,392</b>	731
	<hr/>	<hr/>
Cash and bank balances at 30th June	<b>628,343</b>	339,496
	<hr/>	<hr/>

## **NOTES TO 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 22nd Floor, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong.

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

This interim financial information has been approved by the board of directors of the Company on 13th September 2007.

### **2 BASIS OF PREPARATION**

The interim financial information for the six months ended 30th June 2007 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”).

The interim financial information should be read in conjunction with the 2006 annual financial statements.

## NOTES TO INTERIM FINANCIAL INFORMATION

### 3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2006.

The following new standards, amendments to standards and interpretations which are relevant to the Group's operations and are mandatory for the financial year ending 31st December 2007:

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the above new standard, amendment to standard and interpretations does not have material impact to the Group's principal accounting policies or presentation of financial statements except that additional disclosures will be made in the 2007 annual financial statements.

## NOTES TO INTERIM FINANCIAL INFORMATION

### 3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The following new or revised standards and interpretations have been issued but are not effective for 2007 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
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 8	Operating Segments	1st January 2009
HKAS 23 (Revised)	Borrowing Costs	1st January 2009

The Group has already commenced an assessment of the related impact of adopting the above new or revised standards and interpretations to the Group but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

### 4 SEGMENT INFORMATION

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

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 INTERIM FINANCIAL INFORMATION

### 4 SEGMENT INFORMATION (Continued)

#### Business segments

	Six months ended 30th June 2007					Total HK\$'000
	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Container hauling and trucking HK\$'000	Expressway operation HK\$'000	Eliminations HK\$'000	
Revenue						
– external	352,429	49,110	730	–	–	402,269
– intersegments	42	33,266	27,441	–	(60,749)	–
Other income						
– external	42	2,789	–	–	–	2,831
– intersegments	–	253	–	–	(253)	–
Total	352,513	85,418	28,171	–	(61,002)	405,100
Segment results	3,431	14,617	4,180	–	–	22,228
Unallocated income						9,030
Unallocated expenses						(5,748)
Operating profit						25,510
Financial income						6,627
Share of profits less losses of jointly controlled entities	553	9,470	955	25,811	–	36,789
Profit before tax						68,926
Income tax expense						(5,225)
Profit for the period						63,701
Capital expenditure						
– allocated	5,502	10,708	6,407	–	–	22,617
– unallocated						5
						22,622
Depreciation and amortisation						
– allocated	2,088	9,343	666	–	–	12,097
– unallocated						514
						12,611



## NOTES TO INTERIM FINANCIAL INFORMATION

### 4 SEGMENT INFORMATION (Continued)

#### Business segments (Continued)

	Six months ended 30th June 2006					
	Cargo transportation <i>HK\$'000</i>	Cargo handling and storage <i>HK\$'000</i>	Container hauling and trucking <i>HK\$'000</i>	Expressway operation <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
– external	363,740	40,007	398	–	–	404,145
– intersegments	11	35,812	30,543	–	(66,366)	–
Other income						
– external	50	143	–	–	–	193
– intersegments	–	253	–	–	(253)	–
Total	363,801	76,215	30,941	–	(66,619)	404,338
Segment results	3,432	20,049	3,500	–	–	26,981
Unallocated income						2,740
Unallocated expenses						(4,873)
Operating profit						24,848
Finance income						4,034
Share of profits less losses of jointly controlled entities	(59)	7,359	572	24,000	–	31,872
Profit before 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
Depreciation and amortisation						
– allocated	1,970	7,123	289	–	–	9,382
– unallocated						493
						9,875

