CKS

CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under Companies Ordinance)

Stock Code : 0560

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Worldwide

Market

2008 Annual Report

CORPORATE INFORMATION

Executive Director

Mr. Hua Honglin (Chairman)
Mr. Yang Bangming (Managing Director)
Mr. Zhang Daowu
Mr. Huang Shuping

Independent Non-executive Director

Mr. Chan Kay-cheung
Mr. Choi Kim-Lui
Ms. Yau Lai Man

Company Secretary

Mr. Ng Kin Yuen

Audit Committee

Mr. Chan Kay-cheung
Mr. Choi Kim-Lui
Ms. Yau Lai Man

Remuneration Committee

Mr. Chan Kay-cheung
Mr. Choi Kim-Lui
Ms. Yau Lai Man
Mr. Yang Bangming

Auditor

PricewaterhouseCoopers

Principal Banks

Bank of China (Hong Kong)
Nanyang Commercial Bank
Bank of Communications

Registered Office

22nd Floor, Chu Kong Shipping Tower
143 Connaught Road Central
Hong Kong

Registrar

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

Business Headquarter

22nd Floor, Chu Kong Shipping Tower
143 Connaught Road Central
Hong Kong
Tel: (852) 2581 3799
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Heshan Port

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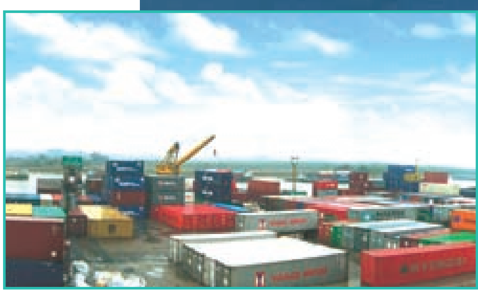
CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED



Public Cargo Working Areas

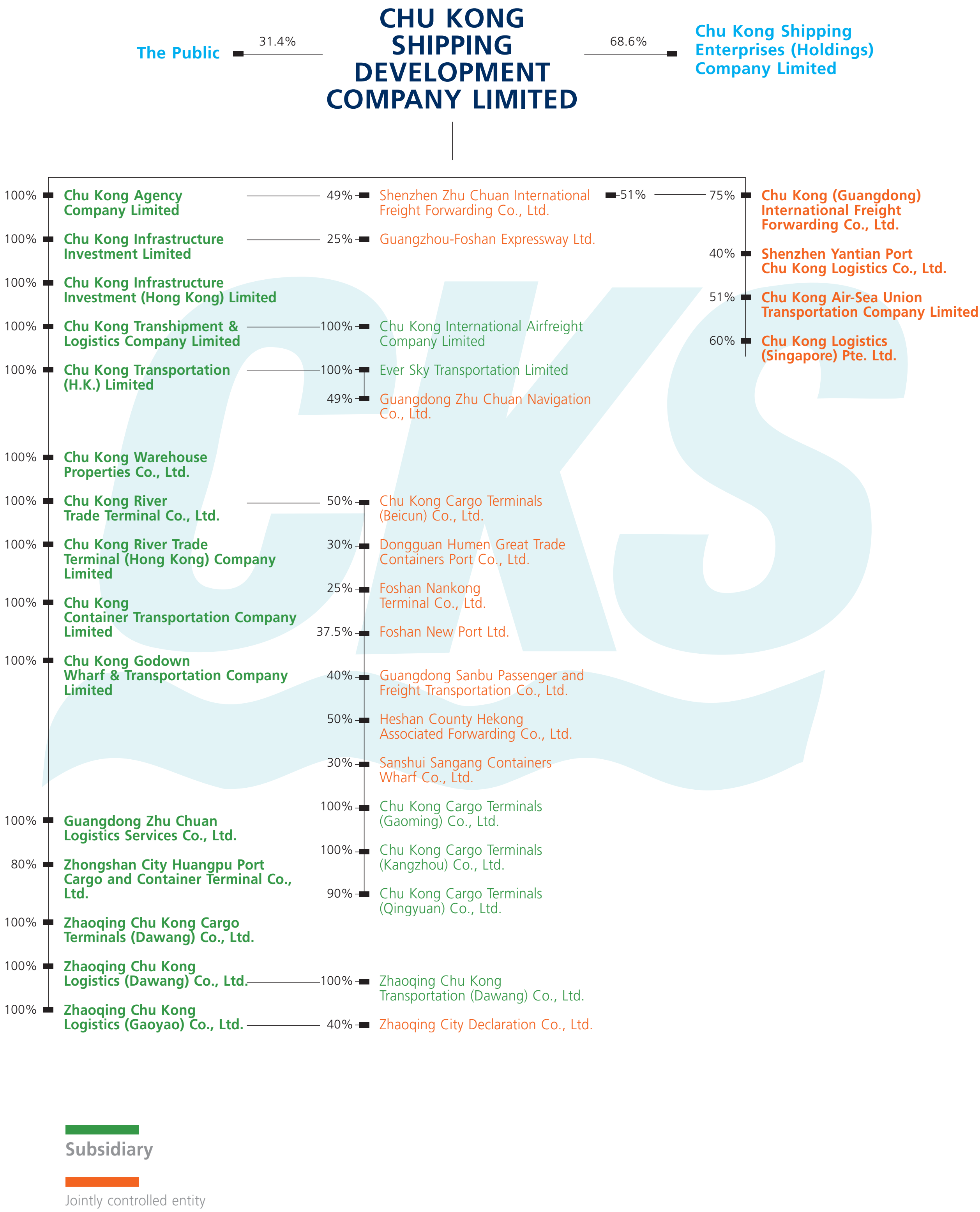
Jointly Create Fortune
Jointly Enjoy Achievements

Chu Kong Shipping Development Company Limited ("CKSD") is established in Hong Kong, the international maritime centre, and provided with abundant river transportation resources in the mainland. CKSD is building a higher level platform by improving the four networks of marketing, transportation, river trade terminals and information system. It not only assists its customers to penetrate the whole market, but also elevates its marketing position for expanding its business all over the world.

Gaoming Port

We believe that CKSD will jointly create rich fortune, jointly enjoy great achievements and grasp the future with its customers on the connected big arena of "Hong Kong, Mainland and the World".

STRUCTURE OF THE GROUP

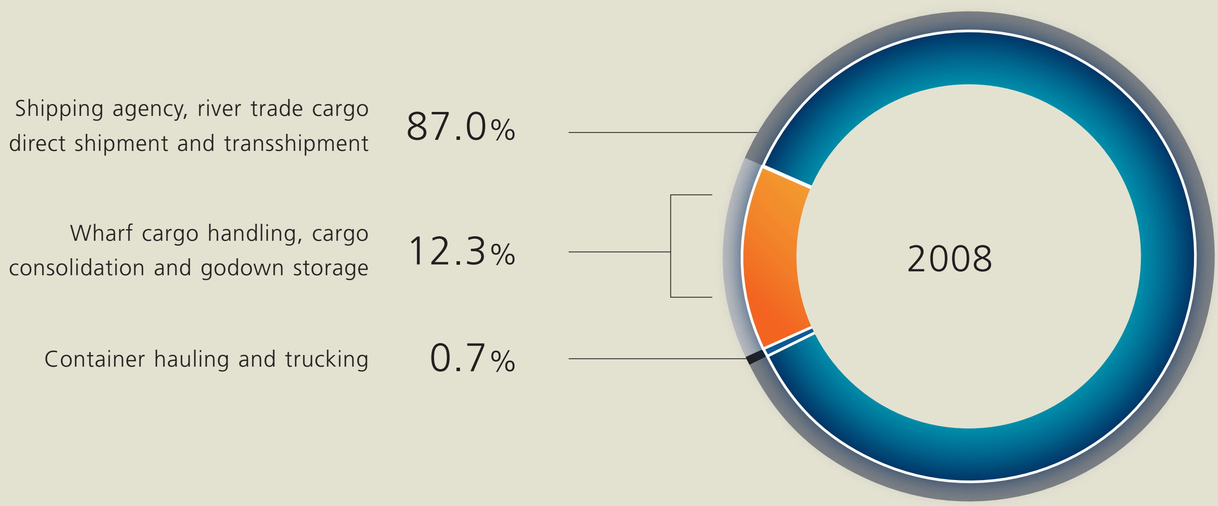


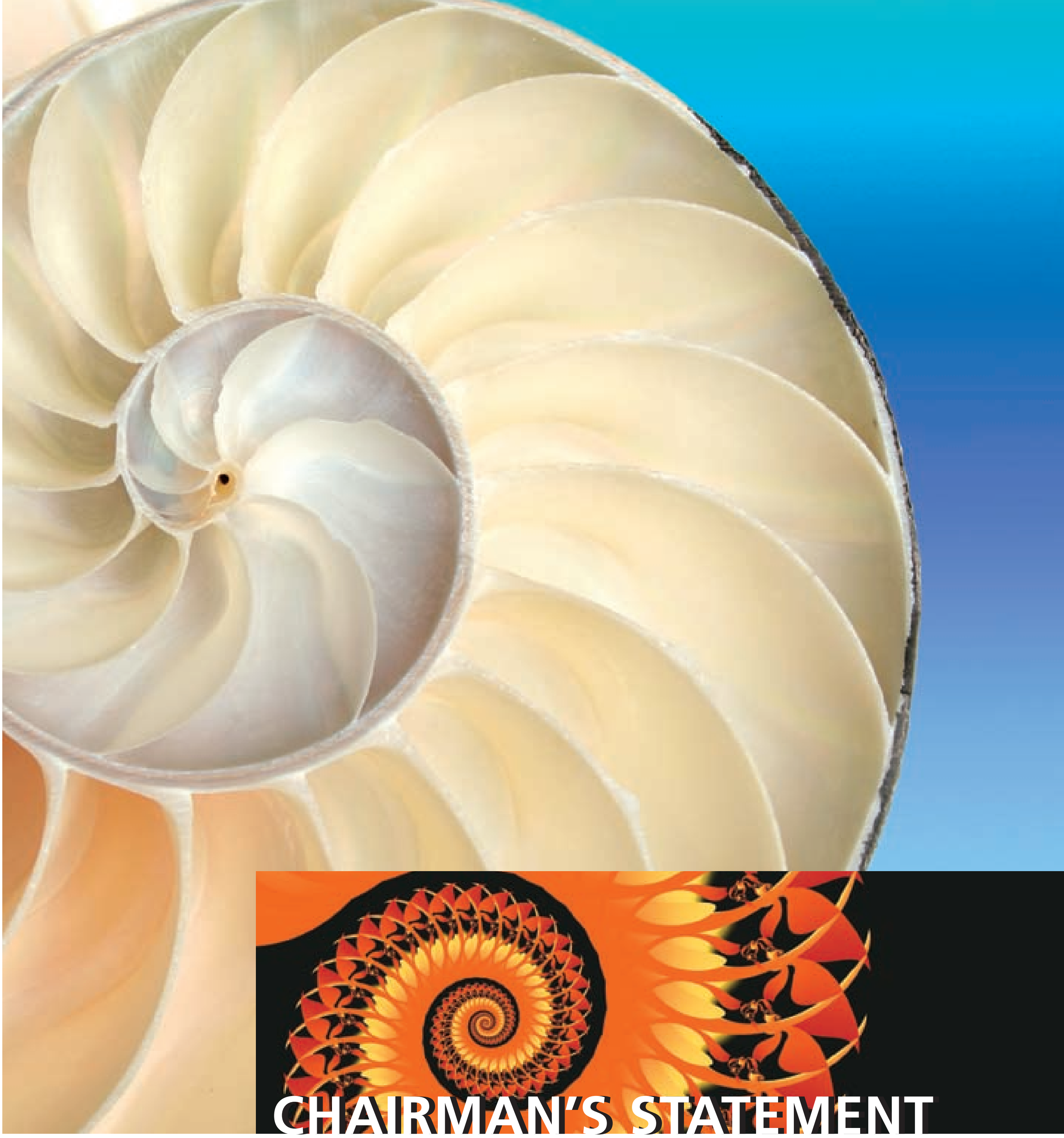
FINANCIAL HIGHLIGHTS

(HK$ Million)	2008	2007	Change %
Revenue	943.3	870.7	8.3
Profit attributable to the equity holders of the Company	116.6	143.1	(18.5)
Total assets	1,997.6	1,912.7	4.4
Net assets	1,755.5	1,650.7	6.3

Financial Ratio			
Operating profit margin (%)	5.8	6.4	(0.6)
Current ratio	4.0	3.5	14.3
Debt ratio (%)	12.1	13.7	(1.6)

Distribution of the Group's revenue in 2008 by business segments:





CHAIRMAN'S STATEMENT

expansion based on systematic Management

CHAIRMAN'S STATEMENT

Mr. Hua Honglin (Chairman)

I am pleased to announce to all our shareholders that Chu Kong Shipping Development Company Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated revenue for the year 2008 amounting to HK$943,325,000, up by 8.3% against the year 2007. However, high oil prices and decrease of the investment return from Guangzhou-Foshan expressway caused the profit attributable to equity holders down by 18.5% against last year to HK$116,632,000. Basic earnings per share was HK12.96 cents. The Board recommends a final dividend of HK3 cents per share.

The year 2008 was a year of sudden change. In spite of the double digit growth achieved in our consolidated revenue and profit attributable to equity holders for the first half of the year, the financial breakdown triggered by the US sub-prime crisis was quickly extending to the real economy. The declining external demand resulted in a sharp fall in the exports across the Pearl River Delta Region as the world's processing and manufacturing base. As we are primarily engaging in integrated logistics services in Guangdong Province and Hong Kong, the Group faced tremendous pressure to sustain business.

During the year, the Group stepped up its efforts to strengthen brand building and marketing, reinforce internal control, enhance quality of services and endeavor to explore income sources whilst reduce costs. By organizing a number of activities such as "Chu Kong Shipping's Exhibition on Shipping Logistics in Guangdong Province, Hong Kong and Macau" held at the beginning of the year, coupled with its strengths of the four major networks and its core values of "Jointly Create Fortune, Jointly Enjoy Achievements", the Group has further enhanced its overall corporate image and gained recognition from the industry. In optimizing the operating procedures, enhancing the operating efficiency and improving the quality of services, the Group is transforming into an integrated operator of port and shipping logistics services.
Taking this chance to consolidate the business relationships with our key customers, major shipping companies and business partners, our container transportation, being our major business, continues to grow by 4.2% over last year to 853,000TEUs. In addition, the measures, such as fuel surcharge levied on our customers timely, to a certain extent enabled us to mitigate the impact of soaring oil price on our operation. We successfully completed the tender in respect of the berthing spaces in Public Cargo Working Areas made by the Hong Kong government. Presently, the Group has a total of 13 berthing spaces, which greatly increases the active power of berth utilization. Cost control was also achieved through optimizing shipping routes, deploying appropriate vessels and controlling

CHAIRMAN'S STATEMENT

Zhu Chuan 2002 – owned by Guangdong Zhu Chuan Navigation Co., Ltd.

fuel consumption. In response to the changes in the financial market, the Group strengthened its liquidity to increase revenue. Having adopted various measures, it is not easy for the Group to remain strong and be able to achieve growth in its core business volume and consolidated revenue under such poor operating environment.

Over the years, the Group has maintained sound operations and adopted a prudent investment approach. We maintain relatively sufficient liquidity as we do not invest in any high risk financial derivative instruments. In 2008, we saw favorable opportunities to expand at low costs amid the economic crisis. According to our growth strategies and plans, the Group expanded its investment in the west coast of the Pearl River Delta Region, particularly Zhaoqing as follows: increased equity interests in Zhaoqing Kangzhou Port to become a wholly owned port; acquired land use rights at low costs to expand the port area; and planned for re-construction and expansion. We acquired two parcels of land adjacent to the port area in Gaoyao Port and commenced re-construction. Gaoyao Port successfully acquired 40% equity interests in Zhaoqing City Declaration Co., Ltd. to expand related business. We actively accelerated the infrastructure development of Dawang Logistics Base and substantially completed the construction of main structures of the vehicle inspection center, integrated office building and logistics warehouse at the end of the year. These projects are expected to commence operation in the year of 2009. We have become a controlling shareholder of Zhaoqing New Port through acquisition of equity interest. Zhaoqing New Port is one of the major river trade ports in the PRC with favorable geographical location, superior water facilities and extensive area with huge growth potentials. In early 2009, the Group successfully acquired the core assets of Sihui Mafang Port in an auction. Sihui Mafang Port is adjacent to the sole resources regeneration base approved by the government of Guangdong Province, which is comparatively strong in terms of cargo source. The inclusion of the above resources in the Group's network will greatly increase the market competitiveness of the Group in Zhaoqing.

Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd., held as to 80% equity interests by the Group, was incorporated. Pursuant to the land acquisition agreement, pre-construction work for feasibility studies and seeking government approval is being carried out in respect of the development and construction of the port. The berthing space expansion in Gaoming Port is expected to complete construction in the first half of 2009.

