CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under Companies Ordinance)
Stock Code : 00560

ANNUAL REPORT 2009

Contents

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

Executive Committee

Mr. Hua Honglin

Mr. Yang Bangming

Mr. Zhang Daowu

Mr. Huang Shuping

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

Fax: (852) 2851 0389

Website: http://www.cksd.com

"Jointly Create Fortune Jointly Enjoy Achievements"

Zhaoqing Dawang

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.

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

The Public — 31.3% — **CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED** — 68.7% — **Chu Kong Shipping Enterprises (Holdings) Company Limited**

CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED

- 100% **Chu Kong Infrastructure Investment Limited**
  - 25% Guangzhou-Foshan Expressway Ltd.
- 100% **Chu Kong Infrastructure Investment (Hong Kong) Limited**
- 100% **Chu Kong Transhipment & Logistics Company Limited**
  - 100% Chu Kong International Airfreight Company Limited
- 100% **Chu Kong Transportation (H.K.) Limited**
  - 100% Ever Sky Transportation Limited
  - 49% Guangdong Zhu Chuan Navigation Co., Ltd.
- 100% **Chu Kong Warehouse Properties Co., Ltd.**
- 100% **Chu Kong River Trade Terminal Co., Ltd.**
  - 50% Chu Kong Cargo Terminals (Beicun) Co., Ltd.
  - 30% Dongguan Humen Great Trade Containers Port Co., Ltd.
  - 25% Foshan Nankong Terminal Co., Ltd. — 22.5%
  - 37.5% Foshan New Port Ltd.
  - 40% Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.
  - 50% Heshan County Hekong Associated Forwarding Co., Ltd.
  - 30% Sanshui Sangang Containers Wharf Co., Ltd.
  - 100% Chu Kong Cargo Terminals (Gaoming) Co., Ltd.
  - 100% Chu Kong Cargo Terminals (Kangzhou) Co., Ltd.
  - 90% Chu Kong Cargo Terminals (Qingyuan) Co., Ltd.
- 100% **Chu Kong River Trade Terminal (Hong Kong) Company Limited**
- 100% **Chu Kong Container Transportation Company Limited**
- 100% **Chu Kong Godown Wharf & Transportation Company Limited**
- 100% **Chu Kong Agency Company Limited**
  - 49% Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.
- 75% **Chu Kong (Guangdong) International Freight Forwarding Co., Ltd.**
  - 51% Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.
  - 90% Chu Kong (Guangdong) International Shipping Agency Co., Ltd.
- 100% **Guangdong Zhu Chuan Logistics Services Co., Ltd.**
- 80% **Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd.**
- 100% **Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd.**
- 100% **Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd.**
  - 100% Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd.
- 100% **Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd.**
  - 40% Zhaoqing City Declaration Co., Ltd.
- 100% **Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd.**
- 56.46% **Zhaoqing New Port Co., Ltd.**
- 40% **Shenzhen Yantian Port Chu Kong Logistics Co., Ltd.**
- 51% **Chu Kong Air-Sea Union Transportation Company Limited**
- 60% **Chu Kong Logistics (Singapore) Pte. Ltd.**

Subsidiary

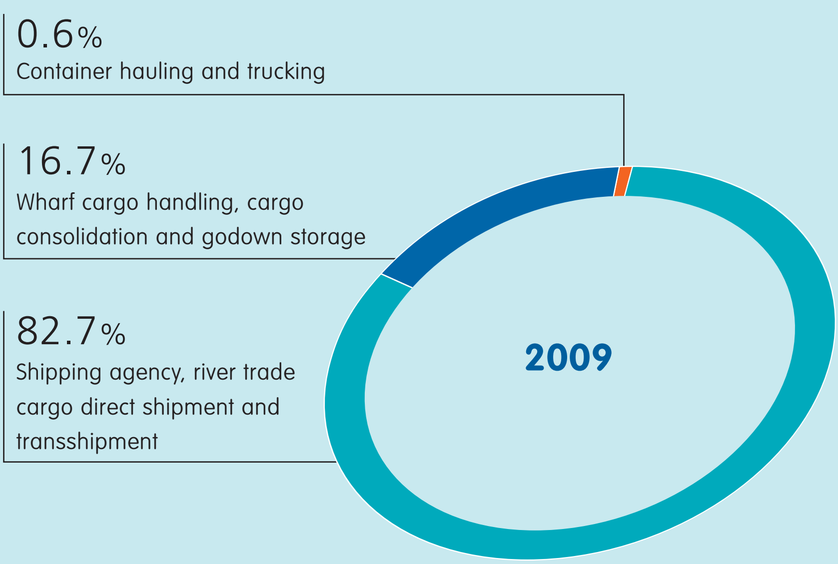
Jointly controlled entity

Financial Highlights

(HK$ Million)	**2009**	2008 (Restated)	Change %
Revenue	**815.8**	948.7	(14.0)
Profit attributable to the equity holders of the Company	**75.8**	116.6	(35.0)
Total assets	**2,289.7**	2,051.0	11.6
Net assets	**1,868.1**	1,763.6	5.9

Financial Ratio			
Operating profit margin (%)	**3.3**	5.7	(42.1)
Current ratio	**2.5**	3.6	(30.6)
Debt ratio (%)	**18.4**	14.0	31.4

Distribution Of The Group's Revenue In 2009 By Business Segments:



"We Believe In Our Missions"

Mr. Hua Honglin *(Chairman)*

Chairman's Statement

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 2009 amounting to HK$815,814,000, down by 14.0% against last year. The profit attributable to equity holders of the Company was down by 35.0% against last year to HK$75,831,000. Basic earnings per share was HK8.43 cents. The Board recommends a final dividend of HK3 cents per share.

In 2009, the global economy was still disturbed by the financial tsunami. The consumer confidence indices in the US and Europe major markets fell. The shrink in demand resulted in a significant fall in the volume of imports. Despite the economy in Mainland China still being driven by investments, and successfully maintained at a growth rate of over 8%, total value of exports for the year decreased by 16% because of the poor demand in the US and Europe major export markets. Imports and exports of the Pearl River Delta Region, the Group's key operating base, fell by 11.2% on a year-on-year basis. Under such a difficult operating environment, the Group assured less substantial extent of the fall in earnings by the ways of relying on professional operation to enhance the standard of management internally and expanding its operation through acquisition and increasing its market share externally etc. The results were achieved not easily.

Under the difficult environment in the financial tsunami, the liquidity of the Group remained relatively high by strictly implementing sound operation and prudent investment visions over the years. It provided strong financial support to continue with the acquisition of ports by the Group and perfect its network coverage. In 2009, the Group made comparatively significant development with respect to external acquisitions, which are set out below in details:

In January 2009, the Group successfully bid the key operating assets of Sihui Port and established Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. which commenced operation. The port is adjacent to the Asia Metal Resources Regeneration Logistics Park at Zhaoqing. The Group has entered into a ten year cooperation contract with the logistics park and received major support from the local government. The prospective growth in the cargo handling volume of the port in future is promising.

Chairman's Statement

Gaoming Port

Hong Kong International Airport

In June 2009, the Group successfully acquired 22.5% of equity interests in Foshan Nankong Terminal Co., Ltd., and increased its proportion of shareholding to 47.5%. The port is located at the core business district of Foshan with favorable economic efficiency. The acquisition in the equity interests not only enhances the control of the Group at the port, but also paves the way for a satisfactory return on investment in future.

In December 2009, the Group entered into an agreement with Guangzhou Nansha Jianghai Coordinated Transport Co., Ltd. in forming a joint venture company named Guangzhou Nansha Chu Kong Terminal Co., Ltd. in which the Group holds 65% equity interests. The company is located at Guangzhou Nansha Bonded Logistics Park district, and is adjacent to Nansha Hub. A 3,000-tonnes berth and ancillary facilities will be invested and constructed by the joint venture company. The first phase of development will occupy approximately 90,000 sq. m. of land and there are 100,000-120,000 sq. m. of land in the rear that are reserved for warehousing purpose. After completion of the construction, the project will provide maritime container and inland transportation ancillary services for Nansha Hub. The commencement of the project represented a relatively significant strategic development in the "Second Seaside Port" as devotedly promoted by the Group in Southern China region.

The Group continued its integration of port and logistics facilities in Zhaoqing region, the results of which were remarkable. The throughput of container handling at Zhaoqing New Port for the year increased by 24% against last year. Dawang vehicle inspection centre obtained operating qualification for import bonded logistics warehouse after its trial operation in the middle of the year and the Group will devote more efforts to explore this business segment. Renovation projects at Gaoyao Port were also completed, with operation efficiency enhanced significantly.

The other projects of the Group in Foshan district also completed their renovation and expansion works successively. After the expansion of Gaoming Port, the volume of goods handled and earnings increased significantly. The expansion project of Guangzhou-Foshan Expressway was completed and commenced operation at the end of the year. The traffic volume demonstrated recovery after completion of the expansion.

In 2009, with respect to operational management, the Group emphasized on consolidating its professional management; through concrete measures in the integration of sales and marketing, specialization in operation, standardization of procedures and segmentation of management, the overall operation efficiency of the Group was enhanced. The Group actively promoted internal corporate resources and operational integration, maximizing the strength of the logistics chain of the Group, exploring the potential demand of customers, expanding the joint sales and marketing of major integrated logistics customers, and enhancing sales and marketing competitiveness to the full extent. The Group seized the core of specialized operation, refining the positions and collaboration principles in operational units such as ports, shipping and freight forwarding etc. By coordinating the operation, a better synergy was resulted. The Group further executed the ISO quality control comprehensively, constantly reviewed and scrutinized the operational process, launched service quality and process standardization, and conducted continuous improvement. The Group strengthened system implementation, revised and introduced a series of regulations to further organize company operations. It achieved progress in areas like strengthening the operational management team at all levels, refining assessment and allocation mechanism, as well as categorizing grading management etc. The above measures achieved certain results in tackling the financial tsunami. Despite external environmental factors, the container transportation volume decreased by 9.2%, the market share increased significantly among 30 category-2 ports at Pearl River Delta that have business relationship with the Group, reaching 19.3% from 17.4% last year, increased by 10.9%.

In December 2009, the Group entered into a barge express cooperation agreement with Shekou Container Terminal, Chiwan Container Terminal and Sinotrans Guangdong so as to add 12 barge transport routes that expanded the business on domestic feeder service for foreign trade. The PRC government devotes a lot of efforts to develop domestic consumer market, so as to mitigate the transition of economic structure that used to excessively rely on exports. The Group capitalized on this opportunity and proactively explored transportation business in domestic trades. The ports of the Group also increased the proportion of domestic trade transportation business continuously.

It is expected that in 2010 the global economy will still be volatile. Notwithstanding the slow recovery of the US and Europe major economies, there are many other risk factors subsisting. Although the economy in Mainland China will continue a comparatively high growth rate, with the warnings issued by the Central Government regarding the asset bubble, signals were seen in tightening the monetary policies. It will impact on the Mainland which economic growth model is driven mainly by investments. In relation to imports and exports, although there will be an increment when comparing with 2009, the resurgent of protectionism in international trade may lead to an outbreak of trade war between certain major countries. In the event there is an outbreak of trade war as a result of exchange rate and anti-dumping, there will be adverse effect on the shipping industry. The movement in Renminbi exchange rate will also bear certain effects on the Group.

Faced with the stringent challenges, the Group will devote more efforts to the development of integrated logistic customers. The Group will utilize its edges in various logistics services and wide network coverage so as to provide comprehensive value added logistics services to its customers. Further clear business segmentation will stimulate its professionalized operation. Completion of integration of sales resources and enhancement of cooperation in the industry will seek to achieve a win-win situation. Expansion of sales and marketing network overseas will expand the geographical coverage of its market. In the meantime, the Group will continue to pursue appropriate opportunities for investments and acquisitions, in particular with respect to the construction of bases for seaside port in Southern China region. Logistics projects newly constructed or acquired at ports will be bred at an accelerated pace. This will strive for generating efficiencies as soon as practicable.

On behalf of the Board, I would like to express my deepest appreciation to our customers and all staff. Without the total support from the customers at large and the dedication of all staff, the Group cannot successfully mitigate the financial tsunami and record outstanding operating results.

Hua Honglin
Chairman

Hong Kong, 10th March 2010

"We Strive For Corporate Synergy"

Tuen Mun Godown Wharf

Foshan Nankong

Management Discussion And Analysis

Review Of Operations

For the year ended 31st December 2009, the Group recorded a consolidated revenue of HK$815,814,000, a decrease of 14.0% as compared with last year. Profit attributable to the equity holders of the Company was HK$75,831,000, a decrease of 35.0% as compared with last year.

Under the impact of the financial tsunami in the fourth quarter of 2008, there was still a substantial decline in the global economy in the first quarter of 2009. The weak consumer confidence led to a shrinking demand and a decrease of cargo throughput accordingly. As different governments stepped up their efforts to boost series of measures to save the economy, the economies in Europe and the US had signs of stabilizing in the second quarter of 2009. Meanwhile, the PRC government launched the plan of revitalizing the ten major industries as well as introducing loose monetary policy to provide large amount of credit in the economy which eased the serious impact of the financial crisis. Growth of gross domestic product ("GDP") in the PRC reached 8.7% for the year as a result of the policies implemented from promoting domestic demands in order to secure the economy and the employment. However, as the demands from Europe and the US still remained insufficient, the export cargo handling volume for the year dropped by approximately 16%. The subsidiaries of the Group that are engaged in transshipment as well as import and export business were not benefited by the policies of the PRC in stimulating the domestic demands. On the contrary, the Group recorded a decrease in revenue during the year upon the effect arising from substantial change in macro-economic control measures in the Mainland and change in environmental protection policies.