## NOTES TO INTERIM FINANCIAL INFORMATION

### 4 SEGMENT INFORMATION (Continued)

#### Business segments (Continued)

	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Containers and hauling and trucking HK\$'000	Expressway operation HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Group HK\$'000
As at 30th June 2007							
Assets	233,345	531,094	38,953	–	604,206	(37,873)	1,369,725
Jointly controlled entities	51,935	181,742	18,392	190,648	–	–	442,717
Total assets	<u>285,280</u>	<u>712,836</u>	<u>57,345</u>	<u>190,648</u>	<u>604,206</u>	<u>(37,873)</u>	<u>1,812,442</u>
Total liabilities	<u>223,519</u>	<u>33,570</u>	<u>11,825</u>	<u>–</u>	<u>16,688</u>	<u>(37,873)</u>	<u>247,729</u>
As at 31st December 2006							
Assets	206,863	500,172	38,847	–	312,072	(37,452)	1,020,502
Jointly controlled entities	46,737	176,805	19,375	171,413	–	–	414,330
Total assets	<u>253,600</u>	<u>676,977</u>	<u>58,222</u>	<u>171,413</u>	<u>312,072</u>	<u>(37,452)</u>	<u>1,434,832</u>
Total liabilities	<u>190,456</u>	<u>31,446</u>	<u>16,781</u>	<u>–</u>	<u>19,565</u>	<u>(37,452)</u>	<u>220,796</u>

## NOTES TO INTERIM FINANCIAL INFORMATION

### 4 SEGMENT INFORMATION *(Continued)*

#### Geographical segments

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

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

	Total assets		Capital expenditure	
	As at 30th June 2007 <i>HKS'000</i>	As at 31st December 2006 <i>HKS'000</i>	Six months ended 30th June 2007      2006 <i>HKS'000      HKS'000</i>	
Hong Kong	1,113,740	822,308	15,351	2,503
Mainland China	255,985	198,194	7,271	7,322
	<u>1,369,725</u>	<u>1,020,502</u>	<u>22,622</u>	<u>9,825</u>
Jointly controlled entities	442,717	414,330		
	<u>1,812,442</u>	<u>1,434,832</u>		

## NOTES TO INTERIM FINANCIAL INFORMATION

### 5 COSTS AND EXPENSES BY NATURE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Amortisation of leasehold land and land use rights	3,540	3,185
Costs of cargo transportation, handling, storage, container hauling and trucking	265,673	283,849
Depreciation of property, plant and equipment	9,019	6,638
Depreciation of investment properties	52	52
Operating lease rental expenses		
– vessels and barges	42,811	30,124
– buildings	5,768	2,746
Staff costs (including directors' emoluments)	45,043	42,115
Others	18,086	13,997
	<hr/>	<hr/>
Total costs of services rendered and general and administrative expenses	<b>389,992</b>	382,706
	<hr/>	<hr/>

### 6 OTHER GAINS – NET

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Exchange gains, net	9,522	2,675
Gain on disposal of property, plant and equipment	299	176
Others	506	–
Provision for impairment of trade receivables, net	(158)	(39)
	<hr/>	<hr/>
	<b>10,169</b>	2,812
	<hr/>	<hr/>

## NOTES TO INTERIM FINANCIAL INFORMATION

### 7 SHARE OF PROFITS LESS LOSSES OF JOINTLY CONTROLLED ENTITIES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Share of profits less losses	44,026	38,656
Share of PRC enterprise income tax	(7,237)	(6,784)
	<u>36,789</u>	<u>31,872</u>

### 8 INCOME TAX EXPENSE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current income tax		
Hong Kong profits tax	3,208	3,518
PRC enterprise income tax	753	631
Deferred tax	1,264	76
	<u>5,225</u>	<u>4,225</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. PRC enterprise income tax has been calculated on the estimated assessable profit for the current and prior periods at the applicable rates of taxation.

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 or increases the corporate income tax rate for domestic enterprises and foreign invested enterprises from 33% and 15% or 24% respectively to 25% with effect from 1st January 2008. The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. The Company will then assess the related impact and account for any change in accounting estimate prospectively.

## NOTES TO INTERIM FINANCIAL INFORMATION

### 8 INCOME TAX EXPENSE (Continued)

Share of tax of jointly controlled entities for the period has been included in the consolidated income statement as share of profits less losses of jointly controlled entities (note 7).