The Group continues to drive the "Second Seaside Port" project in Southern China. As large amount of capital is invested in the river-sea union transportation ports in Guangzhou (Nansha) and Shenzhen (Da Chain Bay) and integrated logistics base, combined with the impact of the global financial tsunami, the throughput of such harbour (large terminals) was not satisfactory. The Group will re-investigate in the investment allocation and scale of the projects. However, we will continue to maintain necessary relationships with local government authorities and potential investors.

The year 2009 is a much more challenging year to the Group. The consequences of the financial crisis on the real economies remain uncertain.

CHAIRMAN'S STATEMENT

It will be very difficult for Mainland China to maintain growth and the container handling volume in Pearl River Delta Region and Hong Kong is keeping a slip. However, such challenging operating conditions have enabled us to review our operating pattern and strive for reform and innovation. The Group will review the organizational management and operating structure, and further strengthen the overall planning for production and operation directly by unifying the relationships between the business units in accordance with professional management concept as to strive for the best synergies. The Group will also reinforce the control and integration of its core resources and monitor the production, operation and management of new project to generate production efficiencies. The Group will execute innovative systems with vitality and dynamics, increase the quality and marketing capabilities of its teams, enhance the standard of services, and utilize the expanded market share as an important means to maintain growth. The Group will implement refined management, specialize in optimizing the business procedures of core segments, improve the logistics service chain, and strengthen risk management (predominantly cash, receivables and external investment control). The Group will continue to adhere to its core value of "sharing", strengthen the cooperation with industry partners and strategic alliances, and overcome the challenges with our customers and staff.

Shunde Port

In response to the financial crisis, the PRC government has launched measures to stimulate the economy in the sum of RMB4,000 billion, plans to revitalize the logistics industry and the Outline of Reform and Development Plan for Pearl River Delta Region. These not only expand the domestic demand and drive the development of the logistics industry, but also consolidate the position of Hong Kong as the international shipping and logistics center, and represent a historical mission to Pearl River Delta Region as the world's advanced manufacturing and modern services

Humen Port

center. Having an established business network in the region, the Group will certainly benefit in the future.

Finally, on behalf of the Board of Directors, I would like to express my sincere gratitude to all our shareholders and the general public for their continuous support to the Company's development, and all our staff for their efforts and contribution to the Company.

Hua Honglin
Chairman

Hong Kong
16th April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

effortless
based on
our Modernization

MANAGEMENT DISCUSSION AND ANALYSIS

Foshan Nankong

REVIEW OF OPERATIONS

For the year ended 31st December 2008, the Group recorded a consolidated revenue of HK$943,325,000, an increase of 8.3% as compared with last year. Profit attributable to equity holders of the Company was HK$116,632,000, representing a decrease of 18.5% as compared with last year.

During the year, the US sub-prime mortgage crisis evolved into a financial crisis all over the world and extended to the real economy. Developed economies began to slow down from its glory at the beginning of the year with falling global consumption power. The global economy was suffering a setback which made enterprises in the real economies face more challenges to sustain. The Baltic Dry Index (BDI) plunged from its historical high in the middle of the year to its historical low at the end of the year, a decrease of over 90% in the six-month period. In addition, the rising prices of raw materials, fuels and power resulted in higher operation costs for the enterprises, questioning their ability to sustain and constraining their expansion and development. Coupled with the drastic changes of the macro-economic control measures promulgated by the PRC government, Renminbi appreciation, changes in export tax rebate policies and environmental policies, the Group had to face tremendous pressure in the course of operation. Nevertheless, as the PRC government subsequently promulgated a number of macro-economic policies to stabilize the economy and to create job opportunities, together with the strengthened expansion in the cooperation between Guangdong Province and Hong Kong, the Group was able to maintain growth in revenue during the year leveraging on its favorable location in Hong Kong as the global shipping center, its years of operation experience in the Pearl River Delta Region and improvement in internal management standard and operating efficiency.

During the year, the oil price spikes, withholding tax on undistributed profit and urban land use tax levied on foreign invested enterprises in Mainland China and other rising costs factors increased the costs of production of the Group. On the other hand, the road transport and shipping prices fluctuated from boom to gloom during the year, whilst the increase in the shipping charges was limited. All these made the Group facing operations pressure and increasing difficulties to operate. Through strengthening the cooperation with major shipping companies to drive up cargo handling volume; coupled with our favorable resources and strengths to levy fuel surcharge by negotiating with ship-owners and customers one-by-one for increasing price which enabled the Group to increase its profit margin in spite of the rising costs of production. Accordingly, its subsidiaries recorded a slight decrease of 1.6% in net profit during the year.

During the year, the Group major business operations maintained steady growth. Container transportation volume and container handling volume for the year grew by 4.2% and 1.0% respectively, whilst break bulk cargoes faced an uphill battle as a result of the shift to containerization and the change in logistics flow in addition to the impacts of surrounding economies and government policies. During the year, break bulk cargoes transportation volume and break bulk cargoes handling volume fell by 19.4% and 19.1% respectively. Apart from improving our management mode to drive airfreight forwarding business, it strengthened the cooperation with airfreight forwarding agencies in Shenzhen to further develop the airport base in Shenzhen. The airfreight forwarding agency business recorded growth of 27.4% during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the investments in the Group's jointly controlled entities were closely related to the major business operations of the Group other than expressway operation. As a result of the snowstorm at the beginning of the year, a number of government policies including the toll free "Green Lane"[1] and its expansion construction works led to profit contribution of the expressway operation falling by 33.4% over last year. Like the major business operations, other investment businesses also faced the same challenges with declining gains from investment. Accordingly, the Group's share of profits less losses of jointly controlled entities for the year fell by 16.5%.

1. Cargo transportation and wharf handling business

During the year, benefiting from the relatively stable economy in the regions covered by the industry and our improving sales and marketing network in Guangdong Province and Hong Kong, we saw growth in our subsidiaries' container transportation and wharf handling business. However, owing to the macro-economic control measures promulgated by the PRC government in the first three quarters, and the cascade effect of the financial tsunami in the fourth quarter, the Group faced tremendous pressure on sustaining its operations as business volume of break bulk cargoes agency and wharf handling, shipping agency and road transportation decreased. Performance statistics of our major business operations are as follows:

	Year ended 31st December		
Indicators	2008	2007	Change
Container transportation volume (TEUs)	853,163	818,607	4.2%
Container handling volume (TEUs)	461,049	456,520	1.0%
Volume of container hauling and trucking on land (TEUs)	146,642	146,279	0.2%
Break bulk cargoes transportation volume (tons)	331,008	410,627	(19.4%)
Break bulk cargoes handling volume (tons)	539,860	667,646	(19.1%)
Import and export of shipping agency (voyages)	17,022	19,222	(11.4%)

Container transportation Due to Renminbi appreciation, tax refund and environmental policies for the first three quarters, a number of small-sized manufacturers relocated away from the Pearl River Delta Region, resulting in considerable impact on our cargo supply sources. In addition, many small-to-medium sized enterprises were forced to close business as a result of the financial tsunami that arose in the fourth quarter. Chu Kong Transhipment & Logistics Company Limited ("CKTL"), which operates our major container transportation business, actively stepped up its efforts to expand the target markets. Meanwhile, it endeavored to consolidate the operational management, strengthen the control over operational procedures, enhance the standard of services, capture profitability, control operating costs, increase customers' contribution, maintain productivity growth and increase the economies of scale. During the year, the container transportation volume amounted to 853,000TEUs, an increase of 4.2% as compared with last year.

1 "Green Lane" is specifically established by Guangdong Province for implementing the instructions from State Council and CPC Central Committee for "Comments on Promotion of Farmers' Income" and seven ministries and commissions of Traffic Department for "Construction Program of "Green Lane" for nationwide high efficient circulation of fresh agricultural products". According to this policy, the vehicles delivering the standard agricultural sideline products of fresh vegetable etc. can be toll free.

MANAGEMENT DISCUSSION AND ANALYSIS

Sanshui Port

The Gaoming trailer team of Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd. commenced operations and achieved profitability in the first year from its commencement of operations.

Break bulk cargoes transportation Chu Kong Agency Company Limited is responsible for our break bulk cargoes transportation business. During the year, affected by the economic crisis, the break bulk cargoes transportation volume declined by 19.4%.

Wharf handling In response to the market changes, the Group made satisfactory achievement through introducing measures to accelerate and expand the development of the PRC domestic trade among its operating companies. By adjusting cargo sourcing structure, enhancing operating efficiency and capacity of berths, replenishing haulage vehicles, increasing the transportation capacity of haulage vehicles, and expanding the capacity of terminal yard and platform, our total container handling volume slightly increased as compared with last year.

Following the reconstruction by Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. to increase port throughput and operating efficiency, the container volume and break bulk cargoes handling volume grew by 8.0% and 460.0% respectively. During the year, the acquisition of 40% equity interests in Zhaoqing City Declaration Co., Ltd. by way of tender also generated new source of profit to the company. The port business experienced a turnaround, generating a profit of HK$2,387,000 to the Group. Since the acquisition at the end of 2007, the port has been gaining recognition in setting CKS brand in Zhaoqing, which effectively enhances our position in this region.

Due to the government polices and the financial tsunami, Chu Kong Cargo Terminals (Gaoming) Co., Ltd. handled a total of 67,000TEUs of foreign trade containers for the year, representing a year-on-year decrease of 24.6%. Nevertheless, the company made timely adjustment to its operating strategies in response to the domestic market demand and strengthened the cooperation with major shipping companies. Its domestic trade container handling business achieved considerable growth. The container handling volume for domestic trade for the year rose by 88.0% over last year and revenue from container handling for domestic trade grew by 100.0%. Its port throughput recorded a historical high record with a total port cargo throughput of 1,270,000 tons, representing a year-on-year growth of 12.0%.

Chu Kong Agency Company Limited is responsible for the operation of the Public Cargo Working Areas ("PCWA") in Hong Kong and the break bulk cargoes handling operations in the PRC ports. Its break bulk cargoes customers are predominately small-to-medium sized enterprises. During the year, the PRC government's macro-economic control measures coupled with the financial tsunami made our target customers increasingly difficult to sustain business. As a result of the development of containerization and more simplified procedures of custom clearance, coupled with the increasingly established ports in the Pearl River Delta Region, the diversion of break bulk cargoes in Guangdong Province and Hong Kong accelerated significantly. During the year, our break bulk cargoes handling business declined by 19.1%. However, the company's management actively adjusted its market positioning and transformed from the provision of wharf handling services as its single business to the provision of integrated services related to its shipping routes. This has ultimately enabled the company to achieve its target positioning as the integrated operator

MANAGEMENT DISCUSSION AND ANALYSIS

of regional shipping logistics services and has enhanced the sustainable ability, thus generating a profit growth of 16.4% to the Group.

In 2008, the Hong Kong government launched a tender for the berthing spaces in PCWA from 2008 to 2011. Taking into account the existing berthing spaces, modes of partnership with business parties, rotation of schedule vessels and our internal resource integration, management formulated the proposal with care and diligence in an effort to actively pursue the tender. We successfully bid one additional berthing space of 40m in Gin Drinkers Bay on top of securing all existing berthing spaces, and successfully switched from the berthing space of 28m in Kwun Tong to the berthing space of 48m in Gin Drinkers Bay. This has greatly increased the active power of berth utilization. The Group has a total of 13 berthing spaces in the PCWA in Hong Kong.

Kangzhou Port

2. Investment business

Affected by the snowstorm at the beginning of the year and a number of toll free policies promulgated by the government such as "Green Lane", combined with the improving surrounding road network, large-scale truck restriction in North Outer Ring Expressway, partial road closure for expansion and maintenance, and partial interchange closure for expansion, Guangzhou-Foshan Expressway Ltd. recorded a decrease of 16.1% in traffic volume in 2008 as compared with 2007. As a result, toll income fell by 20.0% and profit attributable to the Group dropped by 33.4%.

Foshan New Port Ltd. has been actively sourcing more types of goods for handling, and exploring new customers whilst retaining existing customers. The container business grew steadily with an increase in palletization business. During the year, the break bulk cargoes throughput of the port rose by 31.5% and the profit attributable to the Group grew by 40.3%.

In adherence to air-sea union transportation and logistics services and developing a diversification of

Tuen Mun Godown Wharf

terminal services, Chu Kong Air-Sea Union Transportation Company Limited, of which 51% equity interest held by the Group, has established a sound operating pattern over seven years of growth and development. The combined modes of operations and a diversification of services have increased the confidence and trust of our customers. The company generated a profit of HK$1,874,000 to the Group.

Guangdong Zhu Chuan Navigation Co., Ltd. invested RMB16,180,000 to construct two container vessels with a capacity of 2,000 tons, which are expected to commence operation in mid 2009. This will improve the capacity of transportation structure of the company, further increase the fleet's operating efficiency and overall competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

Foshan Nankong Terminal Co., Ltd. maintained steady operations, its profit attributable to the Group grew by 7.8%. Chu Kong Cargo Terminals (Beicun) Co., Ltd. achieved favorable results in respect of the bulk transshipment of steel export business and container import business expansion through introducing shipping companies stationed at the terminals. Profit attributable to the Group grew by 31.9%. Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. achieved a turnaround profit. The exports volume of Chu Kong Logistics (Singapore) Pte. Ltd. for the year rose by 65.0%, resulting in a record-breaking profit attributable to the Group.

The other jointly controlled entities held by the Group performed well during the year. However, since the financial crisis that arose in October, some of their operations recorded a decline, which had a significant impact on the profit for the year. The Group required each jointly controlled entity to carefully adopt appropriate measures according to the latest market conditions in order to overcome more severe challenges in 2009.

Outlook

Looking forward, as the impact of the financial tsunami on the real economies widely intensifies, the operating environment is expected to further deteriorate in 2009. Through the launch of professional operation, the Group will strengthen its internal resource sharing in terms of sales and marketing network, manpower utilization and shipping routes, so as to achieve synergies from resource sharing and division of labor, further enhance the quality of services, improve the sales and marketing network, transportation network and information network, as well as continue to consolidate and expand our market share in the Pearl River Delta Region. We will persist to monitor our internal management, enhance corporate governance and transparency; continue to accelerate the launch of central management platform and terminal management system project throughout the Group so as to increase operating efficiency and lower costs by utilizing modern information technology; continue to capture the opportunities in connection with CEPA policies and the golden opportunities arising from the lower competition due to the exit of state-owned assets. Amid such poor market sentiments, we will plan to introduce cost-effective expansion strategies for the river trade terminals in the Pearl River Delta Region with a view to further improve our terminal network in the Pearl River Delta Region, which provides strong support for enhancing the Group's profitability in the future.

The Group will also actively explore and expand other new business opportunities related to our core business to complement the smooth operation of our existing core business. In particular, as the PRC domestic market becomes increasingly significant, the Group will step up its efforts to expand the PRC domestic shipping routes in our ports, providing the Group with new sources of profit growth.

Given the PRC government's measures to boost the expansion of domestic demand in response to the financial tsunami, a number of major projects in Guangdong Province and Hong Kong, such as Hong Kong-Zhuhai-Macau Bridge, have made significant breakthroughs in 2008. This has further strengthened the bonding between Guangdong Province and Hong Kong where the economies in these regions will maintain relatively stable. However, as the impact of the financial crisis on the real economy will emerge in 2009, whilst the economies in the US and Europe

Tuen Mun Godown Wharf

MANAGEMENT DISCUSSION AND ANALYSIS

are set to suffer, the overall external operating environment is expected to deteriorate and no estimates can be made as to when the economy will recover. Accordingly, our Directors expect that the river trade cargo transportation business in Guangdong Province and Hong Kong in 2009 will show a downward trend. Nevertheless, leverage on our industry strengths and further integration of internal resources, our Directors remain confident about the results of the Group in the year 2009.

Financial Review

Review of financial results

The Group recorded profit attributable to the equity holders of the Company of HK$116,632,000 in 2008, representing a decrease of HK$26,448,000 or 18.5%, as compared with last year, details of which are as follows:

	2008 HK$'000	2007 HK$'000	Change HK$'000
Net operating profit*	**53,482**	67,426	(13,944)
Share of profits less losses of jointly controlled entities	**63,150**	75,654	(12,504)
Profit attributable to the equity holders of the Company	**116,632**	143,080	(26,448)

* Net operating profit represents operating profit after net finance income, income tax expense and minority interests (excluding share of profits less losses of jointly controlled entities).

For the year ended 31st December 2008, the Group recorded net operating profit of HK$53,482,000, representing a decline of HK$13,944,000 or 20.7% over last year, mainly due to:

(1) The huge spikes in global oil prices in 2008 resulted in an increase of HK$24,490,000 in the oil cost of the Group. The business contributions generated from the growth of container transportation business and wharf handling business were offset by the substantial increase in the oil price for the first three quarters.

(2) Our investments in Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd. and Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd. made in 2007 were under project development and at preliminary stage of business development during the year. The administrative expenses, borrowing interests and exchange losses in aggregate amounted to HK$4,129,000.