Management Discussion And Analysis

Heshan Port

Foshan New Port

During the year, under the continuous influence of the financial tsunami, the overall cargo throughput and profit of the Group recorded a decrease. The container handling volume for the year was 595,822TEU, an increase of 29.2% as compared with 2008, mainly caused by the additional cargo volume from the newly acquired ports in 2009. The container transportation volume and the volume of container hauling and trucking on land recorded a fall of 9.2% and 8.2% respectively, of which, the empty container shipment volume of Chu Kong Transhipment & Logistics Company Limited ("CKTL") substantially fell by 69.1% as a result of the cessation of operation of the container factory owned by Maersk at Machong. After deducting such factor, the container transportation volume increased by 1.2% as compared with last year. Subject to the impact of containerization for cargo, break bulk cargoes transportation volume and volume of break bulk cargoes handled decreased by 16.7% and 2.7% respectively.

During the year, the market share of the Group in 30 category-2 ports at Pearl River Delta with which the Group has business relationship was 19.3%, an increase of 10.9% as compared with 17.4% last year, which increase was substantial.

The profit contribution from the Group's subsidiaries in the year 2009 was HK$29,036,000, a decrease of 46.6% as compared with last year's HK$54,327,000. A decrease of HK$28,967,000 was attributable to factors beyond the control of the Group comparing with last year, such as the exchange rate and interest rate. By excluding this factor, operating profit increased by 20.9% as compared with last year.

During the year, business of the Group's jointly controlled entities were closely related to the major business operations of the Group other than expressway operation. Owing to the different unfavourable economic factors, even though the Group's investments in jointly controlled entities maintained a profit during the year, the Group's share of profit by its investments in jointly controlled entities was HK$46,795,000, decreased by HK$15,510,000 or 24.9% as compared with last year. The profit attributable to the Group's expressway business decreased by HK$16,761,000 or 53.8% as compared with last year as a result of the construction work for its own expansion, the closure of whole Guangzhou North Ring Expressway for five months for expansion and overhaul, and the effect on the increase in depreciation in property, plant and equipment. The business volume of Foshan New Port Ltd. declined substantially together with a significant increase of its income tax expenses caused by the expiry of taxation preferential treatment to the company, profit attributable to the Group was HK$11,038,000, a decrease of HK$6,034,000 or 35.3% as compared with last year. Like the Group's major business operations, other investment businesses also faced the same challenges and gains from investments also declined. Accordingly, the Group's share of profits for the year fell by 24.9%.

1. Cargo Transportation And Wharf Handling Business

During the year, the number of orders received by the foreign trade enterprises in Pearl River Delta reduced significantly. Import and export business faced with relatively huge resistances and challenges. The Group has been subject to an enormous amount of pressure in its operation, which led to a decline in its major business operations. However, as the Group consistently prepared for cargo sources from new startup production enterprises, and explored cargo sources from domestic and foreign trade in a parallel manner, the market share of the Group's container transportation business still increased continuously by 10.9%. As the recovery of the economy in the Mainland remained steady in the second half of the year, performance in the major business operations of the Group for the year improved from the first half of the year, except for the volume of container hauling and trucking on land. Performance statistics of our major business operations are as follows:

	Year ended 31st December		
Indicators	**2009**	2008	Change
Container transportation volume (TEU)	**774,747**	853,163	(9.2%)
Container handling volume (TEU) (Note 1)	**595,822**	461,049	29.2%
Volume of container hauling and trucking on land (TEU) (Note 1)	**134,673**	146,642	(8.2%)
Break bulk cargoes transportation volume (revenue tons) (Note 2)	**327,534**	392,939	(16.7%)
Volume of break bulk cargoes handled (revenue tons) (Notes 1 and 2)	**914,999**	940,429	(2.7%)
Import and export of shipping agencies business (voyages)	**17,312**	17,022	1.7%

Notes:

1. In 2009, the figures of new terminals were included as follows:

   (i) Kangzhou Port from January 2009;

   (ii) Sihui Port from March 2009;

   (iii) Zhaoqing New Port from April 2009.

   If the data of the above new terminals were eliminated, container handling volume increased by 0.2% as compared with last year, volume of container hauling and trucking on land decreased by 8.9% as compared with last year and volume of break bulk cargoes handled decreased by 22.4% as compared with last year.

2. From 2009 onwards, the figures used for statistics changed from weighted tons to revenue tons and the figures for the year ended 31st December 2008 had been restated to conform with the current period's presentation.

Management Discussion And Analysis

Container Transportation

Faced with the effect arising from the international financial crisis, the economy of Pearl River Delta region, which heavily relies on external environment, the extent of decline was significant and the shipping industry was subject to huge impact. Business environment could be described as very disastrous. Despite such difficulties and adverse factors, CKTL, which operates our major container transportation business, handled 774,747TEU of container transportation volume during the year. As CKTL was affected by the empty container projects of a major customer, the volume handled decreased by 9.2% as compared with last year. However, the market share of CKTL in over 30 category-2 ports at the Pearl River Delta that has business relationship with the Group increased by 10.9% as compared with last year.

Break Bulk Cargoes Transportation

Chu Kong Agency Company Limited ("CKA") is responsible for our break bulk cargoes transportation business. During the year, as the demand from Europe and the US markets decreased, it was affected to a significant extent and the break bulk cargoes transportation volume declined by 16.7%.

Wharf Handling

The Group actively drove CKTL and CKA to tie in expanding and strengthening the wholly-owned terminals so this led to an increase of the terminals handling volume which contributed to a higher gross profit margin. However, the volume handled declined due to the international macro environment. The operation volume for the major customers in the break bulk and transshipment business of Container Freight Station ("CFS") also reduced to a relatively significant extent. Volume of direct shipment to large container terminal increased, which in turn reduced the operation of our terminal business. Moreover, there were changes in the customs policies in the Mainland, which led to the fall of volume in trading containers for the year.

At the end of 2008, CKTL not only maintained the original routes but also obtained 6 more routes including Gaoyao and Gaoming in the tender. At the beginning of the year, CKTL successfully bid the original routes of major shipping companies and had introduced the cargo source of Connected Carrier Agreement ("CCA") which was formerly handled by other terminals to the wholly-owned terminals of the Group. Despite the effect arising from the financial crisis in the first three quarters and the impact on smuggling at other ports, which affected the businesses of Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd., it survived by adopting factory trading cargo and expanded the proportion of the trading cargo in the total import and export cargo volume. This enabled the company to maintain the production and revenue in a comparatively more stable level even though under the rigorous condition. The profit attributable to the Group increased by 10.7% to HK$2,642,000.

Chu Kong Cargo Terminals (Gaoming) Co., Ltd. has been fully aware of risk control and cost savings. The company increased its efforts in management of financial budgets that tightly controlled various expenses and outlays. Notwithstanding the effect from international financial crisis, the company was benefited from the policy of the Group to professionalize the operation in ports, freight and logistics segment which induced a substantial increase in foreign trade container handling volume as compared with last year. During the year a total of 151,029TEU of containers were handled, an increase of 29.5% as compared with last year.

Zhaoqing Dawang

Gaoyao Port

On 26th March 2009, Zhaoqing Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. launched the US and Europe routes successfully; the company provided one-stop declaration and customs clearance services. Cargo could be transshipped to the US and European countries from Kangzhou via Hong Kong directly that led to a substantial increase in foreign trade containers handling volume. A total of 35,158TEU were handled during the year, an increase of 99.4% as compared with last year.

The procedures for the change of shareholder related to the acquisition of 56.46% interest in Zhaoqing New Port Co., Ltd. in December 2008 were completed on 26th March 2009. The container throughput in the year was 82,242TEU, grown by 23.6% as compared with last year. The bulk cargo throughput was 58,201tons, increased by 1.8% as compared with last year. The significant increase in container throughput was mainly attributed to the growth in cargo sources for domestic trade by the port. After the acquisition, the Group implemented the adjustment and requirement of the bulk cargo handling tariffs of the company to comply with market price. Therefore the revenue increased by more than 60%. The loss of the company was HK$8,467,000 for the year.

Chu Kong Transportation (H.K.) Limited ("CKT") is responsible for the operation of the Public Cargo Working Areas 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, its break bulk cargoes handling business declined by 18.0%. However, the company's management continued to adjust its market positioning and transformed from the provision of wharf handing services as its single business to the provision of integrated services related to its shipping routes. This has enabled the company to achieve its target positioning as the integrated operator of regional shipping logistics services and has maintained the sustainability. Profit attributable to the Group was HK$3,308,000.

2. Investments In Jointly Controlled Entities

Guangzhou-Foshan Expressway Ltd. was mainly affected by the "Green Lane" policy, the closure of the whole Guangzhou North Ring section adjacent thereto for five months, continuous improvement of the surrounding road network and diversion of some vehicles resulting from hindered traffic that caused by the expansion project at the interchange of Guang-Fo Expressway and Fo-Kai Expressway. These factors, in addition to the increase in depreciation in fixed assets, resulted in an enormous fall of profit. The traffic volume for 2009 was decreased by 14.7% as compared with 2008, toll income decreased by 19.0% and profit attributable to the Group decreased by 53.8%.

The volume handled by Foshan New Port Ltd. declined significantly for the year. This, together with the expiry of income tax preferential treatment to the company, resulted in an enormous increase in income tax expenses of the company. The container throughput of the port for the year fell by 14.4%, and the profit attributable to the Group fell by 35.3%.

Heshan Port

Gaoming Port

Chu Kong Air-Sea Union Transportation Company Limited ("CKSA"), of which 51% of equity interests was held by the Group, continued the combined modes of operations and diversification of services as to increase the confidence and trust of customers. The earnings of CKSA were relatively stable. However, the volume handled by the company dropped as the macro environment was gradually dampened by the financial tsunami. The profit attributable to the Group was HK$1,456,000, decreased by 22.3%.

As a result of the global economic recession due to the financial tsunami, the environmental protection policies of the State and the upgrade of industries in the Pearl River Delta, the volume handled by Foshan Nankong Terminal Co., Ltd. fell sharply. The profit attributable to the Group increased by 13.6% as a result of additional equity interest acquired in 2009. As the operation for empty containers handled at Yantian International Terminal by Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. expanded significantly, the profit attributable to the Group was HK$1,646,000, increased by 15.9%. Heshan County Hekong Associated Forwarding Co., Ltd. achieved a turnaround from loss to profit.

As impacted by the general outbreak of financial tsunami since October 2008, some business operations in other jointly controlled entities held by the Group slumped and even bore negative effects on the earnings of the year. The Group has demanded each of the jointly controlled entities to be fully prepared for taking up measures to tackle the latest market situations. This will facilitate the Group to resolve the even more stringent challenges arising from the market in 2010.

Outlook

The financial tsunami occurred in 2009 almost wiped out the global financial system and returned back to the "Stone Age Era". The global economy was not far away from stepping into the Great Depression of 1929. The central banks in different countries boldly introduced quantified loose monetary measures to stabilize the confidence of consumers and managed to save the respective economies, and the GDP in the world resumed positive growth after a year. Looking forward to 2010, different countries are trying to concentrate on how to achieve a balance between stabilizing and attaining recovery of their economies on the one hand and introducing the measures to reduce intervention in the market on the other hand. Therefore, once the economy is stabilized and attains recovery in 2010, it is expected that there will be growth in the demand for shipping. Driven by the global economy resuming its stability, it is expected that exports from the Mainland will gradually recover.

Taking into account the movements in the market, the Group will proactively explore the market externally and devote efforts to improve its know-how internally by using its best endeavours to promote professional operation and consolidate the management of new projects. Under the premises of the recovery in the global economy, the Group will seek to gradually improve its profitability. As such, the Group will deploy initiatives from eight perspectives as follows: (I) More efforts to be devoted to sales and marketing so as to attain market efficiency. By leveraging on the inland river terminal network in the Pearl River Delta and the edges in logistics as well as sales and marketing outlets, cross selling will be conducted at each segment with an aim to expand the wholly-owned terminals; (II) Service qualities to be enhanced so as to derive qualities efficiency. Management of customer complaints will be improved and customer tracking will be enhanced so as to improve qualities of work; (III) Internal administration to be strengthened so as to achieve management efficiency. By capitalizing on the functions of the logistics module design team, selected customers with sustainable development from existing customer base will be utilized as points of breakthrough to dedicate in the research of logistics solution for company's large customers. This will well prepare the Group for cross selling in terms of ancillary production and support; (IV) More resources to be devoted to staff training and acquisition of talents. Two teams will be established gradually for sound sales and marketing and design of logistics solutions; (V) Intercompany synergies to be emphasized in order to promote the cross-sectional comparison within the Company; (VI) Comprehensive budgeting to be promoted practically. On the basis of participation by all staff, decomposition of the total amount, and full monitoring in the course of operation, comprehensive budgeting will be implemented from the fundamental level so as to achieve effective cost control; (VII) The strategy of informatization to be further implemented so as to enhance efficiencies in operation and management; (VIII) Corporate structure to be further reorganized and critical projects to be finalized so as to drive the upgrade of our business in the industry, in particular to accelerate the construction of an integrated logistics base in Nansha. The overall efficiencies in resources for port and shipping logistics network will be enhanced.