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

	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Profit before share of profits less losses of jointly controlled entities and income tax expense	<b>32,137</b>	28,882
Calculated at a taxation rate of 17.5% (2006: 17.5%)	<b>5,624</b>	5,054
Effect of different taxation rates applicable to the subsidiaries in the PRC	<b>12</b>	18
Income not subject to taxation	<b>(36,001)</b>	(37,435)
Expenses not deductible for taxation purposes	<b>35,590</b>	36,588
Income tax expense	<b>5,225</b>	4,225

## NOTES TO INTERIM FINANCIAL INFORMATION

### 9 DIVIDENDS

	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interim, declared, of HK\$0.01 (2006: HK\$0.01) per ordinary share	<b>9,000</b>	7,500
Special interim, declared, of HK\$0.01 (2006: nil) per ordinary share	<b>9,000</b>	—
	<b>18,000</b>	7,500

On 13th September 2007, the board of directors declared an interim dividend of HK\$0.01 (2006: HK\$0.01) per ordinary share and a special interim dividend of HK\$0.01 (2006: nil) per ordinary share for the year ending 31st December 2007. This proposed dividend is not reflected as dividend payable in this interim financial information, but will be reflected as an appropriation of retained profits for the year ending 31st December 2007.

### 10 EARNINGS PER SHARE

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

	<b>2007</b>	2006
Profit attributable to equity holders (HK\$'000)	<b>63,802</b>	56,627
Weighted average number of ordinary shares in issue (thousands)	<b>775,000</b>	750,000
Basic earnings per share (HK cents)	<b>8.23</b>	7.55

## NOTES TO INTERIM FINANCIAL INFORMATION

### 10 EARNINGS PER SHARE *(Continued)*

The diluted earnings per share for the six months ended 30th June 2007 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the period.

In 2006, diluted earnings per share was calculated based on the profit attributable to equity holders of HK\$56,627,000 and 750,000,000 ordinary shares in issue during the period after adjusting for 8,315,000 ordinary shares deemed to be issued at no consideration as if all outstanding share options granted by the Company had been exercised.

### 11 CAPITAL EXPENDITURE

	<b>Property plant and equipment</b>	<b>Investment properties</b>	<b>Leasehold land and land use rights</b>	<b>Goodwill</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30th June 2007				
Opening net book amount	184,203	4,817	306,308	16,304
Exchange differences	2,166	–	2,725	418
Additions	22,622	–	–	–
Disposals	(59)	–	–	–
Depreciation/amortisation charge	(9,019)	(52)	(3,540)	–
	<u>199,913</u>	<u>4,765</u>	<u>305,493</u>	<u>16,722</u>
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)	–
	<u>184,049</u>	<u>4,869</u>	<u>277,893</u>	<u>15,829</u>



## NOTES TO INTERIM FINANCIAL INFORMATION

### 12 TRADE AND OTHER RECEIVABLES

	As at <b>30th June</b> <b>2007</b> <i>HK\$'000</i>	As at 31st December 2006 <i>HK\$'000</i>
Trade receivables ( <i>note (a)</i> ):		
– third parties	96,917	78,216
– fellow subsidiaries	400	400
– jointly controlled entities	53,354	46,051
– other related companies	67	54
– other state-owned enterprises	910	408
	<u>151,648</u>	<u>125,129</u>
Other receivables ( <i>note (b)</i> ):		
– immediate holding company	3,626	1,967
– fellow subsidiaries	4,548	2,531
– jointly controlled entities	29,154	17,402
– other related companies	346	504
	<u>37,674</u>	<u>22,404</u>
Loans to jointly controlled entities ( <i>note (c)</i> )	<u>34,253</u>	<u>31,275</u>
Deposits and prepayments	<u>25,071</u>	<u>12,250</u>
	<b><u>248,646</u></b>	<b><u>191,058</u></b>