(3) Owing to the financial tsunami that arose in the fourth quarter, the PRC domestic export business and the port and transportation business in Hong Kong experienced substantial impacts, dampening its business volume for the year. During the year, the Group's cargo transportation volume and wharf handling volume only recorded a slight increase with falling profit contributions. Despite the increase in unit break bulk cargoes profitability through improving the quality of customers' services and raising our charges, the significant decline of transportation volume and handling volume over last year has made the effect of such profit contributions minimal.

The Group's share of profits less losses of jointly controlled entities for 2008 dropped by HK$12,504,000 or 16.5% over last year to HK$63,150,000. The decline was mainly due to the following: profit of Guangzhou-Foshan Expressway Ltd. attributable to the Group was HK$31,171,000, a year-on-year decrease of 33.4%; profit of Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. attributable to the Group was HK$1,420,000, a year-on-year decrease of 42.6%; profit of Chu Kong Air-Sea Union Transportation Company Limited attributable to the Group was HK$1,874,000, a year-on-year decrease of 67.4%. Profit of Foshan New Port Ltd. attributable

MANAGEMENT DISCUSSION AND ANALYSIS

to the Group was HK$17,072,000, a year-on-year increase of 40.3%; profit of Chu Kong Cargo Terminals (Beicun) Co., Ltd. attributable to the Group was HK$1,759,000, a year-on-year increase of 31.9%; turnaround to profit of Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. and Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.; export volume of Chu Kong Logistics (Singapore) Pte. Ltd. for the year grew by 65.0% over last year, resulting in a profit attributable to the Group of HK$344,000.

Dividends

The Group has maintained a relatively stable dividend policy. With reference to the current cash and bank balance on hand, the percentage of the profit attributable to the equity holders of the Company to the amount of dividends paid ("Dividend Coverage") was the same as 2007 in 2008. The Group's Dividend Coverage in the past five years were as follows:

	Dividends per share HK$	Total dividends HK$'000	Profit attributable to equity holders HK$'000	Dividend Coverage
2004	0.03	22,500	83,117	27.07%
2005	0.05	37,500	90,072	41.63%
2006	0.06	45,000	121,148	37.14%
2007	0.06	54,000	143,080	37.74%
2008 (Proposed)*	**0.05**	**45,000**	**116,632**	**38.58%**

* Dividends per share for 2008 included an interim dividend of HK$0.02 per share.

Liquidity and Financial Resources

The Group keeps close track of its circulating capital and financial resources in an effort to maintain a solid financial position. As at 31st December 2008, the Group secured a total credit limit of HK$4,390,000 granted by bona fide banks.

As at 31st December 2008, the current ratio of the Group, representing current assets divided by current liabilities, was 4.0 (2007: 3.5) and the debt ratio, representing total liabilities divided by total assets, was 12.1% (2007: 13.7%).

As at 31st December 2008, the Group's cash and bank balances amounted to HK$652,251,000 (2007: HK$672,643,000), which represents 32.7% (2007: 35.2%) of the total assets.

After considering its cash and cash flows 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 development.

MANAGEMENT DISCUSSION AND ANALYSIS

Zhaoqing New Port

Capital Structure

The capital structure of the Group was constantly monitored by the Company. The use of any capital instruments, including banking facilities, by each subsidiary was under the central co-ordination and arrangement of the Company.

As at 31st December 2008, cash and bank balances held by the Group, of which 48.6% were denominated in Hong Kong dollar ("HKD"), 29.5% in Renminbi ("RMB") and 21.9% in United States dollar ("USD"), deposited with several banks of good reputation are as follows:

	Amount HK$'000	Percentage %
Hong Kong dollar	316,957	48.6
Renminbi	192,650	29.5
United States dollar	142,644	21.9
	652,251	100.0

Capital Commitments

Details of capital commitments of the Group and the Company are set out in note 31 to the financial statements.

The Group has sufficient financial resources, which include current cash and bank balances, cash from operating activities and available banking facilities, for the payment of capital commitments.

Employees

As at 31st December 2008, the Group employed 311 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 and bonuses etc.

Financial Management and Control

The Group consistently adopted a prudent financial policy. Fund management, financing and investment activities were all undertaken and monitored by the central management of the Group.

Given the characteristics of the core business of the Group, emphasis of routine financial control is placed on

MANAGEMENT DISCUSSION AND ANALYSIS

Gaoming Port's Office

the management of working capital, particularly the timely receipts of trade receivables. As at 31st December 2008, net trade receivables of the Group amounted to HK$111,667,000, a decrease of 20.4% as compared with last year, 91.7% of which was aged within 3 months. The exposure to bad debts was controlled at a comfortable level.

Currently, the ordinary operations and investments of the Group are concentrated in Guangdong Province and Hong Kong, with operating revenue and expenditure mainly denominated in HKD, as well as in RMB and USD. RMB revenue from Mainland China may be used for payment of expenses of the Group denominated in RMB incurred in Mainland China. HKD or USD revenue received in Mainland China may be remitted to the Group's bank accounts in Hong Kong through proper procedures as planned. So long as the linked exchange rate system in Hong Kong with USD is maintained, it is expected that the Group will not be subject to any significant exchange risk. However, the recent fluctuation of exchange rate of USD and RMB may affect the results of the Group to a certain extent.

Post balance sheet events

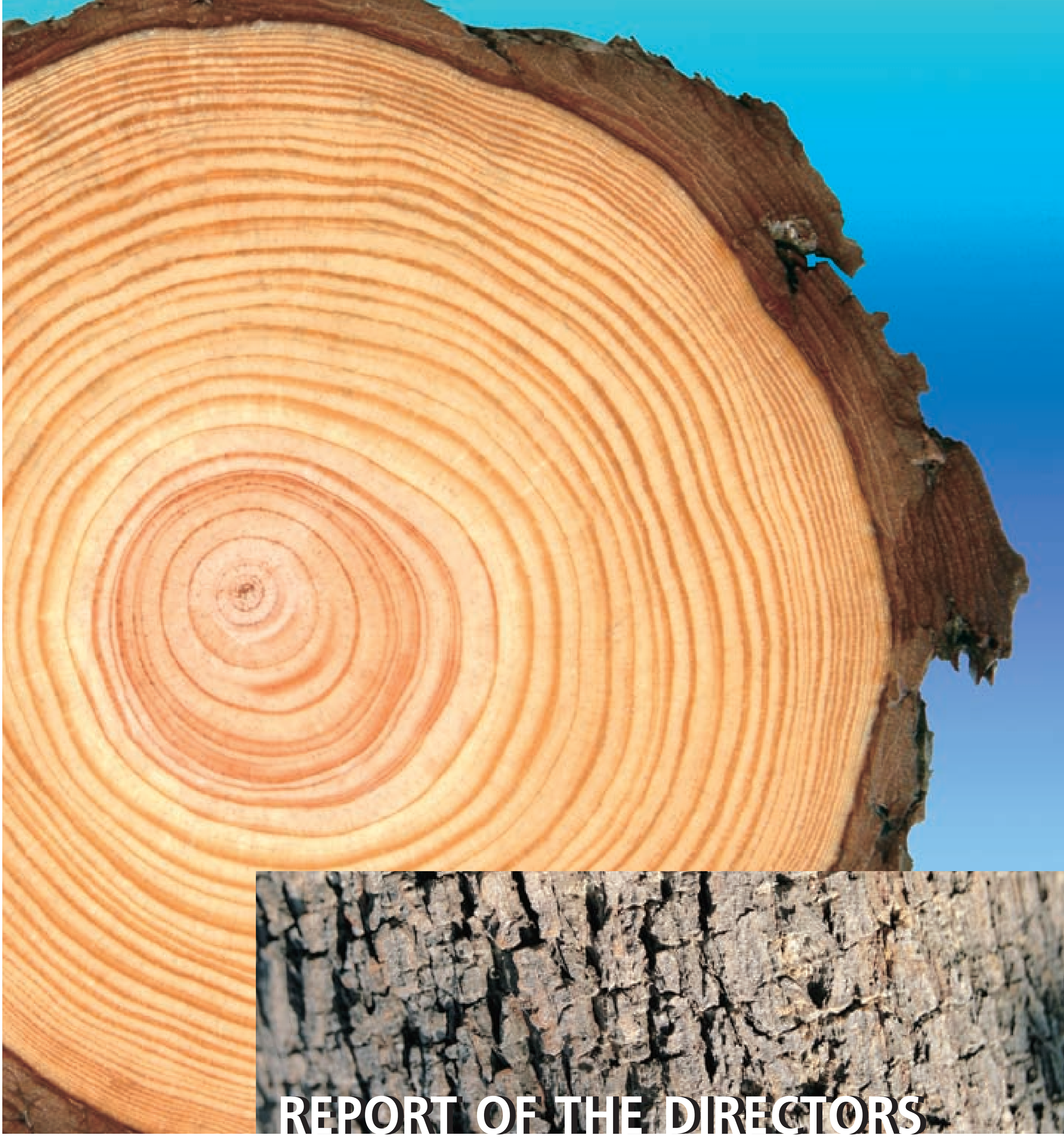
(a) On 12th December 2008, the Group entered into an agreement for the acquisition of 56.46% interest in Zhaoqing New Port Co., Ltd., a company incorporated in the PRC and engaged in cargo handling and storage.

The purchase consideration and estimated fair value of share of net assets acquired amounted to approximately HK$91.8 million and HK$91.2 million respectively, resulting in a goodwill of approximately HK$0.6 million. The fair value of share of net assets shall be adjusted based on the audited net assets of Zhaoqing New Port Co., Ltd. for the year ended 31st December 2008. The goodwill can be attributable to the anticipated profitability of the business acquired. The transaction will be completed in 2009.

The Group disclosed in the circular dated 2nd January 2009 that the investment will be equity accounted for as an associate. Due to the subsequent amendments to the articles of association, the Group's rights to the investment have been changed, and it can exercise control over the financing and operating decisions of Zhaoqing New Port Co., Ltd.. Therefore Zhaoqing New Port Co., Ltd. should be accounted for as a subsidiary upon completion of the acquisition.

(b) On 9th January 2009, the Group entered into an agreement on auction sale with the auction companies to acquire the liquidated assets (mainly consisting of land use rights, buildings, machineries and office equipment) in Mafang Port in the Sihui County, the PRC, at the consideration of RMB76 million (equivalent to approximately HK$86.36 million) following a successful bid at the auction on the same day in the PRC. A new company will be established in the PRC by the Group for the purpose of owning and development of the liquidated assets.

(c) The Group obtained the remaining 25% voting power in Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. with effect from 1st January 2009 and consequently, this company has become a subsidiary of the Company from then onwards.



REPORT OF THE DIRECTORS

growth
based on
our Experiences

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and jointly controlled entities are set out in notes 10 and 11 to the financial statements respectively. There were no significant changes in the principal activities of the Group during the year.

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

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31st December 2008 is set out on page 42 of the annual report. An interim dividend of HK2 cents per ordinary share was declared during the year, totalling HK$18,000,000, which was paid on 31st October 2008. The Directors have proposed a final dividend of HK3 cents per ordinary share for the year, totaling HK$27,000,000 to shareholders on the register of members on 1st June 2009.

(Back row from left to right) : Mr. Huang Shuping (Executive Director), Mr. Yang Bangming (Managing Director), Mr. Zhang Daowu (Executive Director)
(Front row from left to right) : Ms. Yau Lai Man (Independent Non-executive Director), Mr. Chan Kay-cheung (Independent Non-executive Director), Mr. Hua Honglin (Chairman), Mr. Choi Kim-Lui (Independent Non-executive Director)

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years is set out on pages 104 and 105 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movement in the property, plant and equipment and investment properties of the Company and the Group are set out in notes 6 and 7 to the financial statements respectively.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year are set out in note 16 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 17 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December 2008, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK$61,576,000 of which HK$27,000,000 has been proposed as final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors:

Mr. Hua Honglin
Mr. Yang Bangming
(appointed on 14th October 2008)
Mr. Zhang Daowu
(appointed on 14th October 2008)
Mr. Yang Rixiang
(resigned on 14th October 2008)
Mr. Huang Shuping

Independent non-executive directors:

Mr. Chan Kay-cheung
Mr. Choi Kim-Lui
Ms. Yau Lai Man

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive Directors

Mr. Hua Honglin, aged 41, appointed as executive director the Company since April 2006, and chairman of the board of directors of the Company since May 2006. He is responsible for strategic planning, decision making on important matters and management of senior executives of the Group. He is a certified senior economist and accountant in the PRC. He obtained a doctoral degree in management from Sun Yat-sen University in 2008, and worked for Guangdong Province Navigation Holdings Co., Ltd. ("GPNHCL"), CKS and its subsidiaries. He is also the director and vice general manager of Chu Kong Shipping Enterprises (Holdings) Co., Ltd. ("CKSE") and has over 18 years of experience in shipping and corporate governance. Mr. Hua is currently Guangdong Province Diligence and Strategy Advisory Expert and vice chairman of Guangdong Shipowners Association.

Mr. Yang Bangming, aged 43, appointed as managing director of the Company on 14th October 2008. He is responsible for managing the main businesses of the Group and organising executive directors to formulate corporate development strategies. He graduated as a Bachelor of Accounting at the Shanghai Maritime University (formerly Shanghai Maritime College) in 1988. He is a certified senior accountant in the PRC. He worked in GPNHCL and its subsidiaries. He is also the director and vice general manager of CKSE and has more than 20 years of experience in shipping and corporate management.

Mr. Zhang Daowu, aged 41, appointed as executive director of the Company on 14th October 2008. He joined CKS after graduated as a Bachelor of International Navigation at the Shanghai Maritime University (formerly Shanghai Maritime College) in 1990. He had worked for GPNHCL, CKSE and its various subsidiaries. He is also the director and vice general manager of CKSE and has over 19 years of experience in shipping and corporate management.

Mr. Yang Rixiang, aged 45, had been managing director of the Company since May 2006 and resigned on 14th October 2008. He was responsible for managing the main businesses of the Group and organising executive directors to formulate corporate development strategies. He joined CKS after his studies of postgraduate from Guangdong University of Foreign Studies in 1989. He holds a bachelor degree of economics. He worked at various subsidiaries of CKS, holding the positions as manager and general manager subsequently. Mr. Yang is a qualified economist in the PRC and has over 19 years of experience in corporate management.

REPORT OF THE DIRECTORS

Mr. Huang Shuping, aged 44, appointed as executive director of the Company since 1st November 2006. He graduated from Nanjing College of Navigation Engineering, majoring in port sea routes. He also acquired a diploma as master of economics from Guangdong Academy of Social Sciences. Mr. Huang also holds qualification certificates of marine works engineer and economist. He is also the director and vice general manager of CKSE and he has over 24 years of experience in transportation.

Independent Non-executive Directors

Mr. Chan Kay-cheung, *FHKIB*. aged 62. Mr. Chan is currently the vice chairman of The Bank of East Asia (China) Limited. Mr. Chan was an executive director and deputy chief executive of The Bank of East Asia, Limited. He joined the Bank in 1965 and possesses extensive knowledge and experience in the banking industry. Mr. Chan is a fellow member of the Hong Kong Institute of Bankers, advisory committee member on the Quality Migrant Admission Scheme of the Hong Kong Immigration Department and an international senior economic consultant of The People's Government of Shaanxi Province. He is also an independent non-executive director of Four Seas Food Investment Holdings Limited, China Electronics Corporation Holdings Company Limited and China Central Properties Limited. Mr. Chan was appointed independent non-executive director of the Company in April 1998.

Mr. Choi Kim-Lui, aged 61, was appointed as independent non-executive director of the Company on 8th September 2004. Mr. Choi graduated as a bachelor of social science at the University of Hong Kong in 1972 and worked as a social worker in his early career years. In 1983, he joined as the executive director for the newly established Transward Limited and New Moonraker Motor Boat Company Limited to develop motor boat, tug boat, lighter and midstream operation services. Since then, he has actively participated in the trade associations of motor boats and lighters and has served as a member in the Marine Department's Port Operation Committee, Provisional Local Vessels Advisory Committee, Immigration Department's Users' Committee, Vocational Training Council's Maritime Services Training Board and Logistics Council's S-Logistics Project Group. He was appointed by the government of Hong Kong Special Administrative Region as a Non-Official Justice of Peace in 2002.

Ms. Yau Lai Man, aged 45, was appointed as independent non-executive director on 1st January 2005. Ms. Yau graduated from The University of Warwick in the United Kingdom with a master degree in business administration. She is a Certified Public Accountant (Practicing) in Hong Kong and is a fellow of The Association of Chartered Certified Accountants in the United Kingdom. She has over 18 years auditing and commercial experiences. Ms. Yau presently is the financial controller of Essex Bio-Technology Limited listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Senior Management

Mr. Zhou Xiong, aged 39, appointed as deputy general manager of the Company since October 2008. He joined CKS in 1992. He worked in CKTL, Chu Kong (Guangdong) International Freight Forwarding Co., Ltd., Chu Kong Cargo Terminals (Gaoming) Co., Ltd., and Chu Kong Shipping Enterprises (Holdings) Co., Ltd.. Mr. Zhou graduated from Shanghai Maritime University (formerly Shanghai Maritime College) with a bachelor degree of international navigation. He also obtained a MBA from Sun Yat-sen University. Currently, he is studying a master degree programme in supply chain management at the Hong Kong Polytechnic University. Mr. Zhou has over 17 years of experience in corporate management and marketing.