Despite many uncertain factors subsisted in the external economy, in particular the position in financial market, we will consistently pursue of the missions in the integration in sales and marketing, professionalization of operation, standardization of work flow, and segmentation in management, the Group will continue to use its best endeavours to explore the market and enhance the management. The Board is cautiously optimistic about the results of the Group in the year 2010.

Financial Review

Review Of Financial Results

The Group recorded profit attributable to the equity holders of the Company of HK$75,831,000 in 2009, representing a decrease of HK$40,801,000 or 35.0%, as compared with last year, details of which are as follows:

	2009 HK$'000	2008 HK$'000 (Restated)	Change HK$'000
Net operating profit*	**29,036**	54,327	(25,291)
Share of profits less losses of jointly controlled entities	**46,795**	62,305	(15,510)
Profit attributable to the equity holders of the Company	**75,831**	116,632	(40,801)

* 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 2009, the Group recorded a net operating profit of HK$29,036,000, representing a decline of HK$25,291,000 or 46.6% over last year, mainly due to:

(1) The exchange rate of Renminbi during the year was relatively steady against the significant appreciation during the first half of 2008. During the year, the decrease in gain from foreign exchange reduced the net profit from operating activities by HK$21,926,000. After deducting the gain or loss from foreign exchange, the net profit from operating activities decreased by 10.3%.

(2) The projects newly constructed and invested in recent years, including Zhongshan Huangpu Port, Zhaoqing New Port and Shihui Port, were still in the phase of expansion or construction and pre-operating preparation during the year, expenses such as administration costs and borrowing interests increased accordingly.

(3) The general outbreak of financial tsunami during the fourth quarter in 2008 extended into 2009. The economies in Europe and the US remained sluggish. Export business in the Mainland as well as ports and transportation business in Hong Kong were substantially affected and dragged the volume handled for the year to a lower level.

The Group's share of profits less losses of jointly controlled entities for 2009 dropped by HK$15,510,000 or 24.9% over last year to HK$46,795,000. The decline was mainly due to the following: profit of Guangzhou-Foshan Expressway Ltd. attributable to the Group was HK$14,409,000, a year-on-year decrease of 53.8%; profit of Chu Kong Air-Sea Union Transportation Company Limited attributable to the Group was HK$1,456,000, a year-on-year decrease of 22.3%; profit of Foshan New Port Ltd. attributable to the Group was HK$11,038,000, a year-on-year decrease of 35.3%; profit of Foshan Nankong Terminal Co., Ltd. attributable to the Group was HK$5,810,000, a year-on-year increase of 13.6%; profit of Sanshui Sangang Containers Wharf Co., Ltd. attributable to the Group was HK$3,301,000, a year-on-year increase of 42.7%; profit of Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. attributable to the Group was HK$ 1,646,000, a year-on-year increase of 15.9%; turnaround to profit of Heshan County Hekong Associated Forwarding Co., Ltd. and profit of Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. was HK$6,003,000.

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 stable in 2009. The Group's Dividend Coverage in the past five years was as follows:

	Dividends per share	**Total dividends**	**Profit attributable to equity holder of the Company**	**Dividend Coverage**
	HK$	HK$'000	HK$'000	
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	0.05	45,000	116,632	38.58%
2009*	**0.035**	**31,500**	**75,831**	**41.54%**

* Dividends per share for 2009 included a proposed final dividend of HK$0.03 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 2009, the Group secured a total credit limit of HK$4,390,000 and RMB39,000,000 granted by bona fide banks.

As at 31st December 2009, the current ratio of the Group, representing current assets divided by current liabilities, was 2.5 (2008 restated: 3.6) and the debt ratio, representing total liabilities divided by total assets, was 18.4% (2008 restated: 14.0%).

As at 31st December 2009, the Group's cash and bank balances amounted to HK$585,393,000 (2008 restated: HK$750,379,000), which represents 25.6% (2008 restated: 36.6%) 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 general business expansion and development.

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 coordination and arrangement of the Company.

As at 31st December 2009, cash and bank balances held by the Group, of which 59.4% were denominated in Hong Kong dollar ("HKD"), 24.6% in Renminbi ("RMB"), 16.0% in United States dollar ("USD") and a small amount of Euro, deposited with several banks of good reputation are as follows:

	Amount HK$'000	**Percentage** %
HKD	347,650	59.4
RMB	143,789	24.6
USD	93,943	16.0
EURO	11	0.0
	585,393	100.0

Capital Commitments

Details of capital commitments of the Group and the Company are set out in note 32(a) 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 2009, the Group employed 319 employees in Hong Kong and remunerated its employees according to the duty of their positions and market conditions. Other staff benefits for eligible employees include housing allowances and bonuses etc.

Sihui Port

Zhaoqing Dawang

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 the management of working capital, particularly the timely receipts of trade receivables. As at 31st December 2009, net trade receivables of the Group amounted to HK$113,036,000, an increase of 8.2% as compared with last year, 95.9% 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.

By order of the Board

Yang Bangming
Managing Director

Hong Kong, 10th March 2010

"We Target On Better
Corporate Governance"

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

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 2009.

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 segments and geographical locations is set out in note 5 to the financial statements.

Results And Appropriations

The Group's results for the year ended 31st December 2009 is set out on page 44 of the annual report. An interim dividend of HK0.5 cents per ordinary share was declared during the year, totaling HK$4,500,000, which was paid on 30th October 2009. 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 14th May 2010.

Financial Summary

A summary of the financial information of the Group for the last five financial years is set out on page 117 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 2009, 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$67,039,000 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.

Directors

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

Executive Directors:

Mr. Hua Honglin
Mr. Yang Bangming
Mr. Zhang Daowu
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. Chan Kay-cheung and Ms. Yau Lai Man will retire by rotation and, being eligible, Mr. Chan Kay-cheung and Ms. Yau Lai Man will offer themselves 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 42, was appointed as executive director of the Company on 6th 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"), the Company's parent company, Chu Kong Shipping Group ("CKS") and its subsidiaries. He is also the director and vice general manager of Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), the Company's immediate holding company and has over 19 years of experience in shipping and corporate governance. Mr. Hua is currently a Guangdong Province Diligence and Strategy Advisory Expert and the vice chairman of Guangdong Ship-owners Association.

Mr. Yang Bangming, aged 44, was 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 from the Shanghai Maritime University (formerly Shanghai Maritime College) in 1988. He is a certified advanced accountant in the PRC. He worked in GPNHCL and its subsidiaries. He is also the director and vice general manager and financial controller of CKSE and has more than 21 years of experience in shipping and corporate management.

Mr. Zhang Daowu, aged 42, was appointed as executive director of the Company on 14th October 2008. He joined CKS after graduated as a Bachelor of International Navigation from 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 20 years of experience in shipping and corporate management.

Mr. Huang Shuping, aged 45, was appointed as executive director of the Company on 1st November 2006. He graduated from Nanjing College of Navigation Engineering, majoring in port sea routes. He also acquired a postgraduate 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 has over 25 years of experience in transportation.

Independent Non-executive Directors

Mr. Chan Kay-cheung *FHKIB*, aged 63. Mr. Chan is currently a senior adviser of The Bank of East Asia, Limited and 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 Shui On Construction and Materials Limited. Mr. Chan was appointed independent non-executive director of the Company in April 1998.

Mr. Choi Kim-Lui, aged 62, 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 46, 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 19 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 40, has been appointed as deputy general manager of the Company since October 2008. He joined CKS in 1992. He worked in Chu Kong Transhipment & Logistics Company Limited ("CKTL"), Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. ("CKIFF"), Chu Kong Cargo Terminals (Gaoming) Co., Ltd., and CKSE. 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 and a master degree of supply chain management from the Hong Kong Polytechnic University. Mr. Zhou has over 18 years of experience in corporate management and marketing.

Mr. Hu Jun, aged 37, has been 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. ("Waibert"), CKTL, CKIFF and Chu Kong Agency Company Limited ("CKA"). Mr. Hu graduated from University of South Australia with a Master degree 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 Ship-owners Association, Hong Kong branch. He has over 18 years of experience in shipping management and marketing.

Mr. Chen Yu, aged 43, has been appointed as deputy general manager of the Company since October 2008. He joined CKS in 1991 and had worked for Waibert, Heshan County Hekong Association Forwarding Co., Ltd. ("Heshan County Hekong") and CKTL. Mr. Chen graduated from Shanghai Maritime University (formerly Shanghai Maritime College) with a bachelor degree of international shipping. Mr. Chen has over 19 years of experience in river trade transport and marketing.

Mr. Lu Xin, aged 43, has been 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 20 years of experience in accounting and financial management.

Ms. Cheung Mei Ki, Maggie, aged 43, has been 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 24 years accounting and financial management experiences.

Mr. Liu Wuwei, aged 38, has been appointed as director and deputy general manager of CKTL since October 2008. He joined CKS in 1992 and had worked for CKIFF, 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 18 years of experience in river trade cargo shipping, river trade terminal operation management and marketing.

Mr. Zeng Jiwei, aged 52, has been appointed as director and deputy general manager of CKA since October 2008. He joined CKS in 2002. He worked in Heshan County Hekong and CKA. Mr. Zeng graduated from Shanghai Maritime University (formerly Shanghai Maritime College) and is a qualified economist in the PRC. He has over 29 years of experience in river trade terminal operation and shipping operational management.

Share Option Scheme

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

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

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 2009, no ordinary shares were issuable under share options granted under the 2002 Scheme (2008: 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 2009, 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 2009, 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 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 2009, 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	618,496,000
(ii)	GPNHCL	618,496,000

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 2009, 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, no director of the Company has any interest in other competing businesses.

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 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's 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, CKA, 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) customs 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's 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's 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 2009.

(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 arm's length negotiations between the two parties with reference to the prevailing market rental 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 2009 was HK$2,025,000.

(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 arm's 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 2009 was HK$89,000.

(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 arm's 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 2009 was HK$2,540,000.

(7) CKIFF Agency Agreement

On 30th November 2006, 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's 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 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 2009 was HK$27,571,000.

Report Of The Directors

(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 chartered 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's 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 2009 was HK$39,557,000.

(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's 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, K$33,000,000 and HK$44,500,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2009 was HK$25,321,000.

(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's 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. The total amount of the aforesaid transactions for the year ended 31st December 2009 was HK$592,000.

(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 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's 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 2009 was HK$23,116,000.

(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 2009 was HK$6,829,000.

The above items (1) to (6) were the continuing connected transactions subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement while items (7) - (12) were the continuing connected transactions 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.

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.

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, 10th March 2010

Corporate Governance Report

Zhaoqing Dawang

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. The Code sets out two levels of recommendations:

– The first is Code Provisions. Listed issuers are expected to comply with, but may choose to deviate from code provisions.

– The second is Recommended Best Practices. Listed issuers are encouraged, but are not required to comply with such practices.

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 23 and 24 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.

According to the Recommended Best Practices, the chairman of the Group has held a meeting with the independent non-executive directors without other executive directors present.

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, who 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 2009, the Directors selected and applied consistently appropriate accounting policies, made careful and reasonable judgments 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 7 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 2009. 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.

Corporate Governance Report

During 2009, the attendance of the board members at the meetings of the board and its respective committees is as follows:

	Board meeting	Executive Committee	Audit Committee	Remuneration Committee
Mr. Hua Honglin *(Chairman of board of directors)*	4/4	12/12	N/A	N/A
Mr. Yang Bangming *(Managing director)*	4/4	12/12	N/A	2/2
Mr. Zhang Daowu *(Executive director)*	4/4	12/12	N/A	N/A
Mr. Huang Shuping *(Executive director)*	4/4	12/12	N/A	N/A
Mr. Chan Kay-cheung *(Independent non-executive director)*	4/4	N/A	2/2	2/2
Mr. Choi Kim-Lui *(Independent non-executive director)*	4/4	N/A	2/2	2/2
Ms. Yau Lai Man *(Independent non-executive director)*	4/4	N/A	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 executive committee, an audit committee and a remuneration committee, the executive committee is chaired by the chairman of the board, the audit committee and the remuneration committee are both 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 three committees are as follows:

Executive Committee:

The Executive Committee was established in 2009 to approve and enter into transactions on behalf of the Board in respect of any investment project or other day-to-day business operations within an authorised limit. The Executive Committee consists entirely of executive directors.

The committee comprises:
Mr. Hua Honglin — Chairman of the committee
Mr. Yang Bangming
Mr. Zhang Daowu
Mr. Huang Shuping

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 2009 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 2009;
- 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.

In order to further enhance the independence in the reporting made by the external independent auditors, during some of the time for the above meetings, it was only attended by independent non-executive directors and the independent auditor.

Remuneration Committee:

The Remuneration Committee was established in 2005 and is chaired by an independent non-executive director. The Remuneration Committee met twice in 2009 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 Bangming *(Executive Director)*

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.

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.

Public Cargo Working Areas

Zhaoqing Dawang

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 2009.

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 2009.