## NOTES TO INTERIM FINANCIAL INFORMATION

### 12 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:

	<b>As at 30th June 2007 HK\$'000</b>	As at 31st December 2006 HK\$'000
Within 3 months	<b>136,338</b>	117,348
4 to 6 months	<b>13,350</b>	7,004
7 to 12 months	<b>1,660</b>	537
Over 12 months	<b>2,798</b>	3,855
	<hr/>	<hr/>
	<b>154,146</b>	128,744
Less: Provision	<b>(2,498)</b>	(3,615)
	<hr/>	<hr/>
	<b>151,648</b>	125,129
	<hr/>	<hr/>

- (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\$24,040,000 (31st December 2006: HK\$23,117,000) which bears interest at floating rate announced by the People's Bank of China or 4.68% per annum (31st December 2006: floating rate announced by the People's Bank of China or 4.68% per annum), the remaining loans to jointly controlled entities are interest free.

## NOTES TO INTERIM FINANCIAL INFORMATION

### 13 SHARE CAPITAL

	<b>As at 30th June 2007 HK\$'000</b>	As at 31st December 2006 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<b>200,000</b>	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
Beginning of the period/year	<b>75,000</b>	75,000
Issue of new shares	<b>15,000</b>	–
End of the period/year	<b>90,000</b>	75,000

On 18th May 2007, 150,000,000 ordinary shares were placed by Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”), the immediate holding company, at a placing price of HK\$2.15 per ordinary share. On 31st May 2007, same number of new ordinary shares were subscribed by CKSE at a subscription price of HK\$2.15 per ordinary share. The net proceeds of the subscription will be used for the acquisition of river trade transportation related investments.

## NOTES TO INTERIM FINANCIAL INFORMATION

### 14 TRADE AND OTHER PAYABLES

	As at <b>30th June</b> <b>2007</b> <i>HK\$'000</i>	As at 31st December 2006 <i>HK\$'000</i>
Trade payables to <i>(notes (a) and (b))</i> :		
– third parties	133,221	107,766
– immediate holding company	416	2,500
– fellow subsidiaries	15,541	14,791
– jointly controlled entities	12,751	17,304
– other related companies	526	749
– other state-owned enterprises	978	2,703
	<u>163,433</u>	<u>145,813</u>
Other payables due to <i>(note (b))</i> :		
– immediate holding company	751	1,887
– fellow subsidiaries	16,387	5,319
– jointly controlled entities	8,749	7,002
– other related companies	–	1,000
– a state-owned enterprise	965	8,764
– key management	1,467	1,292
	<u>28,319</u>	<u>25,264</u>
Accruals	<u>45,811</u>	<u>43,453</u>
	<u><b>237,563</b></u>	<u><b>214,530</b></u>

## NOTES TO INTERIM FINANCIAL INFORMATION

### 14 TRADE AND OTHER PAYABLES (Continued)

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

	<b>As at 30th June 2007 HK\$'000</b>	As at 31st December 2006 HK\$'000
Within 3 months	<b>130,609</b>	106,633
4 to 6 months	<b>21,115</b>	27,283
7 to 12 months	<b>5,739</b>	6,443
Over 12 months	<b>5,970</b>	5,454
	<hr/> <b>163,433</b> <hr/>	<hr/> 145,813 <hr/>

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

## NOTES TO INTERIM FINANCIAL INFORMATION

### 15 CAPITAL COMMITMENTS

	<b>As at 30th June 2007 HK\$'000</b>	As at 31st December 2006 HK\$'000
Contracted but not provided for in respect of:		
– Property, plant and equipment	1,580	2,226
	-----	-----
Authorised but not contracted for in respect of:		
– Investment in a jointly controlled entity	–	756
– Property, plant and equipment	17,454	–
	-----	-----
	17,454	756
	-----	-----
	<b>19,034</b>	<b>2,982</b>
	-----	-----

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

	<b>As at 30th June 2007 HK\$'000</b>	As at 31st December 2006 HK\$'000
Contracted but not provided for	87,018	4,575
Authorised but not contracted for	2,131	83,595
	-----	-----
	<b>89,149</b>	<b>88,170</b>
	-----	-----

## NOTES TO INTERIM FINANCIAL INFORMATION

### 16 RELATED PARTY TRANSACTIONS

The Group is controlled by Chu Kong Shipping Enterprises (Holdings) Company Limited, which owns 62.5% (2006: 75%) of the Company's shares. The parent company of the Group's is Guangdong Province Navigation Holdings Company Limited ("GPNHCL"), a state-owned enterprise established in the PRC.