Mr. Hu Jun, aged 36, appointed as deputy general manager of the Company since October 2008. He joined CKS in 1992. Prior to that, he had worked for Waibert Steam Ship Co., Ltd., CKTL, Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. and Chu Kong Agency Company Limited ("CKA"). Mr. Hu graduated from University of South Australia with a Master degree

REPORT OF THE DIRECTORS

in Business Administration. He is also a committee member of the local craft consulting committee in the Hong Kong Marine Department, chief representative of the Guangdong Shipowners Association, Hong Kong branch. He has over 17 years of experience in shipping management and marketing.

Mr. Chen Yu, aged 42, appointed as deputy general manager of the Company since October 2008. He joined CKS in 1991 and had worked for Waibert Stream Ship Co., Ltd, Heshan County Hekong Association Forwarding Co., Ltd. and CKTL. Mr. Chen graduated from Shanghai Maritime University (formerly Shanghai Maritime College) with a bachelor degree of international shipping. Mr. Chen has over 18 years of experience in river trade transport and marketing.

Mr. Lu Xin, aged 42, appointed as financial controller of the Company since September 2005 and is responsible for the Group's financial management and control. He graduated from Shanghai Maritime University (formerly Shanghai Maritime College) in 1989 with a bachelor degree of economics and obtained a postgraduate degree of accounting from the Sun Yat-sen University in 2002. He joined CKS in 1989 and acted as the financial manager of the Company during the period from 1996 to 1999. Mr. Lu is also a qualified accountant in the PRC. He has over 19 years of experience in accounting and financial management.

Ms. Cheung Mei Ki, **Maggie**, aged 42, appointed as senior assurance manager of the Company since 2008 and is responsible for overseeing the Group in connection with its internal control and financial reporting procedures etc.. Before joining the Company, she had held position in Hong Kong Air Cargo Terminals Limited. Ms. Cheung graduated from The University of Strathclyde, (the United Kingdom), with a master degree in business administration. She is a Certified Public Accountant in Hong Kong and is a fellow of The Association of Chartered Certified Accountants in the United Kingdom. She has over 23 years accounting and financial management experiences.

Mr. Liu Wuwei, aged 37, appointed as director and deputy general manager of CKTL. He joined CKS in 1992 and had worked for Chu Kong (Guangdong) International Freight Forwarding Co., Ltd., Chu Kong Air-Sea Union Transportation Company Limited, Chu Kong Cargo Terminals (Beicun) Co., Ltd. and CKTL. Mr. Liu graduated from University of South Australia with a Master degree in Business Administration. He is also a qualified economist in the PRC. He has over 17 years of experience in river trade cargo shipping, river trade terminal operation management and marketing.

Mr. Zeng Jiwei, aged 51, appointed as director and deputy general manager of CKA since October 2008. He joined CKS in 2002. He worked in Heshan County Hekong Association Forwarding Co., Ltd. and CKA. Mr. Zeng graduated from Shanghai Maritime University (formerly Shanghai Maritime College) and is a qualified economist in the PRC. He has over 28 years of experience in river trade terminal operation and shipping operational management.

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REPORT OF THE DIRECTORS

SHARE OPTIONS

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

On 10th May 2002, the share option scheme adopted on 7th May 1997 (the "1997 Scheme") ceased to operate.

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

The maximum number of unexercised share options currently permitted to be granted is an amount equivalent, upon their exercise, to 10% of the Company's shares in issue at any time. At 31st December 2008, no ordinary shares were issuable under share options granted under the 2002 Scheme (2007: nil). The maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

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

As at 31st December 2008, no share options are outstanding.

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

At 31st December 2008, 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 Part XV 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.

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

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors and executives of the Company (including their spouses and

REPORT OF THE DIRECTORS

children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

DIRECTORS' INTERESTS IN CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31st December 2008, as recorded in the register required to be kept under Section 336 of the SFO, the following shareholders have 5% or more of the Company's share capital:

Ordinary shares of HK$0.1 each in the Company	Number of shares
(i) CKSE	617,282,000
(ii) GPNHCL	617,282,000

CKSE is wholly owned by GPNHCL. Accordingly, the interests disclosed by shareholders (i) and (ii) above are in respect of the same shareholding. Save as disclosed above, as at 31st December 2008, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Name of entity	Percentage of interests held by CKSE
Zhuhai Zhu Chuan Container Terminals (Doumen) Co., Ltd.	100%
Shunde Container Terminal Co., Ltd.	16.5%
Zhongshan Port Goods Transportation United Co., Ltd.	25%
Pankong Cargo Transportation Co., Ltd.	25%

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

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED TRANSACTIONS

Details of connected transactions with parent company, immediate holding company, fellow subsidiaries and related entities are as follows:

(1) CKSE Warehouse Leasing Agreement

On 30th November 2006, Chu Kong Godown Wharf & Transportation Company Limited, a direct wholly-owned subsidiary of the Company, as a lessee entered into a leasing agreement (the "CKSE Warehouse Leasing

REPORT OF THE DIRECTORS

Agreement) with CKSE, the immediate holding company of the Company, as lessor in respect of the leasing of premises situated at Tuen Mun Town Lot No. 316 (No. 96 Ho Yeung Street, Tuen Mun, the New Territories, Hong Kong).

The term of CKSE Warehouse Leasing Agreement was three years from 1st January 2007 to 31st December 2009 at an annual consideration of HK$5,000,000. The consideration was based on arm-length negotiations between the parties involved with reference to the current market rental rate of similar premises in Tuen Mun.

(2) CKPT Services Agreement

On 30th November 2006, Chu Kong Agency Company Limited, a direct wholly-owned subsidiary of the Company, as a service provider entered into a services agreement (the "CKPT Services Agreement") with Chu Kong Passenger Transport Company Limited ("CKPT"), a wholly-owned subsidiary of CKSE, as a service recipient in respect of provision of (a) custom duty declaration and clearance services for passenger ships of CKPT in Pearl River Delta Region and Hong Kong; and (b) berthing and dispatching services for passenger ships of CKPT in Hong Kong.

The term of the CKPT Services Agreement was three years from 1st January 2007 to 31st December 2009 at an annual consideration of HK$2,400,000. The consideration was based on historical transactions amounts of HK$2,400,000 per annum and arm-length negotiations between the parties involved with reference to the cost of the above services.

(3) Doumen Cargo Handling Agreement

On 30th November 2006, the Company, on behalf of the Group, as a service provider entered into a services agreement (the "Doumen Cargo Handling Agreement") with Chu Kong Shipping Container Terminal (ZhuHai Doumen) Company Limited ("Doumen Terminal"), a wholly-owned subsidiary of CKSE, as a service recipient in respect of provision of container hauling and trucking in Hong Kong and wharf cargo handling services at the Marine Cargo Terminal.

The term of the Doumen Cargo Handling Agreement was three years from 1st January 2007 to 31st December 2009 at the rates based on arm-length negotiations between the parties involved on each occasion with reference to the prevailing market rate. The annual caps of the Doumen Cargo Handling Agreement for the years ended 31st December 2007, 2008 and 2009 are HK$1,300,000, HK$1,700,000 and HK$2,300,000 respectively. There was no aforesaid transaction for the year ended 31st December 2008.

(4) PCTCL Vessels Leasing Agreement

On 1st August 2008, the Company, on behalf of the Group, as a lessor entered into a vessels leasing agreement (the "PCTCL Vessels Leasing Agreement") with Guangzhou County Panyu Lianhuashan Pankong Cargo Transportation Company Limited ("PCTCL"), a related entity which is 25% owned by CKSE and 15% indirectly owned by GPNHCL, as a lessee in respect of leasing its cargo vessels.

The term of the PCTCL Vessels Leasing Agreement was one year and five months from 1st August 2008 to 31st December 2009 at the rates based on the carrying capacity and the number of years of usage of each cargo vessel and the number of cargo vessels plus related expenses for operating the cargo vessels which were determined on arms-length negotiations between the two parties with reference to the prevailing market rental

REPORT OF THE DIRECTORS

rate of cargo vessels. The annual caps of the PCTCL Vessels Leasing Agreement for the years ended 31st December 2008 and 2009 are HK$1,100,000 and HK$4,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2008 was HK$765,000.

(5) PCTCL Services Agreement

On 1st August 2008, PCTCL, a related entity which is 25% owned by CKSE and 15% indirectly owned by GPNHCL, as a service provider entered into a services agreement (the "PCTCL Services Agreement") with the Company, on behalf of the Group, as a service recipient in respect of provision of (a) shipping transportation services between Panyu and Hong Kong; and (b) the related services of wharf cargo handling and overland hauling as the request of the Company.

The term of the PCTCL Services Agreement was one year and five months from 1st August 2008 to 31st December 2009 at the rates based on the number of cargo while the fees for the provision of wharf cargo handling and overland hauling were based on the weight of each cargo which were determined on arms-length negotiations between the two parties with reference to the prevailing market rate. The annual caps of the PCTCL Services Agreement for the years ended 31st December 2008 and 2009 are HK$2,500,000 and HK$10,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2008 was HK$28,000.

(6) Mayer Shipping Services Agreement

On 1st August 2008, Mayer Shipping (Hong Kong) Limited, an indirect wholly-owned subsidiary of GPNHCL, as a service provider entered into a services agreement (the "Mayer Shipping Services Agreement") with the Company, on behalf of the Group, as a service recipient in respect of provision of non-scheduled vessel space or charter vessels to the Group for transportation of cargo vessels of the Group between the PRC and Hong Kong.

The term of the Mayer Shipping Services Agreement was one year and five months from 1st August 2008 to 31st December 2009 at the rates based on the cargo space and the destination of transportation which were determined on arms-length negotiations between the two parties with reference to the prevailing market rate. The annual caps of the Mayer Shipping Services Agreement for the years ended 31st December 2008 and 2009 are HK$3,600,000 and HK$9,200,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2008 was HK$1,165,000.

(7) CKIFF Agency Agreement

On 30th November 2006, Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. ("CKIFF"), a related entity which is 75% and 25% owned by the Group and GPNHCL respectively, as a service provider entered into a services agreement (the "CKIFF Agency Agreement") with CKTL, a direct wholly-owned subsidiary of the Company, as a service recipient in respect of provision of (a) direct shipment of cargoes from the Pearl River Delta Region to Hong Kong or from Hong Kong to the Pearl River Delta Region; (b) transshipments from the Pearl River Delta Region to overseas destinations; and (c) cargo consolidation.

The term of the CKIFF Agency Agreement was three years from 1st January 2007 to 31st December 2009 at the rates based on arm-length negotiations between the parties involved with reference to the prevailing market rate. The annual caps of the CKIFF Agency Agreement for the years ended 31st December

REPORT OF THE DIRECTORS

2007, 2008 and 2009 are HK$23,700,000, HK$32,000,000 and HK$43,200,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2008 was HK$25,477,000.

(8) Sun Kong Petroleum Agreement

On 30th November 2006, Sun Kong Petroleum Company Limited, a wholly-owned subsidiary of CKSE, as a supplier entered into a supply agreement (the "Sun Kong Petroleum Agreement") with the Company, on behalf of the Group, as a purchaser in respect of supplying diesel and lubricants to the vessels owned or charted by the Group in Hong Kong.

The term of Sun Kong Petroleum Agreement was three years from 1st January 2007 to 31st December 2009 at the prices based on arm-length negotiations between the parties involved on each occasion with reference to the international oil price. The annual caps of the Sun Kong Petroleum Agreement for the years ended 31st December 2007, 2008 and 2009 are HK$69,300,000, HK$79,700,000 and HK$91,600,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2008 was HK$60,649,000.

(9) Zhu Chuan Vessels Leasing Agreement

On 30th November 2006, Guangdong Zhu Chuan Navigation Co., Ltd., a related entity which is 49% owned by the Group and 51% indirectly owned by GPNHCL, as a lessor entered into a leasing agreement (the "Zhu Chuan Vessels Leasing Agreement") with the Company, on behalf of the Group, as a lessee in respect of leasing its vessels to the Group.

The term of the Zhu Chuan Vessels Leasing Agreement was three years from 1st January 2007 to 31st December 2009 at the rates based on arm-length negotiations between the parties involved on each occasion with reference to the prevailing market rental rate of vessels. The annual caps of the Guangdong Zhu Chuan Vessels Leasing Agreement for the years ended 31st December 2007, 2008 and 2009 are HK$24,500,000, HK$33,000,000 and HK$44,500,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2008 was HK$18,793,000.

(10) Doumen Vessels Leasing Agreement

On 30th November 2006, the Company, on behalf of the Group, as a lessor entered into a leasing agreement (the "Doumen Vessels Leasing Agreement") with Doumen Terminal, a wholly-owned subsidiary of CKSE, as a lessee in respect of leasing its cargo vessels.

The term of the Doumen Vessels Leasing Agreement was three years from 1st January 2007 to 31st December 2009 at the rates based on the carrying capacity and the number of years of usage of each cargo vessel and the number of cargo vessels plus related expenses for operating the cargo vessels which were determined on arm-length negotiations between the parties involved on each occasion with reference to the prevailing market rental rate of cargo vessels. The annual caps of the Doumen Vessels Leasing Agreement for the years ended 31st December 2007, 2008 and 2009 are HK$11,900,000, HK$16,000,000 and HK$21,600,000 respectively. There was no aforesaid transaction for the year ended 31st December 2008.

(11) Doumen Port Services Agreement

On 30th November 2006, Doumen Terminal, a wholly-owned subsidiary of CKSE, as a service provider entered into a services agreement (the "Doumen Port Services Agreement") with the Company, on behalf of the

REPORT OF THE DIRECTORS

Group, as a service recipient in respect of provision of shipping transportation between Doumen and Hong Kong, container hauling and trucking in the Pearl River Delta Region and wharf cargo handling services at the port of Doumen to the Group.

The term of the Doumen Port Services Agreement was three years from 1st January 2007 to 31st December 2009 at the rates based on the size of each cargo, whether each cargo is occupied or not, and the number of cargoes which were determined on arm-length negotiations between the parties involved on each occasion with reference to the prevailing market rate. The annual caps of the Doumen Port Services Agreement for the years ended 31st December 2007, 2008 and 2009 are HK$41,200,000, HK$55,600,000 and HK$75,100,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2008 was HK$23,345,000.

(12) GSPFT Shipping Services Agreement

On 30th November 2006, Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. ("GSPFT"), a related entity which is 40% owned by the Group and 50% indirectly owned by GPNHCL, as a service provider entered into a services agreement (the "GSPFT Shipping Services Agreement") with CKTL, a direct wholly-owned subsidiary of the Company, as a service recipient in respect of (a) leasing of vessels from GSPFT for the own use of CKTL; (b) provision of shipping transportation and wharf cargo handling services; and (c) leasing of an office located at 7 Gangkou Road, San Bu, Kai Ping, Guangdong.

The term of the GSPFT Shipping Services Agreement was three years from 1st January 2007 to 31st December 2009 at the rates based on arm-length negotiations between the parties involved on each occasion with reference to the prevailing market rate. The annual caps of the GSPFT Shipping Services Agreement for the years ended 31st December 2007, 2008 and 2009 are HK$4,800,000, HK$6,500,000 and HK$8,700,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2008 was HK$5,811,000.

The above items (1) to (6) were the continuing connected transaction subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement while items (7) – (12) were the continuing connected transaction subject to the reporting, announcement requirement and the independent shareholders' approval requirements which were approved by the independent shareholders at the Extraordinary General Meeting held on 10th January 2007.

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that these connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable in the interests of the shareholders of the Company as a whole; and (d) without exceeding the relevant cap amount as prescribed in the waiver granted by the Stock Exchange.

The board of directors engaged the auditor of the Company to perform certain factual finding procedures on the above continuing connected transactions (on a sample basis, if applicable) in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their factual findings on the selected samples basis to the board of directors.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

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

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

During the year, no listed securities of the Company were purchased or sold by the Company or any of its subsidiaries. The Company did not redeem any of its shares during the year.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group are set out in note 35 to the financial statements.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

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

ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retired and, being eligible, offer themselves for reappointment.

ON BEHALF OF THE BOARD

Yang Bangming
Managing Director

Hong Kong
16th April 2009

CORPORATE GOVERNANCE REPORT

comprehensive
based on
our Diversification

CORPORATE GOVERNANCE REPORT

The Company maintains a high standard of corporate governance practices to safeguard the interests of its shareholders and strives to improve and enhance the corporate governance level by establishing an internal control system and enhancing accountability and transparency.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Stock Exchange requires that starting from 1st January 2005, listed companies must comply with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules.

Since 1st January 2005, the Company has implemented the Code on Corporate Governance Practices as the principle of the Company on corporate governance, and adopted and complied with part of the recommended best practices based on the practical needs of the Company in its corporate governance. Looking forward, the Company will adopt more of the recommended best practices to further enhance the level of its corporate governance.