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. 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:

- Completed risk re-assessment and listed out 39 possible major risks. 14 of which that most require emphasis will further conduct risk re-assessment;

- Required the subsidiaries to appoint risk management officers, and required each risk management officer to assure the effectiveness of its respective control activities through regular review, other than assuring the implementation of respective control activities;

- Follow-up the established risk management procedures, and made corrections to maintain and continuously improve such procedures by controlling and monitoring those risks identified;

- Strengthened 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.

Auditor's Remuneration

For the financial year ended 31st December 2009, the Company paid the auditor of the Company the following fees for audit and non-audit services:

	2009 HK$'000	2008 HK$'000
Audit Services	**1,607**	1,843
Non-audit Services	**593**	679
	2,200	2,522

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.

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 2009, 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.

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 2009.

There were no amendments to the Articles of Association in 2009.

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 41 to 116, which comprise the consolidated and company balance sheets as at 31st December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, 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 judgment, 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.

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 2009 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, 10th March 2010

Consolidated Balance Sheet

As At 31st December 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**594,933**	354,052
Investment properties	7	**4,506**	11,429
Leasehold land and land use rights	8	**401,486**	343,436
Intangible assets – goodwill	9	**31,190**	18,438
Jointly controlled entities	11	**346,301**	325,953
Loan to a jointly controlled entity	11	**9,945**	15,550
Deferred income tax assets	12	**272**	336
		1,388,633	1,069,194
Current assets			
Trade and other receivables	13	**287,119**	205,832
Loans to jointly controlled entities	13	**28,596**	24,055
Derivative financial instruments	14	**–**	1,536
Cash and bank balances	15	**585,393**	750,379
		901,108	981,802
Total assets		**2,289,741**	2,050,996

Consolidated Balance Sheet

As At 31st December 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
EQUITY			
Share capital	16	**90,000**	90,000
Reserves	17	**1,675,025**	1,628,904
Final dividend proposed	17	**27,000**	27,000
		1,792,025	1,745,904
Minority interests		**76,060**	17,655
Total equity		**1,868,085**	1,763,559
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	**24,490**	12,488
Borrowings - secured	19	**40,886**	–
		65,376	12,488
Current liabilities			
Trade and other payables	18	**325,224**	269,496
Loan from a jointly controlled entity	18	**22,704**	–
Current income tax payables		**4,945**	5,453
Borrowings – secured	19	**3,407**	–
		356,280	274,949
Total liabilities		**421,656**	287,437
Total equity and liabilities		**2,289,741**	2,050,996
Net current assets		**544,828**	706,853
Total assets less current liabilities		**1,933,461**	1,776,047

On behalf of the board

Director

Director

Balance Sheet

As At 31st December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**5,722**	3,776
Investment properties	7	**18,664**	19,094
Leasehold land	8	**26,286**	26,316
Subsidiaries	10	**503,760**	398,899
Jointly controlled entities	11	**52,493**	32,666
Loan to a jointly controlled entity	11	**9,945**	15,550
		616,870	496,301
Current assets			
Other receivables, deposits and prepayments	13	**469,689**	437,185
Loans to jointly controlled entities	13	**8,579**	1,620
Cash and bank balances	15	**303,523**	365,449
		781,791	804,254
Total assets		**1,398,661**	1,300,555
EQUITY			
Share capital	16	**90,000**	90,000
Reserves	17	**827,801**	822,338
Final dividend proposed	17	**27,000**	27,000
Total equity		**944,801**	939,338
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	**512**	469
Current liabilities			
Other payables and accruals	18	**430,644**	360,748
Loan from a jointly controlled entity	18	**22,704**	–
		453,348	360,748
Total liabilities		**453,860**	361,217
Total equity and liabilities		**1,398,661**	1,300,555

On behalf of the board

Director

Director

Consolidated Income Statement

For The Year Ended 31st December 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
Revenue	5	**815,814**	948,692
Cost of services rendered	22	**(666,601)**	(802,372)
Gross profit		**149,213**	146,320
Other income	20	**9,567**	10,253
Other (losses)/gains – net	21	**(30)**	23,773
General and administrative expenses	22	**(132,185)**	(125,965)
Operating profit		**26,565**	54,381
Finance income	23	**9,115**	15,095
Finance cost	23	**(1,061)**	–
Share of profits less losses of jointly controlled entities	24	**46,795**	62,305
Profit before income tax		**81,414**	131,781
Income tax expense	25	**(9,090)**	(15,242)
Profit for the year		**72,324**	116,539
Attributable to:			
Equity holders of the Company	26	**75,831**	116,632
Minority interests		**(3,507)**	(93)
		72,324	116,539
Earnings per share (HK cents)	28		
Basic and diluted		**8.43**	12.96

		2009 HK$'000	2008 HK$'000
Dividends	27	**31,500**	45,000

Consolidated Statement Of Comprehensive Income

For The Year Ended 31st December 2009

	2009 HK$'000	2008 HK$'000 (Restated)
Profit for the year	**72,324**	116,539
Other comprehensive income:		
Currency translation differences		
– Subsidiaries	**2,131**	16,826
– Jointly controlled entities	**464**	16,285
Fair value adjustment upon acquisition of a subsidiary (note 35 (b))	**–**	1,779
Total comprehensive income for the year	**74,919**	151,429
Attributable to:		
Equity holders of the Company	**77,621**	151,355
Minority interests	**(2,702)**	74
	74,919	151,429

Consolidated Statement Of Changes In Equity

For The Year Ended 31st December 2009

	Share capital HK$'000	Reserves HK$'000	Equity holders HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January 2009, as previously reported	90,000	1,655,904	1,745,904	9,615	1,755,519
Adoption of merger accounting	–	–	–	8,040	8,040
At 1st January 2009, as restated	90,000	1,655,904	1,745,904	17,655	1,763,559
Profit for the year	–	75,831	75,831	(3,507)	72,324
Other comprehensive income					
– Currency translation differences	–	1,790	1,790	805	2,595
Total comprehensive income	–	77,621	77,621	(2,702)	74,919
Acquisition of a subsidiary (note 35(b))	–	–	–	61,107	61,107
2008 final dividend	–	(27,000)	(27,000)	–	(27,000)
2009 interim dividend	–	(4,500)	(4,500)	–	(4,500)
At 31st December 2009	90,000	1,702,025	1,792,025	76,060	1,868,085
At 1st January 2008, as previously reported	90,000	1,558,549	1,648,549	2,165	1,650,714
Adoption of merger accounting	–	–	–	7,479	7,479
At 1st January 2008, as restated	90,000	1,558,549	1,648,549	9,644	1,658,193
Profit for the year	–	116,632	116,632	(93)	116,539
Other comprehensive income					
– Currency translation differences	–	32,944	32,944	167	33,111
– Acquisition of a subsidiary	–	1,779	1,779	–	1,779
Total comprehensive income	–	151,355	151,355	74	151,429
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, as restated	90,000	1,655,904	1,745,904	17,655	1,763,559

Consolidated Cash Flow Statement

For The Year Ended 31st December 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	31	**77,139**	90,676
Hong Kong profits tax paid		**(8,527)**	(6,080)
PRC corporate income tax paid		**(4,569)**	(2,222)
Net cash generated from operating activities		**64,043**	82,374
Cash flows from investing activities			
Purchase of property, plant and equipment		**(99,578)**	(93,367)
Purchase of leasehold land and land use rights		**(5,163)**	(11,465)
Deposit for purchase of land use rights	13(c)	**(2,100)**	(31,900)
Deposit for purchase of property, plant and equipment	13(c)	**(87,764)**	–
Proceeds from disposal of property, plant and equipment		**1,456**	2,832
Acquisition of a subsidiary	35(b)	**(61,666)**	(31,351)
Investments in jointly controlled entities		**(36,080)**	(13,680)
Loans advanced to jointly controlled entities		**(7,445)**	–
Loan advanced from a jointly controlled entity		**22,704**	–
Repayments of loans advanced to jointly controlled entities		**8,544**	18,410
Dividends received from jointly controlled entities		**50,649**	121,018
Increase in amount due from a jointly controlled entity		**–**	(29,529)
Interest received		**9,276**	15,095
Net cash used in investing activities		**(207,167)**	(53,937)
Cash flows from financing activities			
Dividends paid		**(31,500)**	(54,000)
Capital contribution by a minority shareholder		**–**	7,937
Interest paid		**(1,230)**	–
Drawdown of bank loans		**10,210**	–
Net cash used in financing activities		**(22,520)**	(46,063)
Net decrease in cash and bank balances		**(165,644)**	(17,626)
Cash and bank balances at the beginning of the year		**750,379**	750,300
Effect of exchange rate changes		**658**	17,705
Cash and bank balances at the end of the year	15	**585,393**	750,379

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 referred to as the "Group") are principally engaged in shipping agency, river trade cargo direct shipment and transshipment, wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking in Hong Kong and the People's Republic of China (the "PRC").

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

These financial statements have been approved for issue by the board of directors of the Company on 10th March 2010.

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

(i) The consolidated 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 consolidated 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 consolidated 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.

(ii) Reorganisation

On 1st January 2009, Guangdong Province Navigation Holdings Company Limited ("GPNHCL"), the parent company of the Company, underwent a group reorganisation (the "Reorganisation"), pursuant to which the remaining voting right of Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. ("CKIFF"), a then jointly controlled entity, was passed to the Company, at nil consideration without any changes to equity interests. Accordingly, the Company became the holding company of CKIFF and its subsidiaries, Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd. and Chu Kong (Guangdong) International Shipping Agency Co., Ltd. (collectively the "Transferred Subsidiaries"), now comprising the Group.

Given the fact that the Company and the Transferred Subsidiaries are commonly controlled by GPNHCL, a common control combination occurred. Accordingly, these financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 ("AG5") "Merger Accounting for the Common Control Combination" issued by the HKICPA (note 2(b)).

2 Summary Of Significant Accounting Policies (Continued)

(a) Basis Of Preparation (Continued)

(iii) Adoption of new HKFRSs

The following new/revised standards, amendments to standards and interpretations are mandatory for the financial year ended 31st December 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations
HKFRS 7 Amendment	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers

In October 2008, the HKICPA 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, the Group has adopted other amendments which are relevant to the Group's operations and mandatory for the financial year ended 31st December 2009.

Except for certain changes in presentation and disclosures as described below, the adoption of the above new HKFRSs in the current year did not have any significant financial effect on the consolidated financial statements or result in any substantial changes in the Group's significant accounting policies.

- HKAS 1 (Revised), "Presentation of Financial Statements". The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements. Comparative information has been re-presented so that it also is in conformity with the revised standard.

- HKFRS 8, "Operating Segments". HKFRS 8 replaces HKAS 14, "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in certain changes in the presentation and disclosures information of the reportable segments.

2 Summary Of Significant Accounting Policies (Continued)

(a) Basis Of Preparation (Continued)

(iv) Standards, amendments and interpretations to published standards that are not yet effective for the year ended 31st December 2009 and have not been early adopted by the Group

The following new/revised standards, interpretations and amendments to existing standards which are relevant to the Group's operation, have been issued but are not effective for 2009 and have not been early adopted by the Group:

New or revised standards, interpretations and amendments		**Effective for accounting periods beginning on or after**
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKAS 32 Amendment	Classification of Right Issues	1st February 2010
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 Amendment	Additional Exemptions for First-time Adopters	1st January 2010
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions	1st January 2010
HKFRS 3 (Revised)	Business Combinations	1st July 2009
HKFRS 9	Financial Instruments	1st January 2013
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1st January 2011
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1st July 2009
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010

In October 2008 and May 2009, the HKICPA published Improvements to HKFRS which sets out amendments to a number of HKFRS which are effective for annual periods beginning on or after 1st July 2009 or 1st January 2010.

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

2 Summary Of Significant Accounting Policies (Continued)

(a) Basis Of Preparation (Continued)

(v) New or revised standards that are relevant to the Group but not yet effective but have been early adopted by the Group

The Group has partially early adopted HKAS 24 (Revised), "Related Party Disclosures". The revised standard introduces a relaxation of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies the definition of a related party. The Group has decided to partially early adopt the revised standard relevant to the government-related entity exemption in 2009 (note 34).

(b) Merger Accounting For Common Control Combinations

The financial statements incorporate the financial statement items of the combining entities in which the common control combination occurs on the basis that 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 financial statements are presented on the basis that 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.

2 Summary Of Significant Accounting Policies (Continued)

(c) Consolidation

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

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

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

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.

2 Summary Of Significant Accounting Policies (Continued)

(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.

Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities' includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the 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 amount of the investment. When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the 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.

Dilution gains and losses arising in investments in jointly controlled entities are recognised in the income statement.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (note 2(n)). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

(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 as part of the investment cost 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. Impairment 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 and identified according to operating segment.

2 Summary Of Significant Accounting Policies (Continued)

(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 currency and the Group's presentation currency.

(ii) Transactions And Balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement. All other foreign exchange gains and losses are presented in the income statement.

(iii) Group Companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

– income and expenses for each 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 shareholder's 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 rates ruling at the balance sheet date.

(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, borrowing costs 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.

2 Summary Of Significant Accounting Policies (Continued)

(h) Property, Plant And Equipment (Continued)

(ii) Other Property, Plant And Equipment

Other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. 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 income statement during the financial period in which they are incurred.

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

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

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 income statement. Improvements are capitalised and depreciated over their expected useful lives.