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.

- (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):

## NOTES TO INTERIM FINANCIAL INFORMATION

### 16 RELATED PARTY TRANSACTIONS (Continued)

	Note	2007 HK\$'000	2006 HK\$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– fellow subsidiaries		4,000	2,697
– related entities		244	403
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– a fellow subsidiary		(4,536)	(6,185)
– related entities		(9,842)	(8,612)
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– a fellow subsidiary		(5,419)	(4,301)
– a related entity		(14)	(10)
Fuel charges	(iii)		
– a fellow subsidiary		(20,098)	(19,528)
Vessel rental expenses	(ii)		
– related entities		(10,234)	(9,070)
Warehouse rental expenses	(iv)		
– immediate holding company		(2,500)	(2,500)
Office rental expenses	(ii)		
– immediate holding company		(306)	(283)
– a related entity		(6)	(6)
Staff hire charges	(ii)		
– a related entity		(58)	(89)



## NOTES TO INTERIM FINANCIAL INFORMATION

### 16 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other related entities

	<i>Note</i>	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	<i>(i)</i>		
– jointly controlled entities of the Group		<b>1,957</b>	1,653
– other state-owned enterprises		<b>444</b>	1,119
Loan interest income	<i>(v)</i>		
– jointly controlled entities of the Group		<b>701</b>	426
Bank interest income	<i>(vi)</i>		
– state-owned banks		<b>4,657</b>	2,642
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	<i>(i)</i>		
– jointly controlled entities of the Group		<b>(4,089)</b>	(4,468)
– other state-owned enterprises		<b>(1,246)</b>	(1,074)
Wharf cargo handling, cargo consolidation and godown storage expenses	<i>(i)</i>		
– jointly controlled entities of the immediate holding company		<b>(5,323)</b>	(5,332)
– jointly controlled entities of the Group		<b>(12,761)</b>	(13,314)

## NOTES TO INTERIM FINANCIAL INFORMATION

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

- (b) Transactions with other related entities *(Continued)*
  - (i) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties or as mutually agreed between the Group and the respective related parties.
  - (ii) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties.
  - (iii) These transactions were conducted at terms as mutually agreed between the Group and the respective related parties.
  - (iv) The Group leased a warehouse from 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 2007 (2006: HK\$2,500,000).
  - (v) Loan interest was charged to jointly controlled entities at rates announced by the People's Bank of China or 4.68% per annum (2006: 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 4.7% (2006: 1.7% to 5.0%) per annum.
  - (vii) During the period, 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 (2006: nil) for such interchanging arrangement.

## NOTES TO INTERIM FINANCIAL INFORMATION

### 16 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation		
	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Salaries and allowances	<b>2,023</b>	1,768
Fees	<b>625</b>	688
Retirement benefit scheme contributions	<b>40</b>	37
	<b><u>2,688</u></b>	<u>2,493</u>
(d) Loans to jointly controlled entities		
	<b>As at</b>	As at
	<b>30th June</b>	31st December
	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Beginning of the period/year	<b>58,555</b>	47,347
Exchange differences	<b>1,136</b>	738
Loans advanced during the period/year	<b>3,842</b>	12,000
Loans repayments received	<b>(2,000)</b>	(1,530)
	<b><u>61,533</u></b>	<u>58,555</u>
Analysed into:		
Current (included in trade and other receivables)	<b>34,253</b>	31,275
Non-current (included in jointly controlled entities)	<b>27,280</b>	27,280
	<b><u>61,533</u></b>	<u>58,555</u>
(e) Balances with state-owned banks are as follows:		
	<b>As at</b>	As at
	<b>30th June</b>	31st December
	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Bank balances and deposits	<b><u>623,001</u></b>	<u>304,438</u>

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.