THE BOARD OF DIRECTORS

The board is responsible for establishing of the overall development strategy, operation and financial reporting of the Company, major acquisitions, substantial connected transactions, annual and interim results, proposed interim and final dividends, proposed appointment or re-election of directors, appointment of auditor, share issue and repurchase and other operation and financial matters relating to the Company.

Constitution of board of directors:

The board of the Company consists of four executive directors and three independent non-executive directors. The personal biographies of the directors are set out in pages 22 and 23 of the Report of the Directors. The Directors understand that they should fulfill their duties diligently in the best interest of the Company and its shareholders.

Responsibilities of the chairman and managing director:

The chairman and managing director of the Company are not performed by the same individual so as to ensure the accountability and independence of the policy making process of the Company. The chairman of the Group is responsible for leading the board of directors, building the management of the Company, organising to formulate the development strategies and capital operation of the Company. The managing director is responsible for managing the daily business operations of the Company, implementing the development strategies formulated by the board of directors, and accelerating modern logistics and information capabilities.

Directors of the Company:

The Company forms its board of directors based on the characteristics and uniqueness of its operations to ensure that each Director possesses the required experience and managerial expertise. In order to ensure the independence of the policy making process of the board and protect the interest of its shareholders, the Company appoints three qualified independent non-executive directors,

Zhongshan Port

CORPORATE GOVERNANCE REPORT

which are professionals experienced in banking, finance and navigation. The Company undertakes to give them adequate access to the information of the Company and encourage them to discuss and provide independent opinions on matters of the Company.

All independent non-executive directors and executive directors of the Company are required to retire in rotation in accordance with the Articles of Association of the Company but, being eligible, can offer themselves for re-election. According to the Code, a service term of not over nine years is one of the key factors in determining the independence of an independent non-executive director. Mr. Chan Kay-cheung has served as such independent non-executive director for over ten years, but the Company believes that Mr. Chan can independently express opinions on matters of the Company and therefore his independence is confirmed.

Directors' responsibilities for financial statements:

During each financial period, the Directors are responsible for the preparation of the financial statements that give a true and fair view of the state of affairs of the Group and of its results and cash flows during the relevant period. In preparing the financial statements for the year ended 31st December 2008, the Directors selected and applied consistently appropriate accounting policies, made careful and reasonable judgements and estimates, and prepared the financial statements on an on-going basis. The Directors are responsible for the filing of appropriate accounting records that reasonably and accurately disclose the financial position of the Company from time to time.

Board of directors meeting procedures:

The board held regular meetings during the year. The time, agenda and related documents of the board meeting will be available to the Directors at least 14 working days in advance to enable each Director to fully understand the matters to be discussed and make an informed opinion. Each Director has the right to seek independent professional advice in furtherance of his/her duties at the expense of the Company. No director has requested to seek professional advice as mentioned above during the year of 2008. In order to facilitate the exercise of power by the Directors, the Company has already arranged suitable insurance in respect of the legal action threatened against the Directors to indemnify them from the liabilities that may arise in the decision-making process of the Company.

During 2008, the attendance of the board members at the meetings of the board and its respective committees is as follows:

	Board meeting	Audit Committee	Remuneration Committee
Mr. Hua Honglin *(Chairman of board of directors)*	4/4	N/A	N/A
Mr. Yang Bangming *(Managing director, appointed on 14th October 2008)*	1/4	N/A	N/A
Mr. Zhang Daowu *(Executive director, appointed on 14th October 2008)*	1/4	N/A	N/A
Mr. Yang Rixiang *(Managing director, resigned on 14th October 2008)*	3/4	N/A	2/2
Mr. Huang Shuping	4/4	N/A	N/A
Mr. Chan Kay-cheung *(Independent non-executive director)*	4/4	2/2	2/2
Mr. Choi Kim-Lui *(Independent non-executive director)*	4/4	2/2	2/2
Ms. Yau Lai Man *(Independent non-executive director)*	4/4	2/2	2/2

Sub-committees of the board:

In order to assist the directors to perform their responsibilities, the board of directors has set up an audit committee and a remuneration committee, both are chaired by an independent non-executive director with written terms of reference which were discussed and approved by the board of the directors. The duties of the two committees are as follows:

CORPORATE GOVERNANCE REPORT

Public Cargo Working Areas

Audit Committee:

The Audit Committee was established in 2001 to review the Company's financial reporting, internal control, appointment of auditor and corporate governance issues and make recommendations to the board. The Audit Committee consists entirely of independent non-executive directors, who are experienced in finance, internal audit or banking, and are therefore capable of providing expert opinions on the financial operations of the Company.

The committee comprises:

Mr. Chan Kay-cheung –
Chairman of the committee
Mr. Choi Kim-Lui
Ms. Yau Lai Man

The Audit Committee held two meetings in 2008 with an attendance rate of 100% to review the following matters with the Company's senior management and independent auditor:

- Accounting policies adopted by the Company for preparing financial statements;
- Draft annual report, interim report and financial statements of the Company;
- Scope of audit work of external auditor;
- Independent audit results of the Company's financial statements;
- Internal recommendations issued by external auditor to the management and management's response;
- Appointment of external auditor for providing non-audit services to the Company;
- Audit fee proposal for 2008;
- Internal audit function of the Company including internal audit policy, internal audit plan and internal audit reports, covering internal control and risk management;
- Connected party transactions of the Company; and
- Terms of reference of Audit Committee.

Remuneration Committee:

The Remuneration Committee was established in 2005 and is chaired by an independent non-executive director. The Remuneration Committee met twice in 2008 and the average attendance rate is 100%. Currently, the Remuneration Committee comprises three independent non-executive directors and one executive director. The members of the Remuneration Committee are as follows:

Mr. Chan Kay-cheung –
Chairman of the committee
Mr. Choi Kim-Lui
Ms. Yau Lai Man
Mr. Yang Rixiang (Executive Director, resigned on 14th October 2008)
Mr. Yang Bangming (Executive Director, appointed on 12th February 2009)

Functions of the Remuneration Committee include:

- To determinate and review remuneration packages of directors and senior management; and
- To work out incentive schemes such as option and other proposals to the board.

Marine Cargo Terminal

CORPORATE GOVERNANCE REPORT

Executive Directors' Remuneration:

The remuneration of the executive directors of the Company mainly includes basic salary, bonus and Directors' emoluments. The Company considers various factors in determining the remuneration such as market conditions, comparable companies and time of the executive directors spent on the affairs of the Company.

Remuneration of independent non-executive directors:

The Company pays emoluments to independent non-executive directors. The Remuneration Committee will present a proposal to the board, and the board will make decisions based on market conditions.

DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules regarding the securities transactions of the Directors of the Company. The Company has had the confirmations from all directors that they have complied with the requirements of the Model Code for the year ended 31st December 2008.

The Company has also formulated written guidelines regarding the securities transactions of the employees of the Company that may expose to price-sensitive information. The requirements of the written guidelines are no less exacting than those set out in the Model Code. The Company recorded no non-compliance events during 2008.

Zhongshan Port

INTERNAL CONTROL

The board of directors is responsible for the effective internal control system of the Company and reviewing the functions of the control system through the Audit Committee. The Board authorised the senior management to implement the said internal control system. According to the guidelines of the Listing Rules, the Company appointed experienced professionals with Hong Kong certified accountant qualification to act as Senior Assurance Manager of the Company, who is responsible for overseeing the Group in connection with its internal control and financial reporting procedures. The Company has set up a task group and held meetings regularly to review the effectiveness of the relevant financial, operational and compliance controls as well as risk management procedures and to make further improvement.

In the year, the Company did the following works relating to internal control and risk management:

- Conduct risk re-assessment, namely identifying, monitoring, and managing the established and new risks relating to its business activities;
- Follow-up the established risk management procedures, and make corrections to maintain and improve such procedures through controlling and monitoring those risks identified;
- Strengthen the risk management of accounts receivable and cashflow, in particular, the accounts receivable of its group companies, review and approval of customers' facilities, and review of cash management.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the financial year ended 31st December 2008, the Company paid the auditor of the Company the following fees for audit and non-audit services:

	2008	2007
	HK'000	HK'000
Audit Services	**1,843**	1,828
Non-audit Services	**679**	576

RELATIONS WITH SHAREHOLDERS

The Company guarantees the shareholders' right to know, and communicate actively with shareholders. The Company will report by circular to shareholders any information required to inform the shareholders in accordance with the articles of association of the Company and the Listing Rules. After the Stock Exchange cancelled the mandatory requirement of disclosing company results in Chinese and English newspapers and switched to the HKEXnews System for company result disclosure, the Company has adopted the new standard and disclosed its company results on the HKEXnews system as scheduled.

Chu Kong Agency Company Limited

The Company's Website, www.cksd.com, is an important channel of the Company for information disclosure.

Annual general meeting is important occasions for direct dialogues between directors, senior executives and shareholders, and the Company attaches great importance to annual general meeting. All Directors (including independent non-executive directors) and senior executives will try to attend the meetings, listen to shareholders' proposals in person, and answer questions raised by shareholders concerning the development strategies and operations of the Company. The Company welcomes shareholders to attend annual general meetings in person and express their opinions to the Directors and management.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company regards investor relations of utmost importance. The Company discloses relevant information timely under the guidelines of the Listing Rules.

In 2008, the Company frequently met with fund managers and investment bank analysts and responded swiftly to the queries of the small and medium investors. The Company discloses its operational data on its website on a monthly basis to provide reference for the investors.

Qingyuan Port

COMPLIANCE WITH LISTING RULES

The Directors of the Company were not aware of any information which could reasonably point out that the Company did not comply with the requirements of the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the year ended 31st December 2008.

There were no amendments to the Articles of Association in 2008.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Chu Kong Shipping Development Company Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 40 to 103, which comprise the consolidated and company balance sheets as at 31st December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16th April 2009

CONSOLIDATED BALANCE SHEET

As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	348,619	254,256
Investment properties	7	4,609	4,713
Leasehold land and land use rights	8	343,436	328,756
Intangible asset – goodwill	9	18,438	17,484
Jointly controlled entities	11	368,139	407,803
Deferred income tax assets	12	336	487
		1,083,577	1,013,499
Current assets			
Trade and other receivables	13	260,242	226,536
Derivative financial instruments	14	1,536	–
Cash and bank balances	15	652,251	672,643
		914,029	899,179
Total assets		1,997,606	1,912,678
EQUITY			
Share capital	16	90,000	90,000
Reserves	17	1,628,904	1,522,549
Final dividend proposed	17	27,000	36,000
		1,745,904	1,648,549
Minority interests		9,615	2,165
Total equity		1,755,519	1,650,714
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	12,488	5,392
Current liabilities			
Trade and other payables	18	224,776	252,781
Income tax payables		4,823	3,791
		229,599	256,572
Total liabilities		242,087	261,964
Total equity and liabilities		1,997,606	1,912,678
Net current assets		684,430	642,607
Total assets less current liabilities		1,768,007	1,656,106

On behalf of the board

Director *Director*

BALANCE SHEET

As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,776	4,351
Investment properties	7	19,094	19,524
Leasehold land	8	26,316	26,346
Subsidiaries	10	398,899	410,041
Jointly controlled entities	11	48,216	47,366
		496,301	507,628
Current assets			
Other receivables	13	438,805	228,611
Cash and bank balances	15	365,449	534,827
		804,254	763,438
Total assets		1,300,555	1,271,066
EQUITY			
Share capital	16	90,000	90,000
Reserves	17	822,338	903,778
Final dividend proposed	17	27,000	36,000
Total equity		939,338	1,029,778
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	469	502
Current liabilities			
Other payables	18	360,748	240,786
Total liabilities		361,217	241,288
Total equity and liabilities		1,300,555	1,271,066

On behalf of the board

Director *Director*

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	5	943,325	870,711
Cost of services rendered	21	(808,863)	(748,188)
Gross profit		134,462	122,523
Other income	19	9,847	12,169
Other gains – net	20	24,286	25,238
General and administrative expenses	21	(113,981)	(104,097)
Operating profit		54,614	55,833
Finance income	22	13,560	21,741
Share of profits less losses of jointly controlled entities	23	63,150	75,654
Profit before income tax		131,324	153,228
Income tax expense	24	(14,934)	(10,342)
Profit for the year		116,390	142,886
Attributable to:			
Equity holders	25	116,632	143,080
Minority interests		(242)	(194)
		116,390	142,886
Dividends	26	45,000	54,000
Earnings per share (HK cents)			
Basic and diluted	27	12.96	17.08

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2008

	Share capital HK$'000	Reserves HK$'000	Equity holders HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January 2008	90,000	1,558,549	1,648,549	2,165	1,650,714
Profit/(loss) for the year	–	116,632	116,632	(242)	116,390
Income/(expenses) recognised directly in equity					
– currency translation differences	–	32,944	32,944	(245)	32,699
Total recognised income/(expenses)	–	149,576	149,576	(487)	149,089
Acquisition of additional interest					
in a subsidiary (note 34)	–	1,779	1,779	–	1,779
Capital contribution by a minority shareholder	–	–	–	7,937	7,937
2007 final dividend	–	(36,000)	(36,000)	–	(36,000)
2008 interim dividend	–	(18,000)	(18,000)	–	(18,000)
At 31st December 2008	90,000	1,655,904	1,745,904	9,615	1,755,519
At 1st January 2007	75,000	1,136,834	1,211,834	2,202	1,214,036
Profit/(loss) for the year	–	143,080	143,080	(194)	142,886
Income recognised directly in equity					
– currency translation differences	–	35,558	35,558	157	35,715
Total recognised income/(expenses)	–	178,638	178,638	(37)	178,601
Issue of new shares, net of					
share issuing expenses	15,000	298,577	313,577	–	313,577
2006 final dividend	–	(37,500)	(37,500)	–	(37,500)
2007 interim dividends	–	(18,000)	(18,000)	–	(18,000)
At 31st December 2007	90,000	1,558,549	1,648,549	2,165	1,650,714

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	30	71,623	74,333
Hong Kong profits tax paid		(6,080)	(5,923)
PRC income tax paid		(1,954)	(1,588)
Net cash generated from operating activities		63,589	66,822
Cash flows from investing activities			
Purchase of property, plant and equipment		(92,244)	(82,302)
Purchase of leasehold land and land use rights		(11,465)	(22,116)
Deposit for purchase of land use rights (note 13 (d))		(31,900)	–
Proceeds from disposal of property, plant and equipment		2,832	366
Acquisition of additional interest in a subsidiary (note 34)		(4,351)	–
Acquisition of a subsidiary (note 13(d))		(27,000)	–
Investments in jointly controlled entities		(13,680)	(8,554)
Loans advanced to jointly controlled entities		–	(13,894)
Repayments of loans from jointly controlled entities		18,410	6,230
Dividends received from jointly controlled entities		121,018	76,061
Increase in amount due from a jointly controlled entity (note 13 (b))		(29,529)	–
Interest received		13,560	21,741
Net cash used in investing activities		(54,349)	(22,468)
Cash flows from financing activities			
Dividends paid		(54,000)	(55,500)
Capital contribution by a minority shareholder		7,937	–
Issue of new shares		–	322,500
Share issuing expenses		–	(8,923)
Net cash (used in)/ generated from financing activities		(46,063)	258,077
Net (decrease)/increase in cash and bank balances		(36,823)	302,431
Cash and bank balances at the beginning of the year		672,643	348,991
Effect of exchange rate changes		16,431	21,221
Cash and bank balances at the end of the year	15	652,251	672,643

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Chu Kong Shipping Development Company Limited (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 and its subsidiaries (collectively 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 listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These financial statements have been approved for issue by the board of directors of the Company on 16th April 2009.

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 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments, which are carried at fair values.

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.

The following new standards, interpretations and amendments to existing standards are mandatory for the financial year ended 31st December 2008:

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HKAS 39 and HKFRS 7 Amendments	Reclassification of Financial Assets

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

The following new/revised standards, interpretations and amendments to existing standards which are relevant to the Group's operations, have been issued but are not effective for 2008 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1st January 2009
HKAS 23 (Revised)	Borrowing Costs	1st January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation	1st January 2009
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1st July 2009
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	1st July 2009
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1st January 2009
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations	1st January 2009
HKFRS 3 (Revised)	Business Combinations	1st July 2009
HKFRS 7 Amendment	Improving Disclosures about Financial Instruments	1st January 2009
HKFRS 8	Operating Segments	1st January 2009
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1st July 2008
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	1st January 2009
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	1st October 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1st July 2009
HK(IFRIC)-Int 18	Transfer of Assets from Customers	1st July 2009

		Effective for accounting periods ending on or after
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Embedded Derivatives	30th June 2009

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

In October 2008, the HKICPA has published Improvements to HKFRS which sets out amendments to a number of HKFRS. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1st July 2009, other amendments are effective for annual periods beginning on or after 1st January 2009.

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

(b) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Consolidation (Continued)

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, other than the common control combinations (note 2(b)). 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 consolidated 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 accounting 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.

(d) 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.