Vessel repairs and survey costs are charged as operating expenses as they are incurred. Dry-docking costs of a vessel and the costs incurred in replacing or renewing the separate assets (dry-docking costs) are capitalised and depreciated over the period to the next estimated dry-dock date.

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

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

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

2 Summary Of Significant Accounting Policies (Continued)

(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 consolidated financial statements.

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

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

(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. Amortisation is calculated using the straight-line method to allocate the operating lease payments over the remaining lease term.

(k) 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 income statement.

(l) Trade And Other Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

(m) Cash And Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2 Summary Of Significant Accounting Policies (Continued)

(n) Impairment Of Investments In Subsidiaries, Jointly Controlled Entities And Non-financial Assets

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

Impairment testing of the investments in subsidiaries and jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries and jointly controlled entities in the period the dividend is declared or if the carrying amount of the investment exceeds the carrying amount of the investee's net assets.

(o) Impairment Of Financial Assets Carried At Amortised Cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

2 Summary Of Significant Accounting Policies (Continued)

(o) Impairment Of Financial Assets Carried At Amortised Cost (Continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(p) Share Capital

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

(q) Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(r) Current And Deferred Income Tax

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

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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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.

2 Summary Of Significant Accounting Policies (Continued)

(r) Current And Deferred Income Tax (Continued)

Deferred income tax assets are recognised only 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 difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(s) 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.

(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.

2 Summary Of Significant Accounting Policies (Continued)

(t) 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 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 river trade cargo direct shipment and transshipment, 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) Revenues from the rendering of services in shipping agency are recognised when services are rendered.

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

(iv) Interest income is recognised using the effective interest method.

(u) Operating Leases

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

(v) Dividend Distribution

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

(w) 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.

2 Summary Of Significant Accounting Policies (Continued)

(x) Contingent Liabilities

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

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

(y) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of Directors of the Company that makes strategic decisions.

(z) Borrowings And Borrowing Costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the financial period in which they are incurred.

2 Summary Of Significant Accounting Policies (Continued)

(aa) Financial Assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables include trade and other receivables excluding deposits and prepayments (note 13), loans to jointly controlled entities (notes 11 and 13) and cash and cash equivalents (note 15).

(b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition And Measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in the statements of comprehensive income; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statements of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statements of comprehensive income when the Group's right to receive payment is established.

3 Financial Risk Management

(a) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity 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 continuously monitors its foreign currency positions and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises.

The actual foreign exchange risk faced by the Group therefore primarily arises from non-functional currency bank balances, receivable and payable balances. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

At 31st December 2009, 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$2,078,000 lower or higher (2008 restated: HK$2,785,000 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 2009, 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$2,664,000 (2008 restated: HK$3,686,000) higher or lower, mainly as a result of foreign exchange gains on translation of bank balances, receivable and payable balances 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 higher or lower, mainly as a result of change in fair value gain on derivative financial instruments denominated in United States dollar. The Group did not have derivative financial instruments as at 31 December 2009.

(ii) 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 2009, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been HK$1,830,000 (2008 restated: HK$2,442,000) higher or lower, mainly as a result of higher/lower interest income from floating rate loans to jointly controlled entities and bank deposits.

3 Financial Risk Management (Continued)

(a) Financial Risk Factors (Continued)

(iii) Credit Risk

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

For banks and financial institutions, a substantial portion of the Group's bank balances and deposits were placed with state owned banks. Management considers the credit risk is low.

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.

Loans to jointly controlled entities are granted taken into account their financial position, past experience and other factors. 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.

3 Financial Risk Management (Continued)

(a) Financial Risk Factors (Continued)

(iv) Liquidity Risk

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

The table below analyses the Group's financial liabilities which will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	HK$'000	HK$'000	HK$'000	HK$'000
Group				
At 31st December 2009				
Bank borrowings	3,407	6,814	–	34,072
Trade and other payables	347,928	–	–	–
At 31st December 2008				
Trade and other payables	269,496	–	–	–
Derivative financial instruments	1,536	–	–	–
Company				
At 31st December 2009				
Other payables and accruals	453,348	–	–	–
At 31st December 2008				
Other payables and accruals	360,748	–	–	–

(B) Capital Risk Management

Capital represents the total equity as shown in the consolidated balance sheet.

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. The optimal capital structure of the Group is to maintain a net cash position.

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.

The principal source of capital of the Group has been and is expected to be cash flows from operations.

3 Financial Risk Management (Continued)

(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 due to their short maturity.

At 31st December 2008, the fair value of forward foreign exchange contracts was determined using the quoted forward exchange rates at the balance sheet date.

Fair value of long-term borrowings are estimated using the estimated future payments discounted at market interest rates.

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 taxes in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes 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) 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.

(iii) 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 (note 9).

No impairment on goodwill will be required, if the budgeted gross margin used in the value-in-use calculation had been 5% lower, or if the estimated cost of capital used in determining the pre-tax discount rate had been 1% higher than management's estimates.

5 Revenue And Segment Information

Turnover consists of sale from cargo transportation, cargo handling and storage, and container hauling and trucking segments.

	2009 **HK$'000**	2008 HK$'000 (Restated)
Shipping agency, river trade cargo direct shipment and transshipment	**675,009**	825,911
Wharf cargo handling, cargo consolidation and godown storage	**136,369**	115,779
Container hauling and trucking	**4,436**	7,002
	815,814	948,692

The chief operating decision-maker has been identified as the board of directors of the Company, which reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The board of directors of the Company considers the business from service perspectives and assesses the performance of the Group and its jointly controlled entities which are organised into five main businesses:

(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

(v) Corporate and other businesses

The board of directors of the Company assesses the performance of the operating segments based on their segment profit before income tax expense, which is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out on terms equivalent to those that prevail with third parties. The revenue from external parties reported to the board of directors of the Company is measured in a manner consistent with that in the consolidated income statement.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

5 Revenue And Segment Information (Continued)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Container hauling and trucking HK$'000	Expressway operation HK$'000	Corporate and other business HK$'000	Total HK$'000
Year ended 31st December 2009						
Total revenue	675,031	193,496	53,092	–	–	921,619
Inter-segment revenue	(22)	(57,127)	(48,656)	–	–	(105,805)
Revenue (from external customers)	675,009	136,369	4,436	–	–	815,814
Segment profit/(loss) before income tax expense	113,389	4,966	(29,355)	14,409	(21,995)	81,414
Segment profit/(loss) before income tax expense included:						
Share of profits less losses of jointly controlled entities	136	31,319	1,646	14,409	(715)	46,795
Finance income	1,580	4,637	–	–	2,898	9,115
Finance cost	–	(698)	–	–	(363)	(1,061)
Depreciation and amortisation	(4,199)	(27,500)	(2,854)	–	(966)	(35,519)

5 Revenue And Segment Information (Continued)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Container hauling and trucking HK$'000	Expressway operation HK$'000	Corporate and other business HK$'000	Total HK$'000
Year ended 31st December 2008 (restated)						
Total revenue	825,938	183,793	58,603	–	–	1,068,334
Inter-segment revenue	(27)	(68,014)	(51,601)	–	–	(119,642)
Revenue (from external customers)	825,911	115,779	7,002	–	–	948,692
Segment profit/(loss) before income tax expense	126,746	24,067	(32,910)	31,171	(17,293)	131,781
Segment profit/(loss) before income tax expense included:						
Share of profits less losses of jointly controlled entities	344	29,322	1,420	31,171	48	62,305
Finance income	3,264	1,040	167	–	10,624	15,095
Depreciation and amortisation	(4,710)	(20,066)	(2,428)	–	(1,111)	(28,315)

Notes To The Financial Statements

5 Revenue And Segment Information (Continued)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Container hauling and trucking HK$'000	Expressway operation HK$'000	Corporate and other business HK$'000	Total HK$'000
As at 31st December 2009						
Total segment assets	256,794	1,315,345	107,194	96,928	513,480	2,289,741
Total segment assets include:						
Jointly controlled entities and loans to a jointly controlled entity	1,206	200,123	25,109	96,928	32,880	356,246
Addition to non-current assets (excluding deferred income tax assets)	1,410	370,339	2,252	–	2,409	376,410
Total segment liabilities	246,154	126,961	10,016	–	38,525	421,656

5 Revenue And Segment Information (Continued)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Container hauling and trucking HK$'000	Expressway operation HK$'000	Corporate and other business HK$'000	Total HK$'000
As at 31st December 2008 (restated)						
Total segment assets	312,627	985,523	124,740	122,374	505,732	2,050,996
Total segment assets include:						
Jointly controlled entities and loans to a jointly controlled entity	1,042	161,120	23,424	122,374	33,543	341,503
Addition to non-current assets (excluding deferred income tax assets and derivative financial instruments)	1,262	89,221	35,324	–	240	126,047
Total segment liabilities	222,675	41,129	10,398	–	13,235	287,437

5 Revenue And Segment Information (Continued)

Geographical Analysis

Over 90% of the Group's revenue is derived from operations carried out in Mainland China and Hong Kong and customers are located in Mainland China and Hong Kong. Revenue and segment results by geographical locations are not presented as the information is not available and the cost to develop it is excessive.

The analysis of the Group's non-current assets by geographical location is as follows:

	2009 HK$'000	2008 HK$'000
Non current assets excluding jointly controlled entities, deferred income tax assets and derivative financial instruments		
Hong Kong	**295,385**	301,104
Mainland China	**736,730**	424,715
	1,032,115	725,819
Jointly controlled entities		
Hong Kong	**9,165**	13,318
Mainland China	**347,081**	328,185
	356,246	341,503
Deferred income tax assets	**272**	336
Derivative financial instruments	**–**	1,536
	1,388,633	1,069,194

6 Property, Plant And Equipment

Group

	Buildings on 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 2009	203,530	104,424	14,085	69,429	20,926	54,827	16,512	24,338	508,071
Exchange differences	367	308	6	108	233	54	–	–	1,076
Additions	10,620	55,159	702	22,365	6,389	4,031	312	–	99,578
Transfer	136,885	(153,265)	3,361	13,019	–	–	–	–	–
Transfer from investment properties (note 7)	6,819	–	–	–	–	–	–	–	6,819
Acquisition of a subsidiary (note 35(b))	–	144,566	–	15,631	134	779	–	–	161,110
Disposals/write-off	–	–	–	(2,105)	(1,873)	(4,107)	(13)	–	(8,098)
At 31st December 2009	358,221	151,192	18,154	118,447	25,809	55,584	16,811	24,338	768,556
Accumulated depreciation									
At 1st January 2009	34,268	–	9,213	31,892	15,704	33,936	11,871	17,135	154,019
Exchange differences	34	–	2	20	5	10	–	–	71
Charge for the year	8,378	–	2,176	7,574	1,880	3,833	1,841	776	26,458
Disposals/write-off	–	–	–	(1,122)	(1,854)	(3,936)	(13)	–	(6,925)
At 31st December 2009	42,680	–	11,391	38,364	15,735	33,843	13,699	17,911	173,623
Net book value									
At 31st December 2009	315,541	151,192	6,763	80,083	10,074	21,741	3,112	6,427	594,933

Depreciation of HK$18,295,000 (2008 restated: HK$14,269,000) and HK$8,163,000 (2008 restated: HK$6,453,000) have been included in cost of services rendered and general and administrative expenses respectively.

Additions of construction in progress includes interest capitalised of HK$2,103,000 (2008: nil) at a borrowing rate of 5.76% per annum.

6 Property, Plant And Equipment (Continued)

Group

	Buildings on 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 (restated)	177,939	33,252	13,853	56,238	19,357	52,451	16,641	27,134	396,865
Exchange differences	5,130	3,921	95	1,863	310	682	–	64	12,065
Additions	1,996	75,275	143	7,800	1,022	7,131	–	–	93,367
Transfer	8,022	(8,022)	–	–	–	–	–	–	–
Acquisition of a subsidiary (note 35 (b))	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 (restated)	203,530	104,424	14,085	69,429	20,926	54,827	16,512	24,338	508,071
Accumulated depreciation									
At 1st January 2008 (restated)	27,049	–	6,650	27,896	13,998	36,169	9,448	16,765	137,975
Exchange differences	837	–	57	445	244	241	–	9	1,833
Charge for the year	6,394	–	2,512	3,819	1,834	2,816	2,542	805	20,722
Disposals/write-off	(12)	–	(6)	(268)	(372)	(5,290)	(119)	(444)	(6,511)
At 31st December 2008 (restated)	34,268	–	9,213	31,892	15,704	33,936	11,871	17,135	154,019
Net book value									
At 31st December 2008 (restated)	169,262	104,424	4,872	37,537	5,222	20,891	4,641	7,203	354,052

6 Property, Plant And Equipment (Continued)

Company

	Buildings on 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 2009	2,633	237	2,307	2,116	3,180	10,473
Exchange differences	–	–	–	23	24	47
Additions	–	2,409	–	–	–	2,409
At 31st December 2009	2,633	2,646	2,307	2,139	3,204	12,929
Accumulated depreciation						
At 1st January 2009	309	–	2,031	1,894	2,463	6,697
Exchange differences	–	–	–	1	2	3
Charge for the year	53	–	209	104	141	507
At 31st December 2009	362	–	2,240	1,999	2,606	7,207
Net book value						
At 31st December 2009	2,271	2,646	67	140	598	5,722
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

7 Investment Properties

	Group		Company	
	2009 HK$'000	2008 HK$'000 (Restated)	**2009 HK$'000**	2008 HK$'000
Cost				
At 1st January	**12,012**	12,012	**21,506**	21,506
Transfer to property, plant and equipment (note 6)	**(6,819)**	–	**–**	–
At 31st December	**5,193**	12,012	**21,506**	21,506
Accumulated depreciation				
At 1st January	**583**	479	**2,412**	1,982
Charge for the year	**104**	104	**430**	430
At 31st December	**687**	583	**2,842**	2,412
Net book amount				
At 31st December	**4,506**	11,429	**18,664**	19,094

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$7,960,000 (2008 restated: HK$14,869,000) and HK$32,800,000 (2008: HK$33,190,000) 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$14,158,000 (2008: HK$14,484,000) (fair value of HK$24,840,000 (2008: HK$25,140,000)) were leased to its subsidiaries. These investment properties were classified as buildings on land in the financial statements of the Group.