(e) Jointly controlled entities

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

Jointly controlled entities are accounted for in the consolidated financial statements using equity method of accounting and are initially recognised at cost. The Group's interests in the jointly controlled entities include goodwill (net of any accumulated impairment losses) 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 losses 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)

(e) 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 accounting 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.

(f) 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 subsidiary or jointly controlled entity acquired 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 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. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill is 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.

(g) 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, 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 year end exchange rate are recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currency translation (Continued)

(iii) Group companies

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

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

– income and expenses for each consolidated income statement are translated at average exchange rates; 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 Group's total equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

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

(h) 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.

(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 costs are expensed in the consolidated income statement during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (Continued)

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

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

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

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.

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

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 in the consolidated income statement.

(i) 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 financial statements.

Investment property is situated on leasehold land and is carried at historical cost, including related transaction costs, less accumulated 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 consolidated income statement during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) Impairment of assets

Assets that have an indefinite useful life and are not subject to depreciation or amortisation are tested for impairment annually and/or 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.

(l) Derivative financial instruments

Derivatives financial instruments which do not qualify for hedge accounting are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognised in the consolidated income statement.

(m) 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. 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 original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

(n) Cash and cash equivalents

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

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Trade payables

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

(q) Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax. Income tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the income tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

(r) 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 contributions to defined contribution schemes 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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 consolidated 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.

(s) Revenue/income recognition

Revenue comprises the fair value of the consideration for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and other revenue reducing factors, 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 entity 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 financial 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)

(t) 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), including upfront payment made for leasehold land and land use rights, are charged in the consolidated income statement on a straight-line basis over the period of the lease.

(u) 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.

(v) 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.

(w) 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 the 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.

(x) 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.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and 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 uses derivative financial instruments to hedge certain risk exposures.

The actual foreign exchange risk faced by the Group therefore primarily arises from non-functional currency bank balances, receivable and payable balances and derivative financial instruments.

At 31st December 2008, if Hong Kong dollar had weakened or strengthened by 5% against the Renminbi with all other variables held constant, profit after income tax for the year would have been HK$2,816,000 (2007: HK$6,356,000) higher or lower, mainly as a result of foreign exchange gains on translation of bank balances, receivable and payable balances denominated in Renminbi.

At 31st December 2008, if Hong Kong dollar had weakened or strengthened by 5% against the United States dollar with all other variables held constant, profit after income tax for the year would have been HK$3,158,000 (2007: HK$161,000) higher or lower, mainly as a result of foreign exchange gains on translation of bank balances, receivable and payable balances denominated in United States dollar.

At 31st December 2008, if Renminbi had weakened or strengthened by 5% against the United States dollar with all other variables held constant, profit after income tax for the year would have been HK$1,429,000 (2007: not applicable) higher or lower, mainly as a result of change in fair value gain on derivative financial instruments denominated in United States dollar.

(ii) Credit risk

The carrying amounts of cash and bank balances, derivative financial instruments, trade and other receivables and loans and amounts due by to jointly controlled entities represent the Group's maximum exposure to credit risk in relation to financial assets.

For financial institutions, only independently rated parties with good rating are accepted and a substantial portion of the Group's derivative financial instruments and bank balances and deposits were placed with state owned banks.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

There is no concentration of credit risk with respect to trade and other receivables as the Group has a large number of customers which are internationally dispersed. No individual third party customers accounted for more than 10% of the Group's revenue. The Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and generally does not require collateral on trade receivables.

With respect to the loans to and amounts due by jointly controlled entities, the Group monitors the credibility of jointly controlled entities continuously.

The Group has policies in place to ensure that provision of services is made to customers with an appropriate credit history.

No other financial assets carry a significant exposure to credit risk.

(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 maintaining available committed credit lines.

As at 31st December 2007 and 2008, the Group's and the Company's financial liabilities will be settled within one year based on the remaining period at the balance sheet date to the contractual maturity dates. Amounts due within twelve months equal their carrying amounts, as the impact of discounting is not significant.

(iv) Interest rate risk

The Group's loans to jointly controlled entities and bank balances bear interest at floating 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.

At 31st December 2008, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$2,469,000 (2007: HK$2,305,000) higher or lower, main as a result of higher/lower interest income from loans to jointly controlled entities and bank deposits.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise debt.

With zero gearing ratio, the principal source of capital of the Group has been and is expected to be cash flows from operations.

(c) Fair value estimation

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

The fair value of forward foreign exchange contracts is determined using the quoted forward exchange rates at the balance sheet date.

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) Income taxes

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

(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 2008 and the estimated pre-tax discount rate applied to the discounted cash flows at 31st December 2008 had been 10% lower than management's estimates at 31st December 2008 respectively, there would have been no impairment of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Depreciation of property, plant and equipment

Management determines the estimated residual values and useful lives for the related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of machinery and equipment of similar nature and functions. Management will revise the depreciation charge where residual values and useful lives are different to previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Provision for trade and other receivables

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.

(v) Impairment of goodwill

The Group tests annually 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.

5 REVENUE AND SEGMENT INFORMATION

	2008 HK$'000	2007 HK$'000
Shipping agency, river trade cargo direct shipment and transshipment	820,544	751,554
Wharf cargo handling, cargo consolidation and godown storage	115,779	115,901
Container hauling and trucking	7,002	3,256
	943,325	870,711

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 transshipment

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

(iii) Container hauling and trucking

(iv) Expressway operation

NOTES TO THE FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 loans to jointly controlled entities, deferred income tax assets and corporate assets. Segment liabilities comprise operating liabilities and exclude income tax payables, deferred income tax liabilities and corporate liabilities. Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible asset, including additions resulting from acquisitions through business combinations.

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

Business segments

	Cargo transportation		Cargo handling and storage		Container hauling and trucking		Expressway operation		Eliminations		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Revenue:												
– external	820,544	751,554	115,779	115,901	7,002	3,256	–	–	–	–	943,325	870,711
– intersegments	27	73	68,014	70,557	51,601	55,685	–	–	(119,642)	(126,315)	–	–
Other income												
– external	1,976	5,467	6,662	5,973	195	–	–	–	–	–	8,833	11,440
– intersegments	–	–	505	505	–	–	–	–	(505)	(505)	–	–
Total	822,547	757,094	190,960	192,936	58,798	58,941	–	–	(120,147)	(126,820)	952,158	882,151
Segment results	12,334	6,929	46,595	46,113	2,649	8,324	–	–	–	–	61,578	61,366
Unallocated income											21,507	22,226
Unallocated expenses											(28,471)	(27,759)
Operating profit											54,614	55,833
Finance income											13,560	21,741
Share of profits less losses of jointly controlled entities	1,237	1,465	29,322	24,887	1,420	2,474	31,171	46,828	–	–	63,150	75,654
Profit before income tax											131,324	153,228
Income tax expense											(14,934)	(10,342)
Profit for the year											116,390	142,886

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	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Segment assets	224,445	245,475	699,925	581,152	112,906	72,064	–	–	(36,197)	(33,314)	1,001,079	865,377
Jointly controlled entities	69,675	62,621	183,524	193,051	23,424	20,819	122,374	176,053	–	–	398,997	452,544
Unallocated assets											597,530	594,757
Total assets											1,997,606	1,912,678
Segment liabilities	193,098	226,584	33,595	32,273	21,604	11,966	–	–	(36,197)	(33,314)	212,100	237,509
Unallocated liabilities											29,987	24,455
Total liabilities											242,087	261,964
Capital expenditure												
– allocated	139	6,254	85,916	83,868	35,324	14,169	–	–	–	–	121,379	104,291
– unallocated											687	127
											122,066	104,418
Depreciation and amortisation												
– allocated	4,143	4,307	20,066	18,178	2,428	1,603	–	–	–	–	26,637	24,088
– unallocated											1,311	1,308
											27,948	25,396
(Write-back)/provision for impairment of trade receivables, net	(210)	2,379	–	–	–	–	–	–	–	–	(210)	2,379

NOTES TO THE FINANCIAL STATEMENTS

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 the 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	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Hong Kong	936,254	1,169,173	24,796	16,201
Mainland China	662,355	290,961	97,270	88,217
	1,598,609	1,460,134	122,066	104,418
Jointly controlled entities	398,997	452,544		
	1,997,606	1,912,678		

NOTES TO THE FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings on leasehold land HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Containers HK$'000	Vessels and barges HK$'000	Total HK$'000
Cost									
At 1st January 2008	177,939	30,627	13,853	56,237	16,664	49,183	16,641	27,134	388,278
Exchange differences	5,176	3,922	95	1,861	189	492	–	64	11,799
Additions	1,253	75,275	144	7,800	641	7,131	–	–	92,244
Transfer	5,396	(5,396)	–	–	–	–	–	–	–
Acquisition of additional interest in a subsidiary (note 34)	10,465	–	–	3,798	638	–	–	–	14,901
Disposals/write-off	(22)	(2)	(6)	(270)	(401)	(5,437)	(129)	(2,860)	(9,127)
At 31st December 2008	200,207	104,426	14,086	69,426	17,731	51,369	16,512	24,338	498,095
Accumulated depreciation									
At 1st January 2008	27,049	–	6,650	27,694	12,319	34,097	9,448	16,765	134,022
Exchange differences	837	–	57	453	143	111	–	9	1,610
Charge for the year	6,386	–	2,512	4,018	1,552	2,540	2,542	805	20,355
Disposals/write-off	(12)	–	(6)	(275)	(372)	(5,283)	(119)	(444)	(6,511)
At 31st December 2008	34,260	–	9,213	31,890	13,642	31,465	11,871	17,135	149,476
Net book value									
At 31st December 2008	165,947	104,426	4,873	37,536	4,089	19,904	4,641	7,203	348,619

Depreciation of HK$13,745,000 (2007:HK$11,364,000) and HK$6,610,000 (2007:HK$6,698,000) have been included in cost of services rendered and general and administrative expenses respectively.

NOTES TO THE FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)

	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 2007	147,438	3,620	11,722	46,314	16,864	38,977	11,226	25,139	301,300
Exchange differences	5,261	246	122	1,124	220	372	–	60	7,405
Additions	25,240	27,106	1,731	9,333	313	11,198	5,446	1,935	82,302
Transfer	–	(345)	345	–	–	–	–	–	–
Disposals/write-off	–	–	(67)	(534)	(733)	(1,364)	(31)	–	(2,729)
At 31st December 2007	177,939	30,627	13,853	56,237	16,664	49,183	16,641	27,134	388,278
Accumulated depreciation									
At 1st January 2007	21,249	–	4,239	24,306	10,840	33,550	7,088	15,825	117,097
Exchange differences	783	–	50	417	143	93	–	24	1,510
Charge for the year	5,017	–	2,422	3,505	2,024	1,790	2,388	916	18,062
Disposals/write-off	–	–	(61)	(534)	(688)	(1,336)	(28)	–	(2,647)
At 31st December 2007	27,049	–	6,650	27,694	12,319	34,097	9,448	16,765	134,022
Net book value									
At 31st December 2007	150,890	30,627	7,203	28,543	4,345	15,086	7,193	10,369	254,256

NOTES TO THE FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Buildings on leasehold land HK$'000	Construction in progress HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1st January 2008	2,633	–	2,307	2,090	3,121	10,151
Exchange differences	–	–	–	22	59	81
Additions	–	237	–	4	–	241
At 31st December 2008	2,633	237	2,307	2,116	3,180	10,473
Accumulated depreciation						
At 1st January 2008	257	–	1,569	1,756	2,218	5,800
Exchange differences	–	–	–	21	43	64
Charge for the year	52	–	462	117	202	833
At 31st December 2008	309	–	2,031	1,894	2,463	6,697
Net book value						
At 31st December 2008	2,324	237	276	222	717	3,776
Cost						
At 1st January 2007	2,633	–	2,210	2,033	3,046	9,922
Exchange differences	–	–	–	27	75	102
Additions	–	–	97	30	–	127
At 31st December 2007	2,633	–	2,307	2,090	3,121	10,151
Accumulated depreciation						
At 1st January 2007	204	–	1,122	1,628	1,990	4,944
Exchange differences	–	–	–	15	35	50
Charge for the year	53	–	447	113	193	806
At 31st December 2007	257	–	1,569	1,756	2,218	5,800
Net book value						
At 31st December 2007	2,376	–	738	334	903	4,351

NOTES TO THE FINANCIAL STATEMENTS

7 INVESTMENT PROPERTIES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Cost				
At 1st January and at 31st December	**5,192**	5,192	**21,506**	21,506
Accumulated depreciation				
At 1st January	**479**	375	**1,982**	1,552
Charge for the year	**104**	104	**430**	430
At 31st December	**583**	479	**2,412**	1,982
Net book value				
At 31st December	**4,609**	4,713	**19,094**	19,524

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 were HK$8,050,000 (2007: HK$7,240,000) and HK$33,190,000 (2007: HK$29,860,000) respectively by reference to a professional valuation conducted by an independent valuer on an open market value basis.

The Company's investment properties of carrying amount of HK$14,485,000 (2007: HK$14,811,000) (valuation of HK$25,140,000 (2007: HK$22,620,000)) 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	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Hong Kong				
Leases of over 50 years	**26,316**	26,346	**26,316**	26,346
Leases of between 10 and 50 years	**169,037**	173,445	**–**	–
	195,353	199,791	**26,316**	26,346
Mainland China				
Leases of between 10 and 50 years	**148,083**	128,965	**–**	–
	343,436	328,756	**26,316**	26,346
At 1st January	**328,756**	306,308	**26,346**	26,376
Exchange differences	**7,248**	7,562	**–**	–
Additions	**11,465**	22,116	**–**	–
Acquisition of additional interest in a subsidiary (note 34)	**3,456**	–	**–**	–
Amortisation	**(7,489)**	(7,230)	**(30)**	(30)
At 31st December	**343,436**	328,756	**26,316**	26,346

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	
	2008 HK$'000	2007 HK$'000
At 1st January	**17,484**	16,304
Exchange differences	**954**	1,180
At 31st December	**18,438**	17,484

Goodwill arose from the acquisition of a subsidiary, Chu Kong Cargo Terminals (Gaoming) Co., Ltd., in 2004.

NOTES TO THE FINANCIAL STATEMENTS

9 INTANGIBLE ASSET – GOODWILL (CONTINUED)

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 2008 which are extrapolated using the key assumptions stated below.

	2008	2007
Growth rates:		
Year 2008	–	2%
Years 2009 and 2010	–3%, 3%	2%
Years 2011 to 2015	10%	2%
After year 2015	3%	2%
Gross margin	55%	58%
Discount rate	10.50%	7.47%

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

10 SUBSIDIARIES

	Company	
	2008 HK$'000	2007 HK$'000
Unlisted investments, at cost	457,399	410,041
Less: Provision for impairment	(58,500)	–
	398,899	410,041

NOTES TO THE FINANCIAL STATEMENTS

10 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries as at 31st December 2008 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2008	Interest held 2007
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 Infrastructure Investment (Hong Kong) Limited	Hong Kong	Investment holding	1 ordinary share of HK$1 each	100%	N/A
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 River Trade Terminal (Hong Kong) Company Limited	Hong Kong	Investment holding	1 ordinary share of HK$1 each	100%	N/A
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transshipment and transportation in Pearl River Delta Region	100 ordinary shares of HK$1 each	100%	100%
			100,000 deferred shares of HK$1 each (note (b))	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

10 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries as at 31st December 2008 are as follows (Continued):

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2008	Interest held 2007
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%
Guangdong Zhu Chuan Logistics Services Co., Ltd.	PRC	Provision of logistics services in the PRC	RMB10,000,000	100%	100%
Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd.	PRC	Cargo transportation and consolidation in the PRC	US$3,620,000	100%	100%
Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd.	PRC	Provision of logistics services in the PRC	US$3,620,000	100%	100%
Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd.	PRC	Provision of logistics services in the PRC	US$6,000,000	100%	100%
Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd.	PRC	Cargo handling and transportation in the PRC	RMB35,068,012	80%	N/A

NOTES TO THE FINANCIAL STATEMENTS

10 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries as at 31st December 2008 are as follows (Continued):

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2008	Interest held 2007
Indirect subsidiaries					
Chu Kong International Airfreight Company Limited	Hong Kong	Freight forwarding agency 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%
Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd.	PRC	Cargo transportation in the PRC	RMB1,800,000	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	RMB43,300,000	100%	100%
Chu Kong Cargo Terminals (Kangzhou) Co., Ltd.	PRC	Cargo handling and transportation in the PRC	RMB11,200,000	100%	N/A

(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. and Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd. are sino-foreign equity joint ventures and Chu Kong Cargo Terminals (Gaoming) Co., Ltd., Guangdong Zhu Chuan Logistics Services Co., Ltd., Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd., Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd., Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. and Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. are wholly foreign owned enterprises established in the PRC. Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd is a wholly owned enterprise established in the PRC owned by a PRC company. All other subsidiaries are limited liability companies.