8 Leasehold Land And Land Use Rights

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Hong Kong				
Leases of over 50 years	**26,286**	26,316	**26,286**	26,316
Leases of between 10 to 50 years	**164,630**	169,037	**–**	–
	190,916	195,353	**26,286**	26,316
Mainland China				
Leases of between 10 to 50 years	**210,570**	148,083	**–**	–
	401,486	343,436	**26,286**	26,316
At 1st January	**343,436**	328,756	**26,316**	26,346
Exchange differences	**334**	7,248	**–**	–
Additions	**5,163**	11,465	**–**	–
Acquisition of a subsidiary (note 35(b))	**61,510**	3,456	**–**	–
Amortisation	**(8,957)**	(7,489)	**(30)**	(30)
At 31 December	**401,486**	343,436	**26,286**	26,316

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

Land use right with net book value amounting to HK$44,293,000 (2008: nil) has been pledged for the bank loans of the Group.

9 Intangible Assets - Goodwill

	Group	
	2009 HK$'000	2008 HK$'000
At 1st January	**18,438**	17,484
Acquisition of a subsidiary (note 35(b))	**12,752**	–
Exchange differences	**–**	954
At 31st December	**31,190**	18,438

Goodwill arose from the acquisition of Chu Kong Cargo Terminals (Gaoming) Co., Ltd. and Zhaoqing New Port Co., Ltd. in 2004 and 2009 respectively.

9 Intangible Assets - 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 2009 which are extrapolated using the key assumptions stated below.

Chu Kong Cargo Terminals (Gaoming) Co., Ltd.

	2009	2008
Growth rates		
– Year 2009	**–**	(3%)
– Year 2010	**18%**	3%
– Years 2011 to 2015	**2%**	10%
– After year 2015	**2%**	3%
Gross margin	**40%**	55%
Discount rate	**10%**	10.5%

Zhaoqing New Port Co., Ltd.

	2009	2008
Growth rates		
– Year 2010	**54%**	N/A
– Year 2011	**40%**	N/A
– Years 2012 to 2015	**20%-35%**	N/A
– After year 2015	**5%**	N/A
Gross margin	**43%**	N/A
Discount rate	**10%**	N/A

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 income tax and reflects related specific risks.

10 Subsidiaries

	Company	
	2009 HK$'000	2008 HK$'000
Unlisted investments, at cost	**610,260**	457,399
Less: Provision for impairment	**(106,500)**	(58,500)
	503,760	398,899

10 Subsidiaries (Continued)

(a) Details Of The Principal Subsidiaries As At 31st December 2009 Are As Follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2009	2008 (Restated)
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 (Guangdong) International Freight Forwarding Co., Ltd.	PRC	Shipping agency and freight forwarding agency	RMB22,660,000	75%@	75%@
Chu Kong Godown Wharf & Transportation Company Limited	Hong Kong	Godown and wharf operations in Hong Kong	100 ordinary shares of HK$1 each	100%	100%
			1,000,000 deferred shares of HK$1 each (note (b))	100%	100%
Chu Kong Infrastructure Investment Limited	British Virgin Islands	Investment holding in the PRC	2 ordinary shares of US$1 each	100%	100%
Chu Kong River Trade Terminal Co., Ltd.	British Virgin Islands	Investment holding in the PRC	2 ordinary shares of US$1 each	100%	100%
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transshipment 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 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%

10 Subsidiaries (Continued)

(a) Details Of The Principal Subsidiaries As At 31st December 2009 Are As Follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2009	2008 (Restated)
Direct subsidiaries (Continued)					
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	RMB50,000,000	80%	80%
Chu Kong Infrastructure Investment (Hong Kong) Limited	Hong Kong	Investment holding	1 ordinary share of HK$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%	100%
Zhaoqing New Port Co., Ltd.	PRC	Cargo handling and transportation in the PRC	RMB101,288,600	56.46%	–
Zhaoqing (Sihui) Chu Kong Logistics Co., Ltd.	PRC	Cargo handling and transportation in the PRC	US$4,000,000	100%	–

10 Subsidiaries (Continued)

(a) Details Of The Principal Subsidiaries As At 31st December 2009 Are As Follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2009	Interest held 2008 (Restated)
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%	100%
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.	PRC	Freight forwarding agency	US$1,000,000	87.25%	87.25%
Chu Kong (Guangdong) International Shipping Agency Co., Ltd.	PRC	Shipping agency in the PRC	RMB3,000,000	67.5%	67.5%

@ The Group holds 100% voting right in the subsidiary with effect from 1st January 2009.

10 Subsidiaries (Continued)

(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., Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd., Chu Kong (Guangdong) International Freight Forwarding Co., Ltd., Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd. and Zhaoqing New Port 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., Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd., Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. and Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. are wholly foreign owned enterprises established in the PRC. Chu Kong (Guangdong) International Shipping Agency Co., Ltd. is an equity joint venture established in the PRC. Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd. is a wholly owned enterprise established in PRC. All other subsidiaries are limited liability companies.

11 Jointly Controlled Entities

	Group		Company	
	2009 HK$'000	2008 HK$'000 (Restated)	**2009 HK$'000**	2008 HK$'000
Unlisted investments, at cost	**–**	–	**52,493**	32,666
Share of net assets	**317,735**	303,927	**–**	–
Goodwill	**28,566**	22,026	**–**	–
	346,301	325,953	**52,493**	32,666
Loan to a jointly controlled entity (note (c))	**9,945**	15,550	**9,945**	15,550

11 Jointly Controlled Entities (Continued)

(a) Details Of The Principal Jointly Controlled Entities As At 31st December 2009 Are As Follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing	
			2009	2008
Direct jointly controlled entities				
Shenzhen Yantian Port Chu Kong Logistics Co., Ltd.	PRC	Container transportation and repairs	40%	40%
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	47.5%##	25%
Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.	PRC	Cargo and passenger transportation	40%/43%/40%	40%/43%/40%
Guangdong Zhu Chuan Navigation Co., Ltd.	PRC	Cargo transportation	49%/40%/49%	49%/40%/49%

11 Jointly controlled entities (Continued)

(a) Details Of The Principal Jointly Controlled Entities As At 31st December 2009 Are As Follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing 2009	2008
Indirect jointly controlled entities (Continued)				
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%
Zhaoqing City Declaration Co., Ltd. #	PRC	Custom declaration services	40%	40%

\# The English names of these companies are the translation of the Chinese names.

\## In 2009, the Group acquired additional 22.5% equity interest in this company (note 34(c)).

(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.

11 Jointly Controlled Entities (Continued)

(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:

	2009 HK$'000	2008 HK$'000 (Restated)
Results for the year:		
Revenue	**240,286**	251,639
Operating expenses	**(180,584)**	(176,535)
Profit before income tax	**59,702**	75,104
Income tax expense	**(12,907)**	(12,799)
Profit for the year	**46,795**	62,305
Assets		
Non-current assets	**469,131**	379,143
Current assets	**179,968**	157,869
	649,099	537,012
Liabilities		
Non-current liabilities	**94,275**	86,391
Current liabilities	**237,089**	146,694
	331,364	233,085
Net assets	**317,735**	303,927

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 2009 and 2008.

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	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
At 1st January	**12,152**	4,905	**469**	502
(Credited)/charged to income statement (note 25)	**(372)**	6,286	**43**	(33)
Transfer to current income tax payables	**(2,893)**	–	**–**	–
Acquisition of a subsidiary (note 35(b))	**15,305**	961	**–**	–
Exchange difference	**26**	–	**–**	–
At 31st December	**24,218**	12,152	**512**	469

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 2009, the Group and the Company have unrecognised tax losses of HK$61,054,000 (2008: HK$36,026,000) and HK$ 27,055,000 (2008: HK$18,351,000) respectively to carry forward. These tax losses have no expiry dates except for the tax losses of HK$33,990,000 (2008: HK$17,675,000) of the Group will expire on various dates through 2012 (2008: 2011).

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

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Deferred income tax assets				
– Tax losses	**(382)**	(420)	**–**	–
– Accelerated tax depreciation	**(117)**	(76)	**–**	–
	(499)	(496)	**–**	–
Deferred income tax liabilities				
– Accelerated tax depreciation	**21,402**	6,148	**512**	469
– Undistributed profits of PRC enterprises	**3,315**	6,500	**–**	–
	24,717	12,648	**512**	469
	24,218	12,152	**512**	469

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	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Deferred income tax assets:				
To be recovered after more than 12 months	**(166)**	(135)	**–**	–
To be recovered within 12 months	**(106)**	(201)	**–**	–
	(272)	(336)	**–**	–
Deferred income tax liabilities:				
To be settled after more than 12 months	**21,872**	11,977	**512**	469
To be settled within 12 months	**2,618**	511	**–**	–
	24,490	12,488	**512**	469
	24,218	12,152	**512**	469

13 Trade And Other Receivables And Loans To Jointly Controlled Entities

	Group		Company	
	2009 HK$'000	2008 HK$'000 (Restated)	**2009 HK$'000**	2008 HK$'000
Trade receivables (note (a)):				
– third parties	**111,531**	101,388	**–**	–
– fellow subsidiaries	**–**	666	**–**	–
– jointly controlled entities	**737**	2,245	**–**	–
– other related companies	**768**	150	**–**	–
	113,036	104,449	**–**	–
Other receivables (note (b)):				
– third parties	**–**	–	**803**	803
– immediate holding company	**2,146**	2,424	**–**	–
– subsidiaries	**–**	–	**378,028**	406,053
– jointly controlled entities	**10,746**	7,349	**129**	–
– other related companies	**152**	1,530	**–**	–
	13,044	11,303	**378,960**	406,856
Deposits and prepayments (note (c))	**161,039**	90,080	**90,729**	30,329
Total trade and other receivables	**287,119**	205,832	**469,689**	437,185
Loans to jointly controlled entities (note (d))	**28,596**	24,055	**8,579**	1,620

13 Trade And Other Receivables And Loans To Jointly Controlled Entities (Continued)

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

	Group	
	2009	2008
	HK$'000	HK$'000
		(Restated)
Within 3 months	**112,312**	102,656
4 to 6 months	**540**	1,169
7 to 12 months	**9**	167
Over 12 months	**4,249**	4,306
	117,110	108,298
Less: Provision for impairment	**(4,074)**	(3,849)
	113,036	104,449

Trade receivables that are less than three months past due are not considered impaired. As of 31st December 2009, trade receivables of HK$724,000 (2008 restated: HK$1,793,000) were past due but not impaired. Fully performing receivables and balances that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of past due but not impaired trade receivables is as follows:

	2009	2008
	HK$'000	HK$'000
		(Restated)
Up to 3 months	**540**	1,169
4 to 6 months	**9**	167
Over 6 months	**175**	457
	724	1,793

13 Trade And Other Receivables And Loans To Jointly Controlled Entities (Continued)

(a) As of 31st December 2009, trade receivables of HK$4,074,000 (2008: HK$3,849,000) were impaired and have been fully provided for. 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:

	2009 HK$'000	2008 HK$'000
7 to 12 months	1	31
Over 12 months	4,073	3,818
	4,074	3,849

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

	2009 HK$'000	2008 HK$'000
At 1st January	3,849	4,059
Provision/(write-back of provision for) impairment (note 21)	321	(210)
Written off during the year as uncollectible	(96)	–
At 31st December	4,074	3,849

The creation and release of provision for impaired receivables have been included in "other (losses)/gains - net" in the consolidated income statement (note 21). 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.

(b) The other receivables due from related parties are interest free, unsecured and are repayable on demand.

(c) Deposits and prepayments included the prepayment for purchase of land use right in the PRC amounting to HK$34,000,000 (2008: HK$31,900,000), prepayment for purchase of property, plant and equipment of HK$87,764,000 (2008: HK$Nil). At 31st December 2008, the balance also included an instalment paid in respect of the acquisition of a subsidiary amounting to HK$27,000,000. The remaining commitments in respect of these transactions were included in note 32(a).

13 Trade And Other Receivables And Loans To Jointly Controlled Entities (Continued)

(d) Loans to jointly controlled entities of the Group and Company are repayable on demand. Loans of the Group aggregating HK$13,629,000 (2008 restated: HK$16,057,000) bear interest at the floating rate announced by the People's Bank of China (2008: floating rate announced by the People's Bank of China), of which HK$4,543,000 (2008: HK$5,670,000) is secured by property, plant and equipment of a jointly controlled entity. The remaining loans to jointly controlled entities of the Group and the Company are unsecured and interest free. Loans to jointly controlled entities are mainly denominated in Renminbi.

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

	Group		Company	
	2009 HK$'000	2008 HK$'000 (Restated)	**2009 HK$'000**	2008 HK$'000
Hong Kong dollar	**205,600**	135,273	**204,932**	148,438
Renminbi	**81,519**	70,559	**127,235**	288,747
United States dollar	**–**	–	**137,522**	–
	287,119	205,832	**469,689**	437,185

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

14 Derivative Financial Instruments

	Group	
	2009 HK$'000	2008 HK$'000
Forward foreign exchange contracts	**–**	1,536

The aggregate notional principal amount of the forward foreign exchange contracts at 31st December 2008 was US$3,747,895. The terms of the forward foreign exchange contracts were from 3rd April 2008 to 29th June 2009. The forward foreign exchange contracts were entered into by a jointly controlled entity on behalf of a subsidiary of the Group.

No derivative financial instruments existed at 31st December 2009.

15 Cash And Bank Balances

	Group		Company	
	2009 HK$'000	2008 HK$'000 (Restated)	**2009 HK$'000**	2008 HK$'000
Cash at bank and in hand	**228,899**	271,939	**9,993**	9,856
Short-term bank deposits	**356,494**	478,440	**293,530**	355,593
	585,393	750,379	**303,523**	365,449

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

	Group		Company	
	2009 HK$'000	2008 HK$'000 (Restated)	**2009 HK$'000**	2008 HK$'000
Hong Kong dollar	**347,650**	317,457	**290,546**	251,092
Renminbi	**143,789**	282,518	**158**	7,159
United States dollar	**93,943**	150,404	**12,819**	107,198
Euro	**11**	–	**–**	–
	585,393	750,379	**303,523**	365,449

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

16 Share Capital

	2009 HK$'000	2008 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
900,000,000 ordinary shares of HK$0.10 each	**90,000**	90,000

16 Share Capital (Continued)

Share Option Schemes

The Company operates share option scheme 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 scheme include any full-time employees (including executive directors) in the service of the Group.

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) the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of the share options; (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

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 2009	787,762	93,126	23,009	895	28,817	722,295	1,655,904
Profit for the year	–	–	–	–	–	75,831	75,831
Currency translation differences							
– subsidiaries	–	1,326	–	–	–	–	1,326
– jointly controlled entities	–	464	–	–	–	–	464
Transfer of reserves	–	–	–	–	1,683	(1,683)	–
2008 final dividend	–	–	–	–	–	(27,000)	(27,000)
2009 interim dividend	–	–	–	–	–	(4,500)	(4,500)
At 31st December 2009	787,762	94,916	23,009	895	30,500	764,943	1,702,025
Representing:							
Others							1,675,025
2009 final dividend proposed							27,000
							1,702,025
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 (restated)	–	16,659	–	–	–	–	16,659
– jointly controlled entities (restated)	–	16,285	–	–	–	–	16,285
Acquisition of a subsidiary (note 35 (b))	–	–	1,779	–	–	–	1,779
Transfer of reserves	–	–	–	–	4,106	(4,106)	–
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

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

17 Reserves (Continued)

Company

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2009	787,762	61,576	849,338
Profit for the year	–	36,963	36,963
2008 final dividend	–	(27,000)	(27,000)
2009 interim dividend	–	(4,500)	(4,500)
At 31st December 2009	787,762	67,039	854,801
Representing:			
Others			827,801
2009 final dividend proposed			27,000
			854,801
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

18 Trade And Other Payables And Loan From A Jointly Controlled Entity

	Group		Company	
	2009 HK$'000	2008 HK$'000 (Restated)	**2009 HK$'000**	2008 HK$'000
Trade payables (notes (a) and (c)):				
– third parties	**157,022**	140,413	**–**	–
– immediate holding company	**1,369**	1,250	**–**	–
– fellow subsidiaries	**12,821**	10,954	**–**	–
– jointly controlled entities	**21,682**	17,996	**–**	–
– other related companies	**–**	3	**–**	–
	192,894	170,616	**–**	–
Other payables (note (c)):				
– third parties	**168**	–	**168**	–
– immediate holding company	**541**	224	**533**	–
– fellow subsidiaries	**8,609**	5,907	**–**	–
– subsidiaries	**–**	–	**421,478**	350,584
– jointly controlled entities	**4,804**	8,351	**–**	43
– other related companies	**374**	60	**–**	–
– key management	**2,563**	1,513	**2,563**	1,513
	17,059	16,055	**424,742**	352,140
Accruals	**115,271**	82,825	**5,902**	8,608
	325,224	269,496	**430,644**	360,748
Loan from a jointly controlled entity	**22,704**	–	**22,704**	–

18 Trade And Other Payables And Loan From A Jointly Controlled Entity (Continued)

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

	Group	
	2009 HK$'000	2008 HK$'000 (Restated)
Within 3 months	**154,173**	141,046
4 to 6 months	**31,778**	28,354
7 to 12 months	**5,630**	173
Over 12 months	**1,313**	1,043
	192,894	170,616

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

	Group		Company	
	2009 HK$'000	2008 HK$'000 (Restated)	**2009 HK$'000**	2008 HK$'000
Hong Kong dollar	**189,369**	168,305	**430,617**	360,605
Renminbi	**132,931**	83,516	**27**	143
United States dollar	**2,924**	17,675	**–**	–
	325,224	269,496	**430,644**	360,748

(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 are repayable on demand.

(d) Loan from a jointly controlled entity of the Group and Company is unsecured, interest bearing at 2.25% per annum, repayable on demand and is denominated in Renminbi.

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

19 Borrowings - Secured

	Group	
	2009 **HK$'000**	2008 HK$'000
Secured, long term bank loans - not wholly repayable within five years	**44,293**	–
Amount due within one year included in current liabilities	**(3,407)**	–
Fair value	**40,886**	–

The maturity of the bank loans are as follows:

	2009 **HK$'000**	2008 HK$'000
Within one year	**3,407**	–
Between one and two years	**6,814**	–
Between two and five years	**–**	–
More than five years	**34,072**	–
	44,293	–

The bank loans are secured by certain land use rights of the Group (note 8). The bank loan of RMB30,000,000 bears interest at the floating rate announced by the People's Bank of China and the remaining loan of RMB9,000,000 bears interest at 1.55 times the floating rate announced by the People's Bank of China. The bank loans are denominated in Renminbi.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	2009 **HK$'000**	2008 HK$'000
Six months or less	**34,072**	–
Six months to one year	**10,221**	–
	44,293	–

20 Other Income

	2009 HK$'000	2008 HK$'000 (Restated)
Property rental income	**6,962**	6,962
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary (note 35(b))	**–**	172
Others	**2,605**	3,119
	9,567	10,253

21 Other (Losses)/gains - Net

	2009 HK$'000	2008 HK$'000 (Restated)
Exchange (losses)/gains, net	**(305)**	21,621
Gain on disposal of property, plant and equipment	**283**	216
(Provision)/write-back of provision for impairment of trade receivables, net (note 13)	**(321)**	210
Fair value gain on derivative financial instruments	**–**	1,536
Others	**313**	190
	(30)	23,773

22 Costs And Expenses By Nature

	2009 HK$'000	2008 HK$'000 (Restated)
Amortisation of leasehold land and land use rights	**8,957**	7,489
Auditor's remuneration		
– audit services	**1,607**	1,843
– non-audit services	**593**	679
Costs of cargo transportation, handling, storage, container hauling and trucking	**492,477**	631,920
Depreciation of property, plant and equipment	**26,458**	20,722
Depreciation of investment properties	**104**	104
Operating lease rental expenses		
– vessels and barges	**86,335**	91,513
– buildings	**6,577**	7,165
– containers	**–**	544
Staff costs (including directors' emoluments) (note 29)	**137,087**	121,953
Others	**38,591**	44,405
Total cost of services rendered and general and administrative expenses	**798,786**	928,337

23 Finance Income And Cost

	2009 HK$'000	2008 HK$'000 (Restated)
Finance income		
Interest income on short-term bank deposits and bank balances	**8,409**	13,920
Interest income on loans to jointly controlled entities	**706**	1,175
	9,115	15,095
Finance cost		
Interest expense on bank loans not wholly repayable within five years	**(2,801)**	–
Interest expense on loan from a jointly controlled entity	**(363)**	
Less: amounts capitalised on qualifying assets	**2,103**	–
Total interest expense	**(1,061)**	–

24 Share Of Profits Less Losses Of Jointly Controlled Entities

	2009 HK$'000	2008 HK$'000 (Restated)
Share of profits less losses before income tax	**59,702**	75,104
Share of income tax	**(12,907)**	(12,799)
	46,795	62,305

25 Income Tax Expense

	2009 HK$'000	2008 HK$'000 (Restated)
Current income tax		
– Hong Kong profits tax	**4,569**	7,314
– PRC corporate income tax	**5,633**	1,685
– Over provision in prior years	**(740)**	(43)
Deferred income tax (note 12)	**(372)**	6,286
	9,090	15,242

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. PRC corporate 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 20% to 25% (2008: 18% to 25%).

Share of income 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 24).

25 Income Tax Expense (Continued)

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:

	2009 HK$'000	2008 HK$'000 (Restated)
Profit before share of profits less losses of jointly controlled entities and income tax expense	34,619	69,476
Calculated at a tax rate of 16.5% (2008: 16.5%)	5,712	11,463
Effect of different tax rates applicable to the subsidiaries in the PRC	–	47
Income not subject to income tax	(61,083)	(88,522)
Expenses not deductible for income tax purposes	59,825	83,278
Tax losses not recognised	5,417	2,559
Over provision in prior years	(740)	(43)
Effect of change in tax rate on deferred income tax	–	(280)
Utilisation of previously unrecognised tax loss	(113)	–
Withholding income tax on undistributed profits of PRC enterprises	(195)	6,500
Others	267	240
Income tax expense	9,090	15,242

26 Profit Attributable To Equity Holders Of The Company

The profit attributable to equity holders of the Company includes a profit of HK$36,963,000 (2008: loss of HK$36,440,000) which is dealt with in the financial statements of the Company.

27 Dividends

	2009 HK$'000	2008 HK$'000
Interim, paid, of HK0.5 cents (2008: HK2 cents) per ordinary share	4,500	18,000
Final, proposed, of HK3 cents (2008: HK3 cents) per ordinary share	27,000	27,000
	31,500	45,000

The dividends paid during the years ended 31st December 2009 and 2008 were HK$31,500,000 (HK3.5 cents per share) and HK$54,000,000 (HK5 cents per share) respectively.

On 10th March 2010, 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 2010.

28 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.

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**75,831**	116,632
Weighted average number of ordinary shares in issue ('000)	**900,000**	900,000
Basic earnings per share (HK cents)	**8.43**	12.96

The diluted earnings per share for the years ended 31st December 2009 and 2008 equal to the basic earnings per share as there are no potential dilutive ordinary shares in issue during both years.

29 Employee Benefit Expenses (Including Directors' Emoluments)

	2009 HK$'000	2008 HK$'000 (Restated)
Salaries and allowances	**130,137**	115,726
Retirement benefit costs - defined contribution plans (note)	**6,950**	6,227
	137,087	121,953

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 totaling HK$568,000 (2008: HK$562,000) were payable to the defined contribution plans as at 31st December 2009.

30 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	Salaries	Discretionary bonuses	Other benefits (note a)	Employer's contributions to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009						
Mr. Hua Honglin	**300**	**–**	**–**	**–**	**–**	**300**
Mr. Yang Bangming	**250**	**304**	**695**	**96**	**12**	**1,357**
Mr. Zhang Daowu	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Huang Shuping	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Chan Kay-cheung	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Choi Kim-Lui	**100**	**–**	**–**	**–**	**–**	**100**
Ms. Yau Lai Man	**100**	**–**	**–**	**–**	**–**	**100**
	1,500	**304**	**695**	**96**	**12**	**2,607**
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

[a] Other benefits include leave pay and staff quarter provided.

[b] Appointed on 14th October 2008.

[c] Resigned on 14th October 2008.

30 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 one (2008: three) Directors whose emoluments are shown above. The emoluments to the remaining four (2008: two) highest paid individuals during the year are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**966**	603
Bonuses	**2,005**	1,060
Retirement benefit costs - defined contribution plans	**46**	23
	3,017	1,686

During the year, the emoluments of four (2008: two) highest paid 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 31st December 2009 and 2008.

31 Note To Consolidated Cash Flow Statement

Reconciliation of operating profit to cash generated from operations

	2009 HK$'000	2008 HK$'000 (Restated)
Operating profit	**26,573**	54,381
Amortisation of leasehold land and land use rights	**8,957**	7,489
Depreciation	**26,562**	20,826
Exchange loss/(gain), net	**305**	(21,621)
Gain on disposal of property, plant and equipment	**(283)**	(216)
Provision/(write-back of provision) for impairment of trade receivables, net	**321**	(210)
Fair value gain from derivative financial instruments	**–**	(1,536)
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary (note 35(b))	**–**	(172)
Operating profit before working capital changes	**62,435**	58,941
(Increase)/decrease in trade and other receivables	**(5,049)**	62,669
Increase/(decrease) in trade and other payables	**19,753**	(30,934)
Cash generated from operations	**77,139**	90,676

32 Commitments

(a) Capital Commitments

	Group		Company	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Contracted but not provided for				
– Investment in a subsidiary	**–**	–	**–**	64,134
– Investment in a jointly controlled entity [i]	**92,277**	–	**92,277**	–
– Land use right	**53,151**	55,335	**–**	–
– Property, plant and equipment	**69,888**	70,520	**861**	2,490
	215,316	125,855	**93,138**	66,624
Authorised but not contracted for				
– Property, plant and equipment	**7,234**	4,892	**–**	–
	222,550	130,747	**93,138**	66,624

[i] The balance represents the outstanding investment in Guangzhou Nansha Chu Kong Terminal Company Limited.