NOTES TO THE FINANCIAL STATEMENTS

11 JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Unlisted investments, at cost			32,666	32,666
Share of net assets	330,563	365,859		
Goodwill	22,026	18,744	–	–
Loan to a jointly controlled entity (note (c))	15,550	23,200	15,550	23,200
Less: Provision for impairment	–	–	–	(8,500)
	368,139	407,803	48,216	47,366

(a) Details of the principal jointly controlled entities as at 31st December 2008 are as follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing 2008	2007
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%
Indirect jointly controlled entities				
Chu Kong Cargo Terminals (Beicun) Co., Ltd.	PRC	Wharf cargo handling and godown storage	50%	50%
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 Terminal Co., Ltd.	PRC	Cargo transportation and consolidation	25%	25%

NOTES TO THE FINANCIAL STATEMENTS

11 JOINTLY CONTROLLED ENTITIES (CONTINUED)

(a) Details of the principal jointly controlled entities as at 31st December 2008 are as follows (Continued):

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing 2008	2007
Indirect jointly controlled entities (Continued)				
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%
Heshan County Hekong Associated Forwarding Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	50%	50%
Heshan Port Construction & Development General Company #	PRC	Investment holding	50%/60%/50%	50%/60%/50%
Heshan Shipping Company #	PRC	Vessel leasing	50%/60%/50%	50%/60%/50%
Heshan Port Storage & Transportation Company #	PRC	Cargo transportation and godown storage	50%/60%/50%	50%/60%/50%
Heshan Port Loading Co., Ltd. #	PRC	Wharf cargo handling	50%/60%/50%	50%/60%/50%
Heshan Port Declaration Company #	PRC	Custom declaration services	50%/60%/50%	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%
Chu Kong Cargo Terminals (Kangzhou) Co., Ltd.	PRC	Cargo handling and transportation	N/A	60.8%/60%/60.8%
Zhaoqing City Declaration Co., Ltd. #	PRC	Custom declaration services	40%/40%/40%	N/A

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

@ The Group obtained the remaining 25% voting power in this jointly controlled entity with effect from 1st January 2009 and accordingly, this jointly controlled entity has become a subsidiary of the Company from then onwards.

NOTES TO THE FINANCIAL STATEMENTS

11 JOINTLY CONTROLLED ENTITIES (CONTINUED)

(b) Except for Chu Kong Logistics (Singapore) Pte. Ltd., Chu Kong Air-Sea Union Transportation Company Limited and Zhaoqing City Declaration Co., Ltd, which are limited liability companies incorporated in Singapore, Hong Kong and the PRC 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.

(d) The following amounts represented the aggregate of the Group's share of the 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:

	2008 HK$'000	2007 HK$'000
Results for the year:		
Revenue	272,602	266,613
Operating expenses	(196,465)	(172,227)
Profit before income tax	76,137	94,386
Income tax expense	(12,987)	(18,732)
Profit for the year	63,150	75,654
Assets		
Non-current assets	391,976	364,922
Current assets	270,171	263,579
	662,147	628,501
Liabilities		
Non-current liabilities	86,391	51,816
Current liabilities	245,193	210,826
	331,584	262,642
Net assets	330,563	365,859

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 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS

12 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are calculated in full on temporary differences under the liability method using the tax rates enacted or substantively enacted at the balance sheet date.

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
At 1st January	4,905	4,498	502	492
Charged to consolidated income statement (note 24)	6,286	407	(33)	10
Acquisition of additional interest in a subsidiary (note 34)	961	–	–	–
At 31st December	12,152	4,905	469	502

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2008, the Group and the Company have unrecognised tax losses of HK$36,026,000 (2007: HK$23,617,000) and HK$18,351,000 (2007: HK$8,879,000) respectively to carry forward. These tax losses have no expiry dates except for the tax losses of HK$17,675,000 (2007: HK$14,738,000) of the Group will expire on various dates through 2011 (2007: 2010).

NOTES TO THE FINANCIAL STATEMENTS

12 DEFERRED INCOME TAX (CONTINUED)

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Deferred income tax assets				
– Tax losses	**(420)**	(474)	**–**	–
– Accelerated accounting depreciation	**(76)**	(18)	**–**	–
	(496)	(492)	**–**	–
Deferred income tax liabilities				
– Accelerated tax depreciation	**6,148**	5,397	**469**	502
– Undistributed profits of PRC enterprises	**6,500**	–	**–**	–
	12,648	5,397	**469**	502
	12,152	4,905	**469**	502

NOTES TO THE FINANCIAL STATEMENTS

12 DEFERRED INCOME TAX (CONTINUED)

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Deferred income tax assets:				
To be recovered after more than 12 months	(135)	(483)	–	–
To be recovered within 12 months	(201)	(4)	–	–
	(336)	(487)	–	–
Deferred income tax liabilities:				
To be settled after more than 12 months	11,977	4,813	469	488
To be settled within 12 months	511	579	–	14
	12,488	5,392	469	502
	12,152	4,905	469	502

NOTES TO THE FINANCIAL STATEMENTS

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Trade receivables (note (a)):				
– third parties	66,603	75,465	–	–
– fellow subsidiaries	666	400	–	–
– jointly controlled entities	43,923	63,993	–	–
– other related companies	150	33	–	–
– other state-owned enterprises	325	317	–	–
	111,667	140,208	–	–
Other receivables (note (b)):				
– third parties	–	3,398	803	3,398
– immediate holding company	2,424	2,774	–	–
– fellow subsidiaries	–	1,628	–	–
– subsidiaries	–	–	406,053	213,717
– jointly controlled entities	42,104	25,804	–	1,439
– other related companies	127	243	–	–
	44,655	33,847	406,856	218,554
Loans to jointly controlled entities (note (c))	30,858	44,741	1,620	9,232
Deposits and prepayments (note (d))	73,062	7,740	30,329	825
	260,242	226,536	438,805	228,611

NOTES TO THE FINANCIAL STATEMENTS

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

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

	Group	
	2008 HK$'000	2007 HK$'000
Within 3 months	105,896	130,803
4 to 6 months	4,663	9,002
7 to 12 months	841	2,712
Over 12 months	4,116	1,750
	115,516	144,267
Less: Provision for impairment	(3,849)	(4,059)
	111,667	140,208

Trade receivables that are less than three months past due are not considered impaired. As of 31st December 2008, trade receivables of HK$5,771,000 (2007: HK$3,333,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008 HK$'000	2007 HK$'000
Up to 3 months	4,664	2,300
3 to 6 months	841	986
Over 6 months	266	47
	5,771	3,333

NOTES TO THE FINANCIAL STATEMENTS

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

As of 31st December 2008, trade receivables of HK$3,849,000 (2007: HK$4,059,000) were impaired. The amount of the provision was HK$3,849,000 as of 31st December 2008 (2007: HK$4,059,000). The individually impaired receivables mainly relate to independent customers, which are in unexpected difficult economic situations or have defaulted payments. The ageing of these receivables is as follows:

	2008 HK$'000	2007 HK$'000
6 to 12 months	31	2,309
Over 12 months	3,818	1,750
	3,849	4,059

Movements on the Group's provision for impairment of trade receivables are as follows:

	2008 HK$'000	2007 HK$'000
At 1st January	4,059	3,615
(Write-back)/provision for impairment, net (note 20)	(210)	2,379
Written off during the year as uncollectible	–	(1,935)
At 31st December	3,849	4,059

The creation and release of provision for impaired receivables have been included in "other gains – net" in the consolidated income statement (note 20). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The trade receivables due from related parties are unsecured, interest free and have similar terms of repayment as third party receivables.

NOTES TO THE FINANCIAL STATEMENTS

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) The other receivables due from related parties are unsecured and have no fixed terms of repayment. Except for an amount due from a jointly controlled entity of HK$29,529,000 (2007: HK$nil) which bears interest at 4.14% per annum, the remaining other receivables due from related parties are interest free.

(c) The loans to jointly controlled entities have no fixed terms of repayment. Except for loans aggregating HK$5,670,000 (2007: HK$7,518,000) which is secured by property, plant and equipment of a jointly controlled entity and loans aggregating HK$22,860,000 (2007: HK$33,684,000) which bears interest at the floating rate announced by the People's Bank of China or 4% per annum (2007: floating rate announced by the People's Bank of China or 4.68% or 4% per annum), the remaining loans to jointly controlled entities are unsecured and interest free.

(d) Deposits and prepayments of the Group and the Company included an instalment paid in respect of the acquisition of a subsidiary amounting HK$27,000,000 (2007: HK$nil) and those of the Group included the deposit for purchase of land use rights in the PRC amounting HK$31,900,000 (2007: HK$nil). The remaining commitments in respect of these transactions were included in note 31(a).

(e) The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Hong Kong dollar	135,273	146,003	148,438	197,655
Renminbi	124,969	80,533	290,367	30,956
	260,242	226,536	438,805	228,611

(f) The carrying amounts of trade and other receivables approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

14 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2008 HK$'000	2007 HK$'000
Forward foreign exchange contracts	1,536	–

The aggregate notional principal amount of the forward foreign exchange contracts at 31st December 2008 was HK$3,748,000 (2007: HK$nil). The terms of the forward foreign exchange contracts are from 3rd April 2008 to 29th June 2009 to swap United States dollar against Renminbi.

The forward foreign exchange contracts were entered into by a jointly controlled entity on behalf of a subsidiary of the Group.

15 CASH AND BANK BALANCES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Cash at bank and in hand	173,811	227,696	9,856	91,422
Short-term bank deposits	478,440	444,947	355,593	443,405
	652,251	672,643	365,449	534,827

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Hong Kong dollar	316,957	530,776	251,092	449,854
Renminbi	192,650	121,970	7,159	84,973
United States dollar	142,644	19,897	107,198	–
	652,251	672,643	365,449	534,827

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

NOTES TO THE FINANCIAL STATEMENTS

16 SHARE CAPITAL

	Number of ordinary shares	HK$'000
Authorised:		
Ordinary shares of HK$0.10 each	**2,000,000,000**	200,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1st January 2007	**750,000,000**	75,000
Issue of new shares	**150,000,000**	15,000
At 31st December 2007 and 2008	**900,000,000**	90,000

Share option

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. The share options granted under the 1997 Scheme were cancelled in 2006 following the resignation of a director, Mr. Che Chiqiang, and a senior management member.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

17 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 2008	787,762	60,182	21,230	895	24,711	663,769	1,558,549
Profit for the year	–	–	–	–	–	116,632	116,632
Currency translation differences							
– subsidiaries	–	15,304	–	–	–	–	15,304
– jointly controlled entities	–	17,640	–	–	–	–	17,640
Transfer of reserves	–	–	–	–	4,106	(4,106)	–
Acquisition of additional interest in a subsidiary (note 34)	–	–	1,779	–	–	–	1,779
2007 final dividend	–	–	–	–	–	(36,000)	(36,000)
2008 interim dividend	–	–	–	–	–	(18,000)	(18,000)
At 31st December 2008	787,762	93,126	23,009	895	28,817	722,295	1,655,904
Representing:							
Others							1,628,904
2008 final dividend proposed							27,000
							1,655,904
At 1st January 2007	489,185	24,624	21,230	895	21,651	579,249	1,136,834
Issue of new shares, net of share issuing expenses	298,577	–	–	–	–	–	298,577
Profit for the year	–	–	–	–	–	143,080	143,080
Currency translation differences							
– subsidiaries	–	15,285	–	–	–	–	15,285
– jointly controlled entities	–	20,273	–	–	–	–	20,273
Transfer of reserves	–	–	–	–	3,060	(3,060)	–
2006 final dividend	–	–	–	–	–	(37,500)	(37,500)
2007 interim dividends	–	–	–	–	–	(18,000)	(18,000)
At 31st December 2007	787,762	60,182	21,230	895	24,711	663,769	1,558,549
Representing:							
Others							1,522,549
2007 final dividend proposed							36,000
							1,558,549

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

NOTES TO THE FINANCIAL STATEMENTS

17 RESERVES (CONTINUED)

Company

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2008	**787,762**	**152,016**	**939,778**
Loss for the year	**–**	**(36,440)**	**(36,440)**
2007 final dividend	**–**	**(36,000)**	**(36,000)**
2008 interim dividend	**–**	**(18,000)**	**(18,000)**
At 31st December 2008	**787,762**	**61,576**	**849,338**
Representing:			
Others			**822,338**
2008 final dividend proposed			**27,000**
			849,338
At 1st January 2007	489,185	144,581	633,766
Issue of new shares, net of share issuing expense	298,577	–	298,577
Profit for the year	–	62,935	62,935
2006 final dividend	–	(37,500)	(37,500)
2007 interim dividends	–	(18,000)	(18,000)
At 31st December 2007	787,762	152,016	939,778
Representing:			
Others			903,778
2007 final dividend proposed			36,000
			939,778

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Trade payables (notes (a), (b) and (c)):				
– third parties	113,801	143,888	–	–
– immediate holding company	1,250	1,250	–	–
– fellow subsidiaries	10,954	11,525	–	–
– jointly controlled entities	17,996	12,858	–	–
– other related companies	3	365	–	–
– other state-owned enterprises	956	1,128	–	–
	144,960	171,014	–	–
Other payables (note (c)):				
– immediate holding company	178	4,281	–	2,263
– fellow subsidiaries	5,907	5,293	–	–
– subsidiaries	–	–	350,584	230,419
– jointly controlled entities	10,702	9,486	43	–
– other related companies	60	81	–	–
– key management	1,513	1,250	1,513	1,250
	18,360	20,391	352,140	233,932
Accruals	61,456	61,376	8,608	6,854
	224,776	252,781	360,748	240,786

Notes:

(a) The ageing analysis of trade payables by invoice date is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Within 3 months	115,627	127,683
4 to 6 months	28,117	32,686
7 to 12 months	173	3,937
Over 12 months	1,043	6,708
	144,960	171,014

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER PAYABLES (CONTINUED)

(b) The carrying amounts of trade and other payables are denominated in the following currencies:

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Hong Kong dollar	168,305	208,494	360,605	240,786
Renminbi	38,796	35,900	143	–
United States dollar	17,675	8,387	–	–
	224,776	252,781	360,748	240,786

(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.

(d) The carrying amounts of trade and other payables approximate their fair values.

19 OTHER INCOME

	2008 HK$'000	2007 HK$'000
Property rental income	6,962	6,031
Vessel sub-leasing income	–	5,363
Excess of fair value of net assets acquired over the cost of acquisition of additional interest in a subsidiary (note 34)	172	–
Others	2,713	775
	9,847	12,169

20 OTHER GAINS – NET

	2008 HK$'000	2007 HK$'000
Exchange gains, net	22,134	22,493
Gain on disposal/write off of property, plant and equipment	216	284
Gain on acquisition of a loan receivable	–	3,898
Write-back/(provision) for impairment of trade receivables, net (note 13)	210	(2,379)
Fair value gain on derivative financial instruments	1,536	–
Others	190	942
	24,286	25,238

NOTES TO THE FINANCIAL STATEMENTS

21 COSTS AND EXPENSES BY NATURE

	2008 HK$'000	2007 HK$'000
Amortisation of leasehold land and land use rights	7,489	7,230
Auditor's remuneration		
– audit services	1,843	1,828
– non-audit services	679	576
Costs of cargo transportation, handling, storage, container hauling and trucking	650,151	604,660
Depreciation of property, plant and equipment	20,355	18,062
Depreciation of investment properties	104	104
Operating lease rental expenses		
– vessels and barges	91,513	75,192
– buildings	6,112	8,527
– containers	544	752
Staff costs (including directors' emoluments) (note 28)	105,409	102,900
Others	38,645	32,454
Total cost of services rendered and general and administrative expenses	922,844	852,285

22 FINANCE INCOME

	2008 HK$'000	2007 HK$'000
Interest income on short-term bank deposits and bank balances	11,646	20,382
Interest income on an amount due from a jointly controlled entity	739	–
Interest income on loans to jointly controlled entities	1,175	1,359
	13,560	21,741

23 SHARE OF PROFITS LESS LOSSES OF JOINTLY CONTROLLED ENTITIES

	2008 HK$'000	2007 HK$'000
Share of profits less losses before income tax	76,137	94,386
Share of income tax	(12,987)	(18,732)
	63,150	75,654

NOTES TO THE FINANCIAL STATEMENTS

24 INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
Current income tax		
– Hong Kong profits tax	7,314	6,082
– PRC enterprise income tax	1,377	1,967
– (Over)/under-provisions in prior years	(43)	1,886
Deferred income tax (note 12)	6,286	407
	14,934	10,342

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. PRC enterprise income tax has been calculated on the estimated assessable profit for the year at the income tax rate of the PRC entities in the range from 9% to 25%.

Share of tax of jointly controlled entities for the year has been included in the consolidated income statement as share of profits less losses of jointly controlled entities (note 23).