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

	2009 **HK$'000**	2008 HK$'000
Contracted but not provided for	**23,726**	56,790
Authorised but not contracted for	**1,953**	4,037
	25,679	60,827

32 Commitments (Continued)

(b) Commitments Under Operating Leases

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

	Group		Company	
	2009 HK$'000	2008 HK$'000 (Restated)	**2009 HK$'000**	2008 HK$'000
Land and buildings:				
Not later than one year	**6,866**	5,695	**258**	58
Later than one year and not later than five years	**11,655**	980	**192**	58
	18,521	6,675	**450**	116
Vessels and barges:				
Not later than one year	**5,563**	7,640	**–**	–
	24,084	14,315	**450**	116

33 Future Operating Lease Arrangements

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

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Land and buildings:				
Not later than one year	**11,117**	8,723	**936**	936
Later than one year and not later than five years	**5,920**	3,300	**–**	–
	17,037	12,023	**936**	936

34 Related Party Transactions

The directors of the Group regard Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") as the immediate holding company, which owns 68.7% (2008: 68.6%) 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. GPNHCL itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include GPNHCL and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, 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 years 2009 and 2008, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the underlying agreements, based on market prices or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in the Consolidated Financial Statements, the following is a summary of the significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

34 Related Party Transactions (Continued)

(a) Significant Transactions With Immediate Holding Company, Fellow Subsidiaries And Related Companies:

	Note	2009 HK$'000	2008 HK$'000 (Restated)
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income			
– fellow subsidiaries	(i)	2,677	2,471
– jointly controlled entities	(iii)	12,709	1,007
– other related companies	(ii)	1,384	1,083
Vessel rental income	(ii)		
– a fellow subsidiary		592	–
– a related company		2,025	765
Office rental income	(ii)		
– a fellow subsidiary		937	937
Loan interest income			
– jointly controlled entities	(v)	706	1,175
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(ii)		
– fellow subsidiaries		(13,787)	(12,366)
– jointly controlled entities		(9,604)	(12,969)
– related companies		(12,682)	(11,105)
Wharf cargo handling, cargo transportation and godown storage expenses			
– a fellow subsidiary	(ii)	(11,869)	(12,144)
– jointly controlled entities	(i)	(40,734)	(45,763)
– a related company	(ii)	(89)	(28)
Fuel charges	(iii)		
– a fellow subsidiary		(39,557)	(60,649)
Vessel rental expenses	(ii)		
– jointly controlled entities		(25,347)	(20,483)
Warehouse rental expenses	(iv)		
– immediate holding company		(5,000)	(5,000)
Office rental expenses	(ii)		
– immediate holding company		(386)	(386)
Staff quarter rental expenses	(iii)		
– immediate holding company		(1,157)	(1,808)
Loan interest expenses	(vi)		
– a jointly controlled entity		(363)	–

34 Related Party Transactions (Continued)

(a) Significant Transactions With Immediate Holding Company, Fellow Subsidiaries And Related Companies: (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 2009 (2008: HK$5,000,000).

(v) Loan interest was charged to jointly controlled entities at rates announced by the People's Bank of China (2008: rates announced by the People's Bank of China).

(vi) Loan interest was charged by a jointly controlled entity at 2.25% per annum pursuant to the agreement as entered into between the Group and the jointly controlled entity.

(vii) During the year, the Company and the immediate holding company have interchanged the use of certain owned floors of Chu Kong Shipping Tower without any income or charges for such interchanging arrangement (2008: nil).

(b) During the year, a jointly controlled entity of the Group received service income of HK$81,000 (2008: HK$1,850,000) from a fellow subsidiary of the Group in relation to the provision of shipping agency, river trade cargo direct shipment and trans-shipment services. The transactions were conducted at terms pursuant to agreements entered into between the jointly controlled entity and the fellow subsidiary.

(c) In July 2009, the Group acquired 22.5% additional equity interest in Foshan Nankong Terminal Co., Ltd. ("Foshan Nankong"), a then 25% owned jointly controlled entity of the Group, from GPNHCL at a consideration of approximately HK$36 million with reference to a professional valuation. Upon completion, the Group's interest in Foshan Nankong was increased to 47.5%.

(d) Key Management Compensation

	2009 HK$'000	2008 HK$'000
Salaries and allowances	**4,796**	4,968
Directors' fees	**1,500**	1,314
Retirement benefit scheme contributions	**70**	63
	6,366	6,345

34 Related Party Transactions (Continued)

(e) Loans To Jointly Controlled Entities

	2009 HK$'000	2008 HK$'000 (Restated)
At 1st January	**39,605**	61,518
Exchange differences	**35**	1,586
Loans advanced	**7,445**	–
Loans repayments received	**(8,544)**	(18,410)
Reclassification to amounts due from subsidiaries	**–**	(5,089)
At 31st December	**38,541**	39,605
Analysed into:		
Current (included in trade and other receivables)	**28,596**	24,055
Non-current (included in jointly controlled entities)	**9,945**	15,550
	38,541	39,605

35 Business Combinations

(a) Business Combination Under Common Control

The following is a reconciliation of the effect arising from common control combinations of the Transferred Subsidiaries on the Group's results for the year ended 31st December 2008 and the Group's consolidated balance sheet as at 31st December 2008 pursuant to AG5 (note 2(a)(ii)):

	As previously reported HK$'000	**Transferred subsidiaries** HK$'000		**Adjustments** HK$'000	**As restated** HK$'000
Year ended 31st December 2008					
Revenue	943,325	30,203	(i)	(24,836)	948,692
Profit before income tax	131,324	1,302	(iii)	(845)	131,781
Income tax expense	(14,934)	(308)		–	(15,242)
Profit for the year	116,390	994		(845)	116,539
As at 31st December 2008					
ASSETS					
Non-current assets	1,083,577	12,253	(iii)	(26,636)	1,069,194
Current assets	914,029	154,230	(iv)	(86,457)	981,802
Total assets	1,997,606	166,483		(113,093)	2,050,996
EQUITY					
Share capital	90,000	21,651	(ii),(iii)	(21,651)	90,000
Reserves	1,628,904	8,938	(ii),(iii)	(8,938)	1,628,904
Final dividend proposed	27,000	–		–	27,000
	1,745,904	30,589		(30,589)	1,745,904
Minority interests	9,615	4,087	(ii),(iii)	3,953	17,655
Total equity	1,755,519	34,676		(26,636)	1,763,559
LIABILITIES					
Non-current liabilities	12,488	–		–	12,488
Current liabilities	229,599	131,807	(iv)	(86,457)	274,949
Total liabilities	242,087	131,807		(86,457)	287,437
Total equity and liabilities	1,997,606	166,483		(113,093)	2,050,996

35 Business Combinations (Continued)

(a) Business Combination Under Common Control (Continued)

Since the common control combination of the Transferred Subsidiaries was effective on 1st January 2009, no adjustment for common control combination is required for the consolidated balance sheet as at 31st December 2009 and the Group's results for the year ended 31st December 2009.

Notes:

(i) Adjustments to eliminate the inter-group transactions for the year ended 31st December 2008.

(ii) Adjustments to eliminate the investment costs and share capitals of the Transferred Subsidiaries against reserves and minority interests.

(iii) Transferred Subsidiaries were previously classified as jointly controlled entities by the Group. Adjustments were made to reclassify and account for Transferred Subsidiaries as subsidiaries.

(iv) Adjustments to eliminate the intra-group balances as at 31st December 2008.

No other significant adjustments were made to the net assets and net profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

This is a major non-cash transaction during the year.

(b) Acquisition

(i) Acquisition In 2009

On 26th March 2009, the Group acquired 56.46% equity interest in Zhaoqing New Port Co., Ltd., a cargo handling and transportation company operating in the PRC, at a cash consideration of HK$91,993,000. There is no contingent consideration payable.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– cash paid in year 2009	64,993
– prepaid consideration in year 2008	27,000
	91,993
Fair value of net assets acquired shown as below	(79,241)
Goodwill arising on acquisition recognised as intangible asset (note 9)	12,752

The goodwill is attributable to the anticipated profitability of the business acquired, which operates in the cargo handling and storage segment.

35 Business Combinations (Continued)

(b) Acquisition (Continued)

(i) Acquisition In 2009 (Continued)

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	143,781	161,110
Land use rights	17,620	61,510
Trade and other receivables	1,966	1,966
Inventories	631	631
Cash and bank balances	3,327	3,327
Trade and other payables	(38,874)	(38,874)
Secured bank loan	(34,017)	(34,017)
Deferred income tax liabilities	–	(15,305)
	94,434	140,348
Minority interests		(61,107)
Net assets acquired		79,241

The acquired business contributed revenue of HK$10,200,000 and net loss of HK$10,258,000 to the Group for the period from acquisition to 31st December 2009. If the acquisition had occurred on 1st January 2009, revenue and profit for the year ended 31st December 2009 of the Group would have been increased by HK$12,436,000 and decreased by HK$12,430,000 respectively.

The analysis of net outflow of cash and bank balances in respect of the acquisition is as follows:

	HK$'000
Cash consideration	91,993
Less: prepaid consideration in 2008	(27,000)
	64,993
Cash and bank balances acquired	(3,327)
Net cash outflow on acquisition in 2009	61,666

35 Business Combinations (Continued)

(b) Acquisition (Continued)

(ii) Acquisition In 2008

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 20)		(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

35 Business Combinations (Continued)

(b) Acquisition (Continued)

(ii) Acquisition In 2008 (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.

36 Comparative Figures

The Group has applied merger accounting to account for the purchase of the equity interests in the Transferred Subsidiaries during the period, on the basis that the business combinations had occurred from the beginning of the earliest financial years presented.

The adoption of merger accounting has resulted in changes to the presentation of certain items and comparative figures have been restated accordingly.

Five-Year Financial Summary

Results

	2009 HK$'000	2008 HK$'000 (Restated)	2007 HK$'000	2006 HK$'000	2005 HK$'000
Revenue	**815,814**	948,692	870,711	780,590	625,421
Operating profit	**26,565**	54,381	55,833	46,369	39,932
Finance income	**9,115**	15,095	21,741	9,215	5,669
Finance cost	**(1,061)**	–	–	–	(444)
Net finance income	**8,054**	15,095	21,741	9,215	5,225
Share of profits less losses of jointly controlled entities	**46,795**	62,305	75,654	73,140	51,728
Profit before income tax	**81,414**	131,781	153,228	128,724	96,885
Income tax expense	**(9,090)**	(15,242)	(10,342)	(7,726)	(6,987)
Profit for the year	**72,324**	116,539	142,886	120,998	89,898
Attributable to:					
Equity holders of the Company	**75,831**	116,632	143,080	121,148	90,072
Minority interests	**(3,507)**	(93)	(194)	(150)	(174)
	72,324	116,539	142,886	120,998	89,898
Basic earnings per share (HK cents)	**8.4**	13.0	17.1	16.2	12.0
Dividends (HK$'000)	**31,500**	45,000	54,000	45,000	37,500
Dividend per share (HK cents)	**3.5**	5	6	6	5

Assets And Liabilities

	2009 HK$'000	2008 HK$'000 (Restated)	2007 HK$'000	2006 HK$'000	2005 HK$'000
Non-current assets	**1,388,633**	1,069,194	1,013,499	894,783	818,791
Current assets	**901,108**	981,802	899,179	540,049	482,656
Total assets	**2,289,741**	2,050,996	1,912,678	1,434,832	1,301,447
Non-current liabilities	**65,376**	12,488	5,392	4,594	4,494
Current liabilities	**356,280**	274,949	256,572	216,202	184,187
Total liabilities	**421,656**	287,437	261,964	220,796	188,681
Total equity	**1,868,085**	1,763,559	1,650,714	1,214,036	1,112,766

Notes:

(a) The financial information for the years ended 31st December 2008 and 2009 were extracted from the 2009 Consolidated Financial Statements.

(b) The financial information for the years ended 31st December 2005, 2006 and 2007 were extracted from the Five-Year Financial Summary in 2008 Annual Report and no retrospective adjustments for the common control combination for the year of 2009 were made on the financial information of these three years.

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 **Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong** on 20th May 2010 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 2009.

2. To declare a final dividend for the year ended 31st December 2009.

3. To re-elect Directors 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

(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 5% 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

(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;

Notice Of Annual General Meeting

(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 5% 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
22nd March 2010

Registered Office:
22nd Floor, Chu Kong Shipping Tower,
143 Connaught Road Central,
Hong Kong.

CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED

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

Tel: (852) 2581 3799
Fax: (852) 2851 0389

www.cksd.com