The income tax 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:

	2008 HK$'000	2007 HK$'000
Profit before share of profits less losses of jointly controlled entities and income tax expense	68,174	77,574
Calculated at a tax rate of 16.5% (2007: 17.5%)	11,248	13,575
Effect of different tax rates applicable to the subsidiaries in the PRC	(64)	(500)
Income not subject to income tax	(88,504)	(82,311)
Expenses not deductible for income tax purposes	83,278	74,438
Tax losses not recognised	2,559	3,100
(Over)/under provisions in prior years	(43)	1,886
Effect of change in tax rate on deferred income tax	(280)	–
Withholding income tax on undistributed profits of PRC enterprises	6,500	–
Others	240	154
Income tax expense	14,934	10,342

NOTES TO THE FINANCIAL STATEMENTS

24 INCOME TAX EXPENSE (CONTINUED)

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law") which provides certain grandfathering provisions and concessions which are set out below:

– All domestic invested enterprises and foreign invested enterprises will be subject to a standard corporate income tax rate of 25% with effect from 1st January 2008. Corporate income tax rate below 25% will be gradually accelerated to 25% in a period of 5 years starting from 1st January 2008;

– Unused tax holidays are allowed to be carried forward to 2008 and beyond until their expiration. However, if the entity has not yet commenced its tax holiday due to loss position, the tax holiday is deemed to commence from 1st January 2008; and

– Dividends distributed out of profits of PRC enterprises earned after 1st January 2008 to foreign investors are subject to corporate withholding income tax at tax rates ranging from 5% to 10%.

25 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company includes a loss of HK$36,440,000 (2007: profit of HK$62,935,000) which is dealt with in the financial statements of the Company.

26 DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim, paid, of HK2 cents (2007: HK1 cent) per ordinary share	**18,000**	9,000
Special interim, paid, of HKnil (2007: HK1 cent) per ordinary share	**–**	9,000
Final, proposed, of HK3 cents (2007: HK4 cents) per ordinary share	**27,000**	36,000
	45,000	54,000

The dividends paid during the years ended 31st December 2008 and 2007 were HK$54,000,000 (HK5 cents per share) and HK$55,500,000 (HK7 cents per share) respectively.

On 16th April 2009, the board of directors proposed a final dividend of HK3 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2009.

NOTES TO THE FINANCIAL STATEMENTS

27 EARNINGS PER SHARE

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

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	116,632	143,080
Weighted average number of ordinary shares in issue ('000)	900,000	837,500
Basic earnings per share (HK cents)	12.96	17.08

The diluted earnings per share for the years ended 31st December 2008 and 2007 is equal to the basic earnings per share as there are no potential dilutive ordinary shares in issue during both years.

28 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 HK$'000	2007 HK$'000
Salaries and allowances	101,166	99,380
Retirement benefit costs – defined contribution plans (note)	4,243	3,520
	105,409	102,900

Note:

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 consolidated 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$562,000 (2007: HK$662,000) were payable to the defined contribution plans as at 31st December 2008.

NOTES TO THE FINANCIAL STATEMENTS

29 DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' and senior management's emoluments

The remuneration of each 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
2008						
Mr. Hua Honglin	**300**	**234**	**689**	**50**	**10**	**1,283**
Mr. Yang Bangming (b)	**63**	**70**	**154**	**16**	**2**	**305**
Mr. Yang Rixiang (c)	**188**	**229**	**640**	**55**	**11**	**1,123**
Mr. Zhang Daowu (b)	**63**	**–**	**–**	**–**	**–**	**63**
Mr. Huang Shuping	**250**	**186**	**586**	**50**	**10**	**1,082**
Mr. Chan Kay-cheung	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Choi Kim-Lui	**100**	**–**	**–**	**–**	**–**	**100**
Ms. Yau Lai Man	**100**	**–**	**–**	**–**	**–**	**100**
	1,314	**719**	**2,069**	**171**	**33**	**4,306**
2007						
Mr. Hua Honglin	300	304	563	60	12	1,239
Mr. Huang Shuping	250	241	398	60	12	961
Mr. Yang Rixiang (c)	250	271	560	60	12	1,153
Mr. Li Zhijie (d)	–	–	–	–	–	–
Mr. Chan Kay-cheung	250	–	–	–	–	250
Mr. Choi Kim-Lui	100	–	–	–	–	100
Ms. Yau Lai Man	100	–	–	–	–	100
	1,250	816	1,521	180	36	3,803

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

(b) Appointed on 14th October 2008

(c) Resigned on 14th October 2008

(d) Resigned on 8th June 2007

NOTES TO THE FINANCIAL STATEMENTS

29 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 three (2007: three) directors whose emoluments are shown above. The emoluments to the remaining two (2007: two) highest paid individuals during the year are as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	603	584
Bonuses	1,060	1,043
Retirement benefit costs – defined contribution plans	23	24
	1,686	1,651

During the year, the emoluments of each of the two (2007: two) 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. No share options were granted to the directors and senior management as at 31 December 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS

30 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to cash generated from operations

	2008 HK$'000	2007 HK$'000
Operating profit	54,614	55,833
Amortisation of leasehold land and land use rights	7,489	7,230
Depreciation	20,459	18,166
Exchange gain, net	(22,134)	(22,493)
Gain on disposal/write-off of property, plant and equipment	(216)	(284)
(Write-back)/provision for impairment of trade receivables, net	(210)	2,379
Fair value gain from derivative financial instruments	(1,536)	–
Excess of fair value of net assets acquired over the cost of acquisition of additional interest in a subsidiary (note 34)	(172)	–
Operating profit before working capital changes	58,294	60,831
Decrease/(increase) in trade and other receivables	43,488	(24,749)
(Decrease)/increase in trade and other payables	(30,159)	38,251
Cash generated from operations	71,623	74,333

NOTES TO THE FINANCIAL STATEMENTS

31 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Contracted but not provided for				
– Investment in a subsidiary (note (i))	–	–	64,134	–
– Land use rights	55,335	–	–	–
– Property, plant and equipment	70,520	203,230	2,490	–
Authorised but not contracted for				
– Investments in jointly controlled entities	–	858	–	858
– Property, plant and equipment	4,892	23,441	–	–
	130,747	227,529	66,624	858

Note:

(i) The balance represents the outstanding investment in Zhaoqing New Port Co., Ltd. in the PRC.

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

	2008 HK$'000	2007 HK$'000
Contracted but not provided for	56,790	4,650
Authorised but not contracted for	4,037	67,081
	60,827	71,731

NOTES TO THE FINANCIAL STATEMENTS

31 COMMITMENTS (CONTINUED)

(b) Commitments under operating leases

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Land and buildings:				
Not later than one year	5,259	5,204	58	122
Later than one year and not later than five years	58	5,017	58	–
	5,317	10,221	116	122
Vessels and barges:				
Not later than one year	7,640	12,963	–	–
	7,640	12,963	–	–
Others:				
Not later than one year	–	54	–	–
	12,957	23,238	116	122

32 FUTURE OPERATING LEASE ARRANGEMENTS

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Land and buildings:				
Not later than one year	8,723	10,045	936	337
Later than one year and not later than five years	3,300	11,086	–	–
	12,023	21,131	936	337

NOTES TO THE FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS

The directors of the Group regard Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") as the immediate holding company, which owns 68.6% (2007: 62.5%) 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

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Note	2008 HK$'000	2007 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income			
– fellow subsidiaries	(i)	2,471	2,400
– jointly controlled entities	(iii)	1,594	1,518
– other related companies	(i)	1,083	596
– other state-owned enterprises	(ii)	6,947	942
Vessel rental income	(ii)		
– a fellow subsidiary		–	5,363
– a related company		765	–
Office rental income	(ii)		
– a related company		937	–
Interest income	(v)		
– jointly controlled entities		1,914	1,359
Bank interest income	(vi)		
– state-owned banks		7,654	18,337
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(ii)		
– fellow subsidiaries		(12,366)	(11,057)
– jointly controlled entities		(38,653)	(29,417)
– other related companies		(11,105)	(10,334)
– other state-owned enterprises		(2,042)	(1,962)
Wharf cargo handling, cargo transportation and godown storage expenses			
– a fellow subsidiary	(ii)	(12,144)	(12,230)
– jointly controlled entities	(i)	(45,763)	(35,428)
– a related company	(ii)	(28)	(20)

NOTES TO THE FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2008 HK$'000	2007 HK$'000
Fuel charges	(iii)		
– a fellow subsidiary		**(60,649)**	(44,606)
– other state-owned enterprises		**(1,732)**	(934)
Vessel rental expenses	(ii)		
– other related companies		**(20,483)**	(20,774)
Warehouse rental expenses	(iv)		
– immediate holding company		**(5,000)**	(5,000)
Office rental expenses	(ii)		
– immediate holding company		**(386)**	(239)
– a jointly controlled entity		**–**	(11)
Staff quarter rental expenses	(iii)		
– immediate holding company		**(1,808)**	(1,766)
Staff hire charges	(iii)		
– a jointly controlled entity		**(114)**	–
Investment:	(vii)		
– consideration paid for acquisition of equity interest in a subsidiary from a state-owned enterprise		**4,968**	–

NOTES TO THE FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (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 2008 (2007: HK$5,000,000).

(v) Interest was charged to loans to jointly controlled entities and an amount due from a jointly controlled entity at floating rates announced by the People's Bank of China or 4% per annum (2007: floating rates announced by the People's Bank of China, 4% or 4.68% per annum) and 4.14% per annum (2007: nil) respectively.

(vi) Bank interest income was received from state-owned banks at prevailing market rates.

(vii) On 12th September 2008, the Group entered into a sale and purchase agreement with a state-owned enterprise, to acquire 39.17% additional equity interest in Chu Kong Cargo Terminals (Kangzhou) Co., Ltd., a then jointly controlled entity, for a cash consideration of HK$4,968,000 (note 34).

(viii) 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 for such interchanging arrangement (2007: nil).

NOTES TO THE FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	2008 HK$'000	2007 HK$'000
Salaries and allowances	5,208	5,506
Directors' fees	1,314	1,250
Retirement benefit costs-defined contribution plans	65	81
	6,587	6,837

(c) Loans to jointly controlled entities

	2008 HK$'000	2007 HK$'000
At 1st January	67,941	58,555
Exchange differences	1,966	1,722
Loans advanced	–	13,894
Loans repayments received	(18,410)	(6,230)
Reclassification to amounts due from subsidiaries	(5,089)	–
At 31st December	46,408	67,941
Analysed into:		
Current (included in trade and other receivables)	30,858	44,741
Non-current (included in jointly controlled entities)	15,550	23,200
	46,408	67,941

(d) Balances with state-owned banks

	2008 HK$'000	2007 HK$'000
Bank balances and deposits	571,837	562,392

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

NOTES TO THE FINANCIAL STATEMENTS

34 BUSINESS COMBINATION

The Group held 60.83% equity interest in Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. ("Kangzhou"), a then jointly controlled entity. On 12th September 2008, the Group acquired the remaining 39.17% equity interest in Kangzhou. Upon completion of the transaction, Kangzhou became a wholly owned subsidiary of the Group. Kangzhou is a cargo handling and transportation company operating in the PRC.

	HK$'000
Cash consideration	4,968
Direct costs relating to the acquisition	59
Total acquisition cost	5,027

The assets and liabilities as at the date of acquisition are as follows:

	Acquiree's carrying amounts HK$'000	Fair values HK$'000
Property, plant and equipment	12,987	14,901
Leasehold land and land use rights	1,522	3,456
Trade and other receivables	2,443	2,443
Cash and bank balances	676	676
Trade and other payables	(821)	(821)
Shareholders' loans	(6,421)	(6,421)
Deferred income tax liabilities	–	(961)
Net assets acquired	10,386	13,273
Interest previously held by the Group as investment in a jointly controlled entity		(6,295)
Revaluation of net assets attributable to jointly controlled entity previously held		(1,779)
Excess of fair value of net assets acquired over consideration (note 19)		(172)
Total acquisition cost		5,027
Cash consideration		4,968
Direct costs relating to the acquisition		59
Cash and bank balances acquired		(676)
Net cash outflow on acquisition		4,351

NOTES TO THE FINANCIAL STATEMENTS

34 BUSINESS COMBINATION (CONTINUED)

The acquired business contributed revenue of HK$1,181,000 and net loss of HK$556 to the Group for the period since acquisition. If the acquisition had occurred on 1st January 2008, revenue and profit for the year of the Group would have been increased by HK$3,516,000 and HK$11,000 respectively.

There was no acquisition of subsidiary for the year ended 31st December 2007.

35 EVENTS AFTER THE BALANCE SHEET DATE

In addition to note 11(a) to the financial statements, the Group has the following events after the balance sheet date.

(a) On 12th December 2008, the Group entered into an agreement for the acquisition of 56.46% interest in Zhaoqing New Port Co., Ltd., a company incorporated in the PRC and engaged in cargo handling and storage.

The purchase consideration and estimated fair value of share of net assets acquired amounted to approximately HK$91.8 million and HK$91.2 million respectively, resulting in a goodwill of approximately HK$0.6 million. The fair value of share of net assets shall be adjusted based on the audited net assets of Zhaoqing New Port Co., Ltd. for the year ended 31st December 2008. The goodwill can be attributable to the anticipated profitability of the business acquired. The transaction will be completed in 2009.

(b) On 9th January 2009, the Group entered into an agreement on auction sale with the auction companies to acquire the liquidated assets (mainly consisting of land use rights, buildings, machineries and equipment) in Mafang Port in the Sihui County, the PRC, at the consideration of RMB76 million (equivalent to approximately HK$86.36 million) following a successful bid at the auction held on the same day in the PRC. A new company will be established in the PRC by the Group for the purpose of owning and development of the liquidated assets.

36 COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Revenue	**943,325**	870,711	780,590	625,421	614,022
Operating profit	**54,614**	55,833	46,369	39,932	45,787
Finance income	**13,560**	21,741	9,215	5,669	4,309
Finance cost	**–**	–	–	(444)	(1,395)
Net finance income	**13,560**	21,741	9,215	5,225	2,914
Share of profits less losses of jointly controlled entities	**63,150**	75,654	73,140	51,728	41,811
Profit before income tax	**131,324**	153,228	128,724	96,885	90,512
Income tax expense	**(14,934)**	(10,342)	(7,726)	(6,987)	(7,441)
Profit for the year	**116,390**	142,886	120,998	89,898	83,071
Attributable to:					
Equity holders	**116,632**	143,080	121,148	90,072	83,117
Minority interests	**(242)**	(194)	(150)	(174)	(46)
	116,390	142,886	120,998	89,898	83,071
Basic earnings per share (HK cents)	**13.0**	17.1	16.2	12.0	11.1
Dividends (HK$'000)	**45,000**	54,000	45,000	37,500	22,500
Dividend per share (HK cents)	**5**	6	6	5	3

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Non-current assets	**1,083,577**	1,013,499	894,783	818,791	799,909
Current assets	**914,029**	899,179	540,049	482,656	424,010
Total assets	**1,997,606**	1,912,678	1,434,832	1,301,447	1,223,919
Non-current liabilities	**12,488**	5,392	4,594	4,494	3,554
Current liabilities	**229,599**	256,572	216,202	184,187	205,746
Total liabilities	**242,087**	261,964	220,796	188,681	209,300
Total equity	**1,755,519**	1,650,714	1,214,036	1,112,766	1,014,619

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED ("the Company") will be held at 18th Floor, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong on 5th June 2009 at 10 a.m. for the following purposes:–

1. To receive and consider the audited consolidated financial statements of the Company and the reports of the Directors and the auditors of the Company for the year ended 31st December 2008.

2. To declare a final dividend for the year ended 31st December 2008.

3. To re-elect Directors in place of those retiring and to authorize the Directors to fix the remuneration of Directors.

4. To re-appoint auditors and to authorize the Directors to fix their remuneration,

   As special business, to consider and, if thought fit, pass with or without amendments, the following ordinary resolutions:–

5. (A) "**THAT**"

   (1) subject to paragraph (3) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities convertible into shares of the Company (the "Shares") and other rights to subscribe for any Shares) which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;

   (2) the approval of paragraph (1) of this resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities convertible into Shares and other rights to subscribe for any Shares) which would or might require the exercise of such powers after the end of the Relevant Period;

   (3) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (1) of this resolution, other than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of Shares as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iii) an issue of Shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of the subsidiaries of Shares or rights to subscribe for Shares, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(4) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means the allotment, issue or grant of Shares pursuant to any offer of Shares open for a period fixed by the Directors to the holders of Shares whose names appear on the register of member of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company)."

(B) "**THAT**:

(1) subject to paragraph (2) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") or any other stock exchange in any territory applicable to the Company, subject to and in accordance with all applicable law and/or the requirements of the rules governing the listing of securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(2) the aggregate nominal amount of the Shares which may be purchased by the Company pursuant to the approval in paragraph (1) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(3) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:–

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting."

(C) "**THAT** subject to the ordinary resolutions Nos. 5(A) and 5(B) set out in the Notice convening this meeting being duly passed, the general mandate granted to the Directors to allot, issue and deal with additional Shares pursuant to ordinary resolution No.5(A) set out in the Notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares repurchased by the Company under the authority granted pursuant to ordinary resolution No.5(B) set out in the Notice convening this meeting, provided that such amount of Shares shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said resolution."

6. To transact any other business.

By Order of the Board
Ng Kin Yuen
Company Secretary

Hong Kong
17th April 2009

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